

REFINITIV

DELTA REPORT

10-Q

HNRG - HALLADOR ENERGY CO

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	1256
CHANGES	157
DELETIONS	540
ADDITIONS	559

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 **September 30, 2023** **March 31, 2024**

OR

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

Commission file number:001-34743



HALLADOR ENERGY COMPANY
(www.halladorenergy.com)

Colorado
(State of incorporation)

84-1014610
(IRS Employer Identification No.)

1183 East Canvasback Drive, Terre Haute, Indiana
(Address of principal executive offices)

47802
(Zip Code)

Registrant's telephone number, including area code: 812.299.2800

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

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

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, a 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 ☐

Accelerated filer ☒

Non-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 ☒

As of **November 3, 2023** **May 1, 2024**, we had **83,142,403** **37,027,196** shares of common stock outstanding.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

ASSETS

Current assets:

Cash and cash equivalents
Restricted cash
Accounts receivable
Inventory

September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
\$ 2,573	\$ 3,009	\$ 1,635	\$ 2,842
4,143	3,417	4,737	4,281
20,692	29,889	14,228	19,937
23,749	49,796	29,688	23,075

Parts and supplies	37,012	28,295	40,360	38,877
Contract asset - coal purchase agreement	—	19,567		
Prepaid expenses	4,158	4,546	2,614	2,262
Total current assets	92,327	138,519	93,262	91,274
Property, plant and equipment:				
Land and mineral rights	115,486	115,595	115,486	115,486
Buildings and equipment	572,885	534,129	537,921	537,131
Mine development	153,240	140,108	161,669	158,642
Finance lease right-of-use assets			16,178	12,346
Total property, plant and equipment	841,611	789,832	831,254	823,605
Less - accumulated depreciation, depletion and amortization	(358,944)	(309,370)	(348,783)	(334,971)
Total property, plant and equipment, net	482,667	480,462	482,471	488,634
Investment in Sunrise Energy	3,038	3,988	2,562	2,811
Other assets	7,154	7,585	7,125	7,061
Total Assets	\$ 585,186	\$ 630,554		
Total assets			\$ 585,420	\$ 589,780
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Current portion of bank debt, net	\$ 21,188	\$ 33,031	\$ 24,438	\$ 24,438
Notes payable - related party			5,000	—
Accounts payable and accrued liabilities	76,602	82,972	47,125	62,908
Current portion of lease financing			4,958	3,933
Deferred revenue	25,712	35,485	41,242	23,062
Contract liability - power purchase agreement and capacity payment reduction	48,087	88,114	41,662	43,254
Total current liabilities	171,589	239,602	164,425	157,595
Long-term liabilities:				
Long-term bank debt, excluding current maturities, net	36,482	49,713		
Convertible note payable	10,000	10,000		
Bank debt, net			49,343	63,453
Convertible notes payable			10,000	10,000
Convertible notes payable - related party	9,000	9,000	1,000	9,000
Long-term lease financing			9,701	8,157
Deferred revenue			5,434	—
Deferred income taxes	12,244	4,606	8,625	9,235
Asset retirement obligations	16,348	17,254	14,934	14,538
Contract liability - power purchase agreement	55,439	84,096	36,229	47,425
Other	2,395	1,259	1,871	1,789
Total long-term liabilities	141,908	175,928	137,137	163,597
Total liabilities	313,497	415,530	301,562	321,192
Commitments and contingencies				
Stockholders' equity:				
Preferred stock, \$.10 par value, 10,000 shares authorized; none issued and outstanding	—	—		
Common stock, \$.01 par value, 100,000 shares authorized; 33,142 and 32,983 issued and outstanding, as of September 30, 2023 and December 31, 2022, respectively	332	330		
Preferred stock, \$.10 par value, 10,000 shares authorized; none issued			—	—
Common stock, \$.01 par value, 100,000 shares authorized; 36,534 and 34,052 issued and outstanding, as of March 31, 2024 and December 31, 2023, respectively			365	341
Additional paid-in capital	120,410	118,788	144,490	127,548
Retained earnings	150,947	95,906	139,003	140,699
Total stockholders' equity	271,689	215,024	283,858	268,588
Total liabilities and stockholders' equity	\$ 585,186	\$ 630,554	\$ 585,420	\$ 589,780

See accompanying notes to the condensed consolidated financial statements.

Hallador Energy Company
Condensed Consolidated Statements of Operations
(in thousands, except per share data)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2023	2022	2024	2023
SALES AND OPERATING REVENUES:						
Electric sales					\$ 58,755	\$ 92,392
Coal sales	\$ 97,420	\$ 83,562	\$ 280,596	\$ 204,733	49,630	94,602
Electric sales	67,403		\$ 230,812	—		
Other revenues	945	1,522	3,888	5,187	1,287	1,340
Total revenue	165,768	85,084	515,296	209,920		
Total sales and operating revenues					109,672	188,334
EXPENSES:						
Operating expenses	119,042	64,557	367,983	170,552	85,083	133,521
Depreciation, depletion and amortization	16,230	11,187	51,375	31,882	15,443	17,976
Asset retirement obligations accretion	468	255	1,380	751	399	451
Exploration costs	171	121	682	393	70	206
General and administrative	6,054	3,569	18,596	10,440	5,944	6,947
Total operating expenses	141,965	79,689	440,016	214,018	106,939	159,101
INCOME (LOSS) FROM OPERATIONS	23,803	5,395	75,280	(4,098)		
INCOME FROM OPERATIONS					2,733	29,233
Interest expense (1)	(3,030)	(3,355)	(10,470)	(7,476)	(3,937)	(3,899)
Loss on extinguishment of debt	(1,491)	—	(1,491)	—	(853)	—
Equity method investment (loss) income	(177)	168	(325)	506	(249)	69
NET INCOME (LOSS) BEFORE INCOME TAXES	19,105	2,208	62,994	(11,068)	(2,306)	25,403
INCOME TAX EXPENSE (BENEFIT):						
Current	(178)	—	315	—	—	432
Deferred	3,208	596	7,638	840	(610)	2,920
Total income tax expense	3,030	596	7,953	840		
Total income tax expense (benefit)					(610)	3,352
NET INCOME (LOSS)	\$ 16,075	\$ 1,612	\$ 55,041	\$ (11,908)	\$ (1,696)	\$ 22,051
NET INCOME (LOSS) PER SHARE:						
Basic	\$ 0.49	\$ 0.05	\$ 1.66	\$ (0.38)	\$ (0.05)	\$ 0.67
Diluted	\$ 0.44	\$ 0.05	\$ 1.52	\$ (0.38)	\$ (0.05)	\$ 0.61
WEIGHTED AVERAGE SHARES OUTSTANDING						
Basic	33,140	32,983	33,088	31,727	34,816	32,983
Diluted	36,848	33,268	36,748	31,727	34,816	36,740
(1) Interest Expense:						

Interest on bank debt	\$ 2,006	\$ 2,133	\$ 6,316	\$ 5,555	\$ 2,805	\$ 2,255
Other interest	422	227	1,316	285	728	432
Amortization and swap-related interest:						
Payments on interest rate swap, net of changes in value	—	—	—	(867)		
Amortization:						
Amortization of debt issuance costs	602	995	2,838	2,503	404	1,212
Total amortization and swap related interest	602	995	2,838	1,636		
Total amortization					404	1,212
Total interest expense	\$ 3,030	\$ 3,355	\$ 10,470	\$ 7,476	\$ 3,937	\$ 3,899

See accompanying notes to the condensed consolidated financial statements.

Hallador Energy Company
Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2024	2023
OPERATING ACTIVITIES:				
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income (loss)	\$ 55,041	\$ (11,908)	\$ (1,696)	\$ 22,051
Adjustments to reconcile net income to net cash provided by operating activities:				
Deferred income taxes	7,638	840	(610)	2,920
Equity loss (income) – Sunrise Energy	325	(506)	249	(69)
Cash distribution - Sunrise Energy	625	—	—	625
Depreciation, depletion, and amortization	51,375	31,882	15,443	17,976
Loss on extinguishment of debt			853	—
Loss (gain) on sale of assets	78	(367)	(24)	21
Change in fair value of interest rate swaps	—	(867)		
Loss on extinguishment of debt	1,491	—		
Amortization of debt issuance costs	2,838	2,503	404	1,212
Asset retirement obligations accretion	1,380	751	399	451
Cash paid on asset retirement obligation reclamation	(2,286)	(2,483)	(639)	(365)
Stock-based compensation	2,774	230	666	1,220
Provision for loss on customer contracts	—	159		
Amortization of contract asset and contract liabilities	(32,444)	—	(12,788)	(15,569)
Other	914	943	937	451
Change in operating assets and liabilities:				
Accounts receivable	9,197	(3,160)	5,709	(3,269)
Inventory	14,874	(6,035)	(6,613)	(4,004)
Parts and supplies	(8,717)	(4,975)	(1,483)	(2,926)
Prepaid expenses	1,116	(2,390)	(37)	389
Accounts payable and accrued liabilities	(11,419)	9,318	(8,015)	2,009
Deferred revenue	(15,273)	—	23,614	2,989
Cash provided by operating activities	79,527	13,935		
INVESTING ACTIVITIES:				
Net cash provided by operating activities			16,369	26,112
CASH FLOWS FROM INVESTING ACTIVITIES:				
Capital expenditures	(48,746)	(38,344)	(14,874)	(13,482)
Proceeds from sale of equipment	62	758	24	15

Cash used in investing activities	(48,684)	(37,586)		
FINANCING ACTIVITIES:				
Net cash used in investing activities			(14,850)	(13,467)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Payments on bank debt	(56,463)	(35,713)	(26,500)	(27,013)
Payments on lease financing			(1,238)	—
Borrowings of bank debt	33,000	37,700	12,000	17,000
Issuance of convertible note	—	11,000		
Issuance of related party convertible notes payable	—	18,000		
Proceeds from sale and leaseback arrangement			1,927	—
Issuance of related party notes payable			5,000	—
Debt issuance costs	(5,940)	(2,097)	(38)	(1,600)
Distributions to redeemable noncontrolling interests	—	(585)		
ATM offering			6,580	—
Taxes paid on vesting of RSUs	(1,150)	—	(1)	(1,109)
Cash (used in) provided by financing activities	(30,553)	28,305		
Increase in cash, cash equivalents, and restricted cash	290	4,654		
Net cash used in financing activities			(2,270)	(12,722)
Decrease in cash, cash equivalents, and restricted cash			(751)	(77)
Cash, cash equivalents, and restricted cash, beginning of period	6,426	5,829	7,123	6,426
Cash, cash equivalents, and restricted cash, end of period	\$ 6,716	\$ 10,483	\$ 6,372	\$ 6,349
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH CONSIST OF THE FOLLOWING:				
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH:				
Cash and cash equivalents	\$ 2,573	\$ 7,000	\$ 1,635	\$ 2,441
Restricted cash	4,143	3,483	4,737	3,908
	\$ 6,716	\$ 10,483		
			\$ 6,372	\$ 6,349
SUPPLEMENTAL CASH FLOW INFORMATION:				
Cash paid for interest	\$ 8,069	\$ 4,791	\$ 3,083	\$ 3,116
SUPPLEMENTAL NON-CASH FLOW INFORMATION:				
Change in capital expenditures included in accounts payable and prepaid expense	\$ 3,214	\$ 2,396	\$ (5,290)	\$ 120
Convertible notes payable and related party convertible notes payable converted to common stock	\$ —	\$ 10,000		
Stock issued on redemption of convertible notes and interest			\$ 9,721	\$ —

See accompanying notes to the condensed consolidated financial statements.

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

	Additional					Additional				
	Common Stock Issued		Paid-in	Retained	Stockholders'	Common Stock Issued		Paid-in	Retained	Stockholders'
	Shares	Amount	Capital	Earnings	Equity	Shares	Amount	Capital	Earnings	Equity
Balance, June 30, 2023	33,137	\$ 332	\$ 119,678	\$ 134,872	\$ 254,882					
Balance, December 31, 2023						34,052	\$ 341	\$ 127,548	\$ 140,699	\$ 268,588
Stock-based compensation	—	—	773	—	773	—	—	666	—	666
Stock issued on vesting of RSUs	10	—	—	—	—	321	3	(3)	—	—
Taxes paid on vesting of RSUs	(5)	—	(41)	—	(41)	(132)	(1)	—	—	(1)

Net income	—	—	—	16,075	16,075					
Balance, September 30, 2023	<u>33,142</u>	<u>\$ 332</u>	<u>\$ 120,410</u>	<u>\$ 150,947</u>	<u>\$ 271,689</u>					
Balance, December 31, 2022	32,983	\$ 330	\$ 118,788	\$ 95,906	\$ 215,024					
Stock-based compensation	—	—	2,774	—	2,774					
Stock issued on vesting of RSUs	285	3	(3)	—	—					
Taxes paid on vesting of RSUs	(126)	(1)	(1,149)	—	(1,150)					
Net income	—	—	—	55,041	55,041					
Balance, September 30, 2023	<u>33,142</u>	<u>\$ 332</u>	<u>\$ 120,410</u>	<u>\$ 150,947</u>	<u>\$ 271,689</u>					
Stock issued on redemption of convertible notes						1,582	15	9,706	—	9,721
Stock issued in ATM offering						711	7	6,573	—	6,580
Net loss						—	—	—	(1,696)	(1,696)
Balance, March 31, 2024						<u>36,534</u>	<u>\$ 365</u>	<u>\$ 144,490</u>	<u>\$ 139,003</u>	<u>\$ 283,858</u>

	Common Stock Issued		Additional	Retained	Total
	Shares	Amount	Paid-in	Earnings	Stockholders'
			Capital		Equity
Balance, June 30, 2022	32,983	\$ 330	\$ 114,212	\$ 64,281	\$ 178,823
Stock-based compensation	—	—	122	—	122
Cancellation of redeemable noncontrolling interests	—	—	3,415	—	3,415
Net income	—	—	—	1,612	1,612
Balance, September 30, 2022	<u>32,983</u>	<u>\$ 330</u>	<u>\$ 117,749</u>	<u>\$ 65,893</u>	<u>\$ 183,972</u>
Balance, December 31, 2021	30,785	\$ 308	\$ 104,126	\$ 77,801	\$ 182,235
Stock-based compensation	—	—	230	—	230
Cancellation of redeemable noncontrolling interests	—	—	3,415	—	3,415
Stock issued on redemption of convertible note	232	2	998	—	1,000
Stock issued on redemption of related party convertible notes	1,966	20	8,980	—	9,000
Net loss	—	—	—	(11,908)	(11,908)
Balance, September 30, 2022	<u>32,983</u>	<u>\$ 330</u>	<u>\$ 117,749</u>	<u>\$ 65,893</u>	<u>\$ 183,972</u>

	Common Stock Issued		Additional	Retained	Total
	Shares	Amount	Paid-in	Earnings	Stockholders'
			Capital		Equity
Balance, December 31, 2022	32,983	\$ 330	\$ 118,788	\$ 95,906	\$ 215,024
Stock-based compensation	—	—	1,220	—	1,220
Stock issued on vesting of RSUs	275	3	(3)	—	—
Taxes paid on vesting of RSUs	(121)	(1)	(1,108)	—	(1,109)
Net income	—	—	—	22,051	22,051
Balance, March 31, 2023	<u>33,137</u>	<u>\$ 332</u>	<u>\$ 118,897</u>	<u>\$ 117,957</u>	<u>\$ 237,186</u>

See accompanying notes to the condensed consolidated financial statements.

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 Securities and Exchange Commission's Commission's (the "SEC") rules and regulations; accordingly, certain information and footnote disclosures normally included in generally accepted accounting principles ("GAAP") financial statements have been condensed or omitted.

The results of operations and cash flows for the three and nine months ended September 30, 2023 March 31, 2024, are not necessarily indicative of the results to be expected for future quarters or for the year ending December 31, 2023 2024.

Our organization and business, the accounting policies we follow, and other information are contained in the notes to our consolidated financial statements filed as part of our 2022 2023 Annual Report on Form 10-K. This quarterly report should be read in conjunction with such Annual Report on Form 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"), Hallador Power Company, LLC ("Hallador Power"), as well as Sunrise and Hallador Power's wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.

As the result of Hallador Power's acquisition of the Merom one gigawatt power plant in Sullivan County, Indiana (the "Merom Power Plant") from Hoosier Energy Rural Electric Cooperative, Inc. ("Hoosier") on October 21, 2022 (the "Merom Acquisition"), as further described in Note 14, beginning in the fourth quarter of 2022 we began to We strategically view and manage our operations through two reportable segments: Coal Electric Operations and Electric Coal Operations. The remainder of our operations, which are not significant enough on a stand-alone basis to warrant treatment as an operating segment, are presented as "Corporate and Other and Eliminations" and primarily are comprised of unallocated corporate costs and activities, the elimination of coal sales from coal operations to electric operations, a 50% interest in Sunrise Energy, LLC, a private gas exploration company with operations in Indiana, which we account for using the equity method, and our wholly-owned subsidiary Summit Terminal LLC, a logistics transport facility located on the Ohio River. Prior periods have been recast to reflect Corporate and Other and Eliminations apart from Coal The Electric Operations which previously were aggregated into a single reportable segment. segment includes electric power generation facilities of the Merom Power Plant.

The Coal Operations reportable segment includes current operating mining complexes Oaktown 1 and 2 underground mines, Prosperity surface mine, Freelandville surface mine, and Carlisle wash plant.

The Electric On February 23, 2024, our Coal Operations reportable segment includes electric power generation facilities of the Merom Power Plant.

Segment committed to a reorganization effort designed to strengthen its financial and operational efficiency and create significant operational savings and higher margins. For further information, see "Note 16 – Organizational Restructuring" below.

(2) RECENT ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures ("ASU 2023-07"). ASU 2023-07 primarily requires enhanced disclosures about significant segment expenses regularly provided to the chief operating decision maker ("CODM"), the amount and composition of other segment items, and the title and position of the CODM. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. We are currently evaluating the impact of adopting ASU 2023-07, but do not expect it to have a material effect on our consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures ("ASU 2023-09"). ASU 2023-09 primarily requires enhanced disclosures to (1) disclose specific categories in the rate reconciliation, (2) disclose the amount of income taxes paid and expensed disaggregated by federal, state, and foreign taxes, with further disaggregation by individual jurisdictions if certain criteria are met, and (3) disclose income (loss) from continuing operations before income tax (benefit) disaggregated between domestic and foreign. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. We are currently evaluating the impact of adopting ASU 2023-09, but do not expect it to have a material effect on our consolidated financial statements.

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(3) LONG-LIVED ASSET IMPAIRMENTS

Long-lived assets are reviewed for impairment whenever events or changes in circumstance indicate that the carrying amount of the assets may not be recoverable. For the three and nine-month periods ended September 30, 2023 and for the three March 31, 2024 and nine March 31, 2023, -month periods ended September 30, 2022, there were no impairment charges were recorded for long-lived assets.

(34) INVENTORY

Inventory is valued at a lower of average cost or net realizable value (NRV). As of September 30, 2023 March 31, 2024, and December 31, 2022 2023, coal inventory includes NRV adjustments of \$1.1 \$1.3 million and \$4.9 million \$2.0 million, respectively.

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(45) BANK DEBT

On March 13, 2023, we executed an amendment to our credit agreement with PNC Bank, National Association (in its capacity as administrative agent, "PNC"), administrative agent for our lenders under our credit agreement, which was accounted for as a debt modification. The primary purpose of the amendment was to convert \$35 million \$35.0 million of the outstanding balance on the revolver into a new term loan with a maturity of March 31, 2024, and extend the maturity date of the revolver to May 31, 2024. The amendment reduced the total capacity under the revolver to \$85 million \$85.0 million from \$120 million \$120.0 million, waived the maximum annual capital expenditure covenant for 2022, and increased the covenant for 2023 to \$75 million \$75.0 million.

On August 2, 2023, we executed an additional amendment to our credit agreement with PNC, which was accounted for as a debt extinguishment. The primary purpose of the amendment was to convert \$65 million \$65.0 million of the outstanding funded debt into a new term loan with a maturity of March 31, 2026, and enter into a revolver of \$75 million \$75.0 million with a maturity of July 31, 2026. The amendment increased the maximum annual capital expenditure limit to \$100 million \$100.0 million.

Bank debt was reduced by \$23.5 \$14.5 million during the nine three months ended September 30, 2023 March 31, 2024. Under the terms of the August 2, 2023 amendment, bank debt is comprised of term debt (\$61.8 \$58.5 million as of September 30, March 31, 2024) 2023) and a \$75 million \$75.0 million revolver (\$0.0 \$18.5 million borrowed as of September 30, 2023 March 31, 2024). The term debt requires quarterly payments of \$3.3 million each quarter, which commenced in September 2023, increasing to \$6.5 million in March April 2024 through maturity. Our debt is recorded at amortized cost, which approximates fair value due to the variable interest rates in the agreement and is collateralized primarily by our assets.

Liquidity

As of September 30, 2023 March 31, 2024, we had an additional borrowing capacity of \$63.8 \$37.9 million and total liquidity of \$66.4 \$39.5 million. Our additional borrowing capacity is net of \$11.2 \$18.6 million in outstanding letters of credit as of September 30, 2023 March 31, 2024, that were required to maintain surety bonds. Liquidity consists of our additional borrowing capacity and cash and cash equivalents.

Fees

Unamortized bank fees and other costs incurred in connection with the initial facility and subsequent amendments totaled \$2.5 million as of December 31, 2022. Additional costs incurred with the March 13, During 2023, and August 2, 2023 amendments totaled \$1.6 million and \$4.3 million, respectively. During the three and nine months ended September 30, 2022, we recognized a loss on extinguishment of debt of \$1.5 million for the write-off of unamortized loan fees related to the August 2, 2023 amendment to our credit agreement, which was accounted for as a debt extinguishment. Unamortized bank fees incurred with the March 13, 2023 and August 2, 2023 amendments totaled \$1.6 million and \$4.3 million, respectively. The remaining costs were deferred and are being amortized over the term of the loan. Unamortized costs as of September 30, 2023 March 31, 2024, and December 31, 2022 2023, were \$4.1 \$3.2 million and \$2.5 million \$3.6 million, respectively.

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

	September 30, 2023	December 31, 2022
Current bank debt	\$ 22,750	\$ 35,500
Less unamortized debt issuance cost	(1,562)	(2,469)
Net current portion	\$ 21,188	\$ 33,031
Long-term bank debt	\$ 39,000	\$ 49,713
Less unamortized debt issuance cost	(2,518)	—
Net long-term portion	\$ 36,482	\$ 49,713

Total bank debt	\$	61,750	\$	85,213
Less total unamortized debt issuance cost		(4,080)		(2,469)
Net bank debt	\$	57,670	\$	82,744

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	March 31, 2024	December 31, 2023
Current bank debt	\$ 26,000	\$ 26,000
Less unamortized debt issuance cost	(1,562)	(1,562)
Net current portion	\$ 24,438	\$ 24,438
Long-term bank debt	\$ 51,000	\$ 65,500
Less unamortized debt issuance cost	(1,657)	(2,047)
Net long-term portion	\$ 49,343	\$ 63,453
Total bank debt	\$ 77,000	\$ 91,500
Less total unamortized debt issuance cost	(3,219)	(3,609)
Net bank debt	\$ 73,781	\$ 87,891

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: 2.25 to 1.00.

Fiscal Periods Ending	Ratio
September 30, 2023, and each fiscal quarter thereafter	2.25 to 1.00

As of September 30, 2023 March 31, 2024, our Leverage Ratio of 0.71 1.58 was in compliance with the 2.25 covenant defined in requirements of the credit agreement.

The credit facility 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 1.00 through the credit facility's maturity.

As of September 30, 2023, March 31, 2024, our Debt Service Coverage Ratio of 3.75 2.88 was in compliance with the requirements of the credit agreement.

As of September 30, 2023, March 31, 2024, we were in compliance with all other covenants defined in the credit agreement.

Interest Rate

The interest rate on the facility ranges from SOFR plus 4.00% to SOFR plus 5.00%, depending on our Leverage Ratio. As of September 30, 2023 March 31, 2024, we are were paying SOFR plus 4.25% 4.50% on the outstanding bank debt. debt which equates to an all in rate of 10.0%.

(56) ACCOUNTS PAYABLE AND ACCRUED LIABILITIES (in thousands) (IN THOUSANDS)

	March 31, 2024	December 31, 2023
Accounts payable	\$ 28,947	\$ 43,636
Accrued property taxes	3,458	2,987
Accrued payroll	4,620	6,575
Workers' compensation reserve	4,306	3,629
Group health insurance	2,200	2,300
Asset retirement obligation - current portion	1,514	2,150
Other	2,080	1,631

Total accounts payable and accrued liabilities	\$ 47,125	\$ 62,908
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	September 30, 2023	December 31, 2022
Accounts payable	\$ 52,491	\$ 62,306
Accrued property taxes	3,008	1,917
Accrued payroll	7,373	5,933
Workers' compensation reserve	4,130	3,440
Group health insurance	2,300	2,250
Asset retirement obligation - current portion	3,580	3,580
Other	3,720	3,546
Total accounts payable and accrued liabilities	\$ 76,602	\$ 82,972

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67 REVENUE

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 it is probable substantially all the consideration will be collected. We recognize revenue when we satisfy a performance obligation by transferring control of a good or service to a customer.

Electric operations

We concluded that for a Power Purchase Agreement ("PPA") that is not determined to be a lease or derivative, the definition of a contract and the criteria in ASC 606, Revenue from Contracts with Customers ("ASC 606"), is met at the time a PPA is executed by the parties, as this is the point at which enforceable rights and obligations are established. Accordingly, we concluded that a PPA that is not determined to be a lease or derivative constitutes a valid contract under ASC 606.

We recognize revenue daily, based on an output method of capacity made available as part of any stand-ready obligations for contract capacity performance obligations and daily, based on an output method of MWh of electricity delivered.

For the delivered energy performance obligation in the PPA with Hoosier, we recognize revenue daily for actual delivered electricity plus the amortization of the contract liability as a result of the Asset Purchase Agreement with Hoosier. For delivered energy to all other customers, we recognize revenue daily for the actual delivered electricity.

Coal operations

Our coal revenue is derived from sales to customers of coal produced at our facilities. Our customers typically purchase coal directly from our mine sites or our rail facility in Princeton, Indiana, where the sale occurs and where title, risk of loss, and control 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 pre-determined 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 the 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.

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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.

Electric operations

The Company concluded that for a Power Purchase Agreement ("PPA") that is not determined to be a lease or derivative, the definition of a contract and the criteria in ASC 606, Revenue from Contracts with Customers ("ASC 606"), is met at the time a PPA is executed by the parties, as this is the point at which enforceable rights and obligations are established. Accordingly, the Company concluded that a PPA that is not determined to be a lease or derivative constitutes a valid contract under ASC 606.

The Company will recognize revenue daily, based on an output method of capacity made available as part of any stand-ready obligations for contract capacity performance obligations and daily, based on an output method of MWh of electricity delivered.

For the delivered energy performance obligation in the PPA with Hoosier, the Company will recognize revenue daily for actual delivered electricity plus the amortization of the contract liability as a result of the Asset Purchase Agreement with Hoosier.

Disaggregation of Revenue

Revenue is disaggregated by revenue source for our electric operations and by primary geographic markets for our coal operations and by revenue source for our electric operations, as we believe this best depicts how the nature, amount, timing, and uncertainty of our revenue and cash flows are affected by economic factors.

Electric operations

For the three months ended March 31, 2024, electric sales revenue from delivered energy generation and capacity sales revenue was \$47.0 million and \$11.8 million, respectively. For the three months ended March 31, 2023, electric sales revenue from delivered energy generation and capacity sales revenue was \$76.4 million and \$16.0 million, respectively.

Coal operations

51% For the three months ended March 31, 2024 and 2023, 36% and 52%, respectively, of our coal revenue for the three and nine months ended September 30, 2023, was sold to outside third-party customers in the State of Indiana with the remainder sold to customers in Florida, North Carolina, Georgia, and Alabama. 70% and 79% of our coal revenue for the

three 8 and nine months ended September 30, 2022, respectively, was sold to customers in the State of Indiana, with the remainder sold to customers in Florida, Georgia, and North Carolina.

Performance Obligations

Electric operations

We concluded that each megawatt-hour ("MWh") of delivered energy is capable of being distinct as a customer could benefit from each on its own by using/consuming it as a part of its operations. We also concluded that the stand-ready obligation to be available to provide electricity is capable of being distinct as each unit of capacity provides an economic benefit to the holder and could be sold by the customer.

During 100% 2022, we entered into an Asset Purchase Agreement ("APA") with Hoosier ("Hoosier APA") in which Hallador Power shall sell, and Hoosier shall buy, at least 70% of our electric revenue the delivered energy quantities through 2025 at the contract price, which is \$34.00 per MWh. We have remaining delivered energy obligations to Hoosier totaling \$99.3 million through 2025 as of March 31, 2024. The agreement was amended August 31, 2023 to extend through 2028 with additional obligations to Hoosier of \$186.6 million as of March 31, 2024.

In addition to delivered energy, under the Hoosier APA, Hallador Power shall provide a stand-ready obligation to provide electricity, also known as contract capacity. The contract capacity that Hallador Power shall provide to Hoosier is 917 megawatts ("MW") for contract year one, and on average 300 MW for contract years two to four. Hoosier shall pay Hallador Power the capacity price of \$5.80 per kilowatt month for the three and nine months ended September 30, 2023, was sold contract capacity. We have remaining capacity obligations to Hoosier or the Midcontinent Independent System Operator ("MISO") wholesale market. MISO is the independent system operator managing the flow through 2025 totaling \$35.2 million as of high-voltage electricity across 15 March 31, 2024 U.S. states and the Canadian province of Manitoba. 100% of our electric revenue through. The agreement was amended May August 31, 2023 was sold to extend through 2028 with additional capacity obligations to Hoosier in of \$60.9 million as of March 31, 2024.

We also have energy and capacity obligations outside of the state of Indiana. 32% of our electric revenue for the months of June 2023 Hoosier APA to September 2023 was sold to Hoosier. For the three and nine months ended September 30, 2023, revenue from delivered energy was \$54.4 customers through 2029 totaling \$111.97 million and \$184.7 \$163.51 million, respectively. For the respectively, as of three March 31, 2024 and nine months ended September 30, 2023, . We have \$46.7 million of deferred revenue from capacity payments was \$13.0 million and \$46.1 million, respectively.

Performance Obligationsas of March 31, 2024, related to these obligations.

Coal operations

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 coal 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 contract's fulfillment, 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 coal sales performance obligations relating to **fixed-priced fixed priced** contracts to **third-party customers** of approximately **\$426.1** \$270.2 million, which **represent** **represents** the average fixed prices on our committed contracts as of **September 30, 2023, March 31, 2024, Approximately 31%** We expect to recognize approximately 47% of this **relates to committed obligations** coal sales revenue in **2023,2024**, with the remainder **committed in 2024** **recognized** through **2027, 2027**.

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We have remaining performance obligations relating to **3.0 million tons of unpriced** coal sales contracts **with price reopeners** of approximately **\$155** \$155.0 million, which represents our estimate of the expected **reopener** price on committed contracts as of **September 30, 2023, March 31, 2024**. We expect to recognize all of this coal sales revenue **beginning in 2025,2025 through 2027**.

The coal 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 an option exists in the customer contract.

Electric operations

The Company concluded that each megawatt-hour ("MWh") of delivered energy is capable of being distinct as a customer could benefit from each on its own by using/consuming it as a part of its operations. The Company also concluded that the stand-ready obligation to be available to provide electricity to Hoosier is capable of being distinct as each unit of capacity provides an economic benefit to the holder and could be sold by the customer.

We have remaining delivered energy obligations through **2028** totaling \$312 million as of September 30, 2023.

In addition to delivered energy, Hallador provides stand-ready obligations to provide electricity, also known as contract capacity. We have remaining capacity obligations through **2028** totaling \$204 million as of September 30, 2023.

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, electricity, or capacity. Amounts billed and due are recorded as trade accounts receivable and included in accounts receivable in our **condensed** consolidated balance sheets. As of January 1, **2022, 2023**, accounts receivable for coal sales billed to customers was **\$12.8 million. We do** **\$16.3 million.**

not **9** currently have any contracts in place where we would transfer coal, electricity, or capacity in advance of knowing the final price, and thus do not have any contract assets recorded. Contract liabilities also arise when consideration is received in advance of performance. As of January 1, 2023, deferred revenue for payments related to coal operations in advance of performance was \$8.9 million, and deferred revenue for payments related to electric operations in advance of performance was \$26.6 million. Additional payments for electric operations in advance of performance for the three and nine months ended September 30, 2023 were \$0.0 million and \$43.8 million, respectively. For the three and nine months ended September 30, 2023, we recognized revenue from coal operations of \$2.5 million and \$7.5 million, respectively, as tons of outstanding coal delivery obligations were fulfilled, and we recognized revenue from electric operations of \$12.9 million and \$46.0 million, respectively, as outstanding capacity obligations were fulfilled. Pursuant to the terms of the underlying contracts, performance obligations representing \$1.3 million and \$8.3 million will be satisfied and recognized as revenue related to our coal operations and electric operations, respectively, during the three-month period ending December 31, 2023.

(78) INCOME TAXES

For the **nine three** months ended **September 30, 2023, March 31, 2024** and **2022, 2023**, we recorded 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. The effective tax rate for the **nine three** months ended **September 30, 2023, March 31, 2024** and **2022, 2023**, was **~13%** 26% and **~ (8%)** 13%, 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 (loss) before income taxes.

(89) STOCK COMPENSATION PLANS

Non-vested grants as of December 31, 2022 December 31, 2023	1,056,937 858,363
Awarded - weighted average share price on award date was \$9.38 8.41	267,000 1,500
Vested - weighted average share price on vested date was \$9.18 5.33	(285,221) 321,419)
Forfeited	(10,000) 28,000)
Non-vested grants as of September 30, 2023 March 31, 2024	1,028,716 510,444

Future minimum lease payments under non-cancellable leases as of **September 30, 2023** **March 31, 2024**, were as follows:

	Amount
	(In thousands)
2023	\$ 85
2024	89
2025	121
2026	124
2027	128
After 2027	516
Total minimum lease payments	\$ 1,063
Less imputed interest	(323)
Total operating lease liability	\$ 740
As reflected within the following balance sheet line items:	
Accounts payable and accrued liabilities	\$ 85
Other long-term liabilities	655
Total operating lease liability	\$ 740

	Operating Leases	Finance Leases
	(In thousands)	
2024	\$ 33	\$ 4,569
2025	88	6,092
2026	121	5,780
2027	124	241
2028	128	—
Thereafter	516	—
Total minimum lease payments	\$ 1,010	\$ 16,682
Less imputed interest and deferred finance fees	(335)	(2,023)
Total lease liability	\$ 675	\$ 14,659

As reflected within the following balance sheet line items:

		Three Months Ended March 31,	For the Year Ended December 31,
		2024	2023
		(In thousands)	
Operating lease assets	Buildings and equipment	\$ 675	\$ 712
Operating lease liabilities:			
Current operating lease liabilities	Accounts payable and accrued liabilities	\$ 52	\$ 58
Non-current operating lease liabilities	Other long-term liabilities	623	654
Total operating lease liability		\$ 675	\$ 712
Finance lease assets	Finance lease right-of-use assets	\$ 16,178	\$ 12,346
Finance lease liabilities:			
Current finance lease liabilities	Current portion of lease financing	\$ 4,958	\$ 3,933
Non-current finance lease liabilities	Long-term lease financing	9,701	8,157
Total finance lease liabilities		\$ 14,659	\$ 12,090

As of September 30, 2023 March 31, 2024 and December 31, 2022 2023, we had approximately \$0.7 million and \$0.2 million \$0.7 million, respectively, of right-of-use operating lease assets recorded within "buildings" "buildings and equipment" "equipment" on the condensed consolidated balance sheets.

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(10 11) SELF-INSURANCE

We self-insure our non-leased underground mining equipment. Such equipment is allocated among seven mining units dispersed over ten eleven miles. The historical cost of such equipment was approximately \$299 million and \$280 million \$262.0 million as of September 30, 2023 March 31, 2024, and December 31, 2022 2023, respectively.

Restricted cash of \$4.1 \$4.7 million and \$3.4 million \$4.3 million as of September 30, 2023 March 31, 2024, and December 31, 2022 2023, respectively, represents cash held and controlled by a third party and is restricted for future workers' compensation claim payments and cash collateral to provide power in the MISO grid. payments.

(11 12) FAIR VALUE MEASUREMENTS

We account for certain assets and liabilities at fair value. The hierarchy below lists three levels of fair value based on the extent to which inputs used in measuring fair value are observable in the market. We categorize each of our fair value measurements in one of these three levels based on the lowest level input that is significant to the fair value measurement in its entirety. These levels are:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. We consider active markets as those in which transactions for the assets or liabilities occur in sufficient frequency and volume to provide pricing information on an ongoing basis. We have no Level 1 instruments.

Level 2: Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability. We have no Level 2 instruments.

Level 3: Measured based on prices or valuation models that require inputs that are both significant to the fair value measurement and less observable from objective sources (i.e., supported by little or no market activity). We have no ARO liabilities use Level 3 instruments. non-recurring fair value measures.

(12 13) EQUITY METHOD INVESTMENTS

We own a 50% interest in Sunrise Energy, LLC, which owns gas reserves and gathering equipment with plans to develop and generates revenue from gas sales. operate such reserves. Sunrise Energy, LLC, also plans to continue developing develop and exploring explore for oil, natural gas, and coal-bed methane gas reserves on or near our underground coal reserves. The carrying value of the investment included in our condensed consolidated balance sheets as of September 30, 2023 March 31, 2024, and December 31, 2022 2023, was \$3.0 million \$2.6 million and \$4.0 million, \$2.8 million, respectively.

(13 14) CONVERTIBLE NOTES

On May 2, 2022, and May 20, 2022, we issued senior unsecured convertible notes (the "Notes") to five parties, in the aggregate principal amount of \$10 million, with \$9 million going to related parties affiliated with independent members of our board of directors and the remainder to a non-affiliated party. The Notes were scheduled to mature on December 29, 2028, and accrue interest at 8% per annum, with interest payable on the date of maturity. Pursuant to the terms of the Notes, the holders of the Notes were entitled to convert the entire principal balance and all accrued and unpaid interest then outstanding during the period beginning June 1, 2022, and ending on May 31, 2027, into shares of the Company Common Stock at a conversion price the greater of (i) \$3.33 and (ii) the 30-day trailing volume-weighted average sales price for the Common Stock on the Nasdaq Capital Market ending on and including the date on which the Note was converted.

In June 2022, the four holders of the \$9 million related party Notes converted them into 1,965,841 shares of common stock of the Company, and the one holder of the \$1 million Note converted it into 231,697 shares of common stock pursuant to the terms of the Notes and their related agreements.

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On July 29, 2022, we issued \$5 million \$5.0 million of a senior unsecured convertible note notes (collectively, with the subsequent 2022 issuances, the ("Notes")) to a related party affiliated with an independent member of our board of directors. The note Note carries an interest rate of 8% per annum with a maturity date of December 29, 2028. For the

period August 18, 2022, through August 17, 2024, the holder has the option to convert the Note into shares of the Company's common stock at a conversion price of \$6.254. During the three months ended March 31, 2024, the holders of the \$5.0 million senior unsecured convertible notes converted them into 799,488 shares of common stock of the Company and, in connection with such early conversion, we elected to pay interest through August 2025 with 112,570 shares of common stock on the conversion date. We recorded a loss on extinguishment of debt in the condensed consolidated statements of operations in the amount of \$0.55 million during the three months ended March 31, 2024. On August 8, 2022, we issued an additional \$4.0 million of senior unsecured convertible notes to related parties affiliated with independent members of our board of directors. The Notes carry an interest rate of 8% per annum with a maturity date of December 29, 2028. For the period August 18, 2022, through August 17, 2024, the holder has the option to convert the Notes into shares of the Company's common stock at a conversion price of \$6.254. Beginning August 18, 2025, the Company we may elect to redeem the note, Note and the holder shall be obligated to surrender the note Note at 100% of the outstanding principal balance together with any accrued unpaid interest. Upon receipt of the redemption notice from the Company, the holder may elect to convert the principal balance and accrued interest into the Company's common stock. During the three months ended March 31, 2024, the holders converted \$3.0 million senior unsecured convertible notes into 479,693 shares of common stock of the Company and, in connection with such early conversion, we elected to pay interest through August 2025 with 67,542 shares of common stock on the conversion date. During the same period, the holders also converted accrued interest into 57,564 shares of the Company's common stock. We recorded a loss on extinguishment of debt in the condensed consolidated statements of operations in the amount of \$0.30 million during the three months ended March 31, 2024.

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On August 8, 2022, we issued \$4 million of an additional \$10.0 million senior unsecured convertible notes note to related parties affiliated with independent members of our board of directors. an unrelated party. The notes carry Note carries an interest rate of 8% per annum with a maturity date of December 29, 2028. 31, 2026. For the period August 18, 2022, through August 17, 2024, the maturity date, the holder has the option to convert the notes Note into shares of the Company's common stock at a conversion price of \$6.254. \$6.15. Beginning August 8, 2025, the Company we may elect to redeem the note, Note and the holder shall be obligated to surrender the note Note at 100% of the outstanding principal balance together with any accrued unpaid interest. Upon receipt of the redemption notice from the Company, the holder may elect to convert the principal balance and accrued interest into the Company's common stock.

On During the August 12, 2022, three we issued a \$10 million senior unsecured convertible note to an unrelated party. The note carries an interest rate of 8% per annum with a maturity date of months ended December March 31, 2026, 2024. For the period August 18, 2022, through the maturity date, the holder has the option to convert the notes into shares of the Company's common stock at a conversion price of \$6.15. Beginning August 12, 2025, the Company may elect to redeem the note, and the holder shall be obligated to surrender the note at 100% of the outstanding principal balance together with any accrued unpaid interest. Upon receipt of the redemption notice from the Company, the holder may elect to convert the principal balance and converted accrued interest into 65,041 shares of the Company's common stock.

The funds received from the notes issuance of the various Notes described above were used to provide additional working capital to the Company. Each Conversion Share will consist of one share of our common stock. The conversion price and number of shares of the Company's Common Stock Company's common stock issuable upon conversion of the above notes are subject to adjustment from time to time for any subdivision or consolidation of the Company's our shares of common stock and other standard dilutive events.

(14)15) NOTES PAYABLE - RELATED PARTIES

In March 2024, we issued unsecured promissory notes, having a 12-month maturity date and 12% per annum interest rate, to (i) Charles R. Wesley IV Revocable Trust (in which our director Charles R. Wesley IV has a pecuniary interest) in the principal amount of \$2,000,000, (ii) Lubar Opportunities Fund I, LLC (in which are our director David J. Lubar has a pecuniary interest) in the principal amount of \$2,500,000, and (iii) Hallador Alternative Investment Advisors LLC (in which our director David C. Hardie has a pecuniary interest) in the principal amount of \$500,000.

At March 31, 2024, accrued interest associated with the notes payable – related party on the condensed consolidated balance sheets was \$0.1 million.

MEROM ORGANIZATIONAL RESTRUCTURING ACQUISITION(16)

On February 23, 2024, (the "Effective Date"), we committed to a reorganization effort in the Coal Operations Segment (the "Reorganization Plan") that included a workforce reduction of approximately 110 employees, or approximately 12% of the workforce. The reduction in workforce was communicated to employees on the Effective Date and implemented immediately, subject to certain administrative procedures. The Reorganization Plan is designed to strengthen our financial and operational efficiency and create significant operational savings and higher margins in our coal segment. This step will help to advance our transition from a company primarily focused on coal production to a more resilient and diversified integrated independent power producer ("IPP"). As part of this initiative, we substantially idled production at our higher cost surface mines, Prosperity Mine, and Freelandville Mine, with minimal production. We also focused our seven units of underground equipment on four units of our lowest cost production at our Oaktown Mine. In connection with the Reorganization Plan, we incurred an aggregate of \$1.9 million one-time charges, of which \$0.8 million were included in accounts payable and accrued liabilities in the condensed consolidated balance sheets and \$1.1 million were included in operating expenses in the condensed consolidated statements of operations. The one-time charges were related to compensation, tax, professional, and insurance related expenses.

(17) AT MARKET AGREEMENT

On February 14, 2022, December Hallador Power signed 18, 2023, we entered into an Asset Purchase At Market Issuance Sales Agreement ("APA" (the "Sales Agreement") with Hoosier, a rural electric membership corporation organized B. Riley Securities, Inc. (the "Agent"), pursuant to which we may issue and existing sell, from time to time, shares (the "Shares") of our common stock, par value \$0.01 per share (the "Common Stock"), with aggregate gross proceeds of up to \$50.0 million through an "at-the-market" equity offering

program under which the **laws** Agent will act as sales agent (the "ATM Program"). Under the Sales Agreement, each of us have the **state** right, by giving five (5) days' notice, to terminate the Sales Agreement in its sole discretion. The Agent may also terminate the Agreement, by notice to us, upon the occurrence of **Indiana**, certain events described in the Sales Agreement.

Under During December 2023, we issued 794,000 shares of Common Stock under the APA, Hallador acquired the Merom power plant, along with equipment and machinery in the power plant; materials inventory; a coal purchase agreement; a coal combustion certified coal ash landfill, certain Generation Interconnection Agreements, and coal inventory (collectively, the "Acquired Assets"). Additionally, contemporaneous with entering into the APA, Hallador entered into three other agreements with Hoosier comprised **ATM Program for net proceeds** of (1) a Power Purchase Agreement (the "PPA"), (2) a Coal Supply Purchase Agreement (the "Coal Purchase Agreement"), and (3) a Closing Side Letter agreeing to a reduction in future capacity payments of \$15.0 million ("Capacity Payment Reduction"). The purchase price for the Acquired Assets also consists of the assumption of the power plant's closure and post-closure remediation, valued at approximately \$7.2 million; no cash will be paid by Hallador to Hoosier to effectuate the APA other than payments totaling approximately \$17.0 million for coal inventory on hand, with an initial payment of \$5.4 million and subsequent periodic payments over time, subject to post-close adjustments based on actual on-site inventories. The acquisition closed on October 21, 2022.

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The acquisition was accounted for as an asset acquisition under ASC 805-50 as substantially all of the fair value of the gross assets acquired are concentrated in a group of similar identifiable assets. As such, the total purchase consideration (which includes \$2.9 million of transaction costs) was allocated to the assets acquired on a relative fair value basis.

Consideration:	(in thousands)
Direct transaction costs	\$ 2,855
Contract liability - PPA	184,500
Contract liability - Capacity payment reduction	11,000
Contract asset - Coal purchase agreement	(34,300)
Coal inventory purchased	5,400
Deferred coal inventory payment	11,600
Total consideration	\$ 181,055
Relative fair value of assets acquired:	
Plant	\$ 165,816
Materials and supplies	12,009
Coal inventory	10,460
Amount attributable to assets acquired	\$ 188,285
Fair value of liabilities assumed:	
Asset retirement obligations	\$ 7,230
Amount attributable to liabilities assumed	\$ 7,230

Operating revenue for the Electric Operations segment includes revenue derived from a power purchase agreement signed with Hoosier in conjunction with the Merom Acquisition at fixed prices below market prices on the date we closed the transaction. The power purchase agreement expires in 2025 and requires us to provide a fixed amount of power over the term of the agreement. As a result of the below-market contract, we recorded a contract liability at the close of the acquisition totaling \$184.5 million that will be amortized over the term of the agreement as the contract is fulfilled. For \$7.3 million. During the three and ninemonths ended September 30, 2023, March 31, 2024,we recorded \$10.3 million and \$63.2 million, respectively, issued 710,623 shares of revenue as a result Common Stock under the ATM Program for net proceeds of amortizing the contract liability, resulting in an ending balance as of September 30, 2023, of \$98.0 million that is recorded within current and long-term contract liabilities in our condensed consolidated balance sheets, \$6.6 million.

Operating expenses for the Electric Operations segment include coal purchased under an agreement signed with Hoosier in conjunction with the Merom Acquisition at fixed prices which were below market prices at the date we entered into the agreement. The coal purchase agreement expired in May 2023 that required us to purchase a fixed amount of coal over the term of the agreement. As a result of the below-market contract, we recorded a contract asset at the close of the acquisition totaling \$34.3 million that was amortized over the term of the agreement as the contract was fulfilled. For the three and six months ended June 30,2023, we recorded \$13.0 million and \$30.7 million in additional operating expenses for coal purchased and used and a reduction of \$6.8 million and \$11.2 million, respectively, to inventory for coal purchased and unused as a result of amortizing the contract asset, thereby eliminating the remaining balance of the contract asset as of June 30,2023.

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(15 18) SEGMENTS OF BUSINESS

As of September 30, 2023, March 31, 2024, our operations are divided into two primary reportable segments, the Coal Electric Operations and Electric Coal Operations segments. The remainder of our operations, which are not significant enough on a stand-alone basis to warrant treatment as an operating segment, are presented as "Corporate and Other and Eliminations" and primarily are comprised of unallocated corporate costs and activities, the elimination of coal sales from coal operations to electric operations, including a 50% interest in Sunrise Energy, LLC, a private gas exploration company with operations in Indiana, which we account the Company accounts for using the equity method and our wholly-owned subsidiary Summit Terminal LLC, a logistics transport facility located on the Ohio River.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(in thousands)		(in thousands)	
Operating Revenues				
Coal Operations	\$ 134,896	\$ 84,530	\$ 343,267	\$ 208,190
Electric Operations	67,544	-	231,141	-
Corporate and Other and Eliminations	(36,672)	554	(59,112)	1,730
Consolidated Operating Revenues	\$ 165,768	\$ 85,084	\$ 515,296	\$ 209,920
Income (Loss) from Operations				
Coal Operations	\$ 24,764	\$ 6,098	\$ 64,215	\$ 580
Electric Operations	(2,676)	(991)	25,285	(991)
Corporate and Other and Eliminations	1,715	288	(14,220)	(3,687)
Consolidated Income (Loss) from Operations	\$ 23,803	\$ 5,395	\$ 75,280	\$ (4,098)
Depreciation, Depletion and Amortization				
Coal Operations	\$ 11,508	\$ 11,149	\$ 37,249	\$ 31,772
Electric Operations	4,695	-	14,045	-
Corporate and Other and Eliminations	27	38	81	110
Consolidated Depreciation, Depletion and Amortization	\$ 16,230	\$ 11,187	\$ 51,375	\$ 31,882
Assets				
Coal Operations	\$ 375,682	\$ 374,223	\$ 375,682	\$ 374,223
Electric Operations	209,455	351	209,455	351
Corporate and Other and Eliminations	49	8,787	49	8,787
Consolidated Assets	\$ 585,186	\$ 383,361	\$ 585,186	\$ 383,361
Capital Expenditures				
Coal Operations	\$ 11,570	\$ 15,097	\$ 38,654	\$ 38,000
Electric Operations	6,566	344	10,092	344
Corporate and Other and Eliminations	-	-	-	-
Consolidated Capital Expenditures	\$ 18,136	\$ 15,441	\$ 48,746	\$ 38,344

	Three Months Ended March 31,	
	2024	2023
	(in thousands)	
Operating revenues		
Electric operations	\$ 58,912	\$ 92,494
Coal operations	66,870	95,273
Corporate and other and eliminations	(16,110)	567
Consolidated operating revenues	\$ 109,672	\$ 188,334
Income (loss) from operations		

Electric operations	\$	15,247	\$	18,705
Coal operations		(11,457)		13,088
Corporate and other and eliminations		(1,057)		(2,560)
Consolidated income (loss) from operations	\$	2,733	\$	29,233
Depreciation, depletion and amortization				
Electric operations	\$	4,697	\$	4,675
Coal operations		10,728		13,275
Corporate and other and eliminations		18		26
Consolidated depreciation, depletion and amortization	\$	15,443	\$	17,976
Assets				
Electric operations	\$	211,116	\$	218,132
Coal operations		370,292		391,248
Corporate and other and eliminations		4,012		7,247
Consolidated assets	\$	585,420	\$	616,627
Capital expenditures				
Electric operations	\$	6,242	\$	843
Coal operations		8,632		12,639
Corporate and other and eliminations		—		—
Consolidated capital expenditures	\$	14,874	\$	13,482

(16 19) NET INCOME (LOSS) PER SHARE

The following table (in thousands, except per share amounts) sets forth the computation of basic net income (loss) earnings per share; share for the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Basic earnings per common share:				
Net income (loss) - basic	\$ 16,075	\$ 1,612	\$ 55,041	\$ (11,908)
Weighted average shares outstanding - basic	33,140	32,983	33,088	31,727
Basic earnings (loss) per common share	\$ 0.49	\$ 0.05	\$ 1.66	\$ (0.38)

The following table (in thousands, except per share amounts) sets forth the computation of diluted net income (loss) per share:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Diluted earnings per common share:				
Net income (loss) - basic	\$ 16,075	\$ 1,612	\$ 55,041	\$ (11,908)
Add: Convertible Notes interest expense, net of tax	303	-	898	-
Net income (loss) - diluted	\$ 16,378	\$ 1,612	\$ 55,939	\$ (11,908)

Weighted average shares outstanding - basic	33,140	32,983	33,088	31,727
Add: Dilutive effects of if converted Convertible Notes	3,162	-	3,164	-
Add: Dilutive effects of Restricted Stock Units	546	285	496	-
Weighted average shares outstanding - diluted	36,848	33,268	36,748	31,727
Diluted net income (loss) per share	\$ 0.44	\$ 0.05	\$ 1.52	\$ (0.38)

(17) SUBSEQUENT EVENTS

On October 2, 2023, the Merom Power Plant had a transformer failure causing one unit to be offline for the month of October. The failed transformer has since been replaced. However, the unit will not return to service before entering its previously planned MISO scheduled outage for routine maintenance work. The unit is expected to return to service in the second half of December and is not expected to impact our ability to perform under our power & capacity commitments.

	Three Months Ended March 31,	
	2024	2023
Basic earnings per common share:		
Net income (loss) - basic	\$ (1,696)	\$ 22,051
Weighted average shares outstanding - basic	34,816	32,983
Basic earnings (loss) per common share	\$ (0.05)	\$ 0.67

The following table (in thousands, except per share amounts) sets forth the computation of diluted net income (loss) per share:

	Three Months Ended March 31,	
	2024	2023
Diluted earnings per common share:		
Net income (loss) - basic	\$ (1,696)	\$ 22,051
Add: Convertible Notes interest expense, net of tax	—	293
Net income (loss) - diluted	\$ (1,696)	\$ 22,344
Weighted average shares outstanding - basic	34,816	32,983
Add: Dilutive effects of if converted Convertible Notes	—	3,163
Add: Dilutive effects of Restricted Stock Units	—	594
Weighted average shares outstanding - diluted	34,816	36,740
Diluted net income (loss) per share	\$ (0.05)	\$ 0.61

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

THE FOLLOWING DISCUSSION UPDATES THE MD&A SECTION OF OUR 2022 2023 ANNUAL REPORT ON FORM 10-K AND SHOULD BE READ IN CONJUNCTION THEREWITH.

Our condensed consolidated financial statements should also be read in conjunction with this discussion. The following analysis includes a discussion of metrics on a per-ton per mega-watt hour (MWh) and a per ton basis as derived from the condensed consolidated financial statements, which are considered non-GAAP measurements. These metrics are significant factors in assessing our operating results and profitability.

Net income Throughout the first quarter, we continued our progress on transitioning the focus of \$16.1 Hallador from a coal production company to an integrated independent power producer ("IPP"). During the first three months of 2024, our Electric Operation's revenue exceeded that of our Coal Operation's revenue. Additionally, we were successful in adding approximately \$138.0 million in forward energy and capacity sales, growing our Electric Operation's forward sales book to approximately \$657.0 million as of March 31,

2024. This represents 44% of Hallador's \$1.5 billion in total forward energy, capacity, and coal sales through 2029 (on a segment basis). However, we truly believe future sales from our Electric Operations will soon eclipse our sales revenues from our Coal Operations. Since January, we have evaluated and continue to evaluate several major power and capacity sales opportunities, including one proposal that if contracted would result in more than a billion dollars' worth of potential forward power sales. We continue to see strong indicators that demand, and pricing remain on an upward trend, and this direction is paramount to our ongoing evaluations of these sales opportunities. Monitoring the equity markets strengthens our belief that investors in other IPPs are also anticipating similar increases in power demand, demonstrated most clearly through the more than doubling of market capitalizations of several of those IPPs across the previous twelve months. In support of our expectation that Hallador Power sales will continue to exceed our traditional Sunrise Coal subsidiary, we anticipate changing Hallador's SIC code to 4911 (electric services) from 1220 (bituminous coal producer) in the future.

While we have seen continued weakness in spot power prices thus far in 2024, indicators for future power pricing appear much healthier. We believe these indicators are supported by both our forward power book pricing and the most recent future power curves. Additionally, natural gas future's prices are in contango, meaning future gas prices exceed spot gas prices that have been depressing overall power prices for the last several quarters. As we discussed last quarter, helped add the dynamics of the natural gas market paired with the non-standard mild weather throughout the Midwest impacted pricing and our power plant dispatch rates. Future prices seem to net income indicate easing on both these fronts which we view as a positive for our go-forward operations.

This quarter, we also launched a targeted request for proposal for power demand supporting new development at our Merom Power Plant. Responses are due in mid-May, but early indications point to a high level of \$55.0 million interest. The RFP is available on our website for any interested parties that did not already receive the information.

Our goal is for Hallador Power to generate approximately 1.5 million MWh on a quarterly basis, which equates to approximately 6 million MWh annually. During the first nine months of the year. Cash flow from operations of \$79.5 million for the first nine months has been reinvested through \$48.7 million of capital expenditures in our mines and power plant to improve efficiency and reliability. In the first nine months of 2023, we have utilized \$30.5 million in financing activities, including \$23.5 million to repay debt. Improved earnings and debt repayment have improved our balance sheet by reducing our debt to adjusted EBITDA multiple to 0.71X and increasing our liquidity to \$66.4 million. Liquidity consists quarter, Hallador Power generated 816,000 MWh, or 54% of our additional borrowing capacity and cash and cash equivalents.

On August 2, 2023, we successfully amended target, despite an average price of \$41.90. The favorable pricing is a result of experiencing sales prices as high as \$250 per MWh for limited times during the quarter, balanced against several days of pricing below our credit facility with PNC Bank, variable cost to produce. These fluctuations led to an inconsistent dispatch schedule, which we accounted for expect to level out as a debt extinguishment. This amendment is important as it extends the maturity of our credit into 2026, we anticipate demand and pricing increases with seasonal weather changes and reduced gas stores.

During the third first quarter, Hallador Power generated 816,000 MWh at the following cost structure (on a segment basis):

	In Millions	Per MWh
Revenue:		
Capacity	\$ 11.80	\$ 14.46
Delivered Energy and PPA	47.00	57.60
Total Electric Revenue	\$ 58.80	\$ 72.06
Operating Expense:		
Fixed Cost	\$ 11.80	\$ 14.46
Variable Cost	26.00	31.86
Total Electric Operating Expense	\$ 37.80	\$ 46.32
Margin:	\$ 21.00	\$ 25.74

When forward selling capacity, we target annual sales of 2023, high coal around \$65 million to offset our fixed annual costs at the plant of approximately \$60 million. Our forward sales prices coupled with table demonstrates that we have already sold a large coal shipment volumes led to significant coal revenue growth. Our well-contracted sales book supported our revenue growth despite operational challenges increasing our cost per ton during the quarter. We chose to relocate 57% portion of our coal units of production during the third quarter and into October to obtain better geologic conditions. This led to higher costs and decreased production during this timeframe but is resulting in overall production improvements following the moves. future capacity, which we believe makes our forward capacity sales goals attainable.

On As a condition of acquiring the power side of the business, intercompany coal sales from our coal division Merom Power Plant, we agreed to our power plant division increased average variable costs per MWh of electric operations to \$40.03 per MWh, an increase of \$9.98 per MWh over the prior quarter on a segment basis. We set the price of the coal we sell to ourselves based on third-party market indicators that we review from time to time. Costs per MWh were \$23.49 per MWh on a consolidated basis.

During the third quarter and subsequently, our power division was successful in securing \$325 million of energy and capacity sales for the years 2024 - 2028. Latest sales include approximately 3.3 million 1.66 million MWh of energy in 2024 and 1.60 million MWh in 2025 at \$56 \$34 per MWh totaling \$186 million, delivered to the plant seller, representing 27% of our annual 6 million MWh goal. Since this original transaction, we have been successful in selling over 5 million MWh of energy years 2026, 2027, and 2028. An energy year is defined as June 1st through May 31st. Additionally, we sold \$139 million in capacity sales for energy years 2024-2028 to third parties at an average price of approximately \$220 \$52 per MWh over the years 2024-2029 as illustrated in the table below.

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During the first quarter, our variable costs were \$31.88 per MWh. The low energy prices during the quarter necessitated that we run our plant at slower speeds resulting in more frequent than normal starts and subsequently stops to avoid selling below cost energy. Running in this manner is less fuel efficient than if we were able to consistently generate at a 6 million MWh pace, which could lower cost by as much as 10%.

On February 23, 2024, our Coal Operations Segment undertook an initiative designed to strengthen our financial and operational efficiency and to create significant operational savings and higher margins in our coal segment. This step helps to advance our transition from a company primarily focused on coal production to a more resilient and diversified IPP. As part of this initiative, we idled production at our higher cost Prosperity Mine, and substantially idled production at the Freelandville Mine with minimal production until reclamation is finished on approximately May 31, 2024. This should reduce our capital reinvestment for coal production in 2024 by approximately \$10 million. We also focused our seven units of underground equipment on four units of our lowest cost production at our Oaktown Mine. As part of the initiative, we reduced our workforce by approximately 110 employees.

Mining costs for the quarter were \$53.38 per ton. However, at Oaktown, we saw mining costs in March decrease into the low \$30s on a per ton basis. While there are several factors that impacted this cost reduction, we continue to monitor operations and strategic initiatives to better understand the longevity of these favorable conditions.

Historically, Sunrise Coal has generated approximately six million tons of coal annually. Following the restructuring, we expect Sunrise to produce roughly 3.5 million tons of coal on an annualized basis for 2024. If market conditions warrant, our current operations are capable of producing at a 4.5 million ton annualized pace. In 2024, we have also secured supplemental coal from third party suppliers at favorable prices. This allows us to diversify self-production supply risk and provides us with additional flexibility in our sales portfolio. The optionality to obtain low-cost tons either internally or from third parties while capturing upward swings in the commodities markets for coal should further maximize margins while optimizing fuel costs at our Merom facility.

We continued our build out of what we consider to be a best-in-class management team as we welcomed Marjorie Hargrave as our new CFO with broad-based experience in power production and capital markets. Adding Marjorie to our previous hires over the last two years, including expertise within the positions of our President of Hallador Power, our Chief Legal Officer (with Data communications expertise), our SVP of Power Marketing, and a Manager of Environmental Engineering, will accelerate our continued development of Hallador's operational and future power acquisition capabilities. These prospects and our strong future sales have us very excited about the future of our company.

OVERVIEW

- I. Q3 2023 Q1 2024 Net Income Loss of \$16.1 million \$1.7 million.
 - a. 2.1 million 1.2 million tons of coal were shipped at an average sales price of \$65.43 \$54.40 on a segment basis during the quarter, with approximately 0.5 million 0.3 million tons of that being shipped to the Merom Power Plant for \$37.0 million \$16.4 million. This is a decline of 0.2 million tons of coal from Q4 2023, primarily due to decreased demand from a mild winter and low natural gas prices. The average sales price of coal was \$62.41 \$55.64 per ton on a consolidated basis.
 - i. The sales price for remaining tons to ship for 2023 2024 is expected to average \$54.3 \$50.65 per ton on a consolidated basis (not including coal shipped to Merom).
 - b. In Q3 2023, Q1 2024, Hallador's coal operating costs were \$46.54 \$53.38 per ton on a segment basis, which represents a \$5 \$0.41 \$0.2 per ton increase decrease from Q2 Q4 2023. Coal operating costs were \$48.92 per ton on This decrease is a consolidated basis, result of the reduction in production of our higher cost surface mines.
 - c. We recorded coal margins for the quarter at \$18.89 \$1.02 per ton on a segment basis. This is a decline of \$5.03 \$7.97 per ton from Q2 Q4 2023 margins, due primarily to higher costs resulting from relocation of 57% of our coal production units to take advantage of improved geologic conditions. Margins for the quarter were \$13.49 on a consolidated basis, reduction in contract average sales prices.
- II. Q3 2023 Q1 2024 Activity
 - a. Cash Flow & Debt
 - i. During Q3 2023, Q1 2024, our operating cash flow was \$35.3 million \$16.4 million, and we decreased our bank debt by \$12.5 million \$14.5 million.
 - ii. As of September 30, 2023 March 31, 2024, our bank debt was \$61.8 million \$77.0 million, liquidity was \$66.4 million \$39.5 million, and our leverage ratio came in at 0.71X, 1.58X, within our covenant of 2.25X.

- iii. During Q1 2024, we issued unsecured one-year notes from related parties affiliated with certain members of the Board of Directors in the amount of \$5.0 million.
 - iv. An ATM raised \$6.6 million through the issuance of 0.7 million shares of our common stock.
 - v. We converted \$8.0 million of senior unsecured convertible notes, including interest through August 2025 with 1,459,293 shares of our Company common stock. We converted \$0.8 million of accrued interest with 122,605 shares of our Company's common stock.
- b. **Coal Power & Power Coal**
- i. **Coal**
Power production was 1.6 million 0.8 million MWh for the quarter, an increase of 0.2 million from Q4 2023.
 - ii. We initiated a Reorganization Plan in our Coal Operations designed to increase margins and adjust to current market conditions. Our production was 1.3 million tons for the quarter, 0.1 million less than Q2 Q4 2023. Approximately 0.5 million 0.3 million tons of that production were shipped to the Merom Power Plant in Q2 2023.
 - ii. Power production was 1.3 million MWh for the quarter. Q1 2024.

III. Solid Forward Sales Position - Segment Basis, Before Intercompany Eliminations

	2023 (Q4)	2024	2025	2026	2027	2028	Total
Coal							
Priced tons (in millions)	2.4	3.4	1.3	0.5	0.5	-	8.1
Average price per ton	\$ 54.30	\$ 51.10	\$ 50.80	\$ 56.00	\$ 56.00	\$ -	
Contracted coal revenue (in millions)	\$ 130.32	\$ 173.74	\$ 66.04	\$ 28.00	\$ 28.00	\$ -	\$ 426.10
% Priced	100%	49%	19%	7%	7%	0%	
Committed & unpriced tons (in millions) - 3rd party	-	-	1.0	1.0	1.0	-	3.0
Committed & unpriced tons (in millions) - Merom	-	2.9	2.9	2.9	2.9	2.9	14.5
Total contracted tons (in millions)	2.4	6.3	5.2	4.4	4.4	2.9	25.6
% Coal Sold*	100%	90%	74%	63%	63%	41%	

Average cost per ton of coal was \$42.57 for the nine months ending September 30, 2023 (\$43.25 after eliminating for intercompany sales to Merom)

Coal Capex Budget (in \$ 10.00 millions)

								2024	2025	2026	2027	2028	2029	Total
Power Energy Contracted														
MWh (in millions)	0.4	1.6	1.7	1.6	1.3	0.4	7.0	1.60	1.90	1.83	1.78	1.09	0.27	8.47
Contracted price per MWh	\$ 34.00	\$ 34.00	\$ 34.00	\$ 56.00	\$ 56.00	\$56.00		\$ 37.02	\$ 36.06	\$ 55.37	\$ 54.65	\$ 52.98	\$ 51.00	
Contracted revenue (in millions)	\$ 13.60	\$ 54.40	\$ 57.80	\$ 89.60	\$ 72.80	\$ 24.19	\$ 312.39	\$ 59.23	\$ 68.51	\$ 101.33	\$ 97.28	\$ 57.75	\$ 13.77	\$ 397.87
% Energy Sold*	27%	27%	28%	27%	22%	7%		27%	32%	31%	30%	18%	5%	
Capacity Average monthly contracted capacity	828	670	450	508	550	354		818	801	744	623	454	100	
% Capacity Contracted**	100%	78%	52%	59%	64%	41%		106%	82%	77%	64%	47%	10%	
Average contracted capacity price per MWd	\$ 146	\$ 178	\$ 200	\$ 226	\$ 225	\$ 224		\$ 209	\$ 198	\$ 230	\$ 226	\$ 225	\$ 230	
Contracted capacity revenue (in millions)	\$ 11.00	\$ 43.65	\$ 32.92	\$ 41.89	\$ 45.26	\$ 28.88	\$ 203.60	\$ 47.01	\$ 57.89	\$ 62.46	\$ 51.39	\$ 37.39	\$ 3.47	\$ 259.61
Total Energy & Capacity Revenue Contracted														
Power Revenue (in millions)	\$ 24.60	\$ 98.05	\$ 90.72	\$ 131.49	\$ 118.06	\$ 53.07	\$ 515.99	\$ 106.24	\$ 126.40	\$ 163.79	\$ 148.67	\$ 95.14	\$ 17.24	\$ 657.48

Contracted Power Revenue per MWh*	\$ 41.33	\$ 43.34	\$ 44.49	\$ 67.82	\$ 67.79	\$ 67.69	\$ 44.39	\$ 47.76	\$ 68.96	\$ 68.00	\$ 66.31	\$ 56.62	
2023 average cost per MWh was \$33.43 for the nine months ending September 30, 2023 (\$27.45 assuming intercompany sales of coal were sold at cost)													
2024 average cost per MWh was \$31.88 for the three months ended March 31, 2024 (\$30.41 assuming intercompany sales of coal were sold at cost)													
Power Capex Budget (in \$ 20.00 millions)													
2024 Power Capex Budget (in millions) excluding ELG requirements							\$ 18.00						
Coal Priced tons - 3rd party (in millions)							2.48	1.78	0.50	0.50	—	—	5.26
Average price per ton - 3rd party							\$ 50.65	\$ 50.04	\$ 55.50	\$ 55.50	\$ —	\$ —	
Priced tons (in millions) - Hallador Power							1.20	2.30	2.30	2.30	2.30	—	10.40
Average price per ton - Hallador Power							\$ 51.00	\$ 51.00	\$ 51.00	\$ 51.00	\$ 51.00	\$ —	
Contracted coal revenue (in millions)							\$ 186.81	\$ 206.37	\$ 145.05	\$ 145.05	\$ 117.30	\$ —	\$ 800.58
% Priced							82 %	91 %	62 %	62 %	51 %	0 %	

Committed & unpriced tons (in millions) - 3rd party														
Committed & unpriced tons (in millions) - Hallador Power														
Total contracted tons (in millions)														
% Coal Sold*														
Average cost per ton of coal was \$53.38 for the three months ended March 31, 2024														
2024 Coal Capex Budget (in millions)														
TOTAL CONTRACTED REVENUE (IN MILLIONS)														
	\$ 154.92	\$ 271.79	\$ 156.76	\$ 159.49	\$ 146.06	\$ 53.07	\$ 942.09	\$ 293.05	\$ 332.77	\$ 308.84	\$ 293.72	\$ 212.44	\$ 17.24	\$ 1,458.06

*Based on coal production capacity of 7.0 million 4.5 million tons and 6.0 million MWh annually.

**Based on a MISO accreditation of 860MW 769 MW per day, day through 2024, up to 971 MW per day for 2025. Accreditations are adjusted annually based on 3-year rolling performance metrics.

LIQUIDITY AND CAPITAL RESOURCES

I. Liquidity and Capital Resources

- a. As set forth in our condensed consolidated statements of cash flows, cash provided by operations was \$79.5 \$16.4 million and \$13.9 million \$26.1 million for the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively.
 - i. Operating margins from coal sales, which we define as coal sales less operating expenses, were \$108.7 million on a segment basis, during the first nine months of 2023, up from \$35.6 million during the first nine months of 2022. Operating margins for coal shipped to the Merom Power Plant were \$29.4 million and are eliminated in consolidation.
 1. Our operating margins from coal sales were \$19.91 per ton on a segment basis in the first nine months of 2023 compared to \$7.62 in the first nine months of 2022 Operating margins were \$17.04 on a consolidated basis.
 2. We shipped 5.5 million tons of coal in the first nine months of 2023, with 0.8 million tons of that being shipped to the Merom Power Plant.
 - ii. Operating margins for electric, which we define as operating revenues less operating expenses on a segment basis, were \$43.3 million, with \$32.4 million attributed to \$21.1 million. Operating margins were \$22.1 million on a consolidated basis.

- ii. Operating margins from coal sales, which we define as coal sales less operating expenses, were \$1.2 million on a segment basis, during the amortization first three months of 2024, down from \$28.9 million during the contract asset and liability adjustments related first three months of 2023. Tons shipped in the first three months of 2024 to the Merom Acquisition Power Plant were sold at break-even, however due to timing of the usage of the coal in Q4 2022. Operating the Plant, we had negative operating margins of \$1.2 million which were \$64.9 million eliminated in consolidation.
1. Our operating margins from coal sales were \$1.02 per ton on a consolidated basis, segment basis in the first three months of 2024 compared to \$17.07 in the first three months of 2023.
 2. We shipped 1.2 million tons of coal in the first three months of 2024, with 0.3 million tons of that being shipped to the Merom Power Plant.
- b. Our projected electric capital expenditure budget for the remainder of 2023 2024 is \$30 \$11.8 million. Our projected coal operations capital expenditure budget for the remainder of 2024 is \$16.3 million, of which approximately one-half is anticipated for maintenance capex.
- c. We paid down bank debt of \$23.5 million \$14.5 million in the first nine three months of 2023, 2024. As of September 30, 2023 March 31, 2024, our bank debt was \$61.8 million \$77.0 million. On August 2, 2023,
- d. In March of 2024, we executed an amendment issued unsecured promissory notes, having a 12-month maturity date and 12% per annum interest rate to related parties affiliated with certain members of our credit agreement with PNC Bank, National Association (in its capacity as administrative agent, "PNC"), administrative agent for our lenders under our credit agreement. Board of Directors. The primary purpose of the amendment this issuance was to increase the term debt to \$65 million, enter a revolver of \$75 million, support liquidity and extend the maturity of the debt to 2026. accelerate strategic initiatives.
- d. e. We expect cash from operations generated primarily to fund our capital expenditures and our debt service. As of September 30, 2023 March 31, 2024, we also had an additional borrowing capacity of \$63.8 million \$37.9 million.

II. Material Off-Balance Sheet Arrangements

- a. Other than our surety bonds for reclamation, we have no material off-balance sheet arrangements. We have recorded the present value of reclamation obligations of \$19.9 million \$16.4 million, including \$7.7 million \$5.4 million at Merom, presented as asset retirement obligations (ARO) ("ARO") and accounts payable and accrued liabilities in our accompanying condensed consolidated balance sheets. In the event we are not able to perform reclamation, we have surety bonds in place totaling \$37.5 million to cover ARO.

CAPITAL EXPENDITURES (capex)

For the first nine three months of 2023, 2024, capex was \$48.7 \$14.9 million allocated as follows (in millions):

Oaktown – maintenance capex	\$	23.8	\$ 5.7
Oaktown – investment		12.9	3.0
Freelandville Mine		1.2	—
Merom Plant		10.1	6.2
Other		0.7	—
Capex per the Condensed Consolidated Statements of Cash Flows	\$	48.7	\$ 14.9

RESULTS OF OPERATIONS

Presentation of Segment Information

Our operations are divided into two primary reportable segments: coal operations Electric Operations and electric operations. Coal Operations. The remainder of our operations, which are not significant enough on a stand-alone basis to warrant treatment as an operating segment, are presented as "Corporate and Other and Eliminations" within the Notes to the Condensed Consolidated Financial Statements and primarily are comprised of unallocated corporate costs and activities, including a 50% interest in Sunrise Energy, LLC, a private gas exploration company with operations in Indiana, which we account for using the equity method, and our wholly-owned subsidiary Summit Terminal LLC, a logistics transport facility located on the Ohio River.

Coal Operations

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022

	(in thousands)		(in thousands)					
OPERATING REVENUES:	\$	134,896	\$	84,530	\$	343,267	\$	208,190
EXPENSES:								
Operating expenses		95,592		64,836		232,462		169,095
Depreciation, depletion and amortization		11,508		11,149		37,249		31,772
Asset retirement obligations accretion		309		255		912		751
Exploration costs		171		121		682		393
General and administrative		2,552		2,071		7,747		5,599
Total operating expenses		110,132		78,432		279,052		207,610
INCOME FROM OPERATIONS	\$	24,764	\$	6,098	\$	64,215	\$	580

2023 vs. 2022 (third quarter)

Operating revenues from coal operations increased 60% over 2022 due to a combination of an increase in the volume and average sales price for coal. As a result, higher-priced contracts sold in the summer of 2022 that were delivered in Q3 of 2023 increased our average sales price by over \$16 per ton from Q3 2022. We also sold 0.3 million additional tons over Q3 2022 at higher average prices. Operating revenues for Q3 2023 include \$37.0 million in sales to the Merom plant which are eliminated in the consolidation but increased the average price per ton of coal sold for the quarter by approximately 4.8%.

Operating expenses, however, increased \$9.08 per ton over Q3 2022. The addition of the higher-cost Prosperity surface mine, poor temporary mining conditions at Oaktown, as well as continued significant inflationary pressures, have elevated the costs.

General and administrative expenses increased 23% over Q3 2022 due to performance and production bonuses paid and accrued to employees, additional professional fees, and additional IT costs related to enhanced security and compliance activities.

2023 vs. 2022 (first nine months)

Operating revenues from coal operations increased 65% over 2022 due largely to an increase in the average sales price for coal. As a result, higher-priced contracts increased our average sales price by approximately \$19 per ton from the first nine months of 2022. We also sold 0.8 million additional tons over the first nine months of 2022 at higher average prices. Operating revenues for the first nine months of 2023 include \$60.6 million in sales to the Merom plant which are eliminated in the consolidation but increased the average price per ton of coal sold for the first nine months by approximately 3.6%.

Operating expenses increased by \$6.42 per ton sold over the first nine months of 2022. The addition of the higher-cost Freelandville and Prosperity surface mines, poor temporary mining conditions at Oaktown, as well as continued significant inflationary pressures have elevated the costs.

Depreciation, depletion, and amortization increased by 17% as a significant amount of our assets were depreciated and amortized based on production, which increased approximately 10% over the first nine months of 2022. Inflationary pressures have also contributed to the higher capital asset additions over the past couple of years contributing to the increase.

General and administrative expenses increased 38% over the first nine months of 2022 due to performance, production, and discretionary bonuses paid to employees, additional professional fees related to the 2022 audit, and additional IT costs related to enhanced security and compliance activities.

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 on a segment basis.

All Mines	4th 2022	1st 2023	2nd 2023	3rd 2023	T4Qs
Tons produced	1,721	2,006	1,723	1,594	7,044
Tons sold	1,664	1,693	1,714	2,054	7,125
Coal sales	\$ 84,641	\$ 94,602	\$ 112,171	\$ 134,400	\$ 425,814
Average price/ton	\$ 50.87	\$ 55.88	\$ 65.44	\$ 65.43	\$ 59.76
Wash plant recovery in %	68 %	70 %	67 %	65 %	
Operating costs	\$ 67,319	\$ 65,700	\$ 71,168	\$ 95,592	\$ 299,779
Average cost/ton	\$ 40.46	\$ 38.81	\$ 41.52	\$ 46.54	\$ 42.07
Margin	\$ 17,322	\$ 28,902	\$ 41,003	\$ 38,808	\$ 126,035
Margin/ton	\$ 10.41	\$ 17.07	\$ 23.92	\$ 18.89	\$ 17.69
Capex	\$ 12,368	\$ 12,639	\$ 14,445	\$ 11,570	\$ 51,022
Maintenance capex	\$ 5,748	\$ 7,778	\$ 9,754	\$ 7,938	\$ 31,218
Maintenance capex/ton	\$ 3.45	\$ 4.59	\$ 5.69	\$ 3.86	\$ 4.38
All Mines	4th 2021	1st 2022	2nd 2022	3rd 2022	T4Qs
Tons produced	1,447	1,397	1,762	1,663	6,269
Tons sold	1,554	1,377	1,595	1,705	6,231

Coal sales	\$	64,388	\$	57,010	\$	64,161	\$	83,563	\$	269,122
Average price/ton	\$	41.43	\$	41.40	\$	40.23	\$	49.01	\$	43.19
Wash plant recovery in %		70 %		67 %		71 %		69 %		
Operating costs	\$	54,583	\$	54,443	\$	50,776	\$	63,876	\$	223,678
Average cost/ton	\$	35.12	\$	39.54	\$	31.83	\$	37.46	\$	35.90
Margin	\$	9,805	\$	2,567	\$	13,385	\$	19,687	\$	45,444
Margin/ton	\$	6.31	\$	1.86	\$	8.39	\$	11.55	\$	7.29
Capex	\$	9,975	\$	9,082	\$	13,821	\$	15,096	\$	47,974
Maintenance capex	\$	3,302	\$	4,481	\$	7,600	\$	6,625	\$	22,008
Maintenance capex/ton	\$	2.12	\$	3.25	\$	4.76	\$	3.89	\$	3.53

Electric Operations

	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2023	2022	2024	2023
	(in thousands)		(in thousands)		(in thousands)	
	\$		\$		\$	
OPERATING REVENUES:	\$ 67,544	\$ —	\$ 231,141	\$ —	\$ 58,912	\$ 92,494
EXPENSES:						
Operating expenses	64,171	991	187,849	991	37,799	67,682
Depreciation, depletion and amortization	4,695	—	14,045	—	4,697	4,675
Asset retirement obligations accretion	159	—	468	—	111	153
General and administrative	1,195	—	3,494	—	1,058	1,279
Total operating expenses	70,220	991	205,856	991	43,665	73,789
INCOME (LOSS) FROM OPERATIONS	\$ (2,676)	\$ (991)	\$ 25,285	\$ (991)	\$ 15,247	\$ 18,705
INCOME FROM OPERATIONS						

A comparative discussion is not relevant. Operating revenues from electric operations decreased \$33.6 million, or 36%, compared to the first quarter of 2023 due to reduced production of power as the Electric Operations did not begin until the Merom Acquisition was completed in October 2022, a result of a mild winter and decreased natural gas prices.

Operating revenue is derived from expenses decreased \$29.9 million, or 44%, compared to the first quarter of 2023 due to a power decrease in production as well as costs related to the coal purchase agreement signed with Hoosier in conjunction with related to the Merom Acquisition at fixed prices below market prices at the date we closed the transaction, in 2022. The power coal purchase agreement expires in 2025 and requires us to provide a fixed amount of power over the term of the agreement. As a result of the below-market contract, we recorded a contract liability at the close of the acquisition totaling \$184.5 million that will be amortized over the term of the agreement as the contract is fulfilled. For the three and nine months ended September 30, 2023, we recorded \$10.3 million and \$63.2 million, respectively, of revenue as a result of amortizing the contract liability.

Operating expenses include coal purchased under an agreement signed with Hoosier in conjunction with the Merom acquisition at included fixed prices which were below market prices at the date we entered into the agreement. The coal purchase agreement expired in May 2023 that required us to purchase a fixed amount of coal over the term of the agreement. As a result of the below-market contract, we recorded a contract asset at the close of the acquisition totaling \$34.3 million that was amortized over the term of the agreement as the contract was fulfilled. For the three and six months ended June 30, 2023, we recorded \$13.0 million and \$30.7 million there were \$17.8 million in additional operating expenses for coal purchased and used and a reduction of \$6.8 million and \$11.2 million, respectively, to inventory for coal purchased and unused as a result of amortizing the contract asset thereby eliminating during the remaining balance first quarter of the contract asset as of June 30, 2023, 2023.

Quarterly electric sales and cost data (in thousands, except per MWh data) are provided below. Fixed costs in the table are considered "non-GAAP" and are a component of operating expenses, the most comparable GAAP measure. We consider fixed costs to be costs associated with the plant whether or not the plant is in operation.

	1st 2023	2nd 2023	3rd 2023	2023	1st 2024	1st 2023
MWh sold	1,262	1,043	1,307	3,612	816	1,262
Capacity revenue	\$ 15,970	\$ 17,155	\$ 13,012	\$ 46,137	\$ 11,773	\$ 15,970

Delivered energy and PPA revenue	76,422	53,862	54,391	184,675	46,982	76,422
Total electric sales	92,392	71,017	67,403	230,812	58,755	92,392
Less amortization of contract liability	(33,347)	(19,555)	(10,281)	(63,183)	(12,788)	(33,347)
Total electric sales less amortization of contract liability	\$ 59,045	\$ 51,462	\$ 57,122	\$ 167,629	\$ 45,967	\$ 59,045
Average price/MWh of delivered energy and PPA revenue less amortization of contract liability	\$ 34.13	\$ 32.89	\$ 33.75	\$ 33.64	\$ 41.90	\$ 34.13
Operating expenses (on a segment basis)	\$ 67,682	\$ 55,996	\$ 64,172	\$ 187,850	\$ 37,799	\$ 67,682
Less fixed costs	(12,807)	(11,693)	(11,858)	(36,358)	(11,782)	(12,807)
Less amortization of contract asset	(17,778)	(12,962)	-	(30,740)	—	(17,778)
Operating expenses less fixed costs and amortization of contract asset	\$ 37,097	\$ 31,341	\$ 52,314	\$ 120,752	\$ 26,017	\$ 37,097
Average variable cost/MWh of operating expenses less fixed costs and amortization of contract asset	\$ 29.40	\$ 30.05	\$ 40.03	\$ 33.43	\$ 31.88	\$ 29.40
Energy and PPA margin less fixed costs and amortization of contract asset and liabilities	\$ 5,978	\$ 2,966	\$ (8,204)	\$ 740	\$ 8,177	\$ 5,978
Energy & PPA margin/MWh less fixed costs amortization of contract asset and liabilities	\$ 4.74	\$ 2.84	\$ (6.28)	\$ 0.20		
Energy and PPA margin/MWh less fixed costs amortization of contract asset and liabilities					\$ 10.02	\$ 4.74

Coal Operations

	Three Months Ended March 31,	
	2024	2023
	(in thousands)	
OPERATING REVENUES:	\$ 66,870	\$ 95,273
EXPENSES:		
Operating expenses	64,803	65,700
Depreciation, depletion and amortization	10,728	13,275
Asset retirement obligations accretion	288	298
Exploration costs	70	206
General and administrative	2,438	2,706
Total operating expenses	78,327	82,185
(LOSS) INCOME FROM OPERATIONS	\$ (11,457)	\$ 13,088

Operating revenues from coal operations decreased \$28.4 million, or 30%, from the first quarter of 2023 due to reductions in volume and average sales price for our coal. Our average sales price decreased \$1.48 per ton and we sold 0.5 million tons less compared to the first quarter of 2023. Operating revenues for the first quarter of 2024 include \$16.4 million in sales to the Merom plant which were eliminated in the consolidation.

Operating expenses increased by \$14.57 per ton sold over the first quarter of 2023. This increase was due to one-time termination benefits of \$1.1 million related to the Reorganization Plan disclosed in "Note 16 — Organizational Restructuring" to the Condensed Consolidated Financial Statements, the addition of the higher-cost Prosperity surface mine, poor temporary mining conditions at Oaktown, and continued significant inflationary pressures that have continued to elevate the costs.

Depreciation, depletion, and amortization decreased \$2.5 million, or 19%, from the first quarter of 2023 due to decreases in coal production and the remaining useful lives of the mine development assets.

Quarterly coal sales and cost data on a segment basis are as follows (in thousands, except per ton data and wash plant recovery percentage):

All Mines	2nd 2023	3rd 2023	4th 2023	1st 2024	T4Qs
Tons produced	1,723	1,594	1,331	1,271	5,919
Tons sold	1,714	2,054	1,461	1,214	6,443
Coal sales	\$ 112,171	\$ 134,400	\$ 91,714	\$ 66,036	\$ 404,321
Average price per ton	\$ 65.44	\$ 65.43	\$ 62.77	\$ 54.40	\$ 62.75

Wash plant recovery in %		67 %		65 %		62 %		60 %	
Operating costs	\$	71,168	\$	95,592	\$	78,581	\$	64,803	\$ 310,144
Average cost per ton	\$	41.52	\$	46.54	\$	53.79	\$	53.38	\$ 48.14
Margin	\$	41,003	\$	38,808	\$	13,133	\$	1,233	\$ 94,177
Margin per ton	\$	23.92	\$	18.89	\$	8.99	\$	1.02	\$ 14.62
Capex	\$	14,445	\$	11,570	\$	17,867	\$	8,632	\$ 52,514
Maintenance capex	\$	9,754	\$	7,938	\$	13,567	\$	8,085	\$ 39,344
Maintenance capex per ton	\$	5.69	\$	3.86	\$	9.29	\$	6.66	\$ 6.11

All Mines		2nd 2022		3rd 2022		4th 2022		1st 2023		T4Qs
Tons produced		1,762		1,663		1,721		2,006		7,152
Tons sold		1,595		1,705		1,664		1,693		6,657
Coal sales	\$	64,161	\$	83,563	\$	84,641	\$	94,602	\$	326,967
Average price per ton	\$	40.23	\$	49.01	\$	50.87	\$	55.88	\$	49.12
Wash plant recovery in %		71 %		69 %		68 %		70 %		
Operating costs	\$	50,776	\$	63,876	\$	67,319	\$	65,700	\$	247,671
Average cost per ton	\$	31.83	\$	37.46	\$	40.46	\$	38.81	\$	37.20
Margin	\$	13,385	\$	19,687	\$	17,322	\$	28,902	\$	79,296
Margin per ton	\$	8.39	\$	11.55	\$	10.41	\$	17.07	\$	11.91
Capex	\$	13,821	\$	15,096	\$	12,368	\$	12,639	\$	53,924
Maintenance capex	\$	7,600	\$	6,625	\$	5,748	\$	7,778	\$	27,751
Maintenance capex per ton	\$	4.76	\$	3.89	\$	3.45	\$	4.59	\$	4.17

Presentation of Consolidated Information

EARNINGS (LOSS) PER SHARE

	4th 2022	1st 2023	2nd 2023	3rd 2023	2nd 2023	3rd 2023	4th 2023	1st 2024
					2023	2023	2023	2024
Basic	\$ 0.91	\$ 0.67	\$ 0.51	\$ 0.49	\$ 0.51	\$ 0.49	\$ (0.31)	\$ (0.05)
Diluted	\$ 0.83	\$ 0.61	\$ 0.47	\$ 0.44	\$ 0.47	\$ 0.44	\$ (0.31)	\$ (0.05)

	4th 2021	1st 2022	2nd 2022	3rd 2022	2nd 2022	3rd 2022	4th 2022	1st 2023
					2022	2022	2022	2023
Basic	\$ (0.25)	\$ (0.33)	\$ (0.11)	\$ 0.05	\$ (0.11)	\$ 0.05	\$ 0.91	\$ 0.67
Diluted	\$ (0.25)	\$ (0.33)	\$ (0.11)	\$ 0.05	\$ (0.11)	\$ 0.05	\$ 0.83	\$ 0.61

INCOME TAXES

Our effective tax rate (ETR) is estimated at ~~-13%~~-26% and ~~-(8)%~~-13% for the ~~nine three~~ months ended ~~September 30, 2023~~ March 31, 2024, and ~~2022, 2023~~, respectively. For the ~~nine three~~ months ended ~~September 30, 2023~~ March 31, 2024, ~~and 2022~~, we recorded 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 ETR differs from the statutory rate due primarily to statutory depletion in excess of tax basis and changes in the valuation allowance. The deduction for statutory percentage depletion does not necessarily change proportionately to changes in income (loss) before income taxes.

RESTRICTED STOCK GRANTS

See "Item 1. Financial Statements - [Note 8, 9. Stock Compensation Plans](#)" for a discussion of RSUs.

CRITICAL ACCOUNTING ESTIMATES

We believe that the estimates of **our** coal reserves, **our** asset retirement obligation liabilities, **our** deferred tax accounts, **our** valuation of inventory, **our treatment of business combinations**, and the estimates used in **our** impairment analysis are our critical accounting estimates.

The reserve estimates are used in the depreciation, depletion, and amortization calculations and our internal cash flow projections. If these estimates turn out to be materially under or over-stated, our depreciation, depletion and amortization expense and impairment test may be affected. The process of estimating reserves is complex, requiring significant judgment in the evaluation of all available geological, geophysical, engineering and economic data. The reserve estimates are prepared by professional engineers, both internal and external, and are subject to change over time as more data becomes available. Changes in the reserves estimates from the prior year were nominal.

SMCRA and similar state statutes require, among other things, that surface disturbance be restored in accordance with specified standards and approved reclamation plans. SMCRA requires us to restore affected surface areas to approximate the original contours as contemporaneously as practicable with the completion of surface mining operations. Federal law and some states impose on mine operators the responsibility for replacing certain water supplies damaged by mining operations and repairing or compensating for damage to certain structures occurring on the surface as a result of mine subsidence, a consequence of longwall mining and possibly other mining operations.

Obligations are reflected at the present value of their future cash flows. We reflect accretion of the obligations for the period from the date they are incurred through the date they are extinguished. The ARO assets are amortized using the units-of-production method over estimated recoverable (proven and probable) reserves. We use credit-adjusted risk-free discount rates ranging from 7% to 10% to discount the obligation, inflation rates anticipated during the time to reclamation, and cost estimates prepared by its engineers inclusive of market risk premiums. Activities include reclamation of pit and support acreage at surface mines, sealing portals at underground mines, and reclamation of refuse areas and slurry ponds.

Accretion expense is recognized on the obligation through the expected settlement date. On at least an annual basis, we review our entire reclamation liability and make necessary adjustments for permit changes as granted by state authorities, changes in the timing and extent of reclamation activities, and revisions to cost estimates and productivity assumptions, to reflect current experience. Any difference between the recorded amount of the liability and the actual cost of reclamation will be recognized as a gain or loss when the obligation is settled.

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. We have not taken any significant uncertain tax positions, and our tax provisions and returns are prepared by a large public accounting firm with significant experience in **energy-related energy related** industries. Changes to the estimates from reported amounts in the prior year were not significant.

Inventory is valued at a lower of cost or net realizable value (NRV). Anticipated utilization of **low-sulfur, low sulfur**, higher-cost coal from our **Ace in the Hole**, Freelandville, and Prosperity mines has the potential to create NRV adjustments as our estimated needs change. The NRV adjustments are subject to change as our costs may fluctuate due to higher or lower production and our NRV may fluctuate based on sales contracts we enter into from time to time. There were no significant changes to our NRV adjustment estimates from the prior year.

Long-lived assets used in operations are depreciated and assessed for impairment annually or whenever changes in facts and circumstances indicate a possible significant deterioration in future cash flows is expected to be generated by an asset group. For impairment assessments, management groups individual assets based on a judgmental assessment of the lowest level for which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. The determination of the lowest level of cash flows is largely based on nature of production, common infrastructure, common sales points, common regulation and management oversight to make such determinations. These determinations could impact the determination and measurement of a potential asset impairment. Management evaluates assets for impairment through an established process in which changes to significant assumptions such as prices, volumes and future development plans are reviewed. If, upon review, the sum of the undiscounted pre-tax cash flows is less than the carrying value of the asset group, the carrying value is written down to estimated fair value. Because there usually is a lack of quoted market prices for long-lived assets, the fair value of impaired assets is typically determined based on the present values of expected future cash flows using discount rates believed to be consistent with those used by principal market participants. The expected future cash flows used for impairment reviews and related fair value calculations are typically based on judgmental assessments of future volumes, commodity prices, operating costs and capital investment plans, considering all available information at the date of review. Changes to any of the market-based assumptions can significantly affect estimates of undiscounted and discounted pre-tax cash flows and impact the recognition and amount of impairments.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

No material changes from the disclosure in our [2022 2023 Annual Report on 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 and CAO 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, CFO, and CAO, CFO of the effectiveness of the design and operation of our disclosure controls and procedures. Based on that evaluation, our CEO, CFO, and CAO, CFO concluded that our disclosure controls and procedures are effective.

There have been no changes to our internal control over financial reporting during the quarter ended September 30, 2023 March 31, 2024, 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

See Exhibit 95.1 to this Form 10-Q for a listing of our mine safety violations.

ITEM 6. EXHIBITS

Exhibit No.	Document
10.1	Amendment and Restated Loan Agreement dated August 2, 2023
31.1	SOX 302 Certification - Chief Executive Officer
31.2	SOX 302 Certification - Chief Financial Officer
31.3	SOX 302 Certification - Chief Accounting Officer
32	SOX 906 Certification
95.1	Mine Safety Disclosures
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Schema Document
101.CAL	Inline XBRL Calculation Linkbase Document
101.LAB	Inline XBRL Labels Linkbase Document
101.PRE	Inline XBRL Presentation Linkbase Document
101.DEF	Inline XBRL Definition Linkbase Document
104	Cover Page Interactive Data File (embedded with the Inline XBRL document)

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: November 6, 2023
May 7, 2024

/S/ LAWRENCE D. MARTIN s/ MARJORIE HARGRAVE

Lawrence D. Martin, Marjorie Hargrave, CFO
(Principal Financial Officer and Principal Accounting Officer)

Date: November 6, 2023

/s/ R. TODD DAVIS

R. Todd Davis, CAO

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Exhibit 31.1

CERTIFICATION

I, Brent K. Bilsland, 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 officers 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 officers 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.

November 6, 2023 May 7, 2024

/s/ BRENT K. BILSLAND

Brent K. Bilsland, Chairman, President and CEO

Exhibit 31.2

CERTIFICATION

I, **Lawrence D. Martin**, **Marjorie Hargrave**, 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 officers 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 officers 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.

November 6, 2023 **May 7, 2024**

/s/**LAWRENCE D. MARTIN** **MARJORIE HARGRAVE**

Lawrence D. Martin, **Marjorie Hargrave**, CFO

Exhibit 31.3

CERTIFICATION

I, **R. Todd Davis**, 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 officers 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 officers 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.

November 6, 2023

/S/R. TODD DAVIS

R. Todd Davis, CAO

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 September 30, 2023 March 31, 2024 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.

November 6, 2023 May 7, 2024

By: /S/ s/ BRENT K. BILSLAND

Brent K. Bilsland, Chairman, President and CEO

By: /S/LAWRENCE D. MARTIN s/ MARJORIE HARGRAVE

Lawrence D. Martin, Marjorie Hargrave, CFO

By: /S/R. TODD DAVIS

R. Todd Davis, CAO

Exhibit 95.1

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 rule making 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 3rd 1st Quarter 2023, 2024. 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:

- 12-02465 – 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
- 12-02339 - Freelandville East, Center Pit Mine

Mine ID#	3rd Quarter 2023					
	Section	Section	Section	Section	Section	Proposed
	104(a)	104(b)	104(d)	107(a)	110(b)(2)	MSHA
	Citations	Orders	Citations/Orders	Orders	Violations	Assessments
	(In thousands)					

12-02465	—	—	—	—	—	\$	—
12-02460	—	—	—	—	—	\$	—
12-02394	7	—	—	—	—	\$	3.80
12-02418	11	—	—	—	—	\$	11.60
12-02462	—	—	—	—	—	\$	—
12-02249	—	—	—	—	—	\$	0.15
12-02339	—	—	—	—	—	\$	—

	Section	Section				
	104(e)	104(e)	Mining	Legal	Legal	Legal
	Notice	POV	Related	Actions	Actions	Actions
	Yes/No	Yes/No	Fatalities	Pending	Initiated	Resolved
Mine ID#						
12-02465	No	No	—	—	—	—
12-02460	No	No	—	—	—	—
12-02394	No	No	—	4	—	—
12-02418	No	No	—	—	—	—
12-02462	No	No	—	—	—	—
12-02249	No	No	—	—	—	—
12-02339	No	No	—	—	—	—

	Contest of	Contest	Complaints	Complaints	Applications	Appeals of
	Citations/	of	of	of Discharge/	of Temp.	Decisions/
	Orders	Penalties	Compensation	Discrimination	Relief	Orders
Mine ID#						
12-02465	—	—	—	—	—	—
12-02460	—	—	—	—	—	—
12-02394	—	—	—	—	—	—
12-02418	—	—	—	—	—	—
12-02462	—	—	—	—	—	—
12-02249	—	—	—	2	—	—
12-02339	—	—	—	—	—	—

	1st Quarter 2024					
	Section	Section	Section	Section	Section	Proposed
	104(a)	104(b)	104(d)	107(a)	110(b)(2)	MSHA
	Citations	Orders	Citations/Orders	Orders	Violations	Assessments
						(In thousands)
Mine ID#						
12-02465	—	—	—	—	—	\$ —
12-02394	22	—	—	—	—	\$ 19.30
12-02418	5	—	—	—	—	\$ 8.70
12-02462	—	—	—	—	—	\$ —
12-02249	—	—	—	—	—	\$ —
12-02339	—	—	—	—	—	\$ —

Mine ID#	Section	Section	Mining Related Fatalities	Legal Actions Pending	Legal Actions Initiated	Legal Actions Resolved
	104(e)	104(e)				
	Notice	POV				
	Yes/No	Yes/No				
12-02465	No	No	—	—	—	—
12-02394	No	No	—	1	—	1
12-02418	No	No	—	1	—	—
12-02462	No	No	—	—	—	—
12-02249	No	No	—	—	—	—
12-02339	No	No	—	—	—	—
Mine ID#	Contest of	Contest	Complaints of Compensation	Complaints of Discharge/ Discrimination	Applications of Temp. Relief	Appeals of Decisions/ Orders
	Citations/ Orders	of Penalties				
12-02465	—	—	—	—	—	—
12-02460	—	—	—	—	—	—
12-02394	—	—	—	—	—	—
12-02418	—	—	—	—	—	—
12-02462	—	—	—	—	—	—
12-02249	—	—	—	—	—	—
12-02339	—	—	—	—	—	—

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