

DIRECTORS' REPORT

for the year ended 31 March 2017

NATURE OF BUSINESS

Montauk Holdings Limited ("Montauk") is an investment holding company, incorporated in South Africa with various 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 landfill gas ("LFG") in the United States of America. The Group's expertise includes the permitting, design, construction and operation of energy facilities utilising LFG 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.

DISPOSAL GROUP ASSETS AND LIABILITIES HELD FOR SALE

Details of disposal group assets and liabilities held for sale are set out in note 9 of the consolidated annual financial statements.

DIVIDENDS

Final ordinary dividend number 1 of 39.5 South African cents per share was paid to shareholders on 29 May 2017 in respect of the year ended 31 March 2017.

SHARE CAPITAL

Details of the authorised and issued share capital are set out in note 10 of the consolidated annual financial statements.

DIRECTORATE

The directors of the Company appear on page 73.

Mr ML Ryan was appointed as executive director and chief executive officer on 27 May 2016. Mr DR Herrman resigned as executive director and chief executive officer with effect from 10 June 2016.

COMPANY SECRETARY

The secretary of the Company for the year ended 31 March 2017 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 73 of this report.

AUDITORS

Grant Thornton Johannesburg Partnership will continue in office in accordance with section 90 of the South African Companies Act, with Mr Theunis Schoeman as the designated auditor.

SPECIAL RESOLUTIONS

The following special resolutions were passed by the Company's shareholders at the annual general meeting of shareholders held on 1 November 2016:

- 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 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 financial period 1 November 2016 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 the JSE Listing Requirement 5.72, for the acquisition by the Company, or a subsidiary of the Company, of ordinary issued shares issued by the Company.
- General approval of the provision of financial assistance in terms of sections 44 and 45 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 Grant Thornton Johannesburg Partnership and their unqualified audit report on the consolidated and separate annual financial statements is included on pages 22 to 24 of this report.

DIRECTORS' EMOLUMENTS

Directors' emoluments incurred by the Company and its subsidiaries for the year ended 31 March 2017 are set out in note 26 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 memorandum of incorporation. 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

In June 2016 the Company initiated an arbitration proceeding against a contractor for the 20 MW facility in Southern California related to certain schedule and performance issues, the outcome of which is uncertain at the date of this report. There are no additional 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 March 2017, a material effect on the financial position of the Group.

RENEWABLE IDENTIFICATION NUMBERS ("RINS")

The Group had approximately 0.9 million (2016: 5.9 million) RINs generated and unsold, classified as D3 cellulosic, as of 31 March 2017. The RINs have a zero carrying value. Refer to note 1(k) in the consolidated annual financial statements for more information.

EVENTS SUBSEQUENT TO REPORTING DATE

Refer to note 30 in the consolidated annual financial statements for more information. The directors are not aware of any further matter or circumstance arising since the end of the financial period, not otherwise dealt with within the financial statements, that would affect the operations or results of the Company or the Group significantly.

PREPARER

These consolidated annual financial statements were prepared under the supervision of the chief financial officer, Mr SF McClain (CPA).