HALLADOR **ENERGY COMPANY**

Corporate Overview

Positioned for **Profit & Growth**

Table of Contents

CEO's Letter
Growing Our Interests
The Opportunity for Growth
Sunrise Coal
Safety is Job One
Selected Financial Data
Summit / Savoy
Company Financials
Board of Directors and
Executive Officers

This document contains "forward-looking statements"—that is, statements related to future, not past, events. In this context, forward-looking statements often address our expected future business and financial performance, and often contain words such as "expects," "projects," "anticipates," "intends," "plans," "believes," "seeks," or "will." Forward-looking statements by their nature address matters that are, to different degrees, uncertain. For us, particular uncertainties arise from changes in the demand for our coal by the domestic electric generation industry; from legislation and regulations relating to the Clean Air Act and other environmental initiatives; from operational, geological, permit, labor and weather-related factors; from fluctuations in the amount of cash we generate from operations; and from numerous other matters of national, regional and global scale, including those of political, economic, business, competitive or regulatory nature. These uncertainties may cause our actual results to be materially different than those expressed in our forward-looking statements. We do not undertake to update our forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by law.

Oaktown Mine Clean Coal Facilities | Oaktown, Indiana

CEO's Letter

In a word, 2014 was Transformational

Our wholly owned subsidiary, Sunrise Coal, was successful in purchasing Vectren Fuels, an acquisition that tripled the size of our company. Prior to the acquisition, Sunrise produced 3.3MM tons of coal annually. Today we have the ability to produce over 10MM tons annually, ranking Sunrise as the 4th largest coal producer in the Illinois Basin (ILB).

More importantly, our cost structure is lower than 75% of the ILB production, affording us an opportunity for profit and growth (see page 5). Below are some of the highlights of the transaction that occurred 8/29/2014:

		BEFORE	AFTER	CHANGE
Production Capacity	(MM tons annually)	3.3	>10	3X
Total Reserves	(MM tons)	193	265	37%
Active Reserve	(MM tons)	138	210	52%*
Bank Debt	($MM)	$16MM	$350**	

** War Eagle was an inactive reserve and became part of the active reserve of Oaktown II.*

***At the closing of the Vectren Fuels transaction, Sunrise Bank Debt was $350MM. As of 4/1/15, Bank Debt was $291MM.*

2014 – 4th QUARTER RESULTS	
Cash from Operations	$35MM
EBITDA	$28MM* ($111MM on annualized basis)
Net Income	$ 9MM
Average Cost/Ton	$29.61
Debt Repayment	$39MM

** Excluding Savoy and one time Vectren Fuels charges.*



In 2015 and beyond, we will focus on debt reduction and improving our transportation infrastructure. Historically, our company has been net debt free, and we are working to deleverage our balance sheet as quickly as possible. We have already paid down $59MM of our bank debt to date, and plan to pay down debt further this year.

With the purchase of Vectren Fuels, we now own 265 million tons of some of the lowest cost production in the ILB. Our challenge will be to improve the accessibility of our coal to more markets. Improved transportation will lead to profit and growth.

More good things to come,

Brent K. Bilsland
President & CEO Hallador Energy Company

Growing Our **Interests**

Introducing the **Oaktown Mine Complex**

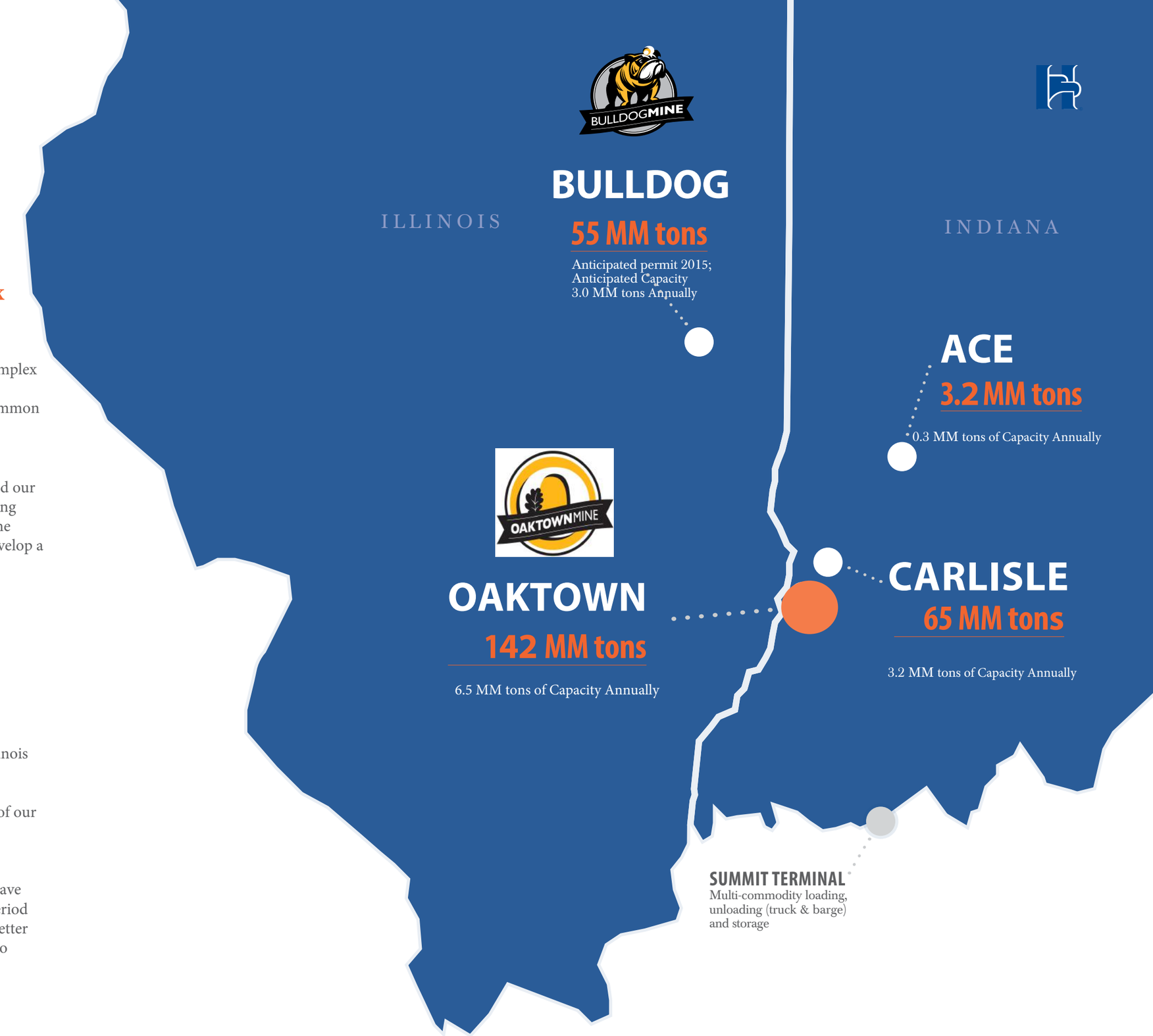
The acquisition of Vectren Fuels added the Oaktown Mine Complex to our Company. The Oaktown Complex consists of two underground mines (Oaktown I and Oaktown II) sharing a common surface facility with a capacity of 6.5 million tons of annual production.

Oaktown II is contiguous to both our existing Carlisle Mine and our former War Eagle Reserve (now part of Oaktown II). Purchasing Vectren Fuels allows us to mine our War Eagle Reserve from the Oaktown II portal, without spending $150MM necessary to develop a new mine.

Developing the **Bulldog Mine**

We have leased roughly 19,300 acres in Vermillion County, Illinois near the village of Allerton. Based on our reserve estimates we currently control 35.8 million tons of coal reserves and have identified a total of 55.1 million tons. A considerable amount of our leased acres has yet to receive any exploratory drilling, thus we anticipate our reserves to grow as we continue drilling.

Our permit to open the mine is close to being approved. We have completed our final public hearing and the public comment period has expired. We have received a permit modification request letter from the Illinois Depart of Natural Resources, thus we expect to receive an approved permit in 2015.

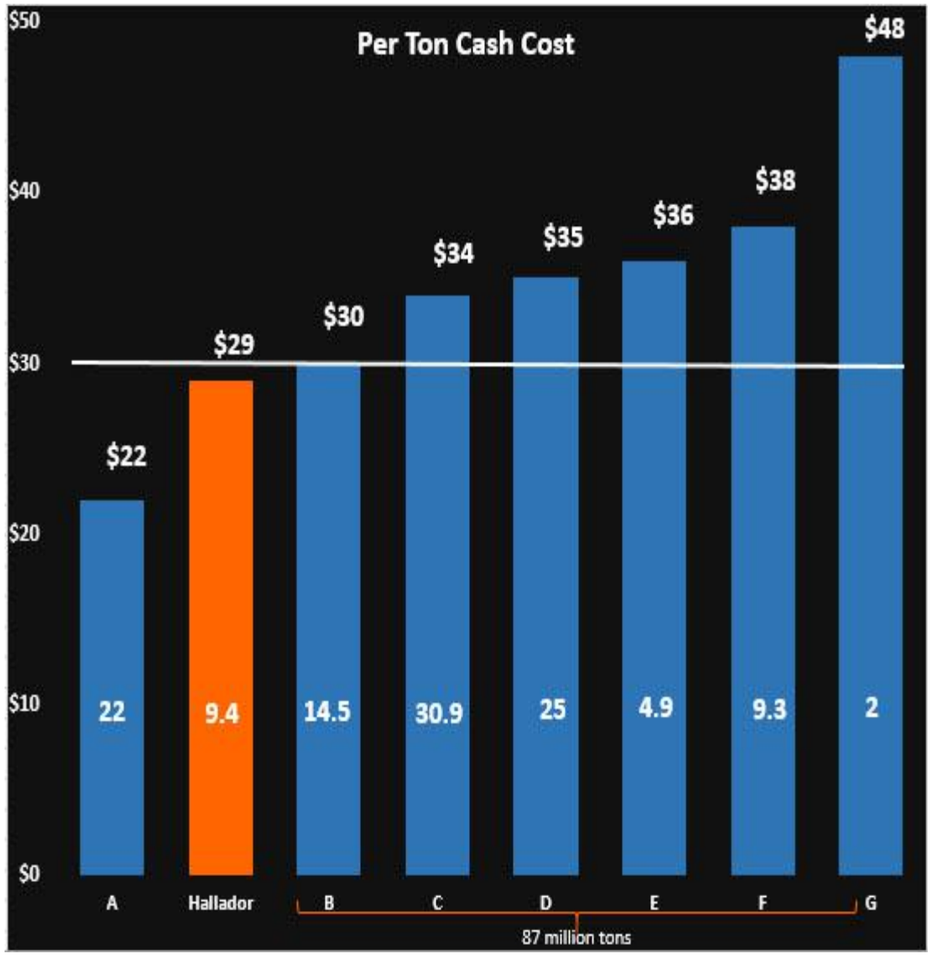


The Opportunity for Growth

We estimate that roughly **100 MM tons** of ILB production has a cost structure higher than ours.

As illustrated on the next page, 87 MM tons have a weighted average cost structure **19%** higher than ours.

As our transportation infrastructure improves, we will access more markets and our market share will grow.



Information compiled from Energy Ventures Analysis and other sources.

Sunrise Coal

Unique Quality Attributes

Low Chlorine
All of our mines are <.15 Chlorine.

Low Mercury
Our coal has 1/3rd the Mercury content of other Indiana coals.

Sulfur Flexibility

Mine	# of SO_2
Oaktown I	6.00
Carlisle	5.25
Oaktown II	4.80
Ace in the Hole	1.50

Carlisle, Oaktown I & II, and Ace all have different sulfur content, yet all of our coal ships from the same CSX rate district. This enables us to give our customers the flexibility to blend multiple coals at either the Carlisle Mine or the Oaktown Complex at no additional freight cost.









Safety is **Job One!**

Education and Personal Responsibility Make Sunrise Coal a Leader in Safety

Training continues to be a top priority at Sunrise Coal. Sunrise miners are trained to take personal responsibility for **safety, compliance** and **production**.

Safety: Each miner takes personal responsibility for the safety of themselves and fellow coworkers; this is reflected in achieving an injury severity measure that is 77% better than national averages.

Compliance: Each miner takes personal responsibility to comply with federal and state laws; the Mine Safety and Health Administration (MSHA) logged over 1,200 inspection days at our operations during the last 15 months. Federal Mine Safety Inspectors from four different mining districts examined our operations throughout 2014. The violations per inspection day at Sunrise Coal is 65% less than the National Average.

Production: Each miner takes personal responsibility in production. Our miners are proud to produce a high quality, low cost product that supplies affordable electricity to power our economy.

Sunrise Coal continues to lead District 8 in many safety categories and rates consistently better than the national averages.



26% Better *than industry avg.* — ***Citation***



77% Better *than industry avg.* — ***Injury Severity***



66% Better *than industry avg.* — ***Violations Per Inspection***

Based on monthly mine safety reporting 2014.

To learn more about the culture of safety at Sunrise Coal, visit:
www.sunrisecoal.com/safety



"Sunrise Coal is a leader in technology, health and safety. If the law requires something, they try to go one step beyond what the law requires..."

Charles Jones, Retired MSHA Inspector

Sunrise Surveyor Using Underground Cell Phone | Carlisle, Indiana

HALLADOR ENERGY **RESERVE DATA**

December 31,

(in thousands)

	2014	2013	2012	2011	2010
TOTAL PRODUCTION					
Coal Produced	5,272	3,212	3,008	3,297	3,047
CARLISLE					
Controlled Coal Reserves	53,191	42,097	43,498	46,004	46,680
Non-Controlled Coal Reserves	11,894	14,552	11,514	10,557	8,636
Total Coal Reserves	65,085	56,649	55,012	56,561	55,316
OAKTOWN I					
Controlled Coal Reserves	44,496	-	-	-	-
Non-Controlled Coal Reserves	3,561	-	-	-	-
Total Coal Reserves	48,057	-	-	-	-
OAKTOWN II					
Controlled Coal Reserves	62,948	-	-	-	-
Non-Controlled Coal Reserves	31,044	-	-	-	-
Total Coal Reserves	93,992	-	-	-	-
WAR EAGLE *(Russellville) - Now part of Oaktown II*					
Controlled Coal Reserves	**	43,122	29,445	-	-
Non-Controlled Coal Reserves	**	34,664	25,879	-	-
Total Coal Reserves	**	77,786	55,324	-	-
BULLDOG *(Allerton)*					
Controlled Coal Reserves	35,825	35,825	35,585	32,313	26,279
Non-Controlled Coal Reserves	19,276	19,276	19,516	21,832	22,557
Total Coal Reserves	55,101	55,101	55,101	54,145	48,836
ACE IN THE HOLE *(Clay City)*					
Controlled Coal Reserves	2,737	3,067	3,122	-	-
Non-Controlled Coal Reserves	500	500	500	-	-
Total Coal Reserves	3,237	3,567	3,622	-	-
TOTALS					
Total Coal Reserves	265,472	193,103	169,059	110,706	104,152

**War Eagle reserve is now included in Oaktown II reserves.

HALLADOR ENERGY **SELECTED FINANCIAL DATA**

December 31,

(in thousands, except per share data)

	2014	2013	2012	2011	2010
Current Assets	$ 84,409	$ 40,170	$ 34,863	$ 48,876	$ 26,232
Long-Term & Other Assets	495,176	219,029	194,344	183,552	160,432
Total Assets	579,585	259,199	229,207	232,428	186,664
Current Liabilities (Excludes Bank Debt)	28,105	10,357	11,046	15,596	9,501
Bank Debt	306,345	16,000	11,400	17,500	27,500
Deferred Income Taxes	41,581	43,304	35,884	31,100	17,435
Other Liabilities	13,679	7,418	8,868	7,239	5,495
Total Liabilities	389,710	77,079	67,198	71,435	59,931
Total Equity	189,875	182,120	162,009	160,993	126,733
Weighted Average Shares Outstanding:					
Basic	28,776	28,595	28,331	28,135	27,790
Diluted	28,776	28,906	28,843	28,694	28,571
Book Value Per Share	6.60	6.37	5.72	5.72	4.56
Dividends Per Share	.16	.12	.80	.14	.12
Adjusted Book Value Per Share *(includes cumulative dividends)*	7.94	7.65	6.88	6.08	4.78
Year-to-Year Percentage Change	3.78%	11.52%	12.83%	27.20%	3.46%
Net Income	10,219	22,423	23,807	35,809	22,375
Basic EPS	0.34	0.78	0.84	1.27	0.81
Diluted EPS	0.34	0.78	0.83	1.24	0.78
EBITDA	49,022	49,730	51,599	72,124	50,373
Operating Cash Flow	55,866	27,181	37,042	60,720	45,545
Capital expenditures, excluding Vectren Purchase	25,835	34,228	26,209	32,995	35,629

Derived From 2014 10K

Summit **Terminal**

Multi-Commodity Trans Loading Facility

In 2013, Hallador Energy purchased a multi-commodity truck/barge terminal. Over 17 acres of open storage is available on site. The terminal is at mile point 743.8 on the Indiana bank of the Ohio River near the William Natcher Bridge between Rockport and Grandview, Indiana.

The dock will handle third party commodities. The long term plan will be to ship coal through the dock. The terminal is in close proximity to the NS railroad, the CSX railroad and American Electric Power's Rockport generating power plant.



Summit Terminal | Rockport, IN

SERVICES

MULTI-COMMODITY

LOADING,
UNLOADING
(Truck & Barge)
& STORAGE

IN CLOSE PROXIMITY

NS & CSX railroads & American Electric Power's Rockport generating power plant

Savoy Energy **Oil & Gas**

Trenton-Black River Oil & Gas

Savoy operates almost exclusively in Michigan. They have an interest in the Trenton-Black River Play (TBR) in southern Michigan. They hold 136,000 gross acres (68,000 net) in this area. During 2014, Savoy drilled 21 gross wells in the TBR of which 6 were dry, 12 were successful, and 3 are still being evaluated. Savoy operates their own wells and their working interest averages between 30-60% and their net revenue interest averages between 25-48%. Savoy's net daily oil production currently averages 875 barrels. Savoy has interest in 112 gross wells (41 net). For 2015, Savoy will continue to drill wells but wait until oil prices rebound to complete them.

Our 45% ownership was decreased to 40% in 2014 due to the exercise of options by Savoy's management.

Late in 2013, Savoy engaged Energy Spectrum Advisors Inc. to market its TBR oil properties located in southeast Michigan. No acceptable offers were received. Marketing efforts are on hold until oil prices recover.

NET OIL PRODUCTION

Averages about 875 barrels daily

	Oil Production (Net daily avg. in barrels)	**SEC PV10** (Proportionate to Hallador's ownership)
2014	875	$34MM
2013	1,100	$91MM
2012	910	$35MM
2011	805	$44MM
2010	655	$15MM
2009	195	$ 6MM



CONSOLIDATED BALANCE SHEET

December 31,

(In thousands, except per share data)

ASSETS	2014	2013
Current assets:		
Cash and cash equivalents	$ 13,469	$ 16,228
Marketable Securities	1,656	
Accounts receivable	27,297	10,577
Prepaid income taxes	5,791	5,470
Coal inventory	19,722	4,778
Parts and supply inventory	14,919	2,826
Other	1,555	291
Total current assets	84,409	40,170
Coal properties, at cost:		
Land and mineral rights	118,053	26,476
Buildings and equipment	321,730	148,077
Mine development	124,435	85,333
	564,218	259,886
Less - accumulated DD&A	(106,608)	(77,545)
	457,610	182,341
Investment in Savoy	13,896	16,733
Investment in Sunrise Energy	4,821	4,573
Other assets	18,849	15,382
	$ 579,585	$ 259,199
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of bank debt	$ 21,875	$
Accounts payable and accrued liabilities	28,105	10,357
Total current liabilities	49,980	10,357
Long-term liabilities:		
Bank debt	284,470	16,000
Deferred income taxes	41,581	43,304
Asset retirement obligations	12,074	5,290
Other	1,605	2,128
Total long-term liabilities	339,730	66,722
Total liabilities	389,710	77,079
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $.10 par value, 10,000 shares authorized; none issued		
Common stock, $.01 par value, 100,000 shares authorized; 28,962 and 28,751 outstanding, respectively	289	287
Additional paid-in capital	90,218	87,872
Retained earnings	99,003	93,582
Accumulated other comprehensive income	365	379
Total stockholders' equity	189,875	182,120
	$579,585	$ 259,199

Derived From 2014 10K

CONSOLIDATED STATEMENT OF OPERATIONS

December 31,

(In thousands, except per share data)

	2014	2013
Revenue:		
Coal sales	$ 233,902	$ 137,436
Equity income - Savoy	5,272	5,827
Equity income - Sunrise Energy	248	629
Liability extinguishment		4,300
Other	1,749	5,678
	241,171	153,870
Costs and expenses:		
Operating costs and expenses	169,691	94,111
DD&A	29,262	18,585
Coal exploration costs	2,362	2,360
SG&A	12,039	7,669
Interest [1]	9,059	1,547
Vectren deal costs	8,057	
	230,470	124,272
Income before income taxes	10,701	29,598
Less income taxes:		
Current	2,205	(266)
Deferred	(1,723)	7,441
	482	7,175
Net income	$ 10,219	$ 22,423
Net income per share:		
Basic and Diluted	$ .34	$ .78
Weighted average shares outstanding:		
Basic	28,776	28,595
Diluted	28,776	28,906

(1) Interest expense for 2014 includes $700,000 for the net change in the estimated fair value of our interest rate swaps and $1 million for expensing deferred financing costs relating to our old credit agreement.

Derived From 2014 10K

CONSOLIDATED STATEMENT OF CASH FLOWS

December 31,

(in thousands)	2014	2013
Operating activities:		
Net income	$ 10,219	$ 22,423
Liability extinguishment		(4,300)
Deferred income taxes	(1,723)	7,441
Equity income – Savoy and Sunrise Energy	(5,520)	(6,456)
Cash distributions from Savoy	8,109	1,325
DD&A	29,262	18,585
Change in fair value of interest rate swaps	658	
Amortization and write off of deferred financing cost	1,572	299
Accretion of ARO	534	182
Stock-based compensation	3,220	2,155
Taxes paid on vesting of RSUs	(1,067)	(780)
Change in current assets and liabilities::		
Accounts receivable	(324)	(2,394)
Coal inventory	6,540	(2,436)
Parts and supply inventory	1,083	(562)
Income taxes	(160)	(6,814)
Accounts payable and accrued liabilities	1,409	1,130
Other	2,054	(2,617)
Cash provided by operating activities	55,866	27,181
Investing activities:		
Capital expenditures for coal properties	(25,835)	(31,392)
Summit Terminal Ohio River		(2,836)
Vectren acquisition	(311,453)	
Other		263
Cash used in investing activities	(337,288)	(33,965)
Financing activities:		
Payments of bank debt	(59,655)	
Bank Borrowings	350,000	4,600
Deferred financing costs	(6,884)	
Dividends	(4,798)	(3,476)
Cash provided by financing activities	278,663	1,124
Decrease in cash and cash equivalents	(2,759)	(5,660)
Cash and cash equivalents, beginning of year	16,228	21,888
Cash and cash equivalents, end of year	$ 13,469	$ 16,228
Cash paid for interest	$ 5,008	$ 1,028
Cash paid for income taxes, net	2,334	6,045
Increase in ARO	6,550	2,535
Capital expenditures included in accounts payable	748	84

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

(in thousands)

	Common Shares	Common Stock	Additional Paid-in Capital	Retained Earnings	AOCI	Total
Balance January 1, 2013	28,529	$ 285	$ 86,576	$ 75,118	$ 30	$ 162,009
Adjustment				(483)		(483)
Stock-based compensation	13		2,155			2,155
Stock issued on vesting of RSUs	316	2				2
Taxes paid on vesting of RSUs	(107)		(780)			(780)
Dividends				(3,476)		(3,476)
Net income				22,423		22,423
Other			(79)		349	270
Balance December 31, 2013	28,751	287	87,872	93,582	379	182,120
Stock-based compensation	7		3,220			3,220
Stock issued on vesting of RSUs	310	2				2
Taxes paid on vesting of RSUs	(106)		(1,067)			(1,067)
Dividends				(4,798)		(4,798)
Net income				10,219		10,219
Other			193		(14)	179
Balance December 31, 2014	28,962	$ 289	$ 90,218	$ 99,003	$ 365	$ 189,875

Derived From 2014 10K

Board of Directors
& Executive Officers

DIRECTORS:
VICTOR P. STABIO, Chairman
BRENT K. BILSLAND, President & CEO
DAVID C. HARDIE
STEVEN HARDIE
BRYAN H. LAWRENCE
SHELDON B. LUBAR
JOHN VAN HEUVELEN

EXECUTIVE OFFICERS:
W. ANDERSON BISHOP, CFO and CAO, Hallador Energy Company
LARRY MARTIN, CFO Sunrise Coal, LLC.





HALLADOR **ENERGY COMPANY**

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