

# Section 1: 10-Q (FORM 10-Q)

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D. C. 20549

## FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: March 31, 2019

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number: 001-34743

"COAL KEEPS YOUR LIGHTS ON"



"COAL KEEPS YOUR LIGHTS ON"

## HALLADOR ENERGY COMPANY

([www.halladorenergy.com](http://www.halladorenergy.com))

Colorado  
(State of incorporation)

84-1014610  
(IRS Employer  
Identification No.)

1660 Lincoln Street, Suite 2700, Denver, Colorado  
(Address of principal executive offices)

80264-2701  
(Zip Code)

Registrant's telephone number: 303.839.5504

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulations S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer   
Non-accelerated filer

Accelerated filer   
Smaller reporting company   
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
Common Shares, \$.01 par value	HNRG	Nasdaq

As of May 3, 2019, we had 30,244,599 shares outstanding.

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**PART I - FINANCIAL INFORMATION**  
**ITEM 1. FINANCIAL STATEMENTS**

Hallador Energy Company  
**Consolidated Balance Sheets**  
(in thousands, except per share data)  
(unaudited)

	March 31, 2019	December 31, 2018
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 8,690	\$ 15,502
Restricted cash (Note 8)	4,657	4,592
Certificates of deposit	488	488
Marketable securities	2,047	1,842
Accounts receivable	15,502	18,428
Prepaid income taxes	1,266	2,606
Inventory	23,181	20,507
Parts and supplies, net of allowance of \$994 and \$1,595, respectively	10,729	9,645
Prepaid expenses	9,667	11,368
Total current assets	<u>76,227</u>	<u>84,978</u>
Property, plant and equipment, at cost:		
Land and mineral rights	131,138	130,897
Buildings and equipment	376,265	365,481
Mine development	142,224	140,990
Total property, plant and equipment, at cost	649,627	637,368
Less - accumulated DD&A	(236,440)	(224,730)
Total property, plant and equipment, net	413,187	412,638
Investment in Sunrise Energy (Note 4)	3,632	3,666
Other assets (Note 5)	14,123	14,217
Total assets	<u>\$ 507,169</u>	<u>\$ 515,499</u>
<b>LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS, AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Current portion of bank debt, net (Note 3)	\$ 27,230	\$ 25,392
Accounts payable and accrued liabilities (Note 6)	29,527	26,421
Total current liabilities	<u>56,757</u>	<u>51,813</u>
Long-term liabilities:		
Bank debt, net (Note 3)	134,348	155,655
Deferred income taxes	26,634	26,441
Asset retirement obligations (ARO)	14,777	14,586
Other	9,526	8,130
Total long-term liabilities	<u>185,285</u>	<u>204,812</u>
Total liabilities	<u>242,042</u>	<u>256,625</u>
Redeemable noncontrolling interests (Note 14)	4,000	4,000
Stockholders' equity:		
Preferred stock, \$.10 par value, 10,000 shares authorized; none issued	-	-
Common stock, \$.01 par value, 100,000 shares authorized; 30,245 outstanding	302	302
Additional paid-in capital	101,236	100,742
Retained earnings	159,589	153,830
Total stockholders' equity	<u>261,127</u>	<u>254,874</u>
Total liabilities, redeemable non-controlling interests, and stockholders' equity	<u>\$ 507,169</u>	<u>\$ 515,499</u>

See accompanying notes.

Hallador Energy Company  
**Consolidated Statements of Comprehensive Income**  
For the Three Months Ended March 31  
(in thousands, except per share data)  
(unaudited)

	<b>2019</b>	<b>2018</b>
<b>Revenue:</b>		
Coal sales	\$ 85,235	\$ 66,787
Other income (Note 7)	4,078	77
Total revenue	<u>89,313</u>	<u>66,864</u>
<b>Costs and expenses:</b>		
Operating costs and expenses	62,419	46,640
DD&A	11,738	10,829
ARO accretion	309	282
Exploration costs	280	217
SG&A	2,984	3,890
Interest <sup>(1)</sup>	4,619	2,708
Total costs and expenses	<u>82,349</u>	<u>64,566</u>
Income before income taxes	<u>6,964</u>	<u>2,298</u>
<b>Income tax expense (benefit)</b>		
Current	(229)	(203)
Deferred	193	369
Total income tax expense (benefit)	<u>(36)</u>	<u>166</u>
Net income	<u>\$ 7,000</u>	<u>\$ 2,132</u>
<b>Net income per share (Note 9):</b>		
Basic and diluted	\$ 0.23	\$ 0.07
<b>Weighted average shares outstanding:</b>		
Basic and diluted	30,245	29,955

(1) Interest expense for the three months ended March 31, 2019 and 2018 includes \$1,013 and \$(158), respectively, for the net change in the estimated fair value of our interest rate swaps.

See accompanying notes.

Hallador Energy Company  
**Condensed Consolidated Statements of Cash Flows**  
For the Three Months Ended March 31,  
(in thousands)  
(unaudited)

	<u>2019</u>	<u>2018</u>
<b>Operating activities:</b>		
Cash provided by operating activities	\$ 20,847	\$ 13,193
<b>Investing activities:</b>		
Capital expenditures	(8,840)	(10,428)
Proceeds from sale of royalty interests in oil properties	2,500	-
Proceeds from sale of Savoy	-	8,000
Cash used in investing activities	<u>(6,340)</u>	<u>(2,428)</u>
<b>Financing activities:</b>		
Payments on bank debt	(20,013)	(16,255)
Bank borrowings	-	5,000
Proceeds from non-controlling interests (Note 14)	-	4,000
Taxes paid on vesting of RSUs	-	(4)
Dividends	(1,241)	(1,236)
Cash used in financing activities	<u>(21,254)</u>	<u>(8,495)</u>
Increase (decrease) in cash, cash equivalents, and restricted cash	(6,747)	2,270
Cash, cash equivalents, and restricted cash, beginning of period	20,094	16,294
Cash, cash equivalents, and restricted cash, end of period	<u>\$ 13,347</u>	<u>\$ 18,564</u>
Cash, cash equivalents, and restricted cash consist of the following:		
Cash and cash equivalents	\$ 8,690	\$ 14,449
Restricted cash	4,657	4,115
	<u>\$ 13,347</u>	<u>\$ 18,564</u>
<b>Non-cash investing activities:</b>		
Capital expenditures included in accounts payable	\$ 3,250	\$ (3,903)
Right-to-use asset due to adoption of ASU 2016-02	426	-

See accompanying notes.

Hallador Energy Company  
**Consolidated Statements of Stockholders' Equity**  
(in thousands)  
(unaudited)

	Shares	Common Stock	Additional Paid-in Capital	Retained Earnings	AOCI*	Total
Balance, December 31, 2017	29,955	\$ 299	\$ 97,873	\$ 150,236	\$ 915	\$ 249,323
Impact from adoption of new accounting standards				915	(915)	
Stock-based compensation	-	-	1,972	-	-	1,972
Stock issued on vesting of RSUs	2	-	-	-	-	-
Taxes paid on vesting of RSUs	(1)	-	(4)			(4)
Dividends	-	-		(1,236)		(1,236)
Net income	-	-		2,132		2,132
Balance, March 31, 2018	<u>29,956</u>	<u>\$ 299</u>	<u>\$ 99,841</u>	<u>\$ 152,047</u>	<u>\$ -</u>	<u>\$ 252,187</u>

	Shares	Common Stock	Additional Paid-in Capital	Retained Earnings	Total
Balance, December 31, 2018	30,245	\$ 302	\$ 100,742	\$ 153,830	\$ 254,874
Stock-based compensation	-	-	494	-	494
Dividends	-	-	-	(1,241)	(1,241)
Net income	-	-	-	7,000	7,000
Balance, March 31, 2019	<u>30,245</u>	<u>\$ 302</u>	<u>\$ 101,236</u>	<u>\$ 159,589</u>	<u>\$ 261,127</u>

\*Accumulated Other Comprehensive Income (Loss)

See accompanying notes.

Hallador Energy Company  
**Notes to Condensed Consolidated Financial Statements**  
(unaudited)

**(1) GENERAL BUSINESS**

The interim financial data is unaudited; however, in our opinion, it includes all adjustments, consisting only of normal recurring adjustments necessary for a fair statement of the results for the interim periods. The condensed consolidated financial statements included herein have been prepared pursuant to the SEC's rules and regulations; accordingly, certain information and footnote disclosures normally included in GAAP financial statements have been condensed or omitted.

The results of operations and cash flows for the three months ended March 31, 2019 are not necessarily indicative of the results to be expected for future quarters or for the year ending December 31, 2019. To maintain consistency and comparability, certain 2018 amounts have been reclassified to conform to the 2019 presentation.

Our organization and business, the accounting policies we follow and other information, are contained in the notes to our condensed consolidated financial statements filed as part of our 2018 Form 10-K. This quarterly report should be read in conjunction with such 10-K.

The condensed consolidated financial statements include the accounts of Hallador Energy Company (hereinafter known as, "we, us, or our") and its wholly-owned subsidiaries Sunrise Coal, LLC (Sunrise) and Hourglass Sands, LLC (Hourglass), and Sunrise's wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated. Sunrise is engaged in the production of steam coal from mines located in western Indiana. Hourglass is in the development stage and is engaged in the production of frac sand in the State of Colorado (see Note 14).

**New Accounting Standards Issued and Adopted**

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842) (ASU 2016-02). ASU 2016-02 increases transparency and comparability among organizations by requiring lessees to record right-to-use assets and corresponding lease liabilities on the balance sheet and disclose key information about lease arrangements. The new guidance classifies leases as either finance or operating, with classification affecting the pattern of income recognition in the statement of income. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, with early adoption permitted. The FASB issued clarifications, updates and implementation guidance to ASU 2016-02, such as ASU 2018-11, Leases (Topic 842) (ASU 2018-11) which provides practical expedients for transition to Topic 842. ASU 2018-11 provides an option to apply the transition provisions of the new standard at its adoption date instead of at the earliest comparative period presented and permits lessors to not separate non-lease components from the associated lease component if certain conditions are met.

We adopted ASU 2016-02 effective January 1, 2019 and elected the option to not restate comparative periods in transition and also elected the practical expedients within the standard which permits us to not reassess our prior conclusions about lease identification, lease classification and initial direct costs. Additionally, the Company made an election to not separate lease and non-lease components for all leases and will not use hindsight. The adoption of the standard had no impact on the Company's consolidated income statement or statement of cash flows. Effective January 1, 2019, we recorded a right-to-use asset and corresponding lease liability of \$0.5 million.

**New Accounting Standards Issued and Not Yet Adopted**

In June 2016, the FASB issued ASU 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASU 2016-13). ASU 2016-13 changes the impairment model for most financial assets and certain other instruments to require the use of a new forward-looking "expected loss" model that generally will result in earlier recognition of allowances for losses. The new standard will require disclosure of significantly more information related to these items. ASU 2016-13 is effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years, with early adoption permitted for the fiscal year beginning after December 15, 2018, including interim periods. We are currently evaluating the effect of adopting ASU 2016-13, but do not anticipate it will have a material impact on our condensed consolidated financial statements.



## (2) ASSET IMPAIRMENT REVIEW

### Bulldog Reserves

In October 2017, we entered into an agreement to sell land associated with the Bulldog Mine for \$4.9 million. As part of the transaction, we hold the rights to repurchase the property for eight years at the original sale price of \$4.9 million plus interest. We are accounting for the sale as a financing transaction with the liability recorded in other long-term liabilities. The Bulldog Mine assets had an aggregate net carrying value of \$15 million at March 31, 2019. Also, in October 2017, the Illinois Department of Natural Resources (ILDNR) notified us that our mine application, along with modifications, was acceptable. In October 2018, we paid the required fee and bond and the permit was issued in April 2019. We have determined that no impairment is necessary. If estimates inherent in the assessment change, it may result in future impairment of the assets.

## (3) BANK DEBT

Our bank debt is comprised of term debt and a \$120 million revolver, both of which mature May 21, 2022. Our debt is recorded at cost which approximates fair value due to the variable interest rates in the agreement and is collateralized primarily by Hallador's assets.

### Liquidity

Our bank debt at March 31, 2019, was \$168 million (term - \$125 million, revolver - \$43 million). As of March 31, 2019, we had additional borrowing capacity of \$77 million and total liquidity of \$88 million.

### Fees

Unamortized bank fees and other costs incurred in connection with the initial facility and a subsequent amendment totaled \$8.8 million as of our most recent amendment in May 2018. These costs were deferred and are being amortized over the term of the loan. Unamortized costs as of March 31, 2019 and December 31, 2018 were \$6.9 million and \$7.4 million, respectively.

Bank debt, less debt issuance costs, is presented below (in thousands):

	March 31, 2019	December 31, 2018
Current bank debt	\$ 29,400	\$ 27,563
Less unamortized debt issuance cost	(2,170)	(2,171)
Net current portion	<u>\$ 27,230</u>	<u>\$ 25,392</u>
Long-term bank debt	\$ 139,050	\$ 160,900
Less unamortized debt issuance cost	(4,702)	(5,245)
Net long-term portion	<u>\$ 134,348</u>	<u>\$ 155,655</u>
Total bank debt	\$ 168,450	\$ 188,463
Less total unamortized debt issuance cost	(6,872)	(7,416)
Net bank debt	<u>\$ 161,578</u>	<u>\$ 181,047</u>

## Covenants

The credit facility includes a Maximum Leverage Ratio (consolidated funded debt / trailing twelve months adjusted EBITDA), calculated as of the end of each fiscal quarter for the trailing twelve months, not to exceed the amounts below:

<u>Fiscal Periods Ending</u>	<u>Ratio</u>
March 31, 2019	3.75 to 1.00
June 30, 2019 and September 30, 2019	3.50 to 1.00
December 31, 2019 through September 30, 2020	3.25 to 1.00
December 31, 2020 through September 30, 2021	3.00 to 1.00
December 31, 2021 and each fiscal quarter thereafter	2.75 to 1.00

As of March 31, 2019, our Leverage Ratio was 2.12, easily within our compliance limit of 3.75.

The credit facility also requires a Minimum Debt Service Coverage Ratio (consolidated adjusted EBITDA / annual debt service) calculated as of the end of each fiscal quarter for the trailing twelve months of 1.25 to 1 through the maturity of the credit facility.

At March 31, 2019, our Debt Service Coverage Ratio was well within compliance at 2.29.

## Rate

The interest rate on the facility ranges from LIBOR plus 3.00% to LIBOR plus 4.50%, depending on our Leverage Ratio. We entered into swap agreements to fix the LIBOR component of the interest rate to achieve an effective fixed rate of ~6% on the original term loan balance and on \$53 million of the revolver. At March 31, 2019, we are paying LIBOR of 2.51% plus 4.00% for a total interest rate of 6.51%.

## **(4) EQUITY METHOD INVESTMENTS**

### Savoy Energy, L.P.

On March 9, 2018, we sold our entire 30.6% partnership interest to Savoy for \$8 million. Our net proceeds were \$7.5 million after commissions paid to a related party, which were applied to our bank debt as required under the agreement. The sale resulted in a loss of \$538,000 for the period ended March 31, 2018.

### Sunrise Energy, LLC

We own a 50% interest in Sunrise Energy, LLC, which owns gas reserves and gathering equipment with plans to develop and operate such reserves. Sunrise Energy also plans to develop and explore for oil, gas and coal-bed methane gas reserves on or near our underground coal reserves. The carrying value of the investment included in our consolidated balance sheets as of March 31, 2019, and December 31, 2018, was \$3.6 million and \$3.7 million, respectively.

## **(5) OTHER ASSETS (in thousands)**

	<u>March 31, 2019</u>	<u>December 31, 2018</u>
Advanced coal royalties	\$ 9,903	\$ 10,186
Marketable equity securities available for sale, at fair value (restricted)*	2,113	1,909
Other	2,107	2,122
Total other assets	<u>\$ 14,123</u>	<u>\$ 14,217</u>

\*Held by Sunrise Indemnity, Inc., our wholly-owned captive insurance company.

**(6) ACCOUNTS PAYABLE AND ACCRUED LIABILITIES (in thousands)**

	March 31, 2019	December 31, 2018
Accounts payable	\$ 7,079	\$ 5,844
Goods received not yet invoiced	6,982	6,095
Accrued property taxes	3,149	2,763
Accrued payroll	2,345	1,825
Workers' compensation reserve	3,872	3,670
Group health insurance	2,400	2,200
Other	3,700	4,024
Total accounts payable and accrued liabilities	<u>\$ 29,527</u>	<u>\$ 26,421</u>

**(7) OTHER INCOME (in thousands)**

	Three Months Ended March 31,	
	2019	2018
Equity loss - Sunrise Energy	\$ (34)	\$ (83)
Loss on disposal of Savoy	-	(538)
MSHA reimbursements	150	503
Gain on sale of royalty interests in oil properties	2,500	-
Miscellaneous	1,462	195
Total other income	<u>\$ 4,078</u>	<u>\$ 77</u>

**(8) SELF-INSURANCE**

We self-insure our underground mining equipment. Such equipment is allocated among ten mining units dispersed over 22 miles. The historical cost of such equipment was approximately \$260 million and \$255 million as of March 31, 2019 and December 31, 2018, respectively.

Restricted cash of \$4.7 million and \$4.6 million as of March 31, 2019 and December 31, 2018, respectively, represents cash held and controlled by a third party and is restricted for future workers' compensation claim payments.

**(9) NET INCOME PER SHARE**

We compute net income per share using the two-class method, which is an allocation formula that determines net income per share for common stock and participating securities, which for us are our outstanding RSUs.

The following table sets forth the computation of net income allocated to common shareholders (in thousands):

	Three Months Ended March 31,	
	2019	2018
Numerator:		
Net income	\$ 7,000	\$ 2,132
Earnings allocated to RSUs	(180)	(50)
Net income allocated to common shareholders	<u>\$ 6,820</u>	<u>\$ 2,082</u>

## (10) INCOME TAXES

For interim period reporting, we record income taxes using an estimated annual effective tax rate based upon projected annual income, forecasted permanent tax differences, discrete items and statutory rates in states in which we operate. Our effective tax rate for the three months ended March 31, 2019 and 2018 was ~0% and ~7%, respectively. Historically, our actual effective tax rates have differed from the statutory effective rate primarily due to the benefit received from statutory percentage depletion in excess of tax basis. The deduction for statutory percentage depletion does not necessarily change proportionately to changes in income before income taxes.

## (11) RESTRICTED STOCK UNITS (RSUs)

Non-vested grants at December 31, 2018	789,250
Granted - share price on grant date was \$5.27	8,000
Vested	-
Forfeited	-
Non-vested grants at March 31, 2019	<u>797,250</u>

No shares vested during the three months ended March 31, 2019.

For the three months ended March 31, 2019, and 2018, our stock-based compensation was \$0.5 million and \$2.0 million, respectively. With the passing of our Chairman, Victor Stabio, on March 7, 2018, the vesting of his 220,000 RSUs accelerated. The value of the accelerated RSUs was \$1.5 million.

Non-vested RSU grants will vest as follows:

Vesting Year	RSUs Vesting
2019	304,750
2020	176,250
2021	316,250
	<u>797,250</u>

The outstanding RSUs have a value of \$4.0 million based on the May 3, 2019, closing stock price of \$5.07.

At March 31, 2019, we had 1,250,466 RSUs available for future issuance.

## (12) REVENUE

Effective January 1, 2018, we adopted ASU 2014-09. The adoption of this standard did not impact the timing of revenue recognition on our consolidated balance sheets or condensed consolidated statements of comprehensive income.

### Revenue from Contracts with Customers

We account for a contract with a customer when the parties have approved the contract and are committed to performing their respective obligations, the rights of each party are identified, payment terms are identified, the contract has commercial substance, and collectability of consideration is probable. We recognize revenue when we satisfy a performance obligation by transferring control of a good or service to a customer.

Our revenue is derived from sales to customers of coal produced at our facilities. Our customers purchase coal directly from our mine sites and our Princeton Loop, where the sale occurs and where title, risk of loss, and control typically pass to the customer at that point. Our customers arrange for and bear the costs of transporting their coal from our mines to their plants or other specified discharge points. Our customers are typically domestic utility companies. Our coal sales agreements with our customers are fixed-priced, fixed-volume supply contracts, or include a predetermined escalation in price for each year. Price re-opener and index provisions may allow either party to commence a renegotiation of the contract price at a pre-determined time. Price re-opener provisions may automatically set a new price based on prevailing market price or, in some instances, require us to negotiate a new price, sometimes within specified ranges of prices. The terms of our coal sales agreements result from competitive bidding and extensive negotiations with customers. Consequently, the terms of these contracts vary by customer.

Coal sales agreements will typically contain coal quality specifications. With coal quality specifications in place, the raw coal sold by us to the customer at the delivery point must be substantially free of magnetic material and other foreign material impurities and crushed to a maximum size as set forth in the respective coal sales agreement. Price adjustments are made and billed in the month the coal sale was recognized based on quality standards that are specified in the coal sales agreement, such as Btu factor, moisture, ash, and sulfur content and can result in either increases or decreases in the value of the coal shipped.

### **Disaggregation of Revenue**

Revenue is disaggregated by primary geographic markets, as we believe this best depicts how the nature, amount, timing, and uncertainty of our revenue and cash flows are affected by economic factors. 72% and 74% of our coal revenue for the three months ended March 31, 2019 and 2018, respectively, was sold to customers in the State of Indiana with the remainder sold to customers in Florida, Georgia, North Carolina, Kentucky, Tennessee, and South Carolina.

### **Performance Obligations**

A performance obligation is a promise in a contract with a customer to provide distinct goods or services. Performance obligations are the unit of account for purposes of applying the revenue recognition standard and therefore determine when and how revenue is recognized. In most of our contracts, the customer contracts with us to provide coal that meets certain quality criteria. We consider each ton of coal a separate performance obligation and allocate the transaction price based on the base price per the contract, increased or decreased for quality adjustments.

We recognize revenue at a point in time as the customer does not have control over the asset at any point during the fulfillment of the contract. For substantially all of our customers, this is supported by the fact that title and risk of loss transfer to the customer upon loading of the truck or railcar at the mine. This is also the point at which physical possession of the coal transfers to the customer, as well as the right to receive substantially all benefits and the risk of loss in ownership of the coal.

We have remaining performance obligations relating to fixed priced contracts of approximately \$756 million, which represent the average fixed prices on our committed contracts as of March 31, 2019. We expect to recognize approximately 65% of this revenue through 2020, with the remainder recognized thereafter. We have remaining performance obligations relating to index priced contracts or contracts with price reopeners of approximately \$330 million, which represents our estimate of the expected re-opener/indexed price on committed contracts as of March 31, 2019. We expect to recognize all of this income beginning in 2020.

The tons used to determine the remaining performance obligations are subject to adjustment in instances of force majeure and exercise of customer options to either take additional tons or reduce tonnage if such option exists in the customer contract.

### **Contract Balances**

Under ASC 606, the timing of when a performance obligation is satisfied can affect the presentation of accounts receivable, contract assets, and contract liabilities. The main distinction between accounts receivable and contract assets is whether consideration is conditional on something other than the passage of time. A receivable is an entity's right to consideration that is unconditional. Under the typical payment terms of our contracts with customers, the customer pays us a base price for the coal, increased or decreased for any quality adjustments. Amounts billed and due are recorded as trade accounts receivable and included in accounts receivable in our consolidated balance sheets. We do not currently have any contracts in place where we would transfer coal in advance of knowing the final price of the coal sold, and thus do not have any contract assets recorded. Contract liabilities arise when consideration is received in advance of performance. This deferred revenue is included in accounts payable and accrued liabilities in our consolidated balance sheets when consideration is received, and revenue is not recognized until the performance obligation is satisfied. We are rarely paid in advance of performance and do not currently have any deferred revenue recorded in our consolidated balance sheets.

### (13) LEASES

We have operating leases for office space and processing facilities with remaining lease terms ranging from less than 1 year to approximately 4 years. As most of the leases do not provide an implicit rate, we calculated the right-of-use assets and lease liabilities using our secured incremental borrowing rate at the lease commencement date. We currently do not have any finance leases outstanding.

Information related to leases was as follows:

	<b>Three Months Ended March 31, 2019</b>	
	<b>(In thousands)</b>	
Operating lease information:		
Operating cash flows from operating leases	\$	79
Weighted average remaining lease term in years		4.26
Weighted average discount rate		6.0%

Future minimum lease payments under non-cancellable leases as of March 31, 2019 were as follows:

<b>Year</b>	<b>Amount</b>	
	<b>(In thousands)</b>	
2019	\$	89
2020		99
2021		103
2022		106
2023		72
Total minimum lease payments	\$	469
Less imputed interest		(43)
Total operating lease liability	\$	426
As reflected on balance sheet:		
Other long-term liabilities	\$	426
Total operating lease liability	\$	426

At March 31, 2019, we had approximately \$426,000 right-of-use operating lease assets recorded within "buildings and equipment" on the Consolidated Balance Sheet.

### (14) HOURGLASS SANDS

In February 2018, we invested \$4 million in Hourglass Sands, LLC (Hourglass), a permitted frac sand mining company in the State of Colorado. We own 100% of the Class A units and are consolidating the activity of Hourglass in these statements. Class A units are entitled to 100% of profit until our capital investment and interest is returned, then 90% of profits are allocated to us with remainder to Class B units. We do not own any Class B units.

In February 2018, a Yorktown company associated with one of our directors also invested \$4 million in Hourglass in return for a royalty interest in Hourglass. This investment coupled with our \$4 million investment brings the initial capitalization of Hourglass to \$8 million. We report the royalty interest as a redeemable noncontrolling interest in the consolidated balance sheets. A representative of the Yorktown company holds a seat on the board of managers, and, with a change of control, the Yorktown company may be entitled to receive a portion of the net proceeds realized, as prescribed in the Hourglass operating agreement.

Below are a condensed Hourglass balance sheet as of March 31, 2019 and December 31, 2018 and a condensed statement of operations for the three months ended March 31, 2019 and 2018. Current assets include cash totaling \$2.3 million and sand inventory totaling \$1.6 million as of March 31, 2019. Current assets include cash totaling \$2.9 million and sand inventory totaling \$1.3 million as of December 31, 2018. Expenses are included in operating costs and expenses, exploration costs, and SG&A in our consolidated statements of comprehensive income.

### Condensed Balance Sheet

	<u>March 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
Current assets	\$ 3,889	\$ 4,241
Property and equipment	3,086	3,092
<b>Total assets</b>	<u>\$ 6,975</u>	<u>\$ 7,333</u>
Total liabilities	\$ 395	\$ 502
Redeemable non-controlling interests	4,000	4,000
Members' equity	2,580	2,831
<b>Total liabilities and equity</b>	<u>\$ 6,975</u>	<u>\$ 7,333</u>

### Condensed Statement of Operations

	<u>Three Months Ended</u> <u>March 31</u>	
	<u>2019</u>	<u>2018</u>
Revenue	\$ 63	\$ -
Expenses	314	136
<b>Net loss</b>	<u>\$ (251)</u>	<u>\$ (136)</u>

#### **(15) SUBSEQUENT EVENTS**

On April 15, 2019, we declared a dividend of \$.04 per share to shareholders of record as of April 30, 2019. The dividend is payable on May 17, 2019.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders  
Hallador Energy Company

### RESULTS OF REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS

We have reviewed the condensed consolidated balance sheet of Hallador Energy Company (the "Company") and subsidiaries as of March 31, 2019, and the related condensed consolidated statements of comprehensive income for the three-month period ended March 31, 2019, the condensed consolidated statement of cash flows for the three-month period ended March 31, 2019, the condensed consolidated statement of stockholders' equity for the three-month period ended March 31, 2019, and the related notes (collectively referred to as the "interim financial statements"). Based on our review, we are not aware of any material modifications that should be made to the interim financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States of America.

### BASIS FOR REVIEW RESULTS

These interim financial statements are the responsibility of the Company's management. We conducted our review in accordance with the standards of the Public Company Oversight Board (United States) ("PCAOB"). We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the PCAOB, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

/s/ Plante & Moran, PLLC

Denver, Colorado  
May 6, 2019



## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders  
Hallador Energy Company

### RESULTS OF REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS

We have reviewed the condensed consolidated balance sheet of Hallador Energy Company (the "Company") and subsidiaries as of March 31, 2018, and the related condensed consolidated statements of comprehensive income, cash flows, and stockholders' equity for the three-month period ended March 31, 2018, and the related notes (collectively referred to as the "interim financial statements"). Based on our review, we are not aware of any material modifications that should be made to the interim financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States of America.

### BASIS FOR REVIEW RESULTS

These interim financial statements are the responsibility of the Company's management. We conducted our review in accordance with the standards of the Public Company Oversight Board (United States) ("PCAOB"). We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the PCAOB, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

/s/ EKS&H LLLP

Denver, Colorado  
May 7, 2018

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### THE FOLLOWING DISCUSSION UPDATES THE MD&A SECTION OF OUR 2018 FORM 10-K AND SHOULD BE READ IN CONJUNCTION THEREWITH.

Our unaudited condensed consolidated financial statements should also be read in conjunction with this discussion. The following analysis includes discussion of metrics on a per ton basis derived from the unaudited condensed consolidated financial statements, which are considered non-GAAP measurements.

#### I. OUR GROWING CUSTOMER BASE HAS LED TO GROWING VOLUMES

- a. Throughout 2018 and 1<sup>st</sup> Quarter 2019, Sunrise grew from 9 customers in 3 states to 17 customers in 8 states. This growth in customers has increased our sales volumes from 6.6 million tons in 2017 to a projected 8.2 million tons in 2019.
- b. Our significant customers include Vectren Corporation, a wholly-owned subsidiary of CenterPoint Energy (NYSE: CNP), Duke Energy Corporation (NYSE: DUK), Hoosier Energy, an electric cooperative, Orlando Utility Commission (OUC), and Indianapolis Power & Light Company (IPL), a wholly-owned subsidiary of The AES Corporation (NYSE: AES).

#### II. CARLISLE'S RAMP UP IS LOWERING OUR COST STRUCTURE

- a. As 28% of our sales volume now flows to the Southeast, the demand for Carlisle coal has increased. Thus, we restarted Carlisle in 3<sup>rd</sup> Quarter 2018 at great expense causing our costs to be elevated in the second half of 2018. However, as a result of adding a second unit of production, Carlisle's production has increased, and costs are coming down nicely. Company-wide cash costs were \$29.24 in 1<sup>st</sup> Quarter 2019 vs. ~\$31/ton in the 2<sup>nd</sup> half of 2018.

#### III. 79% SOLD FOR 4 YEARS = GREAT FREE CASH FLOW VISIBILITY

- a. When looking at 2019 through 2022, we have 25.3 million tons sold. Thus, we have ~79% of our sales contracted over the next four years at an ~8.0 million-ton annualized pace. The table below reflects our projected tons.

Year	Targeted tons (millions)	Contracted tons (millions)*	% Committed	Estimated price per ton
2019	8.2	8.0	98%	\$ 40.00
2020	8.0	6.7	84%	\$ 41.00
2021	8.0	5.3	66%	
2022	8.0	5.3	66%	
Total	32.2	25.3	79%	

\* Some of our contracts contain language that allows our customers to increase or decrease tonnages throughout the year.

- b. We anticipate making additional sales to our expanding customer base under supply agreements with terms of one year or longer. The terms of coal supply agreements result from competitive bidding and extensive negotiations with customers. All customer plants are expected to be long-lived.

#### **IV. THE STATE OF INDIANA HAS CHOSEN COAL**

- a. Vectren Corporation filed a petition on February 20, 2018 with the Indiana Utility Regulatory Commission (IURC) proposing to upgrade the environmental controls at Culley Unit 1, retire Culley Unit 2 and Brown Units 1 and 2, replacing the coal-fired units with a new Combined Cycle Gas Turbine Generation Facility. The retirement of these units would have represented a reduction of ~1.1MM tons of Estimated Customer Demand starting in late 2023. The Sierra Club, Citizens Action Coalition, Indiana Office of Utility Consumer Counselor, Indiana Coal Council, Alliance Resource Partners and Sunrise Coal filed a petition with IURC requesting that Vectren's request be denied. On April 24, 2019, the IURC rejected Vectren's petition to build the new facility citing, among other things, the potential financial risk to customers as reasons for rejecting the petition. In the same ruling, the IURC approved \$95 million in environmental upgrades for Culley Unit 1.
- b. We believe, the IURC's decision is a material statement that the testimony regarding Vectren's petition proved that existing Indiana Coal Generation is lower cost than new natural gas-fired plants in the state of Indiana. Additionally, the decision showed that cost is an important factor in future cases brought before the IURC.
- c. Furthermore, out of concern for the trend of increasing electricity rates in Indiana, the Indiana Legislature created a committee to study Indiana's energy policy and release their findings by December of 2020.

#### **ASSET IMPAIRMENT REVIEW**

See Note 2 to our unaudited condensed consolidated financial statements.

#### **LIQUIDITY AND CAPITAL RESOURCES**

##### **I. CASH PROVIDED BY OPERATIONS**

- a. As set forth in our unaudited condensed consolidated statements of cash flows, cash provided by operations was \$21 million and \$13 million for the three months ended March 31, 2019 and 2018, respectively.
  - i. In the first quarter of 2019, coal inventory increased by \$2.4 million. In the first quarter of 2018, management chose to increase coal inventory by \$8.1 million in anticipation of increased sales and to build a base of inventory for the Princeton Loop which came online in May 2018. The result is a \$5.7 million increase to cash flow for 2019 when compared to 2018.
  - ii. Operating margins increased during the first quarter of 2019 by \$2.8 million when compared to the first quarter of 2018 due to our increased sales during the quarter.
  - iii. The combination of these two factors contributed substantially to our increase in cash from operations compared to 2018.
- b. Our projected capex budget for the remainder of 2019 is \$23 million, of which the majority is for maintenance capex.
- c. Cash provided by operations for the remainder of the year is expected to fund our maintenance capital expenditures, debt service, and dividend.

##### **II. MATERIAL OFF-BALANCE SHEET ARRANGEMENTS**

- a. Other than our surety bonds for reclamation, we have no material off-balance sheet arrangements. In the event we are not able to perform reclamation, which is presented as asset retirement obligations (ARO) in our accompanying unaudited consolidated balance sheets, we have surety bonds totaling \$26 million to pay for ARO.

## CAPITAL EXPENDITURES (capex)

For the three months of 2019, capex was \$8.8 million allocated as follows (in millions):

Oaktown – investment	\$	1.2
Oaktown – maintenance capex		5.7
Carlisle – maintenance capex		1.0
Princeton rail loop		0.4
Other		0.5
Capex per the Unaudited Condensed Consolidated Statements of Cash Flows	\$	<u>8.8</u>

## RESULTS OF OPERATIONS

Quarterly coal sales and cost data (in thousands, except per ton and percentage data) are provided below. Per ton calculations below are based on tons sold.

All Mines	2nd 2018	3rd 2018	4th 2018	1st 2019	T4Qs
Tons produced	1,983	1,713	1,938	2,205	7,839
Tons sold	1,477	1,962	2,219	2,130	7,788
Coal sales	\$ 56,922	\$ 79,055	\$ 89,019	\$ 85,235	\$ 310,231
Average price/ton	\$ 38.54	\$ 40.29	\$ 40.12	\$ 40.02	\$ 39.83
Wash plant recovery in %	73%	72%	68%	73%	
Operating costs	\$ 38,809	\$ 60,132	\$ 69,364	\$ 62,271	\$ 230,576
Average cost/ton	\$ 26.28	\$ 30.65	\$ 31.26	\$ 29.24	\$ 29.61
Margin	\$ 18,113	\$ 18,923	\$ 19,655	\$ 22,964	\$ 79,655
Margin/ton	\$ 12.26	\$ 9.64	\$ 8.86	\$ 10.78	\$ 10.23
Capex	\$ 7,784	\$ 5,856	\$ 8,996	\$ 8,840	\$ 31,476
Maintenance capex	\$ 5,058	\$ 4,639	\$ 7,186	\$ 6,672	\$ 23,555
Maintenance capex/ton	\$ 3.42	\$ 2.36	\$ 3.24	\$ 3.13	\$ 3.02

All Mines	2nd 2017	3rd 2017	4th 2017	1st 2018	T4Qs
Tons produced	1,647	1,487	1,561	1,975	6,670
Tons sold	1,548	1,786	1,685	1,707	6,726
Coal sales	\$ 62,829	\$ 73,896	\$ 68,922	\$ 66,787	\$ 272,434
Average price/ton	\$ 40.59	\$ 41.38	\$ 40.90	\$ 39.13	\$ 40.50
Wash plant recovery in %	69%	70%	68%	69%	
Operating costs	\$ 44,079	\$ 54,354	\$ 52,025	\$ 46,640	\$ 197,098
Average cost/ton	\$ 28.47	\$ 30.43	\$ 30.88	\$ 27.32	\$ 29.30
Margin	\$ 18,750	\$ 19,542	\$ 16,897	\$ 20,147	\$ 75,336
Margin/ton	\$ 12.11	\$ 10.94	\$ 10.03	\$ 11.80	\$ 11.20
Capex	\$ 6,711	\$ 9,473	\$ 7,294	\$ 10,428	\$ 33,906
Maintenance capex	\$ 3,032	\$ 2,961	\$ 2,520	\$ 5,772	\$ 14,285
Maintenance capex/ton	\$ 1.96	\$ 1.66	\$ 1.50	\$ 3.38	\$ 2.12

### 2019 v. 2018

For 2019, we sold 2,130,000 tons at an average price of \$40.02/ton. For 2018, we sold 1,707,000 tons at an average price of \$39.13/ton. The increase in average price per ton was expected and is the result of our changing contract mix caused by the expiration of contracts and acquisition of new contracts. As we discussed in our 10-K filed in March 2019, we had a successful 2<sup>nd</sup> half of 2018 closing long-term sales contracts with both existing and new customers.

Operating costs for all of our active coal mines averaged \$29.24/ton and \$27.32/ton for the three months ended March 31, 2019 and 2018, respectively. Over the last four quarters, our mines have averaged \$29.61/ton. With our increased 2019 production, we expect overall costs to drop. For the remainder of 2019, we expect operating costs for our coal mines to be \$29-\$30/ton.

We expect operating costs associated with the idled Prosperity mine to be \$1.0 million for the remainder of 2019. Prosperity operating costs were \$0.4 million during the three months ended March 31, 2019.

Other income increased \$4.0 million in the first three months of 2019 when compared to 2018. The largest contributor to this increase was the sale of overriding royalty interests in certain oil producing properties in Wyoming for \$2.5 million.

DD&A increased approximately \$0.9 million in the first three months of 2019 when compared to 2018. A portion of our assets is depreciated based on raw production which has increased in 2019, thus as production increases so does our DD&A. Additionally, in July 2018, we began depreciating assets relating to the Carlisle mine that had been idled since 2015.

G&A expenses decreased approximately \$0.9 million in the first three months of 2019 when compared to 2018. In March 2018, accelerated vesting of restricted stock units totaling \$1.5 million occurred due to the passing of our former Chairman, Victor Stabio. We expect SG&A for the remainder of 2019 to be \$9.0 million.

Interest expense increased approximately \$1.9 million in the first three months of 2019 when compared to 2018. The change in estimated fair value of our interest rate swap agreement resulted in additional expense of \$1.0 million in 2019 which was the result of expected future interest rates, while the change in 2018 was a credit to expense of \$0.2 million. The remaining increase in interest expense is a result of amending our credit agreement in May 2018, which increased our effective fixed rate from 5% to 6%.

Our Sunrise Coal employees totaled 899 at March 31, 2019, compared to 758 at March 31, 2018 and 842 at December 31, 2018. We increased our headcount in preparation for increased shipments in 2019 and the last six months of 2018 and as a result of re-starting production at the Carlisle mine.

## CURRENT PROJECTS

### Hourglass Sands

In February 2018, we invested \$4 million in Hourglass Sands, LLC, a permitted frac sand mining company in the State of Colorado. In April 2018, we closed on the purchase of a commercial sand dryer and contracted with a third party to process our sand in Colorado Springs, Colorado.

We began producing raw sand in Colorado in June 2018. We shipped test shipments of sand in September 2018. We are excited about its growth potential in future years. Currently, we believe we control the only permitted frac sand mine in the State of Colorado.

## EARNINGS (LOSS) PER SHARE

	2nd 2018	3rd 2018	4th 2018	1st 2019
Basic and diluted	\$ (0.00)	\$ .09	\$ .09	\$ .23
	2nd 2017	3rd 2017	4th 2017	1st 2018
Basic and diluted	\$ .01	\$ .13	\$ .69	\$ .07

## INCOME TAXES

Our effective tax rate (ETR) was estimated at ~0% and ~7% for the three months ended March 31, 2019 and 2018, respectively. Assuming no changes in our expected results of operations, we expect our ETR for the remainder of 2019 to be about the same as the first three months. Our ETR differs from the statutory rate due primarily to statutory depletion in excess of tax basis, which is a permanent difference. The deduction for statutory percentage depletion does not necessarily change proportionately to changes in income (loss) before income taxes.

## **MSHA REIMBURSEMENTS**

Some of our legacy coal contracts allow us to pass on to our customers certain costs incurred resulting from changes in costs to comply with mandates issued by MSHA or other government agencies. After applying the provisions of ASU 2014-09, as of March 31, 2019, we do not consider unreimbursed costs from our customers related to these compliance matters to be material and have constrained such amounts and will recognize them when they can be estimated with reasonable certainty.

## **RESTRICTED STOCK GRANTS**

See "Item 1. Financial Statements - Note 11. Restricted Stock Units (RSUs)" for a discussion of RSUs.

## **CRITICAL ACCOUNTING ESTIMATES**

We believe that the estimates of our coal reserves, our business acquisitions, our interest rate swaps, our deferred tax accounts, and the estimates used in our impairment analysis are our critical accounting estimates.

The reserve estimates are used in the DD&A calculation and our internal cash flow projections. If these estimates turn out to be materially under or over-stated, our DD&A expense and impairment test may be affected.

We account for business combinations using the purchase method of accounting. The purchase method requires us to determine the fair value of all acquired assets, including identifiable intangible assets and all assumed liabilities. The total cost of acquisitions is allocated to the underlying identifiable net assets, based on their respective estimated fair values. Determining whether an acquisition is considered to be a business or an asset acquisition, and if deemed to meet the definition of a business, the fair value of assets acquired and liabilities assumed requires management's judgment and the utilization of independent valuation experts, and often involves the use of significant estimates and assumptions, including assumptions with respect to future cash inflows and outflows, discount rates and asset lives, among other items.

The fair value of our interest rate swaps is determined using a discounted future cash flow model based on the key assumption of anticipated future interest rates and related credit adjustment considerations.

We have analyzed our filing positions in all of the federal and state jurisdictions where we are required to file income tax returns, as well as all open tax years in these jurisdictions. We identified our federal tax return and our Indiana state tax return as "major" tax jurisdictions. We believe that our income tax filing positions and deductions would be sustained on audit and do not anticipate any adjustments that will result in a material change to our consolidated financial position.

## **Yorktown Distributions**

As disclosed in our 8-K filed on March 19, 2019, Yorktown Energy Partners VIII, L.P. distributed 1,000,000 shares of Hallador common stock to its general and limited partners. We were advised that the distributed shares could be sold immediately. Currently, the Yorktown Energy Partners VIII, LP, and its affiliated partners hold 1,915,998 million shares of our stock representing 6.3% of total shares outstanding.

## **NEW ACCOUNTING PRONOUNCEMENTS**

See "Item 1. Financial Statements - Note 1. General Business" for a discussion of new accounting standards.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

No material changes from the disclosure in our 2018 Form 10-K.

### **ITEM 4. CONTROLS AND PROCEDURES**

#### **DISCLOSURE CONTROLS**

We maintain a system of disclosure controls and procedures that are designed for the purpose of ensuring that information required to be disclosed in our SEC reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our CEO and CFO as appropriate to allow timely decisions regarding required disclosure.

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our CEO and CFO of the effectiveness of the design and operation of our disclosure controls and procedures. Based on that evaluation, our CEO and CFO concluded that our disclosure controls and procedures are effective for the purposes discussed above.

There have been no changes to our internal control over financial reporting during the quarter ended March 31, 2019 that materially affected or are reasonably likely to materially affect our internal control over financial reporting.

### **PART II - OTHER INFORMATION**

#### **ITEM 4. MINE SAFETY DISCLOSURES**

Safety is a core value at Hallador Energy and our subsidiaries. As such we have dedicated a great deal of time, energy, and resources to creating a culture of safety. We are proud of the mine rescue team at Sunrise Coal whose current list of achievements include 1<sup>st</sup> place at the 2018 Indiana Mine Rescue Association Contest which was held in June 2018 and top 3 finishes at several other contests over the last year.

See Exhibit 95 to this Form 10-Q for a listing of our mine safety violations.

#### **ITEM 6. EXHIBITS**

<a href="#">15.1</a>	<a href="#">Letter Regarding Unaudited Interim Financial Information – Plante Moran</a>
<a href="#">15.2</a>	<a href="#">Letter Regarding Unaudited Interim Financial Information - EKSH</a>
<a href="#">31.1</a>	<a href="#">SOX 302 Certification</a>
<a href="#">31.2</a>	<a href="#">SOX 302 Certification</a>
<a href="#">32</a>	<a href="#">SOX 906 Certification</a>
<a href="#">95</a>	<a href="#">Mine Safety Disclosures</a>
101	Interactive Files

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

### HALLADOR ENERGY COMPANY

Date: May 6, 2019

/S/ LAWRENCE D. MARTIN  
Lawrence D. Martin, CFO

Date: May 6, 2019

/S/ R. TODD DAVIS  
R. Todd Davis, CAO

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## Section 2: EX-15.1 (EXHIBIT 15.1)

### Exhibit 15.1

#### LETTER REGARDING UNAUDITED INTERIM FINANCIAL INFORMATION

Hallador Energy Company

We have reviewed, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the unaudited interim financial information of Hallador Energy Company for the periods ended March 31, 2019, as indicated in our report dated May 6, 2019. Because we did not perform an audit, we expressed no opinion on that information.

We are aware that our report referred to above, which is included in your Form 10-Q for the quarter ended March 31, 2019, is incorporated by reference in Registration Statement Nos. 333-163431 and 333-171778 of Hallador Energy Company on Form S-8.

We also are aware that the aforementioned report, pursuant to Rule 436(c) under the Securities Act of 1933, is not considered a part of the Registration Statement prepared or certified by an accountant or a report prepared or certified by an accountant within the meaning of Sections 7 and 11 of that Act.

/s/ Plante & Moran, PLLC

Denver, Colorado  
May 6, 2019

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## Section 3: EX-15.2 (EXHIBIT 15.2)

### Exhibit 15.2



Hallador Energy Company

We have reviewed, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the unaudited interim financial information of Hallador Energy Company for the period ended March 31, 2018, as indicated in our report dated May 7, 2018. Because we did not perform an audit, we expressed no opinion on that information.

We are aware that our report referred to above, which is included in your Form 10-Q for the quarter ended March 31, 2019, is incorporated by reference in Registration Statement Nos. 333-163431 and 333-171778 of Hallador Energy Company on Form S-8.

We also are aware that the aforementioned report, pursuant to Rule 436(c) under the Securities Act of 1933, is not considered a part of the Registration Statement prepared or certified by an accountant or a report prepared or certified by an accountant within the meaning of Sections 7 and 11 of that Act.

/s/ EKS&H LLLP

Denver, Colorado  
May 6, 2019

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## Section 4: EX-31.1 (EXHIBIT 31.1)

### Exhibit 31.1

#### CERTIFICATION

I, Brent K. Bilisland, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Hallador Energy Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

- a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 6, 2019

/s/ BRENT K. BILSLAND  
Brent K. Bilsland, Chairman, President and CEO

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## Section 5: EX-31.2 (EXHIBIT 31.2)

### Exhibit 31.2

#### CERTIFICATION

I, Lawrence D. Martin, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Hallador Energy Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting

which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

- b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 6, 2019

/s/LAWRENCE D. MARTIN  
Lawrence D. Martin, CFO

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## Section 6: EX-32 (EXHIBIT 32)

### Exhibit 32

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with this Quarterly Report (the "Report"), of Hallador Energy Company (the "Company"), on Form 10-Q for the period ended March 31, 2019, as filed with the Securities and Exchange Commission on the date hereof the undersigned, in the capacities and date indicated below, each hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 6, 2019

By: /s/BRENT K. BILSLAND  
Brent K. Bilsland, Chairman, President and CEO

By: /s/LAWRENCE D. MARTIN  
Lawrence D. Martin, CFO

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## Section 7: EX-95 (EXHIBIT 95)

### Exhibit 95 Mine Safety Disclosures

Our principles at Sunrise Coal, LLC are safety, honesty, and compliance. We firmly believe that these values compose a dedicated workforce and with that, come high production. The core to this is our strong training programs that include accident prevention, workplace inspection and examination, emergency response and compliance. We work with the Federal and State regulatory agencies to help eliminate safety and health hazards from our workplace and increase safety and compliance awareness throughout the mining industry.

We are regulated by the Mine Safety and Health Administration ("MSHA") under the Federal Mine Safety and Health Act of 1977 ("Mine Act"). MSHA inspects our mines on a regular basis and issues various citations and orders when it believes a violation has occurred under the Mine Act. We present information below regarding certain violations which MSHA has issued with respect to our mines. While assessing this information please consider that the number and cost of violations will vary depending on the MSHA inspector and can be contested and appealed, and in that process, are often reduced in severity and amount, and are sometimes dismissed.

The disclosures listed below are provided pursuant to the Dodd-Frank Act. We believe that the following disclosures comply with the

requirements of the Dodd-Frank Act; however, it is possible that future SEC rulemaking may require disclosures to be filed in a different format than the following.

The table that follows outline required disclosures and citations/orders issued to us by MSHA during the 1<sup>st</sup> Quarter 2019. The citations and orders outlined below may differ from MSHA's data retrieval system due to timing, special assessed citations, and other factors.

Definitions:

*Section 104(a) Significant and Substantial Citations "S&S":* An alleged violation of a mining safety or health standard or regulation where there exists a reasonable likelihood that the hazard outlined will result in an injury or illness of a serious nature.

*Section 104(b) Orders:* Failure to abate a 104(a) citation within the period of time prescribed by MSHA. The result of which is an order of immediate withdraw of non-essential persons from the affected area until MSHA determines the violation has been corrected.

*Section 104(d) Citations and Orders:* An alleged unwarrantable failure to comply with mandatory health and safety standards.

*Section 107(a) Orders:* An order of withdraw for situations where MSHA has determined that an imminent danger exists.

*Section 110(b)(2) Violations:* An alleged flagrant violation issued by MSHA under section 110(b)(2) of the Mine Act.

*Pattern or Potential Pattern of Violations:* A pattern of violations of mandatory health or safety standards that are of such a nature as could have significantly and substantially contributed to the cause and effect of coal mine health or safety hazards under section 104(e) of the Mine Act or a potential to have such a pattern.

*Contest of Citations, Orders, or Proposed Penalties:* A contest proceeding may be filed with the Commission by the operator or miners/miner's representative to challenge the issuance or penalty of a citation or order issued by MSHA.

*MSHA Federal Mine ID#'s:*

*12-02349 – Carlisle Mine*

*12-02465 – Carlisle Preparation Plant*

*12-02460 – Ace in the Hole Mine*

*12-02394 – Oaktown Fuels No. 1*

*12-02418 – Oaktown Fuels No. 2*

*12-02462 – Oaktown Fuels Preparation Plant*

*12-02249 – Prosperity Mine*

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**1<sup>st</sup> Quarter 2019**

<u>Mine ID#</u>	<u>Section 104(a) Citations</u>	<u>Section 104(b) Orders</u>	<u>Section 104(d) Citations/Orders</u>	<u>Section 107(a) Orders</u>	<u>Section 110(b)(2) Violations</u>	<u>Proposed MSHA Assessments (In thousands)</u>
12-02349	2	0	0	0	0	\$ 1.60
12-02465	0	0	0	0	0	\$ 0.00
12-02460	0	0	0	0	0	\$ 0.50
12-02394	1	0	0	0	0	\$ 2.90
12-02418	21	0	0	0	0	\$ 32.45
12-02462	1	0	0	0	0	\$ 1.75
12-02249	0	0	0	0	0	\$ 0.00

<u>Mine ID#</u>	<u>Section 104(e) Notice Yes/No</u>	<u>Section 104(e) POV Yes/No</u>	<u>Mining Related Fatalities</u>	<u>Legal Actions Pending</u>	<u>Legal Actions Initiated</u>	<u>Legal Actions Resolved</u>
12-02349	No	No	0	0	0	0
12-02465	No	No	0	0	0	0
12-02460	No	No	0	0	0	0
12-02394	No	No	0	0	0	1
12-02418	No	No	0	0	0	0
12-02462	No	No	0	0	0	0
12-02249	No	No	0	0	0	0

<u>Mine ID#</u>	<u>Contest of Citations/Orders</u>	<u>Contest of Penalties</u>	<u>Complaints of Compensation</u>	<u>Complaints of Discharge/Discrimination</u>	<u>Applications of Temp. Relief</u>	<u>Appeals of Decisions/Orders</u>
12-02349	0	0	0	0	0	0
12-02465	0	0	0	0	0	0
12-02460	0	0	0	0	0	0
12-02394	0	0	0	0	0	0
12-02418	0	0	0	0	0	0
12-02462	1	0	0	0	0	0
12-02249	0	0	0	0	0	0

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