

TRADING UPDATE FOR THE THIRD QUARTER (FY2021)

Padenga Holdings Limited is pleased to issue its trading update for the third quarter ended 30 September 2021.

Operating Environment

The operating environment was characterized by a tightening liquidity position leading to depreciating local currency and worsening inflation.

The Group successfully listed on the Victoria Falls Stock Exchange in the earlier part of the quarter. This is expected to see incremental foreign currency retentions come into play, thereby benefiting both the local farming and mining businesses.

Volume Performance

Zimbabwe Crocodile Operation

The Nile crocodile operation recorded a 45 % increase in skin sales volumes year to date, compared to prior period (12,036 vs 8,286). Three sales gradings were conducted between March and September with the first- grade ratio being consistent with budget. Year to date, a total of 22,903 skins were harvested compared to 22,796 skins in the prior year. The size and quality of the harvestable crop remaining in the pens at the end of the period under review was consistent with expectations to achieve the budgeted skin numbers by year-end.

The Covid-19 pandemic continued to negatively impact demand for crocodile meat by the European market.

There were no meat export sales recorded and 36 tons of export meat were in stock at the end of the period. Local market sales resulted in volumes of 150 tons being sold (47 tons FY20). We closed the period with 28 tons of meat for the local market in stock.

United States Operation - Tallow Creek Ranch

At Tallow Creek Ranch, skin volumes were down 27 % compared to the prior period (12,314 vs.16,916). There were a significant number of carryover skins from FY20 that were sold during the current year.

A total of 11,795 skins have been harvested to date, which is in line with the anticipated full year offtake of 13,882 skins.

Dallaglio Mining Group

Dallaglio's gold sales volumes for the nine months to September 2021 dropped by 8 % to 501kgs from 544kgs in the comparative period. This decrease was mainly due to a weak first quarter performance at Pickstone Peerless mine, caused by excessive rainfall which negatively impacted production.

The newly refurbished Eureka mine started producing gold at the end of July with sales commencing in September. The mine contributed 92kgs to the gold output, and is expected to ramp up to over 100kgs per month by year-end.

Impact of Covid-19 on the business

Mitigation measures remained in place to minimize the spread of Covid-19 in line with the Padenga Covid-19 policy. As of 30 September 2021, 90 % of the permanent employees had been fully vaccinated within the Group, and this resulted in significantly lower cases being reported during the quarter.

The easing of lockdown restrictions globally continues to boost management's confidence that the skin sales and gold output targets for the year will be achieved.

The supply chain remained volatile, with suppliers taking longer than anticipated to fulfil orders. Sufficient orders of critical raw materials have been placed to ensure business continuity through to the end of the first quarter of 2022.

Market outlook

The Zimbabwe crocodile operation anticipates meeting its skin harvest and quality deliverables for the year and has successfully trialed amended operational procedures that are contributing to significantly improved skin quality in young stock over that achieved in prior years. This is consistent with premium market expectations of continued improvement in skin quality in pursuit of totally blemish free skins. These trial initiatives will be applied across the board in 2022. The business anticipates recommencing exports of crocodile meat to Europe in the last quarter of the year.

Alternative markets have been found for the large skins over 40cm in stock and price and delivery terms are being negotiated.

The alligator skin market remains depressed. Positive skin quality improvements have been achieved in the harvest offtakes undertaken at the end of the third quarter. As previously reported, management has made the strategic decision to scale back on operations at this unit until the trading environment has improved.

Eureka mine is set to produce 103kgs of gold per month by the end of December 2021. At Pickstone Peerless mine, an underground mining feasibility study has started and this is expected to be completed in the last quarter of 2021. The international gold spot price is projected to remain firm, between US\$1,750 and US\$1,800 per ounce.

The Group continues to review its financing, capital investment and working capital models as part of its business continuity plans. The Group is well positioned to meet the current challenges and generating sustainable long-term growth across all its business units, which should in turn drive enhanced shareholder returns.



T N Sibanda
Chairman
12 November 2021

