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")

UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited 30 September 2019 $'000	Unaudited 30 September 2018* $'000	Audited 31 March 2019* $'000
ASSETS			
Non-current assets	209 758	189 240	197 630
Property, plant and equipment	178 579	152 619	165 243
Goodwill	60	60	60
Other non-current financial assets	486	593	487
Intangibles	21 477	25 138	23 153
Right-of-use asset	867	-	-
Investment in joint venture	-	1 096	-
Deferred taxation	7 722	8 790	7 722
Non-current receivables	567	944	965
Current assets	19 293	23 343	64 167
Inventories	4 857	3 480	4 505
Other current financial assets	551	160	391
Trade and other receivables	10 852	10 969	11 461
Bank balances and deposits	3 033	8 734	47 810
Disposal group assets held for sale	893	-	1 096
Total assets	229 944	212 583	262 893
EQUITY AND LIABILITIES			
Equity	152 892	146 081	151 460
Equity attributable to equity holders of the parent	152 892	146 081	151 460
Non-current liabilities	53 261	51 145	78 184
Borrowings	43 577	43 927	69 975
Long-term provisions	5 697	5 298	5 505
Lease liability	573	-	-
Other non-current financial liabilities	3 414	1 920	2 704
Current liabilities	23 791	15 357	33 249
Trade and other payables	12 899	8 016	13 408
Other current financial liabilities	523	151	290
Current portion of borrowings	9 254	5 218	18 279
Lease liability	300	-	-
Taxation	350	855	469
Provisions	465	1 117	803
Total equity and liabilities	229 944	212 583	262 893
Net asset carrying value per share (cents)	112	107	111

* Restated

CONSOLIDATED INCOME STATEMENT

	% change	Unaudited 30 September 2019 $'000	Unaudited 30 September 2018 $'000
Revenue	(1.4%)	50 525	51 242
Expenses		(35 724)	(27 742)
EBITDA	(37.0%)	14 801	23 500
Other income		175	698
Depreciation and amortisation		(10 008)	(7 854)
Operating profit		4 968	16 344
Investment income		14	36
Finance costs		(3 610)	(765)
Share of losses of joint ventures		-	(224)
Investment surplus		94	-
Asset impairments		(29)	(854)
Profit before taxation	(90.1%)	1 437	14 537
Taxation		(162)	(3 378)
Profit for the period		1 275	11 159
Attributable to:			
Equity holders of the parent		1 275	11 159

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Unaudited 30 September 2019 $'000	Unaudited 30 September 2018 $'000
Profit for the period	1 275	11 159
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation differences	2	(8)
Total comprehensive income	1 277	11 151
Attributable to:		
Equity holders of the parent	1 277	11 151

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited 30 September 2019 $'000	Unaudited 30 September 2018 $'000
Balance at the beginning of the period	151 460	141 605
Current operations		
Total comprehensive profit	1 277	11 151
Equity settled share-based payments	155	304
Dividends	-	(6 979)
Balance at the end of the period	152 892	146 081

RECONCILIATION OF HEADLINE EARNINGS

	% change	Unaudited 30 September 2019 $'000 Gross	Net	Unaudited 30 September 2018 $'000 Gross	Net
Earnings attributable to equity holders of the parent	(88.6%)		1 275		11 159
Losses on disposal of plant and equipment		124	98	173	137
Impairment of plant and equipment		29	29	854	854
Gain on disposal of intangible assets		-	-	(872)	(689)
Gain on disposal of joint venture		(94)	(94)	-	-
Headline profit	(88.6%)		1 308		11 461
Basic earnings per share (cents)					
Earnings	(88.6%)		0.93		8.19
Headline earnings	(88.6%)		0.96		8.41
Weighted average number of shares in issue ('000)			136 842		136 328
Actual number of share in issue at end of period (net of treasury shares and shares issued in respect of restricted stock plan) ('000)			136 842		136 328
Diluted earnings per share (cents)					
Earnings	(88.6%)		0.92		8.06
Headline earnings	(88.6%)		0.95		8.28
Weighted average number of shares in issue for diluted earnings ('000)			138 406		138 486

CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited 30 September 2019 $'000	Unaudited 30 September 2018 $'000
Cash flows from operating activities	9 521	15 997
Cash generated by operations	15 801	23 997
Net finance costs	(2 679)	(806)
Changes in working capital	(3 203)	(6 881)
Taxation paid	(398)	(313)
Cash flows from investing activities	(18 107)	(35 552)
Business combinations and disposals	-	(12 980)
Investments disposed of/(purchased)	300	(1 320)
Dividends received	893	
Decrease/(increase) in non-current receivables	378	(207)
Proceeds from insurance recovery	30	-
Intangible assets		
- Disposals	-	1 050
Property, plant and equipment		
- Additions	(19 708)	(22 095)
Cash flows from financing activities	(36 190)	(872)
Debt issuance costs	(638)	(188)
Dividends paid	-	(6 979)
Net funding (repaid)/raised	(35 552)	6 295
Decrease in cash and cash equivalents	(44 776)	(20 427)
Cash and cash equivalents		
At the beginning of the period	47 810	29 172
Foreign exchange differences	(1)	(11)
At the end of the period	3 033	8 734
Bank balances and deposits	3 033	8 734
Cash and cash equivalents	3 033	8 734

NOTES

BASIS OF PREPARATION AND ACCOUNTING POLICIES

The results for the period ended 30 September 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 2019. The Company adopted IFRS 16 in the current period, which resulted in the Company recording a $1.0 million operating lease right-of-use asset and liability at the beginning of the period. These amounts were recognised in accordance with the transitional provisions of IFRS 16, in terms of which comparative results do not need to be restated.
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 KA van Asdalan (CPA).

RESTATEMENT OF PRIOR-PERIOD RESULTS

Acquisition of Pico Energy, LLC

The acquisition of 100% of Pico Energy, LLC ("Pico") on 21 September 2018 qualified as a business combination in terms of IFRS 3: Business Combinations. The results as at 30 September 2018 and 31 March 2019 were determined based on all information available at the acquisition date ("provisional accounting"). The provisional accounting was adjusted in the current period for new information obtained within a timeframe of 12 months after the acquisition date. These adjustments to the fair values determined in the provisional purchase price allocation are treated as adjustments to the comparative results as at 30 September 2018 and 31 March 2019.

The comparative results were restated as follows:

Statement of financial position as at 30 September 2018:
Goodwill increased by $0.06 million
Property, plant and equipment increased by $1.19 million
Intangible assets decreased by $2.84 million
Inventories decreased by $0.15 million
Trade and other receivables decreased by $0.12 million
Trade and other payables decreased by $0.08 million
Other non-current financial liabilities decreased by $1.78 million

Statement of financial position as at 31 March 2019:
Goodwill decreased by $0.08 million
Other non-current financial liabilities decreased by $0.08 million

Opening equity attributable to equity holders of the parent in the current period was unaffected.

RESULTS
OPERATING HIGHLIGHTS

	Six months ended 30 September 2019	Six months ended 30 September 2018
millions, unless indicated		
RNG Total Revenues	$40.6	$42.6
REG Total Revenues	$9.8	$8.7
FY2020 RNG production volumes (MMBtu)	2.8	2.2
Less: FY2020 RNG volumes under fixed/floor-price contracts	(1.0)	(1.0)
Plus: FY2019 RNG volumes dispensed in FY2020	0.3	0.2
Less: FY2020 RNG production volumes not dispensed	(0.3)	(0.3)
Total RNG volumes available for RIN generation	1.8	1.1
FY2020 RIN generation (x 11.727)	20.6	13.3
Less: Counterparty share (RINs)	(1.6)	(2.8)
Plus: FY2019 RINs carried into FY2020	1.8	0.6
Total RINs available for sale	20.8	11.1
Less: RINs sold	(17.6)	(8.8)
RIN inventory	3.2	2.4
RNG inventory (volumes not dispensed for RINs)	0.3	0.3
REG volumes produced (MWh)	0.1	0.1
Average realised price $/MWh (actual)	$82.54	$76.55
Operating expenses		
RNG operating expenses	$23.3	$16.2
$/MMBtu (actual)	$8.41	$7.28
REG operating expenses	$6.9	$5.4
$/MWh (actual)	$57.66	$47.33

CONSOLIDATED INCOME STATEMENT
The Company produced approximately 2.8 million MMBtu of renewable natural gas ("RNG") volumes for the six months ended 30 September 2019, compared to 2.2 million MMBtu of RNG volumes for the six months ended 30 September 2018. The increase in RNG volumes is driven by the continued optimisation of two RNG facilities commissioned during FY2019.

Revenues from the Company's RNG segment decreased by approximately $2.0 million, or 4.6%, for the six months ended 30 September 2019 from the prior-year comparable period. The average index pricing impacting the Company's gas commodity revenues for the six months ended 30 September 2019 was 14.6% lower than the prior-year comparable period. During the six months ended 30 September 2019 the Company self-marketed 17.6 million RINs, an 8.8 million increase from the prior-year comparable period. The increase was driven by two new RNG facilities commencing operations during FY2019. Average pricing realised on RIN sales during the six months ended 30 September 2019 was 46.1% lower than average pricing realised in the prior-year comparable period. At 30 September 2019 the Company had approximately 3.2 million RINs generated and unsold in inventory and 0.3 million of MMBtus produced and not dispensed. For the six months ended 30 September 2019, 25.2% of RNG segment revenues were derived from the monetisation of RNG volumes at fixed prices as compared to 27.0% during the prior-year period.

The Company produced approximately 0.1 million MWh in renewable electric generation ("REG") volumes for the six months ended 30 September 2019, unchanged from the prior-year comparable period. Revenue from the Company's REG facilities increased by approximately $1.2 million, or 13.4%, for the six months ended 30 September 2019 from the prior-year comparable period. For the six months ended 30 September 2019, 93.5% of REG segment revenues were derived from the monetisation of REG volumes at fixed prices as compared to 90.8% during the prior-year period.

Expenses for the Company's RNG facilities increased 44.1% for the six months ended 30 September 2019 from the prior-year comparable period. The increase is primarily attributed to two new RNG facilities commencing operations during FY2019. Expenses for the Company's REG facilities increased approximately $1.5 million (28.1%) compared to the prior comparative period. The increase is attributed to the Pico acquisition and timing of lifecycle maintenance on major equipment.
The Company recognised gains of approximately $0.3 million related to its hedging programmes for the six months ended 30 September 2019, compared to immaterial losses in the prior-year comparable period.

For the six months ended 30 September 2019 the Company incurred approximately $0.2 million in transaction costs and losses on disposals of assets. For the six months ended 30 September 2018 the Company incurred losses on disposal of assets of approximately $0.2 million and recognised gains on the sales of emission allowances of approximately $0.9 million.

On 14 December 2018 the Company entered into the Second Amended and Restated Credit Agreement (the "Syndication Agreement") amongst the Company, its primary commercial bank and a five-bank syndication. The Company entered into a new $95.0 million term loan and repaid approximately $52.5 million in outstanding borrowings. The Company incurred increased financing costs related to higher outstanding borrowings.

For the six months ended 30 September 2018 the Company calculated and recorded an impairment loss of $0.9 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 the six months ended 30 September 2019 the Company recognised $0.2 million in tax expense, as compared to $3.4 million recognised in the prior-year comparable period. The decrease in tax expense is primarily attributable to accelerated tax depreciation on development project assets placed into service. Approximately $3.0 million of the $3.4 million tax expense recognized for the six months ended 30 September 2018 was off-set against the Company's deferred tax asset.

During the six months ended 30 September 2019 the Company entered into an agreement to sell Red Top to its 20% owner for $0.3 million. Terms of the sale included the distribution of approximately $0.9 million in fixed assets to the Company. After this distribution the Company recorded a gain of approximately $0.1 million. The Company continued to classify the $0.9 million of fixed assets as held for sale at 30 September 2019. Included in cash flows from investing activities in the six months ended 30 September 2018 was approximately $13.0 million for the Pico Energy acquisition and approximately $1.3 million in capital contributions to the Red Top investment.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AND CASH FLOW

At 30 September 2019 total cash and cash equivalents were $3.0 million, a decrease of $44.8 million from 31 March 2019. The Company intends to fund its near-term development projects from cash flows from operations and borrowings under its revolving credit facility. The Company believes it will have sufficient 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 12 months. 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 Credit Agreement (the "Syndication Agreement") amongst the Company, its primary commercial bank and a five-bank syndication. The Syndication Agreement amends and restates in its entirety the Amended and Restated Revolving Credit And Term Loan Agreement ("Agreement"), dated as of 4 August 2017, as amended on 14 August 2018, between the Company and a commercial bank and the Credit Agreement ("Subsidiary Agreement"), dated as of 4 August 2017, as amended on 30 July 2018, between Bowerman Power LFG, LLC, a fully consolidated subsidiary of the Company, and a commercial bank. Borrowings under the Syndication Agreement term loan were used to fully satisfy approximately $28.2 million outstanding borrowings under the Agreement and approximately $24.3 million in outstanding borrowings under the Subsidiary Agreement. The Syndication Agreement provided for a $95.0 million term loan maturing in December 2023. The Company capitalised $1.5 million in new debt issuance costs which will be amortised over the term of the agreement.

On 21 March 2019 the Company entered into the first amendment to the Syndication Agreement. This amendment clarified a variety of terms, definitions, and calculations in the underlying agreement. On 28 August 2019 the Company received a waiver for a Specified Event of Default, as defined in the Syndication Agreement, for the period from 31 August 2019 to 1 October 2019. This waiver related to one Specified Event of Default and was temporary in nature. Effective 12 September 2019 the Company entered into the second amendment to the Syndication Agreement. Among other matters, the second amendment redefined the Fixed Charge Coverage Ratio, reduced the revolving credit facility to $80.0 million, redefined the Total Leverage Ratio and eliminated the RIN Floor (as defined) as a Specified Event of Default. In connection with the second amendment, the Company paid down the outstanding term loan by approximately $38.3 million and the resulting quarterly principal installments were reduced to $2.5 million. The Company borrowed approximately $12.2 million against its revolving credit facility commensurate with the closing of this amendment. The Company incurred $0.6 million in debt issuance costs of which $0.4 million was expensed.

At 30 September 2019 the Company had debt before debt issuance costs of $54.7 million, compared to debt before debt issuance costs of $90.3 million at 31 March 2019. The Amended Credit Agreement is for a term of five years and matures in December 2023. Of the total Company borrowings outstanding at 30 September 2019, $10.0 million is currently due within the next 12 months.

The following table presents information regarding the Company's cash flows and cash equivalents (in millions) for the six months ended 30 September 2019 and 2018:

	2019 $ millions	2018 $ millions
Net cash flows from operating activities	9.5	16.0
Net cash flows from investing activities	(18.1)	(35.6)
Net cash flows from financing activities	(36.2)	(0.8)
Net increase in cash and cash equivalents	(44.8)	(20.4)
Cash and cash equivalents, end of the period	3.0	8.7

The Company generated approximately $9.5 million of cash from operating activities, a decrease from prior period of $6.5 million. This decrease is primarily due to lower RIN pricing, partially off-set by increased RIN volumes from two new RNG facilities commencing operations during FY2019.

The Company's net cash flows used from investing activities has historically focused on project development and facility maintenance. For the six months ended 30 September 2019 capital expenditures were approximately $19.7 million, of which approximately $13.7 million related to costs for the construction of two landfill RNG facilities and one digester RNG facility. For the six months ended 30 September 2018 capital expenditures were approximately $22.1 million, of which approximately $19.5 million related to costs for the construction of four landfill RNG facilities. Included in cash flows from investing activities in the six months ended 30 September 2018 was approximately $13.0 million for the Pico Energy acquisition and approximately $1.3 million in capital contributions to the Red Top investment.

Net cash flows from financing activities of $36.2 million for the six months ended 30 September 2019 decreased by $35.3 million over the prior-year six-month period, primarily due to net funding repaid of $35.6 million. During the six months ended 30 September 2018 net funding raised of

$6.3 million was off-set by $7.0 million in dividends paid.

EXECUTIVE OFFICER'S REPORT
The RNG industry continues to be challenged by economic headwinds, primarily through the price collapse of the cellulosic biofuel Renewable Identification Number ("D3 RIN"). Montauk remains focused on and excited over opportunities to continue the optimisation and expansion of its portfolio through disciplined investment strategies and operational excellence.

In August 2019, the Environmental Protection Agency ("EPA") exempted 31 small refineries from complying with the 2018 Renewable Fuel Standard ("RFS"), resulting in the addition of approximately 21 million D3 RINs to the market supply. Over the last three years 85 small refinery exemptions ("SREs") have contributed approximately 60 million D3 RINs to a significant oversupply issue, driving downward pressure on D3 RIN pricing. On 15 October 2019 the EPA released a supplemental proposal to the 2020 RFS volume rule making, seeking comments on the EPA's proposed methodology to calculate future SREs. The limited visibility the proposal provided on how exempted volumes will be accounted for in the RFS and the increasing likelihood that the final 2020 renewable volume obligations ("RVO") could be delayed beyond the 30 November statutory date appear contributory to the D3 RIN price stagnation.

Though Montauk has measurably increased the size of its portfolio, and volume production to the RNG industry, it remains nimble in its approach to operations. Whereas production costs of RNG are inherently higher than those of fossil fuel-based energy products, those costs are generally more than off-set by the market value of RNG. In response to economic conditions where the market value of RNG challenges that cost-benefit relationship, the Company proactively identifies variables in its maintenance programmes that can disproportionately reduce operating costs in relation to potential resulting decreases in production, while minimising impacts to the longevity of its operating assets. Portfolio reinvestment, development and acquisition opportunities are evaluated using realistic commodity and attribute price expectations, ensuring both profitability and compliance with all debt service obligations. Transparent and communicative relationships with our credit facility partners enable us to continuously structure our debt to meet the current needs of the business while providing sufficient resources for growth opportunities. Montauk's continued ability to achieve strong, positive EBITDA and service its debt obligations in these challenging economic times is testament to the strength of our business model. Average D3 RIN pricing since 30 September 2019 has increased approximately 7%. Though this trend is not necessarily indicative of future pricing, Montauk remains optimistic the same actions taken to ensure profitability and financial stability during the recent downturn well-positions the Company to maximise the benefit of current and future increases in pricing.

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. We are pleased to announce that this new RNG facility commenced Commercial Operations in October 2019 and the output is contracted for use in the transportation sector to allow for the generation of RINs under the RFS.

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 remains 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 Low Carbon Fuel Standard ("LCFS") credits under the California LCFS programme. Commercial operation at this RNG project is targeted to commence in the fourth quarter of the 2020 financial year.

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 six months ended 30 September 2019 or its financial position on that date.

CHANGES IN DIRECTORATE
Mr ML Ryan resigned as Chief Executive Officer and executive director effective 30 September 2019.
Mr SF McClain was appointed as Chief Executive Officer effective 1 October 2019 and
Mr KA van Asdalan as Chief Financial Officer and executive director effective 1 October 2019.

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

Copies of this announcement may also be requested by e-mail at info@montaukenergy.com and are available at the Company's registered office at no charge, weekdays during office hours.

The JSE link is as follows: https://senspdf.jse.co.za/documents/2019/jse/isse/MNK/interims.pdf

For and on behalf of the board of directors

JA Copelyn	SF McClain	KA Van Asdalan
Chairman	Chief Executive Officer	Chief Financial Officer

Cape Town
1 November 2019

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

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