

# SALIENT FEATURES OF THE MONTAUK HOLDINGS SHARE APPRECIATION RIGHTS SCHEME FOR U.S. AFFILIATES

## 1. DEFINITIONS

In this statement, unless otherwise stated or the context requires otherwise, the words in the first column have the meanings stated opposite them in the second column. Words in the singular include the plural and vice versa. Words signifying one gender include the other and reference to a person includes references to a body corporate and vice versa.

“Board”	the board of directors for the time being of the company or, should the board of directors delegate its authority to a committee of the board, such committee (unless the context indicates to the contrary);
“Business Day”	any day other than a Saturday, Sunday or public holiday officially recognised as such in South Africa;
“Capitalisation Shares”	additional Shares issued by the Company on a capitalisation of the Company’s profits, reserves, share premium account or capital redemption fund, or, additional Shares issued by the Company pursuant to a rights issue;
“Code”	U.S. Internal Revenue Code of 1986, as amended. References to a section of the Code shall include that section and any comparable section or sections of any future legislation that amends, supplements or supersedes said section;
“Disability”	Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months;
“Employee”	any full-time employee of a U.S. Affiliate, including a director holding salaried employment or officer of a U.S. Affiliate;
“Employer Company”	the U.S. Affiliate which employs or employed the Participant or in respect of which the Participant holds or held office, and which has adopted the terms of the Scheme;
“Exercise Date”	the date on which an Option is exercised by a Participant in accordance with the Scheme;
“Expiry Date”	in respect of any particular Option, the date which is three (3) months after the Maturity Date, unless otherwise specified in the applicable Option Notice;
“Fair Market Value”	on any date, (i) the closing sale price of a Share as reported on an established stock exchange on which the Shares are regularly traded on such date or, if there were no sales on such date, on the last date preceding such date on which a sale was reported; or (ii) if the Shares are not listed for trading on an established stock exchange, Fair Market Value shall be determined by the Board in good faith and otherwise in accordance with Section 409A of the Code, and any regulations and other guidance thereunder;
“Group”	the Company and its Subsidiaries from time to time;
“Maturity Date”	unless otherwise provided in the applicable Option Notice, the earlier to occur of (a) the Participant’s continued employment with the Employer Company or another member of the Group through the date or dates specified in the applicable option notice, and (b) a Qualifying Termination of the Participant;
“Montauk Holdings” or “the Company”	Montauk Holdings Limited (Registration No. 2010/17811/06) (Share Code: MNK), a public company duly incorporated in the Republic of South Africa, and its successors, of Suite 801, 76 Regent Road, Sea Point, Cape Town 8005;
“Montauk Holdings shareholders” or “shareholders”	the registered shareholders of the Shares;
“Option”	an option to acquire Shares granted to an Employee in terms of the Scheme which has not yet been exercised and which has not yet lapsed;
“Option Date”	the date designated by the Board as the date as of which it grants an Option, which shall not be earlier than the date on which the Board approves the granting of an Option under this Scheme;
“Option Notice”	the written notice in terms of which the Employer Company grants an Option to an Employee to acquire Shares;

“Option Price”	the Fair Market Value as at the Option Date, as recorded in the Option Notice;
“the JSE”	the JSE Limited (Registration No. 2005/022939/06), a public company incorporated in accordance with the laws of South Africa and licensed as an exchange under the Financial Markets Act, 2012;
“JSE Listings Requirements”	the Listings Requirements published by the JSE;
“Participant”	an Employee who has been granted an Option (and who has accepted such Option in accordance with the Option Notice), or his executor, heir, administrator, trustee or permitted assign, as the case may be;
“Qualifying Termination”	the Participant’s Termination of Employment (a) due to death or Disability, (b) by the Company without Cause, or (c) in connection with his or her retirement after the later of reaching the age of sixty-five (65) or 1 April 2017;
“Scheme”	Montauk Holdings Limited Employee Share Appreciation Rights Scheme for U.S. Affiliates established in terms of this document;
“this Statement”	this statement, forming part of the annual report of the Company, dated 18 September 2015;
“Shares”	ordinary shares in the capital of the Company, with no par value;
“South Africa”	the Republic of South Africa;
“U.S. Affiliate”	means each or all of the direct wholly or majority-owned Subsidiaries of the Company in the United States, consisting as of the Effective Date of Montauk Holdings USA LLC, Montauk Energy Holdings, LLC, and Montauk Energy Capital, LLC, and any successors thereto.

## 2. INTRODUCTION

The purpose of this Statement is to advise Montauk Holdings shareholders of the proposed adoption of the Scheme (and to set out the salient features thereof) in order for the shareholders to consider and vote in respect of the resolution approving the adoption of the Scheme at the annual general meeting of Montauk Holdings shareholders to be held at the Company’s registered address, Suite 801, 76 Regent Road, Sea Point, Cape Town.

## 3. RATIONALE OF THE SCHEME

- 3.1 The purpose of the Scheme is to provide selected U.S.-based employees with the opportunity to acquire Shares, thereby ensuring that such employees are encouraged and motivated to pursue continued employment with their Employer Companies and to contribute to the growth and profitability of the Employer Company and the Group as a whole.
- 3.2 The U.S. Affiliate who employs the Participant, or the Company if so determined by the Company, shall bear the costs (including any losses sustained and/or taxes that may be payable by the Group) in respect of the acquisition, purchase or subscription of Shares to be utilised for the Scheme, in so far as such costs directly relate to the participation of the employees (or former employees) of that U.S. Affiliate in the Scheme.

## 4. SALIENT FEATURES OF THE SCHEME

- 4.1 Only U.S.-based employees of U.S. Affiliates are eligible to participate in the Scheme and to granted Options to acquire Shares.

- 4.2 The relevant Participant’s Employer Company, on the directions of the Board from time to time, shall by written Option Notice grant an Option to employees (selected in the sole discretion of the Board in accordance notified in writing from time to time to the Employer Company) to acquire Shares.
- 4.3 When selecting which Employees will be granted Options (and the number of Options to be granted to each such Employee), the Board shall take into account the contribution to be made by the relevant Employee to the Employer Company in light of the Employee’s skills, experience, qualifications and/or attributes and the Employer Company’s strategic objectives at the relevant time.
- 4.4 The Option Notice shall be dated and signed by the Scheme’s compliance officer and shall stipulate:
- 4.4.1 the name of the Employee;
- 4.4.2 the number of Shares to which the Option relates;
- 4.4.3 the Option Price per Share;
- 4.4.4 that all Options shall only be capable of being Net-equity Settled and therefore shall only be exercisable if the Fair Market Value as of any applicable Exercise Date exceeds the Option Price;
- 4.4.5 that once exercisable, the Option may only be exercised in respect of the whole

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- (and not part) of the number of Shares to which the Option relates;
- 4.4.6 the Maturity Date, upon which date the Participant shall become entitled to exercise the Option;
- 4.4.7 the Expiry Date, upon which date, the Option, if it has not yet been exercised, shall automatically lapse;
- 4.4.8 that the Option may only be exercised by way of written notice to the Scheme's compliance officer;
- 4.4.9 that the Option is personal to the Participant and that, without the prior written consent of the Board, the Option may not be sold, alienated, transferred or disposed of in any other manner, or pledged or otherwise encumbered, and any attempt to do so without the prior written consent of the Board shall not be recognised by the Company;
- 4.4.10 subject to the terms of the Scheme, the Participant shall be entitled to the delivery of and to take transfer of the relevant Shares as soon as is reasonably possible after the Exercise Date;
- 4.4.11 all risk in and benefit to the Shares, including but not limited to all dividend and voting rights, shall pass to the Participant on the Exercise Date;
- 4.4.12 that the Option shall be subject to the terms of the Scheme and any other terms which the Board deems appropriate in the circumstances and which are set out in the Option Notice and not inconsistent with the Scheme, and which the Participant has accepted by signing and returning a duplicate copy of the Option Notice within 20 Business Days of the receipt thereof, failing which the Option shall lapse, provided that if the Option Notice is not signed and returned as set out above, the Board may direct, within its sole discretion, that such Option shall be deemed not to have lapsed; and
- 4.4.13 that the Participant shall bear all costs, duties, taxes, fees, commission and the like pertaining to the transfer of the Shares in respect of which the Option has
- been exercised and shall pay same upon demand.
- 4.5 Options may only be exercised in accordance with the terms of the Option Notice. The Participant shall become entitled to exercise the Option in respect of all of the Option Shares that become exercisable in connection with the applicable Maturity Date from such Maturity Date until the Expiry Date, provided that the Participant shall not have incurred a Termination of Employment (other than a Qualifying Termination) on or before the Maturity Date and the Option shall not have otherwise lapsed in accordance with paragraph 4.8 and 4.9 below, prior to the Exercise Date.
- 4.6 Upon the valid exercise of an Option, the relevant Employer Company shall, subject to paragraph 4.4.13, deliver to the Participant concerned, that number of Shares ("**Settlement Shares**") calculated in accordance with the following formula:
- $$A = (B - C) \times D \div B$$
- Where:
- A** = the number of Shares, provided that where A is not a whole number, it shall be rounded down to the nearest whole number;
- B** = the Fair Market Value as of the Exercise Date;
- C** = the Option Price;
- D** = the number of Shares underlying the Option which are eligible to be exercised.
- 4.7 Upon the delivery by the Employer Company of such Shares to the Participant, the Participant shall be regarded as having paid the Option Price to the Employer Company concerned, and such Employer Company shall be regarded as having discharged its obligation to deliver the Shares in respect of which the Option was granted, to the Participant.
- 4.8 An Option shall lapse:
- 4.8.1 if the relevant Participant does not accept the grant of the Option by indicating his/her acceptance of the terms of the Scheme (and any other terms which the Board deems appropriate in the circumstances and which are set out in the Option Notice and not inconsistent with the Scheme), by signing and returning a duplicate copy of the Option Notice within 20 Business Days of the receipt thereof; or

- 4.8.2 if the Participant does not exercise the Option by the Expiry Date;
- 4.8.3 if the Option is purportedly exercised otherwise than in terms of the Scheme;
- 4.8.4 if the interest of a Participant in an Option is attached under any circumstances; or
- 4.8.5 on the terms set out in the Option Notice,

provided that if any such circumstances arise, the Board may direct, within its sole discretion, that such Option shall be deemed not to have lapsed.

- 4.9 The Option shall, in addition to what is set out in paragraph 4.8 above, lapse on the date of the Participant's Termination of Employment prior to the occurrence of any Maturity Date, or following the Maturity Date if such Termination of Employment is not a Qualifying Termination; provided that the Board shall be entitled, but not obliged, to direct that the Participant may exercise such Option on a date as may be determined by the Board within its sole discretion, provided that such date may not be later than the Expiry Date.

- 4.10 Should the Board become aware that:

- 4.10.1 the Company will be party to an amalgamation, merger or scheme of arrangement as contemplated in chapter 5 of the Act; or
- 4.10.2 shareholders in the Company who collectively hold more than 50% of the Shares in the Company will sell, exchange or otherwise dispose of their Shares in the Company; or
- 4.10.3 a mandatory offer to shareholders of the Company is required in terms of section 123 of the Act; or
- 4.10.4 the Company will propose to pass a resolution for the voluntary winding up of the Company; or
- 4.10.5 the Shares of the Company are to be delisted from the JSE,

then, notwithstanding anything to the contrary contained in this document the Board shall be entitled, but not obliged, to amend the Scheme in such manner as it deems fit but subject always to the provisions of the Scheme. Without limiting the generality of the foregoing, and by way of example

the Board may amend the Scheme so as to:

- 4.10.6 accelerate the Maturity Dates; and/or
- 4.10.7 substitute the Shares forming the subject matter of the Options with shares in any other entity on terms not less favourable than those on which the Participants were previously entitled to participate in terms of the Scheme, and the Participants shall be obliged to accept such substitution.

- 4.11 If at any time:

- 4.11.1 the Shares of the Company are consolidated or sub-divided or in any other way reorganised;
- 4.11.2 the issued ordinary share capital of the Company is reduced;
- 4.11.3 the Company is placed in liquidation pursuant to or in the course of a reorganisation of the Group;
- 4.11.4 the Company is party to a scheme of arrangement affecting the structure of its Share capital;
- 4.11.5 the Company issues Capitalisation Shares,

then the number of Shares which may be utilised for the Scheme, the aggregate number of Shares which any one Participant may acquire in terms of the Scheme, and the number of Shares which are the subject of any Option and/or the Option Price in respect thereof, shall, subject to paragraph 4.13, be adjusted in such manner as the Auditors determine to be appropriate and, in making such determination, the Auditors shall ensure that as far as possible in the circumstances, Participants shall remain entitled to the same proportion of the equity capital of the Company as that to which such Participant would have been entitled but for such event, and that Participants are not prejudiced nor given benefits beyond those provided for in the Scheme.

- 4.12 For the avoidance of doubt, there shall be no such adjustment if there is:

- 4.12.1 an issue of Shares by the Company as consideration for an acquisition; or
- 4.12.2 a specific issue of Shares for cash; or
- 4.12.3 a vendor consideration placement.

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4.13 Any such adjustments shall be subject to the Auditors confirming to the Board and to the JSE, in writing, that the adjustments were calculated on a reasonable basis and in accordance with the provisions of the Scheme.

4.14 The Board shall notify the Participants of that adjustment which shall be binding on the Company, the Employer Company and on the Participants. Any such adjustment shall be reported in the Company's annual financial statements in the financial period during which the adjustment is made.

4.15 Where the Shares in respect of which an Option has been allocated to a Participant are not subsequently issued to such Participant (for example, as a result of the Participant not being employed on the Maturity Date or as a result of the Option lapsing), such Shares shall revert back to the Scheme and may form the subject of further Options to be allocated to Participants under the Scheme.

4.16 The aggregate number of Shares which may be utilised for the Scheme shall not exceed 7 514 231 Shares. This limitation shall not be exceeded without the Montauk Holdings shareholders' approval as required in terms of the JSE Listings Requirements.

4.17 The aggregate number of Shares which any one Participant may acquire in terms of the Scheme shall not exceed 2 000 000 Shares.

## 5. APPROVAL OF SCHEME

The implementation of the Scheme is subject to obtaining the approval of shareholders by way of a special resolution (requiring a 75% majority of the votes cast in favour of such resolution) in accordance with the JSE Listings Requirements.

## 6. DIRECTORS' RESPONSIBILITY STATEMENT

The directors of the Company collectively and individually accept full responsibility for the accuracy of the information given in this explanatory Statement and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make this Statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this Statement contains all information required by law and the JSE Listings Requirements.

## 7. RECOMMENDATION

The directors are of the opinion that the Scheme will be beneficial to the Group and accordingly recommend that Montauk Holdings shareholders vote in favour of the special resolution necessary for the adoption of the Scheme.

## 8. MONTAUK HOLDINGS ANNUAL GENERAL MEETING

8.1 An annual general meeting will be held at the Company's registered address on 29 October 2015 for the purposes of considering, inter alia, a special resolution (requiring a 75% majority of the votes cast in favour of such resolution by all Montauk Holdings shareholders present or represented by proxy at the annual general meeting):

8.1.1 approving the Scheme; and

8.1.2 authorising the Company, by way of a specific authority in accordance with the Listings Requirements, to grant options in respect of up to a maximum of 7 514 231 shares in the authorised, but unissued ordinary share capital of the Company, in accordance with the terms and conditions of the Scheme and any amendments thereto.

8.2 The proposed special resolution accompanies the notice of annual general meeting, which is included in this annual report on pages 91 to 98.

## 9. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Plan will be available for inspection during normal business hours (Saturdays, Sundays and South African public holidays excluded) at the registered office of Montauk Holdings and at the office of the Company's sponsor from 29 September to 29 October 2015.

For and on behalf of the Board



Montauk Holdings Limited

Cape Town  
18 September 2015