CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S REPORT

The unbundling of Montauk from HCI occurred in December 2014, after a series of transactions isolating the US-based renewable energy business as the sole operating business going forward. This process has allowed HCI shareholders to hold both an interest in a US Dollar-based investment, as a natural hedge against the movement in the value of the Rand, and a direct investment in the renewable energy business in the US.

At Montauk we are very proud to be a leader of an industry that is at the forefront of the sustainability movement through the capture and beneficial use of landfill methane. Methane, with a global warming potential 25 times greater than carbon dioxide, is a potent greenhouse gas that is a key contributor to global climate change.

BUSINESS OVERVIEW

The business, with all its social and environmental qualities, can be difficult at times due to the inherent higher production costs as compared to fossil fuel-based energy producers. This is due primarily to the variability in the production of landfill methane due to factors such as climate, waste intake and waste composition as well as the capital-intensive process to recover and process landfill methane from raw landfill gas to enable it to be used as a fuel.

The pricing of the various types of renewable energy produced by the Group is an ever-changing balance between the underlying energy commodity price and any associated environmental attribute premiums that can be realised. With electricity and natural gas commodity pricing in the US having been depressed for several years while still maintaining a relatively high degree of short-term volatility, the premiums associated with the various environmental attributes produced have become, and will continue to be, a major factor in the profitability of the business.

In this market, our focus will continue to be to position the Company and its facilities to capitalise on and leverage the opportunities that develop in the renewable energy markets. The evolving regulatory environment mandating the use of renewable fuels can lead to opportunities that allow existing projects to capture additional premiums as they become available. To that end, the Company has made the decision to remain flexible in its offtake contract strategy, prolonging the growth of short-term results to potentially capture and maximise longer-term value from these programmes.

ENVIRONMENTAL ATTRIBUTE PROGRAMMES

Until recently, the environmental premiums associated with renewable energy produced by Montauk were centred on various state renewable portfolio standards requiring that a stated percentage of the electricity produced in that state comes from a renewable resource. That resource could be either the renewable electricity itself produced from one of our facilities or the use of renewable natural gas as a replacement for natural gas in a natural gas-fired generation facility. The value and requirements for each state programme vary widely, which can limit the ability of similar facilities located in different states from having a similar pricing structure.

In fiscal 2015, as a result of a United States Environmental Protection Agency ("EPA") ruling that allowed renewable natural gas used as a vehicle fuel to qualify as a cellulosic renewable identification number ("RIN") under the EPA's controversial Renewable Fuel Standard ("RFS II") programme, the Company began participating in the programme and also intends on increasing its participation in the RFS II programme as production from additional facilities becomes available. While the programme allows for renewable natural gas produced anywhere in the US to qualify and potentially offer premiums significantly higher than previously realised, delays in the timely administration of the mandated volume requirements of US refiners has impacted the stabilisation of the expected market which, in turn, prompted us to withhold monetising the majority of the RINs produced in fiscal 2015 until the pricing being obtained in the market meets our expectations.

In May 2015 the EPA released proposed volume obligations for 2014, 2015 and 2016. The 2014 matches 2014 actual production and, while the 2015 and 2016 proposals are somewhat below our expectations, was a step in the right direction towards developing a market for the RINs produced. The proposed volume obligations are expected to be finalised by the EPA in November 2015. In the interim, the EPA has solicited comments from industry participants (including Montauk) on the volumes which it intends to use in finalising the volume obligations to accurately reflect actual production while promoting the growth of cellulosic biofuels. Montauk has taken an active role in the process by providing comments both individually and collectively through various renewable energy organisations to assist the EPA in setting obligations that meet the projected production for the industry. We remain confident that timely and sufficient volume obligations will be set to stabilise the market in the near future.

RESULTS

The Company's EBITDA from continuing operations for fiscal 2015 was $2.5 million, which was approximately 62% below the prior year, primarily as a result of the strategy to defer the sale of the majority of cellulosic RINs generated in fiscal 2015 from the Company's renewable natural gas facilities participating in the EPA's RFS II programme and the volatility of the prices realised for the underlying energy commodities. The Company has deferred the sale of the RINs awaiting the EPA's finalisation of the volume obligations for both 2014 and 2015. At 31 March 2015, the Company had approximately 10.0 million RINs generated and unsold in inventory.

Revenue from the Company's renewable natural gas facilities decreased approximately 8% for the year ended 31 March 2015 from the prior year despite an 8% increase in volume produced. The decrease is a result of the deferral of the sale of cellulosic RINs and a 3% decrease in the average natural gas price.

Revenue from the Company's electric generation facilities decreased 2% for the year ended 31 March 2015 from the prior year despite a 4% increase in electric production. The decrease is a result of a 15% decrease in the average price realised on the Company's electric production, primarily due to the expiration of an above-market fixed-price contract for one of the Company's electric generation facilities in the first quarter of fiscal 2015, as well as a $0.5 million reduction in revenues incurred as a result of the inability to meet required minimum production levels under the expired contract.

Expenses increased 6% in 2015 as compared to the prior year primarily as a result of the timing of scheduled major maintenance events for electric facilities. The Company has committed to and looks to continue to improve on its aggressive preventative maintenance programme that is designed to maximise each facility's availability, allow for greater predictability in maintenance and ultimately drive down costs per unit produced. This approach will continue to allow the Company to maintain financial performance during periods of challenging economic times and keep the flexibility to capture value as it arises through the underlying commodity or new renewable energy programmes.

DEVELOPMENT ACTIVITIES

The Company is progressing on its construction of the 20 Megawatt electric generation facility in Southern California. The project is scheduled to be completed and begin commercial operations in the fourth quarter of fiscal 2016. The size of the facility and the attractive 20-year fixed-price contract with a large municipality in Southern California will provide a solid earnings base which complements the Company's flexible strategy to capture emerging value from its existing facilities.

SUBSEQUENT EVENTS

In May 2015, the Company sold and received $9.9 million (net of commission) related to a one-time generation and sale of Emission Reduction Credits ("ERCs"). The ERCs were generated as a result of the Company constructing and operating specialised pollution control equipment that created a permanent reduction in emissions that exceeded the amount of reductions required by governing regulations to operate the facility.

In June 2015, the Company closed on an acquisition of three additional renewable natural gas facilities located in Southwestern Pennsylvania. The purchase increases the number of renewable natural gas facilities operated from four to seven and increases production capacity of the combined portfolio by approximately 20%. This addition strengthens Montauk's position as a leader in the production of renewable natural gas from landfill methane.

In September 2015, the Company agreed to a settlement of a pricing dispute that arose subsequent to year-end with a counterparty that purchases the cellulosic RINs produced from one of its renewable natural gas facilities. While the Company is pleased to have settled the dispute, the outcome has the effect of the Company being in a less favourable position than anticipated for the near future.

SUMMARY

In an industry that continues to experience depressed energy pricing, management believes that Montauk is well positioned to capture both existing and emerging value from developing the renewable energy markets in order to drive long-term entity value.