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

UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited 30 September 2017 $'000	Unaudited 30 September 2016 $'000	Audited 31 March 2017 $'000
ASSETS			
Non-current assets	156 927	122 833	156 960
Property, plant and equipment	112 323	92 767	101 330
Other non-current financial assets	7	3 357	4 185
Intangibles	21 932	25 663	23 398
Deferred taxation	21 763	-	26 825
Long-term receivables	902	1 046	1 222
Current assets	40 947	22 285	33 042
Inventories	1 588	1 187	1 053
Other current financial assets	45	3 808	3 582
Trade and other receivables	8 881	7 571	8 785
Taxation	10	-	-
Bank balances and deposits	30 423	9 719	19 622
Disposal group assets held for sale	769	2 621	770
Total assets	198 643	147 739	190 772
EQUITY AND LIABILITIES			
Equity	128 527	85 738	122 729
Equity attributable to equity holders of the parent	128 527	85 738	122 729
Non-current liabilities	47 715	52 382	42 052
Borrowings	41 349	45 706	35 837
Long-term provisions	6 350	6 676	6 215
Other non-current financial liabilities	16	-	-
Current liabilities	22 080	9 619	25 592
Trade and other payables	13 867	5 773	11 869
Other current financial liabilities	229	148	8
Current portion of borrowings	6 602	2 937	11 433
Taxation	399	175	450
Provisions	983	586	1 832
Non-current liabilities held for sale	321	-	399
Total equity and liabilities	198 643	147 739	190 772
Net asset carrying value per share (cents)	95	63	90

CONSOLIDATED INCOME STATEMENT

	% change	Unaudited 30 September 2017 $'000	Unaudited 30 September 2016 $'000
Revenue	26.3%	53 111	42 054
Expenses		(26 280)	(25 051)
EBITDA	57.8%	26 831	17 003
Other income (losses)		107	(91)
Depreciation and amortisation		(7 757)	(8 232)
Operating profit		19 181	8 680
Investment income		31	19
Finance costs		(1 952)	(2 471)
Loss on extinguishment of borrowings		(1 611)	-
Profit before taxation	151.3%	15 649	6 228
Taxation		(6 072)	(174)
Profit for the period		9 577	6 054
Attributable to:			
Equity holders of the parent		9 577	6 054

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Unaudited 30 September 2017 $'000	Unaudited 30 September 2016 $'000
Profit for the period	9 577	6 054
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation differences	83	33
Total comprehensive income	9 660	6 087
Attributable to:		
Equity holders of the parent	9 660	6 087

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unaudited Unaudited

	30 September 2017 $'000	30 September 2016 $'000
Balance at the beginning of the period	122 729	79 253
Current operations		
Total comprehensive profit	9 660	6 087
Equity-settled share-based payments	347	398
Dividends	(4 209)	-
Balance at the end of the period	128 527	85 738

RECONCILIATION OF HEADLINE EARNINGS

	% change	Unaudited six months ended 30 September 2017 $'000 Gross	Net	Unaudited six months ended 30 September 2016 $'000 Gross	Net
Earnings attributable to equity holders of the parent	58.2%		9 577		6 054
Losses on disposal of plant and equipment		6	6	97	97
Gain on disposal of intangible assets		(113)	(113)	-	-
Headline profit	54.0%		9 470		6 151
Basic earnings per share (cents)					
Earnings	57.4%		7.04		4.48
Headline earnings	53.2%		6.97		4.55
Weighted average number of shares in issue ('000)			135 940		135 256
Actual number of share in issue at end of period (net of treasury shares and shares issued in respect of restricted stock plan) ('000)			135 940		135 256
Diluted earnings per share (cents)					
Earnings	55.9%		6.96		4.46
Headline earnings	51.7%		6.88		4.53
Weighted average number of shares in issue ('000)			137 640		135 635

CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited 30 September 2017 $'000	Unaudited 30 September 2016 $'000
Cash flows from operating activities	19 956	5 521
Cash generated by operations	27 384	19 415
Net finance costs	(1 431)	(2 452)
Changes in working capital	(4 925)	(11 442)
Taxation paid	(1 072)	-
Cash flows from investing activities	(4 004)	1 718
Investments disposed of	7 759	471
Decrease in long-term receivables	311	-
Proceeds from insurance recovery	350	-
Intangible assets		
- Additions	(951)	-
- Disposals and refunds	638	4 843
Property, plant and equipment		
- Additions	(12 186)	(3 596)
- Disposals	75	-
Cash flows from financing activities	(5 236)	(7 564)
Debt issuance costs	(798)	(28)
Debt extinguishment costs	(1 127)	-
Dividends paid	(4 209)	-
Net funding raised/(repaid)	898	(7 536)
Increase/(decrease) in cash and cash equivalents	10 716	(325)
Cash and cash equivalents		
At the beginning of the period	19 622	10 010
Foreign exchange differences	85	34
At the end of the period	30 423	9 719
Bank balances and deposits	30 423	9 719

NOTES

The results for the six months ended 30 September 2017 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the disclosure requirements of IAS 34, the South African Institute of Chartered Accountants ("SAICA") Financial Reporting Guides as issued by the Accounting Practices Committee, the requirements of the South African Companies Act, 2008, and the Listings Requirements of the JSE Limited. The accounting policies applied by the Company in the preparation of these consolidated financial statements are consistent with those applied by the Company in its consolidated financial statements as at and for the year ended 31 March 2017. As required by the JSE Limited Listings Requirements, the Company reports headline earnings in accordance with Circular 2/2015: Headline Earnings as issued by the SAICA.

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

DISPOSAL GROUPS HELD FOR SALE

The Company has identified specific operating assets in its renewable electric generation operating portfolio to be held for sale. Those assets and corresponding liabilities are included in disposal groups held for sale in the statement of financial position.

RESULTS

Consolidated income statement

Revenue from the Company's renewable natural gas facilities increased by $8.3 million or 23.7% for the six months ended 30 September 2017 from the prior comparative six months. The Company produced 2.0 million MMBtus in renewable natural gas volumes, an increase of 3.0% over the prior comparative six months. During the six months ended 30 September 2017 the Company monetised 8.2 million RINs, a 7.5 million decrease in the number of RINs sold during the six months ended 30 September 2016. The decrease in RINs sold was attributable to an increase in gas volumes monetised under fixed-price contracts. At 30 September 2017 the Company had 1.4 million RINs generated and unsold. Average commodity pricing for natural gas during the six months ended 30 September 2017 was 29.7% higher than the prior comparative six months. Average pricing realised on RIN sales during the six months ended 30 September 2017 was 46.8% higher than average pricing realised in the prior comparative six months, partially attributed to the increase in the cellulosic waiver credit from calendar year 2016 to calendar year 2017. For the six months ended 30 September 2017 the Company monetised 52.0% of renewable natural gas production under fixed-price contracts.

Revenue from the Company's electric generation facilities increased by $2.8 million or 38.9% for the six months ended 30 September 2017 from the prior comparative six months. The Company produced 0.2 million MWh in renewable electric volumes, approximately equal to the prior comparative six months. Average commodity pricing for electricity during the six months ended 30 September 2017 was 15.8% higher than the prior comparative six months. For the six months ended 30 September 2017 the Company monetised 67.1% of renewable electric production under fixed-price contracts.

Operating expenses for the six months ended 30 September 2017 increased by $1.2 million or 4.9%. The gains recognised from the Company's hedging programmes for the six months ended 30 September 2017, as compared to the prior comparative six months, increased by $0.2 million.

In August 2017 the Company realised gains of $0.1 million on the sale of nitrogen oxide ("NOx") emission allowances for its Texas-based renewable electric generation facilities.

In August 2017 the Company recognised $1.6 million in expenses related to the early extinguishment of debt. Total cash paid associated with this expense was $1.1 million.

For the six months ended 30 September 2017 the Company has recognised $6.1 million in tax expense, of which $5.1 million was off-set against the Company's deferred tax asset.

Consolidated statement of financial position and cash flow

Fixed and intangible assets at 30 September 2017 include $28.2 million and $0.9 million in costs related to the construction of two renewable natural gas facilities, respectively. Deferred tax assets of $21.8 million at 30 September 2017 relate to the Company's net operating losses that may be utilised for set-off against future taxable income.

In July 2017 the Company paid in full the outstanding $8.8 million balance on its existing term loan. In August 2017 the Company paid in full the outstanding balance of $0.5 million on its existing revolving credit facility.

In August 2017 the Company entered into a credit agreement with a commercial bank, which provided for a three-year term loan facility in the amount of $20.0 million and a three-year $20.0 million revolving credit facility.

In August 2017 Bowerman Power LFG, LLC ("Bowerman"), a subsidiary of the Company that owns and operates a 20 MW electric generation facility in Southern California, entered into a credit agreement with a commercial bank, which provided for a five-year term loan facility in the amount of $27.5 million and a five-year revolving credit facility in the amount of $10.0 million. Bowerman used the proceeds from the term loan of $27.5 million, $1.8 million from the revolving credit facility and $10.0 million of restricted deposits to repay all indebtedness outstanding and related prepayment costs under the existing construction to term loan agreement.

The Company's consolidated borrowings at 30 September 2017 were $48.0 million, net of debt issuance costs. $19.7 million was outstanding on the Company's commercial bank facilities and $29.0 million was outstanding on the Bowerman commercial bank facilities. Of the total Company borrowings outstanding at 30 September 2017, $6.9 million is currently due within the next 12 months.

Cash flow from operating activities of $20.0 million for the six months ended 30 September 2017 was $14.4 million higher than the prior comparative six months, primarily driven by increases in EBITDA and changes in working capital related to the development of two renewable natural gas facilities. Included in cash flow from investing activities was asset additions of $13.1 million and $7.8 million of net changes in restricted deposits in conjunction with the debt refinancing. As of 30 September 2017, the Company had cash on hand of $30.4 million. Undrawn capacities of $12.8 million and $6.3 million remain under the Company's corporate and Bowerman revolving credit facilities, respectively.

CHIEF EXECUTIVE OFFICER'S REPORT

Cellulosic RINs

In July 2017 the EPA released the proposed volume obligations for 2018 of 238 million gallons cellulosic D3 RINs, representing a 23% decrease over the 2017 volume obligations for cellulosic D3 RINs of 311 million gallons. The 2018 proposal was below our expectations as the EPA used a new "rate of growth" methodology in this proposal instead of a previously used "facility-by-facility" analysis. This "rate of growth" methodology fails to take into account renewable natural gas ("RNG") projects under construction or undergoing retrofit to add fuel volume and has the potential to be inaccurate. In the interim, the EPA accepted comments through 31 August 2017 from industry participants (including Montauk) on the volumes which it intends to use in finalising the volume obligations to accurately reflect actual production while promoting the growth of cellulosic biofuels. Montauk has taken an active role in the process by providing comments both individually and collectively through various renewable energy organisations to assist the EPA in setting volume obligations that meet the projected production for the industry. The proposed volume obligations are expected to be finalised by the EPA by 30 November 2017.

Development activities
In October 2016 the Company entered into an agreement with one of its existing landfill counterparties that provides the option to build, own and operate a RNG facility for a term of 20 years from commercial operation. Upon commercial operation this new facility will process up to 7 500 standard cubic feet per minute ("scfm") of methane, a portion of which is currently being allocated to the Company's on-site electric facility that monetises power at market-rate commodity pricing. Commercial operation of the RNG project is targeted to commence early in the 2019 financial year and will replace the existing on-site electric facility.

In June 2017 the Company entered into an agreement with a new landfill counterparty to build, own and operate the gas collection system and a RNG facility at a landfill located in Ohio for a term of 20 years from commercial operation. Upon commercial operation this new facility will process up to 3 500 scfm of methane. Commercial operation of this RNG project is targeted to commence in the first half of the 2019 financial year.

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

EVENTS SUBSEQUENT TO REPORTING DATE
There have been no events subsequent to the reporting date which may have a material impact on the results for the six months ended 30 September 2017 or the statement of financial position as at that date.

DIVIDEND TO SHAREHOLDERS
The directors have resolved not to declare an interim dividend.

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

Cape Town
31 October 2017

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

Company secretary: HCI Managerial Services Proprietary Limited

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