CHIEF EXECUTIVE OFFICER'S REPORT

At Montauk we are very proud to be a leader in the renewable energy industry – 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 CO_2, 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 fossil fuel-derived 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 addition, only 29 states plus Washington D.C. have adopted renewable portfolio standards in the US.

Renewable natural gas derived from landfill methane used as a vehicle fuel qualifies as a cellulosic renewable identification number ("RIN") under the United States Environmental Protection Agency's ("EPA") controversial Renewable Fuel Standard ("RFS II") programme. As a result, the Company participates in the programme and looks for opportunities to increase 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, historical delays in the timely administration of the mandated volume requirements and compliance deadlines of US refiners has impacted the stabilisation of the expected market. Although the market remains relatively illiquid, since the establishment of the current volume obligations the Company has been able to monetise blocks of cellulosic RINs at pricing levels commensurate with general market conditions.

In May 2016 the EPA released proposed volume obligations for 2017 of 312 million gallons for cellulosic D3 RINs, representing a 35% increase over the 2016 volume obligations for cellulosic D3 RINs. The 2017 proposal is somewhat below our expectations, but represents another step in the right direction towards developing a more mature market for the RINs produced. The proposed volume obligations are expected to be finalised by the EPA in November 2016. 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

Total Company revenue increased approximately 73% for the year ended 31 March 2016 over the prior fiscal year. Revenue from the Company's renewable natural gas facilities increased

approximately 128% for the year ended 31 March 2016. The increase is a result of $30.0 million in sales of cellulosic RINs generated from the Company's renewable natural gas facilities participating in the US EPA's RFS II programme as compared to $3.9 million in sales for the prior year.

At 31 March 2016 the Company had 5.9 million RINs generated and unsold. Revenue from the Company's electric generation facilities decreased approximately 30% for the year ended 31 March 2016 from the prior year. While production remained consistent, the unfavourable variance is attributable to the decrease in the average price realised on the Company's electric production.

Expenses increased approximately 54% for the year ended 31 March 2016 as compared to the prior year, primarily as a result of additional royalties paid, largely driven by the increased sales of cellulosic RINs. Non-recurring items included in expenses for the year ended 31 March 2016 are $2.1 million in taxes on stock-based compensation, $1.5 million in severance-related costs and transaction costs related to the acquisition of Leaf. Gains recognised from the Company's hedging programmes decreased by $1.9 million for the year ended 31 March 2016 as compared to the prior year due to the timing of changes experienced in natural gas pricing in the US.

The Company recorded $9.6 million in other income for the year ended 31 March 2016, primarily due to the sale of emission reduction credits ("ERCs") generated as a result of the construction and operation of specialised pollution control equipment that created permanent emission reductions in excess of governing regulations to operate the facility. The Company recorded asset impairments of $3.5 million for the year ended 31 March 2016, driven by electric generation facilities that monetise production in depressed merchant market conditions.

DEVELOPMENT ACTIVITIES

The Company completed its construction of the 20 Megawatt electric generation facility in Southern California and began commercial operations in April 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 base from which to continue to allow the Company to pursue its strategy to optimise opportunities within its existing portfolio.

In June 2015 the Company closed on an acquisition of three (3) additional renewable natural gas facilities located in Southwestern Pennsylvania. The purchase increases the number of renewable natural gas facilities operated from four (4) to seven (7), and increases production capacity of the combined portfolio by approximately 20%. This addition further strengthens Montauk's position as a leader in the production of renewable natural gas from landfill methane.

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.

ML Ryan
Chief Executive Officer

15 September 2016