# Annual Financial Statements

31 December 2020

Montauk Holdings Limited

# CONTENTS

# SHAREHOLDER SNAPSHOT

## ANALYSIS OF SHAREHOLDERS

### PUBLIC/NON-PUBLIC SHAREHOLDERS

| | Number of shareholders | % of shareholders | Number of shares | % of issued capital |
|---|---|---|---|---|
| Public shareholders | 4 149 | 99.9 | 60 296 059 | 43.6 |
| Non-public shareholders | 9 | 0.1 | 78 016 654 | 56.4 |
| Directors | 5 | 0.1 | 19 579 559 | 14.1 |
| Associates of directors | 2 | 0.0 | 17 674 905 | 12.8 |
| Shareholders holding 10% or more | 2 | 0.0 | 40 762 190 | 29.5 |
| **Total** | 4 158 | 100.0 | 138 312 713 | 100.0 |

### BENEFICIAL SHAREHOLDERS HOLDING 10% OR MORE

| **Shareholder** | Number of shares | % of issued capital |
|---|---|---|
| Rivetprops 47 Proprietary Limited | 24 480 181 | 17.7 |
| Chearsley Investments Proprietary Limited | 16 860 118 | 12.2 |
| Circumference Investments Proprietary Limited | 16 282 009 | 11.8 |
| Majorshelf 183 Proprietary Limited | 17 278 332 | 11.8 |

### BREAKDOWN BY DOMICILE

| **Domicile** | Number of shareholders | % of shareholders | Number of shares | % of issued capital |
|---|---|---|---|---|
| Non-resident shareholders | 96 | 2.3 | 32 142 202 | 23.2 |
| Resident shareholders | 4 062 | 97.7 | 106 170 511 | 76.8 |
| **Total** | 4 158 | 100.0 | 138 312 713 | 100.0 |

# CHIEF EXECUTIVE OFFICER'S REPORT

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 addition to historical financial information, the following discussion and analysis contains unaudited 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.

## OVERVIEW

Montauk is a renewable energy company specialising 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 renewable natural gas ("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 US 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.

Due to the reorganisation of the Group subsequent to the reporting date, significantly all of the results of the Group's operations have been classified as discontinued operations and its assets and liabilities classified as disposal groups held for sale. The overview below may therefore not correspond directly with the results as disclosed in the financial statements.

### Revenues for the years ended 31 December 2020 and 2019

Total revenues in 2020 were \$100.4 million, a decrease of \$5.3 million (5.0%) compared to \$105.7 million in 2019. The primary driver for this decrease related to a 16.1% decrease in renewable electricity from our election to end the contract and exit our Monmouth facility and the California wildfires impacting power generation at our Bowerman facility. To a lesser extent, decreased realised average renewable identification number ("RIN") prices off-set increased RINs sold, leading to an overall 1.1% decrease in RNG revenues.

### *Renewable natural gas revenues*

We produced 5.7 million MMBtus of RNG during 2020, an increase from the 5.4 million MMBtus (7.2%) produced in 2019. Of this increase 0.2 million MMBtus of RNG were produced from development site commissioned during 2019. Less than 0.1 million MMBtus of RNG were produced from development sites commissioned during 2020. Wellfield improvement initiatives at our Apex site yielded an increase of 0.1 million MMBtus over the prior-year period. Our McCarty site was unfavourably impacted by the loss of one of its engines, leading to a reduction in 2020 of (0.1) million MMBtus over the 2019 period.

Revenues from the RNG operation in 2020 were \$83.2 million, a decrease of \$0.9 million (1.1%) compared to \$84.2 million in 2019. Average commodity pricing for natural gas for 2020 was 3.0% higher than the prior year. During 2020 we self-monetised 39.3 million RINs, representing a 2.5 million increase (6.8%) compared to 36.8 million in 2019. The increase was primarily related to increased MMBtu production over the prior-year period. Average pricing realised on RIN sales during 2020 was \$1.32 as compared to \$1.45 in 2019, a decrease of 9.0%. This compares to the average D3 RIN index price for 2020 of \$1.49 being approximately 29.8% higher than the average D3 RIN index price in 2019. Approximately 8.0 million of our RIN sales during 2019 were based on commitment pricing calculated based on the D5 RIN index with a portion of the cellulosic waiver credit which results in a RIN sales price in excess of the D3 RIN index. The cellulosic waiver credits ("CWC") price in 2020 was \$1.80, a 1.7% increase from \$1.77 in 2019. All of our 2020 RIN sales were priced generally on the D3 index. At 31 December 2020 we had approximately 0.4 million MMBtus available for RIN generation. We had approximately 0.1 million RINs generated and unsold at 31 December 2020. We did not have any MMBtus available for RIN generation at 31 December 2019, however we did have 0.9 million RINs generated and unsold at 31 December 2019.

### *Renewable electricity generation ("REG") revenues*

We produced 0.2 million MWh in renewable electricity in 2020, a decrease of approximately 0.05 million MWh (21.2%) compared to 0.2 million in 2019. In 2019 we elected to end the contract and exit our Monmouth, New Jersey facility and ended electricity production at our Coastal Plains location during its conversion to an RNG site. As of 1 October 2020, Pico is now reported in our RNG operation due to its conversion to an RNG site.

Revenues from renewable electricity facilities in 2020 were \$16.7 million, a decrease of \$3.2 million (16.1%) compared to \$19.9 million in 2019. The exit of Monmouth and conversion of Coastal Plains were responsible for approximately \$1.2 million of the decrease. Prior to reporting Pico in RNG, Pico accounted for \$0.9 million of the \$3.2 million decrease between 2020 and 2019. With the conversion of Pico to an RNG, the fixed price for renewable electricity was reduced as part of the power purchase agreement. Our Bowerman facility was impacted in the 2020 fourth quarter by the California wildfires, forcing it to temporarily shut down the facility. This temporary shutdown is the primary reason our Bowerman facility contributed approximately $0.6 million less revenues in 2020 over the prior-year period.

For 2020, 100% of REG operating revenues were derived from the monetisation of renewable electricity at fixed prices associated with the underlying power purchase agreements ("PPAs"), as compared to 93.9% in 2019. This provides the Company with certainty of revenues resulting from our renewable electricity sites.

### *Corporate revenue*

Our gas hedge programme during 2020 was priced at rates in excess of the actual index price, resulting in realised losses of $0.4 million, a decrease of $0.7 million (229.4%) compared to realised gains of $0.3 million in 2019.

## Expenses for the years ended 31 December 2020 and 2019

### *General and administrative expenses*

Total general and administrative expenses were $16.6 million in 2020, an increase of $3.0 million (21.7%) compared to $13.6 million in 2019. Employee-related costs, including severance, increased approximately $1.3 million (17.6%) in 2020 as compared to the prior-year period. Additionally, our corporate insurance premiums increased approximately $0.8 million (42.9%) in 2020 over 2019. Third-party consulting fees increased approximately $1.1 million (56.1%) in 2020 resulting from our successful completion of the initial public offering ("IPO") and Reorganisation Transactions.

### *Renewable natural gas expenses*

Operating and maintenance expenses for our RNG facilities in 2020 were $33.6 million, an increase of $4.9 million (17.3%) compared to $28.7 million in 2019. $2.8 million of the increase related to development sites commissioned during 2019 and $1.4 million related to development sites commissioned in 2020. Exclusive of the effects of these development sites, operating and maintenance expenses for 2020 were $28.5 million, an increase of $0.7 million (2.6%) compared to $27.8 million in 2019. The increase is primarily attributable to increased condensate removal and utility costs at our Apex location. Our Rumpke facility also incurred preventative maintenance costs when compared to the prior-year period. Our Rumpke facility also incurred increased utility costs related to our running a third processing plant at less than nameplate capacity levels and increased preventative maintenance costs. Finally, we incurred increased wellfield operating costs associated with optimisation programmes at our Monroeville facility. While our McCarty plant experienced reduced production while replacing one of its engines, it incurred lower operating and maintenance expenses primarily related to reduced breakdown costs in 2020.

Royalties, transportation, gathering and production fuel expenses for the Company's RNG facilities for 2020 were $16.4 million, a decrease of $0.1 million (0.6%) compared to $16.5 million in 2019. Royalties, transportation, gathering and production fuel expenses increased as a percentage of RNG revenues to 19.8% for 2020 from 19.6% in 2019. A site commissioned during 2020 contributed $0.1 million to the total while a site commissioned during 2019 contributed an additional $0.7 million during 2020. Exclusive of the effects of the development sites, royalty-related costs for 2020 were $15.5 million, a decrease of $1.0 million (5.8%) compared to $16.5 million in 2019.

### *Renewable electricity expenses*

Operating and maintenance expenses for our renewable electricity facilities in 2020 were $9.8 million, a decrease of $1.1 million (10.1%) compared to $10.9 million in 2019. We reported the results of Pico within the REG operations until October 2020. Of the total, Pico contributed $1.4 million in 2020 and, exclusive of Pico, renewable electricity facility operating and maintenance expenses decreased by $1.3 million (13.2%). The decrease is related to increasing preventative maintenance intervals at our Bowerman facility to mitigate increased condensate removal costs. Additionally, our exit from our Monmouth facility reduced operating and maintenance expenses in 2020 by $0.6 million. Royalties, transportation, gathering and production fuel expenses for our renewable electricity facilities for 2020 were $1.7 million, a decrease of $0.7 million (30.2%) compared to $2.4 million in 2019 and as a percentage of the REG operations, revenues decreased from 12.4% to 10.5%. This decrease relates primarily to a site vacated in 2019 and $0.6 million related to the exit of our Monmouth site in 2020.

### *Royalty payments*

Royalties, transportation, gathering and production fuel expenses in 2020 were $18.3 million, a decrease of $0.6 million (3.2%) compared to $18.9 million in 2019. 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 amortisation in 2020 were $22.1 million, an increase of $2.3 million (11.9%) compared to $19.8 million in 2019. The increase was due to approximately $35.3 million in development site assets being placed into service during 2020 at the time of commercial operation date ("COD"). In 2019 approximately $21.2 million of assets were placed into service at the time of COD.

### Impairment loss

We calculated and recorded an impairment loss of $0.3 million for 2020, a decrease of $2.1 million (88.6%) compared to $2.4 million in 2019. The decrease in 2020 was partially attributable to the termination of a development agreement related to our Pico acquisition. In the prior year the impairment loss was due to the cancellation of a site conversion agreement, conversion of existing renewable electricity to RNG sites in 2020 and the write-off of assets distributed from our Red Top joint venture. We calculated impairments based upon replacement cost, if applicable, and pre-tax cash flow projections.

### Other expenses (income)

Other expenses in 2020 were $0.3 million, an increase of $0.4 million (770.2%) compared to other income of $47 000 in 2019. We recorded losses on the disposition of assets of $0.3 million in 2020. We recorded a gain of $0.1 million in 2019 associated with the sale of the Red Top joint venture interests and related distribution of fixed assets.

### Income tax expense (benefit)

Prior to 2018 we generated sizeable net operating losses ("NOLs"), which reduced our income tax payable for 2018 and 2019. Based upon our historical pre-tax book income and forecasts, we expect to utilise all remaining NOLs and thus have not recorded a valuation allowance against such NOLs.

Our effective income tax rate ("ETR") for 2020 was a benefit of 430.4% compared to a benefit of 6.5% for the prior-year period. This increased benefit in the ETR is driven by low pre-tax earnings compared to the tax benefit of 2020. Additionally, we recorded a tax benefit of $2 417 in connection with the 1 January 2020 dissolution of the Montauk Energy Capital, LLC ("MEC") partnership which will allow all entities under MEC to file as part of our consolidated federal tax group. The Company also made adjustments to deferred taxes related to intangibles and NOLs, and released our valuation allowance related to certain deferred tax assets that can now be utilised within the new federal tax consolidated group.

The Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") and the Consolidated Appropriations Act, enacted by the United States on 27 March 2020 and 27 December 2020, respectively, did not have a material impact on our provision for income taxes for the year ended 31 December 2020. The Company is continuing to analyse the ongoing impact of this legislation.

## Operating profit for the years ended 31 December 2020 and 2019

Operating profit in 2020 was $3.6 million, a decrease of $7.4 million (67.5%), compared to $11.0 million in 2019. RNG operating profit for 2020 was $22.7 million, a decrease of $3.0 million (11.7%), compared to $25.7 million in 2019. REG operating loss for 2020 was $2.3 million, a decrease of $0.2 million (7.0%), compared to $2.4 million in 2019.

### Cash flow

For the year ended 31 December 2020 we generated $28.7 million of cash from operating activities, a 3.1% increase from the prior year ended 31 December 2019 of $27.8 million. For the year ended 31 December 2020 income and adjustments to income from operating activities provided $22.5 million compared to $29.5 million in 2019. Working capital and other assets and liabilities provided $6.2 million in the current period compared to ($2.1) million being used in the prior-year period. When we commission new sites, we invest capital to ramp up operations prior to the project generating revenue. In addition, our operating profit was also negatively affected by an 8.8% reduction in realised RIN pricing in 2020 over the prior-year period. Our net cash flows used in investing activities has historically focused on project development and facility maintenance.

For 2020 our capital expenditures were $17.6 million, of which $0.9 million, $5.9 million and $2.0 million related to the construction of our Galveston, Coastal Plains and Pico RNG facilities, respectively. We also incurred $3.5 million in capital expenditures rebuilding the failed engine at our McCarty RNG site. For 2019 our capital expenditures were $45.6 million, of which $12.6 million, $10.7 million and $10.6 million related to the construction of our Galveston, Coastal Plains and Pico RNG facilities, respectively.

Our net cash flows used in financing activities of $1.5 million for 2020 decreased by $26.0 million compared to 2019, primarily due to lower borrowings and debt repayments in 2020. Additionally, we made a distribution to acquire outstanding share rights related to a minority partner of a fully consolidated entity, but otherwise paid no dividends in 2020. Higher debt issuance costs in the prior-year period related to the closing of the amended credit agreement.

**SF McClain**
Director

30 June 2021

# REPORT OF THE AUDIT AND RISK COMMITTEE

Members: MH Ahmed (chairman), NB Jappie and BS Raynor.

The Montauk audit and risk committee is a formal committee of the board, appointed by the shareholders, and functions within its documented terms of reference. All members of the audit and risk committee act independently. Other directors and members of management may attend the meetings as permanent invitees, along with external audit.

The audit and risk committee has pleasure in submitting this report in respect of the reported financial period of the Group, as required by section 94 of the Companies Act.

The committee met three (3) times during the year under review, on 20 February 2020, 5 June 2020 and 11 August 2020. The meetings were attended by all committee members. The committee has met once subsequent to the reporting date on 30 June 2021.

## FUNCTIONS OF THE AUDIT AND RISK COMMITTEE

In terms of the Companies Act, the audit and risk committee has adopted the formal terms of reference, delegated to it by the board of directors, as its audit and risk committee charter. The audit and risk committee fulfils an independent oversight role regarding the Group's financial statements and the reporting process, including the system of internal financial control, with accountability to both the board and to shareholders. The committee's responsibilities include the statutory duties prescribed by the Companies Act, recommendations by King IV and additional responsibilities assigned by the board. The committee is satisfied that, in respect of the financial period under review, it has performed all the functions required by law to be performed by an audit and risk committee, including as set out by section 94 of the Companies Act and in terms of the committee's terms of reference and as more fully set out in the corporate governance report. In this connection the committee has:

- reviewed the interim, provisional and year-end financial statements, culminating in a recommendation to the board to adopt them;
- reviewed legal matters that could have a significant impact on the Group's financial statements;
- reviewed the external audit reports on the annual financial statements;
- verified the independence of the external auditor as per section 92 of the Companies Act and accordingly nominates BDO South Africa Incorporated to continue in office as the independent auditor and noted the appointment of Mr Ben Frey as the designated auditor for the financial year ended 31 December 2021;
- monitored the design, implementation and effectiveness of the Company's risk management processes;
- approved the audit fees and engagement terms of the external auditor; and
- determined the nature and extent of allowable non-audit services and approved the contract terms for the provision of non-audit services by the external auditor.

## CONFIDENTIAL MEETINGS

Audit and risk committee agendas provide for confidential meetings between the committee members and the external auditor, which are regularly held.

## RISK MANAGEMENT AND INTERNAL CONTROL

The board acknowledges that it is accountable for the process of risk management and the system of internal control of the Group. The Group operated in a highly regulated environment. Where necessary, compliance officers were appointed at each of the Group's key operating subsidiaries for ensuring adherence to the various Acts and Codes that govern the day-to-day operations.

The committee is accountable to the board for monitoring the implementation of processes of risk management and integration of these processes into day-to-day activities. However, the committee does not assume the functions of management, which remain the responsibility of the executive directors, officers and other members of senior management.

Internal control structures were implemented to ensure that significant business and financial risk is identified and appropriately managed. The audit and risk committee assists the board in discharging its responsibilities. It also considers reports and information generated by Company management.

## RECOMMENDATION OF THE ANNUAL FINANCIAL STATEMENTS

The committee has evaluated the annual financial statements of Montauk Holdings Limited and the Group for the period ended 31 December 2020 and, based on the information provided to the committee, the committee recommends the adoption of the annual financial statements by the board.

The committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period.

**MH Ahmed**
Chairman: Audit and Risk Committee

30 June 2021

# REPORT OF THE SOCIAL AND ETHICS COMMITTEE

Members: JA Copelyn (chairman), SF McClain and NB Jappie.

The social and ethics committee has pleasure in submitting this report, as required by section 72(4) to section 72(10) of the Companies Act and regulation 43 to the Companies Act.

The committee met two (2) times during the year under review on each of 8 June 2020 and 2 November 2020. The meetings were attended by all committee members.

The function of the social and ethics committee is to ensure that the committee fulfils its responsibilities in line with the Companies Act, 2008, as amended and the recommendations of King IV. Relevant personnel, who are considered as drivers of the underlying functions of the committee, may be invited to join the committee's meetings. In line with the Act, the invitees do not have voting powers. The committee also considers reports and information generated by the subsidiary companies to their respective boards. The committee reports back to the board of Montauk and all decisions taken are decided by the board of directors.

The social and ethics committee has discharged its monitoring functions in terms of regulation 43.5 of the Act.

In the discharge of its duties, the social and ethics committee takes into consideration the fact that while the Company is a South African entity, all of the operations and employees of the Company were located in the United States during the period under review. Furthermore, as at the date of this report, the Company no longer has any operations and consists of an administrative function only.

**JA Copelyn**
Chairman: Social and Ethics Committee

30 June 2021

# REPORT OF THE INDEPENDENT AUDITOR

to the shareholders of Montauk Holdings Limited

## REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

### Opinion

We have audited the consolidated and separate financial statements of Montauk Holdings Limited (the "Group" and "Company") set out on pages 13 to 54, which comprise the consolidated and separate statements of financial position as at 31 December 2020, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the period then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Montauk Holdings Limited as at 31 December 2020, and its consolidated and separate financial performance and consolidated and separate cash flows for the period then ended in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act of South Africa.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the Group and Company in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* ("IRBA Code") and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter noted below relates to the consolidated financial statements only. No key audit matters were identified in respect of the separate financial statements.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| ***Disposal group for sale and discontinued operations (Notes 1, 11 and 22)*** | |
| During the financial year, the Group's board of directors resolved to initiate a legal and structural separation of the Group's operations.<br><br>This corporate restructure resulted in the assets and liabilities of the Group to be accounted for as a disposal group held for sale and the operating activities for the year being disclosed as a discontinued operation.<br><br>The accounting for and disclosure of disposal groups held for sale and discontinued operations is subject to management's judgement when determining the value and timing of the adjustments.<br><br>We identified this area as a matter of most significance to the current year audit of the consolidated financial statements due to the significant level of management judgement involved and the complexity inherent in accounting for and disclosure of disposal groups held for sale and discontinued operations in terms of IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations. | We performed the following procedures, among others:<br>• We identified key controls over the preparation of the consolidated financial statements and the accounting for disposal groups and discontinued operations and assessed the design and implementation thereof.<br>• We inspected the circular issued to shareholders and the subsequent approval by shareholders to determine that the requirements of IFRS 5 were met.<br>• We consulted with our technical experts on the appropriateness of the adjustments made by management to account for disposal groups and discontinued operations.<br>• We evaluated the completeness and adequacy of disclosures in the consolidated financial statements against the requirements of IFRS 5. |

## Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Montauk Holdings Limited Annual Financial Statements 31 December 2020", which includes the directors' report, the audit and risk committee's report and the declaration by the company secretary as required by the Companies Act of South Africa. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with IFRS and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or the Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that BDO South Africa Incorporated has been the auditor of Montauk Holdings Limited for two years.

BDO South Africa Inc

**BDO South Africa Incorporated**
Registered Auditors
Chartered Accountants (SA)

**Ben Frey**
Director
Registered Auditor

1 July 2021

Wanderers Office Park
52 Corlett Drive
Illovo 2196

# APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The directors of Montauk Holdings Limited are responsible for the preparation, integrity and fair presentation of the financial statements of the Company and of the Group and for other information contained therein. The consolidated and separate annual financial statements for the year ended 31 December 2020 have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act and include amounts based on prudent judgements and estimates by management.

The going concern basis has been adopted in preparing the financial statements. The directors have no reason to believe that the Group or any company within the Group will not be a going concern in the foreseeable future, based on forecasts and available cash resources. These financial statements support the viability of the Company and the Group. The financial statements have been audited by the independent auditing firm, BDO South Africa Incorporated, which was given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors and committees of the board.

The directors believe that all representations made to the independent auditor during the audit were valid and appropriate.

The consolidated annual financial statements for the year ended 31 December 2020 were approved by the board of directors on 30 June 2021 and are signed on its behalf by:

**JA Copelyn**
Director

**SF McClain**
Director

**KA Van Asdalan**
Director

Cape Town
30 June 2021

# DECLARATION BY COMPANY SECRETARY

We certify that Montauk Holdings Limited has lodged with the Companies and Intellectual Property Commission, for the year ended 31 December 2020, all such returns as are required by a public company in terms of the Companies Act of South Africa and that such returns are true, correct and up to date.

**HCI Managerial Services Proprietary Limited**
Company Secretary

Cape Town
30 June 2021

# DIRECTORS' REPORT
for the year ended 31 December 2020

## NATURE OF BUSINESS
Montauk Holdings Limited ("Montauk" or "Company") is an investment holding company incorporated in South Africa, with its operating subsidiaries domiciled in the United States of America.

## OPERATIONS AND BUSINESS
The business operations of Montauk include the development and operation of large-scale renewable energy projects utilising biogas in the United States of America. The Group's expertise includes the permitting, design, construction and operation of energy facilities utilising biogas, and its operations in the United States are headquartered in Pittsburgh, Pennsylvania. Certain administrative functions are contracted to be performed on Montauk's behalf by HCI Managerial Services Proprietary Limited at its South African offices.

During the prior period the Company changed its financial year-end date from 31 March to 31 December. As a result the prior reporting period consisted of nine months ending 31 December 2019 and the current reporting period of twelve months ending 31 December 2020. Unless noted otherwise, reference to the prior reporting period results will be for the nine months ended 31 December 2019 and for the current reporting period results, the twelve months ended 31 December 2020.

## DISPOSAL GROUP ASSETS HELD FOR SALE
Details of disposal group assets held for sale are set out in note 11 of the consolidated annual financial statements.

## DIVIDENDS
No dividends were declared or paid by the Company during the period under review (2019: Nil).

## SHARE CAPITAL
Details of the authorised and issued share capital are set out in note 12 of the consolidated annual financial statements.

## DIRECTORATE
The directors of the Company appear on page 55.

## COMPANY SECRETARY
The secretary of the Company for the year ended 31 December 2020 is HCI Managerial Services Proprietary Limited. The board has assessed the directors and the designated staff of the company fulfilling the role of the company secretary and is satisfied that they have the competence, qualifications and experience to effectively fulfil the role of company secretary. The secretary has an arm's length relationship with the board of directors. The name, business, and postal address of the company secretary are set out on page 55 of this report.

## AUDITORS
BDO South Africa Incorporated will continue in office in accordance with section 90 of the South African Companies Act, with Mr B Frey as the designated auditor.

## SPECIAL RESOLUTIONS
The following special resolutions were passed by the Company's shareholders at the annual general meeting held on 15 October 2020:

- Granting general authority to the directors of the Company to issue for cash all or any of the authorised but unissued shares in the capital of the Company, including options, as and when they in their discretion deem fit, subject to the Companies Act, the memorandum of incorporation ("MOI") of the Company and the JSE Listings Requirements.
- Approval of the fees payable to non-executive directors for their services as directors or as members of the board subcommittees in respect of the period 1 November 2020 until the next annual general meeting of the Company.
- Granting the Company and the subsidiaries of the Company a general authority contemplated in terms of JSE Listings Requirements paragraph 5.72, for the acquisition by the Company, or a subsidiary of the Company, of ordinary shares issued by the Company.
- General authority to provide financial assistance in terms of sections 44 and 45 of the Companies Act.

The following special resolution was passed at a shareholders' meeting of the Company held on 28 December 2020:

- To approve the Distribution and consequent disposal of all or the greater part of the Company's assets in terms of the Companies Act.

The statutory information relating to special resolutions passed by subsidiaries is available from the registered office of the Company.

## AUDITOR'S REPORT
The financial statements have been audited by BDO South Africa Incorporated and their unqualified audit report on the consolidated and separate financial statements is included on page 7 of this report.

## DIRECTORS' EMOLUMENTS
Directors' emoluments incurred by the Company and its subsidiaries for the year ended 31 December 2020 are set out in note 25 in the consolidated annual financial statements.

## SUBSIDIARIES
Details of the Company's subsidiaries are set out in annexure A to the consolidated annual financial statements.

## BORROWING POWERS

There are no limits placed on borrowings in terms of the MOI. Certain companies in the Group have entered into various loan agreements with providers of loan finance. These loan agreements include various covenants and undertakings by companies in the Group which may restrict the Group's borrowing powers. Details of these covenants and undertakings are available from the registered office of the Company.

## LITIGATION STATEMENT

There are no legal or arbitration proceedings (including proceedings which are pending or threatened of which the directors of Montauk Holdings Limited are aware) which may have or have had, during the year ended 31 December 2020, a material effect on the financial position of the Group.

## RENEWABLE IDENTIFICATION NUMBERS ("RINS")

At 31 December 2020 the Company had approximately 0.1 million RINs (31 December 2019: 0.9 million) generated and unsold in inventory and 0.4 million MMBtus (31 December 2019: nil) produced and not dispensed. The RINs have a zero carrying value. Refer to note 1(j) in the consolidated annual financial statements for more information.

## EVENTS SUBSEQUENT TO REPORTING DATE

Refer to note 30 in the annual financial statements for more information on the Company's Reorganisation Transactions and subsequent listing of Montauk Renewables, Inc. ("MRI").

## PREPARER

These consolidated and separate annual financial statements were prepared under the supervision of Mr KA Van Asdalan, (CPA).

# STATEMENTS OF FINANCIAL POSITION
as at 31 December 2020

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Notes | **2020 $'000** | 2019 $'000 | **2020 $'000** | 2019 $'000 |
| **ASSETS** | | | | | |
| **Non-current assets** | | **–** | 216 220 | **–** | 123 263 |
| Property, plant and equipment | 1 | **–** | 184 636 | **–** | – |
| Intangible assets | 2 | **–** | 21 201 | **–** | – |
| Right-of-use assets | 3 | **–** | 769 | **–** | – |
| Goodwill | 4 | **–** | 60 | **–** | – |
| Subsidiary companies | 5 | **–** | – | **–** | 123 263 |
| Deferred taxation | 6 | **–** | 8 745 | **–** | – |
| Other financial assets | 9 | **–** | 243 | **–** | – |
| Non-current receivables | 7 | **–** | 566 | **–** | – |
| **Current assets** | | **12** | 27 668 | **315** | 17 |
| Inventories | 8 | **–** | 4 994 | **–** | – |
| Other financial assets | 9 | **–** | 388 | **–** | – |
| Trade and other receivables | 10 | **–** | 11 753 | **303** | 2 |
| Taxation | | **–** | 730 | **–** | – |
| Cash and cash equivalents | 24.4 | **12** | 9 803 | **12** | 15 |
| Disposal group assets held for sale | 11 | **253 357** | – | **124 026** | – |
| **Total assets** | | **253 369** | 243 888 | **124 341** | 123 280 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Capital and reserves** | | **159 622** | 154 155 | **124 027** | 123 161 |
| Ordinary share capital | 12 | **168 797** | 168 597 | **168 797** | 168 597 |
| Common control reserve | | **2 910** | 2 910 | **–** | – |
| Other reserves | 13 | **3 208** | 3 194 | **3 222** | 3 208 |
| Accumulated losses | | **(15 293)** | (20 546) | **(47 992)** | (48 644) |
| Equity attributable to equity holders of the parent | | **159 622** | 154 155 | **124 027** | 123 161 |
| **Non-current liabilities** | | **–** | 66 660 | **–** | – |
| Borrowings | 14 | **–** | 57 256 | **–** | – |
| Lease liabilities | 3 | **–** | 511 | **–** | – |
| Long-term provisions | 15 | **–** | 5 928 | **–** | – |
| Financial liabilities | 16 | **–** | 2 965 | **–** | – |
| **Current liabilities** | | **314** | 23 073 | **314** | 119 |
| Trade and other payables | 17 | **313** | 12 145 | **313** | 118 |
| Financial liabilities | 16 | **–** | 588 | **–** | – |
| Current portion of borrowings | 14 | **–** | 9 310 | **–** | – |
| Lease liabilities | 3 | **–** | 269 | **–** | – |
| Taxation | | **1** | 260 | **1** | 1 |
| Provisions | 15 | **–** | 501 | **–** | – |
| Disposal group liabilities held for sale | 11 | **93 433** | – | **–** | – |
| **Total equity and liabilities** | | **253 369** | 243 888 | **124 341** | 123 280 |

# STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 December 2020

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Notes | **2020 $'000** | 2019 $'000 | **2020 $'000** | 2019 $'000 |
| Other operating expenses and income | | **(425)** | (206) | **(425)** | (206) |
| Other income | 19 | **–** | – | **513** | – |
| Investment income | 20 | **1** | 2 | **1** | 2 |
| **(Loss)/profit before taxation** | 21 | **(424)** | (204) | **89** | (204) |
| **(Loss)/profit for the period from continuing operations** | | **(424)** | (204) | **89** | (204) |
| Discontinued operations | 22 | **5 115** | 2 557 | **–** | – |
| **Profit/(loss) for the period** | | **4 691** | 2 353 | **89** | (204) |
| **Other comprehensive income/(loss) net of tax:** | | | | | |
| *Items that will be reclassified subsequently to profit or loss* | | | | | |
| Foreign currency translation differences | | **14** | (4) | **14** | (4) |
| **Total comprehensive income/(loss) for the period** | | **4 705** | 2 349 | **103** | (208) |
| Profit attributable to: | | | | | |
| Equity holders of the parent | | **4 691** | 2 353 | | |
| Total comprehensive income attributable to: | | | | | |
| Equity holders of the parent | | **4 705** | 2 349 | | |
| Earnings per share (cents) | 23 | **3.40** | 1.72 | | |
| Continuing operations | | **(0.30)** | (0.15) | | |
| Discontinued operations | | **3.70** | 1.87 | | |
| Diluted earnings per share (cents) | 23 | **3.40** | 1.71 | | |
| Continuing operations | | **(0.30)** | (0.14) | | |
| Discontinued operations | | **3.70** | 1.85 | | |

# STATEMENTS OF CHANGES IN EQUITY
for the year ended 31 December 2020

| | Share capital $'000 | Common control reserve $'000 | Other reserves $'000 | Accumulated losses $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Group** | | | | | |
| **Balance at 31 March 2019** | 167 621 | 2 910 | 3 198 | (22 269) | 151 460 |
| **Current operations** | | | | | |
| Total comprehensive (loss)/income | – | – | (4) | 2 353 | 2 349 |
| Equity-settled share-based payments | 976 | – | – | (555) | 421 |
| Effects of changes in holding | – | – | – | (75) | (75) |
| **Balance at 31 December 2019** | 168 597 | 2 910 | 3 194 | (20 546) | 154 155 |
| **Current operations** | | | | | |
| Total comprehensive income | **–** | **–** | **14** | **4 691** | **4 705** |
| Equity-settled share-based payments | **200** | **–** | **–** | **562** | **762** |
| **Balance at 31 December 2020** | **168 797** | **2 910** | **3 208** | **(15 293)** | **159 622** |
| Notes | 12 | | 13 | | |

| | Share capital $'000 | Other reserves $'000 | Accumulated losses $'000 | Total $'000 |
|---|---|---|---|---|
| **Company** | | | | |
| **Balance at 31 March 2019** | 167 621 | 3 212 | (47 885) | 122 948 |
| **Current operations** | | | | |
| Total comprehensive loss | – | (4) | (204) | (208) |
| Equity-settled share-based payments | 976 | – | (555) | 421 |
| **Balance at 31 December 2019** | 168 597 | 3 208 | (48 644) | 123 161 |
| Total comprehensive income | **–** | **14** | **89** | **103** |
| Equity-settled share-based payments | **200** | **–** | **563** | **763** |
| **Balance at 31 December 2020** | **168 797** | **3 222** | **(47 992)** | **124 027** |
| Notes | 12 | 13 | | |

# STATEMENTS OF CASH FLOWS

for the year ended 31 December 2020

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Notes | **2020 $'000** | 2019 $'000 | **2020 $'000** | 2019 $'000 |
| **Cash flows from operating activities** | | **28 940** | 16 241 | **(2)** | (107) |
| Cash generated/(utilised) by operations | 24.1 | **28 864** | 22 574 | **89** | (206) |
| Investment income | | **8** | 14 | **–** | 2 |
| Changes in working capital | 24.2 | **4 365** | (2 391) | **(91)** | 97 |
| Cash generated/(utilised) by operating activities | | **33 237** | 20 197 | **(2)** | (107) |
| Finance costs | | **(4 184)** | (3 528) | **–** | – |
| Taxation paid | 24.3 | **(113)** | (428) | **–** | – |
| **Cash flows from investing activities** | | **(15 993)** | (31 231) | **–** | – |
| Disposal of investments | | **–** | 300 | **–** | – |
| (Decrease)/increase in non-current receivables | | **(6)** | 378 | **–** | – |
| Proceeds from insurance recovery | | **1 659** | 30 | **–** | – |
| Property, plant and equipment | | | | | |
| – Additions | | **(17 646)** | (31 939) | **–** | – |
| **Cash flows from financing activities** | | **(1 744)** | (23 017) | **–** | – |
| Debt issuance costs | | **–** | (638) | **–** | – |
| Change in non-controlling interest | | **–** | (75) | **–** | – |
| Repayment of lease liabilities | | **(244)** | (252) | **–** | – |
| Long-term funding repaid | 14 | **(10 000)** | (50 250) | **–** | – |
| Long-term funding raised | 14 | **8 500** | 28 198 | **–** | – |
| **Cash and cash equivalents** | | | | | |
| Movements | | **11 203** | (38 007) | **(2)** | (107) |
| At the beginning of the period | | **9 803** | 47 810 | **15** | 122 |
| Foreign exchange difference | | **(1)** | – | **(1)** | – |
| **At the end of the period** | 24.4 | **21 005** | 9 803 | **12** | 15 |
| **Included in disposal group assets held for sale** | | **(20 993)** | – | **–** | – |
| | | **12** | 9 803 | **12** | 15 |

# ACCOUNTING POLICIES

**1. ACCOUNTING POLICIES**

This summary of the principal accounting policies of the Montauk Holdings Limited Group is presented to assist with the evaluation of the consolidated and separate annual financial statements.

**a) Basis of preparation**

The consolidated and separate annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the South African Institute of Chartered Accountants ("SAICA") Financial Reporting Guides as issued by the Accounting Practices Committee, the South African Companies Act, No. 71 of 2008, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council. The consolidated and separate annual financial statements are presented in US Dollars. The consolidated and separate annual financial statements have been prepared under the historical cost convention, as modified by the revaluation to fair value of certain financial instruments as described in the accounting policies below. The accounting policies are consistent with that applied in the previous period.

**b) Chief operating decision-maker**

Operating information is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the executive committee.

The Company considers every site to individually constitute an operating segment as revenue is earned, results are reviewed by the chief operating decision-maker and discrete financial information is available on that basis.

The Company has aggregated all operating segments into one reportable segment, renewable energy. The renewable energy portfolio consists of renewable electric generation ("REG") and renewable natural gas ("RNG"), which are both forms of renewable energy. These products are generated from natural gas extracted from landfill sites utilising the same technology. RNG can be sold in the form of gas or converted to REG and sold as such. The process of gas extraction is the same for both products. Environmental attributes are considered by-products of each of RNG and REG and not generated through a separate process. The customers for RNG and REG products are similar, as both products are sold to local utility entities, councils or similar entities. Both products are distributed and sold through shared grid infrastructure to the abovementioned customers. The regulatory environment for the various sites are significantly similar, regardless of the products sold.

**c) Basis of consolidation**

The consolidated annual financial statements include the financial information of subsidiaries.

***i) Subsidiaries***

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The Company records its investment in subsidiaries at cost less any impairment charges. These interests include any intergroup loans receivable, which represent by nature a further investment in the subsidiary.

***ii) Goodwill***

Goodwill is stated at cost less impairment losses and is reviewed for impairment at least annually or if there are indicators of impairment. Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing. Each of those CGUs is identified in accordance with the basis on which the businesses are managed from both a business type and geographical basis.

The carrying amount of goodwill in respect of joint arrangements is included in the carrying value of the investment in the joint arrangement.

**d) Foreign exchange**

***i) Functional and presentation currency***

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated annual financial statements are presented in US Dollars, which is the Group's presentation currency.

***ii) Transactions and balances***

The financial statements for each Group company have been prepared on the basis that transactions in foreign currencies are recorded in their functional currency at the rate of exchange ruling at the date of the transaction. Monetary items denominated in foreign currencies are retranslated at the rate of exchange ruling at the statement of financial position date with the resulting translation differences recognised in profit or loss.

**e) Property, plant and equipment**

Property, plant and equipment are stated at cost net of accumulated depreciation and any impairment losses.

Assets' residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each reporting date.

***i) Depreciation***

No depreciation is provided on freehold land or assets in the course of construction. In respect of all other property, plant and equipment, depreciation is provided on a straight-line basis at rates calculated to write off the cost, less the estimated residual value of each asset over its expected useful life as follows:

| | |
|---|---|
| Land and buildings | 10 – 50 years |
| Leasehold improvements | Period of the lease |
| Other equipment and vehicles | 3 – 10 years |
| Plant and machinery | 5 – 12½ years |

***ii) Capitalisation of borrowing costs***

Direct financing costs incurred, before tax, on major capital projects during the period of development or construction that necessarily take a substantial period of time to be developed for their intended use are capitalised up to the time of completion of the project.

**f) Intangible assets**

Intangible assets are stated at cost less accumulated amortisation and impairment losses. Cost is usually determined as the amount paid by the Group.

Amortisation is recognised together with depreciation in profit or loss.

Intangible assets with indefinite lives are not amortised but are subject to annual reviews for impairment.

***i) Emission allowances***

Emission allowances consist of credits that need to be applied to nitrogen oxide ("NOx") emissions from internal combustion engines. These engines emit levels of NOx for which specific allowances are required in certain regions of states in the United States of America. The allowances available for use each period are capped at a level necessary for ozone attainment per the National Ambient Air Quality Standards. Certain assets acquired through the acquisition of a subsidiary, by Montauk Energy Holdings LLC, qualify for NOx allowances. These have been recognised at fair value at the date of acquisition, have indefinite useful lives and, as a result, are not amortised. These assets are tested annually for impairment. There is currently no indicator for impairment.

***ii) Land rights***

Land rights have indefinite useful lives and, as a result, are not amortised. Land rights relate to the JRE location. The Company assesses the value of the CGU to which these land rights relate with reference to undiscounted earnings before interest, tax, depreciation and amortisation ("EBITDA") forecasts and the remaining tenure of existing gas rights. These assets are tested annually for impairment. There is currently no indicator of impairment.

Intangible assets with finite lives are amortised over their estimated useful economic lives and only tested for impairment where there is an indicator of impairment. The directors' assessment of the useful life of intangible assets is based on the nature of the asset acquired, the durability of the products to which the asset attaches and the expected future impact of competition on the business.

***i) Gas rights***

Gas rights are amortised using the depletion straight-line basis over the gas rights' term.

***ii) Interconnection***

The interconnection intangible asset is the exclusive right to utilise an interconnection line between the operating plant and a utility substation to transmit produced electricity and natural gas. Included in that right is full maintenance provided on this line by the utility.

**g) Financial assets and financial liabilities**

Financial assets and financial liabilities are initially recognised at fair value plus any directly attributable transaction costs (transaction costs are not included on initial recognition for financial instruments carried at fair value through profit or loss).

Financial assets consist of cash, contractual rights to receive cash or another financial asset, or contractual rights to exchange financial instruments with another entity on potentially favourable terms.

Financial liabilities are recognised when there is a contractual obligation to deliver cash or another financial asset or to exchange financial instruments with another entity on potentially unfavourable terms.

***i) Trade and other receivables***

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost less an allowance for expected credit losses. An allowance for expected credit losses, in respect of trade receivables, is established using the simplified approach in IFRS 9 – thereby recognising lifetime expected credit losses. The lifetime expected credit losses is determined by taking into account historical loss rates, adjusted for future expected changes to the economic indicators relevant to the entity. Management will write off a specific trade receivable balance when they determine that it is more likely than not that the trade receivable will not be collected. Failure to make payments within agreed-upon contractual terms from the invoice date and failure to engage with the Group on alternative payment arrangements, among others, are considered indicators of no reasonable expectation of recovery.

***ii) Financial liabilities at amortised cost***

*Trade payables*

Trade payables are initially recognised at fair value and subsequently measured at amortised cost.

*Borrowings*

Borrowings are recognised initially at fair value, net of transaction costs. Borrowings are subsequently stated at amortised cost using the effective interest rate method and include accrued interest.

***iii) Financial liabilities at fair value through profit or loss***

*Earn-out*

Provision is made for the acquisition date fair value of contingent consideration transferred in accordance with business combination guidance. The contingent consideration consists of multiple potential payments that are based on future earnings of acquired entities during predetermined measurement periods.

***iv) Cash and cash equivalents***

Cash and cash equivalents are initially measured at fair value and subsequently at amortised cost which approximate fair value and include cash in hand, bank deposits and bank overdrafts.

***v) Fair value***

If the market for a financial asset is not active, and for unlisted securities, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analyses and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

***vi) Impairment***

Impairment testing of trade receivables is described in note (h)(i) above.

**h) Derivative financial assets and financial liabilities**

The Group enters into energy price and interest rate derivatives in the ordinary course of business in order to hedge its exposure to energy price and interest rate fluctuations. The Group does not apply hedge accounting and all fair value movements are recognised immediately in profit or loss.

**i) Inventories**

Inventories are stated at the lower of cost or net realisable value.

**j) Renewable Identification Numbers ("RINs")**

The Group generates RINs through its production and sale of renewable natural gas ("RNG") used for transportation purposes as prescribed under the Renewable Fuel Standard ("RFS") administered by the United States Environmental Protection Agency. The RINs that the Group generates can be separated and sold independent from the energy produced, therefore no cost is allocated to the RIN when it is generated.

**k) Employee share incentive schemes**

The Group grants shares and share appreciation rights to employees in terms of the Montauk Holdings Restricted Stock Plan and the Montauk Holdings Share Appreciation Rights Scheme ("Scheme"), respectively. In terms of IFRS 2 these equity-settled instruments are fair valued at the date of grant and the fair value determined on the date of grant is recognised as an expense over the relevant vesting period. This Scheme was cancelled in January 2021 in connection with the Distribution.

**l) Impairment – non-financial assets**

This policy covers all assets except inventories (see note (i)) and financial assets (see note (g)). Impairment reviews are performed by comparing the carrying value of the asset to its recoverable amount, being the higher of the fair value less costs to sell and value in use. The fair value less costs to sell is considered to be the amount that could be obtained on disposal of the asset. The value in use of the asset is determined by discounting, at a market-based pre-tax discount rate, the expected future cash flows resulting from its continued use, including those arising from its final disposal. When the carrying values of non-current assets are written down by any impairment amount, the loss is recognised in profit or loss in the period in which it is incurred.

Intangible non-current assets with an indefinite life are tested annually for impairment. Assets subject to amortisation are reviewed for impairment if circumstances or events change to indicate that the carrying value may not be fully recoverable.

**m) Provisions**

***i) Asset retirement obligations***

Long-term environmental obligations are based on the Group's environmental plans, in compliance with current regulatory requirements. Provision is made based on the net present value of the estimated cost of restoring the environmental disturbance that has occurred up to the reporting date. The estimated cost of rehabilitation is reviewed annually and adjusted as appropriate for changes in legislation or technology. Cost estimates are not reduced by the potential proceeds from the sale of assets or from plant clean-up at closure, in view of the uncertainty of estimating the potential future proceeds.

Expenditure on plant and equipment for pollution control is capitalised and depreciated over the useful lives of the assets whilst the cost of ongoing current programmes to prevent and control pollution and to rehabilitate the environment is charged against income as incurred.

**n) Disposal group assets held for sale**

Items classified as disposal group assets held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Such disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continued use.

**o) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable when the relevant performance obligations are satisfied.

The Group's revenues are comprised of renewable energy and the related green energy attribute sales provided under long-term contracts with its customers. All revenue is recognised when the Group satisfies its performance obligation(s) under the contract (either implicit or explicit) by transferring the promised product to its customer either when (or as) its 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. The Group allocates the contract's transaction price to each performance obligation using the product's observable market stand-alone selling price for each distinct product in the contract.

Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring its products. As such, revenue is recorded net of returns, allowances, customer discounts and incentives. 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 Group's performance obligations related to the sale of renewable energy (i.e. natural gas and electricity) are generally satisfied over time. Revenue related to the sale of renewable energy is generally recognised over time using an output measure based upon the product quantity actually delivered to the customer. This measure is used to best depict the Group's performance to date under the terms of the contract.

The nature of the Group's long-term contracts may give rise to several types of variable consideration, such as periodic price increases. This variable consideration is outside of the Group'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. In the instances of sites generating revenue which is not fully or partially regulated by fixed-price contracts, the RNG, REG or environmental attributes are sold at prices dictated by the market, with reference to various indices. These include but are not limited to:

- RNG: Various S&P Global Platts Gas Daily Indices
- REG: Various US state or regional transmission organisations

- RIN: Argus Media Americas Biofuels
- LCFS: Argus Media Americas Biofuels
- REC: Various US state or regional renewable electric programmes.

The Group recognises environmental attribute revenue at the point in time in which the customer obtains control of the environmental attributes, which is generally when environmental attribute title passes to the customer upon delivery. In limited cases title does not transfer and revenue is not recognised until the customer has accepted the environmental attributes.

The Group elected to recognise the sale of the gas and electric commodities using the right to invoice practical expedient.

The Group determined that the amounts invoiced to customers correspond directly with the value to customers and the Group's satisfaction of the performance obligations to date. Furthermore, with the election of the right to invoice practical expedient, the Group also elects to omit disclosures on the remaining, or unsatisfied, performance obligations since the revenue recognised corresponds to the amount that the Group has the right to invoice.

***i) Interest income***

Interest income is recognised using the effective interest rate method. When a receivable is impaired the Group reduces the carrying amount to its recoverable amount by discounting the estimated future cash flows at the original effective interest rate and records the discount as interest income.

***ii) Dividend income***

Dividend income is recognised when the right to receive payment is established.

**p) Leases**

***i) The Group is the lessee***

The Group accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:

- there is an identified asset;
- the Group obtains substantially all the economic benefits from use of the asset; and
- the Group has the right to direct use of the asset.

The Group considers whether the supplier has substantive substitution rights. If the supplier does have those rights the contract is not identified as giving rise to a lease.

In determining whether the Group obtains substantially all the economic benefits from use of the asset, the Group considers only the economic benefits that arise from use of the asset and not those incidental to legal ownership or other potential benefits.

In determining whether the Group has the right to direct use of the asset, the Group considers whether it directs how and for what purpose the asset is used throughout the period of use. If there are no significant decisions to be made because they are predetermined due to the nature of the asset, the Group considers whether it was involved in the design of the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use. If the contract or portion of a contract does not satisfy these criteria, the Group applies other applicable IFRSs rather than IFRS 16.

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 determination of the lease term, the Company considers the likelihood of lease renewal options and lease termination provisions.

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- leases of low-value assets; and
- leases with a term of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate implicit in the lease unless this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term.

On initial recognition the carrying value of the lease liability includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Group if it is reasonably certain to exercise that option; and
- any penalties payable for terminating the lease if the term of the lease has been estimated on the basis of a termination option being exercised.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are depreciated on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Group revises its estimate of the term of any lease (because, for example, it reassesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments is dependent on whether a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being depreciated over the remaining (revised) lease term.

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification.

Where the renegotiated terms increase the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount.

For contracts that both convey a right to the Group to use an identified asset and require services to be provided to the Group by the lessor, the Group has elected to account for the entire contract as a lease, i.e. it allocates any amount of the contractual payments to and account separately for any services provided by the supplier, as part of the contract.

**q) Income tax**

Tax is recognised in the statement of comprehensive income or loss, except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. The Group's liability for current taxation is calculated using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is provided in full using the statement of financial position liability method in respect of all temporary differences arising between the tax bases of assets and liabilities, and their carrying values in the consolidated financial statements.

Deferred tax assets are regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it is probable that future taxable profit will be available against which the temporary differences (including carried forward tax losses) can be utilised. Deferred tax is measured at the tax rates expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted at the reporting date. Deferred tax is measured on a non-discounted basis.

**r) Employee benefits**

***i) Leave entitlement***

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability to the employees for annual leave up to the financial year-end date. This liability is included in "provisions" in the statement of financial position.

*ii) Bonus plans*

The Group recognises a liability and an expense for incentive compensation bonuses awarded based on the achievement of Group and personnel goals where contractually obliged or where there is a past practice that has created a constructive obligation. An accrual is maintained for the appropriate proportion of the expected bonuses which would become payable at period-end.

**s) Discontinued operations**

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operation that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

## 2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**Principles of critical accounting estimates and assumptions**

*i) Income taxes*

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

During the prior period management reviewed the probability that its loss carry-forwards will be utilised in the near future. Using the current financial period operations as a base for production and operating expenses, together with available commodity and attribute pricing, management conservatively projected a five-year earnings forecast on a monthly basis. Based on the projected results and future board-approved development projects, management projected full utilisation of the loss carry-forwards well in advance of any expiration. Refer to note 6 for the deferred tax asset raised.

*ii) Disposal group held for sale and discontinued operations*

During the financial year the group's board of directors resolved to initiate a legal and structural separation of the group's operations.

This corporate restructure resulted in the assets and liabilities of the group to be accounted for as a disposal group held for sale and the operating activities for the year being disclosed as a discontinued operation.

The accounting for and disclosure of disposal groups held for sale and discontinued operations is subject to management's judgement when determining the value and timing of the adjustments.

### 3. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS ISSUED THAT ARE NOT YET EFFECTIVE

| Standard | Details | Annual periods beginning on or after |
|---|---|---|
| IFRS 7 Financial Instruments: Disclosures | Interest Rate Benchmark Reform Phase 2: The amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 amend requirements relating to changes in the basis for determining contractual cash flows of financial assets, financial liabilities, lease liabilities, hedge accounting and disclosures.<br><br>The Group is still in the process of assessing the impact of this amendment, but initial indications are that it will not materially affect the Group. | The Group will apply the amendments from the annual period beginning 1 January 2021 |
| IFRS 9 Financial Instruments | Interest Rate Benchmark Reform Phase 2: The amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 amend requirements relating to changes in the basis for determining contractual cash flows of financial assets, financial liabilities, lease liabilities, hedge accounting and disclosures.<br><br>The amendments to IFRS 9 enable a company to apply a practical expedient to account for a change in the contractual cash flows that are required by IBOR reform by updating the effective interest rate to reflect any change arising from the reform.<br><br>The Group is still in the process of assessing the impact of this amendment, but initial indications are that it will not materially affect the Group. | The Group will apply the amendments from the annual period beginning 1 January 2021 |
| IFRS 16 Leases | COVID-19-related rent concessions: Amendment providing lessees with an exemption from assessing whether a COVID-19-related rent concession (a rent concession that reduces lease payments due on or before 30 June 2022) is a lease modification.<br><br>The Group is still in the process of assessing the impact of this amendment, but initial indications are that it will not materially affect the Group. | 1 June 2020 (the exemption was extended by one year with effect from 1 April 2021).<br>The Group will apply the amendments from the annual period beginning 1 January 2021 |
| IFRS 16 Leases | Interest Rate Benchmark Reform Phase 2: The amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 amend requirements relating to changes in the basis for determining contractual cash flows of financial assets, financial liabilities, lease liabilities, hedge accounting and disclosures.<br><br>The amendment to IFRS 16 enables a company to apply a practical expedient to account for a lease modification required by the IBOR reform. | The Group will apply the amendments from the annual period beginning 1 January 2021 |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2020

| | Group 2020 $'000 | Group 2019 $'000 |
|---|---|---|
| **1. PROPERTY, PLANT AND EQUIPMENT** | | |
| **Cost** | | |
| Land and buildings | – | 12 918 |
| Leasehold improvements | – | 1 081 |
| Other equipment and vehicles | – | 258 552 |
| Plant and machinery | – | 711 |
| | – | 273 262 |
| **Accumulated depreciation** | | |
| Land and buildings | – | (4 198) |
| Leasehold improvements | – | (219) |
| Other equipment and vehicles | – | (83 636) |
| Plant and machinery | – | (573) |
| | – | (88 626) |
| **Carrying value** | | |
| Land and buildings | – | 8 720 |
| Leasehold improvements | – | 862 |
| Other equipment and vehicles | – | 174 916 |
| Plant and machinery | – | 138 |
| | – | 184 636 |
| **Movements in property, plant and equipment** | | |
| **Balance at the beginning of the period** | | |
| Land and buildings | **8 720** | 2 409 |
| Leasehold improvements | **862** | 485 |
| Other equipment and vehicles | **174 916** | 162 166 |
| Plant and machinery | **138** | 183 |
| | **184 636** | 165 243 |
| **Additions** | | |
| Land and buildings | **14 228** | 6 600 |
| Leasehold improvements | **253** | 435 |
| Other equipment and vehicles | **2 643** | 24 369 |
| Plant and machinery | **22** | 119 |
| | **17 146** | 31 523 |

| | Group 2020 $'000 | 2019 $'000 |
|---|---|---|
| **1. PROPERTY, PLANT AND EQUIPMENT continued** | | |
| **Impairment loss*** | | |
| Plant and machinery | **–** | (29) |
| | **–** | (29) |
| **Disposals and transfers** | | |
| Land and buildings | **(12)** | – |
| Other equipment and vehicles | **(2 951)** | (32) |
| | **(2 963)** | (32) |
| **Depreciation** | | |
| Land and buildings | **(864)** | (289) |
| Leasehold improvements | **(135)** | (58) |
| Other equipment and vehicles | **(17 539)** | (11 587) |
| Plant and machinery | **(60)** | (135) |
| | **(18 598)** | (12 069) |
| **Transfer to disposal group assets held for sale (refer to note 11)** | | |
| Land and buildings | **(22 071)** | – |
| Leasehold improvements | **(980)** | – |
| Other equipment and vehicles | **(157 069)** | – |
| Plant and machinery | **(99)** | – |
| | **(180 219)** | – |
| **Balances at the end of the period** | | |
| Land and buildings | **–** | 8 720 |
| Leasehold improvements | **–** | 862 |
| Other equipment and vehicles | **–** | 174 916 |
| Plant and machinery | **–** | 138 |
| | **–** | 184 636 |

* In the prior year the Company completed its annual evaluation of asset impairment in accordance with IAS 36, the Company calculated and recorded impairment losses of $0.03 million as of 31 December 2019. The impairment loss was primarily due to the disposal group of assets held for sale. The impairment loss in the prior period was primarily due to the continued deterioration in market pricing for electricity, conversion of existing electric sites to natural gas sites and the cancellation of a site conversion agreement.

| | Customer contracts $'000 | Emission allowances $'000 | Gas rights $'000 | Inter-connection $'000 | Land rights $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **2. INTANGIBLE ASSETS** | | | | | | |
| **Group** | | | | | | |
| **2020** | | | | | | |
| Carrying value at the beginning of the period | **1 905** | **775** | **8 862** | **9 327** | **332** | **21 201** |
| Additions | **44** | **–** | | **3 341** | **–** | **3 385** |
| Amortisation | **(755)** | **–** | **(2 035)** | **(717)** | **–** | **(3 507)** |
| Impairment | **(278)** | **–** | **–** | **–** | **–** | **(278)** |
| Transfer to disposal group assets held for sale | **(916)** | **(775)** | **(6 827)** | **(11 951)** | **(332)** | **(20 801)** |
| Carrying value at the end of the period | **–** | **–** | **–** | **–** | **–** | **–** |
| **2019** | | | | | | |
| Carrying value at the beginning of the period | 2 431 | 775 | 10 506 | 9 109 | 332 | 23 153 |
| Additions | 129 | – | 156 | 650 | – | 935 |
| Amortisation | (655) | – | (1 800) | (432) | – | (2 887) |
| Carrying value at the end of the period | 1 905 | 775 | 8 862 | 9 327 | 332 | 21 201 |
| Cost | 17 738 | 775 | 41 106 | 10 940 | 332 | 70 891 |
| Accumulated amortisation | (15 833) | – | (32 244) | (1 613) | – | (49 690) |
| | 1 905 | 775 | 8 862 | 9 327 | 332 | 21 201 |

The amortisation expense has been included in the line item "depreciation and amortisation" in the statement of comprehensive income.

The following useful lives were used in the calculation of amortisation:

| | |
|---|---|
| Customer contracts | 8 – 20 years |
| Emission allowances | * |
| Gas rights | 12 – 20 years |
| Interconnection | 8 – 20 years |
| Land rights | ** |

The following are the remaining useful lives for each asset class:

| | |
|---|---|
| Customer contracts | Between 1 and 20 years (2019: Between 1 and 8 years) |
| Gas rights | Between 1 and 20 years (2019: Between 3 and 25 years) |
| Interconnection | Between 2 and 20 years (2019: Between 5 and 19 years) |

* Emission allowances consist of credits that need to be applied to NOx emissions from internal combustion engines. These engines emit levels of NOx for which specific allowances are required in certain regions of states in the United States of America. The allowances available for use each year are capped at a level necessary for ozone attainment per the National Ambient Air Quality Standards. Certain assets acquired through the acquisition of a subsidiary, by Montauk Energy Holdings LLC, qualify for NOx allowances. These have been recognised at fair value at the date of acquisition, have indefinite useful lives and, as a result, are not amortised. These assets are tested annually for impairment. The Company obtains market price information related to current trades of NOx credits from third parties. This information is compared to the carrying value of the Company's credits and impairments recognised if required. There is currently no indicator for impairment.

** Land rights have indefinite useful lives and, as a result, are not amortised. Land rights relate to the JRE location. The Company assesses the value of the CGU to which these land rights relate with reference to undiscounted EBITDA forecasts and the remaining tenure of existing gas rights. There is currently no impairment.

## 3. LEASES

**Lessee**

The Company leases office space and other office equipment under lease arrangements (with initial terms greater than twelve months), expiring in various years through 2024. 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.

For all operating 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.

As of 31 December 2020 there were no leases entered into which have not yet commenced and that would entitle the Company to significant rights or create additional obligations. The total lease cost included in the consolidated statement of comprehensive position for the periods ended 31 December 2020 and 31 December 2019 was approximately $0.3 million and $0.3 million, respectively.

Leases with an initial term of 12 months or less are not recorded on the consolidated statement of financial position and the lease expense for those leases is recognised on a straight-line basis. The short-term lease expense for the periods ended 31 December 2020 and 31 December 2019 was approximately $0.6 million and $0.1 million, respectively.

The Group also leases certain items of equipment. Leases of equipment comprise only fixed payments over the lease terms.

| | Number of lease contracts | Fixed lease payments % |
|---|---|---|
| **Group** | | |
| **2020** | | |
| Property leases with fixed payments | **3** | **100** |
| Leases of equipment | **4** | **100** |
| | **7** | **100** |
| **2019** | | |
| Property leases with fixed payments | 3 | 100 |
| Leases of equipment | 5 | 100 |
| | 8 | 100 |

3. **LEASES continued**

| | Land and buildings $'000 | Plant and machinery $'000 | Total $'000 |
|---|---|---|---|
| **Group** | | | |
| **Reconciliation of carrying value: right-of-use assets** | | | |
| **2020** | | | |
| Carrying value as at 1 January 2020 | **741** | **28** | **769** |
| Depreciation | **(181)** | **(3)** | **(184)** |
| Transfer to disposal group assets held for sale | **(560)** | **(25)** | **(585)** |
| Carrying value as at 31 December 2020 | **–** | **–** | **–** |
| **2019** | | | |
| Carrying value as at 1 April 2019 (on adoption of IFRS 16) | 939 | 73 | 1 012 |
| Depreciation | (198) | (45) | (243) |
| Carrying value as at 31 December 2019 | 741 | 28 | 769 |
| **Reconciliation of carrying value: lease liabilities** | | | |
| **2020** | | | |
| Carrying value as at 1 January 2020 | **744** | **36** | **780** |
| Finance costs | **56** | **4** | **60** |
| Lease payments | **(320)** | **(15)** | **(335)** |
| Additions | **97** | **–** | **97** |
| Transfer to disposal group assets held for sale | **(577)** | **(25)** | **(602)** |
| Carrying value as at 31 December 2020 | **–** | **–** | **–** |
| **2019** | | | |
| Carrying value as at 1 April 2019 (on adoption of IFRS 16) | 963 | 49 | 1 012 |
| Finance costs | 18 | 2 | 20 |
| Lease payments | (237) | (15) | (252) |
| Carrying value as at 31 December 2019 | 744 | 36 | 780 |
| Less: Current portion | (255) | (14) | (269) |
| Non-current portion | 489 | 22 | 511 |

The table below analyses the Group's lease liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

| | Less than 1 year $'000 | Between 1 and 5 years $'000 | Over 5 years $'000 | Total $'000 |
|---|---|---|---|---|
| **Group** | | | | |
| **2020** | | | | |
| Lease liabilities | **303** | **326** | **–** | **629** |
| **2019** | | | | |
| Lease liabilities | 332 | 530 | – | 862 |

| | Group 2020 $'000 | Group 2019 $'000 |
|---|---|---|
| **4. GOODWILL** | | |
| Arising on obtaining control of subsidiaries | **60** | 60 |
| Reconciliation of carrying value | | |
| At the beginning of the period | **60** | 60 |
| – Cost | **60** | 60 |
| – Accumulated impairment | **–** | – |
| Transfer to disposal group assets held for sale | **(60)** | – |
| **At the end of the period** | **–** | 60 |

The value of the CGU to which goodwill has been allocated has been determined based on value-in-use calculations using management-generated cash flow projections. The value-in-use calculation was performed using the following assumptions, based on past experience:

Pre-tax discount rates: 29.5% (2019: 29.5%)
Number of years: 20 (2019: 20)
Long-term growth rate: <1% (2019: <1%)

Based on the above calculations, the Group has not identified any impairment to goodwill in the CGU during the current period under review.

| | Company 2020 $'000 | Company 2019 $'000 |
|---|---|---|
| **5. SUBSIDIARY COMPANIES** | | |
| Shares at cost less impairment | **124 026** | 123 263 |

No impairments have been recognised on these shares.

$0.8 million (31 December 2019: $0.4 million) was capitalised to the investment in subsidiary in respect of share-based payments in the current period.

**Interests in subsidiaries**
Set out below are the Group's principal subsidiaries at period-end. Unless otherwise stated, the subsidiaries have share capital consisting solely of ordinary share capital, which is held directly by the Group. The country of incorporation or registration is also their principal place of business.

| Name of entity | Principal activities | Place of business/ Country of incorporation | % of effective interest held by the Group 2020 | % of effective interest held by the Group 2019 | % of exercisable voting rights 2020 | % of exercisable voting rights 2019 |
|---|---|---|---|---|---|---|
| Montauk Holdings USA, LLC | Renewable energy | United States of America | **100** | 100 | **100** | 100 |
| Montauk Energy Holdings, LLC (indirect) | Renewable energy | United States of America | **100** | 100 | **100** | 100 |

**Significant restrictions**
There are no significant statutory, contractual or regulatory restrictions on the Group's ability to access or use the assets and settle the liabilities of the Group.

There are no contractual arrangements in place for the provision of financial support to any of the principle subsidiaries, nor has there been any financial or other support provided to these entities during the reporting period. There is no current intention of providing financial or other support to these entities.

| | Group 2020 $'000 | 2019 $'000 |
|---|---|---|
| **6. DEFERRED TAX** | | |
| **Movements in deferred taxation** | | |
| At the beginning of the period | **8 745** | 7 722 |
| Provisions and accruals | **(5 837)** | 4 365 |
| Assessed losses | **5 645** | (406) |
| Accelerated tax allowances | **4 207** | (4 388) |
| Federal tax credits | **2 062** | 1 452 |
| Transfer to disposal group assets held for sale | **(14 822)** | – |
| At the end of the period | **–** | 8 745 |
| **Analysis of deferred taxation** | | |
| Provisions and accruals | **–** | 11 362 |
| Assessed losses | **–** | 12 671 |
| Accelerated tax allowances | **–** | (23 690) |
| Federal tax credits | **–** | 8 402 |
| | **–** | 8 745 |

The Group had no unrecognised assessed loss assets at 31 December 2020 (31 December 2019: $Nil).

| | | |
|---|---|---|
| **7. NON-CURRENT RECEIVABLES** | | |
| Letters of credit | **–** | 566 |

These amounts were due within one to fifteen years and bore interest at rates ranging from 0% to 1% per annum.

**Fair value of non-current receivables**
The fair value of non-current receivables approximated the carrying value as market-related rates of interest were charged on these outstanding amounts. There were no impairment provisions on non-current receivable financial assets during the current or prior periods.

| | | |
|---|---|---|
| **8. INVENTORIES** | | |
| Consumables and spares | **–** | 4 994 |

| | Group | |
|---|---|---|
| | **2020** | 2019 |
| | **$'000** | $'000 |
| **9. OTHER FINANCIAL ASSETS** | | |
| **Fair value through profit or loss** | | |
| Energy price derivative | – | 388 |
| **Amortised cost** | | |
| AMT credit | – | 243 |
| | – | 631 |
| Current | – | 388 |
| Non-current | – | 243 |
| | – | 631 |

**Fair value of derivative financial instruments carried at fair value through profit or loss**
Interest rate derivative contracts of the Group are carried at their fair value on the statement of financial position. The value of all the interest rate derivative contracts at period-end were determined using a model which incorporates market inputs, including the implied forward interest rate yield curve for the same period as the future interest rate swap settlements.

Energy price derivative contracts of the Group are carried at their fair value on the statements of financial position and are subject to enforceable master netting agreements, which allow the Company to off-set recognised asset and liability fair value amounts on contracts with the same counterparty. The net market value of all energy price derivative contracts at period-end was calculated by comparing the forward sale prices to the period-end spot prices. Changes in the market values are recognised immediately into profit and loss.

Effective for tax years beginning after 31 December 2017 the corporate alternative minimum tax ("AMT") has been repealed in accordance with the US Tax Cuts and Jobs Act (the "Act"). The Act allows companies that have a prior AMT credit to elect a refund of the credit balance during the years 2018 to 2022. The credit is refundable at 50% in year 1 and 50% of the remaining balance each year and fully refunded in year 2022. For the periods ended 31 December 2020 and 31 December 2019 the company has booked a $0.1 million and nil, respectively, current receivable which is recorded as a current asset as the refund of the remaining credit balance has been requested as part of the 2020 federal tax filings.

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** **$'000** | 2019 $'000 | **2020** **$'000** | 2019 $'000 |
| **10. TRADE AND OTHER RECEIVABLES** | | | | |
| Trade receivables | **–** | 10 204 | **303** | 2 |
| Other receivables | **–** | 1 621 | **–** | – |
| Allowance for expected credit losses on trade and other receivables | **–** | (72) | **–** | – |
| | **–** | 11 753 | **303** | 2 |
| **Fair value of trade receivables** | | | | |
| Trade and other receivables | **–** | 11 753 | **303** | 2 |

The carrying value approximates fair value because of the short period to maturity of these instruments.

Management has performed an assessment on the expected credit loss by taking into account the receivables which have been separately identified as a potential bad debt and evaluating the remaining book by category of receivables in terms of IFRS 9. A specific loss allowance of $Nil (31 December 2019: $0.07 million) was recognised for the year ended 31 December 2020 for a specific non-recurring receivable.

The remainder of the receivables book was considered in terms of the IFRS 9 simplified model, considering forward-looking information to arrive at a default rate for the 31 December 2020 and 31 December 2019 periods. As the Company does not have a history of significant uncollectible accounts, and the consideration of forward-looking information did not indicate any change to this, no allowance for expected credit loss has been recorded at 31 December 2020 and 31 December 2019.

Credit is extended 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 selling and administrative expenses in the consolidated statement of comprehensive income.

**Security**

The Group holds no security over the receivables which can be sold or repledged to a third party.

None of the trade receivables that are fully performing have been renegotiated in the last period.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable as shown above.

## 11. DISPOSAL GROUPS HELD FOR SALE

During the financial year the Montauk board of directors resolved to complete a legal and structural separation of the Company's operations from Montauk pursuant to the corporate restructure and distribution as detailed in note 30.

The corporate restructure resulted in Montauk Renewables (a US Corporation formed under the laws of the State of Delaware and a newly formed entity, which was not part of the Montauk Group as at 31 December 2020) becoming a wholly-owned subsidiary of Montauk and becoming the top-tier holding company of the Montauk Group. Following the corporate restructure, Montauk will effect the distribution of all the outstanding shares of MRI as a pro rata dividend to the holders of the Company's ordinary shares, subject to any tax withholding obligation under applicable South African law. In turn, Montauk Renewables intends to complete the US Offering and Listing of the Montauk Renewables shares on the NASDAQ with a secondary listing on the Johannesburg Stock Exchange.

The above transaction was completed on 26 January 2021.

| | Group | | Company | |
|---|---|---|---|---|
| | **2020 $'000** | 2019 $'000 | **2020 $'000** | 2019 $'000 |
| Property, plant and equipment | **180 219** | – | **–** | – |
| Intangible assets | **20 801** | – | **–** | – |
| Right-of-use assets | **585** | – | **–** | – |
| Goodwill | **60** | – | **–** | – |
| Subsidiary companies | **–** | – | **124 026** | – |
| Deferred taxation | **14 822** | – | **–** | – |
| Other financial assets | **120** | – | **–** | – |
| Inventories | **3 827** | – | **–** | – |
| Non-current receivables | **566** | – | **–** | – |
| Trade and other receivables | **11 300** | – | **–** | – |
| Taxation | **65** | – | **–** | – |
| Cash and cash equivalents | **20 992** | – | **–** | – |
| Borrowings | **(56 269)** | – | **–** | – |
| Lease liabilities | **(320)** | – | **–** | – |
| Long-term provisions | **(5 689)** | – | **–** | – |
| Other non-current financial liabilities | **(2 995)** | – | **–** | – |
| Trade and other payables | **(15 285)** | – | **–** | – |
| Other current financial liabilities | **(1 186)** | – | **–** | – |
| Current portion of borrowings | **(9 492)** | – | **–** | – |
| Lease liabilities | **(282)** | – | **–** | – |
| Provisions | **(1 915)** | – | **–** | – |
| | **159 924** | – | **124 026** | – |

| | Number of shares | | | |
|---|---|---|---|---|
| | **2020 '000** | 2019 '000 | **2020 $'000** | 2019 $'000 |
| **12. ORDINARY SHARE CAPITAL** | | | | |
| **Authorised** | | | | |
| Ordinary shares of no par value | **200 000** | 200 000 | **–** | – |
| **Issued** | | | | |
| In issue in the Company | **138 313** | 138 278 | **168 797** | 168 597 |
| Restricted shares held by employees in terms of the Restricted Stock Plan | **–** | (776) | **–** | – |
| | **138 313** | 137 502 | **168 797** | 168 597 |

## 12. ORDINARY SHARE CAPITAL

Details of the issued share capital and share premium and changes during the current and prior periods are as follows:

| | Number of shares '000 | Share capital $'000 |
|---|---|---|
| In issue at 31 March 2019 | 138 005 | 167 621 |
| Equity-settled share-based payments | 273 | 976 |
| In issue at 31 December 2019 | 138 278 | 168 597 |
| Equity-settled share-based payments | 35 | 200 |
| In issue at 31 December 2020 | 138 313 | 168 797 |

The unissued shares are under the control of the directors until the next annual general meeting.

| | Group | | Company | |
|---|---|---|---|---|
| | **2020 $'000** | 2019 $'000 | **2020 $'000** | 2019 $'000 |
| **13. OTHER RESERVES** | | | | |
| FCTR at the beginning of the period | **3 194** | 3 198 | **3 208** | 3 212 |
| Exchange differences on translation | **14** | (4) | **14** | (4) |
| At the end of the period | **3 208** | 3 194 | **3 222** | 3 208 |

| | Group | |
|---|---|---|
| | **2020 $'000** | 2019 $'000 |
| **14. BORROWINGS** | | |
| Bank borrowings | **–** | 66 566 |
| Current portion of borrowings | **–** | (9 310) |
| | **–** | 57 256 |
| Secured | **–** | 57 256 |

Prior-period borrowings of the Company consist of a term loan of $38.4 million and a revolver of $28.2 million with a weighted average interest rate of 4.6% maturing in fiscal year 2024.

These borrowings were secured by all assets of the Group. Total security as of 31 December 2019 included the following: $9.8 million of cash; $11.8 million of trade receivables; $5.0 million of inventories; $184.6 million of property, plant and equipment; $21.2 million of intangible assets; $0.6 million of non-current receivables; and $0.2 million of other assets.

| | **2020 $'000** | 2019 $'000 |
|---|---|---|
| Floating rates | **–** | 66 566 |
| Maturity of these borrowings is as follows: | | |
| Due within one year | **–** | 9 310 |
| Due within two to five years | **–** | 57 256 |
| Due after five years | **–** | – |
| | **–** | 66 566 |
| Weighted average effective interest rates (%) | **–** | 4.64 |

| | Group Long-term borrowings $'000 |
|---|---|
| **14. BORROWINGS continued** | |
| **Movements in the carrying value of borrowings are as follows:** | |
| **2020** | |
| Carrying value at the beginning of the period | **66 566** |
| **Cash flows:** | |
| Raising of new debt | **8 500** |
| Debt repayments | **(10 000)** |
| Interest paid | **(2 476)** |
| **Non-cash:** | |
| Interest accrued | **2 421** |
| Amortisation of debt issuance costs | **750** |
| Carrying value at the end of the period | **65 761** |
| Transfer to disposal group liabilities held for sale | **(65 761)** |
| Carrying value at the end of the period | **–** |
| **2019** | |
| Carrying value at the beginning of the period | 88 254 |
| **Cash flows:** | |
| Raising of new debt | 28 198 |
| Debt repayments | (50 250) |
| **Non-cash:** | |
| Amortisation of debt issuance costs | 364 |
| Carrying value at the end of the period | 66 566 |

At 31 December 2019 the carrying value of borrowings approximated their fair value as market-related interest rates applied to these balances.

In August 2019 the Group received a waiver for a specified event of default, as defined in the syndication agreement, for the period from 31 August 2019 to 1 October 2019. This waiver related to one specified event of default and was temporary in nature. In September 2019 the Group entered into the second amendment to the syndication agreement. Among other matters, the second amendment redefined the fixed charge coverage ratio, reduced the revolving credit facility to $80.0 million, redefined the total leverage ratio and eliminated the RIN floor (as defined) as a specified event of default. In connection with the second amendment, the Company paid down the outstanding term loan by approximately $38.3 million, and the resulting quarterly principal instalments were reduced to $2.5 million. The Company borrowed approximately $12.2 million against its revolving credit facility commensurate with the closing of this amendment. The Company incurred $0.6 million in debt issuance costs of which $0.4 million was expensed.

| | Group | |
|---|---|---|
| | **2020 $'000** | 2019 $'000 |
| **15. PROVISIONS** | | |
| **Asset retirement obligations** | | |
| Balance at the beginning of the period | **5 928** | 5 505 |
| Raised during the period | **350** | 285 |
| Recorded during the period | **320** | 176 |
| Utilised | **(909)** | (38) |
| Transfer to disposal group liabilities held for sale | **(5 689)** | – |
| Balance at the end of the period | **–** | 5 928 |
| **Leave entitlement** | | |
| Balance at the beginning of the period | **444** | 349 |
| Raised during the period | **817** | 696 |
| Utilised | **(692)** | (601) |
| Transfer to disposal group liabilities held for sale | **(569)** | – |
| Balance at the end of the period | **–** | 444 |
| **Bonus plans** | | |
| Balance at the beginning of the period | **57** | 454 |
| Raised during the period | **1 636** | 267 |
| Utilised | **(347)** | (664) |
| Transfer to disposal group liabilities held for sale | **(1 346)** | – |
| Balance at the end of the period | **–** | 57 |
| Total provisions | **–** | 6 429 |
| Non-current | **–** | 5 928 |
| Current | **–** | 501 |
| | **–** | 6 429 |

**Asset retirement obligations**
Asset retirement obligations are based on the Group's environmental plans, in compliance with current regulatory requirements. Provision is made based on the net present value of the rehabilitation of landfill gas sites.

The net present value of asset retirement obligations has been determined using a weighted average discount rate of approximately 5.5% per annum (31 December 2019: 8.0% per annum) and a cost inflation rate of 2.5% per annum (31 December 2019: 3.0% per annum). Expected cash flows have been discounted over the expected lives of the Company's landfill gas sites and estimated settlement periods of the rehabilitation costs.

**Leave entitlement**
This provision is raised in respect of accumulated annual leave days accrued to employees as the Group has a present legal obligation as a result of past services provided by the employee. The timing of the settlement is uncertain given the nature of the provision.

**Bonus plans**
This provision is recognised when the Group has a present legal or constructive obligation as a result of past services provided by the employee. The timing and extent of claims settled remain uncertain until settlement occurs.

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** **$'000** | 2019 $'000 | **2020** **$'000** | 2019 $'000 |
| **16. FINANCIAL LIABILITIES** | | | | |
| **Financial liabilities carried at fair value through profit or loss** | | | | |
| Interest rate swap | **–** | 1 633 | | |
| Earn-out liability | **–** | 1 920 | | |
| | **–** | 3 553 | | |
| Current portion | **–** | 588 | | |
| Non-current portion | **–** | 2 965 | | |
| | **–** | 3 553 | | |

**Fair value of derivative financial instruments carried at fair value through profit or loss**
Interest rate derivative contracts of the Group are carried at their fair value on the statement of financial position.

The value of all the interest rate derivative contracts at period-end was determined using a model which incorporates market inputs, including the implied forward interest rate yield curve for the same period as the future interest rate swap settlement.

Energy price derivative contracts of the Group are carried at their fair value on the statements of financial position and are subject to enforceable master netting agreements, which allow the Company to off-set recognised asset and liability fair value amounts on contracts with the same counterparty.

The net market value of all energy price derivative contracts at period-end was calculated by comparing the forward sale prices to the period-end spot prices. Changes in the market values are recognised immediately into profit and loss.

In connection with the Pico acquisition, the Group recognised the acquisition date fair value of contingent consideration transferred in exchange for the acquiree. The contingent consideration consists of multiple potential payments that are based on future earnings of the acquired entity during predetermined measurement periods. The earn-out commences when the RNG site has become fully operational, known as the commercial operation date ("COD"). While the COD occurred during the period ended 31 December 2020 there was no movement in the earn-out liability.

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** **$'000** | 2019 $'000 | **2020** **$'000** | 2019 $'000 |
| **17. TRADE AND OTHER PAYABLES** | | | | |
| Trade payables | **313** | 3 819 | **313** | 118 |
| Accruals in respect of fixed asset purchases | **–** | 3 584 | **–** | – |
| Accruals in respect of compensation | **–** | 476 | **–** | – |
| Accruals in respect of royalties | **–** | 1 440 | **–** | – |
| Other accruals and payables | **–** | 2 826 | **–** | – |
| | **313** | 12 145 | **313** | 118 |

**Fair value of trade and other payables**
The carrying value approximates fair value because of the short period to settlement of these obligations.

| | Group | |
|---|---|---|
| | **2020** **$'000** | 2019 $'000 |
| **18. COMMITMENTS** | | |
| **Commitments for the acquisition of property, plant and equipment and intangibles** | | |
| Contracted for but not provided in the financial statements | **4 000** | 9 002 |
| Authorised but not contracted for | **9 000** | 5 390 |
| | **13 000** | 14 392 |
| Within one year | **13 000** | 14 392 |

| | Group 2020 $'000 | Group 2019 $'000 | Company 2020 $'000 | Company 2019 $'000 |
|---|---|---|---|---|
| **19. OTHER INCOME** | | | | |
| Gain on settlement | **–** | 1 393 | **–** | – |
| Expense recovery | **–** | – | **513** | – |
| Other income | **–** | 175 | **–** | – |
| | **–** | 1 568 | **513** | – |
| **20. INVESTMENT INCOME** | | | | |
| **Interest** | | | | |
| Bank | **1** | 2 | **1** | 2 |

| | Company 2020 $'000 | Company 2019 $'000 |
|---|---|---|
| **21. PROFIT/(LOSS) BEFORE TAXATION** | | |
| The following items have been included in arriving at profit/loss before taxation: | | |
| Auditors' remuneration | | |
| – Audit fees – current period | **35** | 40 |
| Administrative fees | **44** | 36 |

| | Group 2020 $'000 | Group 2019 $'000 |
|---|---|---|
| **22. DISCONTINUED OPERATIONS** | | |
| Revenue | **102 076** | 73 960 |
| Other operating expenses and income | **(79 759)** | (53 872) |
| Depreciation and amortisation | **(22 301)** | (15 087) |
| Other income | **4 023** | 1 568 |
| Investment income | **7** | 12 |
| Finance cost | **(4 649)** | (3 968) |
| Investment surplus | **–** | 94 |
| Asset impairments | **(278)** | (922) |
| Loss before taxation of discontinued operations | **(881)** | (1 785) |
| Taxation | **5 996** | 772 |
| Profit for the period of discontinued operations | **5 115** | 2 557 |
| **Cash flows from discontinued operations** | | |
| Cash flows from operating activities | **28 942** | 16 348 |
| Cash flows from investing activities | **(15 993)** | (31 231) |
| Cash flows from financing activities | **(1 744)** | (23 017) |
| | **11 205** | (37 900) |

Refer to notes 11 and 30 for additional information on discontinued operations and disposal group assets and liabilities held for sale.

| | Group 2020 $'000 | Group 2019 $'000 |
|---|---|---|
| **23. EARNINGS PER SHARE** | | |
| 23.1 Earnings per share as presented on the statements of comprehensive income is based on a weighted average number of 138 113 852 ordinary shares in issue (31 December 2019: 137 015 678). | | |
| 23.2 Diluted earnings per share is based on the weighted average number of 138 153 753 ordinary shares in issue (31 December 2019: 137 914 388). | | |
| Used in calculation of earnings per share | **138 114** | 137 016 |
| Shares and rights issued in terms of the Restricted Stock Plan and Share Appreciation Rights Scheme | **40** | 898 |
| Used in calculation of diluted earnings per share | **138 154** | 137 914 |
| 23.3 Headline earnings per share (cents) | **2.83** | 2.24 |
| Continuing operations | **(0.31)** | (0.14) |
| Discontinued operations | **3.14** | 2.38 |
| Diluted headline earnings per share (cents) | **2.83** | 2.22 |
| Continuing operations | **(0.31)** | (0.15) |
| Discontinued operations | **3.14** | 2.37 |

| | 2020 Gross $'000 | 2020 Net $'000 | 2019 Gross $'000 | 2019 Net $'000 |
|---|---|---|---|---|
| Reconciliation of headline profit: | | | | |
| Profit attributable to equity holders of the parent | | **4 691** | | 2 353 |
| Losses on disposal of plant and equipment | **320** | **253** | 124 | 98 |
| Impairment of plant and equipment | **–** | **–** | 922 | 706 |
| Third-party compensation received in respect of impaired plant and equipment | **(1 659)** | **(1 311)** | – | – |
| Impairment of intangible assets | **278** | **278** | | |
| Gain on disposal of joint arrangement | **–** | **–** | (94) | (94) |
| Headline profit attributable to equity holders of the parent | | **3 911** | | 3 063 |

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** **$'000** | 2019 $'000 | **2020** **$'000** | 2019 $'000 |
| **24. NOTES TO THE CASH FLOW STATEMENTS** | | | | |
| **24.1 Cash generated by operations** | | | | |
| Profit/(loss) after taxation | **4 691** | 2 353 | **89** | (204) |
| Taxation | **(5 996)** | (772) | **–** | – |
| Depreciation and amortisation | **22 301** | 15 087 | **–** | – |
| Profit on disposal of assets | **320** | 30 | **–** | – |
| Impairment of assets | **278** | 922 | **–** | – |
| Share-based payment expense | **763** | 421 | **–** | – |
| Fair value adjustments | **1 016** | 562 | **–** | – |
| Investment income | **(8)** | (14) | **–** | (2) |
| Finance costs | **4 649** | 3 968 | **–** | – |
| Amortisation of debt issuance costs | **695** | – | **–** | – |
| Movement in provisions | **319** | 285 | **–** | – |
| Other non-cash items | **(164)** | (268) | **–** | – |
| | **28 864** | 22 574 | **89** | (206) |
| **24.2 Changes in working capital** | | | | |
| Inventory | **1 167** | (489) | **–** | – |
| Trade and other receivables | **580** | (624) | **(271)** | – |
| Trade and other payables | **2 618** | (1 278) | **180** | 97 |
| | **4 365** | (2 391) | **(91)** | 97 |
| **24.3 Taxation paid** | | | | |
| Unpaid at the beginning of the period | **470** | (468) | **(1)** | (1) |
| Charged to the income statement | **(647)** | (251) | **–** | – |
| Taxation receivable included in trade and other receivables opening balance | **–** | 761 | **–** | – |
| Unpaid at the end of the period | **64** | (470) | **1** | 1 |
| | **(113)** | (428) | **–** | – |
| **24.4 Cash and cash equivalents** | | | | |
| Bank balances and deposits | **21 005** | 9 803 | **12** | 15 |
| Included in disposal group assets held for sale | **(20 993)** | – | **–** | – |
| | **12** | 9 803 | **12** | 15 |

**Fair value of cash and cash equivalents**

The carrying value of cash and cash equivalents approximates fair value due to the short-term maturity of these instruments.

## 25. KEY MANAGEMENT COMPENSATION

**Group**

**Directors**

| Twelve months ended 31 December 2020 | Board fees $'000 | Salary $'000 | Other benefits $'000 | Share-based compensation $'000 | Bonus $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **Executive directors** | | | | | | |
| SF McClain* | – | 280 | 14 | 137 | 174 | 605 |
| KA Van Asdalan* | – | 216 | 10 | 84 | 113 | 423 |
| **Non-executive directors** | | | | | | |
| JA Copelyn**# | 10 | – | – | – | – | 10 |
| MA Jacobson# | 7 | – | – | – | – | 7 |
| TG Govender# | 7 | – | – | – | – | 7 |
| MH Ahmed***# | 10 | – | – | – | – | 10 |
| NB Jappie****# | 10 | – | – | – | – | 10 |
| BS Raynor*****# | 14 | – | – | – | – | 14 |
| Total | 58 | 496 | 24 | 221 | 287 | 1 086 |

# Actual fees determined in South African Rand
* Paid by a subsidiary
** Includes $1 644 for remuneration committee and social and ethics committee fees
*** Includes $1 644 for remuneration committee and audit and risk committee fees
**** Includes $1 644 for remuneration committee, audit and risk committee and social and ethics committee fees
***** Includes $1 644 for audit and risk committee fees and $3 500 board fees paid by subsidiary companies

| Nine months ended 31 December 2019 | Board fees $'000 | Salary $'000 | Other benefits $'000 | Severence $'000 | Share-based compensation $'000 | Bonus $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|
| **Executive directors** | | | | | | | |
| ML Ryan*## | – | 130 | 17 | 236 | 101 | 38 | 522 |
| SF McClain* | – | 170 | 23 | – | 180 | 18 | 391 |
| KA Van Asdalan*### | – | 50 | 4 | – | 22 | – | 76 |
| **Non-executive directors** | | | | | | | |
| JA Copelyn**# | 8 | – | – | – | – | – | 8 |
| MA Jacobson# | 6 | – | – | – | – | – | 6 |
| TG Govender# | 6 | – | – | – | – | – | 6 |
| MH Ahmed***# | 8 | – | – | – | – | – | 8 |
| NB Jappie****# | 8 | – | – | – | – | – | 8 |
| BS Raynor*****# | 14 | – | – | – | – | – | 14 |
| Total | 50 | 350 | 44 | 236 | 303 | 56 | 1 039 |

# Actual fees determined in South African Rand
## Resigned on 30 September 2019
### Appointed on 1 October 2019
* Paid by a subsidiary
** Includes $2 379 for remuneration committee and social and ethics committee fees
*** Includes $2 379 for remuneration committee and audit and risk committee fees
**** Includes $2 379 for remuneration committee, audit and risk committee and social and ethics committee fees
***** Includes $2 379 for audit and risk committee fees and $5 250 board fees paid by subsidiary companies

## 25. KEY MANAGEMENT COMPENSATION continued

### Other key management and prescribed officers

| | Salary $'000 | Other benefits $'000 | Stock-based compensation $'000 | Bonus $'000 | Termination benefits $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **Twelve months ended 31 December 2020** | | | | | | |
| SE Hill | **220** | **11** | **128** | **113** | **–** | **472** |
| JW Wallace** | **70** | **3** | **–** | **–** | **309** | **382** |
| J Ciroli | **98** | **4** | **394** | **57** | **–** | **553** |
| J Shaw | **221** | **11** | **84** | **113** | **–** | **429** |
| Total | **609** | **29** | **606** | **283** | **309** | **1 836** |
| **Nine months ended 31 December 2019** | | | | | | |
| SE Hill | 157 | 22 | 150 | 18 | – | 347 |
| JW Wallace | 157 | 9 | 35 | 18 | – | 219 |
| I Pearl* | 128 | 11 | (90) | 18 | – | 67 |
| J Shaw | 48 | 6 | 22 | 5 | – | 81 |
| Total | 490 | 48 | 117 | 59 | – | 714 |

* Resigned 30 September 2019

** Resigned 1 April 2020

In December 2019 SF McClain, Chief Executive Officer, and JW Wallace, Vice President and General Counsel, were advanced $29 000 and $36 000, respectively, for the income tax consequences attributable to the exercise of a vested tranche of share appreciation rights under The Montauk Holdings Share Appreciation Rights Scheme for U.S. Affiliates (refer to note 27 for more detail). Both of these advances were repaid in January 2020.

These loans or advances are included within "trade and other receivables" in the consolidated statement of financial position.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2020 (continued)

## 26. DIRECTORS' SHAREHOLDINGS

| Group | Direct beneficial | | Indirect beneficial | | Associates | |
|---|---|---|---|---|---|---|
| 2020 | Number | % holding | Number | % holding | Number | % holding |
| **Executive directors** | | | | | | |
| SF McClain | **512 211** | **0.4** | **–** | **–** | **–** | **–** |
| **Non-executive directors** | | | | | | |
| JA Copelyn | **–** | **–** | **16 860 118** | **12.2** | **–** | **–** |
| MA Jacobson | **1 460 040** | **1.1** | **–** | **–** | **–** | **–** |
| TG Govender | **–** | **–** | **247 685** | **0.2** | **17 278 332** | **12.5** |
| BS Raynor | **499 505** | **0.4** | **–** | **–** | **396 573** | **0.3** |
| Total | **2 471 756** | **1.9** | **17 107 803** | **12.4** | **17 674 905** | **12.8** |
| **2019** | | | | | | |
| **Executive directors** | | | | | | |
| SF McClain* | 512 211 | 0.4 | – | – | – | – |
| **Non-executive directors** | | | | | | |
| JA Copelyn | – | – | 6 705 348 | 4.8 | – | – |
| MA Jacobson | 2 260 040 | 1.6 | – | – | – | – |
| TG Govender | 247 805 | 0.2 | – | – | 17 278 332 | 12.5 |
| BS Raynor | 369 505 | 0.3 | – | – | 396 573 | 0.3 |
| Total | 3 389 561 | 2.5 | 6 705 348 | 4.8 | 17 674 905 | 12.8 |

* 387 840 shares held in terms of the Montauk Holdings Restricted Stock Plan for U.S. Affiliates

## 27. MONTAUK HOLDINGS RESTRICTED STOCK PLAN FOR U.S. AFFILIATES AND SHARE APPRECIATION RIGHTS SCHEME FOR U.S. AFFILIATES

The Company operates two equity-settled share-based remuneration schemes:

- The Montauk Holdings Restricted Stock Plan for U.S. Affiliates ("Restricted Stock Plan"); and
- The Montauk Holdings Share Appreciation Rights Scheme for U.S. Affiliates ("Share Appreciation Rights Scheme").

In terms of the Restricted Stock Plan, only United States-based employees of United States-based companies are eligible to participate. Shares are awarded to participants for Nil consideration, subject to various restrictions, including the participant's ability to trade or encumber the shares. These restrictions lapse in respect of 20% of shares held on the second anniversary of date of grant, 20% on the third anniversary and 60% on the fourth anniversary of date of grant, provided the participant remains in the Group's employ. The maximum number of shares that may be awarded to any one participant is 2 000 000.

In terms of the Share Appreciation Rights Scheme, only United States-based employees of United States-based companies are eligible to participate. Share appreciation rights vest over periods of three to five years. Rights are awarded at a strike price equal to the closing price on the date of award. Share appreciation rights may be exercised within three months of vesting, whereafter they lapse. The exercise price is determined with reference to the closing price of the Company's shares on the JSE Limited on the date of exercise. Gains realised are settled by the Company on a net equity basis, whereby the number of shares delivered to a participant shall be equal in value to the gross gain realised. The maximum number of shares that may be awarded to any one participant is 2 000 000.

The fair value of options granted is measured using the Black-Scholes Model. Grants awarded in the current period were fairly valued using a volatility indicator of 61% and an annual interest rate between 0.31%. The cost relating to these grants is recognised by allocating the fair value over the vesting period on a straight-line basis. 924 779 (31 December 2019: 2 027 666) share appreciation rights were awarded in the current period. An expense of $763 000 (31 December 2019: $421 000) was recognised during the current period.

The volume weighted average share price during the current period was ZAR46.08 (31 December 2019: ZAR39.13).

## 27. MONTAUK HOLDINGS RESTRICTED STOCK PLAN FOR U.S. AFFILIATES AND SHARE APPRECIATION RIGHTS SCHEME FOR U.S. AFFILIATES continued

The restricted shares issued in terms of the Restricted Stock Plan and outstanding at 31 December 2020 are as follows:

| | Number of restricted shares | | Weighted average issue price ZAR* | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| Balance at the beginning of the period | **775 680** | 1 163 520 | **–** | – |
| Restricted shares vested | **(775 680)** | (387 840) | **–** | – |
| Balance at the end of the period | **–** | 775 680 | **–** | – |
| Unconditional on: | | | | |
| 31 March 2020 | **–** | 775 680 | **–** | – |

The number of shares received by participants of the Restricted Stock Plan at the date that these become unconditional are not variable and are limited to the number awarded at date of grant.

The maximum number of shares that may be utilised for the purposes of the Restricted Stock Plan is 7 514 231. In addition to the 2 585 600 shares already issued to participants, a further 4 928 631 shares may be utilised by the Restricted Stock Plan. 775 680 (31 December 2019: 387 840) shares became unconditional during the period.

The share appreciation rights issued in terms of the Share Appreciation Rights Scheme and outstanding at 31 December 2020 are as follows:

| | Number of share appreciation rights | | Weighted average exercise price ZAR* | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| Balance at the beginning of the period | **1 872 534** | 929 480 | **32.69** | 23.08 |
| Share appreciation rights awarded | **924 779** | 2 027 666 | **35.50** | 36.44 |
| Share appreciation rights expired and forfeited | **(166 666)** | (626 278) | **18.50** | 44.57 |
| Share appreciation rights exercised | **(50 000)** | (458 334) | **13.50** | 17.41 |
| Balance at the end of the period | **2 580 647** | 1 872 534 | **34.98** | 32.69 |
| Exercisable between: | | | | |
| 11 December 2019 and 11 March 2020 | **–** | 25 000 | **–** | 8.50 |
| 26 October 2020 and 26 January 2021 | **–** | 108 333 | **–** | 18.50 |
| 11 December 2020 and 11 March 2021 | **50 000** | 50 000 | **8.50** | 8.50 |
| 26 October 2021 and 26 January 2022 | **–** | 83 334 | **–** | 18.50 |
| 3 June 2022 and 3 September 2022 | **496 443** | 496 443 | **40.00** | 40.00 |
| 7 November 2022 and 7 February 2023 | **637 862** | 637 862 | **33.50** | 33.50 |
| 26 August 2023 and 26 November 2023 | **650 576** | – | **35.50** | – |
| 7 November 2023 and 7 February 2024 | **235 781** | 235 781 | **33.50** | 33.50 |
| 26 August 2024 and 26 November 2024 | **137 102** | – | **35.50** | – |
| 7 November 2024 and 7 February 2025 | **235 781** | 235 781 | **33.50** | 33.50 |
| 26 August 2025 and 26 November 2025 | **137 102** | – | **35.50** | – |

The maximum number of shares that may be issued in respect of the 2 580 647 (31 December 2019: 1 872 534) share appreciation rights outstanding at reporting date is 2 580 647 (31 December 2019: 1 872 534).

The maximum number of shares that may be utilised for the purposes of the Share Appreciation Rights Scheme is 7 514 231. In addition to the share appreciation rights in issue at the reporting date, a further 4 280 278 (31 December 2019: 5 205 057) shares may be utilised by the Share Appreciation Rights Scheme. 34 317 (31 December 2019: 273 297) shares were delivered to participants in terms of the Share Appreciation Rights Scheme during the period under review.

## 27. MONTAUK HOLDINGS RESTRICTED STOCK PLAN FOR U.S. AFFILIATES AND SHARE APPRECIATION RIGHTS SCHEME FOR U.S. AFFILIATES continued

| | Number of restricted shares | | Weighted average issue price ZAR* | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| Restricted shares awarded to executive directors: | | | | |
| **SF McClain** | | | | |
| Balance at the beginning of the period | **387 840** | 387 840 | **–** | – |
| Restricted shares awarded | **(387 840)** | – | **–** | – |
| Balance at the end of the period | **–** | 387 840 | **–** | – |
| Unconditional on: | | | | |
| 31 March 2020 | **–** | 387 840 | **–** | – |

| | Number of share appreciation rights | | Weighted average exercise price ZAR* | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| Share appreciation rights granted to executive directors: | | | | |
| **SF McClain** | | | | |
| Balance at the beginning of the period | **675 947** | 75 000 | **34.97** | 11.83 |
| Share appreciation rights awarded | **162 319** | 650 947 | **35.50** | 35.99 |
| Share appreciation rights exercised | **(25 000)** | (50 000) | **8.50** | 13.50 |
| Balance at the end of the period | **813 266** | 675 947 | **35.89** | 34.97 |
| Exercisable between: | | | | |
| 11 December 2020 and 11 March 2021 | **–** | 25 000 | **–** | 8.50 |
| 3 June 2022 and 3 September 2022 | **248 864** | 248 864 | **40.00** | 40.00 |
| 7 November 2022 and 7 February 2023 | **402 083** | 402 083 | **33.50** | 33.50 |
| 26 August 2023 and 26 November 2023 | **162 319** | – | **35.50** | – |
| **KA Van Asdalan** | | | | |
| Balance at the beginning of the period | **353 671** | – | **33.50** | – |
| Share appreciation rights awarded | **99 757** | 353 671 | **35.50** | 33.50 |
| Balance at the end of the period | **453 428** | 353 671 | **33.94** | 33.50 |
| Exercisable between: | | | | |
| 7 November 2022 and 7 February 2023 | **117 891** | 117 891 | **33.50** | 33.50 |
| 26 August 2023 and 26 November 2023 | **99 757** | – | **35.50** | – |
| 7 November 2023 and 7 February 2024 | **117 890** | 117 890 | **33.50** | 33.50 |
| 7 November 2024 and 7 February 2025 | **117 890** | 117 890 | **33.50** | 33.50 |

* Restricted share award prices and share appreciation prices are disclosed in South African Rand, due to the Company's shares being listed and its share price quoted on the JSE Limited

## 28. FINANCIAL RISK MANAGEMENT

### 28.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including commodity risk, currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by the finance departments of the major operating units under policies approved by their boards of directors. Their boards provide principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, use of derivative financial instruments and non-derivative financial instruments, and investing excess liquidity. Credit risk is also managed at an entity level for trade receivables.

#### *28.1.1 Market risk*

*Currency risk*

The Group's exposure to foreign exchange risk is insignificant as its functional currency is US Dollar and its operations are all situated in the United States with only certain administrative functions performed in South Africa. The Group secures its debt denominated in US Dollar in the offshore entities with assets and cash flows of those offshore operations (where the functional currency of these entities is US Dollars). As a result, no forward cover contracts are required on this debt. There are no foreign currency imports or exports in the Group and services procured in foreign currency are not material.

The following exchange rates applied during the periods under review:

| | Average rate | | Reporting date | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| South African Rand | **0.06** | 0.07 | **0.07** | 0.07 |

The following carrying amounts were exposed to foreign currency exchange risk:

| | **2020 $'000** | 2019 $'000 |
|---|---|---|
| **Cash and cash equivalents** | | |
| South African Rand | **12** | 15 |
| **Trade and other payables** | | |
| South African Rand | **313** | 118 |

*Interest rate risk*

The Group's primary interest rate risk arises from long-term borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk.

At the period-end the interest rate profile of the Group's interest-bearing financial instruments (gross of debt issuance costs) was:

| | Carrying amount | |
|---|---|---|
| | **2020 $'000** | 2019 $'000 |
| **Fixed-rate instruments** | | |
| Financial assets | **–** | 9 803 |
| **Variable rate instruments** | | |
| Financial liabilities | **–** | (40 000) |

*Fair value sensitivity analysis for variable rate instruments*

A change of 100 basis points in interest rates would have increased or decreased profit after tax by $Nil (31 December 2019: $Nil) as variable rate borrowings are hedged by way of interest rate swaps.

*Other price risk*

The Group is not exposed to commodity price risk other than energy commodity (electricity and natural gas) and RIN pricing. In order to mitigate the risks associated with the fluctuations in energy commodity prices from time to time the Group enters various hedging arrangements to fix prices for portions of expected production volumes. A change of 1% in the natural gas price would have increased/decreased post-tax profits by less than $0.1 million (31 December 2019: $0.1 million). A change of 1% in the price of RINs would have increased/decreased post-tax profits by $0.5 million (31 December 2019: $0.4 million). The analysis assumes that all other variables remain constant.

## 28. FINANCIAL RISK MANAGEMENT continued

### 28.1 Financial risk factors continued

#### *28.1.2 Credit risk*

The Group has no significant concentrations of credit risk. Overall credit risk is managed at entity level. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposure to the Group's customer base, including outstanding receivables and committed transactions. For banks and financial institutions, only board-approved parties are accepted. The Group has policies that limit the amount of credit exposure to any financial institution. Trade receivables comprise a large, widespread customer base and the Group performs ongoing credit evaluations of the financial condition of its customers. The utilisation of credit limits are regularly monitored. Refer to note 10 for further credit risk analysis in respect of trade and other receivables. No credit limits were exceeded during the period under review and management does not expect any losses from non-performance by these counterparties.

The table below shows the Group's maximum exposure to credit risk by class of asset:

| | **Carrying amount** | |
|---|---|---|
| | **2020 $'000** | 2019 $'000 |
| Energy price derivatives | **–** | 388 |
| Receivables | **–** | 13 051 |
| Cash and cash equivalents | **–** | 9 803 |
| | **–** | 23 242 |

#### *28.1.3 Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the treasury functions of the major subsidiaries aim to maintain flexibility in funding by keeping committed credit lines available. Management monitors rolling forecasts of the Group's liquidity headroom on the basis of expected cash flow and the resulting borrowing position compared to available credit facilities. This process is performed during each financial period-end and monitored by the board on an ongoing basis.

| | Less than one year $'000 | Between two and five years $'000 | Over five years $'000 |
|---|---|---|---|
| **2020** | | | |
| Trade and other payables | **313** | **–** | **–** |
| **2019** | | | |
| Bank and other borrowings (gross of debt issuance costs) | 10 000 | 58 198 | – |
| Trade and other payables | 12 145 | – | – |
| | 22 145 | 58 198 | – |

*Defaults and breaches on loans*
There were no breaches or defaults on the repayment of any loans payable during the current or prior period.

## 28. FINANCIAL RISK MANAGEMENT continued

### 28.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and provide optimal returns for shareholders through maintaining an optimal capital structure. The Group defines capital as equity funding provided by shareholders and debt funding from external parties. Shareholder funding comprises permanent paid up capital, revenue reserves and other reserves, being revaluation reserves (if any) and foreign currency translation reserves. The board's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The board of directors monitors the cost of capital, which the Group defines as the weighted average cost of capital, taking into account the Group's internally calculated cost of equity (shareholder funding) and long-term cost of debt assumptions. The board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound equity position. The Group's debt capacity and optimal gearing levels are determined by the cash flow profile of the Group and are measured through applicable ratios such as net debt to earnings before interest, tax, depreciation and amortisation ("EBITDA") and interest cover. In order to maintain or adjust the capital structure, in the absence of significant investment opportunities, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. There were no changes in the Group's approach to capital management during the period. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

### 28.3 Fair value estimation

IFRS 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

Level 1 – Quoted prices available in active markets for identical assets or liabilities

Level 2 – Inputs used, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly

Level 3 – Fair value determined by valuation that uses inputs that are not based on observable market data

The following items are measured at fair value:

| | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 |
|---|---|---|---|---|
| **Group** | | | | |
| **2019** | | | | |
| **ASSETS** | | | | |
| **Financial assets at fair value through profit or loss** | | | | |
| Energy price derivatives | 388 | – | – | 388 |
| Total assets | 388 | – | – | 388 |
| **LIABILITIES** | | | | |
| **Financial liabilities at fair value through profit or loss** | | | | |
| Interest rate swaps | – | 1 633 | – | 1 633 |
| Total liabilities | – | 1 633 | – | 1 633 |

## 29. IMPACT OF COVID-19 PANDEMIC AND GOING CONCERN

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, the Infectious Disease and Response Plan was activated to lead the development and response to any infectious disease event.

Although we are unable to predict the ultimate effects of the COVID-19 pandemic at this time, to date the pandemic has adversely affected, and is expected to continue to adversely affect, our business, financial condition and results of operations. While we are considered an essential company under the U.S. Federal Cybersecurity and Infrastructure Security Agency guidance and the various state or local jurisdictions in which we operate, the spread of COVID-19 has disrupted certain aspects of our operations, including our ability to execute on our business strategy and goals, and complete the development of our projects. Commissioning of our development sites was delayed four to five months in 2020. Delayed commissioning also delays the registrations and qualifications necessary for EPA pathways which, in turn, delays revenue streams from these facilities. In addition, the COVID-19 pandemic has caused delays and disruptions in our operations, including contract cancellations, and decreased our operational efficiency in maintenance and operations. State and local mitigation protocols have contributed to reduced needs for transportation fuels, which has lowered, and could continue to lower, state-based environmental premiums. During 2020 we also faced a reduction in RINs pricing due to the outbreak of COVID-19.

Additionally, certain third parties with whom we engage, including our project partners, third-party manufacturers and suppliers, and regulators with whom we conduct business have adjusted their operations and are assessing future operational and project needs in light of the COVID-19 pandemic. If these third parties experience shutdowns or continued business disruptions, our ability to conduct our business in the manner and on the timelines presently planned could be materially and adversely affected.

While the Company will become dormant following the transaction detailed in note 30, it is not envisaged that it will be liquidated within the next twelve months and the financial statements have therefore been compiled on the basis of it remaining a going concern for the foreseeable future.

## 30. EVENTS SUBSEQUENT TO REPORTING DATE

**Reorganisation transactions and initial public offering**

Starting 4 January 2021, Montauk Renewables, Inc., the Company and Montauk Holdings USA, LLC (“MUSA”) (as a direct wholly-owned subsidiary of the Company at the time) entered into a series of transactions, including an equity exchange and a distribution collectively referred to as the “Reorganisation Transactions” (as detailed further below) that resulted in MRI owning all of the assets and entities previously owned by MUSA. Prior to the Reorganisation Transactions, the Company’s business and operations were conducted entirely through MUSA and its US subsidiaries, and the Company held no substantial assets other than equity of MUSA. MRI had no significant operations or assets prior to 4 January 2021 when it engaged in the equity exchange with MUSA, described below. The key steps involved in the Reorganisation Transactions included:

- On 4 January 2021 MUSA transferred to MRI all of the issued and outstanding equity of Montauk Energy Holdings, LLC (“MEH”) in exchange for all of the outstanding shares of MRI common stock (the “Transfer”). Subsequently, MUSA became the sole shareholder of MRI and MEH became a wholly-owned subsidiary of MRI.
- On 4 January 2021 MUSA distributed all of the shares of MRI common stock to MUSA’s sole equity holder, the Company, and elected to be disregarded for US tax purposes (collectively, with the Transfer, the “Equity Exchange”). Subsequently, MRI became a direct wholly-owned subsidiary of the Company until the Distribution (as defined below) and MUSA remained a direct wholly-owned subsidiary of MNK but without any substantial assets.
- On 15 January 2021 the Company sold the equity of MUSA to a third party to arrange for the liquidation and dissolution of MUSA.
- On 26 January 2021 the Company distributed all of the outstanding shares of MRI common stock as a pro rata dividend to the holders of the Company’s ordinary shares (the “Distribution”), subject to any tax withholding obligations under applicable South African law. Each ordinary share of the Company outstanding on 21 January 2021, the record date for the Distribution (the “Record Date”), entitled the holder thereof to receive one share of MRI common stock. The Transaction Implementation Agreement with the Company governed the Distribution and MRI’s relationship with the Company following the Reorganisation Transactions. Following the Distribution, MRI’s common stock was secondarily listed on the Johannesburg Stock Exchange under the symbol “MKR”.
- On 26 January 2021 MRI closed its initial public offering of its common stock on the Nasdaq Capital Market under the symbol “MNTK”.

## 30. EVENTS SUBSEQUENT TO REPORTING DATE continued

After full completion of the Reorganisation Transactions and the initial public offering, (i) MUSA ceased to own any substantial assets and (ii) all entities through which the Company's business and operations were conducted are owned, directly or indirectly, by MRI. The Company retained 977 508 MRI shares, which it still held as at the approval date of these annual financial statements. Additionally, the Company adopted a plan contemporaneously with the completion of the Reorganisation Transactions that authorised the liquidation and dissolution of the Company. It is not envisaged that the Company will be liquidated within the next twelve months. As a result, the Company was delisted from the JSE on 26 January 2021.

In connection with the completion of the Reorganisation Transactions and the initial public offering, MRI entered into a Loan Agreement and Secured Promissory Note (the "Initial Promissory Note") with the Company. Pursuant to the Initial Promissory Note, MRI advanced a cash loan of $5 000 000 to the Company for the Company to pay its dividends tax liability arising from the Distribution under the South African Income Tax Act, 1962 (Act No. 58 of 1962), as amended. On 22 February 2021 MRI and MNK entered into an Amended and Restated Promissory Note (the "Amended Promissory Note") to increase the principal amount of the loan to a total of $7 000 000, in the aggregate, in accordance with the MRI's obligations set forth in the Transaction Implementation Agreement entered into by and among MRI and the Company, dated 6 November 2020 and amended on 14 January 2021.

The Amended Promissory Note, among other things, (i) allows the Company (as borrower) to pay interest by increasing the outstanding principal amount of the note or by paying cash to MRI (or both), (ii) grants MRI a pledge over 800 000 shares of its common stock withheld by the Company to satisfy tax obligations arising from the Distribution as security for the Company's loan obligations and (iii) requires the Company to use the proceeds of any sale of such shares to prepay the amounts due to MRI under the Amended Promissory Note.

In connection with the Distribution, the Company cancelled the options held by MUSA's officers that had been granted by the Company's board of directors to them under the Company's Employee Share Appreciation Rights Scheme for US Affiliates, dated 29 October 2015. MUSA accounted for the cancellation of the options in connection with IFRS 2 and recognised in general and administrative expenses in the consolidated statement of operations approximately $2 050 000 of previous unrecognised compensation expense.

After full completion of the Reorganisation Transactions and the initial public offering, (i) the Company ceased to own any substantial assets other than the retained MRI shares and (ii) all entities through which the Company's business and operations were conducted are owned, directly or indirectly, by MRI.

## 31. FINANCIAL INSTRUMENTS

An analysis of the Group's assets and liabilities, classified by financial instrument classification, are set out below:

| | Financial assets at amortised cost | | Financial liabilities at amortised cost | |
|---|---|---|---|---|
| | **2020 $'000** | 2019 $'000 | **2020 $'000** | 2019 $'000 |
| **Group** | | | | |
| **ASSETS** | | | | |
| **Non-current assets** | **–** | 810 | **–** | – |
| Property, plant and equipment | **–** | – | **–** | – |
| Right-of-use asset | **–** | – | **–** | – |
| Goodwill | **–** | – | **–** | – |
| Intangible assets | **–** | – | **–** | – |
| Deferred taxation | **–** | – | **–** | – |
| Other financial assets | **–** | 243 | **–** | – |
| Non-current receivables | **–** | 566 | **–** | – |
| **Current assets** | **12** | 21 556 | **–** | – |
| Inventories | **–** | – | **–** | – |
| Other financial assets | **–** | – | **–** | – |
| Trade and other receivables | **–** | 11 753 | **–** | – |
| Taxation | **–** | – | **–** | – |
| Cash and cash equivalents | **12** | 9 803 | **–** | – |
| Disposal group assets held for sale | **32 978** | – | **–** | – |
| **Total assets** | **32 990** | 22 366 | **–** | – |
| **LIABILITIES** | | | | |
| **Non-current liabilities** | **–** | – | **–** | 57 790 |
| Borrowings | **–** | – | **–** | 57 256 |
| Lease liability | **–** | – | **–** | – |
| Long-term provisions | **–** | – | **–** | – |
| Financial liabilities | **–** | – | **–** | 534 |
| **Current liabilities** | **–** | – | **313** | 21 455 |
| Trade and other payables | **–** | – | **313** | 12 145 |
| Financial liabilities | **–** | – | **–** | – |
| Current portion of borrowings | **–** | – | **–** | 9 310 |
| Lease liability | **–** | – | **–** | – |
| Taxation | **–** | – | | – |
| Provisions | **–** | – | **–** | – |
| Disposal group liabilities held for sale | **–** | – | **85 227** | – |
| **Total liabilities** | **–** | – | **85 540** | 79 245 |
| **Company** | | | | |
| **ASSETS** | | | | |
| **Non-current assets** | **–** | – | **–** | – |
| Subsidiary companies | **–** | – | **–** | – |
| **Current assets** | **315** | 17 | **–** | – |
| Cash and cash equivalents | **12** | 15 | **–** | – |
| Trade and other receivables | **303** | 2 | **–** | – |
| Disposal group assets held for sale | **–** | – | **–** | – |
| **Total assets** | **315** | 17 | **–** | – |
| **LIABILITIES** | | | | |
| **Current liabilities** | **–** | – | **313** | 118 |
| Trade and other payables | **–** | – | **313** | 118 |
| Taxation | **–** | – | **–** | – |
| **Total liabilities** | **–** | – | **313** | 118 |

| Non-financial instruments | | Fair value through profit or loss | | Total | |
|---|---|---|---|---|---|
| **2020 $'000** | 2019 $'000 | **2020 $'000** | 2019 $'000 | **2020 $'000** | 2019 $'000 |
| – | 215 411 | – | – | – | 216 220 |
| – | 184 636 | – | – | – | 184 636 |
| – | 769 | – | – | – | 769 |
| – | 60 | – | – | – | 60 |
| – | 21 201 | – | – | – | 21 201 |
| – | 8 745 | – | – | – | 8 745 |
| – | – | – | – | – | 243 |
| – | – | – | – | – | 566 |
| – | 5 724 | – | 388 | 12 | 27 668 |
| – | 4 994 | – | – | – | 4 994 |
| – | – | – | 388 | – | 388 |
| – | – | – | – | – | 11 753 |
| – | 730 | – | – | – | 730 |
| – | – | – | – | 12 | 9 803 |
| 220 379 | – | – | – | 253 357 | – |
| 220 379 | 221 135 | – | 388 | 253 369 | 243 888 |
| – | 6 439 | – | 2 431 | – | 66 660 |
| – | – | – | – | – | 57 256 |
| – | 511 | – | – | – | 511 |
| – | 5 928 | – | – | – | 5 928 |
| – | – | – | 2 431 | – | 2 965 |
| 1 | 1 030 | – | 588 | 314 | 23 073 |
| – | – | – | – | 313 | 12 145 |
| – | – | – | 588 | – | 588 |
| – | – | – | – | – | 9 310 |
| – | 269 | – | – | – | 269 |
| 1 | 260 | – | – | 1 | 260 |
| – | 501 | – | – | – | 501 |
| 8 206 | – | – | – | 93 433 | – |
| 8 207 | 7 469 | – | 3 019 | 93 747 | 89 733 |
| – | 123 263 | – | – | – | 123 263 |
| – | 123 263 | – | – | – | 123 263 |
| – | – | – | – | 315 | 17 |
| – | – | – | – | 12 | 15 |
| – | – | – | – | 303 | 2 |
| 124 026 | – | – | – | 124 026 | – |
| 124 026 | 123 263 | – | – | 124 341 | 123 280 |
| 1 | 1 | – | – | 314 | 119 |
| – | – | – | – | 313 | 118 |
| 1 | 1 | – | – | 1 | 1 |
| 1 | 1 | – | – | 314 | 119 |

# ANNEXURE A

## INTEREST IN PRINCIPAL SUBSIDIARIES

| | | | 2020 | | 2019 | |
|---|---|---|---|---|---|---|
| | Issued share capital $'000 | Effective interest % | **Shares $'000** | **Loans $'000** | Shares $'000 | Loans $'000 |
| **Shares and loans stated at cost less impairment** | | | | | | |
| **Renewable energy** | | | | | | |
| Montauk Holdings USA LLC | 182 697 | 100 | **124 026** | **–** | 123 263 | – |
| Montauk Energy Holdings LLC | – | 100 | * | **–** | * | – |
| Montauk Energy Capital LLC | – | 100 | * | **–** | * | – |
| Johnstown LFG Holdings Inc. | – | 100 | * | **–** | * | – |
| Johnstown Regional Energy LLC | – | 100 | * | **–** | * | – |
| Monroeville LFG LLC | – | 100 | * | **–** | * | – |
| Valley LFG LLC | – | 100 | * | **–** | * | – |
| GSF Energy LLC | – | 100 | * | **–** | * | – |
| Bowerman Power LFG LLC | – | 100 | * | **–** | * | – |
| Monmouth Energy Inc. | – | 100 | * | **–** | * | – |
| Tulsa LFG LLC | – | 100 | * | **–** | * | – |
| MH Energy LLC | – | 100 | * | **–** | * | – |
| MH Energy (GP) LLC | – | 100 | * | **–** | * | – |
| TX LFG Energy LP | – | 100 | * | **–** | * | – |
| Pico Energy LLC | – | 100 | * | **–** | * | – |
| | | | **124 026** | **–** | 123 263 | – |

* Indirectly held

Subsidiaries whose financial position or results are not material are excluded from this list.

Details of excluded subsidiaries are available from the company secretary.

Subsidiaries are all incorporated in the United States of America.

# CORPORATE ADMINISTRATION

**DIRECTORS**
SF McClain[1]
KA Van Asdalan[1]
JA Copelyn
MA Jacobson[2]
TG Govender
NB Jappie
BS Raynor[1]
MH Ahmed

[1] Nationality: United States of America
[2] Nationality: Australia

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**COMPANY REGISTRATION NUMBER**
2010/017811/06

**SHARE CODE**
MNK

**ISIN**
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**SPONSOR**
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**TRANSFER SECRETARIES**
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Montauk
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