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

UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited 30 September 2015 $'000	Unaudited 30 September 2014 $'000	Audited 31 March 2015 $'000
ASSETS			
Non-current assets	122 390	75 940	81 360
Property, plant and equipment	86 296	46 129	45 332
Intangibles	33 336	27 144	32 427
Long-term receivables	2 758	2 667	3 601
Current assets	13 854	16 762	20 044
Other	7 430	6 701	4 153
Bank balances and deposits	6 424	10 061	15 891
Non-current assets held for sale	-	125 677	-
Total assets	136 244	218 379	101 404
EQUITY AND LIABILITIES			
Equity	82 417	151 243	77 101
Equity attributable to equity holders of the parent	82 417	124 347	77 101
Non-controlling interest	-	26 896	-
Non-current liabilities	44 766	6 374	17 235
Long-term borrowings	36 549	-	10 603
Other	8 217	6 374	6 632
Current liabilities	9 061	55 197	7 068
Non-current liabilities held for sale	-	5 565	-
Total equity and liabilities	136 244	218 379	101 404
Net asset carrying value per share (cents)	61	92	57

CONDENSED CONSOLIDATED INCOME STATEMENT

	% change	Unaudited 30 September 2015 $'000	Unaudited 30 September 2014 $'000
Revenue	11.8%	17 310	15 478
Expenses		(14 890)	(13 643)
EBITDA	31.9%	2 420	1 835
Other income		9 573	-
Depreciation and amortisation		(6 363)	(5 602)
Operating profit/(loss)		5 630	(3 767)
Investment income		24	-
Finance costs		(232)	(22)
Profit/(loss) before taxation	243.1%	5 422	(3 789)
Taxation		-	-
Profit/(loss) for the period from continuing operations		5 422	(3 789)
Discontinued operations		-	6 662
Profit for the period		5 422	2 873
Attributable to:			
Equity holders of the parent		5 422	3 376
Non-controlling interest		-	(503)
		5 422	2 873

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Unaudited 30 September 2015 $'000	Unaudited 30 September 2014 $'000
Profit for the period	5 422	2 873
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation differences	(106)	(1 685)
Total comprehensive income	5 316	1 188
Attributable to:		
Equity holders of the parent	5 316	1 785
Non-controlling interest	-	(597)
	5 316	1 188

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited 30 September 2015 $'000	Unaudited 30 September 2014 $'000
Balance at the beginning of the period	77 101	145 522
Current operations		
Total comprehensive income	5 316	1 188
Disposal of subsidiaries	-	4 533
Balance at the end of the period	82 417	151 243

RECONCILIATION OF HEADLINE EARNINGS

	% change	Unaudited six months ended 30 September 2015 $'000 Gross	Net	Unaudited six months ended 30 September 2014 $'000 Gross	Net
Earnings attributable to equity holders of the parent	60.6		5 422		3 376
IAS 16 losses on disposal of plant and equipment		296	296	-	-
IAS 38 gains on disposal of intangible assets		(9 869)	(9 869)		
IAS 27 profit from disposal/ part disposal of subsidiary		-	-	(7 434)	(7 434)
Headline loss	(2.3)		(4 151)		(4 058)
Basic earnings per share (cents)					
Earnings	60.6		4.01		2.50
Continuing operations			4.01		(2.43)
Discontinued operations			-		4.93
Headline earnings per share (cents)	(2.3)		(3.07)		(3.00)
Continuing operations			(3.07)		(2.43)
Discontinued operations			-		(0.57)
Weighted average number of shares in issue ('000)			135 256		135 256
Actual number of share in issue at the end of the period (net of treasury shares) ('000)			135 256		135 256

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited 30 September 2015 $'000	Unaudited 30 September 2014 $'000
Cash flows from operating activities	1 466	(2 524)
Cash flows from investing activities	(31 965)	(11 288)
Cash flows from financing activities	21 145	18 647
(Decrease)/increase in cash and cash equivalents	(9 354)	4 835
Cash and cash equivalents		
At the beginning of the period	15 891	48 845
Foreign exchange differences	(113)	(1 443)
At the end of the period	6 424	52 237
Cash in disposal groups held for sale	-	42 175
Bank balances and deposits	6 424	10 062
Cash and cash equivalents	6 424	52 237

SEGMENTAL ANALYSIS

	Unaudited 30 September 2015 $'000	Unaudited 30 September 2014 $'000
Revenue		
Natural gas	17 310	15 478
Total	17 310	15 478
EBITDA		
Natural gas	2 420	1 835
Total loss	2 420	1 835
Profit before tax		
Natural gas	5 422	(3 789)
Total	5 422	(3 789)
Headline earnings		
Media and broadcasting	-	30
Natural gas	(4 151)	(3 789)
Other	-	(299)
Total	(4 151)	(4 058)

NOTES

BASIS OF PREPARATION AND ACCOUNTING POLICIES

The results for the six months ended 30 September 2015 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the disclosure requirements of IAS 34, the South African Institute of Chartered Accountants ("SAICA") Financial Reporting Guides as issued by the Accounting Practices Committee, the requirements of the South African Companies Act, 2008, and the Listings Requirements of the JSE Limited. The accounting policies applied by the Company in the preparation of these consolidated financial statements are consistent with those applied by the Company in its consolidated financial statements as at and for the year ended 31 March 2015. As required by the JSE Limited Listings Requirements, the Company reports headline earnings in accordance with Circular 2/2013: Headline Earnings as issued by the SAICA.

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

DISCONTINUED OPERATIONS AND DISPOSAL GROUPS HELD FOR SALE IN THE PRIOR COMPARATIVE PERIODS

During the year ended 31 March 2015 the Company disposed of its 80% interest in Longkloof Limited and its 100% interest in Deepkloof Limited prior to the Company being unbundled to shareholders by its previous holding company, Hosken Consolidated Investments Limited. The results of these operations were included in discontinued operations in the income statement and their assets and liabilities included in disposal groups held for sale in the statement of financial position in the prior comparative periods where applicable.

BUSINESS COMBINATIONS

Acquisition of Leaf LFG US Investments, Inc.
On 25 June 2015 the Company completed the acquisition of 100% of Leaf LFG US Investments, Inc. ("Leaf"), which comprises three additional renewable natural gas facilities located in Southwestern Pennsylvania, for $4.5 million in cash. The acquisition increases the Company's annual renewable natural gas production by approximately 700 000 MMBtus.

The assets and liabilities acquired are as follows:

	$'000
Non-current assets	13 376
Current assets	142
Non-current liabilities	(6 246)
Current liabilities	(2 790)
Net assets acquired	4 482
Net cash outflow on acquisition	4 482

As of 30 September 2015 the accounting for this acquisition is provisional and is subject to fair value adjustments once finalised.

The results of operations of the acquired facilities are included in the Company's consolidated results from the date of acquisition. Revenues of $1.7 million and operating losses of $0.1 million related to the acquisition are included in the consolidated income statement for the six months ended 30 September 2015. Had the acquisition occurred on the first day of the financial reporting period, $3.4 million in revenues and $0.3 million in operating losses would have been included in the consolidated income statement.

RESULTS

GROUP INCOME STATEMENT
Revenue from the Company's renewable natural gas facilities increased by $3.4 million or 34% for the six months ended 30 September 2015 from the prior period. Excluding revenue from the Leaf acquisition, revenues from gas facilities increased by $1.7 million, or 17% over the prior period. The increase is primarily the result of the monetisation of a portion of the cellulosic renewable identification numbers ("RINs") generated in fiscal 2015 and 2016 from the Company's renewable natural gas facilities participating in the US Environmental Protection Agency's ("EPA") Renewable Fuel Standard II programme. The Company continues to selectively monetise the RINs generated in fiscal 2016 while awaiting the EPA's pending finalisation of the volume obligations for 2014, 2015 and 2016. At 30 September 2015 the Company had 13.3 million RINs generated and unsold in inventory. Excluding the Leaf acquisition, renewable natural gas production increased by 5% while the average commodity index price received for the energy component of the renewable natural gas produced decreased by 38% for the six months ended 30 September 2015 from the prior period.

Revenue from the Company's electric generation facilities decreased by $1.7 million, or 30%, for the six months ended 30 September 2015 from the prior period. The primary driver of the revenue decrease is a 37% decrease in the average price realised on the Company's electric production. The majority of the electric generation facilities continue to be subject to index-based commodity pricing until market conditions provide a longer-term, fixed-price alternative. Renewable electric generation also decreased by 6% for the six months ended 30 September 2015 from the prior period, due to wellfield conditions at the Company's New Jersey facility.

Operating expenses for the six months ended 30 September 2015, excluding the impacts of the Leaf acquisition, decreased by $1.3 million, or 12%, due to timing of scheduled maintenance events. Gains recognised from the Company's hedging programmes decreased by $0.6 million for the six months ended 30 September 2015, as compared to the prior period, due to the timing of changes experienced in natural gas and electric pricing in the US.

In May 2015 the Company realised $9.9 million on the sale of retired emission reduction credits ("ERCs") for its Texas-based renewable natural gas facility, as a result of the installation of pollution control equipment that permanently reduced the emissions profile of the facility.

GROUP STATEMENT OF FINANCIAL POSITION AND CASH FLOW
Fixed and intangible assets at 30 September 2015 include $32 million and $1 million in costs related to the construction of the 20 Megawatt electric generation facility in Southern California, respectively.

The Company's borrowings at 30 September 2015 were approximately $39 million. Of this amount, $11.2 million was outstanding on the Company's commercial bank facilities, and $22 million was drawn against the $41 million facility available for the construction of the 20 Megawatt electric generation facility in Southern California. Leaf had borrowings of $6 million at the time of acquisition. This balance remained outstanding as at 30 September 2015. Of the $39 million borrowings outstanding at 30 September 2015, approximately $2.7 million is currently due within the next 12 months.

Cash flow from operating activities of $1.5 million for the six months ended 30 September 2015 was approximately $1 million higher from the prior period, excluding discontinued operations. This was driven by a corresponding increase in EBITDA. Included in cash flow from investing activities was $34.4 million in expenditure related to the Bowerman project and $4.5 million for the Leaf acquisition. Also included in cash flow from investing activities was the receipt of $9.9 million related to the one-time sale of ERCs. Cash flow from financing activities included $22 million in draws related to the Bowerman construction.

As of 30 September 2015 the Company had cash on hand of $6.4 million. Approximately $0.9 million capacity remains under the Company's revolving credit facility.

COMMENTARY

ENERGY COMMODITY PRICING
The Company's performance is heavily influenced by natural gas pricing for both its renewable natural gas facilities and its electric generation facilities that rely on index-based pricing for the energy commodity. As previously noted, natural gas pricing has experienced a 38% decline over the same period in the prior year with similar pricing declines having been experienced at our electric generation facilities utilising index-based pricing. Energy commodity prices continue to be pressured by current near record storage levels of natural gas as we approach the end of the storage injection season which generally lasts from early April through early November. The record high levels have been driven by increased production from shale gas regions being brought to market. These have outpaced increases in demand for electric generation as a result of coal to gas switching that has occurred due to the low natural gas pricing.
The pricing declines have had a significant impact on the Company's results and any short-term price recovery that may occur would depend on the supply balance as we go through the upcoming winter storage withdrawal season through higher demand for natural gas and natural gas-fuelled electric generation. Longer-term price recovery would depend on increased demand from sources such as continued coal to gas switching for electric generation and the possibility of exporting of liquefied natural gas to off-set shale gas production. We continue to evaluate the impact of current and future natural gas pricing as well as available environmental attributes on our portfolio in determining our strategy for the overall Company and individual locations.

RENEWABLE FUEL STANDARD (RFS II)
The overall market for cellulosic RINs remains generally illiquid as the final volume obligations for 2014, 2015 and 2016 are not expected to be released by the EPA until the end of November 2015. The Company has been able to selectively monetise blocks of cellulosic RINs on a periodic basis at pricing levels commensurate with general market conditions and will continue to do so until there is sufficient liquidity in the market that would lead to more ratable sales transactions occurring and the ultimate establishment of a market index price for cellulosic RINs. Current pricing for the cellulosic RINs is referenced as the price for the advanced RIN plus up to 100% of the published cellulosic waiver credit price for that vintage of RIN as the cellulosic RIN satisfies the compliance obligations for both categories. The ultimate percentage of the cellulosic waiver credit price realised and the overall market liquidity will be dependent on the volume obligations set by EPA being both timely and sufficient to accommodate the actual production levels on an annual basis.

DEVELOPMENT ACTIVITIES
The Company is progressing on the construction of its 20 Megawatt electric generation facility in Southern California. The project is on schedule to be completed and begin commercial operations in the fourth quarter of fiscal 2016. The Company has contracted with a large municipality in Southern California for the electricity and associated environmental attributes produced under a 20-year fixed price power purchase agreement.

CHANGES IN DIRECTORATE

There were no changes in directorate during the period under review.

DIVIDEND TO SHAREHOLDERS

The directors have resolved not to declare a final dividend.

For and on behalf of the board of directors

JA Copelyn	DR Herrman	SF McClain
Chairman	Chief Executive Officer	Chief Financial Officer

Cape Town
3 November 2015

Directors: JA Copelyn (Chairman)*, DR Herrman (Chief Executive Officer)#;
SF McClain (Chief Financial Officer)#, MH Ahmed*; MA Jacobson*##;
NB Jappie*; BS Raynor*#; A van der Veen*
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