

NYAMA YETHU HOLDINGS (PTY) LTD

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DRAFT FOR DISCUSSION PURPOSES ONLY

07 February 2018

The Water Allocation Committee
Attention: Mr Moses Mahunonyane
Ms Jolene van Wyk-Towell
The Department of Water and Sanitation
Northern Cape
Upington
8300

Dear Mr Mahunonyane

Motivation for Additional Water

First and foremost, I would sincerely like to take this opportunity to thank the department for the recent allocation of 1, 000 000 cubic meters to Nyama Yethu ("NY"). However, you would recall that our initial application was for 450 hectares of water, which was based on our business plan.

Furthermore, I need to underscore the fact that NY is a majority black owned entity with 60% Black shareholding. Another point of importance is that its shareholders themselves are the funders of the project, effectively making NY self-reliant and assured of implementing its proposed business plan. Moreover, I would like to further submit that this is a project that is underpinned by solid business principles, as the shareholders of NY have extensive business experience. To this end, I would like to assure you that this project is devoid of fronting and likewise foul play and shenanigans.

Pursuant to a thorough review of our business plan, that is, after the allocation that is referred to above, we had to willy-nilly downscale our business plan in order to bring it inline with the allocated water. From the said exercise, it became evident that the project will not be economically viable in the current form. To posit matters in context, the initial application was for 150 hectares for pecan nuts, 150 hectares for lucerne and 150 for maize, jolies. Our farm, with a size of approximately 2,000 hectares, is more than enough to meet this business plan.

At this point, I would like to pause and highlight the fact that water is pivotal for the sustenance of our project. Without equivocation, the main driver for the sustainability of NY hinges on the irrigation of maize, jolies, triticum feed cultivars and lucerne for the feeding of the animals. Accordingly, without being hyperbolic, water is all-important for our financial survival. In this context, we do realise and concede that pecan nut farming, as this is a long term crop, can be planted at a later stage. But we must also highlight that the pecan nut crop stands to create a large number of jobs, which will be a great contribution to the communities of the Great Karoo at the moment. Additionally, if you consider the business prospects connected to the fact that NY envisages concurrently buying a significant equity stake (commensurate with the shareholding in NY) in the Beaufort West Abattoir, there is an opportunity for NY to play a big role in the economy of this region, while also generating a number of permanent jobs. However, for this to be commercially viable, we need to breed sufficient animals for the abattoir and, similarly,

for the export markets that we are targeting. Undeniably, as a cost-containment measure, we need to produce as much animal feed on our farm as possible.

From a technical point of view, infrastructure development in the farm, including the laying of piping to deliver irrigation water to the farm approximately 5km from the river, the sizing of pumps, and ground-works, can become very costly if implemented on a piecemeal basis. Basically, the cost will be multiplied if this is not planned correctly in the beginning. It is therefore critical for NY to be cost-effective in its infrastructure plan in order to channel its financial resources optimally to create as much value as possible for the Great Karoo region.

Furthermore, as previously disadvantaged Africans and new entrants to the agricultural sector, it is in this context that NY desires to make a difference in this region, to address the imbalances of the past in the sector and, likewise, to attempt to tackle the prevailing white monopoly in the entire gamut of farming and, specifically, the meat production industry. We are more than willing to submit the financials involved in this project, if necessary.

In view of the foregoing, it is our humble submission that the department considers allocating a further 200 hectares of water, as this would be justifiable if seen against the backdrop of our initial submission. Our submission does not pretend to overlook the fact that we are aware of the over-usage from allocation as well as the illegal use of water in the area under application. That said, it is clearly not our intention to be party to these illicit practices. We seek to work hand-in-hand with yourselves in realizing our business plan and in making a difference in the farming sector and the communities of this region as a pre-eminent BEE player in meat production.

We, therefore, humbly request the department to bend over backwards to favourably consider our submission.

Kindest regards

Sipho Mahamba

Director