MONTAUK HOLDINGS LIMITED
Incorporated in the Republic of South Africa
Registration number: 2010/017811/06
Share code: MNK
ISIN: ZAE000197455
("Montauk" or "the Company" or "the Group")

REVIEWED RESULTS FOR THE YEAR ENDED 31 MARCH 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Reviewed 31 March 2019 $'000	Audited 31 March 2018 $'000
ASSETS		
Non-current assets	197 710	162 883
Property, plant and equipment	165 243	130 396
Goodwill	140	-
Other non-current financial assets	487	527
Intangibles	23 153	19 275
Deferred taxation	7 722	11 742
Non-current receivables	965	943
Current assets	64 167	39 832
Inventories	4 505	2 603
Other current financial assets	391	29
Trade and other receivables	11 461	8 028
Bank balances and deposits	47 810	29 172
Non-current assets held for sale	1 096	-
Total assets	262 973	202 715
EQUITY AND LIABILITIES		
Equity	151 460	141 605
Equity attributable to equity holders of the parent	151 460	141 605
Non-current liabilities	78 264	41 544
Borrowings	69 975	36 208
Long-term provisions	7 505	5 336
Other non-current financial liabilities	784	-
Current liabilities	33 249	19 566
Trade and other payables	13 408	10 342
Other current financial liabilities	290	129
Current portion of borrowings	18 279	6 699
Taxation	468	742
Provisions	803	1 654
Total equity and liabilities	262 973	202 715
Net asset carrying value per share (cents)	111	104

CONSOLIDATED INCOME STATEMENT

	% change	Reviewed 31 March 2019 $'000	Audited 31 March 2018 $'000
Revenue	9.0%	118 975	109 149
Expenses		(69 156)	(55 826)
EBITDA	(6.6%)	49 819	53 323
Other income		1 290	3 537
Depreciation and amortisation		(17 652)	(14 905)
Operating profit		33 457	41 955
Investment income		79	42
Finance costs		(4 924)	(2 074)
Loss on extinguishment of borrowings		-	(1 611)
Share of losses of joint ventures		(224)	-
Asset impairments		(2 375)	-
Profit before taxation	(32.1%)	26 013	38 312
Taxation		(5 888)	(16 037)
Profit for the year		20 125	22 275
Attributable to:			
Equity holders of the parent		20 125	22 275

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Reviewed 31 March 2019 $'000	Audited 31 March 2018 $'000
Profit for the year	20 125	22 275
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation differences	464	109
Total comprehensive income	20 589	22 384
Attributable to:		
Equity holders of the company	20 589	22 384

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Reviewed 31 March 2019 $'000	Audited 31 March 2018 $'000
Balance at the beginning of the year	141 605	122 729
Current operations		

Total comprehensive profit	20 589	22 384
Equity-settled share-based payments	605	701
Dividends	(11 339)	(4 209)
Balance at the end of the year	151 460	141 605

RECONCILIATION OF HEADLINE EARNINGS

	% change	Reviewed year ended 31 March 2019 $'000 Gross	Net	Audited year ended 31 March 2018 $'000 Gross	Net
Earnings attributable to equity holders of the parent	(9.7%)		20 125		22 275
Losses on disposal of plant and equipment		181	143	147	124
Impairment of plant and equipment		2 375	1 754	-	-
Gain on disposal of intangible assets		(872)	(688)	(562)	(315)
Loss on disposal of assets held for sale		-	-	449	441
Headline profit	(5.3%)		21 334		22 525
Basic earnings per share (cents)					
Earnings	(9.9%)		14.76		16.39
Headline earnings	(5.6%)		15.65		16.57
Weighted average number of shares in issue ('000)			136 337		135 940
Actual number of shares in issue at the end of the year (net of treasury shares and shares issued in respect of restricted stock plan) ('000)			136 842		136 328
Diluted earnings per share (cents)					
Earnings	(9.9%)		14.58		16.18
Headline earnings	(5.6%)		15.46		16.37
Weighted average number of shares in issue ('000)			138 009		137 640

CONSOLIDATED STATEMENT OF CASH FLOWS

	Reviewed 31 March 2019 $'000	Audited 31 March 2018 $'000
Cash flows from operating activities	38 701	48 105
Cash generated by operations	52 563	59 219
Net finance costs	(3 212)	(2 202)
Changes in working capital	(7 533)	(7 626)
Taxation paid	(3 117)	(1 286)
Cash flows from investing activities	(54 147)	(28 238)
Business combinations and disposals	(12 980)	-
Investments disposed of	-	7 759
Investment in joint ventures	(1 320)	-
(Increase)/decrease in non-current receivables	(22)	270
Proceeds from insurance recovery	401	350
Intangible assets		
- Additions	(100)	(951)
- Disposals	1 050	1 964
Property, plant and equipment		
- Additions	(41 176)	(37 920)
- Disposals	-	290
Cash flows from financing activities	33 623	(10 429)
Debt issuance costs	(2 101)	(814)
Debt extinguishment costs	-	(1 127)
Dividends paid	(11 339)	(4 209)
Net funding raised/(repaid)	47 063	(4 279)
Increase in cash and cash equivalents	18 177	9 438
Cash and cash equivalents		
At the beginning of the year	29 172	19 622
Foreign exchange differences	461	112
At the end of the year	47 810	29 172
Bank balances and deposits	47 810	29 172

NOTES

BASIS OF PREPARATION AND ACCOUNTING POLICIES
The results for the year ended 31 March 2019 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the disclosure requirements of IAS 34, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the requirements of the South African Companies Act, 2008, and the Listings Requirements of the JSE Limited. The accounting policies applied by the Company in the preparation of these condensed consolidated financial statements are consistent with those applied in its consolidated financial statements as of and for the year ended 31 March 2018. The Company adopted IFRS 9 and IFRS 15 in the current year, which did not have an impact on the consolidated results. As required by the JSE Limited Listings Requirements, the Company reports headline earnings in accordance with Circular 4/2018: Headline Earnings as issued by the South African Institute of Chartered Accountants.

These financial statements were prepared under the supervision of the Chief Financial Officer, Mr SF McClain (CPA).

AUDITOR'S REVIEW
These condensed consolidated financial statements for the year ended 31 March 2019 have been reviewed by BDO South Africa Inc., who expressed an unmodified review conclusion.

A copy of the auditor's review report is available for inspection at the Company's registered office together with the financial statements identified in the auditor's report. The auditor's report does not necessarily report on all of the information contained in this announcement. Shareholders are therefore advised that, in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of the auditor's report together with the accompanying financial information from the issuer's registered office.

RESULTS

OPERATING HIGHLIGHTS

Millions, unless indicated		Year ended 31 March 2019	Year ended 31 March 2018
RNG total revenues	$	100.3	89.9
REG total revenues	$	18.6	19.2
RNG volumes produced (MMBtu)		4.8	3.9
RNG volumes monetised under fixed-price and margin share contracts		1.9	2.0
RNG volumes available for RIN generation		2.9	1.9
RNG volumes dispensed for RIN generation in the current FY		2.6	1.7
RNG volumes dispensed for RIN generation in the subsequent FY		0.3	0.2
RINs generated during the fiscal year		32.7	22.0
RINs transferred in-kind during the fiscal year		5.5	9.1
RINs purchased during the fiscal year		-	0.9
RINs monetised during the fiscal year		25.9	17.2
Average realised price $/RIN (actual)	$	1.93	2.66
Generated and non-monetised RINs carried the over to next fiscal year		1.8	0.6
REG volumes produced (MWh)		0.2	0.3
Average realised price $/MWh (actual)	$	76.79	66.12
Operating expenses			
RNG operating expenses	$	42.4	31.6
$/MMBtu (actual)	$	8.80	8.12
REG operating expenses	$	12.3	13.7
$/MWh (actual)	$	50.54	47.15

CONSOLIDATED INCOME STATEMENT

The Company produced 4.8 million MMBtus of renewable natural gas ("RNG") volumes during FY 2019, compared to 3.9 million MMBtus of RNG volumes during FY 2018. The increase in RNG volumes is driven by two new RNG facilities commencing operations in FY 2019.

Revenues from the Company's RNG segment increased by $10.4 million or 11.6% for FY 2019 from the prior year. The weighted average index pricing impacting the Company's gas commodity revenues for the year ended 31 March 2019 was 10.0% higher than the prior year. During FY 2019 the Company self-marketed 25.9 million RINs, an 8.7 million increase from the prior year. The increase was driven by two new RNG facilities commencing operations in FY 2019. Average pricing realised on RIN sales during FY 2019 was 28.2% lower than average pricing realised in the prior year, primarily attributed to a decrease in the D5 RIN pricing. In FY 2019 D5 RIN prices averaged approximately $0.43 per RIN, compared to $0.96 per RIN in FY 2018. At 31 March 2019 the Company had approximately 1.8 million RINs generated and unsold in inventory and 0.3 million of MMBtus produced and not dispensed, approximately 1.2 million more RINs and 0.1 million MMBtus, respectively, than at 31 March 2018. For FY 2019, 20.3% of RNG segment revenues were derived from the monetisation of RNG volumes at fixed prices.

The Company produced 0.2 million MWh in renewable electric generation ("REG") volumes, a decrease of 16.6% over the prior year. Revenue from the Company's REG facilities decreased by $0.6 million or 3.1% for FY 2019 from the prior year. The volume and revenue decrease are primarily attributed to the conversion of the Atascocita REG facility to an RNG facility during FY 2019 and the run-to-failure operations of the Coastal Plains REG facility, pending its conversion to an RNG facility. For FY 2019, 83.7% of REG segment revenues were derived from the monetisation of REG volumes at fixed prices.

Expenses for the Company's RNG facilities increased 34.1% for FY 2019 from the prior year. The increase is primarily attributed to two new RNG facilities commencing operations in FY 2019. Expenses for the Company's REG facilities decreased 11.9% for FY 2019 from the prior year. The decrease is largely attributed to non-capitalisable optimisation costs for the Bowerman electricity generation facility in FY 2018. The Company recognised losses of approximately $0.3 million related to its hedging programmes for the year ended 31 March 2019, compared to gains of approximately $0.2 million in the prior year.

In FY 2019 the Company received approximately $0.4 million in business interruption insurance proceeds related to a forced interconnection curtailment at the Bowerman Power REG facility. Also, during FY 2019, the Company recognised a gain on the sale of emission allowances of approximately $0.9 million. These gains were partially off-set by losses on disposal of assets of approximately $0.2 million.

During FY 2018 the Company realised a gain of $2.6 million, attributable to one-time settlement proceeds from arbitration, and recognised $1.6 million in expenses related to the early extinguishment of debt. Total cash paid associated with debt extinguishment was $1.1 million.

The Company calculated and recorded an impairment loss during FY 2019 of $2.4 million. The impairment loss was due to the pending conversion of certain REG facilities to RNG facilities and the continued deterioration in market pricing for electricity and calculated based upon replacement cost and pre-tax cash flow projections.

For FY 2019 the Company recognised $5.9 million in tax expense, of which $4.0 million was off-set against the Company's deferred tax asset. For FY 2018 the Company recognised $16.0 million in tax expense, of which $14.7 million was off-set against the Company's deferred tax asset.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AND CASH FLOW

At 31 March 2019 and 2018 the total of our cash and cash equivalents was $47.8 million and $29.2 million, respectively. The Company intends to fund its near-term development projects from cash flows from operations and borrowings under the revolving credit facility. The Company believes that it will have enough cash flows from operations and borrowing availability under its credit facility to meet its debt service obligations and anticipated required capital expenditures (including for projects under development) for at least the next 24 months. However, the Company is subject to business and operational risks that could affect its cash flows and liquidity.

On 14 December 2018 the Company entered into the Second Amended and Restated Revolving Credit and Term Loan Agreement, which provides for a five-year $95.0 million term loan and a $90.0 million five-year revolving credit facility (the "Amended Credit Agreement"). The term loan issued pursuant to the Amended Credit Agreement is payable in quarterly instalments through its maturity and has a hedged interest rate, currently effective at 5.24%. Borrowings under the Amended Credit Agreement are secured by substantially all of the Company's assets. The Amended Credit Agreement replaces, in its entirety, the existing Credit Agreement dated 4 August 2017, which was composed of a three-year term loan in the amount of $20.0 million and a three-year revolving credit facility in the amount of $20.0 million. The Amended Credit Agreement also replaces the existing Subsidiary Agreement, dated 4 August 2017, which was composed of a five-year term loan of $27.5 million and a five-year revolving credit facility in the amount of $10.0 million. The proceeds from the Amended Credit Agreement were used to repay all of the indebtedness outstanding under the existing Credit Agreement and Subsidiary Agreement at 14 December 2018. The Company incurred approximately $1.0 million in third-party financing fees and approximately $0.9 million in lender fees. The Company accounted for the refinancing as a modification of its existing debt and expensed approximately $0.4 million in lender fees.

At 31 March 2019 the Company had debt before debt issuance costs of $90.3 million, compared to debt before debt issuance costs of $43.5 million at 31 March 2018. The Amended Credit Agreement is for a term of five years and matures in December 2023. Of the total Company borrowings outstanding at 31 March 2019, $19.0 million is currently due within the next 12 months. At 31 March 2019 the effective borrowing rate on amounts outstanding was 5.36% on the Company's commercial bank facilities.

The following table presents information regarding the Company's cash flows and cash equivalents (in thousands) for the year ended 31 March 2019 and 2018:

	2019 $'000	2018 $'000
Net cash flows provided by operating activities	38 701	48 105
Net cash flows used in investing activities	(54 147)	(28 238)
Net cash flows used in financing activities	33 623	(10 429)
Net increase in cash and cash equivalents	18 177	9 438
Cash and cash equivalents at the end of the year	47 810	29 172

The historical cash flows shown above illustrate the Company has consistently generated positive cash flows from operations. However, for FY 2019 the Company generated $38.7 million of cash from operating activities, a decrease from the prior year of $9.4 million. This decrease is primarily due to lower RIN pricing partially off-set by the profitable operations of two new RNG facilities commencing operations in FY 2019. The Company's net cash flows used in investing activities has historically focused on project development and facility maintenance. For FY 2019 capital expenditures were $41.3 million, of which $14.6 million related to costs for the construction of the Galveston RNG facility, $10.5 million related to costs for the construction of the Coastal Plains RNG facility and $9.0 million related to costs for the construction and commissioning of the Atascocita and Apex RNG facilities. For FY 2018 capital expenditures were $38.7 million, of which $19.7 million related to the construction of the Atascocita RNG facility and $12.2 million related to costs for the construction of the Apex RNG facility. Net cash flows provided by financing activities of $33.6 million for FY 2019 increased by $44.1 million over the prior year, primarily due to net funding raised of $47.1 million. This increase was partially off-set by dividends paid in the fiscal year of $11.3 million, an increase of $7.1 million from the prior year.

BUSINESS COMBINATIONS

Acquisition of Pico Energy, LLC
On 21 September 2018 the Company completed the acquisition of 100% of Pico Energy, LLC ("Pico"), a dairy digester facility generating renewable electricity, for $15.0 million in cash and contingent consideration.

The following table presents the allocation of the aggregate purchase price based on estimated fair values and adjustments made during the measurement period:

	Preliminary	Adjustments	Provisional as at 31 March 2019
In thousands ($'000)			
Goodwill	-	140	140
Property, plant and equipment	11 031	1 185	12 216
Intangibles	5 219	(2 836)	2 383
Inventories	390	(149)	241
Trade and other receivables	120	(120)	-
Trade and other payables	(80)	80	-
Net assets acquired	16 680	(1 700)	14 980
Net cash outflow on acquisition	12 980	-	12 980
Contingent consideration	3 700	(1 700)	2 000

As of 31 March 2019 the accounting for this acquisition is provisional and is subject to fair value adjustments once finalised. Contingent consideration is based on future earnings of the acquired entity.

The results of operations of the acquired facilities are included in the Company's consolidated results from the date of acquisition. An amount of $0.7 million in revenues and pre-tax loss of $0.7 million related to the acquisition are included in the consolidated income statement for the year ended 31 March 2019. Had the acquisition occurred on the first day of the financial year an immaterial amount of revenues and pre-tax profit would have been included in the consolidated income statement.

EXECUTIVE OFFICER'S REPORT
At Montauk we are very proud to be an industry leader in the provision of fully integrated solutions for the management, recovery and conversion of biogas from waste sources into renewable energy. Montauk's industry is at the forefront of the sustainability movement through the capture and beneficial use of organically generated methane. Methane, with a global warming potential 25 times greater than CO2, is a potent greenhouse gas that is a key contributor to global climate change. The Company captures methane, preventing it from being released into the atmosphere, and converts it into pipeline quality renewable natural gas ("RNG") for use as either a vehicle fuel (ultimately in the form of compressed natural gas ("CNG") or liquified natural gas ("LNG")), or for electricity generation.

Business overview
The business, with all of its social and environmental benefits, is challenging at times due to high capital costs, environmental attribute pricing volatility and the variable nature of the biogas derived from organic waste that we collect and process. The production costs of RNG are inherently higher than fossil fuel-based energy products such as natural gas due to the additional steps required to process the biogas; however, the costs are generally more than off-set by the market value of our renewable energy products, which can be significantly more than the market value of the comparable non-renewable energy. Factors such as climate, waste intake and waste composition all impact the quality and quantity of the biogas feedstock required for production of the RNG. Montauk's extensive experience and expertise in designing, constructing, operating and maintaining process facilities enables us to optimise the production of RNG across our portfolio.

The pricing of the various types of renewable energy produced by the Company is an ever-changing balance between the underlying energy commodity price and any associated environmental attribute premiums that can be realised. With electricity and natural gas commodity pricing in the US having been depressed for several years, while still maintaining a relatively high degree of short-term volatility (due to weather, supply and demand, and other market forces), the premiums associated with the various environmental attributes are currently the driving factor in the profitability of the business.

The market prices of D3 cellulosic Renewable Identification Numbers ("RINs") softened during the third and fourth quarters of FY 2019 largely due to a number of factors. The cellulosic industry produced 312.3 million D3 RINs in calendar 2018 compared to the Renewable Volume Obligation ("RVO") of 288 million. The RNG industry was responsible for generating 97% of those D3 RINs. While these production numbers evidence the continuing growth and viability of the industry, overproduction relative to the RVO has an adverse impact on pricing in that vintage year. During 2018 the United States Environmental Protection Agency ("EPA") granted a record number (35) of small refinery exemptions for 2017 which resulted in additional volumes of vintage 2017 RINs being carried forward by obligated parties into 2018, negatively impacting demand. In December 2018 the EPA announced the cellulosic waiver credit ("CWC") pricing for 2019 would be $1.77, a drop from the $1.96 CWC in 2018, disincentivising carry-forwards of 2018 vintage D3 RINs into 2019.

Our focus will continue to be to position the Company and its facilities to capitalise on and leverage the opportunities that develop in the renewable energy markets. The evolving federal and state regulatory environments mandating the use of renewable fuels can lead to opportunities that allow existing projects to capture additional premiums as they become available. To that end the Company plans to remain flexible in its offtake contract strategy with the goal of capturing and maximising value from these programmes.

Operations

When a new RNG facility commences commercial operation, there is a period when a facility may experience technical issues that are characteristic of our industry as it ramps up production. In FY 2019 the Company commenced commercial operation of the Atascocita RNG facility located in Humble, Texas and the Apex RNG facility in Amsterdam, Ohio. Both facilities encountered these types of challenges related to the processing facility and landfill gas collection and control system ("GCCS") that extended the time it took each RNG facility to reach full steady-state production. The Company believes the underlying causes of the technical issues have now been fully identified and are either completely resolved or are in the process of being addressed.

Montauk uses a three-year trailing average of landfill gas production as part of its forecast of GCCS output for each subsequent financial year, including monthly sculpting for seasonal impacts on landfill gas generation and collection. In financial year 2019 the winter was unusually cold and wet, particularly compared to many of the previous financial years which were uncharacteristically mild. In addition, day-to-night temperature fluctuations affect GCCS components and cause swings in gas quality which creates the need for continuous GCCS tuning. Unusually heavy precipitation also affected the accessibility of the well field to accomplish this tuning. These factors impacted biogas production for the financial year, especially for Montauk's facilities located in the Northeastern US.

Environmental Attribute Programmes

Renewable Fuel Standard ("RFS")

RNG derived from landfill methane, agricultural digesters and waste water treatment facilities that is used as a vehicle fuel qualifies as a D3 cellulosic RIN under the EPA's Renewable Fuel Standard programme. The RFS is a federal programme administered by the EPA requiring transportation fuel sold in the US to contain a minimum volume of renewable fuel. Under the RFS, refiners and importers of gasoline or diesel fuel are obligated to blend renewable fuels into transportation fuel to meet an EPA-specified RVO. RINs are compliance units for fuel blenders, created as part of the RFS to promote renewable fuel utilisation for the purpose of achieving significant greenhouse gas ("GHG") reductions, reducing imported petroleum and developing the renewable fuel sector in the US. One million Btus ("MMBtu") of RNG represents approximately 11.7 RINs. The RFS programme does not have a sunset date and remains in effect absent Congressional action to repeal it. The Company has participated in the programme since 2014 and looks for opportunities to increase its participation in the RFS programme as production from RNG facilities becomes available, through the development of additional RNG projects or acquisitions. While the RFS allows RNG produced anywhere in the US to qualify and potentially offer premiums significantly in excess of commodity prices for natural gas, uncertainty as to how the RFS will continue to be administered and supported by the EPA and the current Presidential Administration has impacted the stabilisation of the RIN market, resulting in price volatility and limited ability to sell RINs on a forward basis. Although the market remains relatively illiquid, the Company has been able to successfully monetise blocks of D3 cellulosic RINs at pricing levels commensurate with general market conditions.

In November 2018 the EPA released the final volume obligations for 2019 of 418 million gallons cellulosic D3 RINs, representing a 45% increase over the 2018 volume obligations for cellulosic D3 RINs of 288 million gallons. The EPA calculated the 2019 RVO using the same "rate of growth" methodology as used to set the 2018 RVO. By comparing D3 RIN generation for the 12-month period of October 2017 to September 2018 to the 12-month period of October 2016 to September 2017 the EPA arrived at a 29% growth factor used to determine the 2019 RVO. The issuance by the EPA of timely and sufficient annual volume obligations to accommodate the RNG industry's growing production levels is paramount to the stabilisation of the RIN market. Notwithstanding the growth of the RNG space, given the environmental premiums available for the prior two years, the Company remains, and expects to remain, a significant contributor to the overall generation of D3 RINs in the RFS programme. The table below provides the total RIN generation per calendar year from Montauk's RNG portfolio regardless of the monetisation strategy employed:

D3 RINS GENERATION

Category	Calendar 2017	Calendar 2018
Montauk Portfolio D3 Generation	37.6 million	52.9 million
Total Industry D3 Generation	250.6 million	312.3 million
Montauk % of Total Industry D3	15.0%	16.9%
Final RVO Cellulosic Standard	311 million	288 million
Montauk % of RVO	12.1%	18.4%

Low Carbon Fuel Standard ("LCFS")

The LCFS programme is a California-specific fuel policy designed to incentivise the use of cleaner low-carbon fuels. The programme accomplishes this objective by setting annual carbon intensity ("CI") standards, which are intended to reduce GHG emissions from the state's transportation sector. This reduction occurs by encouraging the use of low-carbon transportation fuel in vehicles as an alternative to fossil fuels. RNG both from LFG and dairy digester biogas that is used as a transportation fuel qualifies for LCFS credits. The number of LCFS credits for RNG from dairy digesters is significantly higher than the number of LCFS credits for RNG from landfills due to the relative CI scores of the two fuel sources. For dairy digester RNG projects in particular, LCFS credits are a substantial revenue driver. Only two states have adopted programmes of this nature, the other being Oregon with its Clean Fuels Program. To the extent that RNG from Montauk's facilities is used as a transportation fuel in states that have adopted a state-specific programme, it is eligible to receive an environmental attribute additional to the RIN value under the federal RFS. Montauk is actively working to increase our penetration into LCFS markets with new projects we are developing.

Renewable Portfolio Standards ("RPS")
The environmental premiums associated with renewable energy produced by Montauk's electric facilities are centred on various state RPS, requiring that a stated percentage of the electricity produced in that state comes from a renewable resource. Such premiums are in the form of renewable energy credits ("RECs"). The value and requirements for each state programme vary widely, which can limit the ability of similar facilities located in different states from having a similar pricing structure. In addition, only 29 states and the District of Columbia have adopted RPS.

Development update
In April 2018 the Company entered into an agreement with one of its existing landfill counterparties to build, own and operate an RNG facility at the Galveston County Landfill located in Santa Fe, Texas for a term of 20 years from commercial operation. Upon commercial operation the output from this new RNG facility will be contracted for use in the transportation sector to allow for the generation of RINs under the RFS. Commercial operation at this RNG project is targeted to commence in the second quarter of the 2020 financial year.

In May 2018 the Company entered into an agreement with one of its existing landfill counterparties to convert an existing renewable electric project to an RNG facility by building, owning and operating an RNG facility at the Coastal Plains Landfill located in Alvin, Texas for a term of 20 years from commercial operation. Upon commercial operation the output from this new RNG facility will be contracted for use in the transportation sector to allow for the generation of RINs under the RFS. Commercial operation at this RNG project is targeted to commence in the fourth quarter of the 2020 financial year.

In September 2018 the Company acquired 100% of the membership interests of Pico Energy, LLC, which was the owner of a manure digester, two Jenbacher engine generators and a manure supply agreement with a large dairy farm in Jerome, Idaho. The Company plans to convert this existing electricity generating project by building, owning and operating an RNG facility at a dairy farm for a term of 20 years from execution of the manure supply agreement. Upon commercial operation the output from this new RNG facility will be contracted for use in the transportation sector to allow for the generation of RINs under the RFS programme and LCFS credits under the California LCFS. Commercial operation at this RNG project is targeted to commence in the third quarter of the 2020 financial year.

These additions will further strengthen Montauk's position as a leader in the production of RNG from biogas waste sources.

In July 2018 the Company entered into a joint venture agreement with a dairy farm partner to build, own and operate a manure digester and RNG facility at a small commercial dairy farm in California with Montauk holding an 80% interest. Although management continues to believe that the dairy RNG segment provides a growth opportunity for the Company as evidenced by the Pico RNG project, we have decided to exit this investment to focus on other opportunities and are exploring opportunities to sell our interest in this project.

The table below provides a summary of the three development projects described above:

Site	Location	Capacity
Coastal Plains	Houston, TX	1 857 MMBtu/Day
Pico	Jerome, ID	933 MMBtu/Day
Galveston	Galveston, TX	1 857 MMBtu/Day
Total		4 647 MMBtu/Day

Fuel supply agreements
A critical component of the Company's business is its ability to negotiate and maintain long-term fuel supply agreements. Montauk has nurtured excellent working relationships with our biogas hosts and actively looks to strategically extend fuel supply rights at our project sites. The tables below provide a summary of the expiration periods of those agreements:

RNG FACILITIES - GAS RIGHTS EXPIRATION DATES

	Expires in 0 - 5 years	Expires in 6 - 15 years	Greater than 15 years
Sites	0	3	6
% of FY 2019 total RNG portfolio production	0.00%	8.95%	91.05%

RENEWABLE ELECTRIC FACILITIES - GAS RIGHTS EXPIRATION DATES

	Expires in 0 - 5 years	Expires in 6 - 15 years	Greater than 15 years
Sites	1	2**	3***
% of FY 2019 total electric production	11.37%	14.32%	74.31%

** Includes Coastal Plains facility being converted to an RNG project
*** Includes Pico facility being converted to an RNG project; post-conversion the electric facility will continue to operate on natural gas

DEVELOPMENT PROJECTS - GAS RIGHTS EXPIRATION DATES

	Expires in 0 - 5 years	Expires in 6 - 15 years	Greater than 15 years
Sites	0	0	3

The Monmouth site in New Jersey consists of a renewable electricity project under a gas rights agreement that expires 31 December 2020, where the Company sells renewable electricity at market rates in PJM Regional Transmission Organization ("RTO"). In March 2019 the Company notified our host that we were terminating the existing gas rights agreement and surrendering the site due to a lack of landfill gas in commercial quantities, effective 27 September 2019.

Summary
In an industry that continues to experience depressed energy commodity pricing, management believes that Montauk is well positioned to sustain its strategic growth by capturing both existing and emerging value from developing renewable energy markets to drive long-term value for its shareholders.

EVENTS SUBSEQUENT TO REPORTING DATE
Other than as stated in these results, the directors are not aware of any further matter or circumstance arising since the reporting date that would affect the results of the Company for the

year ended 31 March 2019 or its financial position on that date.

CHANGES IN DIRECTORATE
Mr A van der Veen retired by rotation as a non-executive director effective 5 September 2018.
Mr TG Govender was appointed as a non-executive director effective 5 September 2018.

DIVIDEND TO SHAREHOLDERS
The directors have resolved not to declare a final dividend to focus financial resources on the continued development of the Company's operations portfolio.

For and on behalf of the board of directors

JA Copelyn	ML Ryan	SF McClain
Chairman	Chief Executive Officer	Chief Financial Officer

Cape Town
9 May 2019

Directors: JA Copelyn (Chairman)*, ML Ryan (Chief Executive Officer)#, SF McClain (Chief Financial Officer)#, MH Ahmed*, TG Govender*, MA Jacobson*##, NB Jappie*, BS Raynor*#
* Non-executive; # United States of America; ## Australia

Company secretary: HCI Managerial Services Proprietary Limited

Registered office: Suite 801, 76 Regent Road, Sea Point, Cape Town, 8005
Postal address: PO Box 5251, Cape Town, 8000

Transfer secretaries: Computershare Investor Services Proprietary Limited
Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196. PO Box 61051, Marshalltown, 2107

Sponsor: Investec Bank Limited

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