PADENGA

Analysts Briefing For the Year Ended 31 December 2021

A business model that focuses on export-oriented primary production to create stakeholder value

A review of the 2021 results and an overview of what the Group will achieve in 2022.

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AGENDA

Padenga Holdings – An overview Gary Sharp (CEO)

FY21 Group Performance overview – Gary Sharp

FY21 Operations performance review – Gary Sharp

FY21 Financial performance review – Oliver Kamundimu (CFO)

FY22 Macro economic indicators & forecasts – Oliver Kamundimu

FY22 Market outlook and strategic focus areas – Gary Sharp

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About Padenga Holdings

LAKE CROCODILE PARK (Niloticus)

Crocodile farms acquired by Innscor founding shareholders. The Kariba & Ume Farms have history dating back to 1965 and 1973 respectively

Nyanyana Crocodile Farm constructed

In 2007 the Crocodile business added a 3rd farm in Kariba with a total of 585 pens. This created additional production capacity for 25,000 grower animals.

2010

Padenga listing on ZSE

***PHL** formed after Niloticus was unbundled from IAL in Nov 2010*

Alligator Business acquisition

Ventured into Alligator Business in the USA

Mining Business acquisition

Acquired a controlling stake in a Local Gold Mining Business

Eureka Gold mine rehabilitation

The rehabilitation project for Eureka gold mine was successfully completed and the mine poured its first gold in July 2021. The mine reached its nameplate plant capacity in November 2021.

Looking into further Export-oriented opportunities to create stakeholder value

Plantations; Export Crops

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FY21 Overview

Covid-19 Pandemic

- The Group continued its initiatives to mitigate the impact of Covid on staff, dependents and the communities within which we operate.
- Maintained adherence to WHO prescribed mitigation measures and promoted the full vaccination of staff and dependents.
- Relatively speaking, operations across the Group were largely unaffected by mandated shut-downs as local operations were designated as essential service providers.
- The Group pays tribute to the two staff members that unfortunately succumbed to Covid during the year and extends condolences to family and friends of the deceased.

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Global developments

- Global shortages created by production bottlenecks due to the lockdowns.
- Major shortages of animal feed proteins and additives resultant from regional shutdowns and reduced production.
- Logistical challenges in securing imports due to container shortages.
- Global price increases in stockfeed, chemicals and consumables resulted.
- These developments impacted the Group’s efforts to contain costs during the pandemic.
- Exotic skin markets contracted resulting in a marked increase in grade stringencies applied at sale inspection and introduction of rigid size/volume conditions.
- A strong Asian market for exotic skins precipitated a demand for smaller skins and the rejection of a majority of large (35/+) skins produced irrespective of grade.

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FY21 Operating environment in Zimbabwe

- **Policy inconsistencies continued to negatively impact business confidence and viability.**
- **01 Jan - mandatory forex surrender requirement increased to 40% across the board.**
- **SI 127 gazetted in May 2021 – forced all businesses to benchmark their USD prices using the auction rate.**
- **The unintended consequences of SI 127 were:**
  - **Increase in local USD prices**
  - **Depreciation of the ZWL against other currencies**
  - **Increase in the inflation rate.**
- **PHL delisted from ZSE and re-listed on VFSE in July in order to qualify for incentives offered through that Exchange.**

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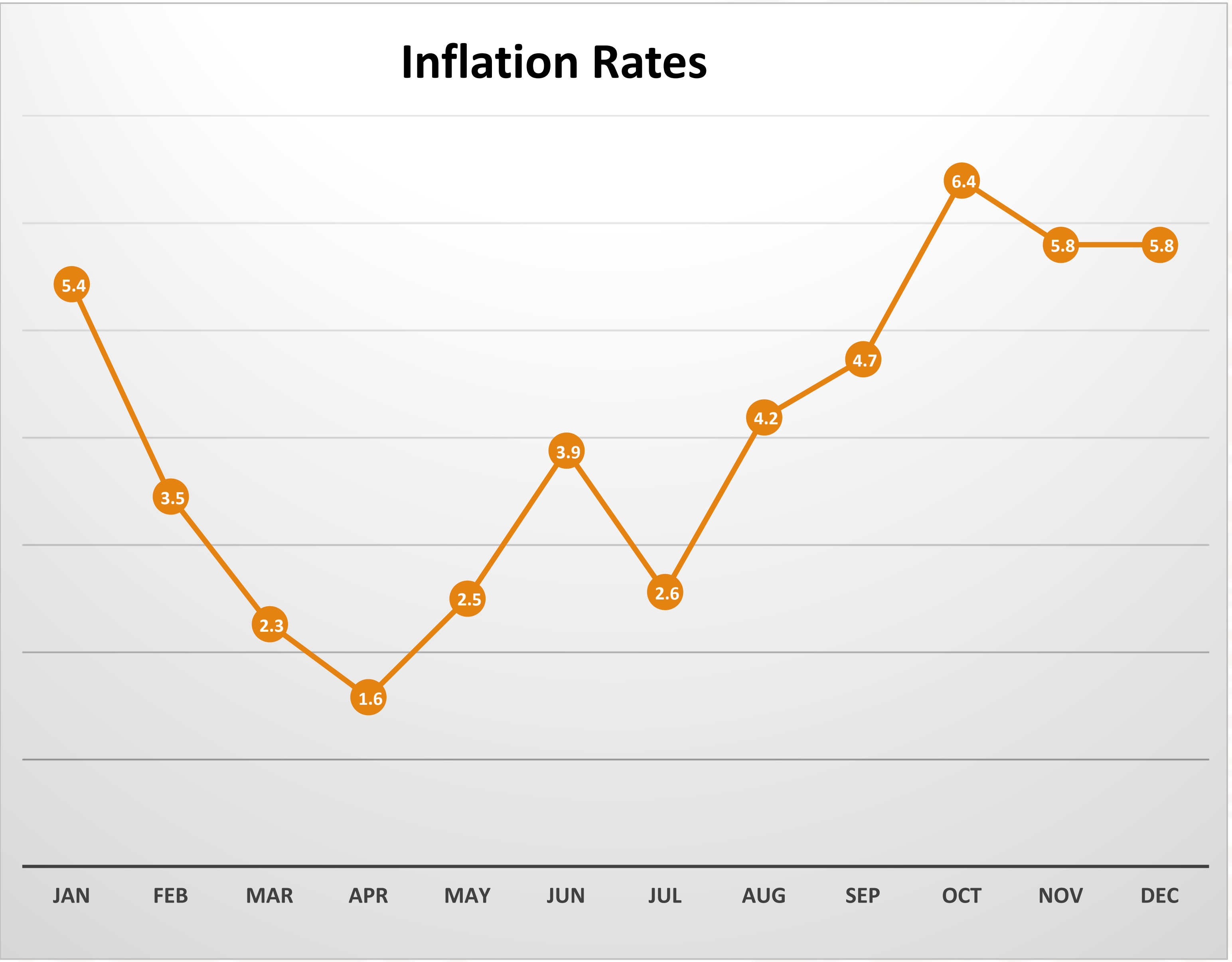
Key Statistics – FY21 Inflation rates



M-O-M inflation rates increased during H2.

Annual inflation rate closed the year above 60% mark.

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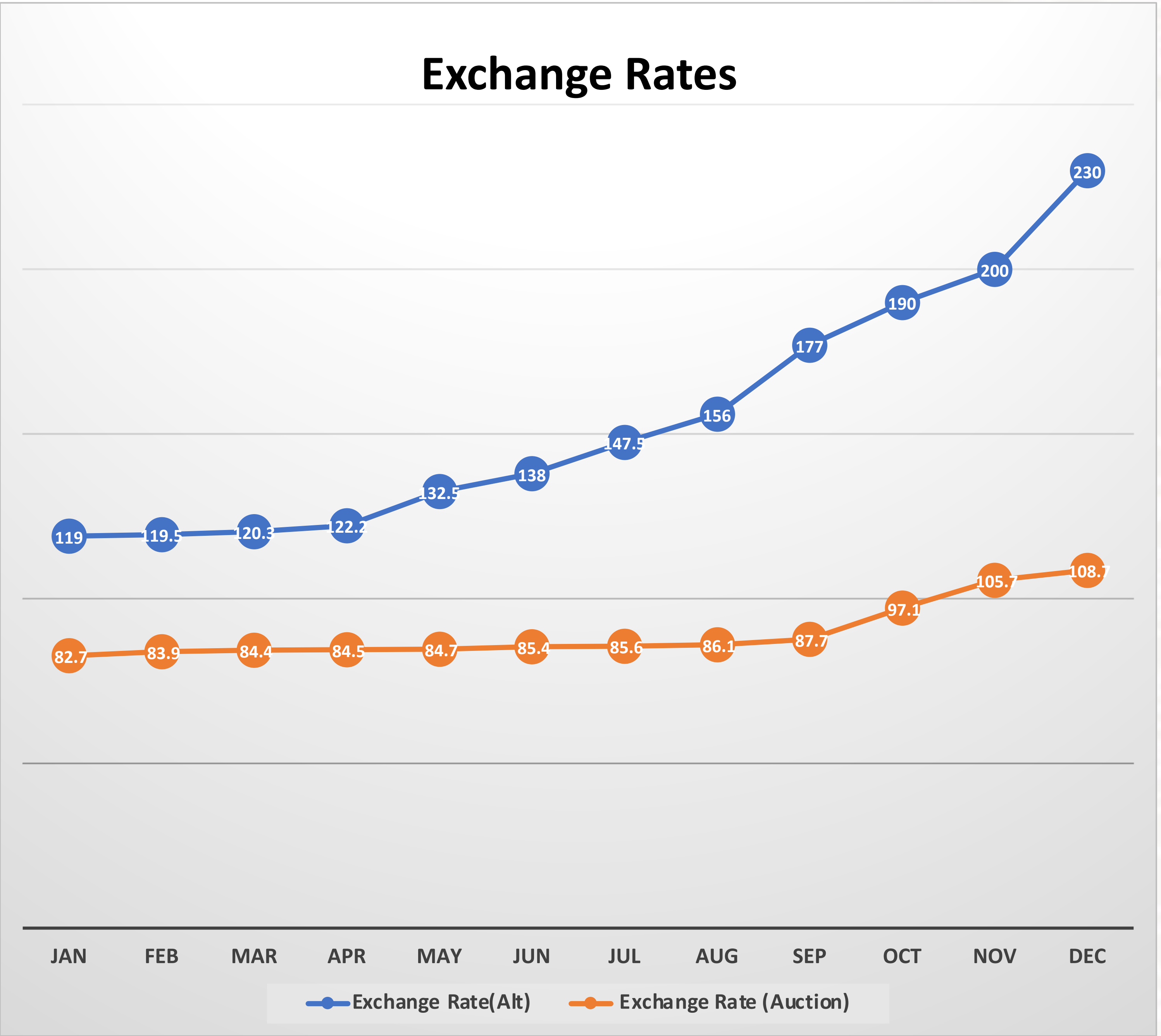
Key Statistics – FY21 Exchange rates



The differential between the auction and alternative rates widened significantly during H2.

This had a material negative impact as the Group effectively lost 20% of the value of its export earnings.

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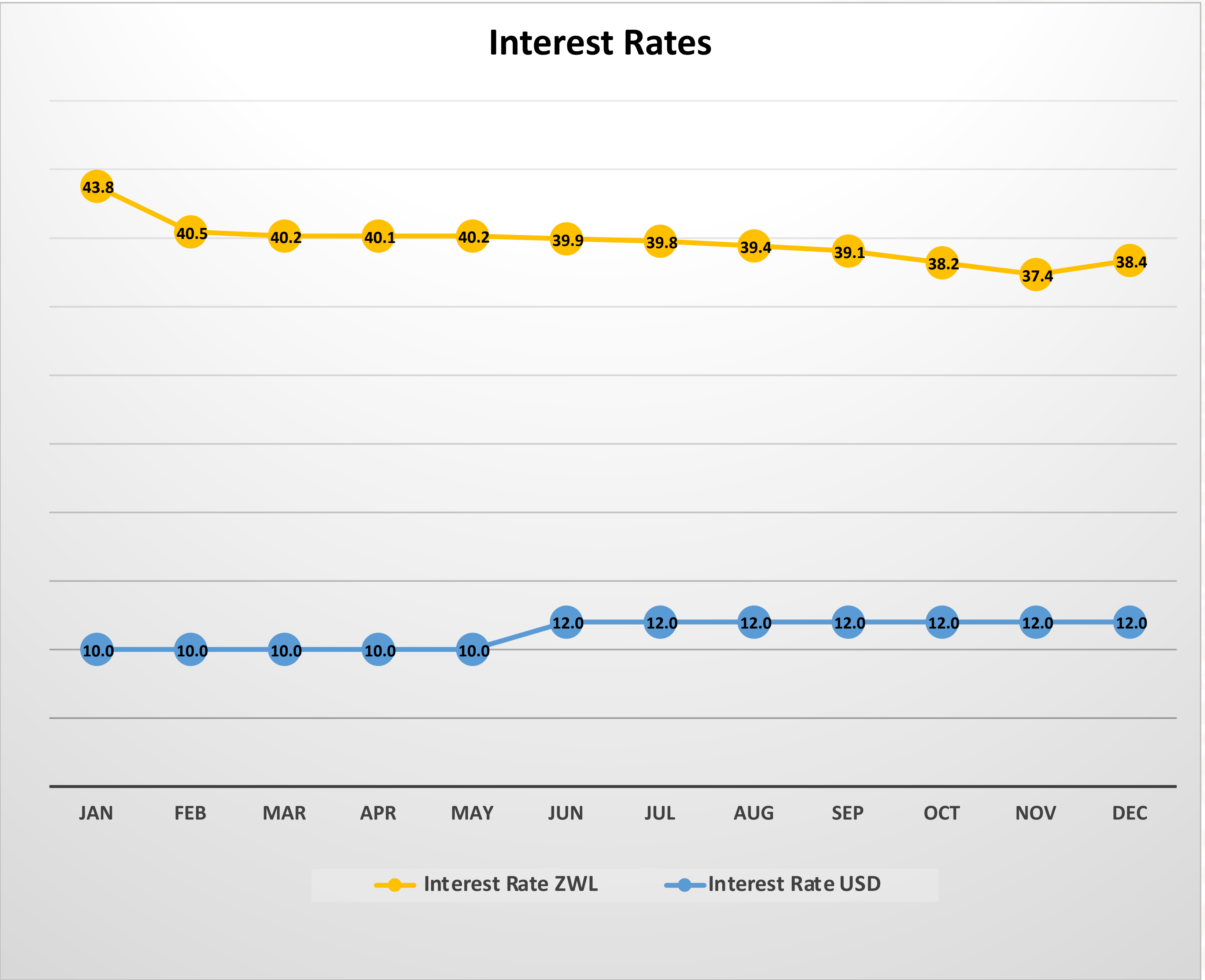
Key Statistics – FY21 Interest rates



Although interest rates on ZWL borrowings were high they remained below the annual inflation rate.

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Operational Overview
“Outcomes in a Pandemic year”

Dallaglio Division

- **Gold prices remained firm throughout the year.**
- **Eureka was officially commissioned by His Excellency, President E.D Mnangagwa on the 21st of October 2021.**
- **Eureka Mine receives 100% US$ retention on incremental gold production, from September 2021 following Padenga's listing on the VFEX, in line with Government's export incentive.**
- **Eureka poured its first gold in July and achieved commercial production volumes in September 2021.**
- **Eureka gold mine achieved its plant nameplate capacity seven weeks earlier than forecast on the 25th of November 2021.**
- **Pickstone Mine returned to profitability in the second half of the year, following losses in the first half when the already marginal open pit mine plan at Pickstone Peerless was impacted by flooding in the high grade Pickstone pits.**

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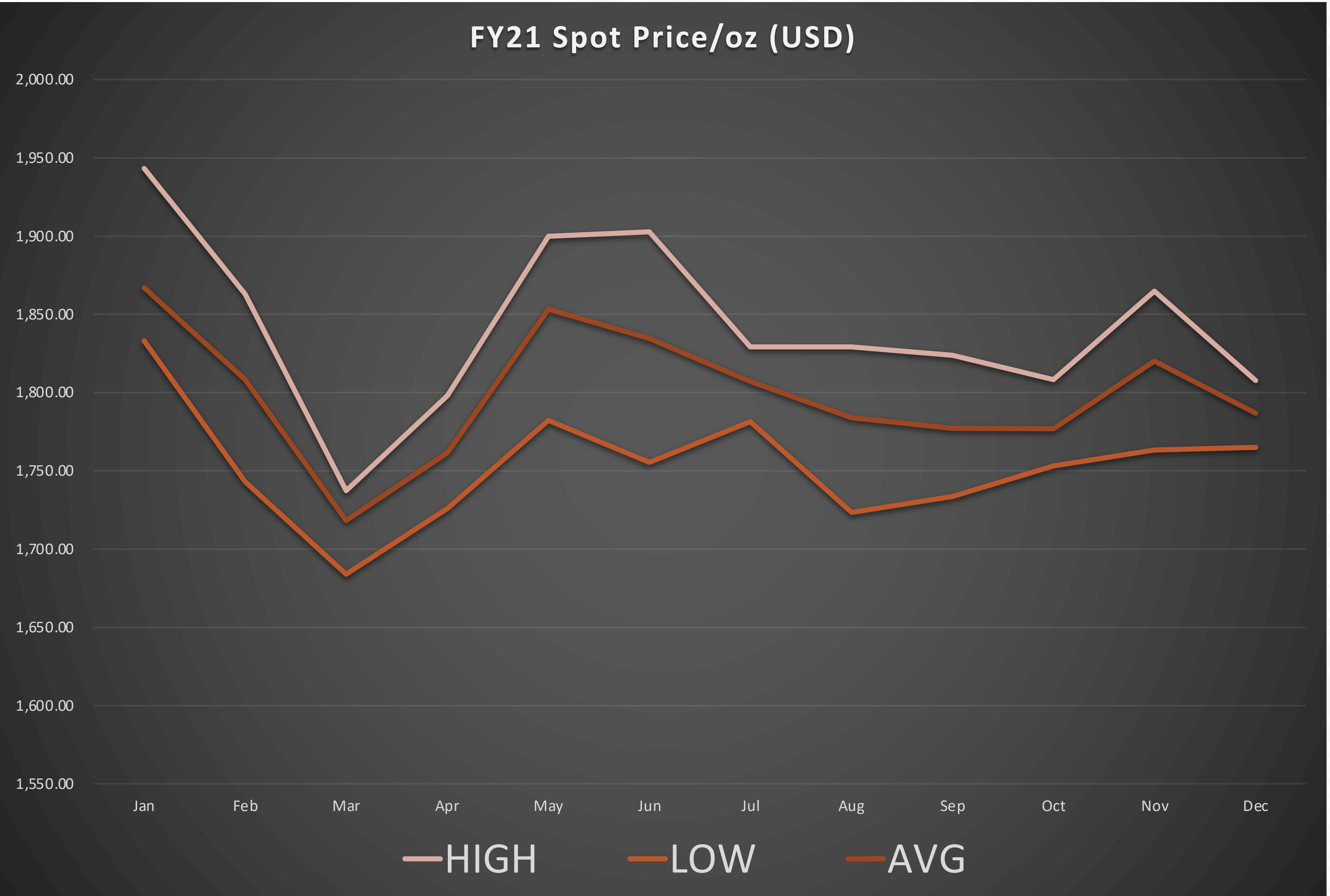
Gold Spot prices FY21



Average gold prices remained at $1,750 & above during most of 2021

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Dallaglio Division

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Crocodilian Division

- Market contracted significantly during the pandemic
- Only premium luxury brands continued to purchase skins
- Customer increased stringencies on grade and size selection to suit changing market dynamics
- Limited interest in large skins (37/+) irrespective of grade
- Skin volumes sold in 2021 reduced by 8% over prior year as those skins outside the preferred size categories were rejected
- Total of 10,029 skins deliberately harvested out as over-size for the current market
- Unsold skins in stock at year-end increased by 138% - FY20 – 11,299 vs FY21 – 26,871
- New operational strategies introduced to address revised grade and size dynamics

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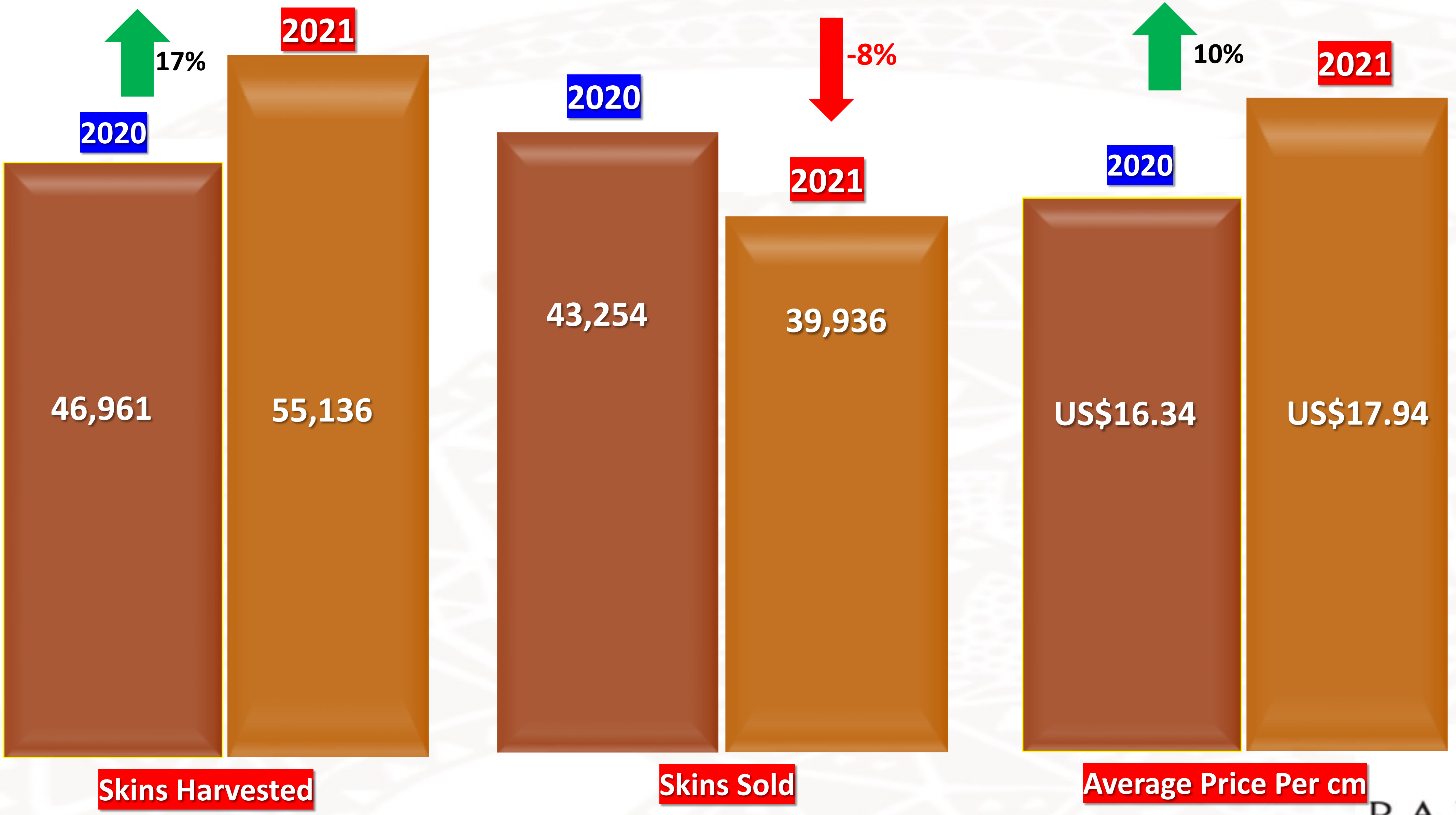
Crocodilian Division - Skins Production & sales



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Crocodilian Division - Meat exports

No export meat sales due to lockdowns, closure of restaurants and restrictions on sales of exotic meats across the globe.

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Crocodilian Division – Alligator Operation

- **Significant improvement achieved in skin quality after eventual resolution of the double-scale and light cornification issues.**
- **Alligator skins market most impacted by a combination of weak demand and over supply**
- **Premium customer only purchased Grade 1 skins and increased grading stringencies on selection of these.**
- **Contracted volumes for medium/large skins were reduced or cancelled completely.**
- **Non grade 1 skins were sold below cost of production to sustain liquidity in an oversupplied market.**
- **Viability in this sector of the industry will continue to be challenging for the foreseeable future.**
- **Management are exploring options for this business which will be implemented in 2022.**

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Sustainability

Sustainability Update 2021

Sustainability

Stakeholders

We conduct ourselves in the best interests of all our key stakeholders and the nation at large

ICFA certification

3 Zim farms including Padenga were recertified by ICFA in 2021. TCR moving towards certification during 2022.

Environmental sustainability

Solar project phase 2 installed 0.9MW, phase 3 to 1.2MW delayed by lockdowns. Effluent consolidation project completed on Northern farms.

Corporate Governance

PHL strives to maintain the highest levels of professionalism, ethical conduct and standards of integrity in all our dealings

Strong brand equity

Padenga is proud of the various awards that we have won over the years - Exporter of the Year multiple awards, Excellence in Community Support Award 2022.

CSRP

PHL supports various community development initiatives – Makuti road maintenance, scholarships, school building projects

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Financial Performance Review FY21

Group Financial Results - Context

- **Financial results are presented in USD - local operations convert ZWL transactions using the auction rates.**
- **The Group increased its borrowings to fund the rehabilitation of Eureka gold mine – this resulted in increased finance charges for the year.**
- **Market conditions resulted in a significant fair value write down for skins in stock at year-end**
- **The loss of purchasing power from the surrender of 40% of revenue at the sub-economic auction rate materially impacted profitability.**

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Group Financial Highlights

Key Performance Drivers	FY2021	FY2020	Change
Revenue	78,466,352	71,605,783	10%
Operating profit before depreciation & amortization	15,101,137	23,760,467	(36%)
(Loss)/ Profit before taxation	(6,437,410)	4,084,376	(258%)
Cash generated from operations	15,502,776	6,591,503	135%
Capital expenditure	23,295,571	28,717,465	(19%)
Net assets	80,229,963	87,424,650	(8%)
Debt	63,306,628	41,653,619	52%
Operating profit as a % of Revenue	19%	33%	(14%)

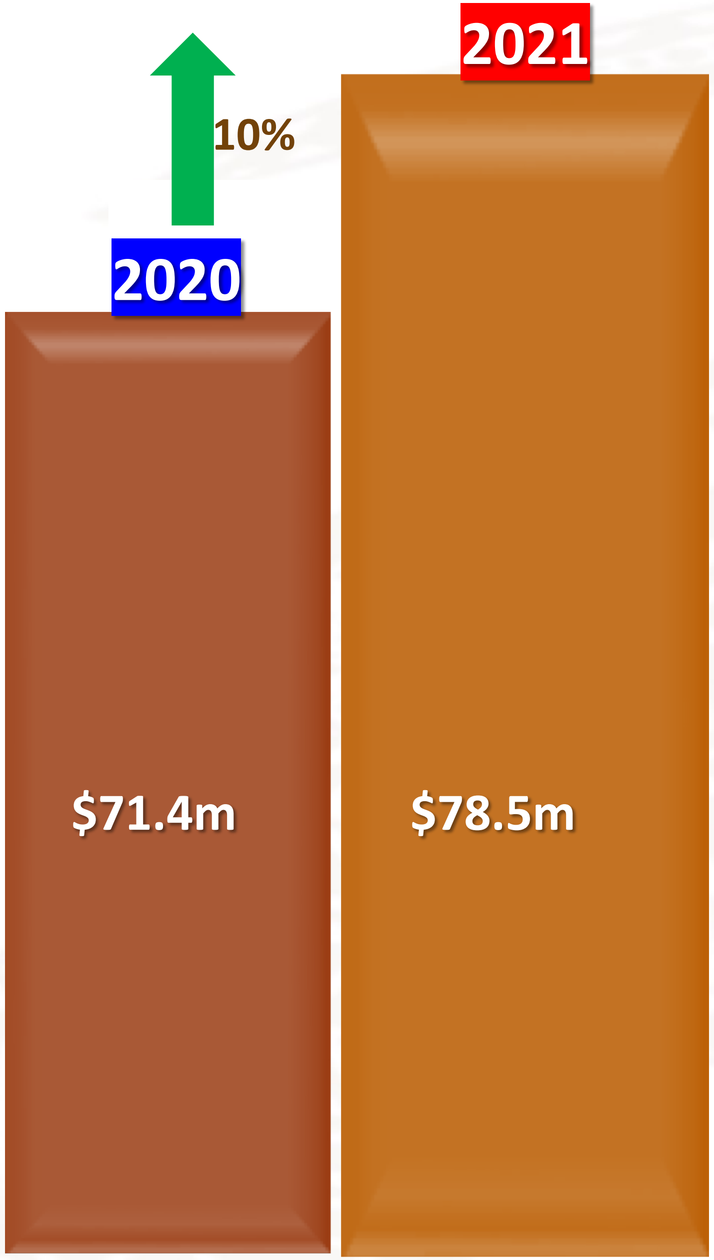
Group Profit & Loss Statement FY21

(All figures in US$)		FY2021	FY2020
Revenue		78 466 352	71 605 783
Operating profit before depreciation, amortization, impairment, fair …valuation adjustments		15 101 137	23 760 467
Operating profit before interest and fair value adjustments		7 233 645	15 985 398
Fair value adjustments on biological assets		(3 441 013)	468 113
Profit before interest and tax		3 792 632	16 453 511
(Loss)/Profit before tax		(6 437 410)	4 084 376

Group Statement of Financial Position at 31 Dec '21

(All figures in US$)	FY2021	FY2020
ASSETS		
Non-current assets	99 972 194	76 063 947
Current assets	69 821 510	74 934 401
Total assets	**169 793 704**	**150 998 348**
Capital and Reserves		
Equity attributable to equity holders of the parent	65 576 656	70 708 700
Non-controlling interest	14 653 307	16 715 950
Total shareholders' equity	**80 229 963**	**87 424 650**
Non-current liabilities	47 970 837	19 164 498
Current liabilities	41 592 904	44,409,200
Total Liabilities	**89 563 741**	**63 573 698**
Total equity and liabilities	**169 793 704**	**150 998 348**

Group Revenue Growth



❖10% turnover growth to $78.5m.

❖ Revenue increase largely driven by contribution from mining operations.

❖ This follows the timely commissioning of the Eureka gold mine in October 2021.

❖ Resilience despite global skins market turbulence.

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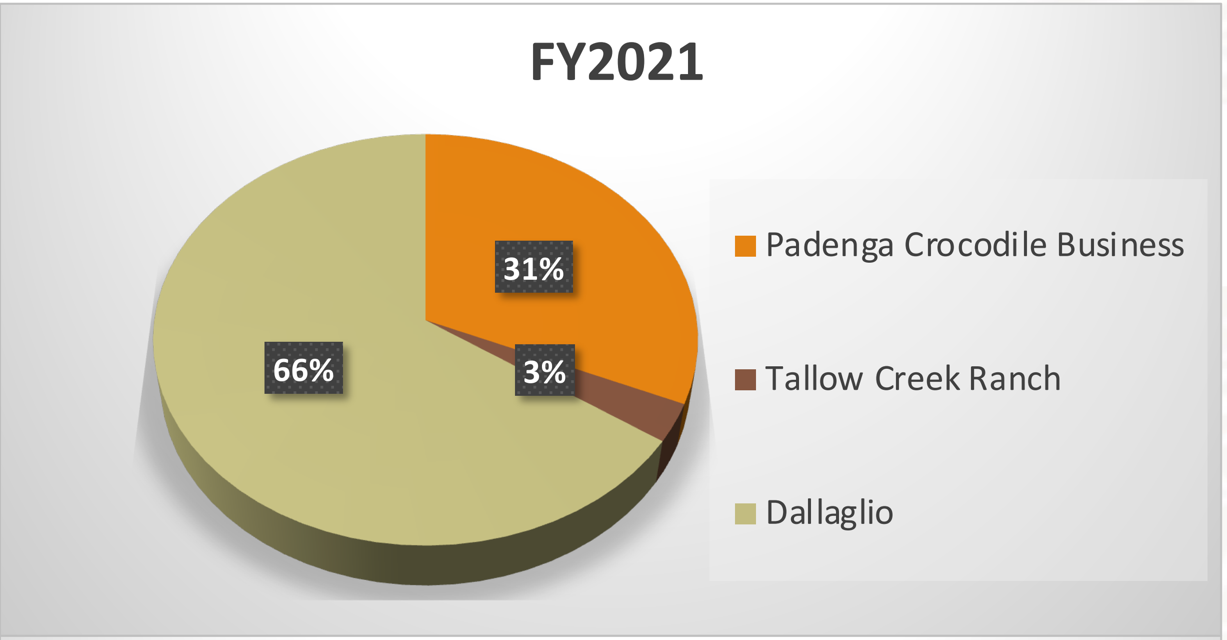
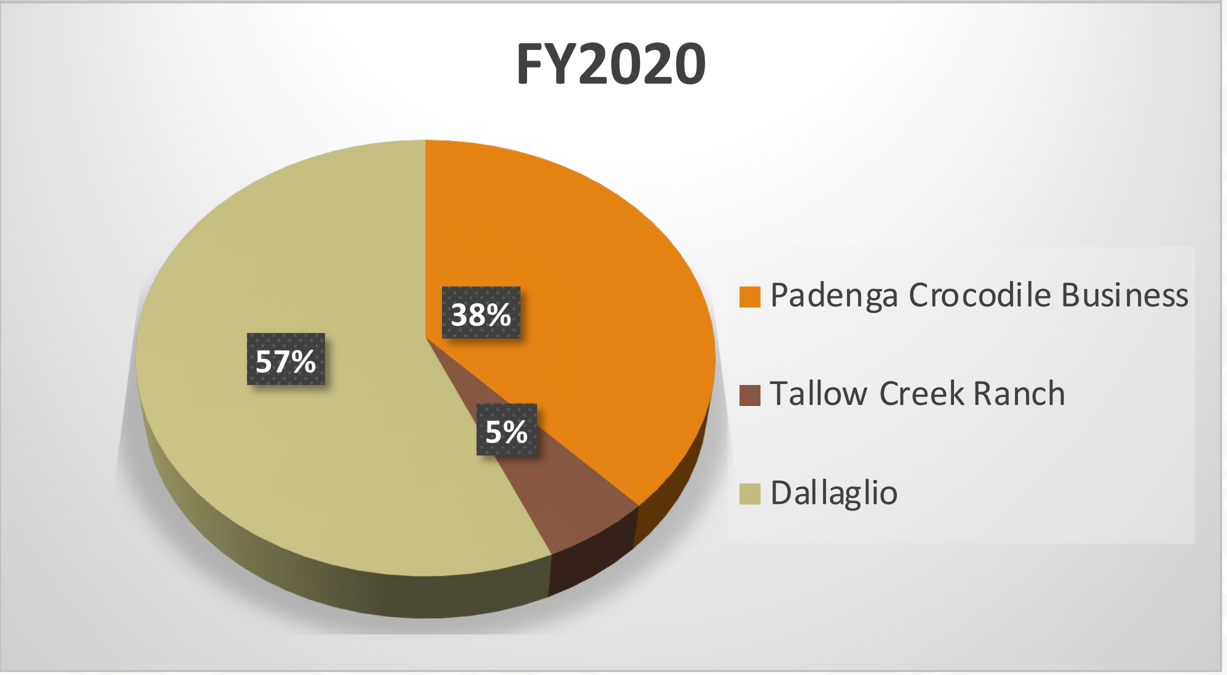
Group Revenue – Contribution by Business Unit





Dallaglio increased their revenue contribution to the Group from 57% in prior year to 66% during the period under review.

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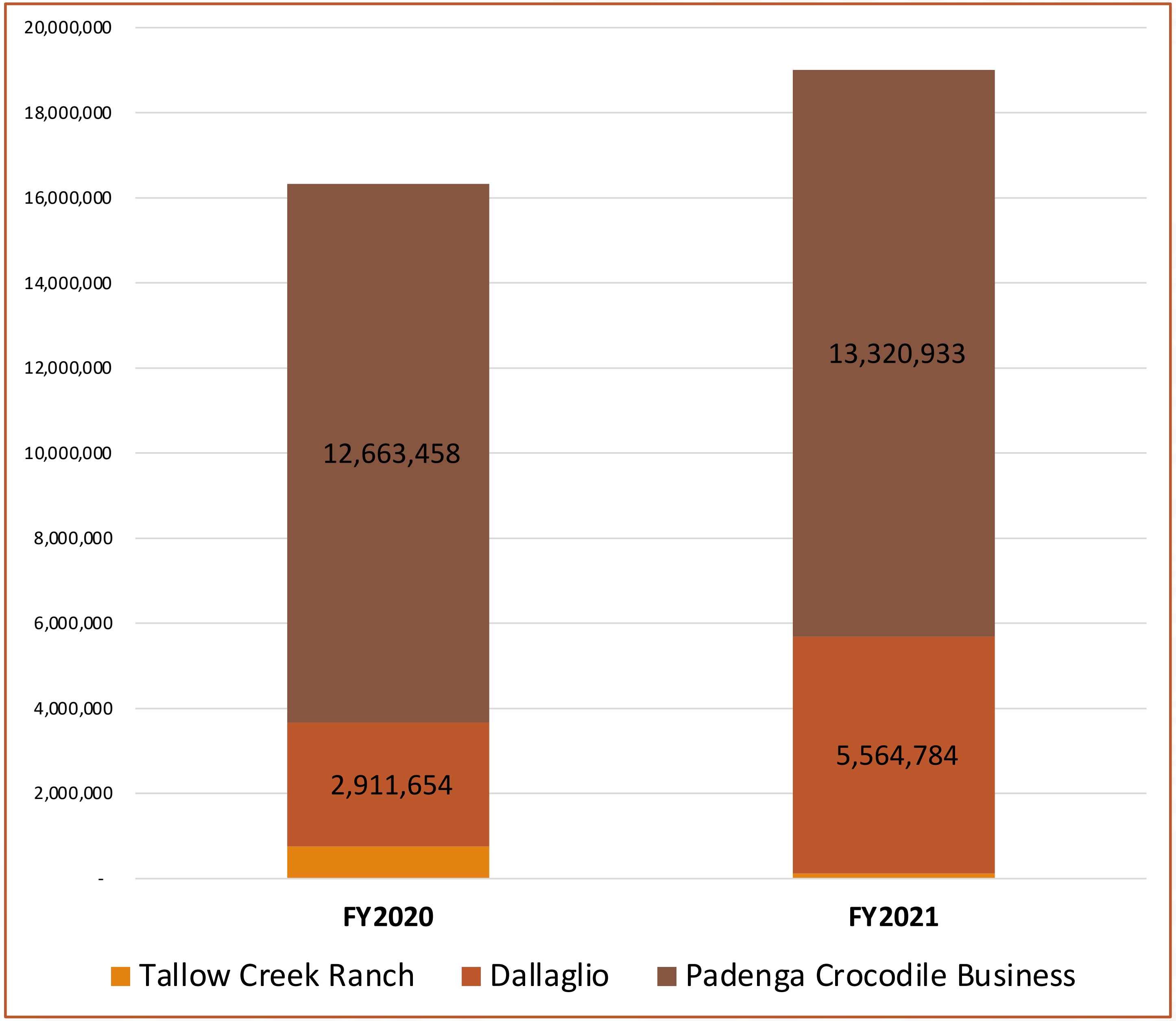
Group Operating costs analysis



- Operating costs increased by 16% to USD19.0m (USD16.3m in FY20).
- Increase largely driven by the additional costs from Eureka Mine.
- TCR costs significantly reduced as we scaled down the operation.

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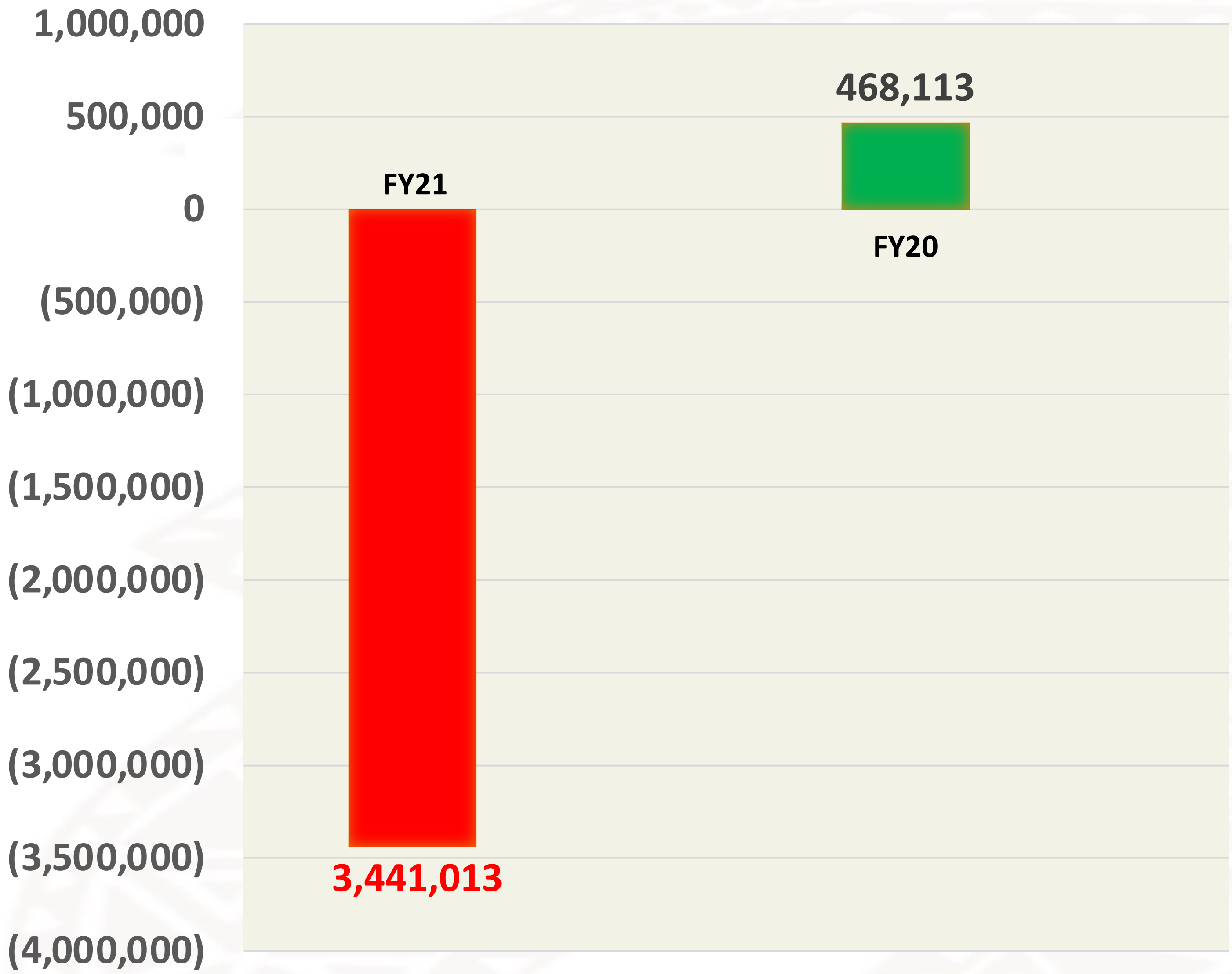
Group Fair valuation



- The fair valuation write down of $3.4m arose from the rapidly changing market conditions precipitated by Covid and the consequences of lockdowns and a cessation of travel tourism.
- This relates to the accumulation of stocks of those skins that the premium market no longer accepts.
- These skins will be sold to alternative markets at discounted prices reflective of their grade and demand.

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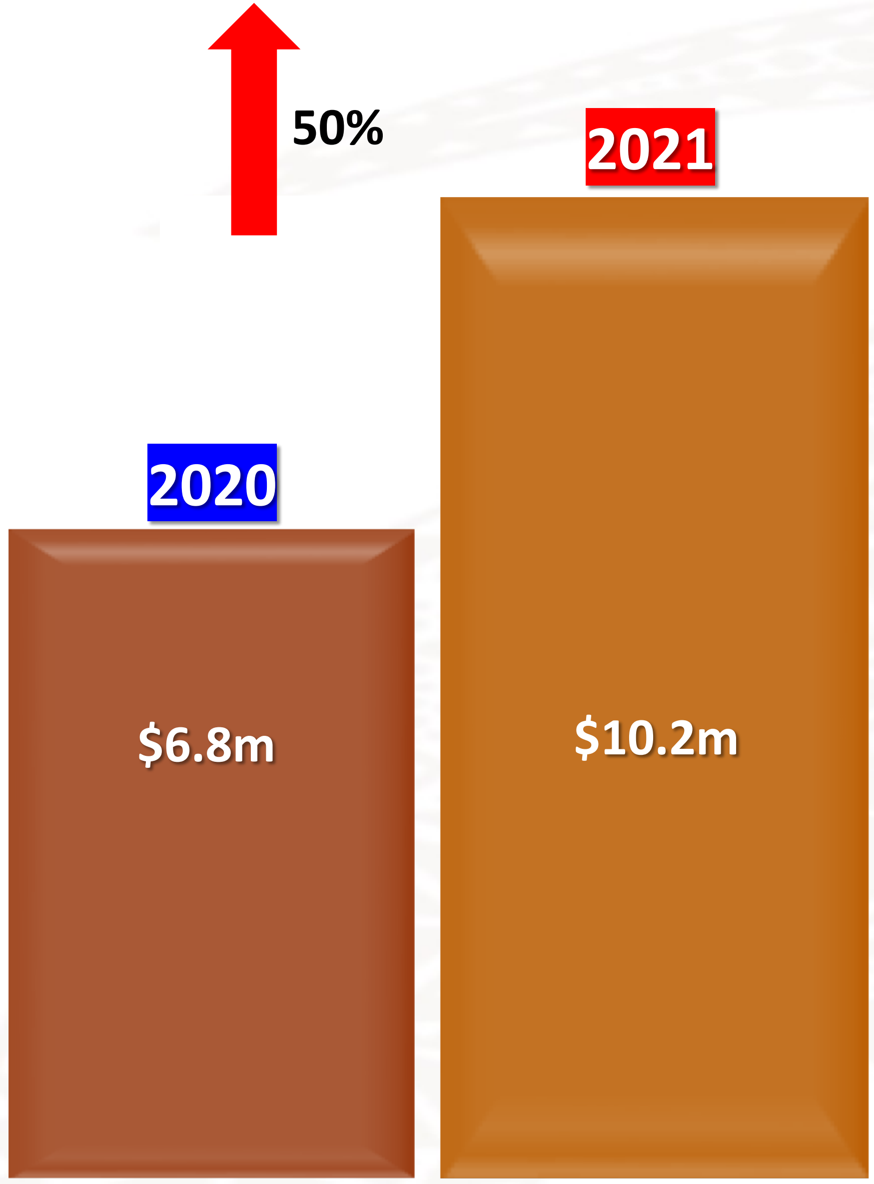
Group Finance costs



Finance costs up 50% as we borrowed significantly to finance the rehabilitation of the Eureka gold mine.

However, the Group's effective borrowing cost reduced from 26% to 19% as we borrowed more in USD.

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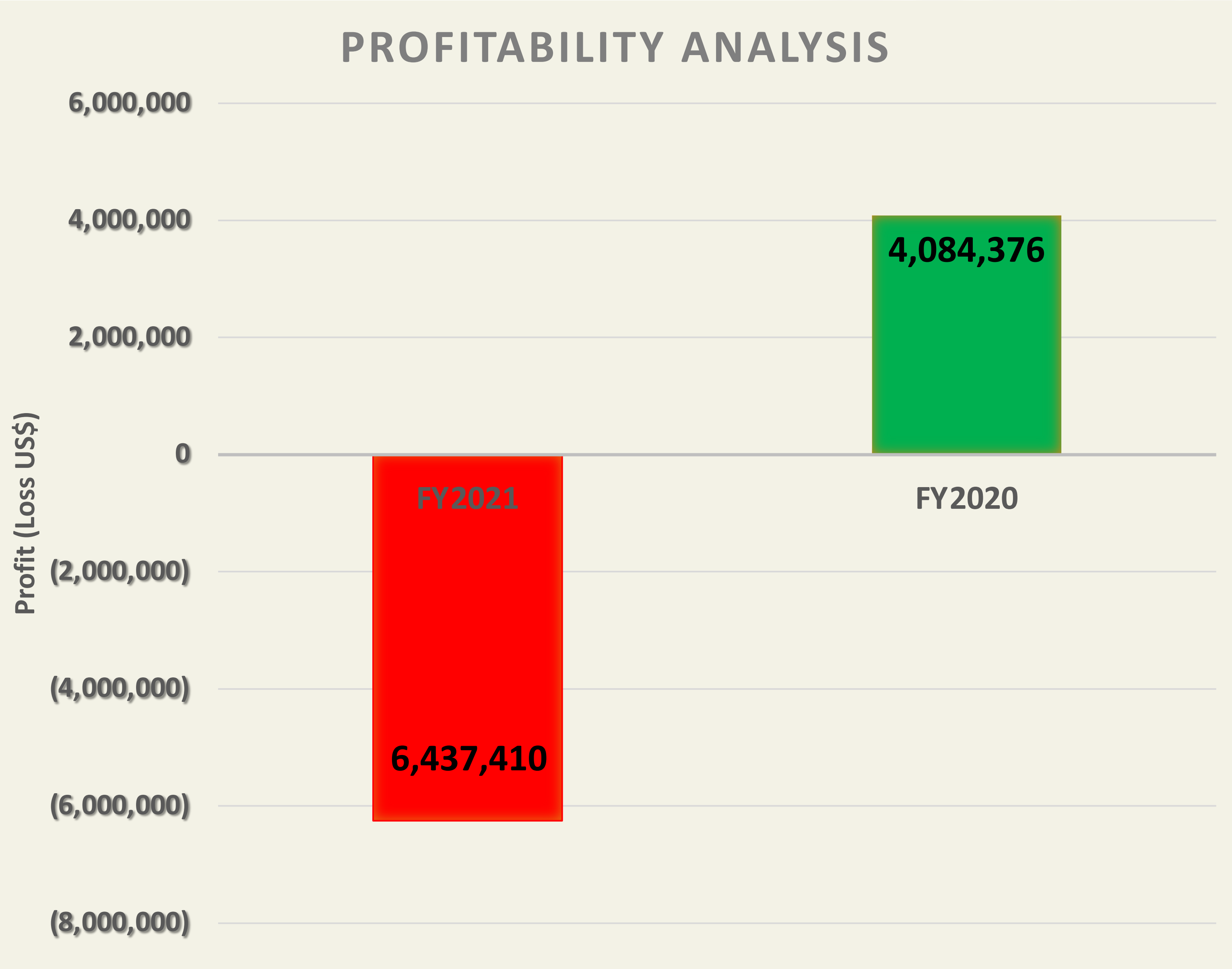
Group Profitability analysis - PBT



The net loss position for the year was a consequence of the 40% retention tax and the skins stock write-down.

PBT as percentage of turnover was (8%) vs 6% in prior year

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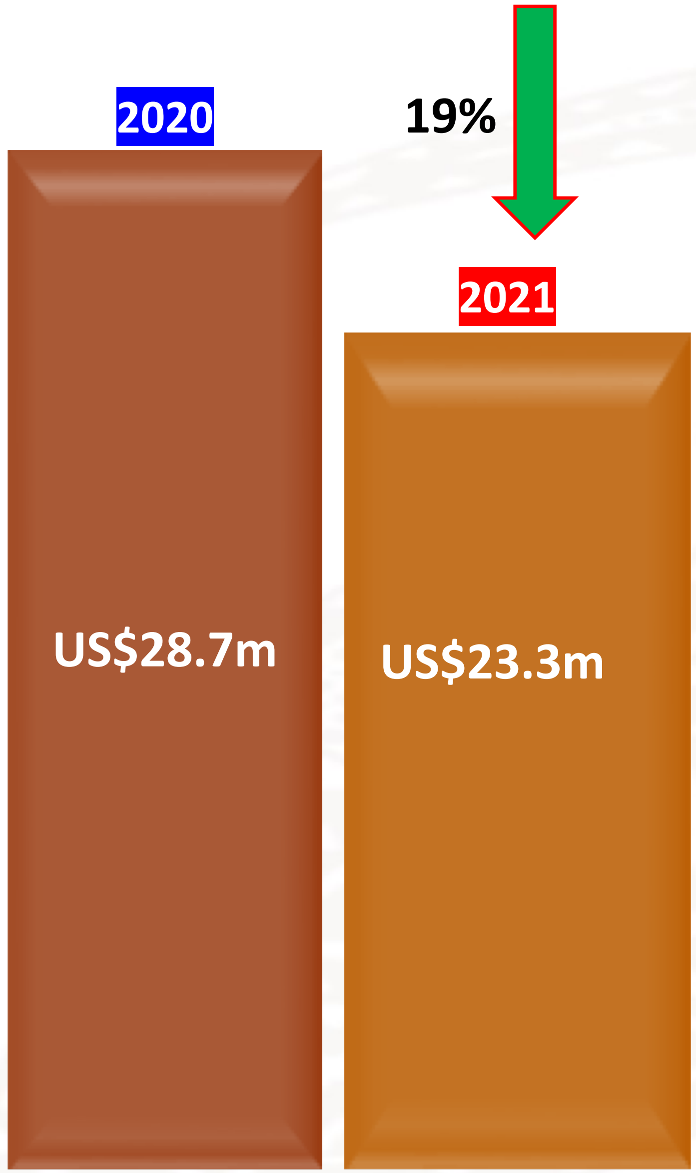
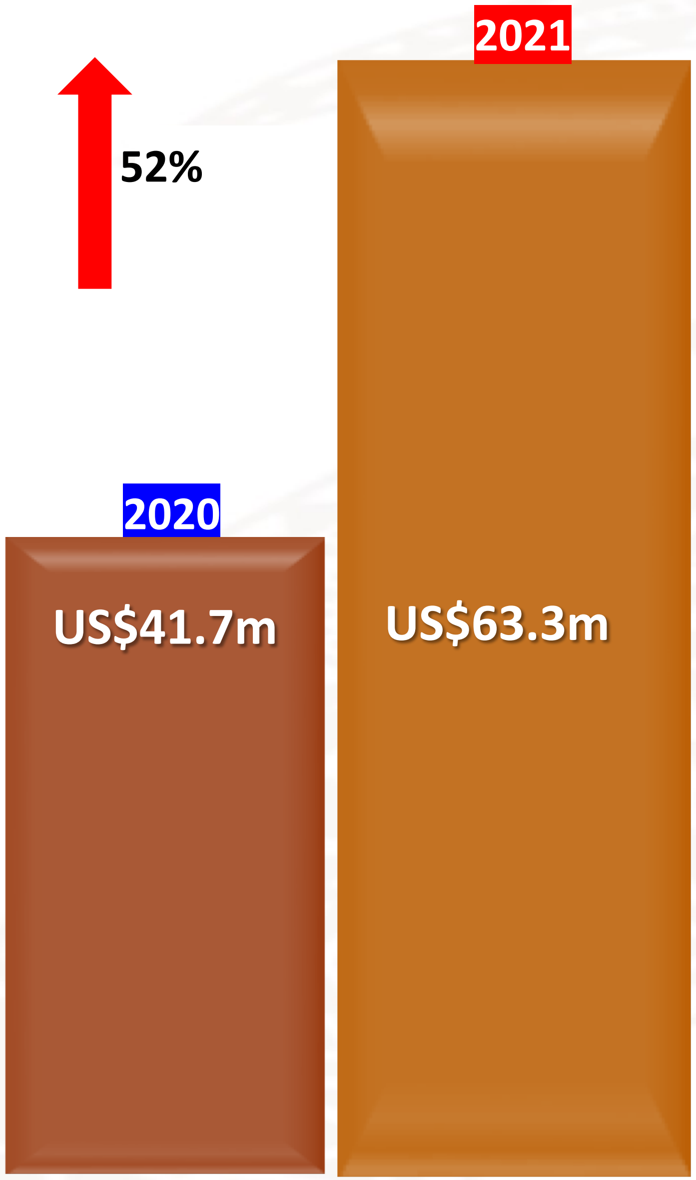
Group Capex Investment



Capex was mainly driven by the massive rehabilitation works at the Eureka Mine.

Dallaglio mining division utilized 93% of the group capex (USD21m) in FY21.

Group Debt Position



The Group increased its borrowings mainly to fund the Eureka mine rehabilitation project.

The Group debt to equity ratio increased to 80% (49% in FY20)

The Group's ZWL borrowings reduced to 13% of total debt (17% in FY20)

Restructured our debt - 47% is now long-term debt (12% in FY20)

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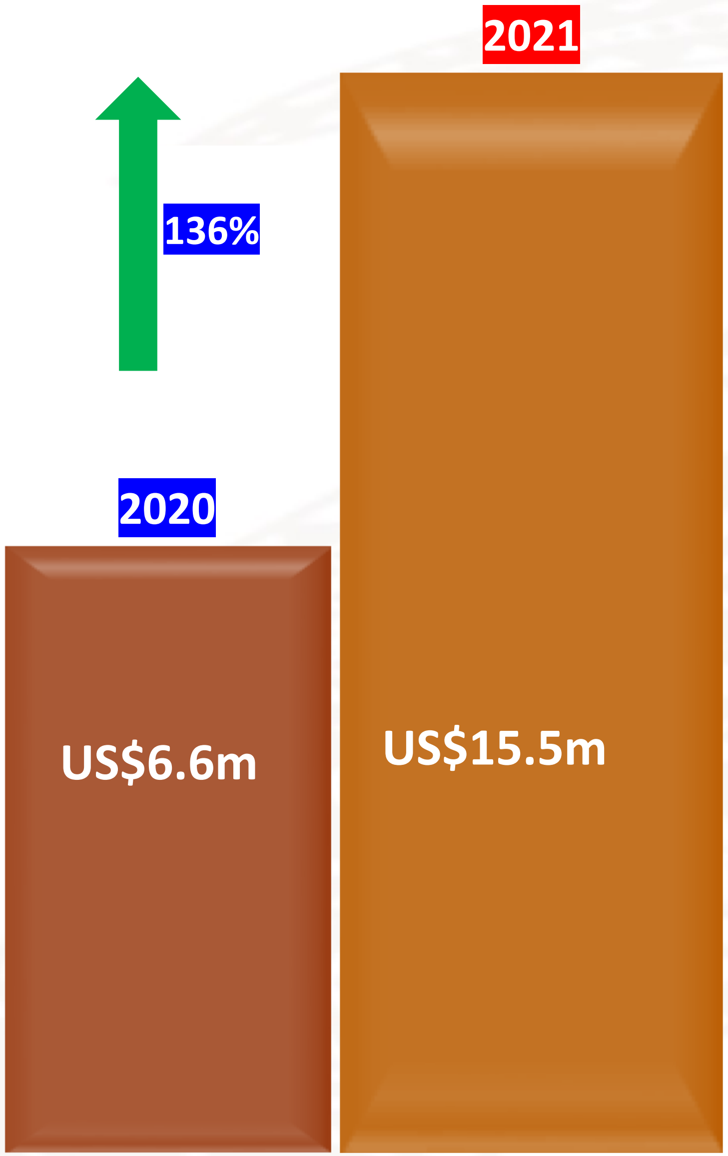
Group Operating Cash Flows



Liquidity improved on the back of the growth in sales following onset of gold production from Eureka mine.

Macro economic indicators and outlook FY22

Group outlook - Moving into the future

- Immediate focus is on mitigation of cost increments, maintenance of positive liquidity and retirement of Group debt.
- Intensive lobbying for the reduction of the surrender requirement that erodes 20% of the value of export earnings and materially impacts on debt resolution.
- US dollar inflation is rising globally and this will put pressure on costs. Prices for fuel and energy products are expected to remain high.
- We anticipate further opening up of economies across the globe post pandemic.
- Gold price is forecast to remain high with Goldman Sachs predicting a 12 month price high of $2,500/oz.
- Dallaglio Group is initiating underground mining operations at Pickstone Peerless with verified ore body and grades making this a viable proposition.

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Group outlook - Moving into the future

- Premium brands are demanding that suppliers demonstrate compliance to independently verified welfare, husbandry, sustainability and governance standards in skins production which from April 2022 limits the number of farms worldwide able to achieve this obligation. Whilst tanneries and agents are carrying large volumes of stock skins at present this will become a significant competitive advantage going forward.

- Expansion into plantation agriculture will be revisited once the current debt position has been addressed.

- We remain confident in our strong fundamentals and we will continue to focus on preserving value whilst managing the risks triggered by the volatile external environment.

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Market outlook & Strategic Focus Areas FY22

Dallaglio outlook

- Gold prices are forecast to remain high for the foreseeable future.
- Dallaglio expects to realise higher average export retention in 2022 compared to 2021.
- Gold production volume is expected to nearly double in 2022 from the production achieved in 2021. The significant contributor being Eureka Mine which will contribute production for a full year at nameplate.
- In Quarter 4 2021, the Dallaglio board approved the investment into underground mining operations at Pickstone Peerless Mine. The underground operation is expected to start feeding ore with attractive grades to the plant in Quarter 2 2023.
- US$29m has been budgeted for CAPEX in 2022:
  - US$18m expansion CAPEX on the Pickstone underground project.
  - US$4m further expansion CAPEX - Duchess Hill (US$2m) and for Exploration and Evaluation of assets (US$2m).
  - US$7m will be sustaining CAPEX.

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Crocodilians outlook

- Trial initiatives on the crocodile farms directed at improving skin quality in response to the recent market evolution have produced positive results and are being implemented across the board in FY22.

- All large skins in excess of contract sizes have been harvested out so the numbers of uncontracted skins produced will decrease materially eliminating future stock write downs. Sales of stock skins have commenced in FY22 with 70% forecast to be sold in the year.

- Customer demand for premium quality skins remains strong albeit at the revised grade stringencies and size distribution introduced in FY21. These are achievable following the initiatives introduced.

- Short and medium term revenue and profit growth forecasts by both LVMH and Hermes confirm the resilience of the luxury industry and the crocodilian division looks forward to an improved performance and return to profitability as it overcomes the pandemic induced change in market dynamics.

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Strategic Focus areas - FY22

- **Dallaglio – focus will be on timely execution of the Pickstone Underground Project which is scheduled to deliver the majority of ore fed to the Pickstone Peerless plant from Q2 2023.**
- **Crocodiles – focus on implementing the enhanced skins quality initiatives successfully trialed in FY21 and meeting the revised customer size profile within a very dynamic environment.**
- **Alligators – Pursue options to further downscale or mothball the operation.**
- **New agricultural initiatives – research into and expansion in plantations agriculture was suspended during FY21 but will be restarted with a view to major investment from 2023 after reducing our current debt position.**
- **After several difficult years occasioned by adverse market conditions and changing customer dynamics, we are optimistic that the Group will return to profitability from 2022 and has exciting growth prospects across all Divisions going forward.**
- **Our focus is to grow the businesses to contribute fully to foreign currency generation for the nation whilst delivering acceptable returns to our shareholders.**

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Financials are posted on our website:
www.padenga.com