



Trading Update for the First Quarter (FY2022)

Padenga Holdings Limited is pleased to issue its trading update for the first quarter ended 31 March 2022.

Trading Environment

The operating environment during the first quarter witnessed increased local levels of inflation as well as depreciating local currency due to foreign currency exchange rate volatility. Internationally, commodity prices have been adversely affected by the ongoing Russia-Ukraine war.

Volume Performance

Dallaglio Mining Group

Dallaglio's gold sales volumes for the three months to March 2022 increased by 228% to 453kgs from 138kgs in the comparative period. The increase was mainly due to the contribution from the Eureka gold mine that was commissioned in the last quarter of prior year. In addition, the business has also started reaping the benefits of the revised production methods at Pickstone mine.

Zimbabwe Crocodile Operation

The Nile crocodile operation recorded a 14% drop in skin sales volumes year to date, compared to prior period (5,070 vs 5,904).

The current year sales, made up of stock skins brought forward from prior years only, were at discounted prices to the new markets that have been sourced.

Year to date, 9,733 skins were harvested compared to 13,006 skins in the prior year. Initiatives have been put in place to reduce the incidence of defects on the skins produced, and these are expected to yield in an earlier offtake overall and fulfil the contracted size classes.

The effects of the Covid-19 pandemic continued to negatively impact demand for crocodile meat by the European market. There were no meat export sales recorded and 61 tons of export meat were in stock at the end of the period. Local market sales were subdued owing to reduced consumer disposable incomes. Volume of meat sold amounted to 46 tons (119 tons FY21). We closed the period with 72 tons of meat for the local market in stock.

United States Operation - Tallow Creek Ranch

At Tallow Creek Ranch, skin volumes were down 64% compared to the prior period (1,300 vs 3,614). These were carryover skins from FY21 that were sold during the current year. The reduction in volume is in line with the previously announced strategy to scale down on operations in this unit.

Impact of Covid-19 on the business

Despite Covid-19 remaining rampant in our key markets, 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.

Although shipping lines have been disrupted and the supply chain remained volatile, sufficient orders of critical raw materials have been placed to ensure business continuity through to the end of the first half of 2022.

Market outlook

The price of gold is expected to remain high for the rest of the year, on the backdrop of the current geo-political situation. The approved mine plans are expected to achieve significantly higher volumes than prior year.

The Zimbabwe crocodile operation continues to focus on producing skins that are consistent with premium market expectations of continued improvement in skin quality in pursuit of totally blemish free skins.

Additional alternative markets are being pursued for the large skins over 40cm in stock and price and delivery terms continue to be negotiated.

The exports of crocodile meat to Europe have been delayed due to the post Covid-19 effect on the meat market. The market has not fully opened up, given the recurring waves. However, the business anticipates to resume export meat sales by July 2022.

The alligator skin market remains depressed and oversupplied. Notwithstanding the significantly improved quality of skins produced in 2021, demand for the product remains very low. Management has scaled back on operations at this unit until the trading environment has improved.

The Group continues to focus on reducing borrowings, thereby eliminating high interest charges. Management also continues to review capital investment and working capital models as part of its business continuity plans. The Group maintains its strong fundamentals that are aimed at preserving value, despite operating in a highly volatile trading environment.



T N Sibanda
Chairman
13 May 2022

