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 CONDENSED CONSOLIDATED RESULTS FOR THE YEAR ENDED 31 MARCH 2018

Revenue	+22.5%
EBITDA	+42.3%
Profit before tax	+143.3%
Final dividend	63 South African cents per share

REVIEWED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Reviewed 31 March 2018 $'000	Audited 31 March 2017 $'000
ASSETS		
Non-current assets	162 883	156 960
Property, plant and equipment	130 396	101 330
Other non-current financial assets	527	4 185
Intangibles	19 275	23 398
Deferred taxation	11 742	26 825
Long-term receivables	943	1 222
Current assets	39 832	33 042
Inventories	2 603	1 053
Other current financial assets	29	3 582
Trade and other receivables	8 028	8 785
Bank balances and deposits	29 172	19 622
Disposal group assets held for sale	-	770
Total assets	202 715	190 772
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent	141 605	122 729
Non-current liabilities	41 544	42 052
Borrowings	36 208	35 837
Long-term provisions	5 336	6 215
Current liabilities	19 566	25 592
Trade and other payables	10 342	11 869
Other current financial liabilities	129	8
Current portion of borrowings	6 699	11 433
Taxation	742	450
Provisions	1 654	1 832
Non-current liabilities held for sale	-	399
Total equity and liabilities	202 715	190 772
Net asset carrying value per share (cents)	104	90

REVIEWED CONSOLIDATED INCOME STATEMENT

	% change	Reviewed 31 March 2018 $'000	Audited 31 March 2017 $'000
Revenue	22.5%	109 149	89 133
Expenses		(55 826)	(51 667)
EBITDA	42.3%	53 323	37 466
Other income		3 537	811
Depreciation and amortisation		(14 905)	(16 151)
Operating profit		41 955	22 126
Investment income		42	37
Finance costs		(2 074)	(4 177)
Loss on extinguishment of borrowings		(1 611)	-
Asset impairments		-	(2 237)
Profit before taxation	143.3%	38 312	15 749
Taxation		(16 037)	26 376
Profit for the year		22 275	42 125
Attributable to:			
Equity holders of the parent		22 275	42 125

REVIEWED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Reviewed 31 March 2018 $'000	Audited 31 March 2017 $'000
Profit for the year	22 275	42 125
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation differences	109	52
Total comprehensive income	22 384	42 177
Attributable to:		
Equity holders of the parent	22 384	42 177

REVIEWED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Reviewed 31 March 2018 $'000	Audited 31 March 2017 $'000
Balance at the beginning of the year	122 729	79 253
Current operations		
Total comprehensive income	22 384	42 177
Equity-settled share-based payments	701	1 299
Dividends paid	(4 209)	-
Balance at the end of the year	141 605	122 729

RECONCILIATION OF HEADLINE EARNINGS

	% change	Reviewed year ended 31 March 2018 $'000 Gross	Net	Audited year ended 31 March 2017 $'000 Gross	Net
Earnings attributable to equity holders of the parent	(47.1%)		22 275		42 125
Losses on disposal of plant and equipment		147	124	103	103
Impairment of plant and equipment		-	-	2 237	2 237
Third-party compensation received in respect of impaired plant and equipment		-	-	(834)	(834)
Gain on disposal of intangible assets		(562)	(315)	(150)	(150)
Loss on disposal of assets held for sale		449	441	-	-
Headline profit	(48.2%)		22 525		43 481
Basic earnings per share (cents)					
Earnings	(47.3%)		16.39		31.08
Headline earnings	(48.4%)		16.57		32.08
Weighted average number of shares in issue ('000)			135 940		135 531
Actual number of share in issue at the end of the period (net of treasury shares and unvested shares issued in respect of restricted stock plan) ('000)			135 940		135 940
Diluted earnings per share (cents)					
Earnings	(47.6%)		16.18		30.87
Headline earnings	(48.6%)		16.37		31.86
Weighted average number of shares in issue ('000)			137 640		136 469

REVIEWED CONSOLIDATED STATEMENT OF CASH FLOWS

	Reviewed 31 March 2018 $'000	Audited 31 March 2017 $'000
Cash flows from operating activities	48 105	25 374
Cash generated by operations	59 219	40 063
Net finance costs	(2 202)	(3 925)
Changes in working capital	(7 626)	(10 764)
Taxation paid	(1 286)	-
Cash flows from investing activities	(28 238)	(6 788)
Disposal of other financial assets	7 759	1 602
Decrease in long-term receivables	270	727
Proceeds from insurance recovery	350	-
Intangible assets		
- Additions	(951)	-
- Disposals and refunds	1 964	5 693
Property, plant and equipment		
- Additions	(37 920)	(15 236)
- Disposals	290	426
Cash flows from financing activities	(10 429)	(9 024)
Debt issuance costs	(814)	(32)
Debt extinguishment costs	(1 127)	-
Dividends paid	(4 209)	-
Net funding repaid	(4 279)	(8 992)
Increase in cash and cash equivalents	9 438	9 562
Cash and cash equivalents		
At the beginning of the year	19 622	10 010
Foreign exchange differences	112	50
At the end of the year	29 172	19 622
Bank balances and deposits	29 172	19 622

NOTES

BASIS OF PREPARATION AND ACCOUNTING POLICIES

The results for the year ended 31 March 2018 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 by the Company in its consolidated financial statements as at and for the year ended 31 March 2017. As required by the JSE Limited Listings Requirements, the Company reports headline earnings in accordance with Circular 2/2015: 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).

RESULTS

CONSOLIDATED INCOME STATEMENT

Revenue from the Company's renewable natural gas facilities increased by $17.8 million or 24.6% for the year ended 31 March 2018 from the prior year. The Company produced 3.9 million MMBtus in renewable natural gas volumes, an increase of 0.5% over the prior year. During the year ended 31 March 2018 the Company self-marketed 17.2 million RINs, a 6.8 million decrease from the prior year. The decrease is attributable to a shift in monetisation strategy to increase volumes sold under floor price agreements. At 31 March 2018 the Company had 0.6 million RINs generated and unsold in inventory, 0.3 million lower than at 31 March 2017. Average commodity pricing for natural gas during the year ended 31 March 2018 was 9.5% higher than the prior year. Average pricing realised on RIN sales during the year ended 31 March 2018 was 43.9% higher than average pricing realised in the prior year, partially attributed to the increase in the cellulosic waiver credit from calendar year 2016 ($1.33) to calendar years 2017 ($2.00) and 2018 ($1.96). For the year ended 31 March 2018, 29.6% of revenue from renewable natural gas production was monetised at fixed prices.

Revenue from the Company's electric generation facilities increased by $2.1 million or 12.1% for the year ended 31 March 2018 from the prior year. The Company produced 0.3 million MWh in renewable electric volumes, approximately equal to the prior year. Average commodity pricing for electricity during the year ended 31 March 2018 was 15.8% higher than the prior year. For the year ended 31 March 2018, 82.3% of revenue from renewable electricity production was monetised at fixed prices.

Operating expenses for the year ended 31 March 2018 increased by $4.2 million or 8.1%. The increase is largely attributed to non-capitalisable optimisation costs for the Bowerman electric generation facility. The gains recognised from the Company's hedging programmes for the year ended 31 March 2018 were $0.2 million, approximately equal to the prior year.

During the year ended 31 March 2018 the Company realised other income of $3.5 million, largely attributable to settlement proceeds from arbitration.

In August 2017 the Company recognised $1.6 million in expenses related to the early extinguishment of debt. Total cash paid associated with this expense was $1.1 million.

For the year ended 31 March 2018 the Company recognised $15.8 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

Fixed and intangible assets at 31 March 2018 include $35.6 million and $0.9 million in costs related to the construction of two renewable natural gas facilities, respectively. Deferred tax assets of $11.0 million at 31 March 2018 relate to the Company's net operating losses that may be utilised for set-off against future taxable income.

In July 2017 the Company paid in full the outstanding $8.8 million balance on its existing term loan. In August 2017 the Company paid in full the outstanding balance of $0.5 million on its existing revolving credit facility.

In August 2017 the Company entered into a credit agreement with a commercial bank, which provided for a three-year term loan facility in the amount of $20.0 million and a three-year $20.0 million revolving credit facility.

In August 2017 Bowerman Power LFG, LLC ("Bowerman"), a wholly-owned subsidiary, entered into a credit agreement with a commercial bank, which provided for a five-year term loan facility in the amount of $27.5 million and a five-year revolving credit facility in the amount of $10.0 million. Bowerman used the proceeds from the term loan of $27.5 million, $1.8 million from the revolving credit facility and $10.0 million of restricted deposits to repay all indebtedness outstanding and related prepayment costs under the existing construction to term loan agreement. In March 2018 Bowerman paid in full the outstanding balance of $1.8 million on its revolving credit facility.

The Company's combined borrowings at 31 March 2018 were $42.9 million, net of debt issuance costs. $17.7 million was outstanding on the Company's commercial bank facilities, and $25.9 million was outstanding on the Bowerman commercial bank facilities. Of the total Company borrowings outstanding at 31 March 2018, $6.9 million is currently due within the next 12 months. At 31 March 2018 the effective borrowing rates on amounts outstanding were 4.56% on the Company's commercial bank facilities and 5.23% on the Bowerman commercial bank facilities.

Cash flow from operating activities of $48.1 million for the year ended 31 March 2018 was $22.7 million higher than the prior year. Included in cash flow from investing activities was asset additions of $38.9 million and $7.8 million of net changes in restricted deposits in conjunction with debt refinancing. As of 31 March 2018 the Company had cash on hand of $29.0 million and $13.7 million and $8.0 million capacities remaining under the Company's corporate and Bowerman revolving credit facilities, respectively.

CHIEF EXECUTIVE OFFICER'S REPORT

At Montauk we are very proud to be a leader in the renewable energy industry - an industry that 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, converts it into renewable natural gas ("RNG"), and sells the RNG for use as a vehicle fuel and for electricity generation.

Business Overview

The business, with all of its social and environmental qualities, can be difficult at times due to the inherent higher production costs of RNG, as compared to fossil fuel-based energy producers. Factors such as climate, waste intake, and waste composition all impact production of RNG. Additionally, the process to recover and convert raw biogas into RNG is capital intensive.

The pricing of the various types of renewable energy produced by the Group 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, the premiums associated with the various environmental attributes produced have become, and will continue to be, a major factor in the profitability of the business.

In this market 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 has made the decision to remain flexible in its offtake contract strategy with the goal of capturing and maximising value from these programmes.

Environmental Attribute Programmes

RNG derived from landfill methane, agricultural digesters and waste water treatment facilities used as a vehicle fuel qualifies as a D3 cellulosic Renewable Identification Number ("RIN") under the United States Environmental Protection Agency's ("EPA") Renewable Fuel Standard ("RFS") programme. The RFS is a US federal law that requires transportation fuel to contain a minimum volume of renewable fuel. 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 reductions, reducing imported petroleum and developing the renewable fuel sector in the US. One 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 reform or eliminate it. The EPA administers the RFS programme and sets annual volume standards for renewable fuel ("RVO"). As a result the Company has participated in the programme since 2015 and looks for opportunities to increase its participation in the RFS programme as production from RNG facilities becomes available. While the RFS allows for 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 2017 the EPA released the final volume obligations for 2018 of 288 million gallons cellulosic D3 RINs, representing a 7.4% decrease over the 2017 volume obligations for cellulosic D3 RINs of 311 million gallons. Based in part on the RNG industry producing 250 million gallons in 2017 versus the 311 million gallon RVO, the EPA used a new "rate of growth" methodology to set the 2018 RVO. By comparing D3 RIN generation for the 12-month period of October 2016 to September 2017 to the 12-month period of October 2015 to September 2016, the EPA arrived at a 21.6% growth factor used to determine the 2018 RVO. The issuance by the EPA of timely and sufficient annual volume obligations to accommodate the RNG industry's growing production levels are 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. Set forth below is the total RIN generation per calender year from Montauk's RNG portfolio regardless of the monetisation strategy employed:

D3 RINS GENERATION

Category	Cal 2016	Cal 2017
Montauk Portfolio D3 Generation	35.6 million	37.6 million
Total Industry D3 Generation	191.3 million	251.1 million
Montauk % of Total Industry D3	18.7%	15.0%
Final RVO Cellulosic Standard	230 million	311 million
Montauk % of RVO	15.5%	12.1%

The Low Carbon Fuel Standard ("LCFS") programme is a state-specific fuel policy designed to encourage the use of cleaner low-carbon fuels. The programme, which encourages the production of such fuels, sets annual carbon intensity (CI) standards, which reduce over time, for gasoline diesel, and other fuel substitutes. Currently, two states, California and Oregon, have adopted the programme. To the extent that RNG from Montauk's facilities is used as a transportation fuel in states that have adopted a LCFS programme, it is eligible to receive an environmental attribute additional to the RIN value under the federal RFS.

The environmental premiums associated with renewable energy produced by Montauk's electric facilities are centred on various state renewable portfolio standards, 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 renewable portfolio standards.

Development Activities

In October 2016 the Company entered into an agreement with one of its existing landfill counterparties to convert an existing renewable electric project to a RNG facility by building, owning and operating a RNG facility at a landfill in Texas for a term of 20 years from commercial operation. Commercial operation of this RNG facility is still targeted to commence in the first quarter of the 2019 financial year and the electric generation facility has been decommissioned. RNG from this facility has been contracted for use in the transportation sector to allow for the generation of RINs under the RFS and will commence upon final EPA registration under the RFS and Quality Assurance Plan designation is anticipated in the second quarter of the 2019 financial year.

In June 2017 the Company entered into an agreement with a new landfill counterparty to operate the gas collection system and build, own and operate a RNG facility at a landfill located in Ohio for a term of 20 years from commercial operation. Commercial operation of this RNG project is still targeted to commence in the first half of the 2019 financial year. Upon commercial operation, the output from this new RNG facility has been contracted for use in the transportation sector to allow for the generation of RINs under the RFS.

In April 2018 the Company entered into an agreement with one of its existing landfill counterparties to operate the gas collection system and build, own and operate a RNG facility at a landfill located in Texas for a term of 20 years from commercial operation. Upon commercial operation, the output from this new RNG facility is intended to 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 first quarter of the 2020 financial year.

These additions will further strengthen Montauk's position as a leader in the production of renewable RNG from landfill methane.

Montauk's Portfolio

Set forth below is a summary of each of the 15 projects in Montauk's portfolio:

Renewable natural gas facilities

Site	Location	Capacity*
Rumpke	Cincinnati, OH	7 271 MMBtu/Day
McCarty	Houston, TX	4 415 MMBtu/Day
Monroeville	Monroeville, PA	2 372 MMBtu/Day
Valley	Harrison City, PA	2 372 MMBtu/Day
Shade	Johnstown, PA	2 673 MMBtu/Day
Southern	Johnstown, PA	1 337 MMBtu/Day
Raeger Mountain	Johnstown, PA	2 673 MMBtu/Day
Total		23 113 MMBtu/Day

Renewable electric facilities

Site	Location	Name Plate Capacity
Monmouth	Tinton Falls, NJ	10.0 MW
Coastal Plains	Houston, TX	5.0 MW
Tulsa/AEL	Sand Springs, OK	3.2 MW
Security	Houston, TX	3.4 MW
Bowerman Power	Irvine, CA	23.59 MW
Total		45.19 MW

Development projects

Site	Location	Capacity*
Apex	Amsterdam, OH	2 673 MMBtu/Day
Atascocita	Humble, TX	5 570 MMBtu/Day
Galveston	Galveston, TX	1 857 MMBtu/Day
Total		10 100 MMBtu/ Day

* Assumes inlet methane content of 56% and process efficiency of 91%.

Montauk uses a three-year trailing average of landfill gas production as part of its forecast of gas control and collection system ("GCCS") output for each subsequent financial year. In financial year 2018 the winter was unusually cold and wet, particularly compared to the last several financial years which were uncharacteristically mild. In addition, day-to-night fluctuations cause movement of wells and GCCS components, affecting quantity, as well as precipitating swings in gas quality and the need for continuous GCCS tuning. These factors impacted landfill gas production for the financial year, especially for Montauk's facilities located in the North Eastern US.

Gas rights agreements

A critical component of the Company's business is its ability to negotiate and maintain long-term gas rights agreements. Montauk has nurtured excellent working relationships with our waste management company hosts and actively looks to strategically extend gas rights at our project sites. Set forth below is a summary of the expiration periods of those agreements:

RNG FACILITIES - GAS RIGHTS EXPIRATION DATES

	Expires within 5 years	Expires within 10 years	Expires within 15 years	Expires within 20 years
Sites	0	0	4	3
% of FY 18 total RNG portfolio production	0.00%	0.00%	47.48%	52.52%

RENEWABLE ELECTRIC FACILITIES - GAS RIGHTS EXPIRATION DATES**

	Expires within 5 years	Expires within 10 years	Expires within 15 years	Expires within 20 years	Expires within 25 years
Sites	1	2	0	2	1
% of FY 18 total electric production	10.20%	15.73%	0.00%	67.47%	6.60%

DEVELOPMENT PROJECTS - GAS RIGHTS EXPIRATION DATES

Expires within 5 years	Expires within 10 years	Expires within 15 years	Expires within 20 years
0	0	0	3

** Includes the Atascocita electric generation project which has ceased operation and been re-purposed to a RNG project.

2017 Tax Cuts and Jobs Act

The 2017 Tax Cuts and Jobs Act (the "2017 Tax Act") was signed into law on 22 December 2017. The 2017 Tax Act significantly revises the US corporate income tax by, among other things, lowering the statutory corporate tax rate from 35% to 21%. The Company remeasured its federal deferred tax asset using the reduction in the US corporate income tax rate, resulting in tax expense of $5.5 million. The Company continues to explore additional tax credit opportunities (both at the state and federal level), as well as bonus depreciation opportunities to further reduce its effective tax rate.

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 in order to drive long-term entity 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 2018 or its financial position on that date.

AUDITOR'S REVIEW

These condensed consolidated financial statements for the year ended 31 March 2018 have been reviewed by Grant Thornton Johannesburg, 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/financial results. 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.

DIVIDEND TO SHAREHOLDERS

The directors of Montauk have resolved to declare a final ordinary dividend number 2 of 63 South African cents (gross) per Montauk share for the year ended 31 March 2018 from income reserves. The salient dates for the payment of the dividend are as follows:

Last day to trade cum dividend	Tuesday, 22 May 2018
Commence trading ex dividend	Wednesday, 23 May 2018
Record date	Friday, 25 May 2018
Payment date	Monday, 28 May 2018

No share certificates may be dematerialised or rematerialised between Wednesday, 23 May 2018 and Friday, 25 May 2018, both dates inclusive.

In terms of legislation applicable to Dividends Tax ("DT") the following additional information is disclosed:

- The local DT rate is 20%.
- The number of ordinary shares in issue at the date of this declaration is 137 879 234.
- The DT amounts to 12.6 South African cents per share.
- The net local dividend amount is 50.4 South African cents per share for all shareholders who are not exempt from the DT.
- Montauk Holdings Limited's income tax reference number is 9176/170/18/2.

In terms of the DT legislation any DT amount due will be withheld and paid over to the South African Revenue Service by a nominee company, stockbroker or Central Securities Depository Participant (collectively "regulated intermediary") on behalf of shareholders. All shareholders should declare their status to their regulated intermediary as they may qualify for a reduced DT rate or exemption.

For and on behalf of the board of directors

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

Cape Town
4 May 2018

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

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