UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2021

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number: 001-39919

MONTAUK RENEWABLES, INC.
(Exact name of registrant as specified in its charter)

Delaware **(State or Other Jurisdiction of Incorporation or Organization)**	**85-3189583** **(IRS Employer Identification No.)**
680 Andersen Drive, 5th Floor Pittsburgh, Pennsylvania **(Address of Principal Executive Offices)**	**15220** **(Zip Code)**

(412) 747-8700
(Registrant's Telephone Number, Including Area Code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.01 per share	**MNTK**	**The Nasdaq Capital Market**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☐
		Emerging growth company	☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of outstanding shares of the registrant's common stock on November 11, 2021 was 143,584,827 shares.

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Glossary of Key Terms

This Quarterly Report on Form 10-Q uses several terms of art that are specific to our industry and business. For the convenience of the reader, a glossary of such terms is provided here. Unless we otherwise indicate, or unless the context requires otherwise, any references in this Quarterly Report on Form 10-Q to:

- "*ADG*" refers to anaerobic digested gas.
- "*CARB*" refers to the California Air Resource Board.
- "*CNG*" refers to compressed natural gas.
- "*CI*" refers to carbon intensity.
- "*CWCs*" refers to cellulosic waiver credits.
- "*D3*" refers to cellulosic biofuel with a 60% GHG reduction requirement.
- "*D5*" refers to advanced biofuels with a 50% GHG reduction requirement.
- "*EHS*" refers to environment, health and safety.
- "*EPA*" refers to the U.S. Environmental Protection Agency.
- "*Environmental Attributes*" refer to federal, state and local government incentives in the United States, provided in the form of RINs, RECs, LCFS credits, rebates, tax credits and other incentives to end users, distributors, system integrators and manufacturers of renewable energy projects, that promote the use of renewable energy.
- "*GHG*" refers to greenhouse gases.
- "*JSE*" refers to the Johannesburg Stock Exchange.
- "*LCFS*" refers to Low Carbon Fuel Standard.
- "*LFG*" refers to landfill gas.
- "*PPAs*" refers to power purchase agreements.
- "*RECs*" refers to Renewable Energy Credits.
- "*Renewable Electricity*" refers to electricity generated from renewable sources.
- "*RFS*" refers to the EPA's Renewable Fuel Standard.
- "*RINs*" refers to Renewable Identification Numbers.
- "*RNG*" refers to renewable natural gas.
- "*RPS*" refers to Renewable Portfolio Standards.
- "*RVOs*" refers to renewable volume obligations.
- "*WRRFs*" refers to water resource recovery facilities.

Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of U.S. federal securities laws that involve substantial risks and uncertainties. All statements other than statements of historical or current fact included in this report are forward-looking statements. Forward-looking statements refer to our current expectations and projections relating to our financial condition, results of operations, plans, objectives, strategies, future performance, and business. You can identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. These statements may include words such as "anticipate," "assume," "believe," "can have," "contemplate," "continue," "could," "design," "due," "estimate," "expect," "forecast," "goal," "intend," "likely," "may," "might," "objective," "plan," "predict," "project," "potential," "seek," "should," "target," "will," "would," and other words and terms of similar meaning in connection with any discussion of the timing or nature of future operational performance or other events. For example, all statements we make relating to future results of operations, financial condition, expectations and plans of the Company, including the expected benefits of the Pico amendment and the North Carolina acquisition, the anticipated completion of engine repairs at the Security facility, estimated and projected costs, expenditures, growth rates, and our plans and objectives for future operations, growth, initiatives, or strategies are forward-looking statements. All forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those that we expect and, therefore, you should not unduly rely on such statements. The risks and uncertainties that could cause those actual results to differ materially from those expressed or implied by these forward-looking statements include but are not limited to:

- the impact of the ongoing COVID-19 pandemic on our business, financial condition and results of operations;
- our ability to develop and operate new renewable energy projects, including livestock farms;
- reduction or elimination of government economic incentives to the renewable energy market;
- delays in acquisition, financing, construction and development of new projects, including expansion plans into new areas such as agricultural waste;
- the length of development and optimization cycles for new projects, including the design and construction processes for our renewable energy projects;
- dependence on third parties for the manufacture of products and services;
- identifying suitable locations for new projects;
- reliance on interconnections to distribution and transmission products for our Renewable Natural Gas and Renewable Electricity Generation segments;
- our projects not producing expected levels of output;
- the anticipated benefits of the Pico feedstock amendment and the North Carolina acquisition;
- concentration of revenues from a small number of customers and projects;
- dependence on our landfill operators;
- our outstanding indebtedness and restrictions under our credit facility;
- our ability to extend our fuel supply agreements prior to expiration;
- our ability to meet milestone requirements under our PPAs;
- existing regulations and changes to regulations and policies that effect our operations;
- decline in public acceptance and support of renewable energy development and projects;
- our expectations regarding Environmental Attribute and commodity prices;
- our expectations regarding the period during which we qualify as an emerging growth company under the Jumpstart Our Business Startup Act ("JOBS Act");
- our expectations regarding future capital expenditures, including for the maintenance of facilities;
- our expectations regarding the use of net operating losses before expiration;
- our expectations regarding more attractive CI scores by regulatory agencies for our livestock farm projects;
- market volatility and fluctuations in commodity prices and the market prices of Environmental Attributes;
- profitability of our planned livestock farm projects;
- sustained demand for renewable energy;
- security threats, including cyber-security attacks;

- the need to obtain and maintain regulatory permits, approvals and consents;
- potential liabilities from contamination and environmental conditions;
- potential exposure to costs and liabilities due to extensive environmental, health and safety laws;
- impacts of climate change, changing weather patterns and conditions, and natural disasters;
- failure of our information technology and data security systems;
- increased competition in our markets;
- continuing to keep up with technology innovations;
- our belief that the measures taken to remediate the material weakness identified in our internal control over financial reporting will improve our internal control over financial reporting;
- concentrated stock ownership by a few stockholders and related control over the outcome of all matters subject to a stockholder vote; and
- other risks and uncertainties detailed in the section titled "Risk Factors" in our latest Annual Report on Form 10-K.

We make many of our forward-looking statements based on our operating budgets and forecasts, which are based upon detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and it is impossible for us to anticipate all factors that could affect our actual results.

All forward-looking statements attributable to us are expressly qualified in their entirety by these cautionary statements as well as others made in our other Securities and Exchange Commission ("SEC") filings and public communications. You should evaluate all forward-looking statements made by us in the context of these risks and uncertainties. See the "Risk Factors" section in our latest Annual Report on Form 10-K.

We caution you that the risks and uncertainties identified by us may not be all of the factors that are important to you. Furthermore, the forward-looking statements included in this report are made only as of the date hereof. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events, or otherwise, except as required by law.

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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MONTAUK RENEWABLES, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

(in thousands, except share data):

	As of September 30, 2021	As of December 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ 20,892	$ 20,992
Restricted cash - current	118	—
Accounts and other receivables, net	15,308	5,449
Prepaid expenses and other current assets	3,045	6,044
Total current assets	$ 39,363	$ 32,485
Restricted cash - non-current	$ 573	$ 567
Property, plant and equipment, net	179,307	186,401
Related party receivable	7,140	—
Goodwill and intangible assets, net	15,033	14,678
Deferred tax assets	13,697	14,822
Operating lease right-of-use assets	378	586
Other assets	4,254	3,817
Total assets	**$ 259,745**	**$ 253,356**
LIABILITIES AND STOCKHOLDERS' AND MEMBERS' EQUITY		
Current liabilities:		
Accounts payable	$ 5,800	$ 5,964
Accrued liabilities	12,441	11,539
Current portion of lease liability	294	282
Current portion of derivative instruments	841	1,185
Current portion of long-term debt	9,633	9,492
Total current liabilities	$ 29,009	$ 28,462
Long-term debt, less current portion	$ 49,023	$ 56,268
Non-current portion of lease liability	102	320
Non-current portion of derivative instruments	408	1,075
Asset retirement obligation	5,883	5,689
Other liabilities	1,226	1,920
Total liabilities	$ 85,651	$ 93,734
STOCKHOLDERS' AND MEMBERS' EQUITY		
Members' equity	$ —	$ 159,622
Common stock, $0.01 par value, authorized 690,000,000 shares; 143,584,827 shares issued at September 30, 2021; 141,015,213 shares outstanding at September 30, 2021	1,410	—
Treasury stock, at cost, 950,214 shares at September 30, 2021	(10,813)	—
Additional paid-in capital	193,518	—
Retained deficit	(10,021)	—
Total stockholders' and members' equity	$ 174,094	$ 159,622
Total liabilities and stockholders' and members' equity	**$ 259,745**	**$ 253,356**

The accompanying notes to the unaudited condensed consolidated financial statements are an integral part of these statements.

MONTAUK RENEWABLES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

(in thousands, except per share data):

	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Total operating revenues	$ 39,749	$28,250	$ 102,872	$74,563
Operating expenses:				
Operating and maintenance expenses	$ 13,123	$11,320	$ 36,954	$31,281
General and administrative expenses	7,520	4,131	35,280	11,336
Royalties, transportation, gathering and production fuel	6,636	5,189	18,840	13,376
Depreciation, depletion and amortization	5,666	5,470	17,062	16,120
Gain on insurance proceeds	(157)	(2,694)	(238)	(3,444)
Impairment loss	—	—	626	278
Transaction costs	232	—	357	—
Total operating expenses	$ 33,020	$23,416	$ 108,881	$68,947
Operating income (loss)	$ 6,729	$ 4,834	$ (6,009)	$ 5,616
Other expenses:				
Interest expense	$ 697	$ 436	$ 2,064	$ 3,510
Other expense	617	216	662	250
Total other expenses	$ 1,314	$ 652	$ 2,726	$ 3,760
Income (loss) before income taxes	$ 5,415	4,182	$ (8,735)	$ 1,856
Income tax (benefit) expense	(3,481)	6,266	1,286	(291)
Net income (loss)	$ 8,896	$ (2,084)	$ (10,021)	$ 2,147
Income (loss) per share:				
Basic	$ 0.06		$ (0.07)	
Diluted	$ 0.06		$ (0.07)	
Weighted-average common shares outstanding:				
Basic	141,015,213		141,015,213	
Diluted	141,048,006		141,015,213	

The accompanying notes to the unaudited condensed consolidated financial statements are an integral part of these statements.

MONTAUK RENEWABLES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS’ AND MEMBERS’ EQUITY
(Unaudited)

(in thousands, except share data):

	Common Stock		Treasury Stock		Members’ Equity	Additional Paid-in Capital	Retained Earnings (Deficit)	Total Equity
	Shares	Amount	Shares	Amount				
Balance at June 30, 2021	**141,015,213**	**$ 1,410**	**950,214**	**$ (10,813)**	**—**	**$ 190,944**	**$ (18,917)**	**$ 162,624**
Net income	—	—	—	—	—	—	8,896	8,896
Stock-based compensation	—	—	—	—	—	2,574	—	2,574
Balance at September 30, 2021	**141,015,213**	**$ 1,410**	**950,214**	**$ (10,813)**	**$ —**	**$ 193,518**	**$ (10,021)**	**$ 174,094**

	Common Stock		Treasury Stock		Members’ Equity	Additional Paid-in Capital	Retained Earnings (Deficit)	Total Equity
	Shares	Amount	Shares	Amount				
Balance at June 30, 2020	**—**	**$ —**	**—**	**$ —**	**$ 158,729**	**$ —**	**$ —**	**$ 158,729**
Net loss	—	—	—	—	(2,084)	—	—	(2,084)
Stock-based compensation	—	—	—	—	224	—	—	224
Balance at September 30, 2020	**—**	**—**	**—**	**—**	**$ 156,869**	**—**	**—**	**$ 156,869**

	Common Stock		Treasury Stock		Members’ Equity	Additional Paid-in Capital	Retained Earnings (Deficit)	Total Equity
	Shares	Amount	Shares	Amount				
Balance at December 31, 2020	**—**	**$ —**	**—**	**$ —**	**159,622**	**—**	**—**	**$ 159,622**
Effect of reorganization transactions	138,312,713	1,383	—	—	(159,622)	158,239	—	—
IPO common stock	2,702,500	27	—	—	—	15,566	—	15,593
Treasury stock	—	—	950,214	(10,813)	—	—	—	(10,813)
Net loss	—	—	—	—	—	—	(10,021)	(10,021)
Stock-based compensation	—	—	—	—	—	19,713	—	19,713
Balance at September 30, 2021	**141,015,213**	**$ 1,410**	**950,214**	**$ (10,813)**	**$ —**	**$ 193,518**	**$ (10,021)**	**$ 174,094**

	Common Stock		Treasury Stock		Members’ Equity	Additional Paid-in Capital	Retained Earnings (Deficit)	Total Equity
	Shares	Amount	Shares	Amount				
Balance at December 31, 2019	—	**$ —**	—	$ —	**$ 154,257**	**$ —**	**$ —**	**$ 154,257**
Net income	—	—	—	—	2,147	—	—	2,147
Stock-based compensation	—	—	—	—	465	—	—	465
Balance at September 30, 2020	—	—	—	—	**$ 156,869**	—	—	**$ 156,869**

The accompanying notes to the unaudited condensed consolidated financial statements are an integral part of these statements.

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MONTAUK RENEWABLES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(in thousands):

	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Cash flows from operating activities:		
Net (loss) income	$(10,021)	$ 2,147
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation, depletion and amortization	17,062	16,120
Provision (benefit) for deferred income taxes	1,124	(372)
Stock-based compensation	19,713	465
Related party receivables	—	164
Derivative mark-to-market adjustments and settlements	(1,011)	1,381
Gain on property insurance proceeds	(238)	(1,169)
Gain on Pico earn-out liability reduction	(694)	—
Net loss on sale of assets	822	—
Accretion of asset retirement obligations	304	108
Amortization of debt issuance costs	395	532
Impairment loss	626	278
Changes in operating assets and liabilities:		
Accounts and other receivables and other current assets	(7,272)	695
Accounts payable and other accrued expenses	488	2,287
Net cash provided by operating activities	$ 21,298	$ 22,636
Cash flows from investing activities		
Capital expenditures	$ (7,702)	$(14,911)
Asset acquisition	(4,142)	—
Cash collateral deposits, net	118	—
Proceeds from sale of assets	74	—
Proceeds from insurance recovery	238	1,169
Net cash used in investing activities	$(11,414)	$(13,742)
Cash flows from financing activities:		
Borrowings of long-term debt	$ —	$ 8,500
Repayments of long-term debt	(7,500)	(7,500)
Proceeds from initial public offering	15,593	—
Treasury stock purchase	(10,813)	—
Loan to Montauk Holdings Limited	(7,140)	—
Net cash (used in) provided by financing activities	$ (9,860)	$ 1,000
Net increase in cash and cash equivalents and restricted cash	$ 24	$ 9,894
Cash and cash equivalents and restricted cash at beginning of period	$ 21,559	$ 10,361
Cash and cash equivalents and restricted cash at end of period	$ 21,583	$ 20,255
Reconciliation of cash, cash equivalents, and restricted cash at end of period:		
Cash and cash equivalents	$ 20,892	$ 19,537
Restricted cash and cash equivalents - current	118	151
Restricted cash and cash equivalents - non-current	573	567
	$ 21,583	**$ 20,255**

The accompanying notes to the unaudited condensed consolidated financial statements are an integral part of these statements.

MONTAUK RENEWABLES, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands, except share amounts)

NOTE 1 – DESCRIPTION OF BUSINESS

Operations and organization

Montauk Renewables' Business

Montauk Renewables, Inc. (the "Company" or "Montauk Renewables") is a renewable energy company specializing in the management, recovery and conversion of biogas into Renewable Natural Gas ("RNG"). The Company captures methane, preventing it from being released into the atmosphere, and converts it into either RNG or electrical power for the electrical grid ("Renewable Electricity"). The Company, headquartered in Pittsburgh, Pennsylvania, has more than 30 years of experience in the development, operation and management of landfill methane-fueled renewable energy projects. The Company has current operations at 15 operating projects located in California, Idaho, Ohio, Oklahoma, Pennsylvania, North Carolina and Texas. The Company sells RNG and Renewable Electricity, taking advantage of Environmental Attribute premiums available under federal and state policies that incentivize their use.

One of the Company's key revenue drivers is the selling of captured gas and the selling of Renewable Identification Numbers ("RINs") to fuel blenders. The Renewable Fuel Standard ("RFS") is an Environmental Protection Agency ("EPA") administered federal law that requires transportation fuel to contain a minimum volume of renewable fuel. RNG derived from landfill methane, agricultural digesters and wastewater treatment facilities used as a vehicle fuel qualifies as a D3 (cellulosic biofuel with a 60% greenhouse gas reduction requirement) RIN. The RINs are compliance units for fuel blenders that were created by the RFS program in order to reduce greenhouse gases and imported petroleum into the United States.

An additional program utilized by the Company is the Low Carbon Fuel Standard ("LCFS"). This is state specific and is designed to stimulate the use of low-carbon fuels. To the extent that RNG from the Company's facilities is used as a transportation fuel in states that have adopted an LCFS program, it is eligible to receive an Environmental Attribute additional to the RIN value under the federal RFS.

The second primary revenue driver is the selling of captured electricity and the associated environmental premiums related to renewable sales. The Company's electric facilities are designed to conform to and monetize various state renewable portfolio standards requiring a percentage of the electricity produced in that state to come from a renewable resource. Such premiums are in the form of Renewable Energy Credits ("RECs"). All three of the Company's electric facilities receive revenue for the monetization of RECs either as a part of a power sales agreement or separately.

Collectively, the Company benefits from federal, state and local government incentives in the United States, provided in the form of RINs, RECs, LCFS credits, rebates, tax credits and other incentives to end users, distributors, system integrators and manufacturers of renewable energy projects, that promote the use of renewable energy, as Environmental Attributes.

Background and Reorganization Transactions

On January 4, 2021, the Company, Montauk Holdings Limited ("MNK") and Montauk Holdings USA, LLC (a direct wholly-owned subsidiary of MNK at the time, "Montauk USA") entered into a series of transactions, including an equity exchange and a distribution collectively referred to as the "Reorganization Transactions," that resulted in the Company owning all of the assets and entities (other than Montauk USA) previously owned by Montauk USA, and Montauk Renewables became a direct wholly-owned subsidiary of MNK. Prior to the Reorganization Transactions, MNK's business and operations were conducted entirely through Montauk USA and its U.S. subsidiaries, and MNK held no substantial assets other than equity of Montauk USA. The Company had no significant operations or assets prior to January 4, 2021 when it engaged in the equity exchange with Montauk USA and MNK.

After completion of the Reorganization Transactions, (i) Montauk USA ceased to own any substantial assets and (ii) all entities through which MNK's business and operations were conducted became owned, directly or indirectly, by the Company. MNK adopted a plan contemporaneously with the completion of the Reorganization Transactions that authorized the liquidation and dissolution of MNK.

On January 15, 2021, MNK sold the membership interest of Montauk USA to a third party. On January 26, 2021, MNK distributed all of the outstanding shares of the Company's common stock as a pro rata dividend to the holders of MNK's ordinary shares (the "Distribution"), subject to any tax withholding obligations under applicable South African law. Each ordinary share of MNK outstanding on January 21, 2021, the record date for the Distribution (the "Record Date"), entitled the holder thereof to receive one share of the Company's common stock.

On January 26, 2021, the Company closed the initial public offering of its common stock on the Nasdaq Capital Market (the "IPO") with the shares traded under the symbol "MNTK." Montauk Renewables issued 2,702,500 shares at \$8.50 per share and received gross proceeds of \$22,971. The Company's common stock was also secondarily listed on the Johannesburg Stock Exchange under the trading symbol "MKR."

On January 26, 2021, the Company entered into a Loan Agreement and Secured Promissory Note (the “Initial Promissory Note”) with MNK. MNK is currently an affiliate of the Company and certain of the Company’s directors and executive officers are also directors and executive officers of MNK. Pursuant to the Initial Promissory Note, the Company advanced a cash loan of $5,000 to MNK for MNK to pay its dividends tax liability arising from the Reorganization Transactions under the South African Income Tax Act, 1962 (Act No. 58 of 1962), as amended (the “South African Income Tax Act”). On February 22, 2021, the Company 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 $7,140, in the aggregate, in accordance with the Company’s obligations set forth in the Transaction Implementation Agreement entered into by and among the Company, MNK and the other party thereto, dated November 6, 2020, and amended on January 14, 2021.

MNK was delisted from the JSE on January 26, 2021. MNK will be liquidated within 24 months of the Distribution.

COVID-19

In March 2020, the World Health Organization classified the outbreak of COVID-19 as a pandemic and recommended containment and mitigation measures worldwide. The Company is considered an essential company under the U.S. Federal Cybersecurity and Infrastructure Security Agency guidance and various state and/or local jurisdictions in which it operates. 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.

While the Company has not experienced any material disruptions in its ability to continue business operations or experienced a material negative impact to its financial results due to COVID-19 for the nine months ended September 30, 2021, certain aspects of the Company’s business, financial condition and results of operations were negatively impacted during the nine months ended September 30, 2020. These disruptions included the delay of commissioning of development sites for up to five months resulting in delays to registrations and qualifications necessary for EPA pathways and delays in revenue streams from these facilities, contract cancellations, and a decrease in operational efficiency in maintenance and operations. State and local mitigation protocols contributed to reduced needs for transportation fuels, which lowered state-based environmental premiums. The Company also faced a reduction in RINs pricing due to the outbreak of COVID-19.

The potential future impact of COVID-19 cannot be predicted with certainty, because new information may emerge concerning the severity and extent of future surges and strains, vaccine distribution and other actions to contain the virus or treat its impact, among other reasons. Future negative impacts could include, but are not limited to, contract cancellations, supply chain disruptions, registration delays with local, state and federal agencies, Environmental Attribute premiums uncertainty, and a demand decrease in transportation fuels.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) for interim financial information and with the instructions of the SEC on Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and disclosures required by GAAP for complete financial statements. In the opinion of management, the unaudited condensed consolidated financial statements include all adjustments necessary, which are of a normal and recurring nature, for the fair presentation of the Company’s financial position and of the results of operations and cash flows for the periods presented. These financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2020 included in the Company’s Annual Report on Form 10-K filed with the SEC on March 31, 2021 (the “2020 Annual Report”). The results of operations for the three and nine months ended September 30, 2021 in this report are not necessarily indicative of the results that may be expected for any other interim period or for the full year. The balance sheet at December 31, 2020 has been derived from the audited financial statements as of that date. For further information, refer to our audited financial statements and notes thereto included for the year ended December 31, 2020 in the 2020 Annual Report.

The historical consolidated financial information included reflects the historical results of operations and financial position of Montauk USA. The consolidated financial statements of Montauk USA became the Company’s historical financial statements following the IPO. Certain historical financial information included relates to periods prior to the Reorganization Transactions.

Retrospective Presentation of Ownership Related to the Reorganization Transactions

As discussed in Note 1, as a result of the Reorganization Transactions, the Company acquired the assets and entities (excluding Montauk USA) which were previously owned by MNK. As part of the Reorganization Transactions, a 1:1 pro rata distribution of shares of the Company’s common stock was made to holders of MNK’s ordinary shares. The Reorganization Transactions resulted in a pro rata distribution whereby the ownership of the Company after the Reorganization Transactions was identical to the ownership of MNK prior to the Reorganization Transaction and was therefore akin to a common control transaction. All members’ equity in the financial statements and notes have been retrospectively adjusted to give effect to the Distribution, as if such pro rata distribution on a 1:1 basis occurred as of all pre-IPO periods presented, including periods presented on the Condensed Consolidated Balance Sheets (Unaudited), Condensed Consolidated Statements of Operations (Unaudited), Condensed Consolidated Statements of Stockholders’ and Members’ Equity (Unaudited) and notes to the Unaudited Condensed Consolidated Financial Statements contained herein.

Reclassifications

Certain reclassifications have been made to prior period amounts to conform to the current period financial statement presentation. The effect of the reclassifications in the December 31, 2020 condensed consolidated balance sheet is a $645 decrease of property, plant & equipment, net and a $645 increase to goodwill and intangibles, net, as of December 31, 2020. The effect of the reclassifications for the nine months ended September 30, 2020 condensed consolidated statement of operations is a $996 decrease of operating revenues, a $397 increase in operating and maintenance expenses and a $1,393 decrease in royalties, transportation, gathering and production fuel.

Use of Estimates

The preparation of financial statements, in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Equity-Based Compensation

The Company accounts for equity-based compensation under the provisions of ASC 718, *Compensation – Stock Compensation*, ("*ASC 718*"). ASC 718 requires compensation costs related to share-based payment transactions, measured based on the fair value of the instruments issued, be recognized in the consolidated financial statements over the requisite service period of the award. Stock options are initially measured on the grant date using the Black-Scholes valuation model, which requires the use of subjective assumptions related to the expected stock price volatility, term, risk-free interest rate and dividend yield. For restricted stock and restricted stock units, the Company determines the grant date fair value based on the closing market price of the stock on the date of grant.

Recently Issued Accounting Standards

In September 2016, the FASB issued ASU No. 2016-13, Financial Instruments – *Credit Losses*. The new guidance changes how entities measure credit losses on financial instruments and the timing of when such losses are recorded. The new standard is effective for fiscal years beginning after December 15, 2022, with early adoption permitted. The Company is currently evaluating the impact this ASU will have on its consolidated financial statements and related disclosures.

In August 2020, the FASB issued ASU 2020-06, *Debt: Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity's Own Equity (Subtopic 815-40)*, which simplifies the accounting for convertible instruments and contracts in an entity's own equity. This guidance is effective for annual reporting periods beginning after December 15, 2021, including interim periods within those years, with early adoption permitted only as of annual reporting periods beginning after December 15, 2020. The Company currently does not anticipate this ASU will have a material impact on its consolidated financial statements or related financial statement disclosures.

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848)*, which provides optional expedients and exceptions to the current guidance on contract modifications and hedging relationships to ease the financial reporting burdens of the expected market transition from London Interbank Offered Rate ("LIBOR") and other interbank offered rates to alternative reference rates. The guidance was effective upon issuance and may be applied prospectively to contract modifications made and hedging relationships entered into or evaluated on or before December 31, 2022. The Company does not currently anticipate this ASU to have a material effect on its agreements and is working with the administrative agent, Comerica Bank, during the LIBOR transition.

NOTE 3 – ASSET IMPAIRMENT

The Company recorded no impairment losses for the three months ended September 30, 2021 and 2020. Impairment losses of $626 and $278 were recorded for the nine months ended September 30, 2021 and 2020, respectively. The 2021 impairment loss was due to a notice received from a landfill host in February 2021 amending the underlying gas rights agreement to remove and begin decommissioning activities related to one of the Company's renewable electric generation sites. The 2020 impairment loss was due to a termination of a development agreement. The Company evaluated and concluded that no other events or conditions existed during the period that suggested long-lived assets may not be recoverable.

NOTE 4 – REVENUES FROM CONTRACTS WITH CUSTOMERS

The following tables display the Company's revenue by major source, excluding realized and unrealized gains or losses under the Company's gas hedge program, based on product type and timing of transfer of goods and services for the three and nine months ended September 30, 2021 and 2020:

	Three Months Ended September 30, 2021		
	Goods transferred at a point in time	Goods transferred over time	Total
Major Goods/Service Line:			
Natural Gas Commodity	$ 2,983	$ 8,570	$11,553
Natural Gas Environmental Attributes	24,223	—	24,223
Electric Commodity	—	2,305	2,305
Electric Environmental Attributes	1,668	—	1,668
	$ 28,874	$ 10,875	$39,749
Operating Segment:			
RNG	$ 27,206	$ 8,570	$35,776
REG	1,668	2,305	3,973
	$ 28,874	$ 10,875	$39,749

	Three Months Ended September 30, 2020		
	Goods transferred at a point in time	Goods transferred over time	Total
Major Goods/Service Line:			
Natural Gas Commodity	$ 1,594	$ 5,951	$ 7,545
Natural Gas Environmental Attributes	16,470	—	16,470
Electric Commodity	—	2,492	2,492
Electric Environmental Attributes	1,743	—	1,743
	$ 19,807	$ 8,443	$28,250
Operating Segment:			
RNG	$ 18,064	$ 5,951	$24,015
REG	1,743	2,492	4,235
	$ 19,807	$ 8,443	$28,250

	Nine Months Ended September 30, 2021		
	Goods transferred at a point in time	Goods transferred over time	Total
Major Goods/Service Line:			
Natural Gas Commodity	$ 13,293	$ 21,620	$ 34,913
Natural Gas Environmental Attributes	56,297	—	56,297
Electric Commodity	—	7,150	7,150
Electric Environmental Attributes	4,512	—	4,512
	$ 74,102	$ 28,770	$102,872
Operating Segment:			
RNG	$ 69,590	$ 21,620	$ 91,210
REG	4,512	7,150	11,662
	$ 74,102	$ 28,770	$102,872

	Nine Months Ended September 30, 2020		
	Goods transferred at a point in time	Goods transferred over time	Total
Major Goods/Service Line:			
Natural Gas Commodity	$ 4,683	$ 16,958	$21,641
Natural Gas Environmental Attributes	39,498	—	39,498
Electric Commodity	—	8,035	8,035
Electric Environmental Attributes	5,226	—	5,226
	$ 49,407	$ 24,993	$74,400
Operating Segment:			
RNG	$ 44,181	$ 16,958	$61,139
REG	5,226	8,035	13,261
	$ 49,407	$ 24,993	$74,400

NOTE 5 – ACCOUNTS AND OTHER RECEIVABLES

The Company extends credit 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 general and administrative expenses in the Consolidated Statements of Operations (Unaudited). For the three and nine months ended September 30, 2021 and 2020, there were no reserves for uncollectible accounts.

Accounts and other receivables consist of the following as of September 30, 2021 and December 31, 2020:

	September 30, 2021	December 31, 2020
Accounts receivables	$ 15,188	$ 5,264
Other receivables	94	164
Reimbursable expenses	26	21
Accounts and other receivables, net	$ 15,308	$ 5,449

NOTE 6 – PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment consists of the following as of September 30, 2021 and December 31, 2020:

	September 30, 2021	December 31, 2020
Buildings and improvements	$ 28,251	$ 28,065
Machinery and equipment	249,337	246,874
Gas mineral rights	34,551	34,551
Construction work in progress	8,612	3,840
Total	320,751	313,330
Less: Accumulated depreciation and amortization	(141,444)	(126,929)
Property, plant & equipment, net	$ 179,307	$ 186,401

Depreciation expense for property plant and equipment was $4,839 and $4,623 for the three months ended September 30, 2021 and 2020, respectively, and $14,637 and $13,582 for the nine months ended September 30, 2021 and 2020, respectively. Amortization expense for gas mineral rights was $446 and $491 for the three months ended September 30, 2021 and 2020, respectively, and $1,382 and $1,473 for the nine months ended September 30, 2021 and 2020, respectively.

In May 2021, the Company completed a series of transactions (the “Asset Acquisition”) with a privately-held entity. The Company paid $4,142, including $341 in acquisition costs, for land, building, mobile equipment and other property, plant and equipment. The Asset Acquisition was accounted for as an asset purchase in accordance with ASC 805, *Business Combinations*, and the purchase price and direct transaction costs have been allocated to the individual assets obtained. Machinery and equipment comprise $835 of the asset purchase price, with the remaining balance classified as construction work in progress as of September 30, 2021.

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NOTE 7 – GOODWILL AND INTANGIBLE ASSETS, NET

Intangible assets consist of the following as of September 30, 2021 and December 31, 2020:

	September 30, 2021	December 31, 2020
Goodwill	$ 60	$ 60
Intangible assets with indefinite lives:		
Emissions allowances	$ 777	$ 777
Land use rights	329	329
Total intangible assets with indefinite lives:	$ 1,106	$ 1,106
Intangible assets with finite lives:		
Interconnection, net of accumulated amortization of $2,835 and $2,329	$ 12,488	$ 12,596
Customer contracts, net of accumulated amortization of $16,904 and $16,367	1,379	916
Total intangible assets with finite lives:	$ 13,867	$ 13,512
Total Goodwill and Intangible Assets	**$ 15,033**	**$ 14,678**

The weighted average remaining useful life of the customer contracts and interconnection is approximately 8 years and 16 years, respectively. Amortization expense was $381 and $356 for the three months ended September 30, 2021 and 2020, respectively, and $1,043 and $1,065 for the nine months ended September 30, 2021 and 2020, respectively.

NOTE 8 – ASSET RETIREMENT OBLIGATIONS

The following table summarizes the activity associated with asset retirement obligations of the Company as of September 30, 2021 and December 31, 2020:

	Nine Months Ended September 30, 2021	Year Ended December 31, 2020
Asset retirement obligations - beginning of period	$ 5,689	$ 5,928
Accretion expense	304	320
New asset retirement obligations	—	350
Decommissioning	(110)	(909)
Asset retirement obligations - end of period	$ 5,883	$ 5,689

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NOTE 9 – DERIVATIVE INSTRUMENTS

To mitigate market risk associated with fluctuations in energy commodity prices (natural gas) and interest rates, the Company utilizes various hedges to secure energy commodity pricing and interest rates under a board-approved program. As a result of the hedging strategy employed, the Company had the following realized and unrealized gains and losses in the Condensed Consolidated Statements of Operations (Unaudited) for the three and nine months ended September 30, 2021 and 2020:

		Three Months Ended	
Derivative Instrument	Location	September 30, 2021	September 30, 2020
Interest rate swaps	Interest expense	287	393
Net gain (loss)		$ 287	$ 393

		Nine Months Ended	
Derivative Instrument	Location	September 30, 2021	September 30, 2020
Commodity contracts:			
Realized natural gas	Gas commodity sales	$ —	$ 551
Unrealized natural gas	Other income	—	(388)
Interest rate swaps	Interest expense	1,011	(993)
Net gain (loss)		$ 1,011	$ (830)

NOTE 10 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's assets and liabilities that are measured at fair value on a recurring basis include the following as of September 30, 2021 and December 31, 2020, set forth by level, within the fair value hierarchy:

	September 30, 2021			
	Level 1	Level 2	Level 3	Total
Interest rate swap derivative liabilities	$ —	$(1,249)	$ —	$(1,249)
Asset retirement obligations	—	—	(5,883)	(5,883)
Pico earn-out liability	—	—	(1,226)	(1,226)
	$ —	$(1,249)	$(7,109)	$(8,358)

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Interest rate swap derivative liabilities	$ —	$(2,260)	$ —	$(2,260)
Asset retirement obligations	—	—	(5,689)	(5,689)
Pico earn-out liability	—	—	(1,920)	(1,920)
	$ —	$(2,260)	$(7,609)	$(9,869)

A summary of changes in the fair values of the Company's Level 3 instruments, attributable to asset retirement obligations is included in Note 8. In addition, certain assets are measured at fair value on a non-recurring basis when an indicator of impairment is identified and the assets' fair value is determined to be less than its carrying value. See Note 3 for additional information.

The purchase agreement for the 2018 acquisition of Pico Energy, LLC ("Pico") included an earn-out provision dependent on, and calculated as a factor of, achieving certain levels of EBITDA and production volumes (each as determined under such agreement) during the term of the related gas rights agreement. The results of the Company's risk adjusted analysis of the assessment of the obligation of the Pico earn-out liability resulted in a $694 decrease for the three months and nine months ended September 30, 2021. The Company estimates future EBITDA and production levels over the gas rights agreement and applies discount rates to assess this obligation. This adjustment has been included within the RNG segment and reported in Royalties, transportation, gathering and production fuel in the Consolidated Statement of Operations. No adjustments were made during the three and nine months ended September 30, 2020.

NOTE 11 – ACCRUED LIABILITIES

The Company's accrued liabilities consist of the following as of September 30, 2021 and December 31, 2020:

	September 30, 2021	December 31, 2020
Accrued expenses	$ 4,710	$ 4,975
Payroll and related benefits	2,204	2,341
Royalty	4,044	2,620
Utility	1,059	1,147
Other	424	456
Accrued Liabilities	$ 12,441	$ 11,539

NOTE 12 – DEBT

The Company's debt consists of the following as of September 30, 2021 and December 31, 2020:

	September 30, 2021	December 31, 2020
Term loan	$ 22,500	$ 30,000
Revolving credit facility	36,697	36,697
Less: current principal maturities	(10,000)	(10,000)
Less: debt issuance costs (on long-term debt)	(174)	(429)
Long-term debt	49,023	56,268
Current portion of long-term debt	9,633	9,492
	$ 58,656	**$ 65,760**

Amended Credit Agreement

On December 12, 2018, Montauk Energy Holdings LLC ("MEH") entered into the Second Amended and Restated Revolving Credit and Term Loan Agreement (as amended, "Credit Agreement"), by and among MEH, the financial institutions from time to time party thereto as lenders and Comerica Bank, as the administrative agent, sole lead arranger and sole bookrunner ("Comerica"). The Credit Agreement (i) amended and restated in its entirety MEH's prior revolving credit and term loan facility, dated as of August 4, 2017, as amended, with Comerica and certain other financial institutions and (ii) replaced in its entirety the prior credit agreement, dated as of August 4, 2017, as amended, between Comerica and Bowerman Power LFG, LLC, a wholly-owned subsidiary of MEH.

On March 21, 2019, MEH entered into the first amendment to the Credit Agreement (the "First Amendment"), which clarified a variety of terms, definitions and calculations in the Credit Agreement. The Credit Agreement requires the Company to maintain customary affirmative and negative covenants, including certain financial covenants, which are measured at the end of each fiscal quarter.

On September 12, 2019, MEH entered into the second amendment to the Credit Agreement (the "Second Amendment"). Among other matters, the Second Amendment redefined the Fixed Charge Coverage Ratio (as defined in the Credit Agreement), reduced the commitments under the revolving credit facility to $80,000, redefined the Total Leverage Ratio (as defined in the Credit Agreement) and eliminated the RIN Floor (as defined in the Second Amendment) as an Event of Default. In connection with the Second Amendment, MEH paid down the outstanding term loan by $38,250 and the resulting quarterly principal installments were reduced to $2,500. The maturity date of the Credit Agreement was not changed by the Second Amendment and remains December 12, 2023.

In connection with the completion of the Reorganization Transactions and the IPO, the Company entered into the third amendment to the Credit Agreement (the "Third Amendment"). This amendment permitted the Change of Control provisions, as defined in the underlying agreement, to permit the Reorganization Transactions and IPO to be completed. The amendment also added LIBOR cessation fallback language for a transition to specified alternative SOFR-based rates, or, if those alternatives cannot be determined, to another rate selected by the administrative agent and the borrower under the Amended Credit Agreement as well as provisions that allow one or more parties to transition in advance of the dates set forth above where specified conditions are met.

The Credit Agreement is secured by a lien on substantially all assets of the Company and certain of its subsidiaries and provides for a $95,000 term loan and a $80,000 revolving credit facility. The term loan amortizes in quarterly installments of $2,500 and has a final maturity of December 12, 2023 with interest rates of 2.855% and 2.961% at September 30, 2021 and December 31, 2020, respectively.

As of September 30, 2021, $22,500 was outstanding under the term loan and $36,697 was outstanding under the revolving credit facility. In addition, the Company had $3,905 of outstanding letters of credit as of September 30, 2021. Amounts available under the revolving credit facility are reduced by any amounts outstanding under letters of credit. As of September 30, 2021, the Company's capacity available for borrowing under the revolving credit facility was $39,397. Borrowings of the term loan and revolving credit facility bear interest at the LIBOR rate plus an applicable margin or the Prime Reference Rate plus an applicable margin, as elected by the Company.

The Company accounted for the Credit Agreement as a debt modification in accordance with ASC 470, *Debt*. In connection with the Credit Agreement, the Company paid a total of $1,821 in new debt issuance costs comprised of $836 in costs paid to the lenders and $985 in costs paid as arranger fees. Of this amount, $364 was expensed and $1,457 was capitalized and will be amortized over the life of the Credit Agreement. The Company also incurred $59 in legal fees associated with the Credit Agreement. Amortized debt issuance expense was $123 and $169 for the three months ended September 30, 2021 and 2020, respectively, and $395 and $532 for the nine months ended September 30, 2021 and 2020, respectively, and was recorded within interest expense on the condensed consolidated statement of operations.

As of September 30, 2021, the Company was in compliance with all applicable financial covenants under the Credit Agreement as amended.

Capitalized Interest

Capitalized interest was $0 and $322 for the three months ended September 30, 2021 and 2020, respectively, and $0 and $1,056 for the nine months ended September 30, 2021 and 2020, respectively. Interest is capitalized using the borrowing rate for the assets being constructed. Interest capitalized during 2020 was for the construction of two LFG-to-energy projects.

NOTE 13 – INCOME TAXES

The Company's provision for income taxes in interim periods is typically computed by applying the estimated annual effective tax rates to income or loss before income taxes for the period. In addition, non-recurring or discrete items are recorded during the period(s) in which they occur. For the nine months ended September 30, 2021, the Company calculated an unusually high estimated annual effective tax rate such that a reliable estimate of the annual effective tax rate could not be made. As such, the Company utilized the actual effective tax rate for the three and nine months ended September 30, 2021.

	Three Months Ended	
	September 30, 2021	September 30, 2020
Provision (benefit) for income taxes	$ (3,481)	$ 6,266
Effective tax rate	(64%)	150%

	Nine Months Ended	
	September 30, 2021	September 30, 2020
Provision (benefit) for income taxes	$ 1,286	$ (291)
Effective tax rate	(15%)	(16%)

Income tax expense for the three and nine months ended September 30, 2021 was calculated using the actual year to date effective tax rate. The effective tax rate differs from the U.S. federal statutory rate of 21% primarily due to the current year permanent disallowance of officers' compensation under Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), of $4,381, partially offset by the favorable impact of the production tax credit of $(1,623). When the net tax expense (benefit) for the three and nine months ended September 30, 2021 is compared to the pre-tax book loss for the respective periods, it results in a negative effective tax rate.

The effective tax rate of (64%) for the three months ended September 30, 2021 was lower than the rate for the three months ended September 30, 2020 of 150% primarily due to the current year disallowance of officers' compensation under Section 162(m) of the Code. The Company utilized a year to date effective tax rate for tax expense calculated for the three months ended September 30, 2021, which when applied to year to date pre-tax book loss and layering in nominal discrete events, resulted in a (64%) effective tax rate for the three months ended September 30, 2021. The 150% effective tax rate for the three months ended September 30, 2020 was a result of the third quarter pre-tax book income applied to the estimated annual effective tax rate, with no significant discrete events in that quarter.

The effective tax rate of (15%) for the nine months ended September 30, 2021 was higher than the rate for the nine months ended September 30, 2020 of (16%). The September 30, 2021 rate of (15%) is calculated based on tax expense that is driven by the 162(m) unfavorable permanent adjustment (which was not applicable in the quarter ended September 30, 2020) compared to a pre-tax book loss position. Alternatively, the September 30, 2020 rate of (16%) is calculated based on income tax benefit generated in connection with the January 1, 2020 dissolution of the Montauk Energy Capital ("MEC") partnership, which allows all entities under MEC to file as part of the Company's consolidated federal tax group compared to a pre-tax book income position.

NOTE 14 – SHARE-BASED COMPENSATION

In January 2021, Montauk Renewables undertook the Reorganization Transactions which resulted in the Company owning all of the assets and entities (excluding Montauk USA) through which MNK's business and operations were conducted. As a result of the Distribution, the options outstanding under MNK's Employee Share Appreciation Rights Scheme (the "SAR Plan") were cancelled. The Company recorded $2,050 of accelerated compensation expense in its condensed consolidated statements of operations (unaudited) within general and administrative expenses in connection with the cancellation of the options under the SAR Plan for the nine months ended September 30, 2021.

The board of directors of Montauk Renewables adopted the Montauk Renewables, Inc. Equity and Incentive Compensation Plan ("MRI EICP") in January 2021. Following the closing of the IPO, the board of directors of Montauk Renewables approved the grant of non-qualified stock options, restricted stock unit and restricted stock awards to the employees of Montauk Renewables and its subsidiaries in January 2021. In connection with the restricted stock grants the officers of the Company made elections under Section 83(b) of the Code . Pursuant to such elections, the Company withheld 950,214 shares of common stock from such awards at a price of $11.38 per share from such awards. The Company records and reports share-based compensation for stock options, restricted stock, and restricted stock units when vested, in the case of restricted stock and restricted stock units, and when exercised, in the case of options, and such awards will be settled in shares of common stock of Montauk Renewables. As of September 30, 2021, unrecognized MRI EICP compensation expense for awards the Company expects to vest approximated $11,432 and will be recognized over approximately 5 years. Stock based compensation expense was $2,574 and $224 for three months ended September 30, 2021 and 2020, respectively and $6,768 and $465 for the nine months ended September 30, 2021 and September 30, 2020, respectively. The Company recognizes stock based compensation in its condensed consolidated statements of operations within general and administrative expenses.

In connection with the May 2021 Asset Acquisition, 1,250,000 restricted stock awards ("RS Awards") were granted to two employees of the Company in connection with their respective employment. The RS Awards vest over a five-year period and are subject to the achievement of time and performance based vesting criteria over such period. The performance targets in the RS Awards relate to the attainment of three EBITDA goals as defined in the underlying agreements beginning on or after the third anniversary of the grant date. The Company completed its assessment and no compensation expense for the RS Awards has been recorded for the three and nine months ended September 30, 2021. The grant date fair value of the RS Awards is $11,300.

The restricted stock, restricted stock unit and option awards are subject to vesting schedules that commence or conclude, in the case of the option and restricted stock unit awards, on the one-year anniversary of the grant date and are subject to the terms and conditions of the MRI EICP and related award agreements including, in the case of the restricted stock awards, each officer having made an election under Section 83(b) of the Code. The Company recorded $10,813 of compensation expense in its condensed consolidated statements of operations (unaudited) within general and administrative expenses for the nine months ended September 30, 2021 in connection with the withheld 950,214 shares associated with the Section 83(b) elections.

Options granted under the MRI EICP allow the recipient to receive the Company's common stock equal to the appreciation in the fair market value of the Company's common stock between the grant date and the exercise and settlement of options into shares as of the exercise date(s). The fair value of the MRI EICP options was estimated using the Black-Scholes option pricing model with the following weighted-average assumptions (no dividends were expected):

	Grant Date
Risk-free interest rate	0.5%
Expected volatility	32.0%
Expected option life (in years)	5.5
Grant-date fair value	$ 3.44

The risk-free interest rate was based on United States Treasury yields in effect at the time of the grant for notes with terms comparable to the awards. The expected option life represents an estimate of the period of time options are expected to remain outstanding based on the mid-point of the exercisable period to account for the possibility of early exercise or maturity. As the Company recently completed its IPO in January 2021, there is no sufficient stock volatility historical data. The expected volatility was based on the average historical stock price volatility of comparable publicly-traded companies in its industry peer group.

The following table summarizes the options, restricted stock and restricted stock units outstanding under the MRI EICP as of September 30, 2021:

	Restricted Shares		Restricted Stock Units		Options	
	Number of Shares	Weighted Average Grant Date Fair Value	Number of Shares	Weighted Average Grant Date Fair Value	Number of Shares	Weighted Average Exercise Price
End of period - December 31, 2020	**—**	**$ —**	**—**	**$ —**	**—**	**$ —**
Beginning of period - January 1, 2021	—	$ —	—	$ —	—	$ —
Granted	3,519,827	10.43	29,304	11.38	950,214	11.38
Vested	(950,214)	11.38	—	—	—	—
Forfeited	—	—	(1,056)	11.38	—	—
Exercised	—	—	—	—	—	—
End of period – September 30, 2021	**2,569,613**	**$ 10.08**	**28,248**	**$ 11.38**	**950,214**	**$ 11.38**

The following table summarizes the options and restricted stock under the SAR Plan as of September 30, 2020:

	Options		Restricted Stock	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Grant Date Fair Value
End of period - December 31, 2019	**1,872,534**	**$ 1.18**	**1,939,200**	**$ 0.95**
Beginning of period - January 1, 2020	1,872,534	$ 1.18	1,939,200	$ 0.95
Granted	924,779	0.90	—	—
Forfeited	(166,666)	0.62	—	—
Exercised	(50,000)	0.44	—	—
End of period – September 30, 2020	2,580,647	**$ 1.13**	**1,939,200**	**$ 0.95**

NOTE 15 – DEFINED CONTRIBUTION PLAN

The Company maintains a 401(k) defined contribution plan for eligible employees. The Company matches 50% of an employee's deferrals up to 4%. The Company also contributes 3% of eligible employee's compensation expense as a safe harbor contribution. The matching contributions vest ratably over four years of service, while the safe harbor contributions vest immediately. Incurred expense related to the 401(k) plan was $145 and $119 for the three months ended September 30, 2021 and 2020, respectively, and $414 and $340 for the nine months ended September 30, 2021 and 2020, respectively.

NOTE 16 – SEGMENT INFORMATION

The Company's reportable segments for the three and nine months ended September 30, 2021 and 2020 are Renewable Natural Gas and Renewable Electricity Generation. Renewable Natural Gas includes the production of RNG. Renewable Electricity Generation includes generation of electricity at biogas-to-electricity plants. The corporate entity is not determined to be an operating segment but is discretely disclosed for purposes of reconciliation of the Company's unaudited condensed consolidated financial statements. The following tables are consistent with the manner in which the chief operating decision maker evaluates the performance of each segment and allocates the Company's resources. In the following tables "RNG" refers to Renewable Natural Gas and "REG" refer to Renewable Electricity Generation.

	Three Months Ended September 30, 2021			
	RNG	REG	Corporate	Total
Total Revenue	$ 35,002	$ 3,872	$ 875	$ 39,749
Net income (loss)	15,071	(1,379)	(4,796)	8,896
EBITDA (1)	19,358	(44)	(7,536)	11,778
Adjusted EBITDA (1)	20,180	(24)	(7,324)	12,832
Total Assets	153,108	53,711	52,926	259,745
Capital expenditure	1,864	1,321	49	3,234

(1) Third quarter of 2021 EBITDA Reconciliation

The following table is a reconciliation of the Company's reportable segments' net income (loss) from continuing operations to Adjusted EBITDA for the three months ended September 30, 2021:

	Three Months Ended September 30, 2021			
	RNG	REG	Corporate	Total
Net income (loss)	$15,071	$(1,379)	$ (4,796)	$ 8,896
Depreciation and amortization	4,287	1,335	44	5,666
Interest expense	—	—	697	697
Income tax expense (benefit)	—	—	(3,481)	(3,481)
EBITDA	$19,358	$ (44)	$ (7,536)	$11,778
Net loss (gain) of sale of assets	822	—	—	822
Impairment loss	—	—	—	—
Transaction costs	—	20	212	232
Adjusted EBITDA	$20,180	$ (24)	$ (7,324)	$12,832

	Three Months Ended September 30, 2020			
	RNG	REG	Corporate	Total
Total Revenue	$ 23,994	$ 4,256	$ —	$ 28,250
Net Income (Loss)	9,458	(661)	(10,881)	(2,084)
EBITDA (1)	12,939	1,282	(4,133)	10,088
Adjusted EBITDA (1)	12,939	1,282	(4,133)	10,088
Total Assets	135,359	80,485	35,683	251,527
Capital expenditure	3,147	1,311	-	4,458

(1) Third quarter of 2020 EBITDA Reconciliation

The following table is a reconciliation of the Company's reportable segments' net income (loss) from continuing operations to Adjusted EBITDA for the three months ended September 30, 2020:

	Three Months Ended September 30, 2020			
	RNG	REG	Corporate	Total
Net Income (loss)	$ 9,458	$ (661)	$(10,881)	$ (2,084)
Depreciation and amortization	3,481	1,943	46	5,470
Interest expense	—	—	436	436
Income tax expense (benefit)	—	—	6,266	6,266
EBITDA	$12,939	$1,282	$ (4,133)	$10,088
Impairment loss	—	—	—	—
Non-cash hedging charges	—	—	—	—
Adjusted EBITDA	$12,939	$1,282	$ (4,133)	$10,088

For the three months ended September 30, 2021 and 2020, three and four customers, respectively, made up greater than 10% of total revenues.

	Three Months Ended September 30, 2021			
	RNG	REG	Corporate	Total
Customer A	19.6%	—	—	19.6%
Customer B	15.4%	—	—	15.4%
Customer C	11.4%	—	—	11.4%

	Three Months Ended September 30, 2020			
	RNG	REG	Corporate	Total
Customer A	27.5%	—	—	27.5%
Customer B	16.5%	—	—	16.5%
Customer C	-	13.4%	—	13.4%
Customer D	13.3%			13.3%

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The Company’s reportable segments for the nine months ended September 30, 2021 and 2020 are Renewable Natural Gas and Renewable Electricity Generation.

	Nine Months Ended September 30, 2021			
	RNG	REG	Corporate	Total
Total Revenue	$ 90,707	$11,290	$ 875	$102,872
Net Income (Loss)	33,205	(3,647)	(39,579)	(10,021)
EBITDA (2)	45,991	498	(36,098)	10,391
Adjusted EBITDA (2)	46,813	1,144	(35,761)	12,196
Total Assets	153,108	53,711	52,926	259,745
Capital Expenditure	5,883	1,770	49	7,702

(2) First nine months of 2021 EBITDA Reconciliation

The following table is a reconciliation of the Company’s reportable segments’ net income (loss) from continuing operations to Adjusted EBITDA for the nine months ended September 30, 2021:

	Nine Months Ended September 30, 2021			
	RNG	REG	Corporate	Total
Net Income (loss)	$33,205	$(3,647)	$(39,579)	$(10,021)
Depreciation and amortization	12,786	4,143	133	17,062
Interest expense	—	—	2,064	2,064
Income tax expense (benefit)	—	2	1,284	1,286
EBITDA	$45,991	$ 498	$(36,098)	$ 10,391
Net loss (gain) of sale of assets	822			822
Impairment loss	—	626	—	626
Transaction costs	—	20	337	357
Adjusted EBITDA	$46,813	$ 1,144	$(35,761)	$ 12,196

	Nine Months Ended September 30, 2020			
	RNG	REG	Corporate	Total
Total Revenue	$ 60,799	$13,282	$ 482	$ 74,563
Net Income (Loss)	18,700	(1,955)	(14,598)	2,147
EBITDA (2)	29,100	3,634	(11,248)	21,486
Adjusted EBITDA (2)	29,100	3,912	(10,860)	22,152
Total Assets	135,359	80,485	35,683	251,527
Capital Expenditure	11,493	3,360	58	14,911

(2) First nine months of 2020 EBITDA Reconciliation

The following table is a reconciliation of the Company’s reportable segments’ net income (loss) from continuing operations to Adjusted EBITDA for the nine months ended September 30, 2020:

	Nine Months Ended September 30, 2020			
	RNG	REG	Corporate	Total
Net Income (loss)	$18,700	$(1,955)	$(14,598)	$ 2,147
Depreciation and amortization	10,400	5,587	133	16,120
Interest expense	—	—	3,510	3,510
Income tax expense (benefit)	—	2	(293)	(291)
EBITDA	$29,100	$ 3,634	$(11,248)	$21,486
Impairment loss	—	278	—	278
Non-cash hedging charges	—	—	388	388
Adjusted EBITDA	$29,100	$ 3,912	$(10,860)	$22,152

For the nine months ended September 30, 2021 and 2020, five and four customers, respectively, made up greater than 10% of total revenues.

	Nine Months Ended September 30, 2021			
	RNG	REG	Corporate	Total
Customer A	12.8%	—	—	12.8%
Customer B	12.4%	—	—	12.4%
Customer C	11.3%	—	—	11.3%
Customer D	10.5%	—	—	10.5%
Customer E		10.2%	—	10.2%

	Nine Months Ended September 30, 2020			
	RNG	REG	Corporate	Total
Customer A	—	15.2%	—	15.2%
Customer B	14.7%	—	—	14.7%
Customer C	12.4%	—	—	12.4%
Customer D	12.0%	—	—	12.0%

NOTE 17 – LEASES

The Company leases office space and other office equipment under operating 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.

The Company determines if an arrangement is, or contains, a lease at inception based on whether that contract conveys the right to control the use of an identified asset in exchange for consideration for a period of time. 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.

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 addition, the Company has elected, as a practical expedient, not to apply lease recognition requirements to short-term lease arrangements, generally those with a lease term of less than twelve months, for all classes of underlying assets. In determination of the lease term, the Company considers the likelihood of lease renewal options and lease termination provisions.

The Company uses its incremental borrowing rate as the basis to calculate the present value of future lease payments at lease commencement. The incremental borrowing rate approximates the rate to borrow funds on a collateralized basis over a similar term and in a similar economic environment.

As of September 30, 2021, there were no leases entered into which have not yet commenced and that would entitle the Company to significant rights or create additional obligations.

Supplemental information related to operating lease arrangements was as follows:

	Three Months Ended September 30,	
	2021	2020
Cash paid for amounts included in the measurement of operating lease liabilities	$ 76	$ 75
Weighted average remaining lease term (in years)	1.83	2.35
Weighted average discount rate	5.00%	5.00%

	Nine Months Ended September 30,	
	2021	2020
Cash paid for amounts included in the measurement of operating lease liabilities	$ 227	$ 225
Weighted average remaining lease term (in years)	1.83	2.35
Weighted average discount rate	5.00%	5.00%

Future minimum lease payments as of September 30, 2021, are as follows:

	Amount
Year Ending	
Remainder of 2021	$ 78
2022	319
2023	8
2024	1
Interest	(10)
Total	$ 396

NOTE 18 – EARNINGS (LOSS) PER SHARE

Earnings (Loss) per share was computed using the following common share data for the three and nine months ended September 30, 2021:

	Three Months Ended September 30, 2021
Net income	$ 8,896
Basic weighted-average shares outstanding	141,015,213
Dilutive effect of share-based awards	32,793
Diluted weighted-average shares outstanding	141,048,006
Basic earnings per share	$ 0.06
Diluted earnings per share	$ 0.06

	Nine Months Ended September 30, 2021
Net loss	$ (10,021)
Basic weighted-average shares outstanding	141,015,213
Dilutive effect of share-based awards	—
Diluted weighted-average shares outstanding	141,015,213
Basic loss per share	$ (0.07)
Diluted loss per share	$ (0.07)

As a result of incurring a net loss for the nine months ended September 30, 2021, 493,166 potential antidilutive shares were excluded from the above earnings per share calculation.

NOTE 19 – RELATED PARTY TRANSACTIONS

In connection with the Distribution, the Company loaned MNK $7,140, in the aggregate, which is recorded in the condensed consolidated balance sheet within related party receivable, for its dividends tax liability arising under the South African Income Tax Act, 1962, as amended. As security for this loan, MNK has pledged certain of its shares in the Company to Montauk Renewables and agreed to use the proceeds from the sale of such shares to repay this loan.

NOTE 20 – SUBSEQUENT EVENTS

The Company evaluated its September 30, 2021 unaudited condensed consolidated financial statements through November 15, 2021, the date the financial statements were issued. The Company is not aware of any subsequent events which would require disclosure in the unaudited condensed consolidated financial statements, except for the matters discussed below. In October 2021, the Company closed on a $5,447 transaction to acquire approximately 146 acres and an existing approximately 500,000 square foot structure intended to expand the production processes acquired in the Montauk Ag Asset Acquisition.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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 this Quarterly Report on Form 10-Q. The historical consolidated financial data discussed below reflects the historical results of operations and financial position of Montauk USA. The consolidated financial statements of Montauk USA, our predecessor for accounting purposes, became our historical financial statements following the IPO. Certain historical financial data discussed below relates to periods prior to the Reorganization Transactions. Throughout this section, dollar amounts are expressed in thousands, except for per share amounts, Metric Million British Thermal Unit ("MMBtu") and RIN pricing amounts, and unless otherwise indicated.

In addition to historical financial information, the following discussion and analysis contains 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, including those discussed under "Cautionary Note Regarding Forward-Looking Statements," "Part II, Item 1A.–Risk Factors" and elsewhere in this report.

Overview

Montauk Renewables is a renewable energy company specializing in the management, recovery and conversion of biogas into RNG. The Company captures methane, preventing it from being released into the atmosphere, and converts it into either RNG or Renewable Electricity. The Company, headquartered in Pittsburgh, Pennsylvania, has more than 30 years of experience in the development, operation and management of landfill methane-fueled renewable energy projects. The Company has current operations at 15 operating projects located in California, Idaho, Ohio, Oklahoma, Pennsylvania, North Carolina and Texas. The Company sells RNG and Renewable Electricity, taking advantage of Environmental Attribute premiums available under federal and state policies that incentivize their use.

Biogas is produced by microbes as they break down organic matter in the absence of oxygen (during a process called anaerobic digestion). Our two current sources of commercial scale biogas are LFG and ADG, which is produced inside an airtight tank used to breakdown organic matter, such as livestock waste. We typically secure our biogas feedstock through long-term fuel supply agreements and property lease agreements with biogas site hosts. Once we secure long-term fuel supply rights, we design, build, own, and operate facilities that convert the biogas into RNG or use the processed biogas to produce Renewable Electricity. We sell the RNG and Renewable Electricity through a variety of short-, medium-, and long-term agreements. Because we are capturing waste methane and making use of a renewable source of energy, our RNG and Renewable Electricity generate valuable Environmental Attributes, which we are able to sell under U.S. federal and state initiatives.

Recent Developments

Montauk Ag Asset Acquisition

On May 10, 2021, the Company, through a newly formed wholly-owned subsidiary, Montauk Ag Renewables, LLC ("Montauk Ag"), completed a series of transactions with Joseph P. Carroll, Jr. ("Carroll"), Martin A. Redeker ("Redeker") and certain of their affiliates to purchase their business of developing technology to recover residual natural resources from waste streams of modern agriculture and to refine and recycle such waste products through proprietary and other processes in order to produce high quality renewable natural gas, bio-oil and biochar (the "Montauk Ag Renewables Acquisition"). The assets acquired include real property, intellectual property, mobile equipment, and other equipment related to operating the business. The real property includes the purchase of an approximate 9.35 acre parcel in Duplin County, North Carolina.

The purchase price, excluding acquisition costs, for the Montauk Ag Renewables Acquisition consisted of (i) $3,797 paid in cash on May 10, 2021 (minus certain costs and indebtedness) and (ii) two restricted stock awards, in equal amounts, granted under the MRI EICP, with an aggregate value not to exceed $12,500, awarded to each of Messrs. Carroll and Redeker in connection with their respective employment with the Company following the closing of the Montauk Ag Renewables Acquisition (the "RS Awards"). For more information about the RS Awards, see Note 14 to our unaudited condensed consolidated financial statements.

During the third quarter of 2021, we continued to execute on our plans for the Montauk Ag Renewables Acquisition. In August 2021, we were granted a patent over 24 specific aspects of continuous-feed, closed-loop reactor technology acquired in the acquisition. We believe that the reactor enables near-zero-emissions conversion of agricultural waste into multiple non-fossil, renewable-fuel alternatives, is capable of producing multiple units of renewable energy for each unit of conventional energy consumed and is capable of sequestering multiple tons of greenhouse gas equivalent emissions (CO2e) for every ton emitted. We expect the reactor, with certain enhancements, to better address some of the environmental challenges of industrial agriculture, including lagoon capacity constraints, watershed contamination, odor issues, nutrient abundances and containment and disposal of animal waste, regardless of location or size. The reactor is operational and we continue to make improvements to the reactor to optimize its functionality and currently expect this facility to be commissioned with these improvements during 2022.

In the fourth quarter of 2021, we also closed on a $5,447 transaction to acquire approximately 146 acres and an existing approximately 500,000 square foot structure which we plan to use as we expand the production processes acquired in the Montauk Ag Renewables Acquisition. We have also executed master services agreements that provides access to waste feedstock for Montauk Ag to process. The waste feedstock will be sourced from swine waste contained in anaerobic lagoons and its removal will help to improve lagoon water flow and reduce capacity in the lagoons. We do not currently expect the revenues from this agreement to be material. As we commission and increase our production capabilities, we intend to add farms to this agreement as feedstock sources, which has the potential to secure more feedstock for our facility. We are at the beginning stages of developing the opportunities associated with the Montauk Ag Renewables Acquisition and can give no assurances that our plans related to this acquisition will meet our expectations.

Amendment to Pico Feedstock Agreement

During the second quarter of 2021, we completed an amendment to our Pico feedstock agreement ("Pico Feedstock Amendment"). The amendment will increase the amount of feedstock supplied to the facility for processing over a one to three-year period. We paid $1,000 in cash at the time of closing the amendment.

During the third quarter of 2021, and as part of our overall capacity expansion at the Pico facility, we undertook significant efforts to improve the performance of the existing digestion process at our Pico facility. We have temporarily idled RNG production at this facility in order to clean out settled solids in the digester, replace the cover of the digester, and make various other efficiency improvements. We currently expect to incur nonrecurring expenses of at least $1,000 related to this project in addition to the $288 in asset disposal recognized during the third quarter of 2021 and approximately $325 in expected capital costs related to this project.

After the improvements are completed, we expect production to measurably increase from the current production levels of approximately 150 MMBtu/day once we resume full operations at the Pico facility, currently expected during the first quarter of 2022.

The improvement project has impacted the timeline for modeling Pico's initial CI Score pathway model and subsequent auditing approval by CARB. We currently expect to submit this CI pathway model and re-apply for a temporary CI pathway in the fourth quarter of 2021, but no assurances can be given that CARB will approve the CI Score pathway for use by the end of 2021. The results of this approval could have a significant impact on our ability to generate LCFS credit revenues in 2022 on our 2021 production.

Key Trends Affecting Our Business

Market Trends Affecting the Renewable Fuel Market

We believe rising demand for RNG is attributable to a variety of factors, including growing public support for renewable energy, U.S. governmental actions to increase energy independence, environmental concerns increasing demand for natural gas-powered vehicles, job creation, and increasing investment in the renewable energy sector.

Key drivers for the long-term growth of RNG include the following factors:

- Regulatory or policy initiatives, including the federal RFS program and state-level low-carbon fuel programs in states such as California and Oregon, that drive demand for RNG and its derivative Environmental Attributes.
- Efficiency, mobility and capital cost flexibility in our operations enable RNG to compete successfully in multiple markets. Our operating model is nimble, as we commonly use modular equipment; and we believe that our RNG processing equipment is more efficient than its fossil-fuel equivalents.
- Demand for compressed natural gas ("CNG") from natural gas-fueled vehicles. The RNG that we produce is pipeline quality and can be used for transportation fuel when converted to CNG. CNG is commonly used by medium-duty fleets that are close to fueling stations, such as city fleets, local delivery trucks and waste haulers.

Factors Affecting Our Future Operating Results

Conversion of Electricity Projects to RNG Projects:

We periodically evaluate opportunities to convert existing facilities from Renewable Electricity to RNG production. These opportunities tend to be most attractive for any merchant electricity facilities given the favorable economics for the sale of RNG plus RINs relative to the sale of market rate electricity plus RECs. This strategy has been an increasingly attractive avenue for growth since 2014 when RNG from landfills became eligible for D3 RINs. Upon completion of a conversion, we expect that the increase in revenue upon commencement of RNG production will more than offset the loss of revenue from Renewable Electricity production. Historically, we have taken advantage of these opportunities on a gradual basis at our merchant electricity facilities, such as Atascocita and Coastal Plains.

Acquisition and Development Pipeline

The timing and extent of our development pipeline affects our operating results due to:

- *Impact of Higher Selling, General and Administrative Expenses Prior to the Commencement of a Project's Operation:* We incur significant expenses in the development of new RNG projects and in maintenance and capital expenditures at our existing project sites. Further, the receipt of RINs is delayed, and typically does not commence for a period of four to nine months after the commencement of injecting RNG into a pipeline, pending final registration approval of the project by the EPA and then the subsequent completion of a third-party quality assurance plan certification. During such time, the RNG is either physically or theoretically stored and later withdrawn from storage to allow for the generation of RINs.
- *Shifts in Revenue Composition for Projects from New Fuel Sources:* As we expand into livestock farm projects, our revenue composition from Environmental Attributes will change. We believe that livestock farms offer us a lucrative opportunity, as the value of LCFS credits for dairy farm projects, for example, are a multiple of those realized from landfill projects due to the significantly more attractive CI score of livestock farms.
- *Incurrence of Expenses Associated with Pursuing Prospective Projects That Do Not Come to Fruition:* We incur expenses to pursue prospective projects with the goal of a site host accepting our proposal or being awarded a project in a competitive bidding process. Historically, we have evaluated opportunities which we decided not to pursue further due to the prospective project not meeting our internal investment thresholds or a lack of success in a competitive bidding process. To the extent we seek to pursue a greater number of projects or bidding for projects becomes more competitive, our expenses may increase.

Regulatory, Environmental and Social Trends

Regulatory, environmental and social factors are key drivers that incentivize the development of RNG and Renewable Electricity projects and influence the economics of these projects. We are subject to the possibility of legislative and regulatory changes to certain incentives, such as RINs, RECs and GHG initiatives. The EPA missed its November 30, 2020 statutory deadline to set RVOs for 2021, nor proposed RVO volumes. Furthermore, the EPA has not proposed RVOs for 2022 although the statutory deadline is approaching. On August 26, 2021, the EPA submitted the proposed rule to the White House Office of Management and Budget. However, it remains unclear if the EPA will release the proposed rule during the fourth quarter of 2021. The manner in which the EPA will establish RVOs beginning in 2023, when the statutory RVO mandates are set to expire, is expected to create additional uncertainty in RIN pricing. Further changes to the CI score assigned to a project upon its renewal or a change in the way CARB develops the CI score for a new project could significantly affect the profitability of a project, particularly in the case of a livestock farm project.

Factors Affecting Revenue

Our total operating revenues include renewable energy and related sales of Environmental Attributes. Renewable energy sales primarily consist of the sale of biogas, including LFG and ADG, which is either sold or converted to Renewable Electricity. Environmental Attributes are generated and sold from the renewable energy.

We report revenues from two operating segments: Renewable Natural Gas and Renewable Electricity Generation. Corporate relates to additional discrete financial information for the corporate function; primarily used as a shared service center for maintaining functions described below and not otherwise allocated to a segment. As such, the corporate entity is not determined to be an operating segment but is discretely disclosed for purposes of reconciliation to the Company's unaudited condensed consolidated financial statements.

- *Renewable Natural Gas Revenues*: We record revenues from the production and sale of RNG and the generation and sale of the Environmental Attributes derived from RNG, such as RINs and LCFS credits. Our RNG revenues from Environmental Attributes are recorded net of a portion of Environmental Attributes shared with off-take counterparties as consideration for such counterparties using the RNG as a transportation fuel. We sell a portion of our RNG production under fixed-price and counterparty sharing agreements, which provide floor prices in excess of commodity indices and sharing percentages of the monetization of Environmental Attributes. Under these sharing arrangements, we receive a portion of the profits derived from counterparty monetization of the Environmental Attributes in excess of the floor prices. We commissioned our Pico RNG facility in August 2020 and began reporting it within our RNG segment beginning October 2020. We commissioned our Coastal RNG facility in September 2020. While these sites will contribute to improved volumes, we expect facilities to go through optimization periods after commissioning prior to meeting budget expectations.
- *Renewable Electricity Generation Revenues:* We record revenues from the production and sale of Renewable Electricity and the generation and sale of the Environmental Attributes, such as RECs, derived from Renewable Electricity. All of our Renewable Electricity production is sold under fixed-price PPAs from our existing operating projects.

- *Corporate Revenues:* Corporate reports realized and unrealized gains or losses under our gas hedge programs. Corporate also relates to additional discrete financial information for the corporate function; primarily used as a shared service center for maintaining functions such as executive, accounting, treasury, legal, human resources, tax, environmental, engineering and other operations functions not otherwise allocated to a segment.

Our revenues are priced based on published index prices which can be influenced by factors outside our control, such as market impacts on commodity pricing and regulatory developments. With our royalty payments structured as a percentage of revenue, royalty payments fluctuate with changes in revenues. Due to these factors, we place a primary focus on managing production volumes and operating and maintenance expenses as these factors are more controllable by us.

RNG Production

Our RNG production levels are subject to fluctuations based on numerous factors, including:

- *Disruptions to Production:* Disruptions to waste placement operations at our active landfill sites, severe weather events, failure or degradation of our or a landfill operator’s equipment or interconnection or transmission problems could result in a reduction of our RNG production. We strive to proactively address any issues that may arise through preventative maintenance, process improvement and flexible redeployment of equipment to maximize production and useful life. In November 2019, our McCarty facility lost production capacity of one of its engines due to its failure. Production was not restored until March 2020 when a replacement was commissioned. Our first quarter of 2021 volumes improved approximately 29.1% from the first quarter of 2020 due mainly to the commissioning of this engine in the prior year period. In October 2020, California wildfires forced our Bowerman facility to temporarily shut down. While production resumed in November 2020, our first quarter of 2021 revenues related to the Bowerman facility were approximately 18.9% lower than the prior year period, related in part to these wildfires. The Company has temporarily idled its Pico gas production from September 2021 to December 2021 related to digester improvement efforts.
- Recent historical cold weather impacted our Atascocita, Galveston, McCarty, and Coastal Plains facilities located in Texas during February 2021. Production at these facilities was temporarily idled due to the loss of power from February 14 through February 20, 2021 and force majeure events were declared by certain of our counter-parties or by us for the period February 12 through February 22, 2021 related to these weather events. Operations at these facilities have subsequently resumed, but as a result of our utility provisions when we are not using utilities, providers are able to contribute the capacity back into the market and we receive credit against our future bills. Due mainly to these agreements, our utility costs within our RNG segment were approximately 54.9% lower in the first quarter of 2021 as compared to the first quarter of 2020. Our utility costs normalized during the second quarter of 2021 and continued at normal levels during the third quarter of 2021.
- The landfill host at our McCarty facility recently changed its wellfield collection system which has contributed to elevated of nitrogen in the feedstock received by our facility. Additionally, the landfill host modified the wellfield bifurcation approach which has impacted the quantity of feedstock received at the facility. We are working with the landfill host but have currently experienced lower volumes of feedstock available to be processed at the McCarty facility.
- *Quality of Biogas:* We are reliant upon the quality and availability of biogas from our site hosts. The quality of the waste at our landfill project sites is subject to change based on the volume and type of waste accepted. Variations in the quality of the biogas could affect our RNG production levels. At three of our projects, we operate the wellfield collection system, which allows greater control over the quality and consistency of the collected biogas. At two of our projects, we have operating and management agreements by which we earn revenue for managing the wellfield collection systems. Additionally, our dairy farm project benefits from the consistency of feedstock and controlled environment of collection of waste to improve biogas quality.
- *RNG Production from Our Growth Projects:* We anticipate increased production at certain of our existing projects as open landfills continue to take in additional waste and the amount of gas available for collection increases. Delays in commencement of production or extended commissioning issues at a new project or a conversion project would delay any realization of production from that project.

Pricing

Our Renewable Natural Gas and Renewable Electricity Generation segments’ revenues are primarily driven by the prices under our off-take agreements and PPAs and the amount of RNG and Renewable Electricity that we produce. We sell the RNG produced from our projects under a variety of short-term and medium-term agreements to counterparties, with contract terms varying from three years to five years. Our contracts with counterparties are typically structured to be based on varying natural gas price indices for the RNG produced. All of the Renewable Electricity produced at our biogas-to-electricity projects is sold under long-term contracts to creditworthy counterparties, typically under a fixed price arrangement with escalators.

The pricing of Environmental Attributes, which accounts for a substantial portion of our revenues, is subject to volatility based on a variety of factors, including regulatory and administrative actions and commodity pricing.

Our Jerome, ID dairy farm project is expected to be awarded a more attractive CI by CARB, making it possible to generate LCFS credits at a multiple of those generated by our landfill projects. With the temporarily idling of our Pico facility, CARB did not approve the extension of our temporary pathway that would have enabled us to delay data collection until 2022 for the initial CI pathway. As a result, we are submitting our initial CI pathway application using 2021 data and temporary CI extension application in the fourth quarter of 2021. We expect to learn the approval of the temporary CI extension application in December 2021. The initial CI Score related to 2021 production is expected to be more attractive than the temporary CI Score. During CARB's review of the initial CI application, we expect to place 2022 production in storage prior to receiving validation of the initial CI Score.

The sale of RINs, which is subject to market price fluctuations, accounts for a substantial portion of our revenues. We manage against the risk of these fluctuations through forward sales of RINs, although currently we generally only sell RINs in the calendar year they are generated. In the fourth quarter of 2020, due to the uncertainty regarding the outcome of the 2020 US Presidential election, we entered into forward commitments of approximately 50% of our expected 2021 RIN generation. These forward commitments were based on D3 RIN index prices at the time of the commitment, therefore our realized average RIN price in the three and nine months ended September 30, 2021 of approximately $1.65 and $1.75, respectively, was below the D3 RIN index of approximately $3.11 and $2.91, respectively. Our current RIN commitments expected to be recognized during the 2021 fourth quarter will be realized at an approximate average realized price of $2.09. We do not have any RINs currently committed for 2022. Realized prices for Environmental Attributes sold in a year may not correspond directly to index prices in the current or following year due to the forward selling of commitments.

Factors Affecting Operating Expenses

Our operating expenses include royalties, transportation, gathering and production fuel expenses, project operating and maintenance expenses, general and administrative expenses, depreciation and amortization, net loss (gain) on sale of assets, impairment loss and transaction costs.

- *Project Operating and Maintenance Expenses:* Operating and maintenance expenses primarily consist of expenses related to the collection and processing of biogas, including biogas collection system operating and maintenance expenses, biogas processing, operating and maintenance expenses, and related labor and overhead expenses. At the project level, this includes all labor and benefit costs, ongoing corrective and proactive maintenance, project level utility charges, rent, health and safety, employee communication, and other general project level expenses. Scheduled timing of proactive maintenance can be based on equipment usage and, as equipment ages, these costs may not be linear as compared to prior years.
- *Royalties, Transportation, Gathering and Production Fuel Expenses:* Royalties represent payments made to our facility hosts, typically structured as a percentage of revenue. Transportation and gathering expenses include capacity and metering expenses representing the costs of delivering our RNG and Renewable Electricity production to our customers. These expenses include payments to pipeline operators and other agencies that allow for the transmission of our gas and electricity commodities to end users. Production fuel expenses generally represent alternative royalty payments based on quantity usage of biogas feedstock.
- *General and Administrative Expenses:* General and administrative expenses primarily consist of corporate expenses and unallocated support functions for our operating facilities, including personnel costs for executive, finance, accounting, investor relations, legal, human resources, operations, engineering, environmental registration and reporting, health and safety, IT and other administrative personnel and professional fees and general corporate expenses. In connection with the consummation of the IPO and the Reorganization Transactions, stock options issued under MNK's SAR Plan were canceled. Under ASC 718, the Company accelerated all previously unvested stock-based compensation expense of approximately $2,050 in January 2021. The Company's board of directors approved grants of restricted stock, non-qualified stock option, and restricted stock unit awards under the MRI EICP on January 28, 2021. The Company accounted for stock-based compensation related to these equity awards under ASC 718 and recognized approximately $6,612 in stock-based compensation related to these awards in the first nine months of 2021. The Company currently expects this amount to reflect the quarterly expense for the fourth quarter of 2021 as the other share-based compensation expense in the first quarter of 2021 was a one-time expense related to the cancellation and replacement of the SAR Plan with the MRI EICP. Finally, in connection with restricted stock awarded, the recipients made elections under 83(b) of the Code and we withheld a portion of the restricted stock awarded. In accordance with ASC 718, the Company recognized accelerated stock-based compensation expense related to the shares and we recorded approximately $10,813 in stock-based compensation in the first quarter of 2021. In the aggregate, we recognized approximately $19,713 in stock-based compensation in the first nine months of 2021. For more information, see Note 14 to our unaudited condensed consolidated financial statements.
- *Depreciation and Amortization:* Expenses related to the recognition of the useful lives of our intangible and fixed assets. We spend significant capital to build and own our facilities. In addition to development capital, we annually reinvest to maintain these facilities.

- *Impairment Loss:* Expenses related to reductions in the carrying value(s) of long-lived assets based on periodic evaluations whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.
- *Transaction Costs:* Transaction costs primarily consist of expenses incurred for due diligence and other activities related to potential acquisitions and other strategic transactions.

Key Operating Metrics

Total operating revenues reflect both sales of renewable energy and sales of related Environmental Attributes. As a result, our revenues are primarily affected by unit production of RNG and Renewable Electricity, production of Environmental Attributes, and the prices at which we sell such production. Set forth below is an overview of these key metrics:

- *RNG and Renewable Electric Production Volumes:* We review performance by site based on unit of production calculations for RNG and Renewable Electricity, measured in terms of MMBtu and Megawatt Hours ("MWh"), respectively. While unit of production measurements can be influenced by schedule facility maintenance schedules, the metric is used to measure the efficiency of operations and the impact of optimization improvement initiatives. We sell a majority of our RNG commodity production under variable-price agreements, based on indices. A portion of our Renewable Natural Gas segment commodity production is sold under fixed-priced contracts. Our Renewable Electricity Generation segment commodity production is primarily sold under fixed-priced PPAs.
- *Environmental Attributes Production:* We sell Environmental Attributes derived from our production of RNG and Renewable Electricity. We carry-over a portion of the RINs generated from RNG production to the following year and sell the carried over RINs in such following calendar year. A majority of our Renewable Natural Gas segment Environmental Attributes are sold, though a portion are generated and sold by third parties under counterparty sharing agreements. A majority of our Renewable Electricity Generation segment Environmental Attributes are sold as a component of our fixed-price PPAs.
- *Average Realized Price per Unit of Production:* Our profitability is highly dependent on the commodity prices for natural gas and electricity, and the Environmental Attribute prices for RINs, LCFS credits, and RECs. Realized prices for Environmental Attributes sold in a year may not correspond directly with that year's production as attributes may be carried over and subsequently sold. Realized prices for Environmental Attributes sold in a year may not correspond directly to index prices due to the forward selling of commitments.

Results of Operations

Comparison of Three Months Ended September 30, 2021 and 2020

The following table summarizes the key operating metrics described above, which metrics we use to measure performance.

(in thousands, unless otherwise indicated)	Three Months Ended September 30 2021	Three Months Ended September 30 2020	Change	Change %
Revenues				
Renewable Natural Gas Total Revenues	$ 35,002	$ 23,994	$11,008	45.9%
Renewable Electricity Generation Total Revenues	$ 3,872	$ 4,256	$ (384)	(9.0%)
RNG Metrics				
CY RNG production volumes (MMBtu)	1,510	1,520	(10)	(0.7%)
Less: Current period RNG volumes under fixed/floor-price contracts	(333)	(561)	228	(40.6%)
Plus: Prior period RNG volumes dispensed in current period	309	297	12	4.0%
Less: Current period RNG production volumes not dispensed	(379)	(320)	(59)	18.4%
Total RNG volumes available for RIN generation (1)	1,107	936	171	18.3%
RIN Metrics				
Current RIN generation (x 11.727) (2)	12,985	10,977	2,008	18.3%
Less: Counterparty share (RINs)	(1,415)	(1,394)	(21)	1.5%
Plus: Prior period RINs carried into current period	1,586	1,700	(114)	(6.7%)
Less: CY RINs carried into next CY	—	—		
Total RINs available for sale (3)	13,156	11,283	1,873	16.6%
Less: RINs sold	(13,250)	(10,434)	(2,816)	27.0%
RIN Inventory	(94)	849	(943)	(111.1%)
RNG Inventory (volumes not dispensed for RINs) (4)	379	320	59	18.4%
Average Realized RIN price	$ 1.65	$ 1.54	$ 0.11	7.1%
Operating Expenses				
Renewable Natural Gas Operating Expenses	$ 14,916	$ 13,717	$ 1,199	8.7%
Operating Expenses per MMBtu (actual)	$ 9.88	$ 9.02	$ 0.86	9.5%
Renewable Electricity Generation Operating Expenses	$ 3,961	$ 2,782	$ 1,179	42.4%
$/MWh (actual)	$ 93.00	$ 57.33	$ 35.67	62.2%
Other Metrics				
Renewable Electricity Generation Volumes Produced (MWh)	43	49	(6)	(12.2%)
Average Realized Price $/MWh (actual)	$ 90.93	$ 87.69	$ 3.24	3.7%

(1) RINs are generated in the month that the gas is dispensed to generate RINs, which occurs the month after the gas is produced. Volumes under fixed/floor-price arrangements generate RINs which we do not self-market.

(2) One MMBtu of RNG has the same energy content as 11.727 gallons of ethanol, and thus may generate 11.727 RINs under the RFS program.

(3) Represents RINs available to be self-marketed by us during the reporting period.

(4) Represents gas production which has not been dispensed to generate RINs.

The following table summarizes our revenues, expenses and net income for the periods set forth below:

	Three Months Ended September 30			
	2021	2020	Change	Change %
Total operating revenues	$39,749	$28,250	$11,499	40.7%
Operating expenses:				
Operating and maintenance expenses	13,123	11,320	1,803	15.9%
General and administrative expenses	7,520	4,131	3,389	82.0%
Royalties, transportation, gathering and production fuel	6,636	5,189	1,447	27.9%
Depreciation, depletion and amortization	5,666	5,470	196	3.6%
Gain on insurance proceeds	(157)	(2,694)	2,537	94.2%
Transaction costs	232	—	232	0.0%
Total operating expenses	33,020	23,416	9,604	41.0%
Operating profit	$ 6,729	$ 4,834	$ 1,895	39.2%
Total other expenses	1,314	652	662	101.5%
Income tax (benefit) expense	(3,481)	6,266	(9,747)	(155.6%)
Net income (loss)	$ 8,896	$ (2,084)	$10,980	(526.9%)

Revenues for the Three Months Ended September 30, 2021 and 2020

Total revenues in the third quarter of 2021 were $39,749, an increase of $11,499 (40.7%) compared to $28,250 in the third quarter of 2020. An increase in the number of RINs sold accounted for over half ($6,850) of the increase during the third quarter of 2021. Increased natural gas index prices (79.8%) has contributed to increases in our gas commodity revenues over the prior year. Higher revenues of $1,288 recognized under counterparty sharing agreements also contributed to this increase.

Renewable Natural Gas Revenues

We produced 1,510 MMBtus of RNG during the third quarter of 2021, a decrease of 10 MMBtus over the 1,520 MMBtus (0.7%) produced in third quarter of 2020. Of the third quarter of 2021 volumes, 31 MMBtus of RNG was produced from development sites commissioned during 2020. Of the reduction of 40 MMBtus of RNG produced at our other facilities, 120 MMBtus related to wellfield issues at our McCarty facility. The collection system at the McCarty facility has been hampered by increased volumes of water impacting collection. As water levels vary or increase, the ability to draw feedstock can be reduced. We are working with the landfill host to mitigate these matters but expect this issue to continue into the fourth quarter of 2021. Increased production volumes (80 MMBtus) across other facilities partially offset the decrease at McCarty.

Revenues from the Renewable Natural Gas segment in the third quarter of 2021 were $35,002, an increase of $11,008 (45.9%) compared to $23,994 in the third quarter of 2020. The primary driver for the increase relates to aforementioned RIN volume sold during the first nine months of 2021. Average commodity pricing for natural gas for the third quarter of 2021 was $4.01 per MMBtu, 79.8% higher than the third quarter of 2020. During the third quarter of 2021, we sold 13,250 RINs, representing a 2,816 increase (27.0%) compared to 10,434 in the third quarter of 2020. The increase was primarily related to inter-period timing on transfers of RINs as the majority of our RINs are self-marketed resulting in higher commitments for third quarter of 2021 versus the third quarter of 2020. Average pricing realized on RIN sales during the third quarter of 2021 was $1.65 as compared to $1.54 in the third quarter of 2020, an increase of 7.1%. This compares to the average D3 RIN index price for the third quarter of 2021 of $3.11 being double the average D3 RIN index price of $1.55 in the third quarter of 2020. All of our RIN sales for third quarter 2021 were priced generally on the D3 index with none based on the CWC. At September 30, 2021, we had approximately 1,107 MMBtus available for RIN generation and approximately zero RINs generated and unsold. At September 30, 2020, we had approximately 936 MMBtus available for RIN generation and approximately 849 RINs generated and unsold.

Renewable Electricity Generation Revenues

We produced approximately 43 MWh in Renewable Electricity during the third quarter of 2021, a decrease of 6 MWh from the 49 MWh (12.2%) produced in third quarter of 2020. The decrease is a result of engine maintenance at our Bowerman facility (3 MWh) and our Security facility having zero production in the third quarter of 2021, due to previously announced engine failures, compared to 2 MWh produced in third quarter of 2020. The projects to restore the engines at our Security facility are ongoing and are currently anticipated to be completed in the fourth quarter of 2021.

In the third quarter of 2021, 100% of Renewable Electricity Generation segment revenues were derived from the monetization of Renewable Electricity at fixed prices associated with the underlying PPAs, as compared to 97.7% in the third quarter of 2020. This provides the Company with increased certainty of price resulting from our Renewable Electricity sites.

Corporate Analysis

We did not have any gas hedge programs outstanding during the third quarter of 2021 or 2020. We did not have market purchased RINs during the third quarter of 2021 or 2020. During the third quarter of 2021, we recorded revenue of $875 related to the RINs purchased in the second quarter of 2021.

Expenses for the Three Months Ended September 30, 2021 and 2020

General and Administrative Expenses

Total general and administrative expenses were $7,520 for the third quarter of 2021, an increase of $3,389 (82.0%) compared to $4,131 for the third quarter of 2020. Of the total in the third quarter of 2021, $2,574 related to stock-based compensation costs primarily associated with the IPO and Reorganization Transactions. Excluding the impacts of IPO related stock-based compensation, general and administrative expenses increased approximately $816. Corporate insurance for third quarter of 2021 increased approximately $719 (99.64%) compared to third quarter of 2020 due to increased premiums associated with the IPO.

Renewable Natural Gas Expenses

Operating and maintenance expenses for our RNG facilities in the third quarter of 2021 were $8,708, a decrease of $272 (3.0%) as compared to $8,980 in the third quarter of 2020. Approximately $1,315 of the third quarter of 2021 operating and maintenance expenses relate to development sites commissioned during 2020. Exclusive of the effects of these development sites, operating and maintenance expenses for the third quarter of 2021 were $7,393, a decrease of $1,519 (17.0%) compared to the third quarter of 2020. Due to fewer media changeouts and disposal expenses, our McCarty, Atascocita, and Apex facilities operating and maintenance expenses decreased approximately $202, $280, and $567, respectively, compared to the third quarter of 2020. Our Rumpke facility had decreased operating and maintenance expenses of approximately $540 in the third quarter of 2021, due to general preventative maintenance work related to an annual planned outage.

Royalties, transportation, gathering and production fuel expenses for the Company’s RNG facilities for the third quarter of 2021 were $6,208, an increase of $1,471 (31.1%) compared to $4,737 in the third quarter of 2020. Royalties, transportation, gathering and production fuel expenses decreased as a percentage of RNG revenues to 17.7% for the third quarter of 2021 from 19.7% in the third quarter of 2020. The decrease is due to the Pico earn-out liability adjustment of $694.

Renewable Electricity Expenses

Operating and maintenance expenses for our Renewable Electricity facilities in the third quarter of 2021 were $3,533, an increase of $1,200 (51.4%) compared to $2,333 in the third quarter of 2020. We reported the results of Pico within the Renewable Electricity Generation segment until October 2020 and Pico contributed $585 to the 2020 period. Exclusive of Pico, Renewable Electricity facility operating and maintenance expenses increased in the third quarter of 2021 compared to the third quarter of 2020 by $1,785 (102.1%). The increase is primarily a result of the timing of scheduled engine preventative maintenance intervals at our Bowerman facility, which was approximately $1,608 higher in the third quarter of 2021 over the third quarter of 2020.

Royalties, transportation, gathering and production fuel expenses for our Renewable Electricity facilities for the third quarter of 2021 were $428, down from $450 in the third quarter of 2020, and as a percentage of Renewable Electricity Generation segment revenues increased to 11.0% from 10.6%. This increase relates primarily to our Pico results being included in the RNG segment during the third quarter of 2021.

Royalty Payments

Royalties, transportation, gathering, and production fuel expenses in the third quarter of 2021 were $6,636, an increase of $1,447 (27.9%) compared to $5,189 in the third quarter of 2020. We make royalty payments to our fuel supply site hosts 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.

Depreciation

Depreciation and amortization in the third quarter of 2021 was $5,666, an increase of $196 (3.6%) compared to $5,470 in the third quarter of 2020. Our development sites commissioned and placed into service during 2020 contributed $492 of increased depreciation and amortization in the third quarter of 2021 as compared to the third quarter of 2020.

Impairment loss

We did not record any impairment losses in the third quarter of 2021 or 2020.

Other Expenses (Income)

Other expenses in the third quarter of 2021 were $1,314, an increase of $662 (101.5%) compared to $652 in the third quarter of 2020. Of the increase in other expenses, $865 of the increase relates to asset disposal costs at our Galveston and Pico facilities.

Income Tax Expense (Benefit)

Income tax expense for the three months ended September 30, 2021 was calculated using the actual year to date effective tax rate. The effective tax rate differs from the U.S. federal statutory rate of 21% primarily due to the current year permanent disallowance of officers' compensation under Section 162(m) of the Code, partially offset by the favorable impact of the production tax credit.

The effective tax rate of (64.3%) for the three months ended September 30, 2021 was lower than the rate for the three months ended September 30, 2020 of 149.8% primarily due to the current year disallowance of officers' compensation under Section 162(m) of the Code. The Company utilized a year to date effective tax rate for tax expense calculated for the three months ended September 30, 2021, which when applied to year to date pre-tax book loss and layering in nominal discrete events, resulted in a (64.3%) effective tax rate for the three months ended September 30, 2021. The 149.8% effective tax rate for the three months ended September 30, 2020 was a result of the third quarter pre-tax book income applied to the estimated annual effective tax rate, with no significant discrete events in that quarter.

Operating Profit (Loss) for the Three Months Ended September 30, 2021 and 2020

Operating profit in the third quarter of 2021 was $6,729 an increase of $1,895 (39.2%) compared to an operating profit of $4,834 in the third quarter of 2020. RNG operating profit for the third quarter of 2021 was $15,955, an increase of $6,465 (68.1%) compared to $9,490 in the third quarter of 2020. Increased revenues within RNG drove the increase in RNG operating profit. Renewable Electricity Generation operating loss for the third quarter of 2021 was $1,424, a decrease of $947 (198.5%) compared to an operating loss of $477 for the third quarter of 2020.

Results of Operations

Comparison of Nine Months Ended September 30, 2021 and 2020

The following table summarizes the key operating metrics described above, which metrics we use to measure performance.

(in thousands, unless otherwise indicated)	Nine Months Ended September 30			
	2021	2020	Change	Change %
Revenues				
Renewable Natural Gas Total Revenues	$ 90,707	$ 60,799	$29,908	49.2%
Renewable Electricity Generation Total Revenues	$ 11,290	$ 13,282	$ (1,992)	(15.0%)
RNG Metrics				
CY RNG production volumes (MMBtu)	4,274	4,451	(177)	(4.0%)
Less: Current period RNG volumes under fixed/floor-price contracts	(1,273)	(1,575)	302	(19.2%)
Plus: Prior period RNG volumes dispensed in current period	353	266	87	32.7%
Less: Current period RNG production volumes not dispensed	(379)	(320)	(59)	18.4%
Total RNG volumes available for RIN generation (1)	2,975	2,822	153	5.4%
RIN Metrics				
Current RIN generation (x 11.727) (2)	34,883	33,099	1,784	5.4%
Less: Counterparty share (RINs)	(3,810)	(3,664)	(146)	4.0%
Plus: Prior period RINs carried into current period	110	1,330	(1,220)	(91.7%)
Less: CY RINs carried into next CY	—	—		
Total RINs available for sale (3)	31,183	30,765	418	1.4%
Less: RINs sold	(30,875)	(30,269)	(606)	2.0%
RIN Inventory	308	496	(188)	(37.9%)
RNG Inventory (volumes not dispensed for RINs) (4)	379	320	59	18.4%
Average Realized RIN price	$ 1.77	$ 1.22	$ 0.55	45.1%
Operating Expenses				
Renewable Natural Gas Operating Expenses	$ 44,004	$ 35,027	$ 8,977	25.6%
Operating Expenses per MMBtu (actual)	$ 10.30	$ 7.87	$ 2.43	30.9%
Renewable Electricity Generation Operating Expenses	$ 10,130	$ 9,216	$ 914	9.9%
$/MWh (actual)	$ 74.00	$ 60.62	$ 13.38	22.1%
Other Metrics				
Renewable Electricity Generation Volumes Produced (MWh)	137	152	(15)	(9.9%)
Average Realized Price $/MWh (actual)	$ 82.47	$ 87.37	$ (4.90)	(5.6%)

(1) RINs are generated in the month that the gas is dispensed to generate RINs, which occurs the month after the gas is produced. Volumes under fixed/floor-price arrangements generate RINs which we do not self-market.
(2) One MMBtu of RNG has the same energy content as 11.727 gallons of ethanol, and thus may generate 11.727 RINs under the RFS program.
(3) Represents RINs available to be self-marketed by us during the reporting period.
(4) Represents gas production which has not been dispensed to generate RINs.

The following table summarizes our revenues, expenses and net income for the periods set forth below:

(in thousands, except per share data)	Nine Months Ended September 30 2021	Nine Months Ended September 30 2020	Change	Change %
Total operating revenues	$102,872	$74,563	$ 28,309	38.0%
Operating expenses:				
Operating and maintenance expenses	36,954	31,281	5,673	18.1%
General and administrative expenses	35,280	11,336	23,944	211.2%
Royalties, transportation, gathering and production fuel	18,840	13,376	5,464	40.8%
Depreciation, depletion and amortization	17,062	16,120	942	5.8%
Gain on insurance proceeds	(238)	(3,444)	3,206	(93.1%)
Impairment loss	626	278	348	125.2%
Transaction costs	357	—	357	0.0%
Total operating expenses	108,881	68,947	39,934	57.9%
Operating profit (loss)	$ (6,009)	$ 5,616	$(11,625)	(207.0%)
Total other expenses	2,726	3,760	(1,034)	(27.5%)
Income tax expense (benefit)	1,286	(291)	1,577	(541.9%)
Net (loss) income	$ (10,021)	$ 2,147	$(12,168)	(566.7%)

Revenues for the Nine Months Ended September 30, 2021 and 2020

Total revenues in the first nine months of 2021 were $102,872, an increase of $28,309 (38.0%) compared to $74,563 in the first nine months of 2020. The primary drivers for this increase related to a 43.4% increase in average realized RIN pricing during the first nine months of 2021 of $1.77 compared to $1.22 in the first nine months of 2020. Increased natural gas index prices (19.1%) has contributed to increases in our gas commodity revenues over the prior year. We also recognized higher revenues under our counterparty sharing agreements of $8,304 in the first nine months of 2021 compared to the first nine months of 2020, primarily related to increased D3 RIN index prices.

Renewable Natural Gas Revenues

We produced 4,274 MMBtu of RNG during the first nine months of 2021, a decrease of 177 MMBtu from over the 4,451 MMBtus (4.0%) produced in first nine months of 2020. Volumes for the first nine months of 2021 included 116 MMBtu of RNG produced from development sites commissioned during 2020. Of the 293 lower MMBtus of RNG produced at our other locations, our Rumpke site produced 171 less MMBtus compared to the first nine months of 2020 due to landfill filling patterns resulting in limited production and 195 MMBtus of this reduction was from the collection system being hampered by increased volumes of water impacting collection and process equipment failures at our McCarty facility. Offsetting the decrease are increased production volumes (86 MMBtu) at our Atascocita facility.

Revenues from the Renewable Natural Gas segment in the first nine months of 2021 were $90,707, an increase of $29,908 (49.2%) compared to $60,799 in the first nine months of 2020. The primary driver for the increase relates to aforementioned realized RIN pricing during the first nine months of 2021. Average commodity pricing for natural gas for the first nine months of 2021 was $3.18 per MMBtu, 19.1% higher than the first nine months of 2020. During the first nine months of 2021, we sold 30,875 RINs, representing a 605 increase (2.0%) compared to 30,269 in the first nine months of 2020. The increase was primarily related to inter-period timing on transfers of RINs. Average pricing realized on RIN sales during the first nine months of 2021 was $1.77 as compared to $1.22 in the first nine months of 2020, an increase of 45.1%. This compares to the average D3 RIN index price for the first nine months of 2021 of $2.91 being approximately 109.0% higher than the average D3 RIN index price in the first nine months of 2020. All of our RIN sales in the first nine months of 2021 and 2020 were priced generally on the D3 index with none based on the CWC. At September 30, 2021, we had approximately 379 MMBtus available for RIN generation. We had approximately 308 RINs generated and unsold at September 30, 2021. We had approximately 320 MMBtus available for RIN generation at September 30, 2020 and approximately 496 RINs generated and unsold at September 30, 2020.

Renewable Electricity Generation Revenues

We produced approximately 137 MWh in Renewable Electricity in the first nine months of 2021 compared to 152 MWh in first nine months of 2020. The decrease of 15 MWh (9.9%) is a result of scheduled engine preventative maintenance at our Bowerman facility impacting one engine at a time and the ongoing projects to restore the engines at our Security facility. We currently anticipate the Security facility to resume production activities in the fourth quarter of 2021.

Revenues from Renewable Electricity facilities in the first nine months of 2021 were $11,290, a decrease of $1,992 (15.0%) compared to $13,282 in the first nine months of 2020. Prior to reporting Pico in RNG, Pico accounted for $707 of the decrease. Our Bowerman facility was impacted in the fourth quarter of 2020 by the California wildfires forcing it to temporarily shut down the facility. This shut down delayed the timing of monetization of the Environmental Attributes associated with the Bowerman facility and resulted in approximately $600 in reduced revenues in the first nine months of 2021 as compared to the first nine months of 2020.

In the first nine months of 2021, 100% of Renewable Electricity Generation segment revenues were derived from the monetization of Renewable Electricity at fixed prices associated with the underlying PPAs, as compared to 94.7% in the first nine months of 2020. This provides the Company with certainty of price resulting from our Renewable Electricity sites.

Corporate Analysis

While we did not have any gas hedge programs in the first nine months of 2021, our gas hedge program during the first nine months of 2020 was priced at rates in excess of the actual index price, resulting in realized losses of $388. During the third quarter of 2021, we recorded revenue of $875 related to the RINs purchased in the second quarter of 2021. This is included within operating revenues in the Consolidated Statement of Operations for the period ended September 30, 2021. We did not have market purchased RINs during the first nine months of 2020.

Expenses for the Nine Months Ended September 30, 2021 and 2020

General and Administrative Expenses

Total general and administrative expenses of $35,280 for the first nine months of 2021, an increase of $23,944 (211.2%) compared to $11,336 for the first nine months of 2020. Of the total in the first nine months of 2021, $18,754 related to stock-based compensation costs associated with the IPO and Reorganization Transactions. Excluding the impacts of IPO related stock-based compensation, general and administrative expenses increased approximately $4,727. Employee related costs, including stock-based compensation, increased approximately $20,045 (328.4%) in the first nine months of 2021 as compared to the first nine months of 2020. This increase is related to our accounting for the cancellation of MNK options and recording approximately $2,050 in previously unvested stock-based compensation expense. We recorded approximately $17,426 in stock-based compensation expense associated with the grants of restricted stock, non-qualified stock options, and restricted stock units associated with employee grants approved by the Company’s board of directors in January 2021. Additionally, professional fees increased approximately $1,827 (114.0%) during the first nine months of 2021 primarily resulting from our successful completion of the IPO and Reorganization Transactions. Additionally, our corporate insurance premiums increased approximately $2,138 (113.5%) during the first nine months of 2021 over the first nine months of 2020 period primarily related to premium increases associated with the completion of the IPO. Finally, corporate filing fees increased approximately $312 during the first nine months of 2021 over the first nine months of 2020 related to our IPO and Reorganization Transactions.

Renewable Natural Gas Expenses

Operating and maintenance expenses for our RNG facilities in the first nine months of 2021 were $26,468, an increase of $3,453 (15.0%) as compared to $23,015 in the first nine months of 2020. Approximately $3,351 of the increase related to development sites commissioned during 2020. Exclusive of the effects of these development sites, operating and maintenance expenses for the first nine months of 2021 were $23,117, an increase of $218 (0.9%) compared to $22,899 in the first nine months of 2020. Our Galveston facility had increased repair expenses of approximately $800 due to elevated levels of hydrogen sulfide contaminants in the methane feedstock. Our Houston, TX based facilities were favorably impacted by lower utility rates during the first nine months of 2021. Certain of our utility contracts have provisions that when we are not using utilities, the providers are able to contribute that capacity back into the market and we receive credit against our future bills. The first quarter of 2021 weather event which temporarily impacted our Houston, TX facilities utility consumption resulted in our RNG utilities being approximately $1,004 lower for the nine months ended September 30, 2021 as compared to the nine months ended September 30, 2020.

Royalties, transportation, gathering and production fuel expenses for the Company’s RNG facilities for the first nine months of 2021 were $17,536, an increase of $5,524 (46.0%) compared to $12,012 in the first nine months of 2020. Royalties, transportation, gathering and production fuel expenses increased as a percentage of RNG revenues to 19.3% for the first nine months of 2021 from 19.8% in the first nine months of 2020. The majority of the increase in royalties, transportation, gathering and production fuel expenses related to the increase in Environmental Attribute and counterparty sharing agreement revenues in the first nine months of 2021 compared to the first nine months of 2020.

Renewable Electricity Expenses

Operating and maintenance expenses for our Renewable Electricity facilities in the first nine months of 2021 were $8,826, an increase of $972 (12.4%) compared to $7,854 in the first nine months of 2020. We reported the results of Pico within the Renewable Electricity Generation segment until October 2020 and for that period, Pico contributed $1,389. Exclusive of Pico, Renewable Electricity facility operating and maintenance expenses increased in the first nine months of 2021 compared to the first nine months of 2020 by $2,361 (36.5%). The increase is primarily related to scheduled engine preventative maintenance intervals at our Bowerman facility, which was approximately $2,373 higher in the first nine months of 2021 over the first quarter of 2020. This increase in scheduled maintenance is expected to continue into the fourth quarter of 2021 at our Bowerman facility.

Royalties, transportation, gathering and production fuel expenses for our Renewable Electricity facilities for the first nine months of 2021 were $1,304 a decrease of $59 (4.3%) compared to $1,363 in the first nine months of 2020, and as a percentage of Renewable Electricity Generation segment revenues increased to 11.5% from 10.3%. This decrease relates to the temporary shutdown of our Bowerman facility due to the California wildfires resulting in a loss of revenue associated with the Environmental Attributes.

Royalty Payments

Royalties, transportation, gathering, and production fuel expenses in the first nine months of 2021 were $18,840, an increase of $5,464 (40.8%) compared to $13,376 in the first nine months of 2020. We make royalty payments to our fuel supply site hosts 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 impacts of future royalty payments.

Depreciation

Depreciation and amortization in the first nine months of 2021 was $17,062, an increase of $942 (5.8%) compared to $16,120 in the first nine months of 2020. Our development sites commissioned and placed into service during 2020 contributed $1,643 of increased depreciation and amortization in the first nine months of 2021 as compared to the first nine months of 2020.

Impairment loss

We calculated and recorded an impairment loss of $626 in the first nine months of 2021, an increase of $348 (125.2%) compared to $278 in the first nine months of 2020. The impairment in first nine months of 2021 related to a landfill host requesting us to decommission a previously converted electric to RNG site. We had been contractually obligated to maintain the site. The impairment in first nine months of 2020 was attributable to the termination of a development agreement related to our Pico acquisition.

Other Expenses (Income)

Other expenses in the first nine months of 2021 were $2,726, a decrease of $1,034 (27.5%) compared to other expenses of $3,760 in the first nine months of 2020. Reduced interest expense of $1,446 in the first nine months of 2021 compared to the first nine months of 2020 associated with our Credit Agreement, was the primary reason for this reduction.

Income Tax Expense (Benefit)

Income tax expense for the nine months ended September 30, 2021 was calculated using the actual year to date effective tax rate. The effective tax rate differs from the U.S. federal statutory rate of 21% primarily due to the current year permanent disallowance of officers' compensation under Section 162(m) of the Code, partially offset by the favorable impact of the production tax credit.

The effective tax rate of (14.7%) for the nine months ended September 30, 2021 was higher than the rate for the nine months ended September 30, 2020 of (15.7%). The September 30, 2021 rate of (14.7%) is calculated based on tax expense that is driven by the 162(m) unfavorable permanent adjustment (which was not applicable in the quarter ended September 30, 2020) compared to a pre-tax book loss position. Alternatively, the September 30, 2020 rate of (15.7%) is calculated based on income tax benefit generated in connection with the January 1, 2020 dissolution of the Montauk Energy Capital ("MEC") partnership, which allows all entities under MEC to file as part of the Company's consolidated federal tax group compared to a pre-tax book income position.

Operating Loss for the Nine Months Ended September 30, 2021 and 2020

Operating loss in the first nine months of 2021 was $6,010, a decrease of $11,625 (207.0%) compared to an operating profit of $5,615 in the first nine months of 2020. The primary driver of the increase in operating loss relates to the IPO and Reorganization Transactions stock-based compensation expense of $18,754 recognized in the first nine months of 2021. RNG operating profit for the first nine months of 2021 was $34,154, an increase of $15,339 (81.5%) compared to $18,815 in the first nine months of 2020. Renewable Electricity Generation operating loss for the first nine months of 2021 was $3,626, a decrease of $1,809 (99.6%) compared to an operating loss of $1,817 for the first nine months of 2020.

Non-GAAP Financial Measures:

The following table presents EBITDA and Adjusted EBITDA, non-GAAP financial measures for each of the periods presented below. We present EBITDA and Adjusted EBITDA because we believe the measures assist investors in analyzing our performance across reporting periods on a consistent basis by excluding items that we do not believe are indicative of our core operating performance. In addition, EBITDA and Adjusted EBITDA are financial measurements of performance that management and the board of directors use in their financial and operational decision-making and in the determination of certain compensation programs. EBITDA and Adjusted EBITDA are supplemental performance measures that are not required by or presented in accordance with GAAP. EBITDA and Adjusted EBITDA should not be considered alternatives to net income or any other performance measure derived in accordance with GAAP, or as an alternative to cash flows from operating activities or a measure of our liquidity or profitability.

The following table provides our EBITDA and Adjusted EBITDA, as well as a reconciliation to net income, which is the most directly comparable GAAP measure, for the three months ended September 30, 2021 and 2020:

	Three Months Ended September 30	
	2021	2020
Net income (loss)	$ 8,896	$ (2,084)
Depreciation and amortization	5,666	5,470
Interest expense	697	436
Income tax expense (benefit)	(3,481)	6,266
EBITDA	11,778	10,088
Net loss of sale of assets	822	—
Transaction costs	232	—
Adjusted EBITDA	$12,832	$10,088

The following table provides our EBITDA and Adjusted EBITDA, as well as a reconciliation to net income, which is the most directly comparable GAAP measure, for the nine months ended September 30, 2021 and 2020:

	Nine Months Ended September 30	
	2021	2020
Net (loss) income	$ (10,021)	$ 2,147
Depreciation and amortization	17,062	16,120
Interest expense	2,064	3,510
Income tax expense (benefit)	1,286	(291)
EBITDA	10,391	21,486
Impairment loss (1)	626	278
Net loss of sale of assets	822	—
Transaction costs	357	—
Non-cash hedging charges	—	388
Adjusted EBITDA	$ 12,196	$22,152

(1) During the nine months ended September 30, 2021, we recorded an impairment of $626 related to a landfill hosts request for us to decommission a facility previously converted to an RNG facility. We were previously contractually obligated to maintain this facility. During the nine months ended September 30, 2020, we recorded an impairment of $278 termination of a development agreement related to our Pico project.

Liquidity and Capital Resources

Sources of Liquidity

At September 30, 2021 and December 31, 2020, our cash and cash equivalents, net of restricted cash, was $20,892 and $20,992 respectively. We intend to fund near-term development projects using cash flows from operations and borrowings under our revolving credit facility. We believe that we will have sufficient cash flows from operations and borrowing availability under our credit facility to meet our debt service obligations and anticipated required capital expenditures (including for projects under development) for at least the next 12 months. However, we are subject to business and operational risks that could adversely affect our cash flows and liquidity.

On January 26, 2021, upon the closing of our IPO, we received net proceeds of $14,472 after deducting underwriting discounts and commissions of $1,608 and other estimated costs of $6,891.

At September 30, 2021, we had debt before debt issuance costs of $59,197, compared to debt before debt issuance costs of $66,697 at December 31, 2020.

Our debt before issuance costs (in thousands) are as follows:

	September 30, 2021	December 31, 2020
Term loan	$ 22,500	$ 30,000
Revolving credit facility	36,697	36,697
Debt before debt issuance costs	**$ 59,197**	**$ 66,697**

On December 12, 2018, we entered into an amended revolving credit and term loan agreement (as amended, the “Amended Credit Agreement”), with Comerica Bank (“Comerica”) and certain other financial institutions. The Amended Credit Agreement, which is secured by substantially all of our assets and assets of certain of our subsidiaries and provides for a five-year $95,000 term loan and a five-year $80,000 revolving credit facility.

As of September 30, 2021, $22,500 was outstanding under the term loan and $36,697 was outstanding under the revolving credit facility. The term loan amortizes in quarterly installments of $2,500 and has a final maturity of December 12, 2023 with an interest rate of 2.855% and 2.961% at September 30, 2021 and December 31, 2020, respectively. The revolving and term loans under the Amended Credit Agreement bear interest at the Eurodollar Margin or Base Rate Margin based on our Total Leverage Ratio (in each case, as those terms are defined in the Amended Credit Agreement).

The Amended Credit Agreement contains customary covenants applicable to us and certain of our subsidiaries, including financial covenants. The Amended Credit Agreement is subject to customary events of default, and contemplates that we would be in default if, for any fiscal quarter (x) the average monthly D3 RIN price (as determined in accordance with the Amended Credit Agreement) is less than $0.80 per RIN and (y) the consolidated EBITDA for such quarter is less than $6,000. Consolidated EBITDA is defined under the Amended Credit Agreement as net income plus (a)income tax expense, (b) interest expense, (c) depreciation, depletion, and amortization expense, (d) non-cash unrealized derivative expense and (e) any other extraordinary, unusual, or non-recurring adjustments to certain components of net income, as agreed upon by Comerica in certain circumstances.

Under the Amended Credit Agreement, we are required to maintain the following ratios:

- a maximum ratio of Total Liabilities to Tangible Net Worth (in each case, as those terms are defined in the Amended Credit Agreement) of greater than 2.0 to 1.0 as of the end of any fiscal quarter; and
- as of the end of each fiscal quarter, (x) a Fixed Charge Coverage Ratio (as defined in the Amended Credit Agreement) of not less than 1.2 to 1.0 and (y) a Total Leverage Ratio (as defined in the Amended Credit Agreement) of not more than 3.0 to 1.0.

As of September 30, 2021, we were in compliance with all applicable financial covenants under the Amended Credit Agreement.

The Amended Credit Agreement replaced our prior credit agreements with Comerica Bank and a portion of the proceeds of the term loan made under the Amended Credit Agreement were used by us to, among other things, fully satisfy an aggregate of $52,500 outstanding under such credit agreements. For additional information regarding the Amended Credit Agreement see Note 12— Debt to our unaudited condensed consolidated financial statements.

Growth & Capital Expenditures

We have historically funded our growth and capital expenditures with our working capital, cash flow from operations and debt financing. We expect our 2021 capital expenditures to range between $8,000 and $9,000. Our Amended Credit Agreement provides us with an $80,000 revolving credit facility, with a $75,000 accordion option, providing us with access to additional capital to implement our acquisition and development strategy. Our 2021 capital plans include annual preventative maintenance expenditures, annual wellfield expansion projects, other specific facility improvements, and information technology improvements. Additionally, we expect to spend $5,000 on optimization projects at our recently commissioned development facilities. Finally, we currently anticipate up to $14,000 in development capital expenditures in 2021 relating to the existing Montauk Ag Renewables acquisition and Pico expansion projects.

Cash Flow

The following table presents information regarding our cash flows and cash equivalents for the nine months ended September 30, 2021 and 2020:

	Nine Months Ended September 30	
	2021	**2020**
Net cash flows provided by operating activities	$ 21,298	$ 22,636
Net cash flows used in investing activities	(11,414)	(13,742)
Net cash flows (used in) provided by financing activities	(9,860)	1,000
Net increase in cash and cash equivalents	24	9,894
Restricted cash, end of period	691	718
Cash and cash equivalents and restricted, end of period	21,583	20,256

During the first nine months of 2021, we generated $21,298 of cash from operating activities, a 5.9% decrease from the first nine months of 2020 of $22,636. Working capital and other assets and liabilities used $6,784 in the first nine months of 2021 compared to $2,985 in the first nine months of 2020. During the three months ended September 30, 2021, we sold approximately 500 RINs, which were purchased during the second quarter of 2021 at a D3 spot price of $3.17. Significant adjustments to net income included our accounting for stock-based compensation, a $19,250 increase, and a $2,392 reduction related to our interest rate swap agreements.

Our net cash flows used in investing activities has historically focused on project development and facility maintenance. For the first nine months of 2021, our capital expenditures were $7,702, of which approximately $2,362 of which were related to optimization projects at our recently commissioned facilities and $1,000 related to the Pico Feedstock Amendment. Including acquisition costs of $341, we acquired assets for the Montauk Ag Renewables Acquisition in North Carolina of $4,142. For the first nine months of 2020, our capital expenditures were $14,911, of which $806, $3,862 and $1,516 related to the construction of our Galveston, Coastal Plains, and Pico RNG facilities, respectively. During the first nine months of 2020, we also incurred $3,003 in capital expenditures rebuilding the failed engine at our McCarty RNG facility.

Our net cash flows used in financing activities of $9,860 for the first nine months of 2021 decreased by $10,860 compared to cash provided by financing activities in the first nine months of 2020. In the first nine months of 2021, the closing of our IPO provided $15,593 in proceeds after payment of commissions and expenses. In the first nine months of 2021, the Company reacquired 950,214 shares with a value of approximately $10,813 connection with withholding shares from restricted stock awards pursuant to elections made by employees under Section 83(b) of the Code related to the IPO,. Additionally, in the first nine months of 2021 and in connection with the Distribution, we loaned $7,140 to MNK for its dividends tax liability arising under the South African Income Tax Act, 1962, as amended. As security for this loan, MNK has pledged certain of its shares in the Company to Montauk Renewables and agreed to use the proceeds from the sale of such shares to repay this loan. During the first nine months of 2020, we borrowed $8,500 under our revolving credit agreement to be used primarily for development capital expenditures.

Internal Control Over Financial Reporting

In the preparation of our unaudited condensed consolidated financial statements for the IPO, as well as the preparation of our year-end financial statements, we and our independent public accounting firm identified a material weakness in our internal control over financial reporting that impacted the twelve months ended December 31, 2020 and for the nine months ended September 30, 2020 and 2019. During the third quarter of 2021, we continued to implement remediation initiatives in response to the previously identified material weakness in connection with our material weakness remediation plan. See Item 4. Controls and Procedures below.

See "Risk Factors–Emerging Growth Company Risks–We have identified a material weakness in our internal control over financial reporting. We continue to implement remediation initiatives in response to this material weakness. If we identify additional material weaknesses in the future or otherwise fail to maintain an effective system of internal controls, we may not be able to accurately or timely report our financial condition or results of operations, which may adversely affect our business" in our 2020 Annual Report.

Critical Accounting Policies and Estimates

Our unaudited condensed consolidated financial statements are prepared in conformity with GAAP and require our management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, costs and expenses and related disclosures. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from these estimates, and such estimates may change if the underlying conditions or assumptions change.

Revenue Recognition

Our revenues are comprised of renewable energy and the related Environmental Attribute sales provided under long-term contracts with our customers. All revenue is recognized when we satisfy our performance obligation(s) under the contract (either implicit or explicit) by transferring the promised product to the customer either when (or as) the 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. We allocate the contract's transaction price to each performance obligation using the product's observable market standalone selling price for each distinct product in the contract.

Revenue is measured as the amount of consideration we expect to receive in exchange for transferring our products. As such, revenue is recorded net of allowances and customer discounts. 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 nature of our long-term contracts may give rise to several types of variable consideration, such as periodic price increases. This variable consideration is outside of our control as the variable consideration is dictated by the market.

The nature of the Company'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 Company'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.

RINs

We generate D3 RINs through our production and sale of RNG used for transportation purposes as prescribed under the RFS program. Our operating costs are associated with the production of RNG. The RINs are generated as an output of our renewable operating projects. The RINs that we generate are able to be separated and sold independently from the energy produced. Therefore, no cost is allocated to the RIN when it is generated. Revenue is recognized on these Environmental Attributes when there is an agreement in place to sell the credits at an agreed upon price with a customer and transfer of control has occurred. We enter into forward commitments to transfer RINs. These forward commitments are based on D3 RIN index prices at the time of the commitment. Realized prices for RINs sold in a year may not correspond directly to index prices due to the forward selling of commitments.

RECs

We generate RECs through our production and conversion of landfill methane into Renewable Electricity in various states, including California, Oklahoma, and Texas. These states have various laws requiring utilities to purchase a portion of their energy from renewable resources. Our operating costs are associated with the production of Renewable Electricity. The RECs are generated as an output of our renewable operating projects. The RECs that we generate are able to be separated and sold independently from the electricity produced. Therefore, no cost is allocated to the REC when it is generated. Revenue is recognized on these Environmental Attributes when there is an agreement in place to sell the credits at an agreed upon price with a customer and transfer of control has occurred.

Income Taxes

We are subject to income taxes in the U.S. federal jurisdiction and various state and local jurisdictions. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply.

Our net deferred tax asset position is a result of net operating losses (“NOLs”), fixed assets, intangibles, and tax credit carryforwards. The realization of deferred tax assets is dependent upon our ability to generate sufficient future taxable income during the periods in which those temporary differences become deductible, prior to the expiration of the tax attributes. The evaluation of deferred tax assets requires judgment in assessing the likely future tax consequences of events that have been recognized in our financial statements or tax returns and forecasting future profitability by tax jurisdiction.

We evaluate our deferred tax assets at reporting periods on a jurisdictional basis to determine whether adjustments to the valuation allowance are appropriate considering changes in facts or circumstances. As of each reporting date, management considers new evidence, both positive and negative, when determining the future realization of our deferred tax assets. We account for uncertain tax positions using a “more-likely-than-not” threshold for recognizing and resolving uncertain tax positions. The evaluation of uncertain tax positions is based on factors that include, but are not limited to, changes in tax law, the measurement of tax positions taken or expected to be taken in tax returns, the effective settlement of matters subject to audit, new audit activity and changes in facts or circumstances related to a tax position. Given our current level of pre-tax earnings and forecasted future pre-tax earnings, we expect to generate income before taxes in the United States in future periods at a level that would fully utilize our U.S. federal NOL carryforwards and the majority of its state NOL carryforwards prior to their expiration.

Intangible Assets

Separately identifiable intangible assets are recorded at their fair values upon acquisition. We account for intangible assets in accordance with ASC 350, *Intangibles—Goodwill and Other*. Finite-lived intangible assets include interconnections, customer contracts, and trade names and trademarks. The interconnection intangible asset is the exclusive right to utilize an interconnection line between the operating project and a utility substation to transmit produced electricity. Included in that right is full maintenance provided on this line by the utility. Intangible assets with finite useful lives are amortized on a straight-line basis over their estimated useful life. We evaluate our finite-lived intangible assets for impairment as events or changes in circumstances indicate the carrying value of these assets may not be fully recoverable. Events that could result in an impairment include, among others, a significant decrease in the market price or the decision to close a site.

Indefinite-lived intangible assets are not amortized and include emission allowances and land use rights. 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 environmental permits are required in certain regions in the United States. Except for permanent allocations of NOx credits, allowances available for use each year are capped at a level necessary for ozone attainment per the National Ambient Air Quality Standards. We assess the impairment of intangible assets that have indefinite lives at least on an annual basis or whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable.

If finite-lived or indefinite-lived intangible assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. The fair value is determined based on the present value of expected future cash flows. We use our best estimates in making these evaluations, however, actual future pricing, operating costs and discount rates could vary from the assumptions used in our estimates and the impact of such variations could be material.

Finite-Lived Asset Impairment

In accordance with FASB ASC Topic 360, Property, Plant and Equipment and intangible assets with finite useful lives are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by comparing the carrying amount of an asset or asset group to future undiscounted cash flows expected to be generated by the asset or asset group. Such estimates are based on certain assumptions, which are subject to uncertainty and may materially differ from actual results, including considering project specific assumptions for long-term credit prices, escalated future project operating costs and expected site operations. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Fair value is generally determined by considering (i) internally developed discounted cash flows for the asset group, (ii) third-party valuations, and/or (iii) information available regarding the current market value for such assets. We use our best estimates in making these evaluations and consider various factors, including future pricing and operating costs. However, actual future market prices and project costs could vary from the assumptions used in our estimates and the impact of such variations could be material.

We recorded impairments of $626 and $278 during the first nine months of 2021 and 2020, respectively. See Note 3, “Asset Impairment” to our unaudited condensed consolidated financial statements for more information.

Off-Balance Sheet Arrangements

Off-balance sheet arrangements comprise those arrangements that may potentially impact our liquidity, capital resources and results of operations, even though such arrangements are not recorded as liabilities under GAAP. Our off-balance sheet arrangements are limited to the outstanding letters of credit. Although these arrangements serve a variety of our business purposes, we are not dependent on them to maintain our liquidity and capital resources, and we are not aware of any circumstances that are reasonably likely to cause the off-balance sheet arrangements to have a material adverse effect on liquidity and capital resources.

For the first nine months of 2021, we had approximately $3,905 of off-balance sheet arrangements of outstanding letters of credit. These letters of credit reduce the borrowing capacity of our revolving credit facility under our Amended Credit Agreement. Certain of our contracts require these letters of credit to be issued to provide additional performance assurances. There was no usage against these outstanding letters of credit. During the 2020 fiscal year, we did not have off-balance sheet arrangements other than outstanding letters of credit of approximately $7,145.

Contractual Obligations

There were no material changes to our significant contractual obligations during the third quarter of 2021 as compared to those previously reported within “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our 2020 Annual Report.

Emerging Growth Company

We are an emerging growth company, as defined in the JOBS Act. The JOBS Act allows emerging growth companies to delay the adoption of new or revised accounting standards until such time as those standards apply to private companies. We intend to utilize these transition periods, which may make it difficult to compare our financial statements to those of non-emerging growth companies and other emerging growth companies that have opted out of the transition periods afforded under the JOBS Act.

Recent Accounting Pronouncements

For a description of our recently adopted accounting pronouncements and recently issued accounting standards not yet adopted, see Note 2, “Summary of Significant Accounting Policies” of Part I, Item 1 of our unaudited condensed consolidated financial statements in this report.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes since our disclosure in “Quantitative and Qualitative Disclosures About Market Risk” included in Part II, Item 7A of our 2020 Annual Report.

ITEM 4. CONTROLS AND PROCEDURES

Management’s Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company’s reports under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and that such information is accumulated and communicated to the Company’s management, including the Company’s Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. The Company, with the participation of the Company’s Chief Executive Officer and Chief Financial Officer, concluded that, as of September 30, 2021, the Company’s disclosure controls and procedures were not effective, pursuant to Rule 13a-15 and Rule 15d-15 of the Exchange Act, based on the material weakness in internal control over financial reporting described below.

In light of the above, our management, including our Chief Executive Officer and Chief Financial Officer, has performed additional analyses, reconciliations, and other post-closing procedures and has concluded that, notwithstanding the material weakness in our internal control over financial reporting, the unaudited condensed consolidated financial statements for the periods covered by and included in this Quarterly Report on Form 10-Q fairly present, in all material respects, our financial position, results of operations and cash flows for the periods presented in conformity with GAAP.

Previously Reported Material Weakness

During the preparation of our interim financial statements in connection with our IPO, as well as the preparation of our year-end financial statements, we and our independent public accounting firm identified a material weakness in internal control over financial reporting. As defined in Rule 12b-2 under the Exchange Act, a “material weakness” is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. Specifically, we did not have adequate procedures and controls with respect to complete and accurate recording of inputs to the consolidated income tax provision and related accruals.

The identified control deficiencies could have resulted in a misstatement of our accounts or disclosures that could have resulted in a material misstatement of our annual or interim consolidated financial statements that would not be prevented or detected, and accordingly, we determined that these control deficiencies constituted a material weakness. Management has taken remediation activities since the time the material weaknesses were identified; however, the remediated controls were not in place for a sufficient period of time to be tested for their design and operational effectiveness. The material weakness will not be considered remediated until the remediated controls have been operating for a sufficient period of time and can be evidenced through testing that they are operating effectively.

Under “Changes in Internal Control over Financial Reporting” below, we describe our remediation plan to address the identified material weakness.

Changes in Internal Control Over Financial Reporting

There have been changes in our internal control over financial reporting during the quarter ended September 30, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. During the quarter September 30, 2021, we continued to implement remediation initiatives in response to the previously identified material weakness in connection with our material weakness remediation plan. As we complete testing over the remediation initiatives we have implemented, we will be able to assess the effectiveness of our remediation plan as noted below.

As part of our ongoing remediation initiatives, we continue to implement measures designed to improve our internal control over financial reporting in order to remediate the control deficiencies that led to the material weakness, including outsourcing the parallel preparation and review of our tax calculations and related disclosures by external specialists, and initiating design and implementation of our financial control environment which includes creation of additional controls that are designed to strengthen our review and reconciliation processes around preparation of the annual and interim tax provision and related disclosures. While we believe that these efforts will improve our internal control over financial reporting, the implementation of our remediation is ongoing and will require ongoing validation and testing of the design and operating effectiveness of internal controls.

If the steps we take do not remediate the material weakness in a timely manner, there could continue to be a reasonable possibility that these control deficiencies or others could result in a material misstatement of our annual or interim consolidated financial statements that would not be prevented or detected on a timely basis.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, we and our subsidiaries may be parties to legal proceedings arising in the normal course of our business. We and our subsidiaries are currently not a party, nor is our property subject, to any material pending legal proceedings.

ITEM 1A. RISK FACTORS

We face a number of risks that could materially and adversely affect our business, results of operations, cash flow, liquidity, or financial condition. A discussion of our risk factors can be found in Part I, “Item 1A Risk Factors” in our 2020 Annual Report. The impact of the COVID-19 pandemic may exacerbate the risks discussed in Part I, “Item 1A. Risk Factors” in our 2020 Annual Report, any of which could have a material effect on us.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Use of Proceeds from Sale of Registered Securities

On January 21, 2021, our Registration Statement on Form S-1, as amended (File No. 333-251312) (the “Registration Statement”), was declared effective by the SEC in connection with our IPO. The underwriter for the IPO was Roth Capital Partners. A total of 3,399,515 shares of our common stock were sold pursuant to the Registration Statement, which was comprised of (1) 2,702,500 shares of new common stock issued by the Company and (2) 697,015 shares of the Company’s common stock held by MNK. The 3,399,515 shares were sold at an offering price of $8.50 per share and resulted in net proceeds to the Company of approximately $15.0 million, after deducting the underwriting discount of approximately $1.6 million and offering expenses payable by the Company of approximately $6.2 million.

The IPO closed on January 26, 2021. No payments for such expenses were made directly or indirectly to (i) any of our officers or directors or their associates, (ii) any persons owning 10% or more of any class of our equity securities or (iii) any of our affiliates.

From the closing of the IPO through September 30, 2021, approximately $5.3 million of the net proceeds from the IPO have been used by Montauk Renewables in connection with due diligence and the consummation of the Montauk Ag Renewables Acquisition in May 2021. An immaterial amount has been used relating to other possible acquisitions and projects. The remaining net proceeds of approximately $9.7 is held as cash.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Number	Description
10.1+†	Base Contract for Sale and Purchase of Natural Gas, dated as of April 1, 2021, by and between Iogen RC Fuels LP and GSF Energy, LLC
10.2+†	Transaction Confirmation, dated as of April 1, 2021, by and between Iogen RC Fuels LP and GSF Energy, LLC
10.3†	First Amendment to Transaction Confirmation, dated as of May 9, 2021, between Blue Source, LLC and GSF Energy, LLC

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Exhibit Number	Description
31.1	Certification of the Chief Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act
31.2	Certification of the Chief Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act
32.1	Certification of the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

\+ Exhibits marked with a (+) exclude certain immaterial schedules and exhibits pursuant to the provisions of Regulation S-K, Item 601(a)(5) or Item 601(a)(6). A copy of any of the omitted schedules and exhibits pursuant to Regulation S-K, Item 601(a)(5) will be furnished to the Securities and Exchange Commission upon request.

† Exhibits marked with a (†) exclude certain portions of the exhibit pursuant to Item 601(b)(10)(iv) of Regulation S-K. A copy of the omitted portions will be furnished to the Securities and Exchange Commission upon request.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

November 15, 2021	**MONTAUK RENEWABLES, INC.**
	By: /s/ SEAN F. MCCLAIN Sean F. McClain President, Chief Executive Officer and Director (Principal Executive Officer)
	By: /s/ KEVIN A. VAN ASDALAN Kevin A. Van Asdalan Chief Financial Officer (Principal Financial and Accounting Officer)

CERTAIN INFORMATION HAS BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE IT IS BOTH NOT MATERIAL AND WOULD LIKELY CAUSE COMPETITIVE HARM TO THE REGISTRANT IF PUBLICLY DISCLOSED. THE OMITTED PORTIONS OF THIS DOCUMENT ARE INDICATED BY [***].

Base Contract for Sale and Purchase of Natural Gas

This Base Contract is entered into as of the following date: April 1, 2021

The parties to this Base Contract are the following:

PARTY A **GSF Energy, L.L.C.**	***PARTY NAME***	**PARTY B** **Iogen RC Fuels LP**
680 Andersen Dr, Foster Plaza 10, 5th FL, Pittsburgh, PA 15220	***ADDRESS***	310 Hunt Club Road East, Suite 101 Ottawa, Ontario, Canada K1V 1C1
	BUSINESS WEBSITE	
	CONTRACT NUMBER	
	D-U-N-S® NUMBER	
☒ US FEDERAL: ☐ OTHER:	***TAX ID NUMBERS***	☒ US FEDERAL ☐ OTHER:
DE	***JURISDICTION OF ORGANIZATION***	
☐ Corporation ☒ LLC ☐ Limited Partnership ☐ Partnership ☐ LLP ☐ Other: ________	***COMPANY TYPE***	☐ Corporation ☐ LLC ☒ Limited Partnership ☐ Partnership ☐ LLP ☐ Other: ________
	GUARANTOR (IF APPLICABLE)	
CONTACT INFORMATION		
ATTN: ***John Collins*** ***TEL#:*** **[***]** ***FAX#:*** ***EMAIL:*** **[***]**	***COMMERCIAL***	***ATTN:*** ***Contract Administration*** ***TEL#:*** **613-733-9830** ***FAX#:*** **[***]** ***EMAIL:*** ***contractadmin@iogen.ca***
ATTN: ***John Collins*** ***TEL#:*** **[***]** ***FAX#:*** ***EMAIL:*** **[***]**	***SCHEDULING***	***ATTN:*** ***Contract Administration*** ***TEL#:*** **613-733-9380** ***FAX#:*** **[***]** ***EMAIL:*** ***contractadmin@iogen.ca***
ATTN: ***John Ciroli*** ***TEL#:*** **[***]** ***FAX#:*** ***EMAIL:*** **[***]**	***CONTRACT AND LEGAL NOTICES***	***ATTN:*** ***Contract Administration*** ***TEL#:*** **613-733-9830** ***FAX#:*** **[***]** ***EMAIL:*** ***contractadmin@iogen.ca***
ATTN: ***Accounting Manager*** ***TEL#:*** **412-747-8700** ***FAX#: 412-921-2867*** ***EMAIL:*** **[***]**	***CREDIT***	***ATTN:*** ***Contract Administration*** ***TEL#:*** **613-733-9380** ***FAX#:*** **[***]** ***EMAIL:*** ***contractadmin@iogen.ca***
ATTN: ***John Collins*** ***TEL#:*** **[***]** ***FAX#:*** ***EMAIL:*** **[***]**	***TRANSACTION CONFIRMATIONS***	***ATTN:*** ***Contract Administration*** ***TEL#:*** **613-733-9830** ***FAX#:*** **[***]** ***EMAIL:*** ***contractadmin@iogen.ca***
ACCOUNTING INFORMATION		
ATTN: ***Accounting Manager*** ***TEL#:*** **412-747-8700** ***FAX#: 412-921-2867*** ***EMAIL:*** ***afortney@montaukenergy.com***	***INVOICES PAYMENTS SETTLEMENTS***	***ATTN:*** ***Accounts Payable*** ***TEL#:*** **613-733-9830** ***FAX#:*** **[***]** ***EMAIL:*** ***accounts.payable@iogen.ca***
BANK: ***Comerica Bank*** ***ABA:*** **[***]** ***ACCT: [***]*** ***OTHER DETAILS:***	***WIRE TRANSFER NUMBERS (IF APPLICABLE)***	***BANK:*** ***BMO Harris Bank M.A.*** ***ABA:*** **[***]** ***ACCT: [***]*** ***OTHER DETAILS:***
BANK: ***Comerica Bank*** ***ABA:*** **[***]** ***ACCT: [***]*** ***OTHER DETAILS:***	***ACH NUMBERS (IF APPLICABLE)***	***BANK:*** ***ABA:*** ***ACCT:*** ***OTHER DETAILS:***
ATTN: ***ADDRESS:***	***CHECKS (IF APPLICABLE)***	***ATTN:*** ***ADDRESS:***

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Base Contract for Sale and Purchase of Natural Gas

(Continued)

This Base Contract incorporates by reference for all purposes the General Terms and Conditions for Sale and Purchase of Natural Gas published by the North American Energy Standards Board. The parties hereby agree to the following provisions offered in said General Terms and Conditions. In the event the parties fail to check a box, the specified default provision shall apply. Select the appropriate box(es) from each section:

Section 1.2 Transaction Procedure	☐ Oral (default) OR ☒ Written	**Section 10.2** Additional Events of Default	☒ No Additional Events of Default (default) ☐ Indebtedness Cross Default ☐ Party A: ____ ☐ Party B: ____ ☐ Transactional Cross Default Specified Transactions: ____
Section 2.7 Confirm Deadline	☐ 2 Business Days after receipt (default) OR ☒ 5 Business Days after receipt		
Section 2.8 Confirming Party	☐ Seller (default) OR ☒ Buyer ☐ ____		
Section 3.2 Performance Obligation	☒ Cover Standard (default) OR ☐ Spot Price Standard	**Section 10.3.1** Early Termination Damages	☒ Early Termination Damages Apply (default) OR ☐ Early Termination Damages Do Not Apply
Note: The following Spot Price Publication applies to both of the immediately preceding.			
Section 2.31 Spot Price Publication	☒ Gas Daily Midpoint (default) OR ☐ ____	**Section 10.3.2** Other Agreement Setoffs	☒ Other Agreement Setoffs Apply (default) ☐ Bilateral (default) ☐ Triangular OR ☐ Other Agreement Setoffs Do Not Apply
Section 6 Taxes	☒ Buyer Pays At and After Delivery OR ☐ Seller Pays Before and At Delivery Point		
Section 7.2 Payment Date	☒ 25th Day of Month following Month of delivery (default) OR ☐ Day of Month following Month of delivery	**Section 15.5** Choice Of Law	New York
Section 7.2 Method of Payment	☐ Wire transfer (default) ☒ Automated Clearinghouse Credit (ACH) ☐ Check	**Section 15.10** Confidentiality	☒ Confidentiality applies (default) OR ☐ Confidentiality does not apply
Section 7.7 Netting	☒ Netting applies (default) OR ☐ Netting does not apply		

☒ **Special Provisions** Number of sheets attached: 2 pages
☐ **Addendum(s):** ____

IN WITNESS WHEREOF, the parties hereto have executed this Base Contract in duplicate.

GSF Energy, L.L.C.	***PARTY NAME***	**IOGEN RC FUELS LP** **by its general partner Iogen RC Fuels Corporation**
By: /s/ Sean F. McClain	***SIGNATURE***	**By: /s/ Patrick J. Foody**
Sean F. McClain	***PRINTED NAME***	**Patrick J. Foody**
CEO	***TITLE***	**Executive Vice-President**

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General Terms and Conditions
Base Contract for Sale and Purchase of Natural Gas

SECTION 1. PURPOSE AND PROCEDURES

1.1. These General Terms and Conditions are intended to facilitate purchase and sale transactions of Gas on a Firm or Interruptible basis. "Buyer" refers to the party receiving Gas and "Seller" refers to the party delivering Gas. The entire agreement between the parties shall be the Contract as defined in Section 2.9.

The parties have selected either the "Oral Transaction Procedure" or the "Written Transaction Procedure" as indicated on the Base Contract.
Oral Transaction Procedure:
1.2. The parties will use the following Transaction Confirmation procedure. Any Gas purchase and sale transaction may be effectuated in an EDI transmission or telephone conversation with the offer and acceptance constituting the agreement of the parties. The parties shall be legally bound from the time they so agree to transaction terms and may each rely thereon. Any such transaction shall be considered a "writing" and to have been "signed". Notwithstanding the foregoing sentence, the parties agree that Confirming Party shall, and the other party may, confirm a telephonic transaction by sending the other party a Transaction Confirmation by facsimile, EDI or mutually agreeable electronic means within three Business Days of a transaction covered by this Section 1.2 (Oral Transaction Procedure) provided that the failure to send a Transaction Confirmation shall not invalidate the oral agreement of the parties. Confirming Party adopts its confirming letterhead, or the like, as its signature on any Transaction Confirmation as the identification and authentication of Confirming Party. If the Transaction Confirmation contains any provisions other than those relating to the commercial terms of the transaction (i.e., price, quantity, performance obligation, delivery point, period of delivery and/or transportation conditions), which modify or supplement the Base Contract or General Terms and Conditions of this Contract (e.g., arbitration or additional representations and warranties), such provisions shall not be deemed to be accepted pursuant to Section 1.3 but must be expressly agreed to by both parties; provided that the foregoing shall not invalidate any transaction agreed to by the parties.
Written Transaction Procedure:
1.2. The parties will use the following Transaction Confirmation procedure. Should the parties come to an agreement regarding a Gas purchase and sale transaction for a particular Delivery Period, the Confirming Party shall, and the other party may, record that agreement on a Transaction Confirmation and communicate such Transaction Confirmation by facsimile, EDI or mutually agreeable electronic means, to the other party by the close of the Business Day following the date of agreement. The parties acknowledge that their agreement will not be binding until the exchange of nonconflicting Transaction Confirmations or the passage of the Confirm Deadline without objection from the receiving party, as provided in Section 1.3.

1.3. If a sending party's Transaction Confirmation is materially different from the receiving party's understanding of the agreement referred to in Section 1.2, such receiving party shall notify the sending party via facsimile, EDI or mutually agreeable electronic means by the Confirm Deadline, unless such receiving party has previously sent a Transaction Confirmation to the sending party. The failure of the receiving party to so notify the sending party in writing by the Confirm Deadline constitutes the receiving party's agreement to the terms of the transaction described in the sending party's Transaction Confirmation. If there are any material differences between timely sent Transaction Confirmations governing the same transaction, then neither Transaction Confirmation shall be binding until or unless such differences are resolved including the use of any evidence that clearly resolves the differences in the Transaction Confirmations. In the event of a conflict among the terms of (i) a binding Transaction Confirmation pursuant to Section 1.2, (ii) the oral agreement of the parties which may be evidenced by a recorded conversation, where the parties have selected the Oral Transaction Procedure of the Base Contract, (iii) the Base Contract, and (iv) these General Terms and Conditions, the terms of the documents shall govern in the priority listed in this sentence.

1.4. The parties agree that each party may electronically record all telephone conversations with respect to this Contract between their respective employees, without any special or further notice to the other party. Each party shall obtain any necessary consent of its agents and employees to such recording. Where the parties have selected the Oral Transaction Procedure in Section 1.2 of the Base Contract, the parties agree not to contest the validity or enforceability of telephonic recordings entered into in accordance with the requirements of this Base Contract.

SECTION 2. DEFINITIONS

The terms set forth below shall have the meaning ascribed to them below. Other terms are also defined elsewhere in the Contract and shall have the meanings ascribed to them herein.

2.1. "Additional Event of Default" shall mean Transactional Cross Default or Indebtedness Cross Default, each as and if selected by the parties pursuant to the Base Contract.

2.2. "Affiliate" shall mean, in relation to any person, any entity controlled, directly or indirectly, by the person, any entity that controls, directly or indirectly, the person or any entity directly or indirectly under common control with the person. For this purpose, "control" of any entity or person means ownership of at least 50 percent of the voting power of the entity or person.

2.3. "Alternative Damages" shall mean such damages, expressed in dollars or dollars per MMBtu, as the parties shall agree upon in the Transaction Confirmation, in the event either Seller or Buyer fails to perform a Firm obligation to deliver Gas in the case of Seller or to receive Gas in the case of Buyer.

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2.4. "Base Contract" shall mean a contract executed by the parties that incorporates these General Terms and Conditions by reference; that specifies the agreed selections of provisions contained herein; and that sets forth other information required herein and any Special Provisions and addendum(s) as identified on page one.

2.5. "British thermal unit" or "Btu" shall mean the International BTU, which is also called the Btu (IT).

2.6. "Business Day(s)" shall mean Monday through Friday, excluding Federal Banking Holidays for transactions in the U.S.

2.7. "Confirm Deadline" shall mean 5:00 p.m. in the receiving party's time zone on the second Business Day following the Day a Transaction Confirmation is received or, if applicable, on the Business Day agreed to by the parties in the Base Contract; provided, if the Transaction Confirmation is time stamped after 5:00 p.m. in the receiving party's time zone, it shall be deemed received at the opening of the next Business Day.

2.8. "Confirming Party" shall mean the party designated in the Base Contract to prepare and forward Transaction Confirmations to the other party.

2.9. "Contract" shall mean the legally-binding relationship established by (i) the Base Contract, (ii) any and all binding Transaction Confirmations and (iii) where the parties have selected the Oral Transaction Procedure in Section 1.2 of the Base Contract, any and all transactions that the parties have entered into through an EDI transmission or by telephone, but that have not been confirmed in a binding Transaction Confirmation, all of which shall form a single integrated agreement between the parties.

2.10. "Contract Price" shall mean the amount expressed in U.S. Dollars per MMBtu to be paid by Buyer to Seller for the purchase of Gas as agreed to by the parties in a transaction.

2.11. "Contract Quantity" shall mean the quantity of Gas to be delivered and taken as agreed to by the parties in a transaction.

2.12. "Cover Standard", as referred to in Section 3.2, shall mean that if there is an unexcused failure to take or deliver any quantity of Gas pursuant to this Contract, then the performing party shall use commercially reasonable efforts to (i) if Buyer is the performing party, obtain Gas, (or an alternate fuel if elected by Buyer and replacement Gas is not available), or (ii) if Seller is the performing party, sell Gas, in either case, at a price reasonable for the delivery or production area, as applicable, consistent with: the amount of notice provided by the nonperforming party; the immediacy of the Buyer's Gas consumption needs or Seller's Gas sales requirements, as applicable; the quantities involved; and the anticipated length of failure by the nonperforming party.

2.13. "Credit Support Obligation(s)" shall mean any obligation(s) to provide or establish credit support for, or on behalf of, a party to this Contract such as cash, an irrevocable standby letter of credit, a margin agreement, a prepayment, a security interest in an asset, guaranty, or other good and sufficient security of a continuing nature.

2.14. "Day" shall mean a period of 24 consecutive hours, coextensive with a "day" as defined by the Receiving Transporter in a particular transaction.

2.15. "Delivery Period" shall be the period during which deliveries are to be made as agreed to by the parties in a transaction.

2.16. "Delivery Point(s)" shall mean such point(s) as are agreed to by the parties in a transaction.

2.17. "EDI" shall mean an electronic data interchange pursuant to an agreement entered into by the parties, specifically relating to the communication of Transaction Confirmations under this Contract.

2.18. "EFP" shall mean the purchase, sale or exchange of natural Gas as the "physical" side of an exchange for physical transaction involving gas futures contracts. EFP shall incorporate the meaning and remedies of "Firm", provided that a party's excuse for nonperformance of its obligations to deliver or receive Gas will be governed by the rules of the relevant futures exchange regulated under the Commodity Exchange Act.

2.19. "Firm" shall mean that either party may interrupt its performance without liability only to the extent that such performance is prevented for reasons of Force Majeure; provided, however, that during Force Majeure interruptions, the party invoking Force Majeure may be responsible for any Imbalance Charges as set forth in Section 4.3 related to its interruption after the nomination is made to the Transporter and until the change in deliveries and/or receipts is confirmed by the Transporter.

2.20. "Gas" shall mean any mixture of hydrocarbons and noncombustible gases in a gaseous state consisting primarily of methane.

2.21. "Guarantor" shall mean any entity that has provided a guaranty of the obligations of a party hereunder.

2.22. "Imbalance Charges" shall mean any fees, penalties, costs or charges (in cash or in kind) assessed by a Transporter for failure to satisfy the Transporter's balance and/or nomination requirements.

2.23. "Indebtedness Cross Default" shall mean if selected on the Base Contract by the parties with respect to a party, that it or its Guarantor, if any, experiences a default, or similar condition or event however therein defined, under one or more agreements or instruments, individually or collectively, relating to indebtedness (such indebtedness to include any obligation whether present or future, contingent or otherwise, as principal or surety or otherwise) for the payment or repayment of borrowed money in an aggregate amount greater than the threshold specified in the Base Contract with respect to such party or its Guarantor, if any, which results in such indebtedness becoming immediately due and payable.

2.24. "Interruptible" shall mean that either party may interrupt its performance at any time for any reason, whether or not caused by an event of Force Majeure, with no liability, except such interrupting party may be responsible for any Imbalance Charges as set

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forth in Section 4.3 related to its interruption after the nomination is made to the Transporter and until the change in deliveries and/or receipts is confirmed by Transporter.

2.25. "MMBtu" shall mean one million British thermal units, which is equivalent to one dekatherm.

2.26. "Month" shall mean the period beginning on the first Day of the calendar month and ending immediately prior to the commencement of the first Day of the next calendar month.

2.27. "Payment Date" shall mean a date, as indicated on the Base Contract, on or before which payment is due Seller for Gas received by Buyer in the previous Month.

2.28. "Receiving Transporter" shall mean the Transporter receiving Gas at a Delivery Point, or absent such receiving Transporter, the Transporter delivering Gas at a Delivery Point.

2.29. "Scheduled Gas" shall mean the quantity of Gas confirmed by Transporter(s) for movement, transportation or management.

2.30. "Specified Transaction(s)" shall mean any other transaction or agreement between the parties for the purchase, sale or exchange of physical Gas, and any other transaction or agreement identified as a Specified Transaction under the Base Contract.

2.31. "Spot Price " as referred to in Section 3.2 shall mean the price listed in the publication indicated on the Base Contract, under the listing applicable to the geographic location closest in proximity to the Delivery Point(s) for the relevant Day; provided, if there is no single price published for such location for such Day, but there is published a range of prices, then the Spot Price shall be the average of such high and low prices. If no price or range of prices is published for such Day, then the Spot Price shall be the average of the following: (i) the price (determined as stated above) for the first Day for which a price or range of prices is published that next precedes the relevant Day; and (ii) the price (determined as stated above) for the first Day for which a price or range of prices is published that next follows the relevant Day.

2.32. "Transaction Confirmation" shall mean a document, similar to the form of Exhibit A, setting forth the terms of a transaction formed pursuant to Section 1 for a particular Delivery Period.

2.33. "Transactional Cross Default" shall mean if selected on the Base Contract by the parties with respect to a party, that it shall be in default, however therein defined, under any Specified Transaction.

2.34. "Termination Option" shall mean the option of either party to terminate a transaction in the event that the other party fails to perform a Firm obligation to deliver Gas in the case of Seller or to receive Gas in the case of Buyer for a designated number of days during a period as specified on the applicable Transaction Confirmation.

2.35. "Transporter(s)" shall mean all Gas gathering or pipeline companies, or local distribution companies, acting in the capacity of a transporter, transporting Gas for Seller or Buyer upstream or downstream, respectively, of the Delivery Point pursuant to a particular transaction.

SECTION 3. PERFORMANCE OBLIGATION

3.1. Seller agrees to sell and deliver, and Buyer agrees to receive and purchase, the Contract Quantity for a particular transaction in accordance with the terms of the Contract. Sales and purchases will be on a Firm or Interruptible basis, as agreed to by the parties in a transaction.

The parties have selected either the "Cover Standard" or the "Spot Price Standard" as indicated on the Base Contract.
Cover Standard:
3.2. The sole and exclusive remedy of the parties in the event of a breach of a Firm obligation to deliver or receive Gas shall be recovery of the following: (i) in the event of a breach by Seller on any Day(s), payment by Seller to Buyer in an amount equal to the positive difference, if any, between the purchase price paid by Buyer utilizing the Cover Standard and the Contract Price, adjusted for commercially reasonable differences in transportation costs to or from the Delivery Point(s), multiplied by the difference between the Contract Quantity and the quantity actually delivered by Seller for such Day(s) excluding any quantity for which no replacement is available; or (ii) in the event of a breach by Buyer on any Day(s), payment by Buyer to Seller in the amount equal to the positive difference, if any, between the Contract Price and the price received by Seller utilizing the Cover Standard for the resale of such Gas, adjusted for commercially reasonable differences in transportation costs to or from the Delivery Point(s), multiplied by the difference between the Contract Quantity and the quantity actually taken by Buyer for such Day(s) excluding any quantity for which no sale is available; and (iii) in the event that Buyer has used commercially reasonable efforts to replace the Gas or Seller has used commercially reasonable efforts to sell the Gas to a third party, and no such replacement or sale is available for all or any portion of the Contract Quantity of Gas, then in addition to (i) or (ii) above, as applicable, the sole and exclusive remedy of the performing party with respect to the Gas not replaced or sold shall be an amount equal to any unfavorable difference between the Contract Price and the Spot Price, adjusted for such transportation to the applicable Delivery Point, multiplied by the quantity of such Gas not replaced or sold. Imbalance Charges shall not be recovered under this Section 3.2, but Seller and/or Buyer shall be responsible for Imbalance Charges, if any, as provided in Section 4.3. The amount of such unfavorable difference shall be payable five Business Days after presentation of the performing party's invoice, which shall set forth the basis upon which such amount was calculated.
Spot Price Standard:
3.2. The sole and exclusive remedy of the parties in the event of a breach of a Firm obligation to deliver or receive Gas shall be recovery of the following: (i) in the event of a breach by Seller on any Day(s), payment by Seller to Buyer in an amount equal to the difference between the Contract Quantity and the actual quantity delivered by Seller and received by Buyer for such Day(s),

multiplied by the positive difference, if any, obtained by subtracting the Contract Price from the Spot Price; or (ii) in the event of a breach by Buyer on any Day(s), payment by Buyer to Seller in an amount equal to the difference between the Contract Quantity and the actual quantity delivered by Seller and received by Buyer for such Day(s), multiplied by the positive difference, if any, obtained by subtracting the applicable Spot Price from the Contract Price. Imbalance Charges shall not be recovered under this Section 3.2, but Seller and/or Buyer shall be responsible for Imbalance Charges, if any, as provided in Section 4.3. The amount of such unfavorable difference shall be payable five Business Days after presentation of the performing party's invoice, which shall set forth the basis upon which such amount was calculated.

3.3. Notwithstanding Section 3.2, the parties may agree to Alternative Damages in a Transaction Confirmation executed in writing by both parties.

3.4. In addition to Sections 3.2 and 3.3, the parties may provide for a Termination Option in a Transaction Confirmation executed in writing by both parties. The Transaction Confirmation containing the Termination Option will designate the length of nonperformance triggering the Termination Option and the procedures for exercise thereof, how damages for nonperformance will be compensated, and how liquidation costs will be calculated.

SECTION 4. TRANSPORTATION, NOMINATIONS, AND IMBALANCES

4.1. Seller shall have the sole responsibility for transporting the Gas to the Delivery Point(s). Buyer shall have the sole responsibility for transporting the Gas from the Delivery Point(s).

4.2. The parties shall coordinate their nomination activities, giving sufficient time to meet the deadlines of the affected Transporter(s). Each party shall give the other party timely prior Notice, sufficient to meet the requirements of all Transporter(s) involved in the transaction, of the quantities of Gas to be delivered and purchased each Day. Should either party become aware that actual deliveries at the Delivery Point(s) are greater or lesser than the Scheduled Gas, such party shall promptly notify the other party.

4.3. The parties shall use commercially reasonable efforts to avoid imposition of any Imbalance Charges. If Buyer or Seller receives an invoice from a Transporter that includes Imbalance Charges, the parties shall determine the validity as well as the cause of such Imbalance Charges. If the Imbalance Charges were incurred as a result of Buyer's receipt of quantities of Gas greater than or less than the Scheduled Gas, then Buyer shall pay for such Imbalance Charges or reimburse Seller for such Imbalance Charges paid by Seller. If the Imbalance Charges were incurred as a result of Seller's delivery of quantities of Gas greater than or less than the Scheduled Gas, then Seller shall pay for such Imbalance Charges or reimburse Buyer for such Imbalance Charges paid by Buyer.

SECTION 5. QUALITY AND MEASUREMENT

All Gas delivered by Seller shall meet the pressure, quality and heat content requirements of the Receiving Transporter. The unit of quantity measurement for purposes of this Contract shall be one MMBtu dry. Measurement of Gas quantities hereunder shall be in accordance with the established procedures of the Receiving Transporter.

SECTION 6. TAXES

The parties have selected either "Buyer Pays At and After Delivery Point" or "Seller Pays Before and At Delivery Point" as indicated on the Base Contract.
Buyer Pays At and After Delivery Point:
Seller shall pay or cause to be paid all taxes, fees, levies, penalties, licenses or charges imposed by any government authority ("Taxes") on or with respect to the Gas prior to the Delivery Point(s). Buyer shall pay or cause to be paid all Taxes on or with respect to the Gas at the Delivery Point(s) and all Taxes after the Delivery Point(s). If a party is required to remit or pay Taxes that are the other party's responsibility hereunder, the party responsible for such Taxes shall promptly reimburse the other party for such Taxes. Any party entitled to an exemption from any such Taxes or charges shall furnish the other party any necessary documentation thereof.
Seller Pays Before and At Delivery Point:
Seller shall pay or cause to be paid all taxes, fees, levies, penalties, licenses or charges imposed by any government authority ("Taxes") on or with respect to the Gas prior to the Delivery Point(s) and all Taxes at the Delivery Point(s). Buyer shall pay or cause to be paid all Taxes on or with respect to the Gas after the Delivery Point(s). If a party is required to remit or pay Taxes that are the other party's responsibility hereunder, the party responsible for such Taxes shall promptly reimburse the other party for such Taxes. Any party entitled to an exemption from any such Taxes or charges shall furnish the other party any necessary documentation thereof.

SECTION 7. BILLING, PAYMENT, AND AUDIT

7.1. Seller shall invoice Buyer for Gas delivered and received in the preceding Month and for any other applicable charges, providing supporting documentation acceptable in industry practice to support the amount charged. If the actual quantity delivered is not known by the billing date, billing will be prepared based on the quantity of Scheduled Gas. The invoiced quantity will then be adjusted to the actual quantity on the following Month's billing or as soon thereafter as actual delivery information is available.

7.2. Buyer shall remit the amount due under Section 7.1 in the manner specified in the Base Contract, in immediately available funds, on or before the later of the Payment Date or 10 Days after receipt of the invoice by Buyer; provided that if the Payment Date

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is not a Business Day, payment is due on the next Business Day following that date. In the event any payments are due Buyer hereunder, payment to Buyer shall be made in accordance with this Section 7.2.

7.3. In the event payments become due pursuant to Sections 3.2 or 3.3, the performing party may submit an invoice to the nonperforming party for an accelerated payment setting forth the basis upon which the invoiced amount was calculated. Payment from the nonperforming party will be due five Business Days after receipt of invoice.

7.4. If the invoiced party, in good faith, disputes the amount of any such invoice or any part thereof, such invoiced party will pay such amount as it concedes to be correct; provided, however, if the invoiced party disputes the amount due, it must provide supporting documentation acceptable in industry practice to support the amount paid or disputed without undue delay. In the event the parties are unable to resolve such dispute, either party may pursue any remedy available at law or in equity to enforce its rights pursuant to this Section.

7.5. If the invoiced party fails to remit the full amount payable when due, interest on the unpaid portion shall accrue from the date due until the date of payment at a rate equal to the lower of (i) the then-effective prime rate of interest published under "Money Rates" by The Wall Street Journal, plus two percent per annum; or (ii) the maximum applicable lawful interest rate.

7.6. A party shall have the right, at its own expense, upon reasonable Notice and at reasonable times, to examine and audit and to obtain copies of the relevant portion of the books, records, and telephone recordings of the other party only to the extent reasonably necessary to verify the accuracy of any statement, charge, payment, or computation made under the Contract. This right to examine, audit, and to obtain copies shall not be available with respect to proprietary information not directly relevant to transactions under this Contract. All invoices and billings shall be conclusively presumed final and accurate and all associated claims for under- or overpayments shall be deemed waived unless such invoices or billings are objected to in writing, with adequate explanation and/or documentation, within two years after the Month of Gas delivery. All retroactive adjustments under Section 7 shall be paid in full by the party owing payment within 30 Days of Notice and substantiation of such inaccuracy.

7.7. Unless the parties have elected on the Base Contract not to make this Section 7.7 applicable to this Contract, the parties shall net all undisputed amounts due and owing, and/or past due, arising under the Contract such that the party owing the greater amount shall make a single payment of the net amount to the other party in accordance with Section 7; provided that no payment required to be made pursuant to the terms of any Credit Support Obligation or pursuant to Section 7.3 shall be subject to netting under this Section. If the parties have executed a separate netting agreement, the terms and conditions therein shall prevail to the extent inconsistent herewith.

SECTION 8. TITLE, WARRANTY, AND INDEMNITY

8.1. Unless otherwise specifically agreed, title to the Gas shall pass from Seller to Buyer at the Delivery Point(s). Seller shall have responsibility for and assume any liability with respect to the Gas prior to its delivery to Buyer at the specified Delivery Point(s). Buyer shall have responsibility for and assume any liability with respect to said Gas after its delivery to Buyer at the Delivery Point(s).

8.2. Seller warrants that it will have the right to convey and will transfer good and merchantable title to all Gas sold hereunder and delivered by it to Buyer, free and clear of all liens, encumbrances, and claims. EXCEPT AS PROVIDED IN THIS SECTION 8.2 AND IN SECTION 15.8, ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING ANY WARRANTY OF MERCHANTABILITY OR OF FITNESS FOR ANY PARTICULAR PURPOSE, ARE DISCLAIMED.

8.3. Seller agrees to indemnify Buyer and save it harmless from all losses, liabilities or claims including reasonable attorneys' fees and costs of court ("Claims"), from any and all persons, arising from or out of claims of title, personal injury (including death) or property damage from said Gas or other charges thereon which attach before title passes to Buyer. Buyer agrees to indemnify Seller and save it harmless from all Claims, from any and all persons, arising from or out of claims regarding payment, personal injury (including death) or property damage from said Gas or other charges thereon which attach after title passes to Buyer.

8.4. The parties agree that the delivery of and the transfer of title to all Gas under this Contract shall take place within the Customs Territory of the United States (as defined in general note 2 of the Harmonized Tariff Schedule of the United States 19 U.S.C. §1202, General Notes, page 3); provided, however, that in the event Seller took title to the Gas outside the Customs Territory of the United States, Seller represents and warrants that it is the importer of record for all Gas entered and delivered into the United States, and shall be responsible for entry and entry summary filings as well as the payment of duties, taxes and fees, if any, and all applicable record keeping requirements.

8.5. Notwithstanding the other provisions of this Section 8, as between Seller and Buyer, Seller will be liable for all Claims to the extent that such arise from the failure of Gas delivered by Seller to meet the quality requirements of Section 5.

SECTION 9. NOTICES

9.1. All Transaction Confirmations, invoices, payment instructions, and other communications made pursuant to the Base Contract ("Notices") shall be made to the addresses specified in writing by the respective parties from time to time.

9.2. All Notices required hereunder shall be in writing and may be sent by facsimile or mutually acceptable electronic means, a nationally recognized overnight courier service, first class mail or hand delivered.

9.3. Notice shall be given when received on a Business Day by the addressee. In the absence of proof of the actual receipt date, the following presumptions will apply. Notices sent by facsimile shall be deemed to have been received upon the sending party's receipt of its facsimile machine's confirmation of successful transmission. If the day on which such facsimile is received is not a Business Day or is after five p.m. on a Business Day, then such facsimile shall be deemed to have been received on the next following

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Business Day. Notice by overnight mail or courier shall be deemed to have been received on the next Business Day after it was sent or such earlier time as is confirmed by the receiving party. Notice via first class mail shall be considered delivered five Business Days after mailing.

9.4. The party receiving a commercially acceptable Notice of change in payment instructions or other payment information shall not be obligated to implement such change until ten Business Days after receipt of such Notice.

SECTION 10. FINANCIAL RESPONSIBILITY

10.1. If either party ("X") has reasonable grounds for insecurity regarding the performance of any obligation under this Contract (whether or not then due) by the other party ("Y") (including, without limitation, the occurrence of a material change in the creditworthiness of Y or its Guarantor, if applicable), X may demand Adequate Assurance of Performance. "Adequate Assurance of Performance" shall mean sufficient security in the form, amount, for a term, and from an issuer, all as reasonably acceptable to X, including, but not limited to cash, a standby irrevocable letter of credit, a prepayment, a security interest in an asset or guaranty. Y hereby grants to X a continuing first priority security interest in, lien on, and right of setoff against all Adequate Assurance of Performance in the form of cash transferred by Y to X pursuant to this Section 10.1. Upon the return by X to Y of such Adequate Assurance of Performance, the security interest and lien granted hereunder on that Adequate Assurance of Performance shall be released automatically and, to the extent possible, without any further action by either party.

10.2. In the event (each an "Event of Default") either party (the "Defaulting Party") or its Guarantor shall: (i) make an assignment or any general arrangement for the benefit of creditors; (ii) file a petition or otherwise commence, authorize, or acquiesce in the commencement of a proceeding or case under any bankruptcy or similar law for the protection of creditors or have such petition filed or proceeding commenced against it; (iii) otherwise become bankrupt or insolvent (however evidenced); (iv) be unable to pay its debts as they fall due; (v) have a receiver, provisional liquidator, conservator, custodian, trustee or other similar official appointed with respect to it or substantially all of its assets; (vi) fail to perform any obligation to the other party with respect to any Credit Support Obligations relating to the Contract; (vii) fail to give Adequate Assurance of Performance under Section 10.1 within 48 hours but at least one Business Day of a written request by the other party; (viii) not have paid any amount due the other party hereunder on or before the second Business Day following written Notice that such payment is due; or ix) be the affected party with respect to any Additional Event of Default; then the other party (the "Non-Defaulting Party") shall have the right, at its sole election, to immediately withhold and/or suspend deliveries or payments upon Notice and/or to terminate and liquidate the transactions under the Contract, in the manner provided in Section 10.3, in addition to any and all other remedies available hereunder.

10.3. If an Event of Default has occurred and is continuing, the Non-Defaulting Party shall have the right, by Notice to the Defaulting Party, to designate a Day, no earlier than the Day such Notice is given and no later than 20 Days after such Notice is given, as an early termination date (the "Early Termination Date") for the liquidation and termination pursuant to Section 10.3.1 of all transactions under the Contract, each a "Terminated Transaction". On the Early Termination Date, all transactions will terminate, other than those transactions, if any, that may not be liquidated and terminated under applicable law ("Excluded Transactions"), which Excluded Transactions must be liquidated and terminated as soon thereafter as is legally permissible, and upon termination shall be a Terminated Transaction and be valued consistent with Section 10.3.1 below. With respect to each Excluded Transaction, its actual termination date shall be the Early Termination Date for purposes of Section 10.3.1.

The parties have selected either "Early Termination Damages Apply" or "Early Termination Damages Do Not Apply" as indicated on the Base Contract.

Early Termination Damages Apply:

10.3.1 As of the Early Termination Date, the Non-Defaulting Party shall determine, in good faith and in a commercially reasonable manner, (i) the amount owed (whether or not then due) by each party with respect to all Gas delivered and received between the parties under Terminated Transactions and Excluded Transactions on and before the Early Termination Date and all other applicable charges relating to such deliveries and receipts (including without limitation any amounts owed under Section 3.2), for which payment has not yet been made by the party that owes such payment under this Contract and (ii) the Market Value, as defined below, of each Terminated Transaction. The Non-Defaulting Party shall (x) liquidate and accelerate each Terminated Transaction at its Market Value, so that each amount equal to the difference between such Market Value and the Contract Value, as defined below, of such Terminated Transaction(s) shall be due to the Buyer under the Terminated Transaction(s) if such Market Value exceeds the Contract Value and to the Seller if the opposite is the case; and (y) where appropriate, discount each amount then due under clause (x) above to present value in a commercially reasonable manner as of the Early Termination Date (to take account of the period between the date of liquidation and the date on which such amount would have otherwise been due pursuant to the relevant Terminated Transactions).

For purposes of this Section 10.3.1, "Contract Value" means the amount of Gas remaining to be delivered or purchased under a transaction multiplied by the Contract Price, and "Market Value" means the amount of Gas remaining to be delivered or purchased under a transaction multiplied by the market price for a similar transaction at the Delivery Point determined by the Non-Defaulting Party in a commercially reasonable manner. To ascertain the Market Value, the Non-Defaulting Party may consider, among other valuations, any or all of the settlement prices of NYMEX Gas futures contracts, quotations from leading dealers in energy swap contracts or physical gas trading markets, similar sales or purchases and any other bona fide third-party offers, all adjusted for the length of the term and differences in transportation costs. A party shall not be required to enter into a replacement transaction(s) in order to determine the Market Value. Any extension(s) of the term of a transaction to which parties are not bound as of the Early Termination Date (including but not limited to "evergreen provisions") shall not be considered in determining Contract Values and Market Values. For the avoidance of doubt, any option pursuant to which one party has the right to extend the term of a transaction shall be considered in determining Contract Values and Market Values. The rate of interest used in calculating net present value shall be determined by the Non-Defaulting Party in a commercially reasonable manner.

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Early Termination Damages Do Not Apply:
10.3.1. As of the Early Termination Date, the Non-Defaulting Party shall determine, in good faith and in a commercially reasonable manner, the amount owed (whether or not then due) by each party with respect to all Gas delivered and received between the parties under Terminated Transactions and Excluded Transactions on and before the Early Termination Date and all other applicable charges relating to such deliveries and receipts (including without limitation any amounts owed under Section 3.2), for which payment has not yet been made by the party that owes such payment under this Contract.
The parties have selected either “Other Agreement Setoffs Apply” or “Other Agreement Setoffs Do Not Apply” as indicated on the Base Contract.
Other Agreement Setoffs Apply:
Bilateral Setoff Option: 10.3.2 The Non-Defaulting Party shall net or aggregate, as appropriate, any and all amounts owing between the parties under Section 10.3.1, so that all such amounts are netted or aggregated to a single liquidated amount payable by one party to the other (the “Net Settlement Amount”). At its sole option and without prior Notice to the Defaulting Party, the Non-Defaulting Party is hereby authorized to setoff any Net Settlement Amount against (i) any margin or other collateral held by a party in connection with any Credit Support Obligation relating to the Contract; and (ii) any amount(s) (including any excess cash margin or excess cash collateral) owed or held by the party that is entitled to the Net Settlement Amount under any other agreement or arrangement between the parties. **Triangular Setoff Option:** 10.3.2. The Non-Defaulting Party shall net or aggregate, as appropriate, any and all amounts owing between the parties under Section 10.3.1, so that all such amounts are netted or aggregated to a single liquidated amount payable by one party to the other (the “Net Settlement Amount”). At its sole option, and without prior Notice to the Defaulting Party, the Non-Defaulting Party is hereby authorized to setoff (i) any Net Settlement Amount against any margin or other collateral held by a party in connection with any Credit Support Obligation relating to the Contract; (ii) any Net Settlement Amount against any amount(s) (including any excess cash margin or excess cash collateral) owed by or to a party under any other agreement or arrangement between the parties; (iii) any Net Settlement Amount owed to the Non-Defaulting Party against any amount(s) (including any excess cash margin or excess cash collateral) owed by the Non-Defaulting Party or its Affiliates to the Defaulting Party under any other agreement or arrangement; (iv) any Net Settlement Amount owed to the Defaulting Party against any amount(s) (including any excess cash margin or excess cash collateral) owed by the Defaulting Party to the Non-Defaulting Party or its Affiliates under any other agreement or arrangement; and/or (v) any Net Settlement Amount owed to the Defaulting Party against any amount(s) (including any excess cash margin or excess cash collateral) owed by the Defaulting Party or its Affiliates to the Non-Defaulting Party under any other agreement or arrangement.
Other Agreement Setoffs Do Not Apply:
10.3.2. The Non-Defaulting Party shall net or aggregate, as appropriate, any and all amounts owing between the parties under Section 10.3.1, so that all such amounts are netted or aggregated to a single liquidated amount payable by one party to the other (the “Net Settlement Amount”). At its sole option and without prior Notice to the Defaulting Party, the Non-Defaulting Party may setoff any Net Settlement Amount against any margin or other collateral held by a party in connection with any Credit Support Obligation relating to the Contract.

10.3.3 If any obligation that is to be included in any netting, aggregation or setoff pursuant to Section 10.3.2 is unascertained, the Non-Defaulting Party may in good faith estimate that obligation and net, aggregate or setoff, as applicable, in respect of the estimate, subject to the Non-Defaulting Party accounting to the Defaulting Party when the obligation is ascertained. Any amount not then due which is included in any netting, aggregation or setoff pursuant to Section 10.3.2 shall be discounted to net present value in a commercially reasonable manner determined by the Non-Defaulting Party.

10.4. As soon as practicable after a liquidation, Notice shall be given by the Non-Defaulting Party to the Defaulting Party of the Net Settlement Amount, and whether the Net Settlement Amount is due to or due from the Non-Defaulting Party. The Notice shall include a written statement explaining in reasonable detail the calculation of the Net Settlement Amount, provided that failure to give such Notice shall not affect the validity or enforceability of the liquidation or give rise to any claim by the Defaulting Party against the Non-Defaulting Party. The Net Settlement Amount as well as any setoffs applied against such amount pursuant to Section 10.3.2, shall be paid by the close of business on the second Business Day following such Notice, which date shall not be earlier than the Early Termination Date. Interest on any unpaid portion of the Net Settlement Amount as adjusted by setoffs, shall accrue from the date due until the date of payment at a rate equal to the lower of (i) the then-effective prime rate of interest published under “Money Rates” by The Wall Street Journal, plus two percent per annum; or (ii) the maximum applicable lawful interest rate.

10.5. The parties agree that the transactions hereunder constitute a “forward contract” within the meaning of the United States Bankruptcy Code and that Buyer and Seller are each “forward contract merchants” within the meaning of the United States Bankruptcy Code.

10.6. The Non-Defaulting Party’s remedies under this Section 10 are the sole and exclusive remedies of the Non-Defaulting Party with respect to the occurrence of any Early Termination Date. Each party reserves to itself all other rights, setoffs, counterclaims and other defenses that it is or may be entitled to arising from the Contract.

10.7. With respect to this Section 10, if the parties have executed a separate netting agreement with close-out netting provisions, the terms and conditions therein shall prevail to the extent inconsistent herewith.

SECTION 11. FORCE MAJEURE

11.1. Except with regard to a party's obligation to make payment(s) due under Section 7, Section 10.4, and Imbalance Charges under Section 4, neither party shall be liable to the other for failure to perform a Firm obligation, to the extent such failure was caused by Force Majeure. The term "Force Majeure" as employed herein means any cause not reasonably within the control of the party claiming suspension, as further defined in Section 11.2.

11.2. Force Majeure shall include, but not be limited to, the following: (i) physical events such as acts of God, landslides, lightning, earthquakes, fires, storms or storm warnings, such as hurricanes, which result in evacuation of the affected area, floods, washouts, explosions, breakage or accident or necessity of repairs to machinery or equipment or lines of pipe; (ii) weather related events affecting an entire geographic region, such as low temperatures which cause freezing or failure of wells or lines of pipe; (iii) interruption and/or curtailment of Firm transportation and/or storage by Transporters; (iv) acts of others such as strikes, lockouts or other industrial disturbances, riots, sabotage, insurrections or wars, or acts of terror; and (v) governmental actions such as necessity for compliance with any court order, law, statute, ordinance, regulation, or policy having the effect of law promulgated by a governmental authority having jurisdiction. Seller and Buyer shall make reasonable efforts to avoid the adverse impacts of a Force Majeure and to resolve the event or occurrence once it has occurred in order to resume performance.

11.3. Neither party shall be entitled to the benefit of the provisions of Force Majeure to the extent performance is affected by any or all of the following circumstances: (i) the curtailment of interruptible or secondary Firm transportation unless primary, in-path, Firm transportation is also curtailed; (ii) the party claiming excuse failed to remedy the condition and to resume the performance of such covenants or obligations with reasonable dispatch; or (iii) economic hardship, to include, without limitation, Seller's ability to sell Gas at a higher or more advantageous price than the Contract Price, Buyer's ability to purchase Gas at a lower or more advantageous price than the Contract Price, or a regulatory agency disallowing, in whole or in part, the pass through of costs resulting from this Contract; (iv) the loss of Buyer's market(s) or Buyer's inability to use or resell Gas purchased hereunder, except, in either case, as provided in Section 11.2; or (v) the loss or failure of Seller's gas supply or depletion of reserves, except, in either case, as provided in Section 11.2. The party claiming Force Majeure shall not be excused from its responsibility for Imbalance Charges.

11.4. Notwithstanding anything to the contrary herein, the parties agree that the settlement of strikes, lockouts or other industrial disturbances shall be within the sole discretion of the party experiencing such disturbance.

11.5. The party whose performance is prevented by Force Majeure must provide Notice to the other party. Initial Notice may be given orally; however, written Notice with reasonably full particulars of the event or occurrence is required as soon as reasonably possible. Upon providing written Notice of Force Majeure to the other party, the affected party will be relieved of its obligation, from the onset of the Force Majeure event, to make or accept delivery of Gas, as applicable, to the extent and for the duration of Force Majeure, and neither party shall be deemed to have failed in such obligations to the other during such occurrence or event.

11.6. Notwithstanding Sections 11.2 and 11.3, the parties may agree to alternative Force Majeure provisions in a Transaction Confirmation executed in writing by both parties.

SECTION 12. TERM

This Contract may be terminated on 30 Day's written Notice, but shall remain in effect until the expiration of the latest Delivery Period of any transaction(s). The rights of either party pursuant to Section 7.6, Section 10, Section 13, the obligations to make payment hereunder, and the obligation of either party to indemnify the other, pursuant hereto shall survive the termination of the Base Contract or any transaction.

SECTION 13. LIMITATIONS

FOR BREACH OF ANY PROVISION FOR WHICH AN EXPRESS REMEDY OR MEASURE OF DAMAGES IS PROVIDED, SUCH EXPRESS REMEDY OR MEASURE OF DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY. A PARTY'S LIABILITY HEREUNDER SHALL BE LIMITED AS SET FORTH IN SUCH PROVISION, AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. IF NO REMEDY OR MEASURE OF DAMAGES IS EXPRESSLY PROVIDED HEREIN OR IN A TRANSACTION, A PARTY'S LIABILITY SHALL BE LIMITED TO DIRECT ACTUAL DAMAGES ONLY. SUCH DIRECT ACTUAL DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY, AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. UNLESS EXPRESSLY HEREIN PROVIDED, NEITHER PARTY SHALL BE LIABLE FOR CONSEQUENTIAL, INCIDENTAL, PUNITIVE, EXEMPLARY OR INDIRECT DAMAGES, LOST PROFITS OR OTHER BUSINESS INTERRUPTION DAMAGES, BY STATUTE, IN TORT OR CONTRACT, UNDER ANY INDEMNITY PROVISION OR OTHERWISE. IT IS THE INTENT OF THE PARTIES THAT THE LIMITATIONS HEREIN IMPOSED ON REMEDIES AND THE MEASURE OF DAMAGES BE WITHOUT REGARD TO THE CAUSE OR CAUSES RELATED THERETO, INCLUDING THE NEGLIGENCE OF ANY PARTY, WHETHER SUCH NEGLIGENCE BE SOLE, JOINT OR CONCURRENT, OR ACTIVE OR PASSIVE. TO THE EXTENT ANY DAMAGES REQUIRED TO BE PAID HEREUNDER ARE LIQUIDATED, THE PARTIES ACKNOWLEDGE THAT THE DAMAGES ARE DIFFICULT OR IMPOSSIBLE TO DETERMINE, OR OTHERWISE OBTAINING AN ADEQUATE REMEDY IS INCONVENIENT AND THE DAMAGES CALCULATED HEREUNDER CONSTITUTE A REASONABLE APPROXIMATION OF THE HARM OR LOSS.

SECTION 14. MARKET DISRUPTION

If a Market Disruption Event has occurred then the parties shall negotiate in good faith to agree on a replacement price for the Floating Price (or on a method for determining a replacement price for the Floating Price) for the affected Day, and if the parties have not so agreed on or before the second Business Day following the affected Day then the replacement price for the Floating Price shall be determined within the next two following Business Days with each party obtaining, in good faith and from non-affiliated market participants in the relevant market, two quotes for prices of Gas for the affected Day of a similar quality and quantity in the geographical location closest in proximity to the Delivery Point and averaging the four quotes. If either party fails to provide two quotes then the

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average of the other party's two quotes shall determine the replacement price for the Floating Price. "Floating Price" means the price or a factor of the price agreed to in the transaction as being based upon a specified index. "Market Disruption Event" means, with respect to an index specified for a transaction, any of the following events: (a) the failure of the index to announce or publish information necessary for determining the Floating Price; (b) the failure of trading to commence or the permanent discontinuation or material suspension of trading on the exchange or market acting as the index; (c) the temporary or permanent discontinuance or unavailability of the index; (d) the temporary or permanent closing of any exchange acting as the index; or (e) both parties agree that a material change in the formula for or the method of determining the Floating Price has occurred. For the purposes of the calculation of a replacement price for the Floating Price, all numbers shall be rounded to three decimal places. If the fourth decimal number is five or greater, then the third decimal number shall be increased by one and if the fourth decimal number is less than five, then the third decimal number shall remain unchanged.

SECTION 15. MISCELLANEOUS

15.1. This Contract shall be binding upon and inure to the benefit of the successors, assigns, personal representatives, and heirs of the respective parties hereto, and the covenants, conditions, rights and obligations of this Contract shall run for the full term of this Contract. No assignment of this Contract, in whole or in part, will be made without the prior written consent of the non-assigning party (and shall not relieve the assigning party from liability hereunder), which consent will not be unreasonably withheld or delayed; provided, either party may (i) transfer, sell, pledge, encumber, or assign this Contract or the accounts, revenues, or proceeds hereof in connection with any financing or other financial arrangements, or (ii) transfer its interest to any parent or Affiliate by assignment, merger or otherwise without the prior approval of the other party. Upon any such assignment, transfer and assumption, the transferor shall remain principally liable for and shall not be relieved of or discharged from any obligations hereunder.

15.2. If any provision in this Contract is determined to be invalid, void or unenforceable by any court having jurisdiction, such determination shall not invalidate, void, or make unenforceable any other provision, agreement or covenant of this Contract.

15.3. No waiver of any breach of this Contract shall be held to be a waiver of any other or subsequent breach.

15.4. This Contract sets forth all understandings between the parties respecting each transaction subject hereto, and any prior contracts, understandings and representations, whether oral or written, relating to such transactions are merged into and superseded by this Contract and any effective transaction(s). This Contract may be amended only by a writing executed by both parties.

15.5. The interpretation and performance of this Contract shall be governed by the laws of the jurisdiction as indicated on the Base Contract, excluding, however, any conflict of laws rule which would apply the law of another jurisdiction.

15.6. This Contract and all provisions herein will be subject to all applicable and valid statutes, rules, orders and regulations of any governmental authority having jurisdiction over the parties, their facilities, or Gas supply, this Contract or transaction or any provisions thereof.

15.7. There is no third party beneficiary to this Contract.

15.8. Each party to this Contract represents and warrants that it has full and complete authority to enter into and perform this Contract. Each person who executes this Contract on behalf of either party represents and warrants that it has full and complete authority to do so and that such party will be bound thereby.

15.9. The headings and subheadings contained in this Contract are used solely for convenience and do not constitute a part of this Contract between the parties and shall not be used to construe or interpret the provisions of this Contract.

15.10. Unless the parties have elected on the Base Contract not to make this Section 15.10 applicable to this Contract, neither party shall disclose directly or indirectly without the prior written consent of the other party the terms of any transaction to a third party (other than the employees, lenders, royalty owners, counsel, accountants and other agents of the party, or prospective purchasers of all or substantially all of a party's assets or of any rights under this Contract, provided such persons shall have agreed to keep such terms confidential) except (i) in order to comply with any applicable law, order, regulation, or exchange rule, (ii) to the extent necessary for the enforcement of this Contract , (iii) to the extent necessary to implement any transaction, (iv) to the extent necessary to comply with a regulatory agency's reporting requirements including but not limited to gas cost recovery proceedings; or (v) to the extent such information is delivered to such third party for the sole purpose of calculating a published index. Each party shall notify the other party of any proceeding of which it is aware which may result in disclosure of the terms of any transaction (other than as permitted hereunder) and use reasonable efforts to prevent or limit the disclosure. The existence of this Contract is not subject to this confidentiality obligation. Subject to Section 13, the parties shall be entitled to all remedies available at law or in equity to enforce, or seek relief in connection with this confidentiality obligation. The terms of any transaction hereunder shall be kept confidential by the parties hereto for one year from the expiration of the transaction.

In the event that disclosure is required by a governmental body or applicable law, the party subject to such requirement may disclose the material terms of this Contract to the extent so required, but shall promptly notify the other party, prior to disclosure, and shall cooperate (consistent with the disclosing party's legal obligations) with the other party's efforts to obtain protective orders or similar restraints with respect to such disclosure at the expense of the other party.

15.11. The parties may agree to dispute resolution procedures in Special Provisions attached to the Base Contract or in a Transaction Confirmation executed in writing by both parties

15.12. Any original executed Base Contract, Transaction Confirmation or other related document may be digitally copied, photocopied, or stored on computer tapes and disks (the "Imaged Agreement"). The Imaged Agreement, if introduced as evidence on paper, the Transaction Confirmation, if introduced as evidence in automated facsimile form, the recording, if introduced as evidence in its original form, and all computer records of the foregoing, if introduced as evidence in printed format, in any judicial, arbitration,

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mediation or administrative proceedings will be admissible as between the parties to the same extent and under the same conditions as other business records originated and maintained in documentary form. Neither Party shall object to the admissibility of the recording, the Transaction Confirmation, or the Imaged Agreement on the basis that such were not originated or maintained in documentary form. However, nothing herein shall be construed as a waiver of any other objection to the admissibility of such evidence.

DISCLAIMER: The purposes of this Contract are to facilitate trade, avoid misunderstandings and make more definite the terms of contracts of purchase and sale of natural gas. Further, NAESB does not mandate the use of this Contract by any party. **NAESB DISCLAIMS AND EXCLUDES, AND ANY USER OF THIS CONTRACT ACKNOWLEDGES AND AGREES TO NAESB'S DISCLAIMER OF, ANY AND ALL WARRANTIES, CONDITIONS OR REPRESENTATIONS, EXPRESS OR IMPLIED, ORAL OR WRITTEN, WITH RESPECT TO THIS CONTRACT OR ANY PART THEREOF, INCLUDING ANY AND ALL IMPLIED WARRANTIES OR CONDITIONS OF TITLE, NON-INFRINGEMENT, MERCHANTABILITY, OR FITNESS OR SUITABILITY FOR ANY PARTICULAR PURPOSE (WHETHER OR NOT NAESB KNOWS, HAS REASON TO KNOW, HAS BEEN ADVISED, OR IS OTHERWISE IN FACT AWARE OF ANY SUCH PURPOSE), WHETHER ALLEGED TO ARISE BY LAW, BY REASON OF CUSTOM OR USAGE IN THE TRADE, OR BY COURSE OF DEALING. EACH USER OF THIS CONTRACT ALSO AGREES THAT UNDER NO CIRCUMSTANCES WILL NAESB BE LIABLE FOR ANY DIRECT, SPECIAL, INCIDENTAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES ARISING OUT OF ANY USE OF THIS CONTRACT.**

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8.2 Delete the last sentence of Section 8.2 and replace it with the following: "EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES PROVIDED IN THIS SECTION 8.2 AND IN SECTION 15.8 AND IN ANY TRANSACTION CONFIRMATION, (A) SELLER HEREBY NEGATES ALL EXPRESS, IMPLIED, OR STATUTORY REPRESENTATIONS AND WARRANTIES OF ANY KIND, INCLUDING THOSE RELATING TO MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, OR ARISING FROM COURSE OF DEALING OR USAGE OF TRADE, AND (B) BUYER ACKNOWLEDGES THAT IT IS RELYING ON ITS OWN JUDGMENT IN ENTERING INTO THIS BASE CONTRACT AND ANY TRANSACTION CONFIRMATION AND IS NOT RELYING ON ANY STATEMENT OR REPRESENTATION OF SELLER OR OF ANY AGENT OR EMPLOYEE OF SELLER."

8.3 Add the following sentence to the end of Section 8.3: "Neither party shall be obligated to indemnify the other party and save such other party harmless to the extent any Claim arises out of or in connection with any intentional act, negligent act or failure to act on the part of such other party, its officers, agents, or employees."

10.1 Section 10.1 is amended by adding the following after the second sentence thereof: "Neither party shall have reasonable grounds for insecurity regarding the performance of any obligation under this Contract (whether or not then due) by the other party hereto unless the other party is a Defaulting Party that owes payment of any money under this Contract."

11.2 In the first sentence of Section 11.2, delete the word "and" immediately prior to the clause (v) and add the following phrase to the end of the sentence: ", (vi) trade restrictions, accidents at, closing of, or restrictions upon the use of mooring facilities, docks, ports, pipelines, harbors, railroads, or other navigational or transportation mechanisms, blockades or acts of piracy, epidemics and quarantines, (vii) disruption or breakdown of or explosions or accidents to wells, storage plants, refineries, pipelines, terminals, machinery or other facilities, (vii) the failure of performance of any person other than the Parties to satisfy an agreement to supply, purchase, process, transport or store products, or the raw materials or energy used to manufacture product from Buyer's or its Affiliate's sources of supply, whether lawful or otherwise to the extent, and only to the extent, that such failure was caused by any event that would otherwise satisfy this definition of Force Majeure, or (ix) any other cause of a similar nature as described herein not reasonably within the control of the respective Party"."

11.3 Add the following phrase to the end of the first sentence of Section 11.3: "or (vi) the failure by a Party to apply for, obtain or maintain a permit, license, or approval necessary for the performance of any obligation hereunder."

11.5 Section 11.5 is amended by adding the following to the end of the 2nd sentence: "but in no event more than [***] from the occurrence giving rise to a claim of Force Majeure."

11.7 Add the following new Section 11.7: "In the event that the period of total suspension due to a Force Majeure continues in excess of [***] from the date that notice of such event is given, and so long as such event is continuing, either Party, in its sole discretion, may terminate such affected transaction by written notice to the other Party, and neither Party shall have any further liability to the other Party in respect of such transaction except for the rights and remedies previously accrued."

12 Delete the second sentence of Section 12 and replace it with the following: "The rights of either party pursuant to: (i) Section 7.6, (ii) Section 10, (iii) Section 13, (iv) Section 14.10, (v) Waiver of Jury Trial provisions (if applicable), (vi) Arbitration provisions (if applicable), (vii) the obligation to make payment hereunder, and (viii) the obligation of either party to indemnify the other pursuant hereto, shall survive the termination of the Base Contract or any transaction."

15.10 Add the following new sentence to the end of the first paragraph of Section 15.10: "With respect to financial statements provided in connection with the Contract, the parties shall keep such financial statements confidential for a period of three (3) years following the date such financial statements were provided to a party. Notwithstanding anything to the contrary, (a) with the consent sent of the other party (not to be unreasonably withheld),each party may provide such information to the financing parties, to rating agencies, to persons to which offering statements or other disclosure documents associated with the private or public offering of debt securities by or on behalf of such party are provided, to financial institutions and other persons providing or expressing interest in providing debt financing or refinancing, lease financing and/or credit support in connection with such party's operations, and to persons that are potential equity participants or transferees or purchasers of such party, provided that such person executes a confidentiality agreement limiting further disclosure and use of such information substantially consistent with the obligations under the confidentiality agreements to which the parties (or their Affiliates) are bound (the "Confidentiality Obligations") , and (b) each party may provide such information to its board members and equity owners consistent with its internal governance practices, subject to the Confidentiality Obligations. For the purposes of this section, an Affiliate shall not be considered a third party, provided that such Affiliate agrees to be bound by the Confidentiality Obligations. Each party shall be responsible for compliance with the Confidentiality Obligations by each person to whom such party discloses any confidential information of the other party."

15.13 Add the following new Section 15.13: "Each party agrees and acknowledges that neither party is a "utility" as such term is used in the United States Bankruptcy Code (including 11 U.S.C. § 366) nor a provider of last resort, and each party agrees to waive and not to assert the applicability of the provisions of 11 U.S.C. § 366 in any bankruptcy proceeding wherein such party is a debtor."

15.14 Add the following new Section 15.14:

"Special Entity Status. Each party represents and warrants that it (and to the extent a party has members, each member) is not:

(i) a federal agency;

(ii) a State, State agency, city, county, municipality, or other political subdivision of a State, or any instrumentality, department, or a corporation of or established by a State or political subdivision of a State;

(iii) an employee benefit plan subject to Title I of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1002);

(iv) a governmental plan, as defined in Section 3 of the Employee Retirement Income Security Act of 1974;

(v) an endowment, including an endowment that is an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986; or

(vi) a "special entity" as defined in Section 4s(h)(2)(C) of the U.S. Commodity Exchange Act and the U.S. Commodity Futures Trading Commission Regulation 23.401(c)."

15.15 Add the following new Section 15.15:

"Counterparts. This Contract, including any Transaction Confirmations, may be executed in as many counterparts as are necessary and all executed counterparts together shall constitute one and the same agreement. The electronic transmission of a signed original counterpart of this Contract and transmission, or re-transmission, of an electronically- signed counterpart shall be deemed to be the same as delivery of a signed original counterpart of this Contract. At the request of either party, the parties will confirm an electronically signed or transmitted counterpart by signing an original counterpart for delivery between them by mail or courier service; provided, however, a party's failure to so confirm such a counterpart shall not affect the validity and enforceability of this Contract. This Contract shall be considered for all purposes as prepared through the joint efforts of the parties and shall not be construed against one party or the other as a result of the manner in which this Contract was negotiated, prepared, drafted or executed."

15.16 Add the following new Section 15.16:

"EACH PARTY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY SUIT, ACTION, CLAIM OR PROCEEDING RELATING TO THIS CONTRACT."

15.17 Add the following new Section 15.17:

"Jurisdiction. This Contract, including any Transaction Confirmations, shall be governed by and construed in accordance with the laws of the State of New York without reference to its choice of law doctrine, but without prejudice to the provisions of § 5-1401 of the General Obligations Law of the State of New York. The Parties hereby submit to the exclusive jurisdiction of any federal court of competent jurisdiction, or, if any federal court declines to exercise or does not have jurisdiction, in any New York state court situated in New York City, Borough of Manhattan, and to service of process by certified mail delivered to the Party at its last designated address. The Parties expressly agree that the United Nations Convention on Contracts for the International Sale of Goods shall not apply to this Agreement."

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Exhibit 10.2

CERTAIN INFORMATION HAS BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE IT IS BOTH NOT MATERIAL AND WOULD LIKELY CAUSE COMPETITIVE HARM TO THE REGISTRANT IF PUBLICLY DISCLOSED. THE OMITTED PORTIONS OF THIS DOCUMENT ARE INDICATED BY [***].

TRANSACTION CONFIRMATION

<table>
<tr><td colspan="2">Iogen RC Fuels LP</td><td></td><td>Effective Date: April 1, 2021
Contract No. BG-GSF-IO-001I</td></tr>
<tr><td colspan="4">This Transaction Confirmation is subject to the Base Contract between Seller and Buyer dated April 1, 2021, and its terms shall be binding upon execution by the parties.</td></tr>
<tr><td colspan="2">SELLER:
GSF Energy, L.L.C.
680 Anderson Drive
Foster Plaza 10, 5th Floor
Pittsburgh, PA 15220
Attn: General Counsel
Phone: (412) 747-8718
Fax: (412) 542-1577</td><td colspan="2">BUYER:
Iogen RC Fuels LP
310 Hunt Club Road East, Suite 101
Ottawa, Ontario K1V 1C1
Canada
Attention: Contract Administration
Phone: 613-733-9830
Fax: [***]</td></tr>
<tr><td colspan="4">Contract Price:
$[***]/MMBtu</td></tr>
<tr><td colspan="2">Delivery Period: Begin: Commencement Date</td><td colspan="2">End: December 31, 2025</td></tr>
<tr><td colspan="4">Performance Obligation: Subject to the terms of this Transaction Confirmation, Seller shall deliver and Buyer shall purchase RNG produced by the RNG Facilities for each Day of the Delivery Period, as set forth in, and in accordance with, the Additional Conditions below.
Contract Quantity: The “<u>Contract Quantity</u>” shall be 2,500 MMBtu per Day multiplied by the number of Days in the Delivery Period.</td></tr>
<tr><td colspan="4">Delivery Point(s):
The Delivery Point shall be at the Sales Meters identified in Schedule 1 to this Transaction Confirmation, at the RNG Facilities.
Buyer and Seller agree that Seller is solely responsible for all transportation and related pipeline charges for the transportation of RNG to the Delivery Point and Buyer is solely responsible for all transportation and related pipeline charges for the transportation of the RNG at and from the Delivery Point.</td></tr>
<tr><td colspan="4">Payment Terms:
For deliveries during each Month of the Delivery Period, payments shall be made on or before the 25th Day of the Month following delivery.</td></tr>
<tr><td colspan="4"><u>ADDITIONAL CONDITIONS</u>:
1. <u>General Terms and Conditions</u>:</td></tr>
</table>

The parties acknowledge (a) Buyer will resell the RNG purchased hereunder to the Refiner Counterparty, and (b) the Refiner Counterparty will make RC Fuels using technology licensed from Buyer and such RC Fuels will be transported to Europe, sold for use only in European transportation fuel markets and to generate Fuel Credits.

2. Scheduling and Nominations:

For the Contract Quantity set forth in this Transaction Confirmation, Seller will provide Buyer with its non-binding estimation of the RNG quantity that it expects to deliver during the following RNG delivery Month no later than the seventh (7^{th}) Business Day before the first Day of the next RNG delivery Month. For the final RNG delivery Month of any Contract Period, Seller will nominate a quantity equal to the Contract Quantity for such Contract Period minus the Delivered Volume. For any Month other than the final Month of the applicable Contract Period, Seller will nominate a quantity that shall be [***].

RNG quantities will be nominated ratably over the course of the delivery Month but Seller will, in the event of production shortfalls, have the option to change daily nominations at the Delivery Point for any delivery Day during the Month as long as such nominations are made by Seller by no later than 5:00 a.m. Central Prevailing Time the Day before the delivery Day. Weekend and holiday volumes will be nominated ratably over the Saturday - Monday or applicable period.

3. Representations and Warranties:

Mutual Representations and Warranties:

Each Party represents, warrants, and covenants to the other Party as of the Effective Date:

(a) it is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization or incorporation;

(b) it has, and at all times during the Term will have, all necessary power and authority to execute, deliver, and perform its obligations hereunder;

(c) the execution, delivery, and performance of this Agreement by such Party have been duly authorized by all necessary action and do not violate any of the terms or conditions of its organizational documents, any contract to which it is a party, or any Applicable Law;

(d) except for the securing of governmental approvals and registrations expressly set forth hereunder, no consent, waiver, order, approval, authorization, registration, qualification or filing with any court or other Governmental Authority is required for the execution and delivery by such party of this Agreement, and the consummation by such party of the transactions contemplated hereby;

(e) there is no pending or, to such Party's knowledge, threatened litigation or administrative proceeding that may materially adversely affect its ability to perform this Agreement; and

(f) this Agreement constitutes a legal, valid and binding obligation of such Party, except as the enforceability of this Agreement may be limited by the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and by general principles of equity.

Seller's Ongoing Representations, Warranties and Covenants

In addition to the representations and warranties set forth above, Seller represents, warrants and covenants to Buyer as of the Effective Date of this Transaction Confirmation and on each Day thereafter until the end of the Delivery Period that:

- Seller is the entity that owns and operates the RNG Facilities;
- Seller will maintain valid ISCC Certification for the RNG Facilities (based on the certification parameters and requirements in existence as of the Effective Date and without any requirement to incur material costs for facility upgrades or changes in operating protocols in the future to comply with any changes in such parameters and

requirements after the Effective Date), , will issue the applicable ISCC Documentation Monthly and will cooperate in providing additional information required by any applicable Governmental Authority;

- All ISCC Documentation delivered by Seller and the information contained therein regarding certification and sustainability characteristics of such RNG is complete, accurate, and in compliance with all applicable requirements;
- The RNG delivered hereunder shall have all Renewable Attributes including eligibility for ISCC Certification;
- The RNG delivered hereunder shall have an actual GHG emission value (measured in g CO_{2e}/MJ, as determined in accordance with ISCC-EU standards) no greater than [***] g/MJ for 2021 and [***] g/MJ for the remainder of the Delivery Period (the "GHG Emissions Standard") as currently designed and operating as of the execution of this Transaction Confirmation.
- the RNG delivered hereunder at the Delivery Point shall meet the specifications of the applicable pipeline into which it is injected;
- Seller has not sold or agreed to sell any Renewable Attributes associated with such RNG to any other party;
- Seller has not taken any action that would invalidate any Renewable Attributes relating to the RNG delivered hereunder including any actions that may cause the loss of any ISCC Certifications or sustainability attributes; and
- upon sale of the RNG by Seller to Buyer, Seller shall transfer all Renewable Attributes associated with such RNG and the production thereof to Buyer.

<u>Buyer's Ongoing Representations, Warranties and Covenants</u>

In addition to the representations and warranties set forth above, Buyer represents, warrants and covenants to Seller as of the execution date of this Transaction Confirmation and on each Day thereafter until the end of the Delivery Period that:

- Buyer is a special purpose entity formed solely to engage in the sourcing of RNG for use in the production of RC Fuels and the generation of Fuel Credits, and transactions related thereto;
- Concurrently with the execution and delivery of this Transaction Confirmation, Buyer is entering into a written, binding agreement (the "<u>RNG Purchase and Sale Agreement</u>") with the Refiner Counterparty covering the full Delivery Period for [***]% of the Contract Quantity of RNG purchased from Seller.
- Pursuant to the RNG Purchase and Sale Agreement, Buyer will receive proceeds from the sale of the RNG purchased hereunder to the Refiner Counterparty sufficient to (a) satisfy Buyer's payment obligations in respect of the Contract Price (net of agreed set-offs in respect of the Brown Gas Transaction Confirmation) and (b) [***].
- Buyer has provided Seller with a true and complete copy of its RNG Purchase and Sale Agreement;
- All proceeds from the sale of the RNG by Seller to the Refiner Counterparty under the RNG Purchase and Sale Agreement shall be deposited in a bank account with a financial institution mutually acceptable to the Parties (the "<u>Controlled Cash Account</u>") from which [***].
- Buyer shall furnish to Seller, not later than the [***] of each calendar Month beginning after the Commencement Date, a report setting forth the amount of funds from Refiner Counterparty due to be received in the Controlled Cash Account and Buyer's proposed disbursement of funds to Seller from the Controlled Cash Account in payment of the Contract Price, [***].

Commodity Trade Option Representations:

The parties agree that this transaction is a forward contract within the meaning of the Commodity Exchange Act (the "Act"), as amended, and the Rules of the Commodity Futures Trading Commission ("CFTC"), and in reliance upon such agreement, as of the date the transaction is entered into:

- each party represents to the other that it is a commercial market participant with respect to the specified commodity;
- each party represents to the other that it intends to make or take physical delivery of the specified nonfinancial commodity; and
- if this transaction includes any volumetric optionality, the holder of such optionality represents to the other party (a) that such optionality is primarily intended to address physical factors (such as weather, environmental factors, customer demand, available production, transport, shipping, operational constraints, or other physical factors) or regulatory requirements that reasonably influence demand for, or the supply of, the specified nonfinancial commodity; and (b) that such optionality is not primarily intended to address price risk.

To the extent the transaction is deemed to be a commodity option:

- the seller of the option represents to the buyer of the option that in connection with this transaction, the seller of the option is either (a) an eligible contract participant as defined in section 1a(18) of the Act and the regulations of the CFTC, or (b) a producer, processor, commercial user of or a merchant handling the commodity that is the subject of this transaction, or the products or byproducts thereof, and is offering or entering into this transaction solely for purposes related to its business as such;
- the buyer of the option represents to the seller of the option that in connection with this transaction the buyer of the option is a producer, processor, commercial user of or a merchant handling the commodity that is the subject of this transaction or the products or byproducts thereof and is offering or entering into this transaction solely for purposes related to its business as such; and
- each party represents to the other that the option, if exercised, would result in the sale of an exempt commodity for immediate or deferred delivery.

4. Renewable Attributes:

Seller agrees in connection with the sale of RNG hereunder to (i) assign to Buyer all Renewable Attributes associated with such RNG, and (ii) provide any agreement, attestation, certification and/or other document reasonably requested to meet the requirements of any applicable Governmental Authority having jurisdiction over the RNG or Renewable Attributes relating to the RNG.

Seller will provide Buyer with such cooperation, documentation, certifications, site visits or other information, support or assistance as may be reasonably necessary to carry out the purposes of this Transaction Confirmation in order for (i) title to the conveyed Renewable Attributes to vest in Buyer in connection with the purchase and sale of RNG hereunder and (ii) Buyer, Refiner Counterparty or its designee to be able to monetize the value of the Renewable Attributes by production and sale of RC Fuels in Europe. Such requirements include but are not limited to Seller having an obligation to:

- maintain all applicable ISCC Certifications or cause such ISCC Certifications to be maintained (based on the certification parameters and requirements in existence as of the Effective Date and without any requirement to incur material costs for facility upgrades or changes in operating protocols in the future to comply with any changes in such parameters and requirements after the Effective Date); and

- following each Month in which RNG was transferred to Buyer pursuant to the terms of this Agreement, issue or obtain, as the context requires, the required ISCC Documentation in the applicable form prescribed and published by the ISCC from time to time; promptly deliver or cause the delivery of same to Buyer within ten (10) days after the last Day of such Month; and bear the costs related to the preparation of any such ISCC Documentation.

Seller will provide Buyer on a monthly basis data sufficient to monitor the GHG emissions performance of the RNG Facilities, and Buyer will provide Seller on a monthly basis a rolling evaluation of the expected upcoming ISCC GHG emissions verification periods, including performance relative to the maximum permissible GHG emissions levels.

Buyer will provide Seller on a monthly basis affidavits attesting to the volume accepted by Buyer from Seller from each of the RNG Facilities.

5. <u>Change of Law</u>:

In the event that at any time, and from time to time, during the Term any Applicable Laws are changed, applied or interpreted differently to Seller by a certification entity than applied as of the date of this Transaction Confirmation or new Applicable Laws are promulgated that result in Seller no longer being able, using all commercially reasonable best efforts, to:

- maintain valid ISCC Certification for the RNG Facilities or issue the applicable ISCC Documentation Monthly for the RNG, each being complete, accurate, and in compliance with all applicable requirements; or

- deliver RNG having an actual GHG emission value (measured in g CO_2e/MJ, as determined in accordance with ISCC-EU standards) [***]; and Buyer has not waived the applicable obligation, then effective upon notice from either Buyer or Seller to the other party, this Transaction Confirmation shall be terminated and of no further force or effect. [***].

6. <u>Material Hardship</u>:

In the event that at any time, and from time to time, during the Term, Buyer receives written notice under the RNG Purchase and Sale Agreement from Refiner Counterparty that it is experiencing a Material Hardship that is continuing, Buyer shall promptly inform Seller of such notice, including the start and end date for the [***] time period for renegotiation. In the event that, following a good faith effort to renegotiate the terms of the RNG Purchase and Sale Agreement, and provided that Seller has delivered at least [***] MMBtu of RNG hereunder as of such end date, the Refiner Counterparty shall have a right to give notice to Buyer that it is terminating the RNG Purchase and Sale Agreement as of such end date:

(a) Buyer shall promptly inform Seller of such termination;

(b) This Transaction Confirmation, the Base Contract and any other transaction confirmations under the Base Contract shall also terminate on the same day as the RNG Purchase and Sale Agreement;

In the event of such termination, Early Termination Damages will be payable by Buyer to Seller (in addition to any unpaid amounts for RNG delivered prior to termination), in an amount equal to: [***].

7. <u>Force Majeure</u>:

Seller acknowledges that a failure of the Refiner Counterparty to perform or have performed the activities listed under clause (b) of Section 1 “General Terms and Conditions” above, by reason of an occurrence that meets the requirements of clause (vii) of Section 11.2 of the Base Contract defining a Force Majeure, would result in a Force Majeure hereunder.

8. Cover Standard

The Cover Standard shall be based upon (i) if the Buyer is the performing party, the Buyer obtaining Qualified RNG and (ii) if the Seller is the performing party, the Seller selling Qualified RNG.

9. Events of Breach, Default, Indemnification and Early Termination:

For the purposes of this Transaction Confirmation, without limiting the other remedies that may be available including the declaration of an Early Termination Date, in the event of a breach of Seller's Ongoing Representations, Warranties and Covenants in respect of the RNG delivered hereunder resulting in the inability or failure of a quantity of RNG purchased and sold hereunder to qualify for the generation of Fuel Credits in any applicable European jurisdiction or any such Fuel Credits generated from a quantity of RNG purchased hereunder being subsequently invalidated, then, in the event Seller has not made arrangements to provide replacement Qualified RNG acceptable to Buyer, acting reasonably, (a) Seller shall pay Buyer an amount equal to the purchase price paid by the Buyer for replacement Qualified RNG utilizing the Cover Standard and (b) such breach shall constitute an additional Event of Default under Section 10.2 of the Base Contract.

Each party agrees to provide prompt written notice to the other party of any fact, circumstance or event which would be a breach under any of the representations, warranties or covenants set forth in this Transaction Confirmation, assuming solely for purposes of this notice requirement that such representations and warranties were made as of the date of such fact, circumstance or event.

Any declaration of an Early Termination Date arising with regard to any Events of Default shall be applicable to the termination and settlement of this Transaction Confirmation only, and shall not affect any other Transaction Confirmations then in place between Buyer and Seller, nor shall the Base Contract be terminated thereby. Early Termination Damages will apply under any declaration of an Early Termination Date in respect of this Transaction Confirmation. When determining Market Value under Section 10.3.1 of the Base Contract, a party shall be entitled to consider the Market Value of Qualified RNG. The parties agree that this determination of Market Value shall constitute a reasonable basis for the calculation of damages and shall not be considered consequential damages described in Section 13 of the Base Contract.

10. Collateral Assignment to Refiner Counterparty; Notices:

Notwithstanding anything to the contrary in Section 15.1 of the Base Contract, Buyer may collaterally assign and grant a security interest in this Agreement to Refiner Counterparty to secure Buyer's obligations under the RNG Purchase and Sale Agreement. Copies of any notices of default by Buyer under this Agreement shall be provided to Refiner Counterparty at the address set forth in Schedule 2 concurrently with any such notices to the Buyer. Seller and Buyer each agree that Seller shall provide Refiner Counterparty the opportunity to cure any Event of Default of Buyer under this Agreement (upon the same terms and conditions for a cure by Buyer under the applicable provisions hereof), and subsequently perform or pay any related obligation of Buyer under this Agreement, on behalf of Buyer, without Refiner Counterparty assuming any obligations or liabilities of Buyer hereunder, unless Refiner Counterparty, following the occurrence of an event of default under the RNG Purchase and Sale Agreement, elects to assume the rights and obligations of Buyer under this Agreement in which case Refiner Counterparty shall have the opportunity to cure and perform as set forth above and shall assume any and all obligations and liabilities of Buyer under this Agreement. In the event of any assumption of this Agreement by Refiner Counterparty, then Refiner Counterparty and Seller shall enter into a Base Contract on terms substantively the same as the Base Contract between Buyer and Seller and shall establish a new two-party cash account into which amounts then on deposit in the Controlled Cash Account shall be transferred and disbursements from which shall require joint written instructions of the Refiner Counterparty and Seller. The provisions of this Section 10 may not be amended, modified or waived except with the prior written consent of Refiner Counterparty.

11. Confidentiality:

The terms of this Agreement, and all confidential or proprietary information disclosed between the Parties or their Affiliates in connection with this Agreement, shall be subject to the Confidentiality Agreement between the Parties dated

September 1, 2020, and such Confidentiality Agreement shall remain in full force and effect (notwithstanding any earlier termination thereof in accordance with its terms) with respect to such information until the second anniversary of the end of the Delivery Period. Notwithstanding for foregoing, each Party shall be permitted to make disclosure of this Agreement as necessary to comply with its reporting obligations under any applicable law, order, regulation or exchange rule, provided that the commercial and economic terms herein shall be redacted to the extent permissible thereunder.

12. Definitions:

Capitalized terms used in this Transaction Confirmation but not defined herein are as defined in the Base Contract. In addition to the capitalized terms defined elsewhere in this Transaction Confirmation, the following terms have the respective meanings set forth below:

"Applicable Law" means any European Union, national, federal, state or local law, statute, regulation, code, ordinance, license, permit, compliance requirement, decision, order, writ, injunction, directive, judgment, policy, decree, including any judicial or administrative interpretations thereof, or any agreement, concession or arrangement with any Governmental Authority, applicable to either party or either party's performance under this Transaction Confirmation, and any amendments or modifications to the foregoing.

"Biogas" means a mixture of hydrocarbons that is a gas at 60 degrees Fahrenheit and 1 atmosphere of pressure that is produced through the anaerobic digestion of organic matter.

"Brown Gas Transaction Confirmation" means the transaction confirmation under the Base Contract for the sale by Buyer to Seller of the Contract Quantity of Gas without Renewable Attributes at the Delivery Point.

"Commencement Date" means July 1, 2021.

"commercially reasonable best efforts" means, with respect to a given covenant, the efforts that a reasonable person in the position of the promisor would use so as to expeditiously achieve that covenant, but does not include any action or expenditure that is commercially unreasonable or unduly burdensome.

"Contract Period" means, in respect of the Delivery Period, the period from [***].

"Controlled Cash Account" has the meaning set forth in the section titled "Buyer's Ongoing Representations, Warranties and Covenants".

"Delivered Volume" means, in respect of a specific RNG delivery Month in a specific Contract Period, the total quantity of RNG delivered during all RNG delivery Months of the applicable Contract Period prior to the applicable RNG delivery Month

"Fuel Credits" mean instruments issued by any Governmental Authority in respect of the Renewable Attributes of a transportation fuel.

"GHG Emission Standard" has the meaning set forth in the section above entitled "Seller's Ongoing Representations, Warranties and Covenants".

"Governmental Authority" means any super-national, national, federal, state, local or other governmental, regulatory or administrative agency, court, commission, department, board or other governmental subdivision, legislature, rulemaking board, tribunal, or other governmental authority. Governmental Authority includes, but is not limited to, the European Union.

"ISCC" means International Sustainability & Carbon Certification, a voluntary scheme recognized by the European Commission pursuant to COMMISSION IMPLEMENTING DECISION (EU) 2016/1361 of 9 August 2016.

"ISCC Certification" means a site-specific certificate (a) issued by a Cooperating Certification Body recognized by ISCC, or such other entity as may be approved in writing by Buyer, following an audit that includes verification of the RNG Facility's actual GHG emission value and (b) certifying that the applicable economic operator complies with the requirements of RED and the ISCC-EU Voluntary Scheme (or such other scheme as may be approved in writing by

Buyer), and that the site of the applicable economic operator is certified for the conduct of specified activities in the biofuel supply chain, which certificate must be renewed on an annual basis.

"ISCC Documentation" means a proof of sustainability in the case of a final biofuel such as an RC Fuel and a sustainability declaration in the case of a supply chain element upstream of the production of final biofuel such as RNG, in each case on the template and in compliance with the requirements therefor prescribed by the ISCC, or such other entity as may be approved in writing by Buyer, and if applicable, a statement of no double claiming.

"Material Hardship" means [***].

"Net Delivery Surplus" means, in respect of a specific RNG delivery Month in a specific Contract Period, (i) the total quantity of RNG delivered during all RNG delivery Months of the applicable Contract Period prior to the applicable RNG delivery Month, minus (ii) [***]MMBtu per Day multiplied by the number of Days from the first Day of the applicable Contract Period to the first Day of the applicable RNG delivery Month.

"Qualified RNG" means RNG for which ISCC Documentation has been issued and the information contained therein regarding certification and sustainability characteristics of such RNG is complete, accurate, and in compliance with all applicable requirements.

"RC Fuel" means renewable co-processed transportation fuel made using hydrogen derived from RNG and hydrocarbons derived from oil as feedstocks.

"Refiner Counterparty" means the entity set forth in Schedule 2 to this Transaction Confirmation and all its Affiliates.

"Renewable Attribute" means a recognition or entitlement, in any form and any jurisdiction, associated with a fuel and relating to a reduction in greenhouse gas emissions resulting from such fuel's use or to the renewable origin of such fuel itself.

"RNG", or "renewable natural gas" (also referred to as biomethane) means pipeline-quality Natural Gas made from Biogas, such Natural Gas containing all Renewable Attributes associated with such Biogas. RNG includes: (a) pipeline-quality Natural Gas injected into the natural gas pipeline, and (b) a corresponding quantity of Natural Gas withdrawn from a physically connected pipeline, in each case containing the corresponding Renewable Attributes.

"RNG Facilities" means the facilities owned by Seller, used to produce the RNG sold hereunder and listed in Schedule 1 to this Transaction Confirmation.

"RNG Purchase and Sale Agreement" has the meaning set forth in the second bullet of the section entitled "Buyer's Ongoing Representations, Warranties and Covenants".

[Remainder of page left blank intentionally]

IN WITNESS WHEREOF, the parties have signed this Transaction Confirmation in multiple counterparts, effective as of the Effective Date.

Seller: **GSF Energy, L.L.C.**	Buyer: **Iogen RC Fuels LP** **By: Iogen RC Fuels Corporation, its General Partner,**
By: /s/ Sean F. McClain	By: /s/ Patrick J. Foody
Title: CEO	Title: EVP, Advanced Biofuels
Date: 4/30/2021	Date: 4/29/2021

Schedule 1 – RNG Facilities
Schedule 2 – Refiner Counterparty

CERTAIN INFORMATION HAS BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE IT IS BOTH NOT MATERIAL AND WOULD LIKELY CAUSE COMPETITIVE HARM TO THE REGISTRANT IF PUBLICLY DISCLOSED. THE OMITTED PORTIONS OF THIS DOCUMENT ARE INDICATED BY [***].

TRANSACTION CONFIRMATION FOR IMMEDIATE DELIVERY
AMENDMENT NO. 1

This Contract Amendment between Blue Source, LLC ("Seller") and GSF Energy, LLC ("Buyer") is effective as of May 9, 2021 (the "Amendment Effective Date").

WHEREAS, the Parties hereto entered into that certain Transaction Confirmation for Immediate Delivery (the "TC") with an Effective Date as of October 9, 2019, Confirmation Number of Blue 001; and

WHEREAS, the parties hereto desire to amend the TC;

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and intending to be legally bound, the parties hereto agree as follows:

AGREEMENT

1. Definitions. Capitalized terms used but not defined in this Amendment have the respective meanings assigned to them in the TC.

2. Amendments to TC. The parties agree to amend the TC as follows:

   a. Subpart (i) under Section 1(b) (Margin Share) of Article I (Commercial Terms) shall be deleted in its entirety and replaced with the following language:

      (i) Buyer shall receive from Seller [***]% of the RINs for all RINs generated from Biogas delivered to Buyer for Biogas Quantities between [***] MMBtu per day.

   b. The Delivery Period under Section 2(a) (Biogas Daily Delivery) of Article I (Commercial Terms) shall be deleted in its entirety and replaced with the following language:

      (a) Biogas Daily Delivery

      Begin Date: [***]
      End Date: [***]

   c. Subsection 3(a) of the Contract Quantity and Performance Obligation Section of the TC is deleted and replaced with the following:

      3(a) BIOGAS QUANTITY. THROUGHOUT THE DELIVERY PERIOD, SELLER SHALL HAVE A FIRM OBLIGATION TO SELL AND DELIVER [***]% OF THE BIOGAS PRODUCED BY SELLER TO BUYER AT THE DELIVERY POINT(S)

AND BUYER SHALL HAVE A FIRM OBLIGATION TO TAKE DELIVERY OF SUCH BIOGAS, SUBJECT TO THE FOLLOWING:

(i) During the Delivery Period, Seller shall have, at its sole discretion, the option to divert [***] of the daily Biogas produced from the facility to a third-party buyer, Iogen RC Fuels, LP, only, to fulfill any contractual obligations.

(ii) During the Delivery Period, Buyer shall accept delivery of all remaining MMBtu's Biogas/Day ("Maximum Daily Quantity").

d. Section 3, the contract quantity and performance obligation section of this TC, is hereby amended as follows:

3(c) Buyer will make available and provide any documentation required by Seller to obtain and maintain ISCC Certification for the RNG Facility. Buyer will issue any required documentation and will cooperate in providing additional information required and will ensure that all documentation delivered to Seller and the information contained therein is timely, complete, accurate, and in compliance with all applicable requirements.

e. The last sentence of Section 6(c) of Article II (Special Provisions) shall be deleted in its entirety and replaced with the following language:

The EPA EMTS account number to which RINs allocated to the buyer shall be allocated and deposited, within five (5) days of RIN generation, is **6086**.

3. Governing Law. This Amendment shall be governed by and construed in accordance with the laws of the State of Pennsylvania.

IN WITNESS WHEREOF, this Amendment has been executed by the parties hereto effective as of the date first above written.

BLUE SOURCE, LLC	**GSF ENERGY, LLC**
/s/ Will Overly	/s/ Sean F. McClain
By: Will Overly	By: Sean F. McClain
Its: Vice President	Its: CEO

Exhibit 31.1

**CERTIFICATION PURSUANT TO RULES 13a-14(a) AND 15d-14(a)
UNDER THE SECURITIES EXCHANGE ACT, AS AMENDED**

I, Sean F. McClain, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Montauk Renewables, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Omitted.
   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 15, 2021

/s/ Sean F. McClain

Sean F. McClain
Chief Executive Officer and President
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO RULES 13A-14(A) AND 15D-14(A)
UNDER THE SECURITIES EXCHANGE ACT, AS AMENDED**

I, Kevin A. Van Asdalan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Montauk Renewables, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Omitted.
   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 15, 2021

/s/ Kevin A. Van Asdalan

Kevin A. Van Asdalan
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Montauk Renewables, Inc. (the "Company") for the period ended September 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

Date: November 15, 2021

/s/ Sean F. McClain

Sean F. McClain
Chief Executive Officer and President
(Principal Executive Officer)

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Montauk Renewables, Inc. (the “Company”) for the period ended September 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

Date: November 15, 2021

/s/ Kevin A. Van Asdalan

Kevin A. Van Asdalan
Chief Financial Officer
(Principal Financial Officer)