



Annual
Financial
Statements
and Notice of Annual
General Meeting
31 December 2020

Montauk
Holdings Limited

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SHAREHOLDER SNAPSHOT

ANALYSIS OF SHAREHOLDERS

PUBLIC/NON-PUBLIC SHAREHOLDERS

	Number of share-holders	% of share-holders	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 share-holders	% of share-holders	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.

CHIEF EXECUTIVE OFFICER'S REPORT continued

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

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.

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.

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.

How our audit addressed the key audit matter

We performed the following procedures, among others:

- 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.
- We inspected the circular issued to shareholders and the subsequent approval by shareholders to determine that the requirements of IFRS 5 were met.
- We consulted with our technical experts on the appropriateness of the adjustments made by management to account for disposal groups and discontinued operations.
- We evaluated the completeness and adequacy of disclosures in the consolidated financial statements against the requirements of IFRS 5.

REPORT OF THE INDEPENDENT AUDITOR continued

to the shareholders of Montauk Holdings Limited

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.

DIRECTORS' REPORT

for the year ended 31 December 2020 (continued)

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

	Notes	Group		Company	
		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

	Notes	Group		Company	
		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:					
<i>Items that will be reclassified subsequently to profit or loss</i>					
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

	Notes	Group		Company	
		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

ACCOUNTING POLICIES continued

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

ACCOUNTING POLICIES continued

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.

ACCOUNTING POLICIES continued

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**

j) 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.

ACCOUNTING POLICIES continued

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	<p>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.</p> <p>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.</p>	The Group will apply the amendments from the annual period beginning 1 January 2021
IFRS 9 Financial Instruments	<p>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.</p> <p>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.</p> <p>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.</p>	The Group will apply the amendments from the annual period beginning 1 January 2021
IFRS 16 Leases	<p>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.</p> <p>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.</p>	1 June 2020 (the exemption was extended by one year with effect from 1 April 2021). The Group will apply the amendments from the annual period beginning 1 January 2021
IFRS 16 Leases	<p>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.</p> <p>The amendment to IFRS 16 enables a company to apply a practical expedient to account for a lease modification required by the IBOR reform.</p>	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	2019
		\$'000	\$'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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2020 (continued)

		Group	
		2020	2019
		\$'000	\$'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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2020 (continued)

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

Group

Reconciliation of carrying value: right-of-use assets

2020

Carrying value as at 1 January 2020

Depreciation

Transfer to disposal group assets held for sale

Carrying value as at 31 December 2020

2019

Carrying value as at 1 April 2019 (on adoption of IFRS 16)

Depreciation

Carrying value as at 31 December 2019

Reconciliation of carrying value: lease liabilities

2020

Carrying value as at 1 January 2020

Finance costs

Lease payments

Additions

Transfer to disposal group assets held for sale

Carrying value as at 31 December 2020

2019

Carrying value as at 1 April 2019 (on adoption of IFRS 16)

Finance costs

Lease payments

Carrying value as at 31 December 2019

Less: Current portion

Non-current portion

	Land and buildings \$'000	Plant and machinery \$'000	Total \$'000
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
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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2020 (continued)

4. GOODWILL

Arising on obtaining control of subsidiaries

Reconciliation of carrying value

At the beginning of the period

– Cost

– Accumulated impairment

Transfer to disposal group assets held for sale

At the end of the period

Group	
2020	2019
\$'000	\$'000
60	60
60	60
60	60
–	–
(60)	–
–	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.

5. SUBSIDIARY COMPANIES

Shares at cost less impairment

Company	
2020	2019
\$'000	\$'000
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		% of exercisable voting rights	
			2020	2019	2020	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	2019
		\$'000	\$'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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2020 (continued)

		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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2020 (continued)

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.

13. OTHER RESERVES

FCTR at the beginning of the period
Exchange differences on translation
At the end of the period

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
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

14. BORROWINGS

Bank borrowings
Current portion of borrowings

Secured

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.

Floating rates

Maturity of these borrowings is as follows:

Due within one year
Due within two to five years
Due after five years

Weighted average effective interest rates (%)

	Group	
	2020 \$'000	2019 \$'000
Bank borrowings	–	66 566
Current portion of borrowings	–	(9 310)
	–	57 256
Secured	–	57 256
Floating rates	–	66 566
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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2020 (continued)

	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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2020 (continued)

	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		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	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	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	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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2020 (continued)

		Group	
		2020	2019
		\$'000	\$'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		2019	
	Gross \$'000	Net \$'000	Gross \$'000	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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2020 (continued)

25. KEY MANAGEMENT COMPENSATION

Group

Directors

Twelve months ended 31 December 2020	Board	Salary	Other	Share-	Bonus	Total
	fees	\$'000	benefits	based	\$'000	\$'000
	\$'000	\$'000	\$'000	compensa-		
				tion		
				\$'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	Salary	Other	Severance	Share-	Bonus	Total
	fees	\$'000	benefits	\$'000	based	\$'000	\$'000
	\$'000	\$'000	\$'000	\$'000	compensa-		
					tion		
					\$'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 compensa- tion \$'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 Cirolì	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 2020	Direct beneficial		Indirect beneficial		Associates	
	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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2020 (continued)

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2020 (continued)

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2020 (continued)

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2020 (continued)

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	2019	2020	2019	2020	2019
\$'000	\$'000	\$'000	\$'000	\$'000	\$'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

	Issued share capital \$'000	Effective interest %	2020		2019	
			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.

NOTICE TO SHAREHOLDERS OF ANNUAL GENERAL MEETING



MONTAUK HOLDINGS LIMITED

Incorporated in the Republic of South Africa
Registration number: 2010/017811/06
("Montauk" or "the Company" or "the Group")

NOTICE IS HEREBY GIVEN that the annual general meeting of Montauk Holdings Limited ("the Company") will be held on Monday, 30 August 2021 at 14:00 at 76 Regent Road, Sea Point, 8005 and via electronic communication as permitted by the Companies Act, No. 71 of 2008, as amended ("the Companies Act" or "Act") and by the Company's Memorandum of Incorporation ("MOI").

We believe hosting an in-person meeting and a virtual meeting enables participation by more of our shareholders. Further, we believe the virtual meeting format is even more critical considering the ongoing COVID-19 pandemic, as the safety of our employees and shareholders is our priority. Shareholders attending the virtual meeting will be afforded the same rights and opportunities to participate as they would at an in-person meeting. We encourage you to attend online and participate. We recommend that you log in a few minutes before 14:00 on Monday, 30 August 2021 to ensure you are logged in when the annual general meeting starts.

VIRTUAL PARTICIPATION AT THE ANNUAL GENERAL MEETING

Shareholders or their duly appointed proxy(ies) who wish to participate in the annual general meeting via electronic communication must apply to Computershare, by sending an e-mail to proxy@computershare.co.za to be received by Computershare by no later than 14:00 on Thursday, 26 August 2021.

Computershare will first validate such requests and confirm the identity of the shareholder in terms of section 63(1) of the Companies Act and, if the request is validated, further details on using the electronic communication facility will be provided. Computershare will inform participants who notified them of their intended participation by no later than 14:00 on Thursday, 26 August 2021 by e-mail of the relevant details through which participants can participate electronically. Shareholders who wish to vote at the meeting, will be e-mailed a ballot form for this purpose. Once completed, the ballot form must be returned to proxy@computershare.co.za.

The costs of accessing any means of electronic participation will be borne by the shareholder. The shareholder shall not be able to vote electronically. The Company reserves the right not to provide for electronic participation at the annual general meeting in the event that it may be impractical to do so.

IN-PERSON PARTICIPATION AT THE ANNUAL GENERAL MEETING

Shareholders or their duly appointed proxy(ies) who wish to participate in the annual general meeting at the registered office of the Company must apply to the Company Secretary, by sending an e-mail to cshapiro@hci.co.za to be received by the Company Secretary by no later than 14:00 on Thursday, 26 August 2021. This is to ensure that all COVID-19 protocols are met.

This document is available in English only. The proceedings at the meeting will be conducted in English.

GENERAL INSTRUCTIONS AND INFORMATION

Participants at the annual general meeting will be required to provide proof of identification to the reasonable satisfaction of the chairman of the annual general meeting and must accordingly provide a copy of their identity document, passport or driver's licence at the annual general meeting for verification.

The board of directors of the Company determined, in accordance with section 59 of the Companies Act, that the record date for the purpose of determining which shareholders of the Company were entitled to receive notice of the annual general meeting was 16 July 2021 and the record date for purposes of determining which shareholders of the Company are entitled to participate in and vote at the annual general meeting is Friday, 20 August 2021. Accordingly, only shareholders who are registered in the register of shareholders of the Company on Friday, 20 August 2021 will be entitled to participate in and vote at the annual general meeting.

All shareholders of ordinary shares in the Company ("shares") are entitled to attend, speak and vote at the annual general meeting. If you hold certificated shares (i.e. have not

NOTICE TO SHAREHOLDERS OF ANNUAL GENERAL MEETING

continued

dematerialised your shares in the Company) or are registered as an “own name” dematerialised shareholder (i.e. have specifically instructed your Central Securities Depository Participant (“CSDP”) to hold your shares in your own name on the Company’s sub-register), then:

- you may attend and vote at the annual general meeting; alternatively
- you may appoint one or more proxies (who need not be shareholders of the Company) to represent you at the annual general meeting by completing the attached form of proxy and returning it to the office of the transfer secretaries, to be received by no later than 14:00 on Thursday, 26 August 2021.

Should you wish to participate in the annual general meeting you are required to give notice of such proposed participation to the Company at its registered office or by sending an e-mail to cshapiro@hci.co.za or at the office of the transfer secretaries or by sending an e-mail to proxy@computershare.co.za to be received by no later than 14:00 on Thursday, 26 August 2021. If you wish to participate in the annual general meeting in person, at the registered office of the Company, you must apply to the Company Secretary, by sending an e-mail to cshapiro@hci.co.za by no later than 14:00 on Thursday, 26 August 2021. In order for the notice to be valid, it must be accompanied by the following:

- if the shareholder is an individual, a certified copy of his identity document and/or passport;
- if the shareholder is not an individual, a certified copy of the resolution adopted by the relevant entity authorising the representative to represent the shareholder at the annual general meeting and a certified copy of the authorised representative’s identity document and/or passport;
- a valid e-mail address and/or facsimile number for the purpose of receiving details of the electronic meeting. Upon receipt of the aforesaid notice and documents, the Company shall notify you of the relevant details of the electronic meeting by way of electronic communication.

Please note that if you own dematerialised shares (i.e. have replaced the paper share certificates representing the shares with electronic records of ownership under the electronic settlement system held through a CSDP or broker (or their nominee) and are not registered as an “own name” dematerialised shareholder you are not a registered shareholder of the Company. Accordingly, in these circumstances, subject to the mandate between yourself and your CSDP or broker, as the case may be:

- if you wish to attend the annual general meeting, you must contact your CSDP or broker, as the case may be,

and obtain the relevant letter of representation from it; alternatively

- if you are unable to attend the annual general meeting but wish to be represented at the meeting, you must contact your CSDP or broker, as the case may be, and furnish it with your voting instructions in respect of the annual general meeting and/or request it to appoint a proxy. You must not complete the attached form of proxy.

The instructions must be provided in accordance with the mandate between yourself and your CSDP or broker, as the case may be, within the time period required by your CSDP or broker, as the case may be. CSDPs, brokers or their nominees, as the case may be, recorded in the Company’s sub-register as holders of dematerialised shares held on behalf of an investor/beneficial owner should, when authorised in terms of their mandate or instructed to do so by the person on behalf of whom they hold dematerialised shares, vote by either appointing a duly authorised representative to attend and vote at the annual general meeting or by completing the attached form of proxy in accordance with the instructions thereon and returning it to the office of the Company’s transfer secretaries to be received by 14:00 on 26 August 2021 for administrative purposes, or by sending such form, to the Company Secretary, by e-mail to cshapiro@hci.co.za, before the proxy exercises any rights of the shareholder at the meeting. In order to facilitate proceedings at the annual general meeting, shareholders intending to appoint a proxy are requested to do so as soon as is reasonably possible.

Computershare will first validate such request and confirm the identity of the shareholder, in terms of section 63(1) of the Companies Act and, if the request is validated, further details on using the electronic communication facility will be provided. Computershare will inform participants who notified them of their intended participation by no later than 14:00 on Friday, 27 August 2021 by e-mail of the relevant details through which participants can participate in the meeting.

Shareholders of the Company that are companies, that wish to participate in the annual general meeting, may authorise any person to act as its representative at the annual general meeting.

ADMINISTRATION REQUEST

The board of directors would like to request that all shareholders of the company, consider opting for the receipt of notices via e-mail by sending their e-mail address to proxy@computershare.co.za. If you prefer to receive it via post please send your updated postal address to proxy@computershare.co.za.

VOTING AT THE ANNUAL GENERAL MEETING

On a poll the holders of ordinary no par value shares are entitled to 1 (one) vote per ordinary share.

Unless otherwise specifically provided below, for any of the ordinary resolutions to be adopted, more than 50% of the voting rights exercised on each such ordinary resolution must be exercised in favour thereof. For any special resolutions to be adopted, more than 75% of the voting rights exercised on each special resolution must be exercised in favour thereof.

The annual financial statements for the year ended 31 December 2020 to which this notice of annual general meeting is attached provides details of:

- the major shareholders of the Company on page 1; and
- the share capital of the Company in note 12 and an analysis of shareholders on page 1.

NO CHANGE STATEMENT

The Company entered into a series of transactions, including an equity exchange and distribution collectively referred to as the “Reorganisation Transaction”, as detailed in note 30 of the annual financial statements. The Reorganisation Transaction resulted in the Company being delisted from the JSE on 21 January 2021.

There are no legal or arbitration proceedings that may materially affect the financial position of the Group between 31 December 2020 and the date of this report, other than as provided in the directors’ report on page 11.

DIRECTORS’ RESPONSIBILITY STATEMENT

The directors accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made, and that the annual financial statements for the year ended 31 December 2020 and this notice provide all information required by law.

PURPOSE OF ANNUAL GENERAL MEETING

The purpose of the annual general meeting is for the following business to be transacted and to consider and, if approved, to pass with or without modification, the following ordinary and special resolutions, in the manner required by the Company’s MOI and the Act.

1. Presentation of the audited annual financial statements, including the reports of the directors, external auditors and the audit and risk committee, for the period ended 31 December 2020

The Act requires the Company to present the annual financial statements (including the report of the audit and risk committee and the directors’ report) for the period ended 31 December 2020, as approved by the board of directors, at the annual general meeting of the Company.

The directors’ report is set out on pages 11 to 12, and the report of the audit and risk committee is set out on page 5 of the annual financial statements to which this notice of annual general meeting is attached.

2. Presentation of report of the social and ethics committee

In accordance with Regulation 43 of the Companies Regulations, 2011, the Company’s report of the social and ethics committee for the period ended 31 December 2020, prepared and approved by the Company’s social and ethics committee and set out on page 6 of the annual financial statements, to which this notice of annual general meeting is attached, will be presented to the shareholders of the Company. Any specific questions to the social and ethics committee may be sent to the company secretary prior to the annual general meeting.

3. Election of directors – ordinary resolution numbers 1.1, 1.2 and 1.3

3.1 Election of Mr JA Copelyn as director – ordinary resolution number 1.1

“Resolved that Mr JA Copelyn be and is hereby elected as a director of the Company.”

3.2 Election of Mr TG Govender as director – ordinary resolution number 1.2

“Resolved that Mr TG Govender be and is hereby elected as a director of the Company.”

3.3 Election of Mr MH Ahmed as director – ordinary resolution number 1.3

“Resolved that Mr MH Ahmed be and is hereby elected as a director of the Company.”

Explanatory note

Mr JA Copelyn, Mr TG Govender and Mr MH Ahmed retire as directors in accordance with the Company’s MOI but, being eligible, each offer themselves for re-election as a director of the Company.

Mr JA Copelyn

(BA (Hons), BProc) South Africa

Mr John Copelyn is the non-executive chairman of Montauk. He was appointed to the board in 2010. He is the chief executive officer of Hosken Consolidated Investments (“HCI”), the Group’s previous holding company. John was previously general secretary of various unions in the clothing and textile industry from 1974 before becoming a member of parliament in 1994. He currently holds various directorships and is non-executive chairman of eMedia Holdings Limited, Deneb Investments Limited, Tsogo Sun Gaming Limited and Tsogo Sun Hotels Limited.

NOTICE TO SHAREHOLDERS OF ANNUAL GENERAL MEETING

continued

Mr TG Govender (Kevin)

(BCompt, (Hons)) South Africa

Mr Kevin Govender is an executive director of HCI and has held various positions within the HCI group since he joined the Group in 1997. He holds directorships in numerous HCI subsidiaries, including Deneb Investments Limited, Hosken Passenger Logistics and Rail Limited, and eMedia Holdings Limited. He is also a trustee of the HCI Foundation.

Mr MH Ahmed

(BCompt) South Africa

Mr Mohamed Ahmed is a businessman and has held directorships in numerous listed and unlisted companies. Mohamed is currently the lead independent director and chairman of the audit and risk committee of Deneb Investments Limited, Tsogo Sun Hotels Limited and Hospitality Property Fund Limited.

The board has considered the proposed election of Mr JA Copelyn, Mr TG Govender and Mr MH Ahmed and recommends that they be elected as directors of the Company.

The reason for ordinary resolution number 1.1 is to re-elect Mr JA Copelyn, who retires as a director in accordance with the Company's MOI. The reason for ordinary resolution number 1.2 is to re-elect Mr TG Govender, who retires as a director in accordance with the Company's MOI. The reason for ordinary resolution number 1.3 is to re-elect Mr MH Ahmed, who retires as a director in accordance with the Company's MOI. Accordingly, shareholders are requested to consider and if deemed fit, to re-elect Mr JA Copelyn, Mr TG Govender and Mr MH Ahmed by way of passing the ordinary resolutions set out above.

4. Reappointment of auditor – ordinary resolution number 2

“Resolved that BDO South Africa Incorporated and Mr B Frey, as designated auditor, is hereby appointed as the auditor to the Company for the ensuing year.”

Explanatory note

The reason for ordinary resolution number 2 is that the Company, being a public company, must have its financial results audited and such auditor must be appointed or reappointed each year at the annual general meeting of the Company as required by the Act.

The Company's audit and risk committee has recommended that BDO South Africa Incorporated be reappointed as the auditors of the Company, for the ensuing year and to note that the individual registered auditor who will undertake the

audit during the financial year ending 31 December 2021 is Mr B Frey. Accordingly, the directors propose that the above resolution be adopted.

5. Appointment of audit and risk committee – ordinary resolution numbers 3.1, 3.2 and 3.3

5.1 Appointment of Mr MH Ahmed to the audit and risk committee – ordinary resolution number 3.1

“Resolved that Mr MH Ahmed be and is hereby appointed to the audit and risk committee of the Company for the ensuing year.”

5.2 Appointment of Ms NB Jappie to the audit and risk committee – ordinary resolution number 3.2

“Resolved that Ms NB Jappie be and is hereby appointed to the audit and risk committee of the Company for the ensuing year.”

Ms NB Jappie

(MSc Social Sciences) South Africa

Ms Naziema Jappie is a businesswoman and previously held positions in various labour unions. She is a non-executive director of Deneb Investments Limited, and Hosken Passenger Logistics and Rail Limited, and a member of their audit and risk committees. She has served as an executive director at the Durban University of Technology and Dean of Students at Wits University and is currently the Director: Centre for Educational Testing for Access and Placement at the University of Cape Town.

5.3 Appointment of Mr BS Raynor to the audit and risk committee – ordinary resolution number 3.3

“Resolved that Mr BS Raynor be and is hereby appointed to the audit and risk committee of the Company for the ensuing year.”

Mr BS Raynor

(BSc Labour Relations) United States of America

Mr Bruce Raynor is a former executive vice president of the Service Employees International Union in the United States and former president of the United States union, “Workers United”. He was chairman of several union-affiliated national pension and insurance funds and was chairman of Amalgamated Life Insurance Company and Amalgamated Bank, the only union-owned bank in the United States. Bruce is currently president of The Sidney Hillman Foundation, a foundation that

supports and rewards socially conscious journalism and the principal of R and S Associates LLC, a consulting firm based in New York.

Explanatory note

The reason for ordinary resolution numbers 3.1 to 3.3 is that the Company, being a public company, must appoint an audit and risk committee, comprising at least three members. The Act also requires that the members of such audit and risk committee be appointed at each annual general meeting of a company.

The board has considered the proposed appointment of Mr MH Ahmed, Ms NB Jappie and Mr BS Raynor and recommends that they be appointed as members of the audit and risk committee.

6. General authority over authorised but unissued shares – ordinary resolution number 4

“Resolved, as an ordinary resolution, that subject to the MOI of the Company and the Companies Act, the directors of the Company are, by way of a general authority and approval, authorised as they in their discretion think fit, to allot and issue the authorised but unissued ordinary shares in the capital of the company to such person(s) and upon such terms and conditions as the directors may determine. Such authority to remain valid until the conclusion of the next annual general meeting.”

Explanatory note

In terms of the Company’s MOI, the shareholders of the Company may authorise the directors to, inter alia, issue any authorised but unissued ordinary shares and/or grant options over them on such terms and conditions and to such person(s) whether they be shareholder(s) or not, as the directors in their discretion deem fit. The authority will be subject to the provisions of the Act. The board has decided to seek annual renewal of this authority from the shareholders of the Company in accordance with best practice. The board has no current plans to make use of this authority, but wishes to ensure, by having this authority in place, that the Company retains its flexibility in managing the group’s capital resources and to enable the Company to take advantage of any business opportunity that may arise in the future.

7. Approval of annual fees to be paid to non-executive directors – special resolution number 1

“To approve for the period 1 January 2022 until 31 December 2022, the remuneration payable to non-

executive directors of the Company for their services as directors and members of board committees as follows:

Membership	Fee (excl. VAT) (R)
Board member	133 772
Audit and risk committee member	53 509
Social and ethics committee member	53 509”

Explanatory note

This resolution is proposed in order to comply with the requirements of the Act. In terms of section 65(11)(h) of the Act read with sections 66(8) and 66(9) of the Act, remuneration may only be paid to directors for their services as directors in accordance with a special resolution approved by the holders within the previous 2 (two) years and, only if this is not prohibited in terms of the Company’s MOI.

The payment of remuneration to directors for their services as directors is not prohibited by the Company’s MOI. This special resolution applies only to non-executive directors, as executive directors are required to attend meetings as part of their terms of employment and do not receive remuneration for their services as directors in addition to salaries they receive by virtue of their employment by the Company.

The proposed directors’ remuneration payable to non-executive directors is based on best practice and aimed at ensuring fair and competitive remuneration practices. It is important for the Company to attract new directors and retain directors with the relevant capabilities, skills and experience required to effectively conduct the business of the board and lead the Company according to its strategic priorities.

In accordance with this resolution board members will be entitled to a maximum of R53 509 in respect of their membership of board committees, irrespective of the number of committees they serve on.

8. General authority to repurchase Company shares – special resolution number 2

“Resolved that the Company hereby approves, as a general approval contemplated in sections 46 and 48 of the Act (including but limited to section 48(8)(a) of the Act), the acquisition by the Company or any of its subsidiaries from time to time of the issued shares of the Company, upon such terms and conditions and in such amounts as the directors of the Company may from time to time determine, but subject to the MOI, the provisions

NOTICE TO SHAREHOLDERS OF ANNUAL GENERAL MEETING

continued

of the Act as presently constituted and which may be amended from time to time, and provided that:

- the Company (or any subsidiary) is authorised to do so in terms of its MOI;
- this general authority shall only be valid until the Company's next annual general meeting, provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this special resolution;
- the repurchase shall only be effected if the board of directors has at the time of the repurchase passed a resolution authorising the repurchase in terms of sections 48 and 46 of the Companies Act and it reasonably appears that the Company and its subsidiaries have satisfied the solvency and liquidity test and that, since the test was performed, there have been no material changes to the financial position of the Company and its subsidiaries."

Explanatory note

The reason for special resolution number 2 is to grant the Company a general authority in terms of the Act for the acquisition by the Company, or any of its subsidiaries, of shares issued by the Company, which authority shall be valid until the next annual general meeting of the Company.

The passing and registration of this special resolution will have the effect of authorising the Company or any of its subsidiaries to acquire shares issued by the Company.

9. Amendment of Company's MOI – special resolution number 3

The shareholders of the Company wish to adopt a special resolution amending certain clauses in the MOI of the Company as contemplated in section 16(1)(c) of the Companies Act. The special resolutions set out herein will take effect from the date on which the relevant Notice of Amendment of Memorandum of Incorporation is filed with the Companies and Intellectual Property Commission.

"By way of special resolution, the shareholders of the Company hereby resolve that the MOI of the Company be and is hereby amended in accordance with the provisions set out in **Annexure 1** hereto."

Explanatory note

The shares of the Company were previously listed on the JSE, but were delisted during January 2021. The existing MOI of the Company still contains a number of provisions which now erroneously refer to compliance

with the JSE Listings Requirements (notwithstanding that the shares are no longer listed on that exchange), as well as provisions previously included as a result of the requirement therefor in terms of Schedule 10 to the JSE Listings Requirements. Those provisions are no longer applicable to the Company and compliance therewith is no longer practical in the context of the Company, since it no longer holds assets (other than some shares in Montauk Renewables, Inc. primarily held to enable it to settle its liabilities) and does not conduct an operational business.

By way of example, it is no longer practical to have a board of directors comprising at least 5 (five) members (with the costs associated therewith), or a need to require non-executive directors to rotate annually at the Company's annual general meeting. The Company remains a public company and therefore remains obliged to comply with those provisions contained in the Companies Act applicable to public companies, including the need to have its annual financial statement audited, to appoint an audit committee and social and ethics committee and to comply with the Takeover Regulations.

The board of directors therefore believes it to be appropriate and in the best interest of the Company to make certain amendments to the MOI, as set out in Annexure 1. A full copy of the MOI, incorporating the proposed amendments, will be available from the Company from the date of this notice until the date of the annual general meeting. Shareholders who wish to have sight of that document should please contact **HCI Managerial Services** at info@hci.co.za.

10. Authorisation of directors – ordinary resolution number 5

"Resolved that each and every director of the Company be and is hereby authorised to do all such things and sign all such documents as may be necessary or incidental to the implementation of the resolutions passed at this annual general meeting."

11. To transact such other business which may be transacted at an annual general meeting.

By order of the board

Cape Town
30 July 2021

ANNEXURE 1

AMENDMENTS TO THE MEMORANDUM OF INCORPORATION OF THE COMPANY

The existing Memorandum of Incorporation (“MOI”) of the Company be and is hereby amended as follows:

1. the insertion of the underlined words on the first page of the MOI:

“This MOI was adopted by Special Resolution passed on 30 August 2011 in substitution for the existing memorandum and articles of the Company, and amended by a Special Resolution passed on 30 August 2021.”;

2. the deletion of the underlined words from clause 9.1.:

“9.1. The Board shall not have the power to issue authorised Securities (other than as contemplated in clause 9.4.) without the prior approval contemplated in clause 9.2. and the approval of the JSE (to the extent necessary)”;

3. the substitution of clauses 9.2. and the replacement thereof with the following new clause 9.2.:

“9.2. As regards the issue of:

9.2.1. Shares contemplated in sections 41(1) and (3) of the Companies Act, the Directors shall not have the power to allot or issue same without the prior approval of a Special Resolution;

9.2.2. other Securities including options in respect thereof, the Directors shall not have the power to allot or issue same without the prior approval of an Ordinary Resolution.”;

4. the deletion of clause 9.5. in its entirety;

5. the deletion of the underlined words from clause 11.4.1.4.:

“11.4.1.4. any restriction on the transfer of the Securities (which are not listed on the JSE) evidenced by that certificate;”

6. the deletion of clause 11.11.;

7. the deletion of the underlined words from clause 19.2.:

“19.2. The Company shall hold a Shareholders Meeting in order to consider 1 (one) or more resolutions and shall not permit resolution(s) that could be voted on at a Shareholders Meeting to be dealt with by written resolutions in accordance with section 60 of the Act, provided that, save as stipulated in clause 19.3., all Shareholder Meetings convened

in terms of the listings requirements of the JSE must be held “in person” and may not be held by means of a written resolution as contemplated in Section 60 of the Act.”

8. the deletion of clause 19.3. and the replacement thereof with the following new clause 19.3.:

“19.3. [reserved for future use]”

9. the deletion of clause 19.4. and the replacement thereof with the following new clause 19.4.:

“19.4. [reserved for future use]”

10. the deletion of the underlined words from clause 19.10.:

“A Shareholders Meeting shall be called by at least 15 (fifteen) Business Days’ notice Delivered by the Company to all Holders entitled to vote or otherwise entitled to receive notice and to the JSE. An announcement shall also be made on SENS.”;

11. the substitution of clause 20.1. with a new clause 20.1., which shall read as follows:

“20.1. The Board shall determine the Record Date in accordance with the Companies Act.”

12. the deletion of clause 20.3. in its entirety;

13. the deletion of “5 (five)” in line one of clause 21.1. and the replacement thereof with “3 (three)”

14. the deletion of clause 21.2. and the replacement thereof with the following new clause 21.2.:

“21.2. [reserved for future use]”

15. the deletion of the underlined words from clause 21.3.:

“21.3. Each of the Directors and the Alternate Directors, other than a Director contemplated in clause 21.9., shall be elected (which in the case of a vacancy arising shall take place at the next Annual General Meeting), in accordance with clause 21.6., to serve for a term of 3 (three) years as a Director or Alternate Director. An Alternate Director shall serve in the place of 1 (one) or more Director(s) named in the resolution electing her/him during the Director’s(s’) absence or inability to act as Director. If a Person is an Alternate Director to more than 1 (one) Director or if an Alternate Director is also a Director, she/he shall have a separate vote, on behalf of each Director she/he is representing in addition to her/his own vote, if any.”

16. the substitution of clause 22.2. with a new clause 22.2., which shall read as follows:

"22.2. when her/his term of office expires, if applicable;"

17. the deletion of the underlined words from clause 25.1.:

"25.1. Subject to any provision of the Companies Act, ~~the listings requirements of the JSE~~ and this MOI to the contrary, the powers of management granted to the Directors in terms of section 66(1) of the Companies Act are not limited."

18. the deletion of clause 25.3. in its entirety;

19. the substitution of clause 26.1. with a new clause 26.1., which shall read as follows:

"26.1. The Directors may appoint any number of Board committees and delegate to such committees any authority of the Board. A Director may be appointed to more than 1 (one) Board committee. The members of such committees may include Persons who are not Directors as long as they are not Ineligible or Disqualified to be Directors, are not Directors or Alternate Directors or Prescribed Officers of a competitive business to that carried on by the Company or any of its Subsidiaries (including foreign subsidiaries), and provided that they shall not be able to vote."

20. the substitution of clause 28.6. with a new clause 28.6., which shall read as follows:

"28.6. The quorum for a Directors' meeting shall be a majority of the Directors entitled to vote on at least one resolution proposed for adoption at the meeting."

21. the substitution of clause 28.13. with a new clause 28.13., which shall read as follows:

"28.13. A round robin resolution shall be as valid and effectual as if it had been passed at a meeting of the Directors duly called and constituted, provided that each Director who is able to receive notice, has received notice of the matter to be decided upon. One or more Alternate Directors shall be entitled to sign a round robin resolution if one or more Directors are not present to sign, and without his/their vote/s the requisite majority cannot be achieved. For the purposes hereof a round robin resolution means a resolution passed other than at a meeting of Directors, in respect of which, subject to clause 28.10., the majority of Directors who are entitled to vote on such

resolution, voted in favour by signing in Writing a resolution in counterparts, within 20 (twenty) Business Days after the resolution was submitted to them."

22. the substitution of clause 31.3. with a new clause 31.3., which shall read as follows:

"31.3. All unclaimed dividends or other Distributions as contemplated in this clause may be invested or otherwise be made use of by the Directors for the benefit of the Company until claimed or paid, provided that any dividend or other Distribution remaining unclaimed for a period of not less than 3 (three) years from the date on which it became payable may be forfeited by resolution of the Directors for the benefit of the Company, or alternatively transferred to the Guardians Fund. An unclaimed dividend or other Distribution shall, when claimed or paid, be paid without interest. If after a dividend or other Distribution becomes unclaimed but prior to the expiry of a period of 3 (three) years from the date on which it became payable, the Company has been provided with a notice of change of address or instructions as to payment, such dividend or other Distribution shall be paid in accordance with such notice of change of address or instructions and only if it is still unclaimed thereafter may it be forfeited at the end of that 3 (three) year period from the date on which it originally became payable."

23. the deletion of clause 31.6. in its entirety;

24. the substitution of clause 33.1. (which incorrectly reads 33.1.1.) with a new clause 33.1., which shall read as follows:

"33.1. Subject to clause 33.6., the Company may give notices, documents, records or statements or notices of availability of the foregoing, to the registered address of the Holder or Holder of Beneficial Interests, through any of the methods set out in the Regulations and, without limitation, by personal delivery to the Holder or holder of Beneficial Interests or by sending them prepaid through the post or by transmitting them by e-mail or fax. The Company must give notice of any Meeting to each Person entitled to vote at such Meeting who has elected to receive such notice other than proxies."

25. the deletion of clause 36 and the following insertion:

"36. [RESERVED FOR FUTURE USE]"

FORM OF PROXY



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

I/We, _____ (name in full)

of address _____

being a registered holder of _____ ordinary shares in the company,

hereby appoint

1. _____ or failing him/her,

2. _____ or failing him/her,

3. _____ or failing him/her,

the chairman of the meeting, as my/our proxy to vote for me/us and on my/our behalf at the annual general meeting of the Company to be held on Monday, 30 August 2021 at 14:00 at 76 Regent Road, Sea Point, 8005 and via electronic communication as permitted by the Companies Act, No. 71 of 2008, as amended ("the Companies Act" or "Act") and by the Company's Memorandum of Incorporation ("MOI") and at any adjournment thereof as follows:

Agenda	Resolution No.	Description	For	Against	Abstain
3.1	Ordinary resolution 1.1	Election of director: Mr JA Copelyn			
3.2	Ordinary resolution 1.2	Election of director: Mr TG Govender			
3.3	Ordinary resolution 1.3	Election of director: Mr MH Ahmed			
4	Ordinary resolution 2	Reappointment of auditor			
5.1	Ordinary resolution 3.1	Appointment of audit and risk committee member: Mr MH Ahmed			
5.2	Ordinary resolution 3.2	Appointment of audit and risk committee member: Ms NB Jappie			
5.3	Ordinary resolution 3.3	Appointment of audit and risk committee member: Mr BS Raynor			
6	Ordinary resolution 4	General authority over unissued shares			
7	Special resolution 1	Approval of annual fees to be paid to non-executive directors			
8	Special resolution 2	General authority to repurchase Company shares			
9	Special resolution 3	Amendment of Company's MOI			
10	Ordinary resolution 5	Authorisation of directors to implement resolutions passed			

Indicate instructions to proxy by way of a cross (X) in the spaces provided above.

Unless otherwise instructed my/our proxy may vote as he/she thinks fit.

Signed this _____ day of _____ 2021.

Signature _____

Assisted by me (where applicable) _____

Please read the notes overleaf

NOTES TO THE FORM OF PROXY

1. A form of proxy is only to be completed by those shareholders who are:
 - holding shares in certificated form; or
 - recorded in the sub-register in dematerialised electronic form in “own name”.
2. If you have already dematerialised your ordinary shares through a Central Securities Depository Participant (“CSDP”) or broker, other than with “own name” registration, and wish to attend the general meeting, you must request your CSDP or broker to provide you with a letter of representation or you must instruct your CSDP or broker to vote by proxy on your behalf in terms of the agreement entered into by yourself and the CSDP or broker.
3. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, speak and vote in his/her stead. A proxy need not be a member of the company.
4. Every person present and entitled to vote at the meeting as a member or as a proxy or as a representative of a body corporate shall, on a show of hands, have one vote only, irrespective of the number of shares such person holds or represents but, in the event of a poll, a member shall be entitled to that proportion of the total votes in the Company which the aggregate amount of the nominal value of the shares held by him/her bears to the aggregate amount of the nominal value of all the shares issued by the Company.
5. Please insert the relevant number of shares/votes and indicate with an X in the appropriate spaces on the face hereof how you wish your votes to be cast. If you return this form duly signed without any specific directions, the proxy will vote or abstain from voting at his/her discretion.
6. A deletion of any printed details and the completion of any blank space/s need not be signed or initialled. Any alteration must be initialled.
7. The chairman of the general meeting shall be entitled to decline to accept the authority of the signatory under a power of attorney, or on behalf of a company, unless the power of attorney or authority is produced or has been registered.
8. The signatory may insert the name of any person/s who the signatory wishes to appoint as his/her proxy, in the blank space/s provided for that purpose.
9. When there are joint holders of shares and if more than one such joint holder be presented or represented, then the person whose name stands first in the register in respect of such shares or his/her proxy, as the case may be, shall alone be entitled to vote in respect thereof.
10. A minor should be assisted by his/her parent or legal guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered.
11. The completion and lodging of this proxy form will not preclude the signatory from attending the general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof should such signatory wish to do so.
12. A shareholder’s Instructions must be indicated by the insertion of a cross, or where applicable, the relevant number of votes exercisable by the shareholder, in the appropriate box of this proxy form.
13. If the signatory does not indicate how he/she wishes to vote in the appropriate place/s on the face hereof in respect of the resolution, his/her proxy shall be entitled to vote as he/she deems fit in respect of the resolutions.
14. If the shareholding is not indicated on the proxy form, the proxy will be deemed to be authorised to vote the total shareholding.
15. The chairman of the general meeting may reject or accept any proxy form which is completed other than in accordance with these instructions, provided that he is satisfied as to the manner in which a shareholder wishes to vote.
16. Forms of proxy will not be accepted unless they have been returned by the shareholders concerned to Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (Private Bag X9000, Saxonwold 2132) so as to be received by no later than 14:00 on Thursday, 26 August 2021.

CORPORATE ADMINISTRATION

DIRECTORS

SF McClain¹
KA Van Asdalan¹
JA Copelyn
MA Jacobson²
TG Govender
NB Jappie
BS Raynor¹
MH Ahmed

¹ Nationality: United States of America

² Nationality: Australia

WEBSITE ADDRESS

www.montauk.co.za

COMPANY REGISTRATION NUMBER

2010/017811/06

SHARE CODE

MNK

ISIN

ZAE000197455

COMPANY SECRETARY AND REGISTERED OFFICE

HCI Managerial Services Proprietary Limited
Suite 801
76 Regent Road
Sea Point
Cape Town 8005

PO Box 5251

Cape Town 8000

Telephone: 021 481 7560

Telefax: 021 434 1539

AUDITORS

BDO South Africa Incorporated
Practice Number 903485
Wanderers Office Park
52 Corlett Drive
Illovo 2196

Private Bag X10046
Sandton 2146

BANKERS

Nedbank Limited

SPONSOR

Investec Bank Limited
100 Grayston Drive
Sandton, Sandown 2196

TRANSFER SECRETARIES

Computershare Investor Services Proprietary Limited
Rosebank Towers
15 Biermann Avenue
Rosebank 2196

Private Bag X9000
Saxonwold 2132



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