

CHIEF EXECUTIVE OFFICER'S REVIEW



"At Harmony, we are committed to delivering on our market guidance. Production guidance was achieved for the third consecutive year in FY18."

Peter Steenkamp Chief executive officer

From the time I joined Harmony in January 2016, our team has been committed to delivering on our market guidance. Production guidance was achieved for the third consecutive year in FY18.

The performance of our South African operations has been consistent. Availability of stoping panels and fewer unplanned engineering stoppages due to focused asset management and maintenance have improved the predictability of our production performance. Our disciplined grade management approach has also been important in delivering on guidance and mitigating cost inflation.

In FY16, we reported our aspiration to grow the company to 1.5Moz by June 2019. We are on track to realise this annual production target with the combined contributions of Hidden Valley and Moab Khotsong as well as consistent production from our other mines. This will be achieved through efficient capital allocation and managing our operations by focusing on what we can control – safety, production and costs.

SAFETY AND HEALTH

As the safety and health of our employees is of paramount importance, we are also committed to doing more to ensure a safe working place for all. Sadly, we had 13 fatalities in FY18 in eight separate events. Our colleagues who lost their lives were Saraseng Elias Moloko, Mohlomi Mokhele, Motshewa Matuba, Relebohile Mokemane, Mohlabane Moganedi, Moss Setlhafuno, Fusi Khalikana, Moelwa Emily Lethebe, Nyanisile Jacwana, Molatudi Mafereka, Ephraim Leholoo, Thembile Tsutsu and Kabelo Lebetsa.

We extend our personal, heartfelt condolences to their families, colleagues and friends. For additional information, see [Safety and health](#).

Key aspects of our safety approach include:

- Stopping significant unwanted events by focusing on critical control management
- Actively leading and promoting a proactive culture
- Transforming our culture through continuous employee engagement, safety awareness and training as well as positive behaviour reinforcement
- Improving system monitoring and analysis to improve risk management

On 17 August 2018, the Minerals Council South Africa (formally the Chamber of Mines South Africa) launched the National Day of Safety and Health in Mining 2018 campaign as part of its recommitment to the shared goal of zero harm and ensuring that all employees are able to go to work knowing that they will return home unharmed every day. We hosted safety and health days at each of our operations in October 2018 to reaffirm our commitment to the safety and wellbeing of employees.

OPERATIONAL REVIEW

South Africa

Harmony's operations achieved gold production of 1.228Moz, exceeding our annual production guidance of 1.18Moz. The South African operations recorded a 14% increase in gold production and increased underground recovered grade by 8% to 5.48g/t.

Moab Khotsong produced 105 969 ounces (contributing 10% of the increase in SA gold production) for the four months the operation has been included in Harmony's asset portfolio. Furthermore, the operation contributed R460 million to our operational free cash flow and lowered the overall all-in-sustaining unit costs for the group.

Optimising the performance of Moab Khotsong will be a key focus area in FY19 as further cost reduction and efficiencies have been identified. Studies are currently underway to evaluate potential options to safely and optimally mine the Great Nologwa shaft pillar and other isolated pillars. The high-grade Zaaiplaats resource is an attractive growth opportunity. Progression of this project is subject to the feasibility study due to be completed by the end of June 2019.

An outstanding feature of the past year is that, with the exceptions of Unisel and Joel, all of our South African underground operations increased their gold production year-on-year. Overall underground grades have increased for the sixth consecutive year in line with our strategy to focus on the extraction of profitable ounces. Full details of our mining operations are provided on [Operating performance](#).

Papua New Guinea

The Hidden Valley investment in the stage 5 and 6 cutback, and related plant and processing upgrades, was delivered on schedule and below budget (US\$175 million spent compared to investment planned of US\$180 million). Commercial levels of production were achieved in the June 2018 production month.

Stripping of the cutbacks will continue for the next three years to deliver an average life of mine all-in sustaining cost of below US\$950/oz.

The updated feasibility study of the Wafi-Golpu project released on 19 March 2018 proposed a larger mine and increased production profile, resulting in a 33% increase in net present value to US\$2.6 billion (applying a real discount rate of 8.5%)¹.

Engagement by the Wafi-Golpu Joint Venture with the Papua New Guinea government on the application for a special mining lease for the Wafi-Golpu project is progressing well.

OUR PEOPLE

The employee relations environment was stable this past financial year. In South Africa, wage negotiations for the three years beginning 1 July 2018 were successfully concluded with unions representing 69% of employees.

For more employee-related initiatives, see *Employee engagement* in this report.

MINING CHARTER

The latest version of the Mining Charter (referred to as Mining Charter III) was gazetted by the Minister of Mineral Resources in September 2018.

Harmony, through the Minerals Council South Africa, is engaging with the

Department of Mineral Resources on certain issues of concern and we are optimistic that we may reach an amicable solution.

CONCLUSION

In our review of the past year, it is evident that Harmony's people remain committed to working as a team in the interests of the company with sustainability in mind. I extend my thanks to everyone and look forward to further positive collaboration in future. My thanks also go to our chairman Dr Patrice Motsepe and to all Board members for their continuing support and counsel.

Peter Steenkamp
Chief executive officer
25 October 2018

¹ Harmony has a 50% equity stake in the Wafi-Golpu project, which is held in a 50:50 joint venture with Newcrest Mining Limited. These figures are quoted on a 100% basis.



Tshepong