UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2022
or

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

For the transition period from to

Commission File Number: 001-39919

MONTAUK RENEWABLES, INC.
(Exact name of registrant as specified in its charter)

Delaware	**85-3189583**
(State or Other Jurisdiction of Incorporation or Organization)	**(IRS Employer Identification No.)**
680 Andersen Drive, 5th Floor **Pittsburgh, Pennsylvania**	**15220**
(Address of Principal Executive Offices)	**(Zip Code)**

(412) 747-8700
(Registrant's Telephone Number, Including Area Code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.01 per share	**MNTK**	**The Nasdaq Capital Market**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of outstanding shares of the registrant's common stock on November 4, 2022 was 143,603,681 shares.

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Glossary of Key Terms

This Quarterly Report on Form 10-Q uses several terms of art that are specific to our industry and business. For the convenience of the reader, a glossary of such terms is provided here. Unless we otherwise indicate, or unless the context requires otherwise, any references in this Quarterly Report on Form 10-Q to:

- "*ADG*" refers to anaerobic digested gas.
- "*CARB*" refers to the California Air Resource Board.
- "*CNG*" refers to compressed natural gas.
- "*CI*" refers to carbon intensity.
- "*D3*" refers to cellulosic biofuel with a 60% GHG reduction requirement.
- "*EPA*" refers to the U.S. Environmental Protection Agency.
- "*Environmental Attributes*" refer to federal, state and local government incentives in the United States, provided in the form of RINs, RECs, LCFS credits, rebates, tax credits and other incentives to end users, distributors, system integrators and manufacturers of renewable energy projects, that promote the use of renewable energy.
- "*FERC*" refers to the U.S. Federal Energy Regulatory Commission.
- "*GHG*" refers to greenhouse gases.
- "*JSE*" refers to the Johannesburg Stock Exchange.
- "*LCFS*" refers to Low Carbon Fuel Standard.
- "*LFG*" refers to landfill gas.
- "MMBtu" refers to Metric Million British Thermal Unit.
- "*PPAs*" refers to power purchase agreements.
- "*RECs*" refers to Renewable Energy Credits.
- "*Renewable Electricity*" refers to electricity generated from renewable sources.
- "*RFS*" refers to the EPA's Renewable Fuel Standard.
- "*RINs*" refers to Renewable Identification Numbers.
- "*RNG*" refers to renewable natural gas.
- "*RVOs*" refers to renewable volume obligations.

Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains “forward-looking statements” within the meaning of U.S. federal securities laws that involve substantial risks and uncertainties. All statements other than statements of historical or current fact included in this report are forward-looking statements. Forward-looking statements refer to our current expectations and projections relating to our financial condition, results of operations, plans, objectives, strategies, future performance, and business. You can identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. These statements may include words such as “anticipate,” “assume,” “believe,” “can have,” “contemplate,” “continue,” “strive,” “aim,” “could,” “design,” “due,” “estimate,” “expect,” “forecast,” “goal,” “intend,” “likely,” “may,” “might,” “objective,” “plan,” “predict,” “project,” “potential,” “seek,” “should,” “target,” “will,” “would,” and other words and terms of similar meaning in connection with any discussion of the timing or nature of future operational performance or other events. For example, all statements we make relating to future results of operations, financial condition, expectations and plans of the Company, including expected benefits of the Pico feedstock amendment and the Montauk Ag project in North Carolina, the anticipated completion of the Raeger capital improvement project, the resolution of gas collection issues at the McCarty facility, our estimated and projected costs, expenditures, and growth rates, our plans and objectives for future operations, growth, or initiatives, or strategies are forward-looking statements. All forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those that we expect and, therefore, you should not unduly rely on such statements. The risks and uncertainties that could cause those actual results to differ materially from those expressed or implied by these forward-looking statements include but are not limited to:

- our ability to develop and operate new renewable energy projects, including with livestock farms, and related challenges associated with new projects, such as identifying suitable locations and potential delays in acquisition financing, construction, and development;
- reduction or elimination of government economic incentives to the renewable energy market;
- the inability to complete strategic development opportunities;
- deterioration in general economic conditions outside our control including the impacts of supply chain disruptions, inflationary cost increases, and other macroeconomic factors;
- continued inflation could raise our operating costs or increase the construction costs of our existing or new projects;
- rising interest rates could increase the borrowing costs of future indebtedness;
- the potential failure to retain and attract qualified personnel of the Company or a possible increased reliance on third-party contractors as a result;
- the impact of the ongoing COVID-19 pandemic on our business, financial condition and results of operations;
- the length of development and optimization cycles for new projects, including the design and construction processes for our renewable energy projects;
- dependence on third parties for the manufacture of products and services and our landfill operations;
- the quantity, quality and consistency of our feedstock volumes from both landfill and livestock farm operations;
- reliance on interconnections to distribution and transmission products for our Renewable Natural Gas and Renewable Electricity Generation segments;
- our projects not producing expected levels of output;
- the anticipated benefits of the Raeger capital improvement project, Pico feedstock amendment and the Montauk Ag project in North Carolina;
- potential benefits associated with the combustion-based oxygen removal condensate neutralization technology;
- resolution of gas collection issues at the McCarty facility;
- concentration of revenues from a small number of customers and projects;
- our outstanding indebtedness and restrictions under our credit facility;
- our ability to extend our fuel supply agreements prior to expiration;
- our ability to meet milestone requirements under our PPAs;

- existing regulations and changes to regulations and policies that effect our operations;
- expected benefits from the extension of the Production Tax Credit under the Inflation Reduction Act of 2022;
- decline in public acceptance and support of renewable energy development and projects;
- our expectations regarding Environmental Attribute volume requirements and prices and commodity prices;
- our expectations regarding the period during which we qualify as an emerging growth company under the Jumpstart Our Business Startups Act ("JOBS Act");
- our expectations regarding future capital expenditures, including for the maintenance of facilities;
- our expectations regarding the use of net operating losses before expiration;
- our expectations regarding more attractive CI scores by regulatory agencies for our livestock farm projects;
- market volatility and fluctuations in commodity prices and the market prices of Environmental Attributes and the impact of any related hedging activity;
- regulatory changes in federal, state and international environmental attribute programs and the need to obtain and maintain regulatory permits, approvals, and consents;
- profitability of our planned livestock farm projects;
- sustained demand for renewable energy;
- security threats, including cyber-security attacks;
- potential liabilities from contamination and environmental conditions;
- potential exposure to costs and liabilities due to extensive environmental, health and safety laws;
- impacts of climate change, changing weather patterns and conditions, and natural disasters;
- failure of our information technology and data security systems;
- increased competition in our markets;
- continuing to keep up with technology innovations;
- concentrated stock ownership by a few stockholders and related control over the outcome of all matters subject to a stockholder vote; and
- other risks and uncertainties detailed in the section titled "Risk Factors" in our latest Annual Report on Form 10-K.

We make many of our forward-looking statements based on our operating budgets and forecasts, which are based upon detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and it is impossible for us to anticipate all factors that could affect our actual results.

All forward-looking statements attributable to us are expressly qualified in their entirety by these cautionary statements as well as others made in our other Securities and Exchange Commission ("SEC") filings and public communications. You should evaluate all forward-looking statements made by us in the context of these risks and uncertainties. See the "Risk Factors" section in our latest Annual Report on Form 10-K.

We caution you that the risks and uncertainties identified by us may not be all of the factors that are important to you. Furthermore, the forward-looking statements included in this report are made only as of the date hereof. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events, or otherwise, except as required by law.

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

MONTAUK RENEWABLES, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

(in thousands, except share data):

	As of September 30, 2022	As of December 31, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	$ 95,619	$ 53,266
Accounts and other receivables	12,264	9,338
Related party receivable	8,940	8,940
Current portion of derivative instrument	718	—
Prepaid expenses and other current assets	4,110	2,846
Assets held for sale	—	777
Total current assets	$ 121,651	$ 75,167
Restricted cash—non-current	$ 407	$ 328
Property, plant and equipment, net	173,968	180,893
Goodwill and intangible assets, net	15,897	14,113
Deferred tax assets	4,568	10,570
Non-current portion of derivative instrument	1,244	—
Operating lease right-of-use assets	124	305
Finance lease right-of-use assets	113	—
Other assets	5,971	5,104
Total assets	$ 323,943	$ 286,480
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 3,369	$ 4,973
Accrued liabilities	17,243	10,823
Income tax payable	288	—
Current portion of derivative instrument	1,440	650
Current portion of operating lease liability	84	296
Current portion of finance lease liability	69	—
Current portion of long-term debt	7,854	7,815
Total current liabilities	$ 30,347	$ 24,557
Long-term debt, less current portion	$ 65,485	$ 71,392
Non-current portion of derivative instrument	—	189
Non-current portion of operating lease liability	21	27
Non-current portion of finance lease liability	42	—
Asset retirement obligation	5,397	5,301
Other liabilities	3,843	2,721
Total liabilities	$ 105,135	$ 104,187
STOCKHOLDERS' EQUITY		
Common stock, $0.01 par value, authorized 690,000,000 shares; 143,603,681 and 143,584,827 shares issued at September 30, 2022 and December 31, 2021, respectively; 141,290,748 and 141,015,213 shares outstanding at September 30, 2022 and December 31, 2021, respectively	$ 1,410	$ 1,410
Treasury stock, at cost, 959,344 and 950,214 shares September 30, 2022 and December 31, 2021, respectively	(10,904)	(10,813)
Additional paid-in capital	203,606	196,224
Retained earnings (deficit)	24,696	(4,528)
Total stockholders' equity	$ 218,808	$ 182,293
Total liabilities and stockholders' equity	$ 323,943	$ 286,480

The accompanying notes to the unaudited condensed consolidated financial statements are an integral part of these statements.

MONTAUK RENEWABLES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

(in thousands, except for share and per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Total operating revenues	$ 55,860	$ 39,749	$ 155,916	$ 102,872
Operating expenses:				
Operating and maintenance expenses	$ 14,134	$ 13,123	$ 42,205	$ 36,954
General and administrative expenses	8,466	7,520	25,715	35,280
Royalties, transportation, gathering and production fuel	12,188	6,636	34,484	18,840
Depreciation, depletion and amortization	5,167	5,666	15,453	17,062
Gain on insurance proceeds	—	(157)	(313)	(238)
Impairment loss	2,273	—	2,393	626
Transaction costs	—	232	32	357
Total operating expenses	$ 42,228	$ 33,020	$ 119,969	$ 108,881
Operating income (loss)	$ 13,632	$ 6,729	$ 35,947	$ (6,009)
Other expenses (income):				
Interest expense	$ 36	$ 697	$ 339	$ 2,064
Other (income) expense	(131)	617	(463)	662
Total other (income) expense	$ (95)	$ 1,314	$ (124)	$ 2,726
Income (loss) before income taxes	$ 13,727	5,415	$ 36,071	$ (8,735)
Income tax expense (benefit)	2,540	(3,481)	6,847	1,286
Net income (loss)	$ 11,187	$ 8,896	$ 29,224	$ (10,021)
Earnings (loss) per share:				
Basic	$ 0.08	$ 0.06	$ 0.21	$ (0.07)
Diluted	$ 0.08	$ 0.06	$ 0.20	$ (0.07)
Weighted-average common shares outstanding:				
Basic	141,290,748	141,015,213	141,156,126	141,015,213
Diluted	142,722,396	141,048,006	142,627,711	141,015,213

The accompanying notes to the unaudited condensed consolidated financial statements are an integral part of these statements.

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MONTAUK RENEWABLES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

(in thousands, except share data):

	Common Stock		Treasury Stock		Additional Paid-in Capital	Retained Earnings	Total Equity
	Shares	Amount	Shares	Amount			
Balance at June 30, 2022	**141,290,748**	**$1,410**	**959,344**	**$(10,904)**	**$200,855**	**$13,509**	**$204,870**
Net income	—	—	—	—	—	11,187	11,187
Stock-based compensation	—	—	—	—	2,751	—	2,751
Balance at September 30, 2022	**141,290,748**	**$1,410**	**959,344**	**$(10,904)**	**$203,606**	**$24,696**	**$218,808**

	Common Stock		Treasury Stock		Additional Paid-in Capital	Retained Earnings (Deficit)	Total Equity
	Shares	Amount	Shares	Amount			
Balance at June 30, 2021	**141,015,213**	**$1,410**	**950,214**	**$(10,813)**	**$190,944**	**$(18,917)**	**$162,624**
Net income	—	—	—	—	—	8,896	8,896
Stock-based compensation	—	—	—	—	2,574	—	2,574
Balance at September 30, 2021	**141,015,213**	**$1,410**	**950,214**	**$(10,813)**	**$193,518**	**$(10,021)**	**$174,094**

	Common Stock		Treasury Stock		Additional Paid-in Capital	Retained Earnings (Deficit)	Total Equity
	Shares	Amount	Shares	Amount			
Balance at December 31, 2021	**141,015,213**	**$1,410**	**950,214**	**$(10,813)**	**$196,224**	**$ (4,528)**	**$182,293**
Vesting of stock awards	275,535		—	—	—	—	—
Treasury stock	—	—	9,130	(91)	—	—	(91)
Net income	—	—	—	—	—	29,224	29,224
Stock-based compensation	—	—	—	—	7,382	—	7,382
Balance at September 30, 2022	**141,290,748**	**$1,410**	**959,344**	**$(10,904)**	**$203,606**	**$24,696**	**$218,808**

	Common Stock		Treasury Stock		Members' Equity	Additional Paid-in Capital	Retained Earnings (Deficit)	Total Equity
	Shares	Amount	Shares	Amount				
Balance at December 31, 2020	**—**	**$ —**	**—**	**$ —**	**$ 159,622**	**$ —**	**$ —**	**$159,622**
Effect of reorganization transactions	138,312,713	1,383	—	—	(159,622)	158,239	—	—
IPO common stock	2,702,500	27	—	—	—	15,566	—	15,593
Treasury stock	—	—	950,214	$(10,813)	—	—	—	(10,813)
Net loss	—	—	—	—	—	—	(10,021)	(10,021)
Stock-based compensation	—	—	—	—	—	19,713	—	19,713
Balance at September 30, 2021	141,015,213	$1,410	950,214	$(10,813)	—	193,518	$(10,021)	**$174,094**

The accompanying notes to the unaudited condensed consolidated financial statements are an integral part of these statements.

MONTAUK RENEWABLES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(in thousands):

	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Cash flows from operating activities:		
Net income (loss)	$ 29,224	$(10,021)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation, depletion and amortization	15,453	17,062
Provision for deferred income taxes	6,002	1,124
Stock-based compensation	7,382	19,713
Derivative mark-to-market adjustments and settlements	(1,359)	(1,011)
Gain on property insurance proceeds	(313)	(238)
Earn out increase (decrease)	1,122	(694)
Net (gain) loss on sale of assets	(250)	822
Accretion of asset retirement obligations	174	304
Amortization of debt issuance costs	314	395
Impairment loss	2,393	626
Changes in operating assets and liabilities:		
Accounts and other receivables and other current assets	(5,252)	(7,272)
Accounts payable and other accrued expenses	4,919	488
Net cash provided by operating activities	$ 59,809	$ 21,298
Cash flows from investing activities		
Capital expenditures	$(12,750)	$ (7,702)
Asset acquisition	—	(4,142)
Cash collateral deposits	79	118
Proceeds from sale of assets	1,088	74
Proceeds from insurance recovery	313	238
Net cash used in investing activities	$(11,270)	$(11,414)
Cash flows from financing activities:		
Repayments of long-term debt	$ (6,000)	$ (7,500)
Proceeds from initial public offering	—	15,593
Treasury stock purchase	(91)	(10,813)
Loan to Montauk Holdings Limited	—	(7,140)
Finance lease payments	(15)	—
Net cash used in financing activities	$ (6,106)	$ (9,860)
Net increase (decrease) in cash and cash equivalents and restricted cash	$ 42,433	$ 24
Cash and cash equivalents and restricted cash at beginning of period	$ 53,612	$ 21,559
Cash and cash equivalents and restricted cash at end of period	$ 96,045	$ 21,583
Reconciliation of cash, cash equivalents, and restricted cash at end of period:		
Cash and cash equivalents	$ 95,619	$ 20,892
Restricted cash and cash equivalents - current	19	118
Restricted cash and cash equivalents - non-current	407	573
	$ 96,045	**$ 21,583**

The accompanying notes to the unaudited condensed consolidated financial statements are an integral part of these statements.

MONTAUK RENEWABLES, INC.

NOTES TO CONDENSED UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands, except per-share amounts)

NOTE 1 – DESCRIPTION OF BUSINESS

Operations and organization

Montauk Renewables' Business

Montauk Renewables, Inc. (the "Company" or "Montauk Renewables") is a renewable energy company specializing in the management, recovery and conversion of biogas into Renewable Natural Gas ("RNG"). The Company captures methane, preventing it from being released into the atmosphere, and converts it into either RNG or electrical power for the electrical grid ("Renewable Electricity"). The Company, headquartered in Pittsburgh, Pennsylvania, has more than 30 years of experience in the development, operation and management of landfill methane-fueled renewable energy projects. The Company has current operations at 15 operating projects located in California, Idaho, Ohio, Oklahoma, Pennsylvania, North Carolina and Texas. The Company sells RNG and Renewable Electricity, taking advantage of Environmental Attribute premiums available under federal and state policies that incentivize their use.

Two of the Company's key revenue drivers are sales of captured gas and sales of Renewable Identification Numbers ("RINs") to fuel blenders. The Renewable Fuel Standard ("RFS") is an Environmental Protection Agency ("EPA") administered federal law that requires transportation fuel to contain a minimum volume of renewable fuel. RNG derived from landfill methane, agricultural digesters and wastewater treatment facilities used as a vehicle fuel qualifies as a D3 (cellulosic biofuel with a 60% greenhouse gas reduction requirement) RIN. The RINs are compliance units for fuel blenders that were created by the RFS program in order to reduce greenhouse gases and imported petroleum into the United States.

An additional program utilized by the Company is the Low Carbon Fuel Standard ("LCFS"). This is state specific and is designed to stimulate the use of low-carbon fuels. To the extent that RNG from the Company's facilities is used as a transportation fuel in states that have adopted an LCFS program, it is eligible to receive an Environmental Attribute additional to the RIN value under the federal RFS.

Another key revenue driver is the sale of captured electricity and the associated environmental premiums related to renewable sales. The Company's electric facilities are designed to conform to and monetize various state renewable portfolio standards requiring a percentage of the electricity produced in that state to come from a renewable resource. Such premiums are in the form of Renewable Energy Credits ("RECs"). The Company's largest electric facility, located in California, receives revenue for the monetization of RECs as a part of a purchase power agreement.

Collectively, the Company benefits from federal and state government incentives in the United States, provided in the form of RINs, RECs, LCFS credits, rebates, tax credits and other incentives to end users, distributors, system integrators and manufacturers of renewable energy projects, that promote the use of renewable energy, as Environmental Attributes.

Background and Reorganization Transactions

On January 4, 2021, the Company, Montauk Holdings Limited ("MNK") and Montauk Holdings USA, LLC (a direct wholly-owned subsidiary of MNK at the time, "Montauk USA") entered into a series of transactions, including an equity exchange and a distribution collectively referred to as the "Reorganization Transactions," that resulted in the Company owning all of the assets and entities (other than Montauk USA) previously owned by Montauk USA, and Montauk Renewables became a direct wholly-owned subsidiary of MNK. Prior to the Reorganization Transactions, MNK's business and operations were conducted entirely through Montauk USA and its U.S. subsidiaries, and MNK held no substantial assets other than equity of Montauk USA. The Company had no significant operations or assets prior to January 4, 2021 when it engaged in the equity exchange with Montauk USA and MNK.

After completion of the Reorganization Transactions, (i) Montauk USA ceased to own any substantial assets and (ii) all entities through which MNK's business and operations were conducted became owned, directly or indirectly, by the Company. MNK adopted a plan contemporaneously with the completion of the Reorganization Transactions that authorized the liquidation and dissolution of MNK.

On January 15, 2021, MNK sold the membership interest of Montauk USA to a third party. On January 26, 2021, MNK distributed all of the outstanding shares of the Company's common stock as a pro rata dividend to the holders of MNK's ordinary shares (the "Distribution"), subject to any tax withholding obligations under applicable South African law. Each ordinary share of MNK outstanding on January 21, 2021, the record date for the Distribution (the "Record Date"), entitled the holder thereof to receive one share of the Company's common stock.

On January 26, 2021, the Company closed the initial public offering of its common stock on the Nasdaq Capital Market (the "IPO") with the shares traded under the symbol "MNTK". Montauk Renewables issued 2,702,500 shares at $8.50 per share and received gross proceeds of $22,971. The Company's common stock was also secondarily listed on the Johannesburg Stock Exchange ("JSE") under the trading symbol "MKR".

On January 26, 2021, the Company entered into a Loan Agreement and Secured Promissory Note (as amended on February 22, 2021 and December 22, 2021) with MNK pursuant to which the Company advanced a cash loan to MNK for MNK to pay its dividends tax liability arising from the Reorganization Transactions under the South African Income Tax Act, 1962 (Act No. 58 of 1962), as amended. The terms of the loan following the amendments are substantially similar to the initial loan agreement and were primarily entered into to increase the principal amount outstanding under the loan to $8,940 in the aggregate, in accordance with Montauk Renewables' obligations set forth in the Transaction Implementation Agreement. MNK is currently an affiliate of the Company and certain of the Company's directors and executive officers are also directors and executive officers of MNK. See Note 17 for more information.

MNK was delisted from the JSE on January 26, 2021. MNK is expected to be liquidated within 24 months of the Distribution.

COVID-19

In March 2020, the World Health Organization classified the outbreak of COVID-19 as a pandemic and recommended containment and mitigation measures worldwide. In response to the COVID-19 pandemic and related mitigation measures, the Company established the Infectious Disease and Response Committee (the "*IDRC*") to lead the development and implementation of Montauk Renewables' Infectious Disease and Response Plan and to oversee the company's response to any infectious disease event. These measures resulted in additional costs, which is expected to continue in order to address employee safety.

The Company has not experienced any material disruptions in its ability to continue business operations nor did the Company experience material negative impacts to the financial results due to the COVID-19 pandemic for the year ended December 31, 2021 and the nine months ended September 30, 2022.

The situation surrounding the COVID-19 pandemic remains uncertain. The extent to which the COVID-19 pandemic may affect the Company's operating results, financial condition, or liquidity in the future will depend on future developments, including the duration of the pandemic, the emergence of more contagious or virulent strains of the virus, travel restrictions, business and workforce disruptions, the availability, uptake and efficacy of vaccines, and the effectiveness of actions taken to contain and treat the disease. Even after the COVID-19 pandemic has subsided, the Company may experience materially adverse impacts to the business due to any resulting supply chain disruptions or economic downturn. Furthermore, the impacts of potential worsening of global economic conditions, inflation, and continued disruptions to and volatility in the financial markets remain unknown.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions of the SEC on Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and disclosures required by GAAP for complete financial statements. In the opinion of management, the unaudited condensed consolidated financial statements include all adjustments necessary, which are of a normal and recurring nature, for the fair presentation of the Company's financial position and of the results of operations and cash flows for the periods presented. These financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2021 included in the Company's Annual Report on Form 10-K filed with the SEC on March 16, 2022 (the "2021 Annual Report"). The results of operations for the three months and nine months ended September 30, 2022 in this report are not necessarily indicative of the results that may be expected for any other interim period or for the full year. The balance sheet at December 31, 2021, has been derived from the audited financial statements as of that date. For further information, refer to the Company's audited financial statements and notes thereto included for the year ended December 31, 2021 in the 2021 Annual Report.

Retrospective Presentation

As discussed in Note 1, as a result of the Reorganization Transactions, the Company acquired the assets and entities (excluding Montauk USA) that were previously owned by MNK. As part of the Reorganization Transactions, a 1:1 pro rata distribution of shares of the Company's common stock was made to holders of MNK's ordinary shares. This pro rata distribution resulted in the ownership of the Company after the Reorganization Transactions being identical to the ownership of MNK prior to the Reorganization Transactions and was therefore akin to a common control transaction. All members' equity in the financial statements and notes have been retrospectively adjusted to give effect to the 1:1 distribution ratio, as if such pro rata distribution occurred as of all pre-IPO periods presented.

Segment Reporting

The Company reports segment information in three segments: RNG, Renewable Electricity Generation and Corporate. This is consistent with the internal reporting provided to the chief operating decision maker who evaluates operating results and performance. The aforementioned business services and offerings described in Note 1 are grouped and defined by management as two distinct operating segments: RNG and Renewable Electricity Generation. Below is a description of the Company's operating segments and other activities.

The RNG segment represents the sale of gas sold at fixed-price contracts, counterparty share RNG volumes and applicable Environmental Attributes. This business unit represents the majority of the revenues generated by the Company. The Renewable Electricity Generation segment represents the sale of captured electricity and applicable Environmental Attributes. Corporate & Other relates to additional discrete financial information for the corporate function. It is primarily used as a shared service center for maintaining functions such as executive, accounting, treasury, legal, human resources, tax, environmental, engineering and other operations functions not otherwise allocated to a segment. As such, the corporate entity is not determined to be an operating segment but is discretely disclosed for purposes of reconciliation to the Company's consolidated financial statements.

Use of Estimates

The preparation of financial statements, in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Equity-Based Compensation

The Company accounts for equity-based compensation under the provisions of Accounting Standards Codification ("ASC") 718, *Compensation—Stock Compensation*, ("ASC 718"). ASC 718 requires compensation costs related to share-based payment transactions, measured based on the fair value of the instruments issued, be recognized in the consolidated financial statements over the requisite service period of the award. Stock options are initially measured on the grant date using the Black-Scholes valuation model, which requires the use of subjective assumptions related to the expected stock price volatility, term, risk-free interest rate and dividend yield. For restricted stock and restricted stock units, the Company determines the grant date fair value based on the closing market price per share of the stock on the date of the grant.

Recently Issued Accounting Standards

In September 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-13, *Financial Instruments—Credit Losses*. The new guidance changes how entities measure credit losses on financial instruments and the timing of when such losses are recorded. The new standard is effective for fiscal years beginning after December 15, 2022, with early adoption permitted. The Company is currently evaluating the impact this ASU will have on its consolidated financial statements and related disclosures.

In August 2020, the FASB issued ASU 2020-06, *Debt: Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging —Contracts in Entity's Own Equity (Subtopic 815-40)*, which simplifies the accounting for convertible instruments and contracts in an entity's own equity. This guidance is effective for annual reporting periods beginning after December 15, 2021, including interim periods within those years, with early adoption permitted only as of annual reporting periods beginning after December 15, 2020. The ASU does not have a material impact on the Company's consolidated financial statements or related financial statement disclosures.

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848)*, which provides optional expedients and exceptions to the current guidance on contract modifications and hedging relationships to ease the financial reporting burdens of the expected market transition from London Interbank Offered Rate ("LIBOR") and other interbank offered rates to alternative reference rates. The guidance was effective upon issuance and may be applied prospectively to contract modifications made and hedging relationships entered into or evaluated on or before December 31, 2022. The Company's current debt agreement bears interest at the Bloomberg Short-Term Bank Yield Index Rate plus an applicable margin. LIBOR is no longer utilized as a reference rate.

NOTE 3 – ASSET IMPAIRMENT

The Company recorded $2,273 and $0 in impairment losses for the three months ended September 30, 2022 and 2021, respectively and $2,393 and $626 for the nine months ended September 30, 2022 and 2021, respectively. The 2022 impairment primarily related to a REG site ($2,133) wherein the forecasted future cash flows did not exceed the carrying value of the site's long lived assets. Additional impairments were recorded for computer software and hardware no longer being utilized ($191), an amended customer contract ($27) and miscellaneous capital assets no longer in use under current operations ($42). The 2021 impairment was due to a notice received from a landfill host in February 2021 amending the underlying gas rights agreement to remove and begin decommissioning activities related to one of the Company's renewable electric generation sites.

NOTE 4 – REVENUES FROM CONTRACTS WITH CUSTOMERS

The following tables display the Company's revenue by major source, excluding realized and unrealized gains or losses under the Company's gas hedge program, based on product type and timing of transfer of goods and services for the three and nine months ended September 30, 2022 and 2021:

	Three months ended September 30, 2022		
	Goods transferred at a point in time	Goods transferred over time	Total
Major goods/Service line:			
Natural gas commodity	$ 197	$ 15,770	$15,967
Natural gas environmental attributes	38,264	—	38,264
Electric commodity	—	2,736	2,736
Electric environmental attributes	1,727	—	1,727
	$ 40,188	$ 18,506	$58,694
Operating segment:			
RNG	$ 38,461	$ 15,770	$54,231
REG	1,727	2,736	4,463
	$ 40,188	$ 18,506	$58,694

	Three months ended September 30, 2021		
	Goods transferred at a point in time	Goods transferred over time	Total
Major goods/Service line:			
Natural gas commodity	$ 2,983	$ 8,570	$11,553
Natural gas environmental attributes	24,223	—	24,223
Electric commodity	—	2,305	2,305
Electric environmental attributes	1,668	—	1,668
	$ 28,874	$ 10,875	$39,749
Operating Segment:			
RNG	$ 27,206	$ 8,570	$35,776
REG	1,668	2,305	3,973
	$ 28,874	$ 10,875	$39,749

	Nine months ended September 30, 2022		
	Goods transferred at a point in time	Goods transferred over time	Total
Major goods/Service line:			
Natural gas commodity	$ 1,852	$ 39,896	$ 41,748
Natural gas environmental attributes	109,620	—	109,620
Electric commodity	—	7,768	7,768
Electric environmental attributes	5,092	—	5,092
	$ 116,564	$ 47,664	$164,228
Operating Segment:			
RNG	$ 111,472	$ 39,896	$151,368
REG	5,092	7,768	12,860
	$ 116,564	$ 47,664	$164,228

	Nine months ended September 30, 2021		
	Goods transferred at a point in time	Goods transferred over time	Total
Major goods/Service line:			
Natural gas commodity	$ 13,293	$ 21,620	$ 34,913
Natural gas environmental attributes	56,297	—	56,297
Electric commodity	—	7,150	7,150
Electric environmental attributes	4,512	—	4,512
	$ 74,102	$ 28,770	$102,872
Operating Segment:			
RNG	$ 69,590	$ 21,620	$ 91,210
REG	4,512	7,150	11,662
	$ 74,102	$ 28,770	$102,872

NOTE 5 – ACCOUNTS AND OTHER RECEIVABLES

The Company extends credit based upon an evaluation of the customer's financial condition and, while collateral is not required, the Company periodically receives surety bonds that guarantee payment. Credit terms are consistent with industry standards and practices. Reserves for uncollectible accounts, if any, are recorded as part of General and administrative expenses in the condensed consolidated statements of operations. For the three and nine months ended September 30, 2022 and 2021, there were no reserves for uncollectible accounts.

Accounts and other receivables consist of the following as of September 30, 2022 and December 31, 2021:

	September 30, 2022	December, 31 2021
Accounts receivables	$ 12,204	$ 9,281
Other receivables	56	26
Reimbursable expenses	4	31
Accounts and other receivables	$ 12,264	$ 9,338

NOTE 6 – ASSETS HELD FOR SALE

In 2021, the Company initiated a plan to sell nitrogen oxide ("NOx") emissions allowances credits. The Company concluded that it met the criteria under applicable guidance for a long-lived asset to be held for sale, and accordingly reclassified the emissions allowances of $777 as current assets held for sale on the Consolidated Balance Sheet at December 31, 2021. The Company estimated the fair value of these assets and concluded that the fair value exceeded the carrying value and no impairment was recorded by the Company for the year ended December 31, 2021. In March 2022, the NOx emissions allowances credits were sold for $1,088. A $311 gain on sale of intangible assets was recorded for the nine months ended September 30, 2022.

NOTE 7 – PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment consists of the following as of September 30, 2022 and December 31, 2021:

	September 30, 2022	December 31, 2021
Land	$ 595	$ 595
Buildings and improvements	29,081	28,693
Machinery and equipment	244,990	246,670
Gas mineral rights	34,526	34,551
Construction work in progress	17,043	12,725
Total	326,235	323,234
Less: Accumulated depreciation and amortization	(152,267)	(142,341)
Property, plant & equipment, net	$ 173,968	$ 180,893

Depreciation expense for property plant and equipment was $4,808 and $4,839 for the three months ended September 30, 2022 and 2021, respectively, and $14,407 and $14,637 for the nine months ended September 30, 2022 and 2021, respectively. Amortization expense for gas mineral rights was $129 and $446 for the three months ended September 30, 2022 and 2021, respectively, and $385 and $1,382 for the nine months ended September 30, 2022 and 2021, respectively. During the third quarter of 2022, the company performed a recoverability test for one REG site when it was determined that it was more likely than not the carrying value of the long-lived assets would not be recoverable. The results of the testing indicated that the site had carrying values in excess of the asset group's fair value. As a result of the analysis, the company recorded an impairment totaling $2,089 in property, plant and equipment for the three and nine months ended September 30, 2022. Additional property, plant and equipment impairments recorded in 2022 included computer software and hardware no longer being utilized ($191) and miscellaneous capital assets no longer in use under current operations ($42). In 2021, a $626 impairment was recorded due to a notice received from a landfill host in February 2021 amending the underlying gas rights agreement to remove and begin decommissioning activities related to one of the Company's renewable electric generation sites.

NOTE 8 – GOODWILL AND INTANGIBLE ASSETS, NET

Goodwill and Intangible assets consist of the following as of September 30, 2022 and December 31, 2021:

	September 30, 2022	December 31, 2021
Goodwill	$ 60	$ 60
Intangible assets with indefinite lives:		
Land use rights	329	329
Intangible assets with finite lives:		
Interconnections, net of accumulated amortization of $2,921 and $3,034	$ 11,871	$ 12,526
Customer contracts, net of accumulated amortization of $16,964 and $17,085	$ 3,637	$ 1,198
Total intangible assets with finite lives:	$ 15,508	$ 13,724
Total Goodwill and Intangible assets	**$ 15,897**	**$ 14,113**

The weighted average remaining useful life of the customer contracts and interconnection is approximately 16 years for both intangible classes. Amortization expense was $230 and $381 for the three months ended September 30, 2022 and 2021, respectively, and $661 and $1,043 for the nine months ended September 30, 2022 and 2021, respectively. Impairments related to intangibles totaled $71 for the nine months ended September 30, 2022, including $44 related to one REG site discussed in note 7 and $27 related to an RNG site associated with the early termination of a customer contract.

NOTE 9 – ASSET RETIREMENT OBLIGATIONS

The following table summarizes the activity associated with asset retirement obligations of the Company as of September 30, 2022 and December 31, 2021:

	Nine months ended September 30, 2022	Year ended December 31, 2021
Asset retirement obligations - beginning of period	$ 5,301	$ 5,689
Accretion expense	174	(160)
Decommissioning	(78)	(228)
Asset retirement obligations - end of period	$ 5,397	$ 5,301

NOTE 10 – DERIVATIVE INSTRUMENTS

To mitigate market risk associated with fluctuations in energy commodity prices (natural gas) and interest rates, the Company utilizes various derivative contracts to secure energy commodity pricing and interest rates under a board-approved program. The Company does not apply hedge accounting to any of its derivative instruments, and all realized and unrealized gains and losses from changes in derivative values are recognized in earnings each period. As a result of the economic hedging strategies employed, the Company had the following realized and unrealized gains and losses in the condensed consolidated statements of operations for the three and nine months ended September 30, 2022 and 2021:

	Three months ended	
Derivative Instrument	**September 30, 2022**	**September 30, 2021**
Commodity contracts:		
Realized natural gas	$ (3,201)	$ —
Unrealized natural gas	367	—
Interest rate swaps	1,149	287
Net gain (loss)	$ (1,685)	$ 287

	Nine months ended	
Derivative Instrument	**September 30, 2022**	**September 30, 2021**
Commodity contracts:		
Realized natural gas	$ (6,872)	$ —
Unrealized natural gas	(1,440)	—
Interest rate swaps	2,799	1,011
Net gain (loss)	$ (5,513)	$ 1,011

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NOTE 11 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's assets and liabilities that are measured at fair value on a recurring basis include the following as of September 30, 2022 and December 31, 2021, set forth by level, within the fair value hierarchy:

	September 30, 2022			
	Level 1	Level 2	Level 3	Total
Commodity derivative liability	$(1,440)	—	—	$(1,440)
Interest rate swap derivative asset	—	1,962	—	1,962
Asset retirement obligations	—	—	(5,397)	(5,397)
Earn-out liability	—	—	(3,843)	(3,843)
	$(1,440)	$1,962	$(9,240)	$(8,718)

	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Interest rate swap derivative liability	$ —	$(839)	$ —	$ (839)
Asset retirement obligations	—	—	(5,301)	(5,301)
Earn-out liability	—	—	(2,721)	(2,721)
	$ —	$(839)	$(8,022)	$(8,861)

A summary of changes in the fair values of the Company's Level 3 instruments, attributable to asset retirement obligations, for the nine months ended September 30, 2022 and the year ended December 31, 2021 is included in Note 9. In addition, certain assets are measured at fair value on a non-recurring basis when an indicator of impairment is identified and the assets' fair values are determined to be less than its carrying value. See Note 3 for additional information.

NOTE 12 – ACCRUED LIABILITIES

The Company's accrued liabilities consists of the following as of September 30, 2022 and December 31, 2021:

	September 30, 2022	December 31, 2021
Accrued expenses	$ 5,454	$ 3,551
Payroll and related benefits	2,498	1,239
Royalty	6,796	4,630
Utility	1,569	1,274
Other	926	129
Accrued liabilities	$ 17,243	$ 10,823

NOTE 13 – DEBT

The Company's debt consists of the following as of September 30, 2022 and December 31, 2021:

	September 30, 2022	December 31, 2021
Term loans	$ 74,000	$ 80,000
Less: current principal maturities	(8,000)	(8,000)
Less: debt issuance costs (on long-term debt)	(515)	(608)
Long-term debt	$ 65,485	$ 71,392
Current portion of long- term debt	7,854	7,815
	$ 73,339	**$ 79,207**

Amended Credit Agreement

On December 12, 2018, Montauk Energy Holdings LLC (“MEH”) entered into the Second Amended and Restated Revolving Credit and Term Loan Agreement (as amended, “Credit Agreement”), by and among MEH, the financial institutions from time to time party thereto as lenders and Comerica Bank, as the administrative agent, sole lead arranger and sole bookrunner (“Comerica”). The Credit Agreement (i) amended and restated in its entirety MEH’s prior revolving credit and term loan facility, dated as of August 4, 2017, as amended, with Comerica and certain other financial institutions and (ii) replaced in its entirety the prior credit agreement, dated as of August 4, 2017, as amended, between Comerica and Bowerman Power LFG, LLC, a wholly-owned subsidiary of MEH.

On March 21, 2019, MEH entered into the first amendment to the Credit Agreement (the “First Amendment”), which clarified a variety of terms, definitions and calculations in the Credit Agreement. The Credit Agreement requires the Company to maintain customary affirmative and negative covenants, including certain financial covenants, which are measured at the end of each fiscal quarter.

On August 28, 2019 the Company received a temporary waiver for an anticipated Event of Default (as defined in the Credit Agreement) for the consecutive three-month period ended on August 31, 2019 (the “Specified Event of Default”). The Specified Event of Default was waived through October 1, 2019. On September 12, 2019, the Company entered into the second amendment to the Credit Agreement (the “Second Amendment”). Among other matters, the Second Amendment redefined the Fixed Charge Coverage Ratio (as defined in the Credit Agreement), reduced the commitments under the revolving credit facility to $80,000, redefined the Total Leverage Ratio (as defined in the Credit Agreement) and eliminated the RIN Floor (as defined in the Second Amendment) as an Event of Default. In connection with the Second Amendment, the Company paid down the outstanding term loan by $38,250 and the resulting quarterly principal installments were reduced to $2,500.

In connection with the completion of the Reorganization Transactions and the IPO, the Company entered into the third amendment to the Credit Agreement (the “Third Amendment”). This amendment permitted the Change of Control provisions, as defined in the underlying agreement, to permit the Reorganization Transactions and IPO to be completed.

On December 21, 2021, MEH entered into the Fourth Amendment to the Credit Agreement (the “Fourth Amendment”). The current credit agreement, which is secured by a lien on substantially all assets of the Company and certain of its subsidiaries, provides for a $80,000 term loan and a $120,000 revolving credit facility. The term loan amortizes in quarterly installments of $2,000 through 2024, then increases to $3,000 from 2025 to 2026, with a final payment of $32,000 in late 2026.

As of September 30, 2022, $74,000 was outstanding under the term loan. In addition, the Company had $3,905 of outstanding letters of credit as of September 30, 2022. Amounts available under the revolving credit facility are reduced by any amounts outstanding under letters of credit. As of September 30, 2022, the Company’s capacity available for borrowing under the revolving credit facility was $116,095. Borrowings of the term loans and revolving credit facility bear interest at the Bloomberg Short-Term Bank Yield Index Rate plus an applicable margin. Interest rates as of September 30, 2022 and December 31, 2021 were 3.28% and 2.91%, respectively.

The Company accounted for the Fourth Amendment as both a debt modification and debt extinguishment in accordance with ASC 470, *Debt* (“ASC 470”). In connection with the Credit Agreement, the Company paid $2,027 in fees. Of this amount, $326 was expensed and $1,701 was capitalized and will be amortized over the life of the Credit Agreement. Amortized debt issuance expense was $102 and $123 for the three months ended September, 2022 and 2021, respectively, and $314 and $395 for the nine months ended September 30, 2022 and 2021, respectively, and was recorded within interest expense on the condensed consolidated statement of operations.

As of September 30, 2022, the Company was in compliance with all applicable financial covenants under the Credit Agreement.

NOTE 14 – INCOME TAXES

The Company's provision for income taxes in interim periods is typically computed by applying the estimated annual effective tax rates to income or loss before income taxes for the period. In addition, non-recurring or discrete items are recorded during the period in which they occur. For the three months ended September 30, 2022, the Company utilized full year pre-tax income and calculated an estimated effective tax rate. The Company utilized an estimated effective tax rate for the nine months ended September 30, 2022. For the nine months ended September 30, 2021, the Company calculated an unusually high estimated annual effective tax rate such that a reliable estimate of the annual effective tax rate could not be made. As such, the Company utilized the actual effective tax rate for the three and nine months ended September 30, 2021.

	Three Months Ended	
	September 30, 2022	September 30, 2021
Provision (benefit) for income taxes	$ 2,540	$ (3,481)
Effective tax rate	19%	(64)%

	Nine Months Ended	
	September 30, 2022	September 30, 2021
Provision for income taxes	$ 6,847	$ 1,286
Effective tax rate	19%	(15)%

The effective tax rate of 19% for the three months ended September 30, 2022 was higher than the rate for the three months ended September 30, 2021 of (64)% primarily due to the current year permanent disallowance of officers' compensation being less than the prior year permanent disallowance of officers' compensation under Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code").

The effective tax rate of 19% for the nine months ended September 30, 2022 was higher than the effective rate for the nine months ended September 30, 2021 of (15)% primarily due to the use of year to date pre-tax income used to complete the effective tax rate calculation and a required Code section 162(m) executive compensation limitation permanent adjustment.

NOTE 15 – SHARE-BASED COMPENSATION

In January 2021, Montauk Renewables undertook the Reorganization Transactions which resulted in the Company owning all of the assets and entities (excluding Montauk USA) through which MNK's business and operations were conducted. As a result of the Distribution, the options outstanding under MNK's Employee Share Appreciation Rights Scheme (the "SAR Plan") were cancelled. The Company recorded $2,050 of accelerated compensation expense in its consolidated statements of operations within general and administrative expenses in connection with the cancellation of the options under the SAR Plan for the nine months ended September 30, 2021.

The board of directors of Montauk Renewables adopted the Montauk Renewables, Inc. Equity and Incentive Compensation Plan ("MRI EICP") in January 2021. Following the closing of the IPO, the board of directors of Montauk Renewables approved the grant of non-qualified stock options, restricted stock units and restricted stock awards to the employees of Montauk Renewables and its subsidiaries in January 2021. In connection with the restricted stock awards, the officers of the Company made elections under Section 83(b) of the Code. Pursuant to such elections, the Company withheld 950,214 shares of common stock from such awards at a price of $11.38 per share from such awards. The Company records and reports share-based compensation for stock options, restricted stock, and restricted stock units over the requisite vesting period, and such awards will be settled in shares of common stock of Montauk Renewables.

In connection with a May 2021 asset acquisition, 1,250,000 restricted stock awards ("RS Awards") were granted to two employees that were hired by the Company in connection with such acquisition. The RS Awards were to vest over a five-year period and subject to the achievement of time and performance-based vesting criteria over such period. In May 2022, the RS Awards were amended to remove the performance-based vesting criteria and will only be subject to time-based vesting requirements over a five-year period. The awards were revalued at $15,500. Stock compensation expense related to the two awards were $1,227 and 1,636 for the three and nine months ended September 30, 2022, respectively. The amended awards vest through 2026.

As of September 30, 2022, unrecognized MRI EICP compensation expense for awards the Company expects to vest approximated $20,381 and will be recognized though 2026 for all awards granted under the MRI EICP.

Restricted stock, restricted stock unit and option awards are subject to various vesting schedules and are subject to the terms and conditions of the MRI EICP and related award agreements including, in the case of the restricted stock awards granted in January 2021, each officer having made an election under Section 83(b) of the Code. The Company recorded $10,813 of compensation expense in its condensed consolidated statements of operations within general and administrative expenses for the nine months ended September 30, 2021 in connection with the withheld 950,214 shares associated with the Section 83(b) elections associated with the January 2021 restricted stock awards.

Options granted under the MRI EICP allow the recipient to receive the Company's common stock equal to the appreciation in the fair market value of the Company's common stock between the date the award was granted and the exercise and settlement of options into shares as of the exercise date. The fair value of the MRI EICP options were estimated using the Black-Scholes option pricing model with the following weighted-average assumptions (no dividends were expected):

	Grant Date
Risk-free interest rate	0.5%
Expected volatility	32.0%
Expected option life (in years)	5.5
Grant-date fair value	$ 3.44

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The following table summarizes the restricted shares, restricted stock units and options outstanding under the MRI EICP as September 30, 2022 and September 30, 2021, respectively:

	Restricted Shares		Restricted Stock Units		Options	
	Number of Shares	Weighted Average Grant Date Fair Value	Number of Shares	Weighted Average Grant Date Fair Value	Number of Shares	Weighted Average Exercise Price
End of period - December 31, 2021	**2,569,613**	**$ 10.08**	**377,984**	**$ 10.23**	**950,214**	**$ 11.38**
Beginning of period - January 1, 2022	2,569,613	$ 10.08	377,984	$ 10.23	950,214	$ 11.38
Granted	1,250,000	12.40	—	—	—	—
Vested	(256,681)	11.38	(27,984)	11.38	(950,214)	11.38
Forfeited	(1,250,000)	9.04	—	—	—	—
End of period – September 30, 2022	**2,312,932**	**$ 11.75**	**350,000**	**$ 10.13**	**—**	**$ —**

950,214 options vested for the three and nine months ended September 30, 2022. None of the 950,214 vested options were exercised during either the three or nine months ended September 30, 2022.

	Restricted Shares		Restricted Stock Units		Options	
	Number of Shares	Weighted Average Grant Date Fair Value	Number of Shares	Weighted Average Grant Date Fair Value	Number of Shares	Weighted Average Exercise Price
End of period - December 31, 2020	**—**	**$ —**	**—**	**$ —**	**—**	**$ —**
Beginning of period - January 1, 2021	—	$ —	—	$ —	—	$ —
Granted	3,519,827	10.43	29,304	11.38	950,214	11.38
Vested	(950,214)	11.38	—	—	—	—
Forfeited	—	—	(1,056)	11.38	—	—
Exercised	—	—	—	—	—	—
End of period – September 30, 2021	**2,569,613**	**$ 10.08**	**28,248**	**$ 11.38**	**950,214**	**$ 11.38**

NOTE 16 – DEFINED CONTRIBUTION PLAN

The Company maintains a 401(k) defined contribution plan for eligible employees. The Company matches 50% of an employee’s deferrals up to 4%. The Company also contributes 3% of eligible employee’s compensation expense as a safe harbor contribution. The matching contributions vest ratably over four years of service, while the safe harbor contributions vest immediately. Incurred expense related to the 401(k) plan was $166 and $145 for the three months ended September 30, 2022 and 2021, respectively, and $519 and $414 for the nine months ended September 30, 2022 and 2021, respectively.

Note 17 – RELATED PARTY TRANSACTIONS

On January 26, 2021, the Company entered into a Loan Agreement and Secured Promissory Note (the “Promissory Note”) with MNK. MNK is currently an affiliate of the Company and certain of the Company’s directors and executive officers are also directors and executive officers of MNK. Pursuant to the Initial Promissory Note, the Company advanced a cash loan of $5,000 to MNK for MNK to pay its dividends tax liability arising from the Reorganization Transactions under the South African Income Tax Act, 1962 (Act No. 58 of 1962), as amended (the “South African Income Tax Act”). On February 22, 2021 and December, 22, 2021, the Company and MNK amended and restated the Promissory Note (together, the “Amended Promissory Note”) to increase the principal amount of the loan to a total of $8,940, in the aggregate, in accordance with the Company’s obligations set forth in the Transaction Implementation Agreement entered into by and among the Company, MNK and the other party thereto, dated November 6, 2020, and amended on January 14, 2021. The terms of the Amended Promissory Note provide the Company a security interest of 800,000 shares of the Company owned by MNK and require MNK to use the proceeds of any sale of such shares to repay the Amended Promissory Note. The Amended Promissory Note also includes default provisions in which MNK may deliver any unsold shares of the Company back to Montauk Renewables to satisfy repayment of the note, subject to compliance with the laws and regulations of South Africa. The Amended Promissory Note matures on December 31, 2022.

Under applicable guidance for variable interest entities in ASC 810, *Consolidation*, the Company determined that MNK is a variable interest entity. The Company concluded that it is not the primary beneficiary of the variable interest entity, as the Company does not have a controlling financial interest and does not have the power to direct the activities that most significantly impact the economic performance of MNK. Accordingly, the Company concluded that presentation of the Amended Promissory Note as a related party receivable remains appropriate.

Related Party Reimbursements

Periodically the Company will reimburse MNK and HCI Managerial Services Proprietary Limited, the administrator for the Company's secondary listing on the JSE, for expenses incurred on behalf of the Company. Amounts reimbursed were $4 and $134 for the three months ended September 30, 2022 and 2021, respectively, and $12 and $863 for the nine months ended September 30, 2022 and 2021, respectively. $52 and $0 were owed as of September 30, 2022 and December 31, 2021, respectively.

NOTE 18 – SEGMENT INFORMATION

The Company's reportable segments for the three and nine months ended September 30, 2022 and 2021 are Renewable Natural Gas, Renewable Electricity Generation and Corporate. Renewable Natural Gas includes the production of RNG. Renewable Electricity Generation includes generation of electricity at biogas-to-electricity plants. The corporate entity is not determined to be an operating segment but is discretely disclosed for purposes of reconciliation of the Company's condensed consolidated financial statements. The following tables are consistent with the manner in which the chief operating decision maker evaluates the performance of each segment and allocates the Company's resources. In the following tables "RNG" refers to Renewable Natural Gas and "REG" refer to Renewable Electricity Generation.

	Three Months Ended September 30, 2022			
	RNG	REG	Corporate	Total
Total revenue	$ 54,343	$ 4,351	$ (2,834)	$ 55,860
Net income (loss)	26,841	(1,689)	(13,965)	11,187
EBITDA (1)	30,572	(326)	(11,316)	18,930
Adjusted EBITDA (1)	30,615	1,807	(11,543)	20,879
Total assets	152,113	53,303	118,527	323,943
Capital expenditures	6,225	1,061	315	7,601

(1) Third quarter of 2022 EBITDA and Adjusted EBITDA Reconciliations

The following table is a reconciliation of the Company's reportable segments' net income (loss) from continuing operations to Adjusted EBITDA for the three months ended September 30, 2022:

	Three Months Ended September 30, 2022			
	RNG	REG	Corporate	Total
Net income (loss)	$26,841	$(1,689)	$(13,965)	$11,187
Depreciation and amortization	3,731	1,363	73	5,167
Interest expense	—	—	36	36
Income tax expense	—	—	2,540	2,540
EBITDA	$30,572	$ (326)	$(11,316)	$18,930
Net loss on sale of assets	43	—	—	43
Impairment loss	—	2,133	140	2,273
Unrealized gains on hedging activities	—	—	(367)	(367)
Adjusted EBITDA	$30,615	$ 1,807	$(11,543)	$20,879

	Three Months Ended September 30, 2021			
	RNG	REG	Corporate	Total
Total revenue	$ 35,002	$ 3,872	$ 875	$ 39,749
Net income (loss)	15,071	(1,379)	(4,796)	8,896
EBITDA (1)	19,358	(44)	(7,536)	11,778
Adjusted EBITDA (1)	20,180	(24)	(7,324)	12,832
Total assets	153,108	53,711	52,926	259,745
Capital expenditures	1,864	1,321	49	3,234

(1) Third quarter of 2021 EBITDA and Adjusted EBITDA Reconciliations

The following table is a reconciliation of the Company's reportable segments' net income (loss) from continuing operations to Adjusted EBITDA for the three months ended September 30, 2021:

	Three Months Ended September 30, 2021			
	RNG	REG	Corporate	Total
Net income (loss)	$15,071	$(1,379)	$ (4,796)	$ 8,896
Depreciation and amortization	4,287	1,335	44	5,666
Interest expense	—	—	697	697
Income tax benefit	—	—	(3,481)	(3,481)
EBITDA	$19,358	$ (44)	$ (7,536)	$11,778
Net loss sale of assets	822	—	—	822
Transaction costs	—	20	212	232
Adjusted EBITDA	$20,180	$ (24)	$ (7,324)	$12,832

For the three months ended September 30, 2022 and 2021, two and three customers, respectively, made up greater than 10% of total revenues.

	Three Months Ended September 30, 2022			
	RNG	REG	Corporate	Total
Customer A	43.9%	—	—	43.9%
Customer B	12.4%	—	—	12.4%

	Three Months Ended September 30, 2021			
	RNG	REG	Corporate	Total
Customer A	19.6%	—	—	19.6%
Customer B	15.4%	—	—	15.4%
Customer C	11.4%	—	—	11.4%

The Company's reportable segments for the nine months ended September 30, 2022 and 2021 are Renewable Natural Gas and Renewable Electricity Generation.

	Nine Months Ended September 30, 2022			
	RNG	REG	Corporate	Total
Total revenue	$151,577	$12,651	$ (8,312)	$155,916
Net income (loss)	75,021	(4,284)	(41,513)	29,224
EBITDA (1)	86,109	(126)	(34,120)	51,863
Adjusted EBITDA (1)	86,197	1,738	(32,457)	55,478
Total assets	152,113	53,303	118,527	323,943
Capital expenditures	10,039	2,390	321	12,750

(1) First nine months of 2022 EBITDA and Adjusted EBITDA Reconciliations

The following table is a reconciliation of the Company's reportable segments' net income (loss) from continuing operations to Adjusted EBITDA for the nine months ended September 30, 2022:

	Nine Months Ended September 30, 2022			
	RNG	REG	Corporate	Total
Net Income (loss)	$75,021	$(4,284)	$(41,513)	$29,224
Depreciation and amortization	11,088	4,158	207	15,453
Interest expense	—	—	339	339
Income tax expense	—	—	6,847	6,847
EBITDA	$86,109	$ (126)	$(34,120)	$51,863
Net loss (gain) sale of assets	61	(311)	—	(250)
Impairment loss	27	2,175	191	2,393
Unrealized losses on hedging activities	—	—	1,440	1,440
Transaction costs	—	—	32	32
Adjusted EBITDA	$86,197	$ 1,738	$(32,457)	$55,478

	Nine Months Ended September 30, 2021			
	RNG	REG	Corporate	Total
Total revenue	$ 90,707	$11,290	$ 875	$102,872
Net income (loss)	33,205	(3,647)	(39,579)	(10,021)
EBITDA (1)	45,991	498	(36,098)	10,391
Adjusted EBITDA (1)	46,813	1,144	(35,761)	12,196
Total assets	153,108	53,711	52,926	259,745
Capital expenditures	5,883	1,770	49	7,702

(2) First nine months of 2021 EBITDA and Adjusted EBITDA Reconciliations

The following table is a reconciliation of the Company's reportable segments' net income (loss) from continuing operations to Adjusted EBITDA for the nine months ended September 30, 2021:

	Nine Months Ended September 30, 2021			
	RNG	REG	Corporate	Total
Net income (loss)	$33,205	$(3,647)	$(39,579)	$(10,021)
Depreciation and amortization	12,786	4,143	133	17,062
Interest expense	—	—	2,064	2,064
Income tax expense	—	2	1,284	1,286
EBITDA	$45,991	$ 498	$(36,098)	$ 10,391
Net loss sale of assets	822	—	—	822
Impairment loss	—	626	—	626
Transaction costs	—	20	337	357
Adjusted EBITDA	$46,813	$ 1,144	$(35,761)	$ 12,196

For the nine months ended September 30, 2022 and 2021, two and five customers, respectively, made up greater than 10% of total revenues.

	Nine Months Ended September 30, 2022			
	RNG	REG	Corporate	Total
Customer A	31.6%	—	—	31.6%
Customer B	13.2%	—	—	13.2%

	Nine Months Ended September 30, 2021			
	RNG	REG	Corporate	Total
Customer A	12.8%	—	—	12.8%
Customer B	12.4%	—	—	12.4%
Customer C	11.3%	—	—	11.3%
Customer D	10.5%	—	—	10.5%
Customer E	—	10.2%	—	10.2%

NOTE 19 – LEASES

The Company leases office space and other office equipment under operating lease arrangements (with initial terms greater than twelve months), expiring in various years through 2027. These leases have been entered into to better enable the Company to conduct business operations. Office space is leased to provide adequate workspace for all employees in Pittsburgh, Pennsylvania and Houston, Texas. Office space and office equipment agreements that exceed 12 months are accounted for as operating leases in accordance with ASC 842, *Lease Accounting*.

The Company also leases safety equipment for the various operational sites in the United States. The term of certain equipment exceeds twelve months and is accordingly classified as a finance lease under ASC 842. The finance leases expire in 2024 and were entered into in order to provide a safe work environment for operational employees.

The Company determines if an arrangement is, or contains, a lease at inception based on whether that contract conveys the right to control the use of an identified asset in exchange for consideration for a period of time. For all operating and finance lease arrangements, the Company presents at the commencement date: a lease liability, which is a lessee’s obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee’s right to use, or control the use of, a specified asset for the lease term.

The Company has elected, as a practical expedient, not to separate non-lease components from lease components, and instead account for each separate component as a single lease component for all lease arrangements, as lessee. In addition, the Company has elected, as a practical expedient, not to apply lease recognition requirements to leases with a term of one year or less. In determination of the lease term, the Company considers the likelihood of lease renewal options and lease termination provisions.

The Company uses its incremental borrowing rate, as the basis to calculate the present value of future lease payments, at lease commencement. The incremental borrowing rate represents the rate that would approximate the rate to borrow funds on a collateralized basis over a similar term and in a similar economic environment.

Supplemental information related to operating lease arrangements was as follows:

	Three months ended September 30, 2022	Three months ended September 30, 2021
Cash paid for amounts included in the measurement of operating lease liabilities	$ 83	$ 76
Weighted average remaining lease term (in years)	1.50	1.83
Weighted average discount rate	5.00%	5.00%

	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Cash paid for amounts included in the measurement of operating lease liabilities	$ 282	$ 227
Weighted average remaining lease term (in years)	1.50	1.83
Weighted average discount rate	5.00%	5.00%

Future minimum operating lease payments are as follows:

Year Ending	
Remainder of 2022	$ 83
2023	11
2024	5
2025	4
2026	4
2027	1
Interest	(3)
Total	$105

Supplemental information related to finance lease arrangements was as follows:

	Three months ended September 30, 2022	Three months ended September 30, 2021
Cash paid for amounts included in the measurement of financing lease liabilities	$ 12	$ —
Weighted average remaining lease term (in years)	1.58	—
Weighted average discount rate	5.00%	—

	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Cash paid for amounts included in the measurement of finance lease liabilities	$ 18	—
Weighted average remaining lease term (in years)	1.58	—
Weighted average discount rate	5.00%	—

Future minimum finance lease payments are as follows:

Year Ending	
Remainder of 2022	$ 18
2023	75
2024	23
Interest	(5)
Total	$111

NOTE 20 – INCOME (LOSS) PER SHARE

Basic and diluted income (loss) per share was computed using the following common share data for the three and nine months ended September 30, 2022:

	Three months ended September 30, 2022	Three months ended September 30, 2021
Net income	$ 11,187	$ 8,896
Basic weighted-average shares outstanding	141,290,748	141,015,213
Dilutive effect of share-based awards	1,431,648	32,793
Diluted weighted-average shares outstanding	142,722,396	141,048,006
Basic income per share	$ 0.08	$ 0.06
Diluted income per share	$ 0.08	$ 0.06

	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Net income (loss)	$ 29,224	$ (10,021)
Basic weighted-average shares outstanding	141,156,126	141,015,213
Dilutive effect of share-based awards	1,471,585	—
Diluted weighted-average shares outstanding	142,627,711	141,015,213
Basic income (loss) per share	$ 0.21	$ (0.07)
Diluted income (loss) per share	$ 0.20	$ (0.07)

As a result of incurring a net loss for the nine months ended September 30, 2021, 493,166 potential anti-dilutive common shares were excluded from the above earnings per share calculation.

NOTE 21 – SUBSEQUENT EVENTS

The Company evaluated its September 30, 2022 condensed consolidated financial statements through the date the financial statements were issued. The Company is not aware of any subsequent events which would require recognition or disclosure in the consolidated financial statements.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our financial statements and the related notes to those statements included elsewhere in this Quarterly Report on Form 10-Q. Throughout this section, dollar amounts are expressed in thousands, except for per share amounts and MMBtu and RIN pricing amounts and unless otherwise indicated.

In addition to historical financial information, the following discussion and analysis contains forward-looking statements that involve risks, uncertainties, and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including those discussed under "Cautionary Note Regarding Forward-Looking Statements," "Item 1A.–Risk Factors" of our 2021 Annual Report and elsewhere in this report.

Overview

Montauk Renewables is a renewable energy company specializing in the recovery and processing of biogas from landfills and other non-fossil fuel sources for beneficial use as a replacement to fossil fuels. We develop, own, and operate RNG projects, using proven technologies that supply RNG into the transportation industry and use RNG to produce Renewable Electricity. We are one of the largest U.S. producers of RNG, having participated in the industry for over 30 years. We established our operating portfolio of 12 RNG and three Renewable Electricity projects through self-development, partnerships, and acquisitions that span six states.

Biogas is produced by microbes as they break down organic matter in the absence of oxygen (during a process called anaerobic digestion). Our two current sources of commercial scale biogas are LFG or ADG. We typically secure our biogas feedstock through long-term fuel supply agreements and property lease agreements with biogas site hosts. Once we secure long-term fuel supply rights, we design, build, own, and operate facilities that convert the biogas into RNG or use the processed biogas to produce Renewable Electricity. We sell the RNG and Renewable Electricity through a variety of term length agreements. Because we are capturing waste methane and making use of a renewable source of energy, our RNG and Renewable Electricity generate valuable Environmental Attributes which we are able to monetize under federal and state renewable initiatives.

Our current operating projects produce either RNG or Renewable Electricity by processing biogas from landfill sites or agricultural waste from livestock farms. We view agricultural waste from livestock farms as a significant opportunity for us to expand our RNG business, and we continue to evaluate other agricultural feedstock opportunities. We believe that our business model and technology are highly scalable given availability of biogas from agriculturally derived sources, which will allow us to continue to grow through prudent development and complimentary acquisitions.

Recent Developments

Second Apex RNG Facility

In August 2022, we announced the planned construction of a second RNG processing facility at the Apex landfill. This project is being driven by projections in biogas feedstock availability from the host landfill. We anticipate an approximate 40% increase in RNG processing capacity with the addition of the second facility. This expansion is expected to increase daily production approximately 2,100 MMBtu per day and expand the infrastructure for the conversion of LFG to RNG. We expect the project to be complete and become commercially operational in 2024. We do not currently anticipate this project to have a significant impact on 2022 development capital expenditures.

Pico Digestion Capacity Increase

During the fourth quarter of 2022, we learned through CARB that our dairy project CI Score Pathway will be subject to a public comment period. Due to this public comment period, we now currently expect to receive approval of our score during the first quarter of 2023. This public comment period follows the completion of the validation of the CI Score. We began to release gas from storage in the third quarter of 2022. We do not expect to recognize LCFS credit revenue on 2022 production until 2023 when we anticipate recognizing LCFS credit revenues during the first half of 2023 for all of 2022 production. Related to 2023 production, we expect to normalize the timing of LCFS credit revenue recognition, generally, six months after the month of production. We began releasing gas from storage during the third quarter of 2022 and recognized revenues from a portion of the RINs generated and currently expect to complete storage release during the fourth quarter of 2022. We currently expect to commit available RINs and recognize revenues from RINs generated in the fourth quarter of 2022. During the fourth quarter of 2022, CARB certified our temporary CI Score Pathway application for the third and fourth quarter of 2022. The approval of this temporary application will prevent us from not being able to generate LCFS credit revenue on 2022 production in 2023.

Related to our Pico feedstock amendment, which increased the amount of feedstock supplied to the facility for processing over a one to three-year period (the "Pico Feedstock Amendment"), the dairy began delivering the first and second increases in feedstock during the third quarter of 2022 and we have made two payments to the dairy as required in the Pico Feedstock Agreement. The improved efficiencies of our existing digestion process and the water management improvements have enabled us to process the increased feedstock volumes which we currently expect to increase by five to ten percent in connection with increased feedstock deliveries received from the dairy. We completed the design of the digestion capacity project in the third quarter of 2022 and have begun incurring capital expenditures related to the construction of the project. We currently expect the dairy to begin delivering the final increase in feedstock volumes during 2024.

Montauk Ag Renewables

In the second quarter of 2021, through our wholly owned subsidiary, Montauk Ag Renewables, we completed the 2021 asset purchase related to developing technology to recover residual natural resources from waste streams of modern agriculture and to refine and recycle such waste products through proprietary and other processes to produce high quality renewable natural gas, bio-oil and biochar (the “Montauk Ag Renewables Acquisition”). The assets acquired include real property, intellectual property, mobile equipment, and other equipment related to operating the business and real property of an approximate 9.35 acre parcel in Magnolia, North Carolina. We subsequently closed on a transaction to acquire approximately 146 acres and an approximately 500,000 square foot existing structure in Turkey, North Carolina which we plan to use as we expand the production processes purchased in the Montauk Ag Renewables Acquisition.

We continue to work with our engineer of record through the optimization of improvements to the now patented reactor technology, which is currently functional in Magnolia. We have not completed our improvements, however, and have not reached commercial operations at this location. The improvements to the reactor technology are intended to be deployed at the Turkey location.

While these project developments continue, we continue to engage with regulatory agencies in North Carolina related to the resulting power generation derived from swine waste to confirm its eligibility for Renewable Energy Credits under North Carolina’s Renewable Energy Portfolio Standards in anticipation of commercial production. The North Carolina Utilities Commission (“NCUC”) has placed a three-year moratorium on the designation of any new New Renewable Energy Facility (“NREF”) while the NCUC monitor and assess gas quality. We requested the Turkey location to both be designated as an NREF and to be accepted into the NCUC pilot project portfolio. The NCUC designated the Turkey location as an NREF and was accepted into the pilot project portfolio. Our Magnolia, North Carolina location has an existing electricity interconnection which can be reactivated. We are also in varying stages of discussions with potential power purchasers.

We are at the beginning stages of developing the opportunities associated with Montauk Ag Renewables and can give no assurances that our plans related to this acquisition will meet our expectations. We continue to design and plan for the development of the facility to be used for commercial production. We do not currently expect commercial production to commence during 2022 based on the current development timeline. We also do not expect to commence significant revenue generating activities until 2024. We intend to contract with additional farms to secure feedstock sources, as we commission commercial production and increase our production capabilities, which we anticipate will secure additional feedstock for future production processes.

Key Trends

Market Trends Affecting the Renewable Fuel Market

We believe demand for RNG produced from biogas remains strong due to increasing public policy initiatives focused on reducing greenhouse gas emissions, including methane, as well as continued public and private sector interest in the development of additional renewable energy sources to offset traditional fossil fuel energy sources.

Key drivers for the long-term growth of RNG include the following factors:

- Regulatory or policy initiatives, including the federal RFS program and state or national-level low-carbon fuel programs in states such as California and Oregon or Canada, that drive demand for RNG and its derivative Environmental Attributes (as further described below).
- Efficiency, mobility and capital cost flexibility in RNG operations enable them to compete successfully in multiple markets. Our operating model is nimble, as we commonly use modular equipment; our RNG processing equipment is more efficient than its fossil-fuel counterparts.
- Demand for compressed natural gas (“CNG”) from natural gas-fueled vehicles. The RNG we create is pipeline quality and can be used for transportation fuel when converted to CNG. CNG is commonly used by medium-duty fleets that are close to fueling stations, such as city fleets, local delivery trucks and waste haulers.
- Regulatory requirements, market pressure and public relations challenges increase the time, cost and difficulty of permitting new fossil fuel-fired facilities.

Factors Affecting Our Future Operating Results:

Conversion of Electricity Projects to RNG Projects:

We periodically evaluate opportunities to convert existing facilities from Renewable Electricity to RNG production. These opportunities tend to be most attractive for any merchant electricity facilities given the favorable economics for the sale of RNG plus RINs relative to the sale of market rate electricity plus RECs. This strategy has been an increasingly attractive avenue for growth since 2014 when RNG from landfills became eligible for D3 RINs. However, during the conversion of a project, there is a gap in production while the electricity project is offline until it commences operation as an RNG facility, which can adversely affect us. This timing effect may adversely affect our operating results as a result of our potential conversion of Renewable Electricity projects. Upon completion of a conversion, we expect that the increase in revenue upon commencement of RNG production will more than offset the loss of revenue from Renewable Electricity production. Historically, we have taken advantage of these opportunities on a gradual basis at our merchant electricity facilities, such as Atascocita and Coastal Plains.

Acquisition and Development Pipeline

The timing and extent of our development pipeline affects our operating results due to:

- Impact of Higher Selling, General and Administrative Expenses Prior to the Commencement of a Project's Operation: We incur significant expenses in the development of new RNG projects. Further, the receipt of RINs is delayed, and typically does not commence for a period of four to six months after the commencement of injecting RNG into a pipeline, pending final registration approval of the project by the EPA and then the subsequent completion of a third-party quality assurance plan certification. During such time, the RNG is either physically or theoretically stored and later withdrawn from storage to allow for the generation of RINs.
- Shifts in Revenue Composition for Projects from New Fuel Sources: As we expand into livestock farm projects, our revenue composition from Environmental Attributes will change. We believe that livestock farms offer us a lucrative opportunity, as the value of LCFS credits for dairy farm projects, for example, are a multiple of those realized from landfill projects due to the significantly more attractive CI score of livestock farms.
- Incurrence of Expenses Associated with Pursuing Prospective Projects That Do Not Come to Fruition: We incur expenses to pursue prospective projects with the goal of a site host accepting our proposal or being awarded a project in a competitive bidding process. Historically, we have evaluated opportunities which we decided not to pursue further due to the prospective project not meeting our internal investment thresholds or a lack of success in a competitive bidding process. To the extent we seek to pursue a greater number of projects or bidding for projects becomes more competitive, our expenses may increase.
- Increased Construction Costs or Length Related to Material Cost Inflation or Supply Chain Disruptions: Due to the variability of our development and construction cycle of approximately 12 to 24 months, we believe that we could incur increased raw material costs for development projects related to inflation or supply chain disruptions. Although these factors have not had a material impact on our business or results of operations to date for development projects, these price increases and disruptions in construction could lead to future material, design, or transportation delays, which could increase the costs of our development.

Regulatory, Environmental and Social Trends

Regulatory, environmental and social factors are key drivers that incentivize the development of RNG and Renewable Electricity projects and influence the economics of these projects. We are subject to the possibility of legislative and regulatory changes to certain incentives, such as RINs, RECs and GHG initiatives. In accordance with the consent decree entered into between the EPA and Growth Energy approved by the U.S. District Court for the District of Columbia, the EPA issued the final Renewable Fuel Standards for 2020, 2021, and 2022 on June 3, 2022. Final volumes for cellulosic biofuel were set at 510, 560 and 630 million RINs for the three years 2020, 2021 and 2022, respectively. While final volumes set for all three years were lower than proposed, the EPA partially offset the lower volumes by issuing its final notice, also on June 3, 2022, to deny the remaining 69 petitions for RFS Small Refinery Exemptions. It is not certain whether the EPA will set RFS volume obligations for one year or multiple years going forward, however, per the settlement agreement with Growth Energy, the EPA must issue a proposed 2023 RVO no later than November 16, 2022 with final volume requirements established by June 11, 2023. On November 4, the U.S. Environmental Protection Agency (EPA) filed a notice with the U.S. District Court for the District of Columbia indicating that EPA and Growth Energy have agreed to extend the deadline for signing the proposed rule for the 2023 renewable fuel standards. The deadline under a Consent Decree entered to resolve litigation between the two parties had been set as November 16, 2022. Under the stipulated extension, the date is now November 30, 2022 to sign a notice of proposed rulemaking. The notice indicates that the stipulation is based on an understanding that EPA does not intend to seek further extensions of any deadline for action established by the Consent Decree.

Changes to the LCFS program require annual verification of the CI score assigned to a project. Annual verification could significantly affect the profitability of a project, particularly in the case of a livestock farm project. CARB has provided notice that they finalized their review of the Pico facility's provisional CI application and released it to the validation body ("VB") during the third quarter of 2022. We currently expect the VB will complete the validation of the Pico facility's provisional CI application during the fourth quarter of 2022. During the fourth quarter of 2022, we learned through CARB that our dairy project CI Score Pathway will be subject to a public comment period. Due to this public comment period, we now currently expect to receive approval of our score during the first quarter of 2023. This public comment period follows the completion of the validation of the CI Score. CARB certified our temporary CI score application during the fourth quarter of 2022.

Factors Affecting Revenue

Our total operating revenues include renewable energy and related sales of Environmental Attributes. Renewable energy sales primarily consist of the sale of biogas, including LFG and ADG, which is either sold or converted to Renewable Electricity. Environmental Attributes are generated and monetized from the renewable energy.

We report revenues from two operating segments: Renewable Natural Gas and Renewable Electricity Generation. Corporate relates to additional discrete financial information for the corporate function; primarily used as a shared service center for maintaining functions described below and not otherwise allocated to a segment. As such, the corporate entity is not determined to be an operating segment but is discretely disclosed for purposes of reconciliation to the Company's consolidated financial statements.

- *Renewable Natural Gas Revenues*: We record revenues from the production and sale of RNG and the generation and sale of the Environmental Attributes derived from RNG, such as RINs and LCFS credits. Our RNG revenues from Environmental Attributes are recorded net of a portion of Environmental Attributes shared with off-take counterparties as consideration for such counterparties using the RNG as a transportation fuel. We monetize a portion of our RNG production under fixed-price and counterparty sharing agreements, which provide floor prices in excess of commodity indices and sharing percentages of the monetization of Environmental Attributes. Under these sharing arrangements, we receive a portion of the profits derived from counterparty monetization of the Environmental Attributes in excess of the floor prices. We have entered into fixed-price agreements to replace the counterparty sharing arrangements which expired during 2022.
- *Renewable Electricity Generation Revenues:* We record revenues from the production and sale of Renewable Electricity and the generation and sale of the Environmental Attributes, such as RECs, derived from Renewable Electricity. All of our Renewable Electricity production is monetized under fixed-price PPAs from our existing operating projects.
- *Corporate Revenues:* Corporate reports realized and unrealized gains or losses under our gas hedge programs. Based on current rates, we expect our gas commodity hedge program to continue to be priced below actual index prices through the end of this fiscal year at which time the hedge program will expire. Corporate also relates to additional discrete financial information for the corporate function; primarily used as a shared service center for maintaining functions such as executive, accounting, treasury, legal, human resources, tax, environmental, engineering and other operations functions not otherwise allocated to a segment.

Our revenues are priced based on published index prices which can be influenced by factors outside our control, such as market impacts on commodity pricing and regulatory developments. With our royalty payments structured as a percentage of revenue, royalty payments fluctuate with changes in revenues. Due to these factors, we place a primary focus on managing production volumes and operating and maintenance expenses as these factors are more controllable by us.

RNG Production

Our RNG production levels are subject to fluctuations based on numerous factors, including:

Disruptions to Production: Disruptions to waste placement operations at our active landfill sites, severe weather events, failure or degradation of our or a landfill operator's equipment, our inability to fill open or newly created positions, or interconnection or transmission problems could result in a reduction of our RNG production. We strive to proactively address any issues that may arise through preventative maintenance, process improvement and flexible redeployment of equipment to maximize production and useful life.

- A 2021 cold weather event impacted our Atascocita, Galveston, McCarty, and Coastal Plains facilities located in Texas. Production at these facilities was temporarily idled due to the loss of power from February 14 through February 20, 2021 and force majeure events were declared by certain of our counterparties or by us for the period February 12 through February 22, 2021 related to these weather events. Operations at these facilities have subsequently resumed.
- The landfill host at our McCarty facility recently changed its wellfield collection system which has contributed to elevated nitrogen in the feedstock received by our facility. Additionally, the landfill host modified the wellfield bifurcation approach which has impacted the quantity of feedstock received at the facility. We are working with the landfill host but have currently experienced lower volumes of feedstock available to be processed at the McCarty facility. We currently expect lower than historical volumes through the end of 2022.
- Our Pico facility has resumed operations and ramp up activities related to the existing digester cleanout activities have been completed. Production volume performance continues to meet our expectations during the post cleanout period. Our improvement project has impacted the timeline related to modeling the CI Score pathway model. We have begun releasing production from storage while CARB completes its CI Score Pathway. We will not receive LCFS credit revenue on 2022 production until 2023, but do expect 2022 production to generate 2023 LCFS credit revenue.
- *Quality of Biogas:* We are reliant upon the quality and availability of biogas from our site partners. The quality of the waste at our landfill project sites is subject to change based on the volume and type of waste accepted. Variations in the quality of the biogas could affect our RNG production levels. At three of our projects, we operate the wellfield collection system, which allows greater control over the quality and consistency of the collected biogas. At two of our projects, we have operating and management agreements by which we earn revenue for managing the wellfield collection systems. Additionally, our dairy farm project benefits from the consistency of feedstock and controlled environment of collection of waste to improve biogas quality.
- *RNG Production from Our Growth Projects:* We anticipate increased production at certain of our existing projects as open landfills continue to take in additional waste and the amount of gas available for collection increases. Delays in commencement of production or extended commissioning issues at a new project or a conversion project would delay any realization of production from that project.

Pricing

Our Renewable Natural Gas and Renewable Electricity Generation segments' revenues are primarily driven by the prices under our off-take agreements and PPAs and the amount of RNG and Renewable Electricity that we produce. We sell the RNG produced from our projects under a variety of termed agreements to counterparties, with contract terms varying from three years to five years. Our contracts with counterparties are typically structured to be based on varying natural gas price indices for the RNG produced. All of the Renewable Electricity produced at our biogas-to-electricity projects is sold under long-term contracts to creditworthy counterparties, typically under a fixed price arrangement with escalators.

The pricing of Environmental Attributes, which accounts for a substantial portion of our revenues, is subject to volatility based on a variety of factors, including regulatory and administrative actions and commodity pricing.

Our Pico project is expected to be awarded a more attractive CI by CARB, thereby generating LCFS credits at a multiple of those generated by our landfill projects.

The sale of RINs, which is subject to market price fluctuations, accounts for a substantial portion of our revenues. We manage against the risk of these fluctuations through forward sales of RINs, although currently we only sell RINs in the calendar year they are generated. A decision not to commit to transfer available RINs during a period will impact our revenue and operating profit. As of September 30, 2022, we had approximately 2,357 RINs in inventory as compared to 308 RINs in inventory for the period ended September 30, 2021. Our current RIN commitments scheduled for transfer are at an average D3 RIN price of approximately $3.52 with commitments substantively through December 2022. We have currently committed an insignificant portion of our expected 2022 fourth quarter RIN generation. We believe a portion of the reduction and volatility in RIN price during the third and fourth quarter of 2022 could be temporary and related to uncertainty due to the upcoming release by the EPA of the 2023 RVO in November 2022. We expect to transfer the majority of RINs generated after the release of the RVO in the fourth quarter. Realized prices for Environmental Attributes monetized in a year may not correspond directly to index prices due to the forward selling of commitments

Factors Affecting Operating Expenses

Our operating expenses include royalties, transportation, gathering and production fuel expenses, project operating and maintenance expenses, general and administrative expenses, depreciation and amortization, net loss (gain) on sale of assets, impairment loss and transaction costs. Our operating expenses can be subject to inflationary cost increases that are largely out of our control. During 2022, increased commodity index prices have mitigated these increases but these inflationary increases could have an impact on our operating income in the future.

- *Project Operating and Maintenance Expenses*: Operating and maintenance expenses primarily consist of expenses related to the collection and processing of biogas, including biogas collection system operating and maintenance expenses, biogas processing, operating and maintenance expenses, and related labor and overhead expenses. At the project level, this includes all labor and benefit costs, ongoing corrective and proactive maintenance, project level utility charges, rent, health and safety, employee communication, and other general project level expenses.

- *Royalties, Transportation, Gathering and Production Fuel Expenses:* Royalties represent payments made to our facility hosts, typically structured as a percentage of revenue. Transportation and gathering expenses include capacity and metering expenses representing the costs of delivering our RNG and Renewable Electricity production to our customers. These expenses include payments to pipeline operators and other agencies that allow for the transmission of our gas and electricity commodities to end users. Production fuel expenses generally represent alternative royalty payments based on quantity usage of biogas feedstock.

- *General and Administrative Expenses:* General and administrative expenses primarily consist of corporate expenses and unallocated support functions for our operating facilities, including personnel costs for executive, finance, accounting, investor relations, legal, human resources, operations, engineering, environmental registration and reporting, health and safety, IT and other administrative personnel and professional fees and general corporate expenses. We expect increased general and administrative expenses associated with our ongoing development of Montauk Ag Renewables in 2022. We also expect increased general and administrative expenses associated with our board of directors approving the payment of cash fees to non-employee directors beginning in 2022. The Company accounts for share-based compensation related to grants made through its equity and incentive compensation plan under FASB ASC 718. We expect the amendment to the RS Awards to increase general and administrative expenses approximately $1,227 quarterly through the end of 2022. For more information, see Note 16 to our unaudited condensed consolidated financial statements related to share-based compensation.

- *Depreciation and Amortization:* Expenses related to the recognition of the useful lives of our intangible and fixed assets. We spend significant capital to build and own our facilities. In addition to development capital, we annually reinvest to maintain these facilities.

- *Impairment Loss:* Expenses related to reductions in the carrying value(s) of fixed and/or intangible assets based on periodic evaluations whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

- *Transaction Costs:* Transaction costs primarily consist of expenses incurred for due diligence and other activities related to potential acquisitions and other strategic transactions.

Key Operating Metrics

Total operating revenues reflect both sales of renewable energy and sales of related Environmental Attributes. As a result, our revenues are primarily affected by unit production of RNG and Renewable Electricity, production of Environmental Attributes, and the prices at which we monetize such production. Set forth below is an overview of these key metrics:

- *Production volumes:* We review performance by site based on unit of production calculations for RNG and Renewable Electricity, measured in terms of MMBtu and MWh, respectively. While unit of production measurements can be influenced by schedule facility maintenance schedules, the metric is used to measure the efficiency of operations and the impact of optimization improvement initiatives. We monetize a majority of our RNG commodity production under variable-price agreements, based on indices. A portion of our Renewable Natural Gas segment commodity production is monetized under fixed-priced contracts. Our Renewable Electricity Generation segment commodity production is primarily monetized under fixed-priced PPAs.
- *Production of Environmental Attributes:* We monetize Environmental Attributes derived from our production of RNG and Renewable Electricity. We carry-over a portion of the RINs generated from RNG production to the following year and monetize the carried over RINs in such following calendar year. A majority of our Renewable Natural Gas segment Environmental Attributes are self-monetized, though a portion are generated and monetized by third parties under counterparty sharing agreements. A majority of our Renewable Electricity Generation segment Environmental Attributes are monetized as a component of our fixed-price PPAs.
- *Average realized price per unit of production:* Our profitability is highly dependent on the commodity prices for natural gas and electricity, and the Environmental Attribute prices for RINs, LCFS credits, and RECs. Realized prices for Environmental Attributes monetized in a year may not correspond directly with that year’s production as attributes may be carried over and subsequently monetized. Realized prices for Environmental Attributes monetized in a year may not correspond directly to index prices due to the forward selling of commitments.

Comparison of Three Months Ended September 30, 2022 and 2021

The following table summarizes the key operating metrics described above, which metrics we use to measure performance.

(in thousands, unless otherwise indicated)	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Change	Change %
Revenues				
Renewable Natural Gas Total Revenues	$ 54,343	$ 35,002	$19,341	55.3%
Renewable Electricity Generation Total Revenues	$ 4,351	$ 3,872	$ 479	12.4%
RNG Metrics				
CY RNG production volumes (MMBtu)	1,437	1,510	(73)	(4.8%)
Less: Current period RNG volumes under fixed/floor-price contracts	(333)	(333)	—	—
Plus: Prior period RNG volumes dispensed in current period	367	309	58	18.8%
Less: Current period RNG production volumes not dispensed	(439)	(379)	(60)	15.8%
Total RNG volumes available for RIN generation (1)	1,032	1,107	(75)	(6.8%)
RIN Metrics				
Current RIN generation (x 11.727) (2)	12,100	12,985	(885)	(6.8%)
Less: Counterparty share (RINs)	(1,399)	(1,415)	16	(1.1%)
Plus: Prior period RINs carried into CY	1,547	1,586	(39)	(2.5%)
Less: CY RINs carried into next CY	—	—	—	—
Total RINs available for sale (3)	12,248	13,156	(908)	(6.9%)
Less: RINs sold	(10,850)	(13,250)	(2,400)	(18.1%)
RIN Inventory	1,398	(94)	1,492	(1587.2%)
RNG Inventory (volumes not dispensed for RINs) (4)	439	379	60	15.8%
Average Realized RIN price	$ 3.49	$ 1.65	$ 1.84	111.5%
Operating Expenses				
Renewable Natural Gas Operating Expenses	$ 23,785	$ 14,916	$ 8,869	59.5%
Operating Expenses per MMBtu (actual)	$ 16.55	$ 9.88	$ 6.67	67.5%
Renewable Electricity Generation Operating Expenses	$ 2,525	$ 3,961	$ (1,436)	(36.3%)
$/MWh (actual)	$ 51.53	$ 93.00	$ (41.47)	(44.6%)
Other Metrics				
Renewable Electricity Generation Volumes Produced (MWh)	49	43	6	14.0%
Average Realized Price $/MWh (actual)	$ 88.80	$ 90.93	$ (2.13)	(2.3%)

(1) RINs are generated in the month that the gas is dispensed to generate RINs, which occurs the month after the gas is produced. Volumes under fixed/floor-price arrangements generate RINs which we do not self-market.
(2) One MMBtu of RNG has the same energy content as 11.727 gallons of ethanol, and thus may generate 11.727 RINs under the RFS program.
(3) Represents RINs available to be self-marketed by us during the reporting period.
(4) Represents gas production which has not been dispensed to generate RINs.

The following table summarizes our revenues, expenses and net income for the periods set forth below:

(in thousands, unless otherwise indicated)	Three Months Ended September 30, 2022	2021	Change	Change %
Total operating revenues	$55,860	$39,749	$16,111	40.5%
Operating expenses:				
Operating and maintenance expenses	14,134	13,123	1,011	7.7%
General and administrative expenses	8,466	7,520	946	12.6%
Royalties, transportation, gathering and production fuel	12,188	6,636	5,552	83.7%
Depreciation and amortization	5,167	5,666	(499)	(8.8%)
Gain on insurance proceeds	—	(157)	157	(100.0%)
Impairment loss	2,273	—	2,273	—
Transaction costs	—	232	(232)	(100.0%)
Total operating expenses	42,228	33,020	9,208	27.9%
Operating income	$13,632	$ 6,729	$ 6,903	102.6%
Other (income) expenses:	(95)	1,314	(1,409)	(107.2%)
Income tax expense (benefit)	2,540	(3,481)	6,021	(173.0%)
Net income	$11,187	$ 8,896	$ 2,291	25.8%

Revenues for the Three Months Ended September 30, 2022 and 2021

Total revenues in the third quarter of 2022 were $55,860 an increase of $16,111 (40.5%) compared to $39,749 in the third quarter of 2021. The increase is primarily related to an increase in pricing of gas commodity indices and average realized RIN pricing during the third quarter of 2022 compared to the third quarter of 2021. Gas commodity indices increased 104.5% in the third quarter of 2022 to $8.20 compared to $4.01 in the third quarter of 2021. Realized RIN pricing increased 111.5% during the third quarter of 2022 compared to the third quarter of 2021. The increase was offset by there being no revenues recognized under our counterparty sharing agreements in the third quarter of 2022 compared to $2,795 in the third quarter of 2021.

Renewable Natural Gas Revenues

We produced 1,437 MMBtu of RNG during the third quarter of 2022, a decrease of 73 MMBtu over the 1,510 MMBtu (4.8%) produced in the third quarter of 2021. Our Apex facility produced 26 fewer MMBtu in the third quarter of 2022 compared to the third quarter of 2021 as a result of landfill filling patterns resulting in lower production. Also contributing to the decrease is our Atascocita facility producing 53 fewer MMBtu in the third quarter of 2022 compared to the third quarter of 2021 as a result of increased contaminants in the feedstock which lowered processing efficiency.

Revenues from the Renewable Natural Gas segment in the third quarter of 2022 were $54,343, an increase of $19,341 (55.3%) compared to $35,002 in the third quarter of 2021. Average commodity pricing for natural gas for the third quarter of 2022 was $8.20 per MMBtu, 104.5% higher than the third quarter of 2021. During the third quarter of 2022, we self-monetized 10,850 RINs, representing a 2,400 decrease (18.1%) compared to 13,250 in the third quarter of 2021. The decrease was primarily related to our prior period decision to forward commit a larger portion of expected RIN sales. We also sold market purchased RINs during the third quarter of 2021. Average pricing realized on RIN sales during the third quarter of 2022 was $3.49 as compared to $1.65 in the third quarter of 2021, an increase of 111.5%. This compares to the average D3 RIN index price for the third quarter of 2022 of $2.83 being approximately 8.8% lower than the average D3 RIN index price in the third quarter of 2021. At September 30, 2022, we had approximately 439 MMBtu available for RIN generation and we had approximately 1,398 RINs generated and unsold. At September 30, 2021, we had approximately 379 MMBtu available for RIN generation and no RINs generated and unsold.

Renewable Electricity Generation Revenues

We produced approximately 49 MWh in Renewable Electricity in the third quarter of 2022, an increase of 6 MWh (14.0%) from 43 MWh in the third quarter of 2021. Our Security facility produced approximately 3 MWh in the third quarter of 2022 compared to no production in the third quarter of 2021 as a result of the prior period engine restoration project. Our Bowerman facility produced 4 MWh more in the third quarter of 2022 compared to the third quarter of 2021 as a result of preventative engine maintenance performed during the third quarter of 2021. Our Tulsa facility produced approximately 1 MWh less in the third quarter of 2022 compared to the third quarter of 2021 due to reduced feedstock availability at the landfill.

Revenues from Renewable Electricity facilities in the third quarter of 2022 were $4,351, an increase of $479 (12.4%) compared to $3,872 in the third quarter of 2021. The increase is primarily driven by the increase in our Bowerman facility production volumes.

In the third quarter of 2022, 99.6% of Renewable Electricity Generation segment revenues were derived from the monetization of Renewable Electricity at fixed prices associated with underlying PPAs, as compared to 100% in the third quarter of 2021. This provides the Company with certainty of price resulting from our Renewable Electricity sites.

Corporate Analysis

In the third quarter of 2022, our gas commodity hedge program was priced at rates below actual index prices. However, we did recognize a gain of $367 as a result of favorable index price movements under our gas commodity hedge activities. We did not have any gas hedge programs in the third quarter of 2021. Based on current rates, we expect our gas commodity hedge program to continue to be priced below actual index prices through the year-end 2022 at which time the hedge program will expire. In the third quarter of 2021, we recorded revenue of $875 related to the RINs purchased in the second quarter of 2021. We did not have market purchased RIN revenue during the third quarter of 2022.

Expenses for the Three Months Ended September 30, 2022 and 2021

General and Administrative Expenses

Total general and administrative expenses were $8,466 for the third quarter of 2022, an increase of $946 (12.6%) compared to $7,520 for the third quarter of 2021. Our general and administrative expense for the third quarter of 2022 increased approximately $1,102 compared to the third quarter of 2021 associated with the Montauk Ag Renewables Acquisition.

Renewable Natural Gas Expenses

Operating and maintenance expenses for our RNG facilities in the third quarter of 2022 were $12,052, an increase of $3,344 (38.4%) as compared to $8,708 in the third quarter of 2021. Our McCarty facility incurred increased preventative maintenance expenses of approximately $314. Our Apex facility operating and maintenance expenses increased approximately $950 as a result of timing of preventative maintenance and increased waste disposal costs in the third quarter of 2022 as compared to third quarter of 2021. Utility expense for our RNG facilities in the third quarter of 2022 increased approximately $2,224 (68.4%) compared to the utility expense for our RNG facilities in the third quarter of 2021.

Royalties, transportation, gathering and production fuel expenses for the Company's RNG facilities for the third quarter of 2022 were $11,733, an increase of $5,525 (89.0%) compared to $6,208 in the third quarter of 2021. Royalties, transportation, gathering and production fuel expenses increased as a percentage of RNG revenues to 21.6% for the third quarter of 2022 from 17.7% in the third quarter of 2021. The increase in royalties, transportation, gathering and production fuel expenses is primarily related to the increase in RNG revenues in the third quarter of 2022 compared to the third quarter of 2021.

Renewable Electricity Expenses

Operating and maintenance expenses for our Renewable Electricity facilities in the third quarter of 2022 were $2,070, a decrease of $1,463 (41.4%) compared to $3,533 in the third quarter of 2021. The decrease is primarily related to scheduled preventative maintenance at our Bowerman facility, which was approximately $1,598 higher in the third quarter of 2021 compared to the third quarter of 2022.

Royalties, transportation, gathering and production fuel expenses for our Renewable Electricity facilities for the third quarter of 2022 were $455, an increase of $27 (6.3%) compared to $428 in the third quarter of 2021. As a percentage of Renewable Electricity Generation segment revenues, royalties, transportation, gathering and production fuel expenses decreased to 10.5% from 11.1%.

Royalty Payments

Royalties, transportation, gathering, and production fuel expenses in the third quarter of 2022 were $12,188, an increase of $5,552 (83.7%) compared to $6,636 in the third quarter of 2021. We make royalty payments to our fuel supply site partners on the commodities we produce and the associated Environmental Attributes. These royalty payments are typically structured as a percentage of revenue subject to a cap, with fixed minimum payments when Environmental Attribute prices fall below a defined threshold. To the extent commodity and Environmental Attributes' prices fluctuate, our royalty payments may fluctuate upon renewal or extension of a fuel supply agreement or in connection with new projects. Our fuel supply agreements are typically structured as 20-year contracts, providing long-term visibility into the margin impact of future royalty payments.

Depreciation

Depreciation and amortization in the third quarter of 2022 was $5,167, a decrease of $499 (8.8%) compared to $5,666 in the third quarter of 2021. The decrease is associated with assets remaining in service being fully amortized and depleted.

Impairment loss

We calculated and recorded an impairment loss of $2,273 in the third quarter of 2022. The impairment loss recorded of $2,133 is primarily related to REG facility where forecasted cash flows did not exceed the carrying value of the long-lived assets. We did not have an impairment loss in the third quarter of 2021.

Other (Income) Expenses

Other income in the third quarter of 2022 was $95, an increase of $1,409 (107.2%) compared to other expenses of $1,314 in the third quarter of 2021. The increase is primarily related to our favorable interest rate swap contract resulting in a reduction of interest expense of $661 from the third quarter of 2022 compared to the third quarter of 2021. We also had asset disposal costs of $865 relating to asset disposal costs at our Galveston and Pico facilities in the third quarter of 2021.

Income Tax Expense

Income tax expense for the three months ended September 30, 2022 was calculated using an estimated effective tax rate which differs from the U.S. federal statutory rate of 21% primarily due to the adjustment for production tax credits.

The effective tax rate of 18.5% for the three months ended September 30, 2022 was higher than the rate for the three months ended September 30, 2021 of (64.3%) primarily due to current period pre-tax income increases and a required Code Section 162(m) executive compensation limitation permanent adjustment. The September 30, 2022 rate also includes utilization of production tax credits and certain discrete items.

Operating Profit (Loss) for the Three Months Ended September 30, 2022 and 2021

Operating profit in the third quarter of 2022 was $13,632, an increase of $6,903 (102.6%) compared to $6,729 in the third quarter of 2021. RNG operating profit for the third quarter of 2022 was $26,828, an increase of $10,873 (68.1%) compared to $15,955 in the third quarter of 2021. Renewable Electricity Generation operating loss for the third quarter of 2022 was $1,670, a decrease of $246 (17.3%) compared $1,424 for the third quarter of 2021.

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Results of Operations

Comparison of Nine Months Ended September 30, 2022 and 2021

The following table summarizes the key operating metrics described above, which metrics we use to measure performance.

(in thousands, unless otherwise indicated)	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021	Change	Change %
Revenues				
Renewable Natural Gas Total Revenues	$151,577	$ 90,707	$60,870	67.1%
Renewable Electricity Generation Total Revenues	$ 12,652	$ 11,290	$ 1,362	12.1%
RNG Metrics				
CY RNG production volumes (MMBtu)	4,275	4,274	1	0.0%
Less: Current period RNG volumes under fixed/floor-price contracts	(972)	(1,273)	301	23.6%
Plus: Prior period RNG volumes dispensed in current period	372	353	19	5.4%
Less: Current period RNG production volumes not dispensed	(439)	(379)	(60)	15.8%
Total RNG volumes available for RIN generation (1)	3,236	2,975	261	8.8%
RIN Metrics				
Current RIN generation (x 11.727) (2)	37,951	34,883	3,068	8.8%
Less: Counterparty share (RINs)	(3,961)	(3,810)	(151)	4.0%
Plus: Prior period RINs carried into CY	140	110	30	27.3%
Less: CY RINs carried into next CY	—	—	—	—
Total RINs available for sale (3)	34,130	31,183	2,947	9.5%
Less: RINs sold	(31,773)	(30,875)	(898)	2.9%
RIN Inventory	2,357	308	2,049	665.3%
RNG Inventory (volumes not dispensed for RINs) (4)	439	379	60	15.8%
Average Realized RIN price	$ 3.43	$ 1.77	$ 1.66	93.8%
Operating Expenses				
Renewable Natural Gas Operating Expenses	$ 65,735	$ 44,004	$21,731	49.4%
Operating Expenses per MMBtu (actual)	$ 15.38	$ 10.30	$ 5.08	49.3%
Renewable Electricity Generation Operating Expenses	$ 10,546	$ 10,130	$ 416	4.1%
$/MWh (actual)	$ 74.79	$ 74.00	$ 0.79	1.1%
Other Metrics				
Renewable Electricity Generation Volumes Produced (MWh)	141	137	4	2.9%
Average Realized Price $/MWh (actual)	$ 89.73	$ 82.47	$ 7.26	8.8%

(1) RINs are generated in the month that the gas is dispensed to generate RINs, which occurs the month after the gas is produced. Volumes under fixed/floor-price arrangements generate RINs which we do not self-market.
(2) One MMBtu of RNG has the same energy content as 11.727 gallons of ethanol, and thus may generate 11.727 RINs under the RFS program.
(3) Represents RINs available to be self-marketed by us during the reporting period.
(4) Represents gas production which has not been dispensed to generate RINs.

The following table summarizes our revenues, expenses and net income for the periods set forth below:

(in thousands, unless otherwise indicated)	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021	Change	Change %
Total operating revenues	$155,916	$102,872	$53,044	51.6%
Operating expenses:				
Operating and maintenance expenses	42,205	36,954	5,251	14.2%
General and administrative expenses	25,715	35,280	(9,565)	(27.1%)
Royalties, transportation, gathering and production fuel	34,484	18,840	15,644	83.0%
Depreciation and amortization	15,453	17,062	(1,609)	(9.4%)
Gain on insurance proceeds	(313)	(238)	(75)	31.5%
Impairment loss	2,393	626	1,767	282.3%
Transaction costs	32	357	(325)	(91.0%)
Total operating expenses	119,969	108,881	11,088	10.2%
Operating income (loss)	$ 35,947	$ (6,009)	$41,956	(698.2%)
Other (income) expenses:	(124)	2,726	(2,850)	(104.5%)
Income tax expense	6,847	1,286	5,561	432.4%
Net income (loss)	$ 29,224	$ (10,021)	$39,245	(391.6%)

Revenues for the Nine Months Ended September 30, 2022 and 2021

Total revenues in the first nine months of 2022 were $155,916, an increase of $53,044 (51.6%) compared to $102,872 in the first nine months of 2021. The increase is primarily related to an increase in pricing of gas commodity indices and average realized RIN pricing during the first nine months of 2022 compared to the first nine months of 2021. Gas commodity indices increased 112.9% in the first nine months of 2022 to $6.77 compared to $3.18 in the first nine months of 2021. Realized RIN pricing increased 93.8% during the first nine months of 2022 compared to the first nine months of 2021. The increase was offset by lower revenues recognized under our counterparty sharing agreements of $1,246 in the first nine months of 2022 compared to $12,725 in the first nine months of 2021.

Renewable Natural Gas Revenues

We produced 4,275 MMBtu of RNG during the first nine months of 2022, consistent with the 4,274 MMBtu (0.0%) produced in the first nine months of 2021. Our Pico facility produced 86 MMBtu more in the first nine months of 2022 compared to the first nine months of 2021 as a result of improvements related to the existing digestion process. Our Galveston facility produced 98 MMBtu more in the first nine months of 2022 compared to the first nine months of 2021 as a result of higher inlet gas due to wellfield changes and plant efficiency optimization of process equipment. Offsetting the increase are lower production volumes at our McCarty, Atascocita, and Apex facilities. Our McCarty facility produced 33 fewer MMBtu in the first nine months of 2022 compared to the first nine months due to wellfield changes by our landfill host. Also, our Atascocita facility produced 100 fewer MMBtu in the first nine months of 2022 compared to the first nine months of 2021 due to a process equipment failure that has since been repaired. Our Apex facility produced 40 fewer MMBtu in the first nine months of 2022 compared to the first nine months of 2021 due to landfill filling patterns resulting in lower production.

Revenues from the Renewable Natural Gas segment in the first nine months of 2022 were $151,577, an increase of $60,870 (67.1%) compared to $90,707 in the first nine months of 2021. Average commodity pricing for natural gas for the first nine months of 2022 was $6.77, 112.9% higher than the first nine months of 2021. During the first nine months of 2022, we self-monetized 31,773 RINs, representing an 898 increase (2.9%) compared to 30,875 in the first nine months of 2021. The increase was primarily related to inter-period timing on transfers of RINs as the majority of our RINs are self-marketed resulting in higher commitments for the first nine months of 2022 versus the first nine months of 2021. Average pricing realized on RIN sales during the first nine months of 2022 was $3.43 as compared to $1.77 in the first nine months of 2021, an increase of 93.8%. This compares to the average D3 RIN index price for the first nine months of 2022 of $3.10 being approximately 6.5% higher than the average D3 RIN index price in the first nine months of 2021. At September 30, 2022, we had approximately 439 MMBtu available for RIN generation and we had approximately 2,357 RINs generated and unsold. At September 30, 2021, we had approximately 379 MMBtu available for RIN generation and approximately 308 RINs generated and unsold.

Renewable Electricity Generation Revenues

We produced 141 MWh in Renewable Electricity during the first nine months of 2022, an increase of 4 MWh (2.9%) over the 137 MWh produced in the first nine months of 2021. Our Security facility produced approximately 7 MWh in the third quarter of 2022 compared to zero production in the third quarter of 2021 as a result of our engine restoration project. Our Pico facility produced 4 MWh less in the third quarter of 2022 compared to the third quarter of 2021 due to preventative engine maintenance.

Revenues from Renewable Electricity facilities in the first nine months of 2022 were $12,652, an increase of $1,362 (12.1%) compared to $11,290 in the first nine months of 2021. Our Bowerman facility was impacted in the fourth quarter of 2020 by the California wildfires forcing it to temporarily shut down the facility. This shut down delayed the timing of monetization of the Environmental Attributes associated with the Bowerman facility and resulted in approximately $600 in reduced revenues in the first nine months of 2021 as compared to the first nine months of 2022. Also contributing to the increase is our Security engine restoration resulting in $466 in higher revenues for the first nine months of 2022 as compared to zero in first nine months of 2021.

In the first nine months of 2022, 99.5% of Renewable Electricity Generation segment revenues were derived from the monetization of Renewable Electricity at fixed prices associated with underlying PPAs, as compared to 100% in the first nine months of 2021. This provides the Company with certainty of price resulting from our Renewable Electricity sites.

Corporate Analysis

In the first nine months of 2022, our gas commodity hedge program was priced at rates below actual index prices, resulting in recognized losses of $1,440. We did not have any gas hedge programs in the first nine months of 2021. Based on current rates, we expect our gas commodity hedge program to continue to be priced below actual index prices through the year-end 2022 at which time the hedge program will expire. In the first nine months of 2021, we recorded revenue of $875 related to the RINs purchased in the second quarter of 2021. This is included within operating revenues in the unaudited condensed consolidated financial statements for the period ended September 30, 2021. Also in the first nine months of 2021, we recorded an adjustment of $710, associated with our purchase of RINs, to reduce the carrying value of those RINs to net realizable value. This adjustment was included within operating and maintenance expenses in the unaudited condensed consolidated statement of operations. We did not have market purchased RINs or other purchases of environment attributes during the first nine months of 2022.

Expenses for the Nine Months Ended September 30, 2022 and 2021

General and Administrative Expenses

Total general and administrative expenses were $25,715 for the first nine months of 2022, a decrease of $9,565 (27.1%) compared to $35,280 for the first nine months of 2021. Employee related costs, including stock-based compensation, decreased approximately $10,764 (41.2%) in the first nine months of 2022 as compared to the first nine months of 2021. This decrease is primarily related to our accounting for the cancellation of MNK options and January 2021 grants of restricted stock, non-qualified stock options, and restricted stock units to the Company’s employees. Our corporate insurance premiums increased approximately $342 (8.5%) during the first nine months of 2022 compared to the first nine months of 2021, primarily related to premium increases. Our board of directors approved the payments of cash fees to non-employee directors resulting in increased fees of approximately $336 in the first nine months of 2022.

Renewable Natural Gas Expenses

Operating and maintenance expenses for our RNG facilities in the first nine months of 2022 were $32,592, an increase of $6,124 (23.1%) compared to $26,468 in the first nine months of 2021. The increase is driven by increased RNG utilities of approximately $5,206 (77.5%) in first nine months of 2022 compared to the first nine months of 2021. The increase is caused by a weather event in the first quarter of 2021 impacting our Houston based facilities being favorably impacted by lower utility rates.

Royalties, transportation, gathering and production fuel expenses for the Company’s RNG facilities for the first nine months of 2022 were $33,142, an increase of $15,606 (89.0%) compared to $17,536 in the first nine months of 2021. Royalties, transportation, gathering and production fuel expenses increased as a percentage of RNG revenues to 21.9% for the first nine months of 2022 from 19.3% in the first nine months of 2021. The increase in royalties, transportation, gathering and production fuel expenses is primarily related to the increase in RNG revenues in the first nine months of 2022 compared to the first nine months of 2021. We also recorded an increase to the Pico facility earn-out liability of $1,122 during the first nine months of 2022 compared to a reduction of $694 during the third quarter of 2021.

Renewable Electricity Expenses

Operating and maintenance expenses for our Renewable Electricity facilities in the first nine months of 2022 were $9,204, an increase of $378 (4.3%) compared to $8,826 in the first nine months of 2021. The increase is primarily related to operating expenses related to Montauk Ag Renewables Acquisition.

Royalties, transportation, gathering and production fuel expenses for our Renewable Electricity facilities for the first nine months of 2022 were $1,342, an increase of $38 (2.9%) compared to $1,304 in the first nine months of 2021. As a percentage of Renewable Electricity Generation segment revenues, royalties, transportation, gathering and production fuel expenses decreased to 10.6% from 11.5%.

Royalty Payments

Royalties, transportation, gathering, and production fuel expenses in the first nine months of 2022 were $34,484, an increase of $15,644 (83.0%) compared to $18,840 in the first nine months of 2021. We make royalty payments to our fuel supply site partners on the commodities we produce and the associated Environmental Attributes. These royalty payments are typically structured as a percentage of revenue subject to a cap, with fixed minimum payments when Environmental Attribute prices fall below a defined threshold. To the extent commodity and Environmental Attributes' prices fluctuate, our royalty payments may fluctuate upon renewal or extension of a fuel supply agreement or in connection with new projects. Our fuel supply agreements are typically structured as 20-year contracts, providing long-term visibility into the margin impact of future royalty payments.

Depreciation

Depreciation and amortization in the first nine months of 2022 was $15,453, a decrease of $1,609 (9.4%) compared to $17,062 in the first nine months of 2021. The decrease is associated with assets remaining in service being fully amortized and depleted.

Impairment loss

We calculated and recorded an impairment loss of $2,393 in the first nine months of 2022, an increase of $1,767 (282.3%) compared to $626 in the first nine months of 2021. The impairment loss recorded in the first nine months of 2022 was primarily related to an REG facility where forecasted cash flows did not exceed the carrying value of the long-lived assets.

Other (Income) Expenses

Other income in the first nine months of 2022 was $124, an increase of $2,850 (104.5%) compared to other expenses of $2,726 in the first nine months of 2021. Of the increase, $1,725 is related to our favorable interest rate swap contract resulting in reduction of interest expense from the first nine months of 2022 compared to the first nine months of 2021. Also impacting the increase is $865 relating to asset disposal costs at our Galveston and Pico facilities in the first nine months of 2021.

Income Tax Expense

Income tax expense for the nine months ended September 30, 2022 was calculated using an estimated effective tax rate which differs from the U.S. federal statutory rate of 21% primarily due to the adjustment for production tax credits.

The effective tax rate of 19.0% for the nine months ended September 30, 2022 was higher than the rate for the nine months ended September 30, 2021 of (14.7%) primarily due to current period pre-tax income increases used to complete the effective tax rate calculation and a required Code Section 162(m) executive compensation limitation permanent adjustment. The September 30, 2022 rate also includes utilization of production tax credits and certain discrete items.

Operating Profit for the Nine Months Ended September 30, 2022 and 2021

Operating profit in the first nine months of 2022 was $35,947, an increase of $41,956 (698.2%) compared to an operating loss of $6,009 in the first nine months of 2021. RNG operating profit for the first nine months of 2022 was $75,040, an increase of $40,886 (119.7%) compared to $34,154 in the first nine months of 2021. Renewable Electricity Generation operating loss for the first nine months of 2022 was $4,226, a decrease of $600 (16.5%) compared to an operating loss of $3,626 for the first nine months of 2021.

Non-GAAP Financial Measures:

The following table presents EBITDA and Adjusted EBITDA, non-GAAP financial measures for each of the periods presented below. We present EBITDA and Adjusted EBITDA because we believe the measures assist investors in analyzing our performance across reporting periods on a consistent basis by excluding items that we do not believe are indicative of our core operating performance. In addition, EBITDA and Adjusted EBITDA are financial measurements of performance that management and the board of directors use in their financial and operational decision-making and in the determination of certain compensation programs. EBITDA and Adjusted EBITDA are supplemental performance measures that are not required by or presented in accordance with GAAP. EBITDA and Adjusted EBITDA should not be considered alternatives to net income or any other performance measure derived in accordance with GAAP, or as an alternative to cash flows from operating activities or a measure of our liquidity or profitability.

The following table provides our EBITDA and Adjusted EBITDA for the periods presented, as well as a reconciliation to net income, which is the most directly comparable GAAP measure, for the three months ended September 30, 2022 and 2021:

	Three Months Ended September 30,	
	2022	2021
Net income	$11,187	$ 8,896
Depreciation and amortization	5,167	5,666
Interest expense	36	697
Income tax expense (benefit)	2,540	(3,481)
Consolidated EBITDA	18,930	11,778
Net loss on sale of assets	43	822
Impairment loss (1)	2,273	—
Unrealized gains on hedging activities	(367)	—
Transaction costs	—	232
Adjusted EBITDA	**$20,879**	**$12,832**

(1) During the three months ended September 30, 2022, we recorded an impairment loss of $2,133 in connection to an REG facility where forecasted cash flows did not exceed the carrying value of the long-lived assets in the third quarter of 2022. During the three months ended September 30, 2021, there was no impairment of assets recognized.

The following table provides our EBITDA and Adjusted EBITDA for the periods presented, as well as a reconciliation to net income, which is the most directly comparable GAAP measure, for the nine months ended September 30, 2022 and 2021:

	Nine Months Ended September 30,	
	2022	2021
Net income (loss)	$29,224	$(10,021)
Depreciation and amortization	15,453	17,062
Interest expense	339	2,064
Income tax expense	6,847	1,286
Consolidated EBITDA	51,863	10,391
Net (gain) loss on sale of assets	(250)	822
Impairment loss (1)	2,393	626
Unrealized losses on hedging activities	1,440	—
Transaction costs	32	357
Adjusted EBITDA	**$55,478**	**$ 12,196**

(1) During the nine months ended September 30, 2022, we recorded an impairment loss of $2,393. The impairment loss recorded of $2,133 is primarily related to REG facility where forecasted cash flows did not exceed the carrying value of the long-lived assets. During the nine months ended September 30, 2021, $626 of impairment was recorded related to a landfill hosts request for us to decommission a facility previously converted to an RNG facility.

Liquidity and Capital Resources

Sources of Liquidity

At September 30, 2022 and September 30, 2021, our cash and cash equivalents, net of restricted cash, was $95,619 and $20,892 respectively. We intend to fund near-term development projects using cash flows from operations and borrowings under our revolving credit facility. We believe that we will have sufficient cash flows from operations and borrowing availability under our credit facility to meet our debt service obligations and anticipated required capital expenditures (including for projects under development) for at least the next 12 months. However, we are subject to business and operational risks that could adversely affect our cash flows and liquidity.

At September 30, 2022, we had debt before debt issuance costs of $74,000, compared to debt before debt issuance costs of $80,000 at December 31, 2021.

Our debt before issuance costs (in thousands) are as follows:

	September 30, 2022	December 31, 2021
Term Loans	$ 74,000	$ 80,000
Revolving Credit Facility	—	—
Debt before debt issuance costs	**$ 74,000**	**$ 80,000**

Amended Credit Agreement

On December 21, 2021, the Company entered into the Fourth Amendment with Comerica and certain other financial institutions. The current credit agreement, which is secured by a lien on substantially all of our assets and assets of certain of our subsidiaries, provides for a five-year $80,000 term loan and a five-year $120,000 revolving credit facility.

As of September 30, 2022, $74,000 was outstanding under the term loan and we had no outstanding borrowings under the revolving credit facility. The term loan amortizes in quarterly installments of $2,000 through 2024, then increases to $3,000 through 2026, with a final payment of $32,000 in late 2026 with an interest rate of 3.28% and 2.91% at September 30, 2022 and December 31, 2021, respectively. The revolving and term loans under the Amended Credit Agreement bear interest at the Bloomberg Short-Term Bank Yield Index Rate plus an applicable margin based on our Total Leverage Ratio (in each case, as those terms are defined in the Amended Credit Agreement).

The Amended Credit Agreement contains customary covenants applicable to us and certain of our subsidiaries, including financial covenants. The Amended Credit Agreement is subject to customary events of default, and contemplates that we would be in default if, for any fiscal quarter (x) the average monthly D3 RIN price (as determined in accordance with the Amended Credit Agreement) is less than $0.80 per RIN and (y) the consolidated EBITDA for such quarter is less than $6,000. Consolidated EBITDA is defined under the Amended Credit Agreement as net income plus (a) income tax expense, (b) interest expense, (c) depreciation, depletion, and amortization expense, (d) non-cash unrealized derivative expense and (e) any other extraordinary, unusual, or non-recurring adjustments to certain components of net income, as agreed upon by Comerica in certain circumstances.

Under the Amended Credit Agreement, we are required to maintain the following ratios:

- a Total Leverage Ratio (as defined in the Amended Credit Agreement) of not more than 3.50 to 1.00 as of the end of any fiscal quarter from December 31, 2021 through June 29, 2023, 3.25 to 1.00 as of the end of any fiscal quarter from June 30, 2023 through June 29, 2024, and 3.00 to 1.00 as of the end of any fiscal quarter from June 30, 2024 and thereafter.; and
- as of the end of each fiscal quarter, a Fixed Charge Coverage Ratio (as defined in the Amended Credit Agreement) of not less than 1.2 to 1.0

As of September 30, 2022, we were in compliance with all applicable financial covenants under the Amended Credit Agreement.

The Amended Credit Agreement replaced our prior credit agreements with Comerica and a portion of the proceeds of the term loan made under the Amended Credit Agreement were used by us to, among other things, fully satisfy an aggregate of $59,197 outstanding principal under such credit agreements. For additional information regarding the Amended Credit Agreement, see Note 14— Debt to our unaudited condensed consolidated financial statements.

Capital Expenditures

We have historically funded our growth and capital expenditures with our working capital, cash flow from operations and debt financing. We expect our non-development 2022 capital expenditures to range between $12,000 and $14,000. Our 2022 capital plans include annual preventative maintenance expenditures, annual wellfield expansion projects, other specific facility improvements, and information technology improvements. Additionally, we currently estimate that our existing 2022 development capital expenditures will range between $25,000 and $30,000. The majority of our 2022 development capital expenditures are related to our Pico digestion capacity increase, the ongoing development of Montauk Ag Renewables, and our recently announced second Apex facility. Our Amended Credit Agreement provides us with a $120,000 revolving credit facility, with a $75,000 accordion option, providing us with access to additional capital to implement our acquisition and development strategy. We are currently in various stages of discussions regarding a variety of strategic growth opportunities. Included amongst these opportunities are: approximately up to eight LFG RNG sites and waste water treatment to RNG opportunities. If we ultimately enter into definitive agreements for any of these opportunities, we expect to incur material capital expenditures related to either acquisition costs or development costs, or both. As we continue to explore strategic growth opportunities and while we have entered into nonbinding letters of intent for certain of these opportunities, we provide no assurances that our plans related to any or all of these strategic opportunities will progress to definitive agreements. We believe that our existing cash and cash equivalents, cash generated from operations, and credit availability under our Amended Credit Agreement would allow us to pursue and close on our identified strategic growth opportunities in addition to the previously discussed non-development and development capital expenditures.

Cash Flow

The following table presents information regarding our cash flows and cash equivalents for the nine months ended September 30, 2022 and 2021:

	Nine Months Ended September 30,	
	2022	2021
Net cash flows provided by operating activities	59,809	$ 21,298
Net cash flows used in investing activities	(11,270)	(11,414)
Net cash flows used in financing activities	(6,106)	(9,860)
Net increase in cash and cash equivalents	42,433	24
Restricted cash, end of period	426	691
Cash and cash equivalents and restricted, end of period	96,045	21,583

For the first nine months of 2022, we generated $59,809 of cash from operating activities, a 180.8% increase from $21,298 in the first nine months of 2021. For the first nine months of 2022, income and adjustments to income from operating activities were $60,141 compared to $28,082 in first nine months of 2021. Working capital and other assets and liabilities used $(333) in the first nine months of 2022 compared to $(6,784) used in the first nine months of 2021.

Our net cash flows used in investing activities has historically focused on project development and facility maintenance. Our capital expenditures for the first nine months of 2022 were $12,750, of which $5,439 and $1,604 were related to the ongoing development of the Pico facility digestion capacity increase and the Montauk Ag Renewables in North Carolina, respectively. Partially offsetting this use were proceeds of $1,088 related to the sale of NOx emissions allowance credits in the first nine months of 2022.

Our net cash flows used in financing activities of $6,106 for the first nine months of 2022 decreased by $3,754 compared to cash used in financing activities in the first nine months of 2021 of $9,860. The closing of our January 2021 IPO provided $12,401 in proceeds after payment of commissions and expenses. In connection with withholding shares from restricted stock awards pursuant to elections made by employees under Section 83(b) of the Code, the Company reacquired 950,214 shares with a value of approximately $10,813. Additionally, in connection with the Distribution, we loaned $8,940, in the aggregate to MNK for its dividends tax liability arising under the South African Income Tax Act, 1962, as amended. The Company has a security interest in 800,000 shares of its common stock owned by MNK, which if sold by MNK, MNK has agreed to use towards repaying this loan.

Contractual Obligations and Commitments

Off-balance sheet arrangements comprise those arrangements that may potentially impact our liquidity, capital resources and results of operations, even though such arrangements are not recorded as liabilities under GAAP. Our off-balance sheet arrangements are limited to the outstanding letters of credit described below. Although these arrangements serve a variety of our business purposes, we are not dependent on them to maintain our liquidity and capital resources, and we are not aware of any circumstances that are reasonably likely to cause the off-balance sheet arrangements to have a material adverse effect on liquidity and capital resources.

The Company has contractual obligations involving asset retirement obligations. See Note 10 in the unaudited condensed consolidated financial statements for further information regarding the asset retirement obligations.

The Company has contractual obligations under our debt agreement, including interest payments and principal repayments. See Note 14 in the unaudited condensed consolidated financial statements for further discussion of the contractual commitments under our debt agreements, including the timing of principal repayments. During the first nine months of 2022, we had approximately $3,905 of off-balance sheet arrangements of outstanding letters of credit. These letters of credit reduce the borrowing capacity of our revolving credit facility under our Amended Credit Agreement. Certain of our contracts require these letters of credit to be issued to provide additional performance assurances. There have been no draw downs on these outstanding letters of credit. During the first nine months of 2021, we did not have off-balance sheet arrangements other than outstanding letters of credit of approximately $3,905.

The Company has contractual obligations involving operating leases. See Note 20 in the unaudited condensed consolidated financial statements for further information related to the lease obligations. In 2022, the Company entered into a new, ten year corporate office lease with monthly rent payments of approximately $43 per month beginning in 2023, the first full year of the lease. The lease includes annual rent increases. During the fourth quarter of 2022, the Company expects to enter into a three year lease extension for its regional corporate office with monthly rent payments of approximately $5 per month beginning in 2023. The lease will include annual rent increases.

The Company has other contractual obligations associated with our fuel supply agreements. The expiration of these agreements range between 5-21 years. The minimum royalty and capital obligation associated with these agreements range from $7 to $1,380.

Critical Accounting Policies and Estimates

Our unaudited condensed consolidated financial statements are prepared in conformity with GAAP and require our management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, costs and expenses and related disclosures. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from these estimates, and such estimates may change if the underlying conditions or assumptions change.

Revenue Recognition

Our revenues are comprised of renewable energy and the related Environmental Attribute sales provided under a variety of short-term and medium-term agreements with our customers. All revenue is recognized when we satisfy our performance obligation(s) under the contract (either implicit or explicit) by transferring the promised product to the customer either when (or as) the customer obtains control of the product. A performance obligation is a promise in a contract to transfer a distinct product or service to a customer. A contract’s transaction price is allocated to each distinct performance obligation. We allocate the contract’s transaction price to each performance obligation using the product’s observable market standalone selling price for each distinct product in the contract.

Revenue is measured as the amount of consideration we expect to receive in exchange for transferring our products. As such, revenue is recorded net of allowances and customer discounts as well as net of transportation and gathering costs incurred. To the extent applicable, sales, value add, and other taxes collected from customers and remitted to governmental authorities are accounted for on a net (excluded from revenues) basis.

The nature of the Company’s contracts may give rise to several types of variable consideration, such as periodic price increases. This variable consideration is outside of the Company’s influence as the variable consideration is dictated by the market. Therefore, the variable consideration associated with the long-term contracts is considered fully constrained.

RINs

We generate D3 RINs through our production and sale of RNG used for transportation purposes as prescribed under the RFS program. Our operating costs are associated with the production of RNG. The RINs are government incentives that are generated through our renewable operating projects and not a result of physical attributes of our RNG production. The RINs that we generate are able to be separated and sold as credits independently from the energy produced. Therefore, no cost is allocated to the RIN when it is generated. Revenue is recognized on these Environmental Attributes when there is an agreement in place to monetize the credits at an agreed upon price with a customer and transfer of control has occurred. We enter into forward commitments to transfer RINs. These forward commitments are based on D3 RIN index prices at the time of the commitment. Realized prices for RINs monetized in a year may not correspond directly to index prices due to the forward selling of commitments.

RECs

We generate RECs through our production and conversion of landfill methane into Renewable Electricity in various states, including California, Oklahoma, and Texas. These states have various laws requiring utilities to purchase a portion of their energy from renewable resources. Our operating costs are associated with the production of Renewable Electricity. The RECs are generated as an output of our renewable operating projects. The RECs that we generate are able to be separated and sold independently from the electricity produced. Therefore, no cost is allocated to the REC when it is generated. Revenue is recognized on these Environmental Attributes when there is an agreement in place to monetize the credits at an agreed upon price with a customer and transfer of control has occurred.

Income Taxes

We are subject to income taxes in the U.S. federal jurisdiction and various state and local jurisdictions. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply.

Our net deferred tax asset position is a result of net operating losses (“NOLs”), fixed assets, intangibles, and tax credit carryforwards. The realization of deferred tax assets is dependent upon our ability to generate sufficient future taxable income during the periods in which those temporary differences become deductible, prior to the expiration of the tax attributes. The evaluation of deferred tax assets requires judgment in assessing the likely future tax consequences of events that have been recognized in our financial statements or tax returns and forecasting future profitability by tax jurisdiction.

We evaluate our deferred tax assets at reporting periods on a jurisdictional basis to determine whether adjustments to the valuation allowance are appropriate considering changes in facts or circumstances. As of each reporting date, management considers new evidence, both positive and negative, when determining the future realization of our deferred tax assets. We account for uncertain tax positions using a “more-likely-than-not” threshold for recognizing and resolving uncertain tax positions. The evaluation of uncertain tax positions is based on factors that include, but are not limited to, changes in tax law, the measurement of tax positions taken or expected to be taken in tax returns, the effective settlement of matters subject to audit, new audit activity and changes in facts or circumstances related to a tax position. Given our current level of pre-tax earnings and forecasted future pre-tax earnings, we expect to generate income before taxes in the United States in future periods at a level that would fully utilize our U.S. federal NOL carryforwards and the majority of its state NOL carryforwards prior to their expiration.

Intangible Assets

Separately identifiable intangible assets are recorded at their fair values upon acquisition. We account for intangible assets in accordance with ASC 350, *Intangibles—Goodwill and Other*. Finite-lived intangible assets include interconnections, customer contracts, and trade names and trademarks. The interconnection intangible asset is the exclusive right to utilize an interconnection line between the operating project and a utility substation to transmit produced electricity. Included in that right is full maintenance provided on this line by the utility. Intangible assets with finite useful lives are amortized on a straight-line basis over their estimated useful life. We evaluate our finite-lived intangible assets for impairment as events or changes in circumstances indicate the carrying value of these assets may not be fully recoverable. Events that could result in an impairment include, among others, a significant decrease in the market price or the decision to close a site.

If finite-lived or indefinite-lived intangible assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. The fair value is determined based on the present value of expected future cash flows. We use our best estimates in making these evaluations, however, actual future pricing, operating costs and discount rates could vary from the assumptions used in our estimates and the impact of such variations could be material.

Our assessment of the recoverability of finite-lived and indefinite-lived intangible assets is determined by performing monitoring assessment of the future cash flows associated with the underlying gas rights agreements. The cash flows estimates are performed at the operating unit level and based on the average remaining length of the gas rights agreements. Based on our analysis, we concluded the cashflows generated to be well in excess of the carrying amounts. Changes in market conditions related to the various price indexes used in estimating these cash flows could adversely affect these estimates.

Finite-Lived Asset Impairment

In accordance with FASB ASC Topic 360, Property, Plant and Equipment and intangible assets with finite useful lives are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by comparing the carrying amount of an asset or asset group to future undiscounted cash flows expected to be generated by the asset or asset group. Such estimates are based on certain assumptions, which are subject to uncertainty and may materially differ from actual results, including considering project specific assumptions for long-term credit prices, escalated future project operating costs and expected site operations. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Fair value is generally determined by considering (i) internally developed discounted cash flows for the asset group, (ii) third-party valuations, and/or (iii) information available regarding the current market value for such assets. We use our best estimates in making these evaluations and consider various factors, including future pricing and operating costs. However, actual future market prices and project costs could vary from the assumptions used in our estimates and the impact of such variations could be material.

During the third quarter of 2022, we performed interim recoverability tests for our Tulsa facility asset group when it was determined it was more likely than not the carrying value of the long-lived asset group would not be recoverable. The results of our testing indicated that the long-lived assets related to the Tulsa facility within our REG segment had carrying values in excess of the asset group’s fair value. Based upon level 3 unobservable inputs, we incorporated assumptions that we believe would be a reasonable market participant’s view in a hypothetical transaction in developing a cash flow analysis. Significant level 3 inputs included estimates of future revenue growth, gross margin, EBITDA, and positive cash flow generation. As a result of the analysis, the Company recorded a $2,089 property, plant and equipment impairment related to the REG site for the three and nine months ended September 30, 2022. As to the remaining long lived asset groups, the Company further concluded, based on our interim cashflow assessment conducted for monitoring potential indicators of impairment, that the cashflows to be generated are significantly in excess of their carrying values of our operating sites primarily due to the lengths of the underlying gas rights agreements and the Company did not record any other impairments related to its cash flows assessment. Separate from our cash flows assessment, we identified discrete events and recorded impairment of $233 and $626 for the nine months ended September 30, 2022 and 2021, respectively. See Note 3 in the unaudited condensed consolidated financial statements for further information related to asset impairments.

Emerging Growth Company

We are an emerging growth company, as defined in the JOBS Act. The JOBS Act allows emerging growth companies to delay the adoption of new or revised accounting standards until such time as those standards apply to private companies. We intend to utilize these transition periods, which may make it difficult to compare our financial statements to those of non-emerging growth companies and other emerging growth companies that have opted out of the transition periods afforded under the JOBS Act.

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Recent Accounting Pronouncements

For a description of our recently adopted accounting pronouncements and recently issued accounting standards not yet adopted, see Note 2, "Summary of Significant Accounting Policies" of Part I, Item 1 of our unaudited condensed consolidated financial statements in this report.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes since our disclosure in Quantitative and Qualitative Disclosures About Market Risk included as Item 7A in our 2021 Annual Report.

ITEM 4. CONTROLS AND PROCEDURES

Management's Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) or 15d-15(e) under the Exchange Act, as of the end of the period covered by this quarterly report. Disclosure controls and procedures are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Our management, including our principal executive officer and principal financial officer, after evaluating the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report, concluded that as of such date, our disclosure controls and procedures were effective at a reasonable level of assurance.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, we and our subsidiaries may be parties to legal proceedings arising in the normal course of our business. We and our subsidiaries are currently not a party, nor is our property subject, to any material pending legal proceedings.

ITEM 1A. RISK FACTORS

We face a number of risks that could materially and adversely affect our business, results of operations, cash flow, liquidity, or financial condition. A discussion of our risk factors can be found in Part I, "Item 1A Risk Factors" in our 2021 Annual Report. The impact of COVID-19 may exacerbate the risks discussed in Part I, "Item 1A. Risk Factors" in our 2021 Annual Report, any of which could have a material effect on us.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Use of Proceeds from Sale of Registered Securities

On January 21, 2021, our Registration Statement on Form S-1, as amended (File No. 333-251312) (the "Registration Statement"), was declared effective by the SEC in connection with our IPO. The underwriter for the IPO was Roth Capital Partners. A total of 3,399,515 shares of our common stock were sold pursuant to the Registration Statement, which was comprised of (1) 2,702,500 shares of new common stock issued by the Company and (2) 697,015 shares of the Company's common stock held by MNK. The 3,399,515 shares were sold at an offering price of $8.50 per share and resulting in net proceeds to the Company of approximately $15.0 million, after deducting the underwriting discount of approximately $1.6 million and offering expenses payable by the Company of approximately $6.2 million.

The IPO closed on January 26, 2021. No payments for such expenses were made directly or indirectly to (i) any of our officers or directors or their associates, (ii) any persons owning 10% or more of any class of our equity securities or (iii) any of our affiliates.

Since the closing of the IPO, approximately $12.8 million of the net proceeds from the IPO have been used by Montauk Renewables in connection with due diligence and the consummation of the Montauk Ag Renewables Acquisition in May 2021, the purchase of the real estate and property in October 2021 related to Montauk Ag Renewables, and subsequent development activities related to Montauk Ag Renewables. An immaterial amount has been used relating to other possible acquisitions and projects. The remaining net proceeds of approximately $2.2 million is held as cash.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Number	Description
31.1	Certification of the Chief Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act
31.2	Certification of the Chief Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act
32.1	Certification of the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

November 9, 2022

MONTAUK RENEWABLES, INC.

By: /s/ SEAN F. MCCLAIN
Sean F. McClain
President, Chief Executive Officer and Director
(Principal Executive Officer)

By: /s/ KEVIN A. VAN ASDALAN
Kevin A. Van Asdalan
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 31.1

CERTIFICATION PURSUANT TO RULES 13a-14(a) AND 15d-14(a)
UNDER THE SECURITIES EXCHANGE ACT, AS AMENDED

I, Sean F. McClain, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Montauk Renewables, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2022

/s/ Sean F. McClain

Sean F. McClain
Chief Executive Officer and President
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION PURSUANT TO RULES 13a-14(a) AND 15d-14(a)
UNDER THE SECURITIES EXCHANGE ACT, AS AMENDED

I, Kevin A. Van Asdalan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Montauk Renewables, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2022

/s/ Kevin A. Van Asdalan
Kevin A. Van Asdalan
Chief Financial Officer
(Principal Financial Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Montauk Renewables, Inc. (the “Company”) for the period ended September 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

Date: November 9, 2022

/s/ Sean F. McClain

Sean F. McClain
Chief Executive Officer and President
(Principal Executive Officer)

Exhibit 32.2

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Montauk Renewables, Inc. (the “Company”) for the period ended September 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

Date: November 9, 2022

/s/ Kevin A. Van Asdalan

Kevin A. Van Asdalan
Chief Financial Officer
(Principal Financial Officer)