MONTAUK HOLDINGS LIMITED
Incorporated in the Republic of South Africa
Registration number: 2010/017811/06
Share code: MNK
ISIN: ZAE000197455
("Montauk" or "the Company" or "the Group")

UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited 30 September 2018 $'000	Unaudited 30 September 2017 $'000	Audited 31 March 2018 $'000
ASSETS			
Non-current assets	190 831	156 927	162 883
Property, plant and equipment	151 434	112 323	130 396
Other non-current financial assets	593	7	527
Intangibles	27 974	21 932	19 275
Investments in joint ventures	1 096	-	-
Deferred taxation	8 790	21 763	11 742
Long-term receivables	944	902	943
Current assets	23 612	40 947	39 832
Inventories	3 629	1 588	2 603
Other current financial assets	160	45	29
Trade and other receivables	11 089	8 881	8 028
Taxation	-	10	-
Bank balances and deposits	8 734	30 423	29 172
Disposal group assets held for sale	-	769	-
Total assets	214 443	198 643	202 715
EQUITY AND LIABILITIES			
Equity			
Equity attributable to equity holders of the parent	146 081	128 527	141 605
Non-current liabilities	52 925	47 715	41 544
Borrowings	43 927	41 349	36 208
Long-term provisions	5 298	6 350	5 336
Contingent consideration	3 700	-	-
Other non-current financial liabilities	-	16	-
Current liabilities	15 437	22 080	19 566
Trade and other payables	8 096	13 867	10 342
Other current financial liabilities	151	229	129
Current portion of borrowings	5 218	6 602	6 699
Taxation	855	399	742
Provisions	1 117	983	1 654
Non-current liabilities held for sale	-	321	-
Total equity and liabilities	214 443	198 643	202 715
Net asset carrying value per share (cents)	107	95	104

CONSOLIDATED INCOME STATEMENT

	% change	Unaudited 30 September 2018 $'000	Unaudited 30 September 2017 $'000
Revenue	(3.5%)	51 242	53 111
Expenses		(27 742)	(26 280)
EBITDA	(12.4)	23 500	26 831
Other income		698	107
Depreciation and amortisation		(7 854)	(7 757)
Operating profit		16 344	19 181
Investment income		36	31
Finance costs		(765)	(1 952)
Loss on extinguishment of borrowings		-	(1 611)
Share of losses of joint ventures		(224)	-
Asset impairments		(854)	-
Profit before taxation	(7.1%)	14 537	15 649
Taxation		(3 378)	(6 072)
Profit for the period		11 159	9 577
Attributable to:			
Equity holders of the parent		11 159	9 577

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Unaudited 30 September 2018 $'000	Unaudited 30 September 2017 $'000
Profit for the period	11 159	9 577
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation differences	(8)	83
Total comprehensive income	11 151	9 660
Attributable to:		
Equity holders of the company	11 151	9 660

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited 30 September 2018 $'000	Unaudited 30 September 2017 $'000

Balance at the beginning of the period	141 605	122 729
Total comprehensive profit	11 151	9 660
Equity-settled share-based payments	304	347
Dividends	(6 979)	(4 209)
Balance at the end of the period	146 081	128 527

RECONCILIATION OF HEADLINE EARNINGS

	% change	Unaudited six months ended 30 September 2018 $'000 Gross	Net	Unaudited six months ended 30 September 2017 $'000 Gross	Net
Earnings attributable to equity holders of the parent	16.5%		11 159		9 577
Losses on disposal of plant and equipment		173	137	6	6
Impairment of plant and equipment		854	854	-	-
Gain on disposal of intangible assets		(872)	(689)	(113)	(113)
Headline profit	21.0%		11 461		9 470
Basic earnings per share (cents)					
Earnings	16.4%		8.19		7.04
Headline earnings	20.7%		8.41		6.97
Weighted average number of shares in issue ('000)			136 328		135 940
Actual number of share in issue at the end of the period (net of treasury shares and shares issued in respect of restricted stock plan) ('000)			136 328		135 940
Diluted earnings per share (cents)					
Earnings	15.8%		8.06		6.96
Headline earnings	20.3%		8.28		6.88
Weighted average number of shares in issue ('000)			138 486		137 640

CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited 30 September 2018 $'000	Unaudited 30 September 2017 $'000
Cash flows from operating activities	15 997	19 956
Cash generated by operations	23 997	27 384
Net finance costs	(806)	(1 431)
Changes in working capital	(6 881)	(4 925)
Taxation paid	(313)	(1 072)
Cash flows from investing activities	(35 552)	(4 004)
Business combinations and disposals	(12 980)	-
Investments (acquired)/disposed of	(1 320)	7 759
(Increase)/decrease in long-term receivables	(207)	311
Proceeds from insurance recovery	-	350
Intangible assets		
- Additions	-	(951)
- Disposals and refunds	1 050	638
Property, plant and equipment		
- Additions	(22 095)	(12 186)
- Disposals	-	75
Cash flows from financing activities	(872)	(5 236)
Debt issuance costs	(188)	(798)
Debt extinguishment costs	-	(1 127)
Dividends paid	(6 979)	(4 209)
Net funding raised	6 295	898
(Decrease)/increase in cash and cash equivalents	(20 427)	10 716
Cash and cash equivalents		
At the beginning of the period	29 172	19 622
Foreign exchange differences	(11)	85
At the end of the period	8 734	30 423
Bank balances and deposits	8 734	30 423

NOTES

BASIS OF PREPARATION AND ACCOUNTING POLICIES
The results for the six months ended 30 September 2018 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the disclosure requirements of IAS 34, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the requirements of the South African Companies Act, 2008, and the Listings Requirements of the JSE Limited. The accounting policies applied by the Company in the preparation of these condensed consolidated financial statements are consistent with those applied in its consolidated financial statements as of and for the year ended 31 March 2018, except for the adoption of IFRS 9 and IFRS 15 in the current period, which did not have an impact on the results of the Company. As required by the JSE Limited Listings Requirements, the Company reports headline earnings in accordance with Circular 4/2018: Headline Earnings as issued by the South African Institute of Chartered Accountants.

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

BUSINESS COMBINATIONS
Acquisition of Pico Energy, LLC
On 21 September 2018 the Company completed the acquisition of 100% of Pico Energy, LLC ("Pico"), a dairy digester facility generating renewable electricity, for $16.7 million in cash and contingent consideration.

The assets and liabilities acquired are as follows:

	$'000
Property, plant and equipment	11 531

Intangibles	4 719
Inventories	390
Trade and other receivables	120
Trade and other payables	(80)
Net assets acquired	16 680
Net cash outflow on acquisition	12 980
Contingent consideration	3 700

As of 30 September 2018 the accounting for this acquisition is provisional and is subject to fair value adjustments once finalised. Contingent consideration is based on future earnings of the acquired entity.

The results of operations of the acquired facilities are included in the Company's consolidated results from the date of acquisition. An immaterial amount of revenues and profit after tax related to the acquisition are included in the consolidated income statement for the six months ended 30 September 2018. Had the acquisition occurred on the first day of the financial reporting period, approximately $0.8 million in revenues and an immaterial amount in profit after tax would have been included in the consolidated income statement.

RESULTS

UNAUDITED CONSOLIDATED INCOME STATEMENT

Revenue from the Company's renewable natural gas facilities decreased by $0.6 million or 1.4% for the six months ended 30 September 2018 from the prior comparative six months. Higher renewable natural gas volumes were more than off-set by decreases in both commodity and renewable identification number ("RIN") pricing. The Company produced 2.2 million MMBtus of renewable natural gas volumes, an increase of 11.7% over the prior-year period. As of 30 September 2018 the commissioning efforts of two new renewable natural gas facilities were substantially complete, yielding initial commissioning volumes of 0.3 million MMBtus. The favourable volume increase is attributed to the commissioning efforts associated with two new renewable natural gas facilities, partially off-set by decreased volumes from existing facilities due primarily to landfilling operational impacts on the quality and quantity of inlet gas available to our processing facilities. Average commodity pricing for natural gas during the six months ended 30 September 2018 was 7.8% lower than the prior comparative six months. During the six months ended 30 September 2018 the Company self-marketed 8.8 million RINs, a 0.6 million increase from the prior comparative six months. Average pricing realised on RIN sales during the six months ended 30 September 2018 was 9.4% lower than average pricing realised in the prior comparative six months, primarily attributed to a 52.6% decrease in the average D5 advanced biofuel RIN price for the six months ended 30 September 2018 ($0.49) versus the prior comparative six months ($1.03) and a reduction in the cellulosic waiver credit ("CWC") from $2.00 in calendar 2017 to $1.96 in calendar 2018. At 30 September 2018 the Company had 2.4 million RINs generated and unsold in inventory 1.0 million higher than at 30 September 2017 due to the initial start-up volumes of the two new renewable natural gas facilities. For the six months ended 30 September 2018, 26.2% of revenue from renewable natural gas production was monetised at fixed prices.

Revenue from the Company's electric generation facilities decreased by $1.3 million or 12.7% for the six months ended 30 September 2018 from the prior-year period. The Company produced 0.1 million MWh in renewable electric volumes, a decrease of 25.9% over the prior comparative six months. The volume decrease is primarily attributed to the conversion of a renewable electric generation facility to a renewable natural gas facility and a utility interconnection failure impacting the Bowerman Power LFG, LLC ("Bowerman") facility in Irvine, California. The Company expects to receive during the third quarter of 2019 insurance proceeds related to this failure from its business interruption policies. Average commodity pricing for electricity during the six months ended 30 September 2018 was 7.9% higher than the prior comparative six months. For the six months ended 30 September 2018, 82.7% of revenue from renewable electricity production was monetised at fixed prices.

Operating expenses for the six months ended 30 September 2018 increased by $1.5 million or 5.6%. The increase is driven primarily by operating expenses related to the two new renewable natural gas facilities placed into service during the six-month period ended 30 September 2018. The Company's Bowerman facility incurred increased operating expenses during the six-month period ended 30 September 2018 due to normal engine maintenance which increases throughout the engine life. These increases were off-set by lower levels of operating expenses incurred at the other Company facilities. The losses recognised from the Company's hedging programmes for the six months ended 30 September 2018 were less than $0.1 million compared to gains of $0.1 million recognised in the prior comparative six months.

During the six-month period ended 30 September 2018 the Company's share of losses reported from its investment in the newly created Red Top Renewable Ag, LLC joint venture ("Red Top") were approximately $0.2 million.

The Company continually reviews cash flows from its portfolio of facilities. Associated with this review, the Company recorded $0.9 million of impairment charges related to two of its electric generation facilities during the six-month period 30 September 2018.

During the six months ended 30 September 2017 the Company realised other income of $3.5 million, largely attributable to settlement proceeds from arbitration. In August 2017 the Company recognised $1.6 million in expenses related to the early extinguishment of debt. Total cash paid associated with this expense was $1.1 million. These items did not recur in the current period.

For the six months ended 30 September 2018 the Company recognised $3.0 million in tax expense, of which $3.0 million was off-set against the Company's deferred tax asset.

UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AND CASH FLOW

Investments in Red Top during the six-month period ended 30 September 2018 include the Company's $1.0 million in initial capital contributions and $0.3 million in additional capital contributions.

Fixed and intangible assets at 30 September 2018 include $10.9 million and $0.1 million in costs related to the construction of two renewable natural gas facilities, respectively. As of 30 September 2018 the Company had placed in service two renewable natural gas facilities totalling $60.0 million in fixed and intangible assets. Deferred tax assets of $8.8 million at 30 September 2018 relate to the Company's net operating losses that may be utilised for set-off against future taxable income.

In August 2018 the Company expanded its revolving credit facility by $20.0 million through 31 March 2019.

In August 2018 Bowerman amended its five-year term loan with a commercial bank, increasing its amortisation period through its original maturity.

The Company's combined borrowings at 30 September 2018 were $49.1 million, net of debt issuance costs. Including outstanding draws against its revolving credit facility, $24.9 million was outstanding on the Company's commercial bank facilities, and $24.2 million was outstanding on the

Bowerman commercial bank facilities. Of the total Company borrowings outstanding at 30 September 2018, $5.2 million is currently due within the next 12 months.

Cash flow from operating activities of $16.0 million for the six months ended 30 September 2018 was $4.0 million lower than the prior-year period. Included in cash flow from investing activities was asset additions of $22.1 million, $13.0 million for the Pico acquisition, and $1.3 million of capital contributions to the Red Top investment. As of 30 September 2018, the Company had cash on hand of $8.7 million, and $24.2 million and $8.0 million capacities remaining under the Company's Corporate and Bowerman revolving credit facilities, respectively.

EXECUTIVE OFFICER'S REPORT

Cellulosic RINs

In June 2018 the Environmental Protection Agency ("EPA") released the proposed renewable volume obligations ("RVOs") for 2019 of 381 million gallons cellulosic D3 RINs, representing a 32% increase over the 2018 RVOs for cellulosic D3 RINs of 288 million gallons using the same "rate of growth" methodology as EPA used in setting the 2018 RVOs. The EPA accepted over 4 000 comments through 17 August 2018 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 volume obligations that meet the projected production for the industry. The proposed RVOs for 2019 are expected to be finalised by the EPA by 30 November 2018. The issuance by the EPA of timely and sufficient annual volume obligations to accommodate the renewable natural gas ("RNG") industry's growing production levels are paramount to the stabilisation of the RIN market.

The market prices of D3 cellulosic RINs softened during the reporting period largely as a result of both the additional supply of vintage 2017 RINs being carried forward by obligated parties into 2018 due to the EPA granting a record number of small refinery exemptions in 2017 and the anticipated drop in the CWC in 2019 from the $1.96 CWC in 2018 disincentivising carry-forwards of 2018 vintage D3 RINs into 2019.

Development Activities

In April 2018 the Company entered into an agreement with one of its existing landfill counterparties to operate the gas collection system, and build, own and operate an RNG facility at a landfill located in Texas for a term of 20 years from commercial operation. Upon commercial operation the output from this new RNG facility is intended to be contracted for use in the transportation sector to allow for the generation of RINs under the renewable fuel standards ("RFS"). Commercial operation at this RNG project is targeted to commence in the first quarter of the 2020 financial year.

In May 2018 the Company entered into an agreement with one of its existing landfill counterparties to convert an existing renewable electric project to an RNG facility by building, owning and operating an RNG facility at a landfill located in Texas for a term of 20 years from commercial operation. Upon commercial operation the output from this new RNG facility is intended to be contracted for use in the transportation sector to allow for the generation of RINs under the RFS. Commercial operation at this RNG project is targeted to commence in the third quarter of the 2020 financial year.

In July 2018 the Company entered into the Red Top joint venture agreement with a dairy farm partner to build, own and operate a manure digester and RNG facility at a California commercial dairy farm for a period of 20 years from commercial operation. The Company holds an 80% interest in the joint venture and it represents the Company's first RNG project on a dairy farm. Upon commercial operation, the output from this new RNG facility is anticipated to generate RINs under the RFS programme and low carbon fuel standard ("LCFS") credits under the California Low Carbon Fuel Standard. Commercial operation at this RNG project is targeted to commence in the third quarter of the 2020 financial year.

In September 2018 related to the acquisition of Pico, the Company plans to build, own and operate an RNG facility at a dairy farm located in Idaho for a term of 20 years from commercial operation. Upon commercial operation the output from this new RNG facility is anticipated to generate RINs under the RFS programme and LCFS credits under the California Low Carbon Fuel Standard. Commercial operation at this RNG project is targeted to commence in the fourth quarter of the 2020 financial year.

These additions will further strengthen Montauk's position as a leader in the production of renewable RNG from landfill methane.

US Listing

Although the Company is incorporated in South Africa and trades on the JSE, the Company's operations, assets, employees and customer relationships are situated exclusively in the US and are held by its US subsidiaries. To better strategically align the Company with the jurisdiction in which it operates, the US programmes and policies the Company participates in that incentivise the use of renewable fuels, and to provide greater access to potential investors, the Company intends to pursue a primary listing on NASDAQ and a secondary, inward listing on the JSE Limited ("JSE") through a corporate restructuring (the "Proposed Listing"). It is envisaged that this will result in the formation of a new entity ("Montauk Energy, Inc."), which will ultimately hold the business and assets of the Company.

The Company has received approval from the South African Reserve Bank to pursue the Proposed Listing. The Proposed Listing is subject to shareholder and further regulatory approval both in South Africa and in the US. Upon receipt of such approvals the Company will begin pursuing steps to effectuate the Proposed Listing with a target date of April 2019. At the conclusion of the restructuring in connection with the Proposed Listing, it is envisaged that shareholders of the Company will receive shares in Montauk Energy, Inc. by way of a distribution in specie. It is envisaged that Montauk Energy, Inc. shall then trade with a primary status on NASDAQ and a secondary status on the JSE. Following the implementation of the Proposed Listing the Company will have no remaining operating assets and it is intended that the Company will be de-listed from the JSE. The current executive management team of the Company is expected to continue to serve in the same capacities with Montauk Energy, Inc.

EVENTS SUBSEQUENT TO REPORTING DATE

Other than as stated in these results, the directors are not aware of any further matter or circumstance arising since the reporting date that would affect the results of the Company for the year ended 30 September 2018 or its financial position on that date.

CHANGES IN DIRECTORATE

Mr A van der Veen retired by rotation as non-executive director effective 5 September 2018.
Mr TG Govender was appointed as a non-executive director effective 5 September 2018.

DIVIDEND TO SHAREHOLDERS

The directors of Montauk have resolved to declare an interim ordinary dividend number 3 of 43.5 cents (gross) per Montauk share for the year ended 31 March 2019 from income reserves. The salient dates for the payment of the dividend are as follows:

Last day to trade cum dividend	Tuesday, 20 November 2018
Commence trading ex dividend	Wednesday, 21 November 2018
Record date	Friday, 23 November 2018
Payment date	Monday, 26 November 2018

No share certificates may be dematerialised or rematerialised between Wednesday, 21 November 2018 and Friday, 23 November 2018, both dates inclusive.

In terms of legislation applicable to Dividends Tax ("DT") the following additional information is disclosed:

- The local DT rate is 20%.
- The number of ordinary shares in issue at the date of this declaration is 137 879 234.
- The DT amounts to 8.7 cents per share.
- The net local dividend amount is 34.8 cents per share for all shareholders who are not exempt from the DT.
- Montauk Holdings Limited's income tax reference number is 9176/170/18/2.

In terms of the DT legislation any DT amount due will be withheld and paid over to the South African Revenue Service by a nominee company, stockbroker or Central Securities Depository Participant (collectively "regulated intermediary") on behalf of shareholders. All shareholders should declare their status to their regulated intermediary as they may qualify for a reduced DT rate or exemption.

For and on behalf of the board of directors

JA Copelyn	ML Ryan	SF McClain
Chairman	Chief Executive Officer	Chief Financial Officer

Cape Town
31 October 2018

Directors: JA Copelyn (Chairman)*, ML Ryan (Chief Executive Officer)#, SF McClain (Chief Financial Officer)#, MH Ahmed*, TG Govender*, MA Jacobson*##, NB Jappie*, BS Raynor*#
*Non-executive; #United States of America; ##Australia

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