



Trading Update for the First Quarter (FY2021)

Padenga Holdings Limited hereby issues its trading update for the first quarter ending 31 March 2021.

Trading Environment

The local economic environment remains subdued. Reserve Bank of Zimbabwe (RBZ) changed the export proceeds retention policy by increasing the foreign currency ratio to be surrendered at the RBZ auction rate from 30% to 40%, thereby leaving the Company with reduced foreign currency to meet forex denominated commitments.

Volume Performance

Zimbabwe Crocodile Operation

In the Zimbabwe operation, skin sales volumes were down 29% compared to prior period (5,904 skins vs 8,286 skins). A single sales grading was conducted in March with the first-grade ratio being consistent with budget. A total of 13,006 skins were harvested during Q1. The size and quality of the harvestable crop remaining in the pens at the end of the quarter was consistent with expectations to achieve the budgeted skin numbers by year-end.

Demand for crocodile meat in Europe remained subdued under the continued impact of the Covid pandemic. No export sales were achieved and 42 tons of export meat was in freezers at the end of the period. Local market sales implemented resulted in a volume 142 tons being sold during Q1 (16 tons FY20) leaving only the export cuts in stock at the 31 March 2021.

United States Operation - Tallow Creek Ranch

At Tallow Creek Ranch, skin volumes were down 72% compared to the prior period (3,614 vs. 12,725). A majority of the skins sold during the period were carryover skins from FY20. These have all been sold now. The 2021 harvest in the quarter was 5,938 skins with a full year offtake of 12,752 skins anticipated.

Dallaglio Mining Group

Dallaglio's gold sales volumes for the first quarter ended 31 March 2021 decreased by 24% to 138 kgs from 183 kgs achieved same period last year.

This decrease in volume was mainly attributable to flooding following excessive rainfall, which negatively impacted the open pit mining activities at Pickstone Peerless mine. The average spot price of gold for the quarter firmed by 12% to US\$1,743 per ounce from US\$1,558 achieved same period last year.

Capital Expenditure

The wastewater consolidation project that commenced in FY20 was completed and commissioned on Kariba Crocodile Farm in Q1.

The major capital expenditure for Dallaglio Investments (Private) Limited in the quarter was the on-going rehabilitation project at Eureka Mine near Guruve. In the period under review, the business spent US\$6.0 million to bring the cumulative spend on this project since inception to \$39.3 million. An additional US\$11 million is budgeted to be spent with a total projected investment cost of US\$51 million for the project.

Financial Performance

Revenue for the Group was 31% below prior period. The first half of the financial year for the farming operations is largely a cost accumulation period with the greater portion of harvesting and turnover following during H2. In the prior period we had carryover skins that were sold in Q1.

Ore volumes were down 24% at Pickstone Peerless mine as unusually heavy rains negatively impacted the mining activities. Total expenses for the period to March 2021 were 2% below prior year.

Impact of COVID-19 on the business

The full impact of the Covid-19 pandemic remains difficult to fully assess due to ongoing developments in its epidemiology and resistance on the part of many people to the safety and efficacy of vaccines.

Tanneries in France and Italy remained open in the quarter with emphasis on processing skins exclusively for their top-tier customers. There are early indications of an increasing demand for skins which is anticipated to continue into the European summer. Strong on-line retail sales of luxury leather goods have persisted across Asia as those regions recovered following lockdowns.

The easing of travel restrictions allowed an on-farm sales grading in March as scheduled and the skins were shipped mid-April 2021. The second sales grading for the year is scheduled for the end of May 2021.

With the global production of stockfeed ingredients seriously impacted by Covid-19 Padenga took steps to mitigate against unprecedented disruptions in supply and logistics by increasing its volumes of critical inputs such as feed, chemicals and forward purchasing where possible to avoid stock-outs. Although international supply chains were volatile, these measures were successful and full business continuity was achieved throughout the period.

The company maintained its significant Covid-19 mitigation measures across its operations

Market outlook

The demand for top quality defect-free skins remains steady and prices for these will hold. Luxury brands have bounced back after the early 2020 depression in retail sales and have increased their on-line sales to maintain market access. The crocodile business is confident of moving the stock of skins that it has on hand as the mid/upper tier market returns.

The good husbandry and sustainability standards achieved by the Farms will be meaningful in ensuring that skins produced continue to be sold into the premium markets and will confer a significant competitive advantage. The Nile Crocodile business will therefore continue to deliver good operating profits.

There has been no material change in the market conditions for alligator skins reported previously. Sales volumes and prices tendered for medium and large skins still remain unviable. Management will therefore scale back production operations at this unit with no new grower stock being inducted in the current year. Developments in the market will be closely monitored and will determine when production is restarted.

Initiatives to improve the efficiency and effectiveness of mining operations including improved stockpile management, are being implemented at Pickstone Peerless Mine.

The Eureka Mine rehabilitation project is 87% complete, with commissioning scheduled for July 2021. Full processing capacity of 100,000 tons per month is targeted by the end of December 2021. As it ramps up production this operation particularly will qualify for a retention level of 80% on the incremental portion of gold delivered to FPR in accordance with the recent announcement in this regard.

Total gold production for Dallaglio is projected to increase by 45% over FY20 levels. The international gold spot price is expected to remain elevated in 2021 given the continued uncertainty of the Covid-19 pandemic on the global economy. This investment will continue to yield positive returns for the foreseeable future.

We remain committed to ensuring that our Company continues to improve on all its key performance parameters and returns value to shareholders.



T N Sibanda
Chairman

11 May 2021