

CHIEF EXECUTIVE OFFICER'S REVIEW



Peter Steenkamp
Chief executive officer

It is a pleasure to present my first annual report as chief executive officer of Harmony.

Harmony is driven by excellence, with strong management teams and mining capabilities. With the quality ore bodies that we own, we are positioned for a promising future. Operationally, Harmony has had a good year and we are in a much improved financial position. Harmony's share price performed exceptionally well over the past year, outperforming our peers and the gold price.

SAFETY AND HEALTH

In accordance with our values, our objective remains that our people are able to work without any harm to their safety or to their health.

Despite our combined best efforts, ten of our people lost their lives in the service of the company, nine in South Africa and one in Papua New Guinea. The colleagues no longer with us are: Piwas Kisa, Pheelo William Ramohlokoane, Ezekiel Nonkevu, Cancel Nurse Malungane, Carlos Siteo, Moeketsi Mongoako, Motlatsi Samuel Lehana, Patuxolo Butshula and Mncedisi Mbongwa and Clinton Lewis Titmuss. I join my colleagues in offering our heartfelt condolences to the families, colleagues and friends of the deceased.

We have thoroughly investigated the causes of these fatal accidents. The lessons learned have resulted in revised procedures and the introduction of a central safety assurance team.

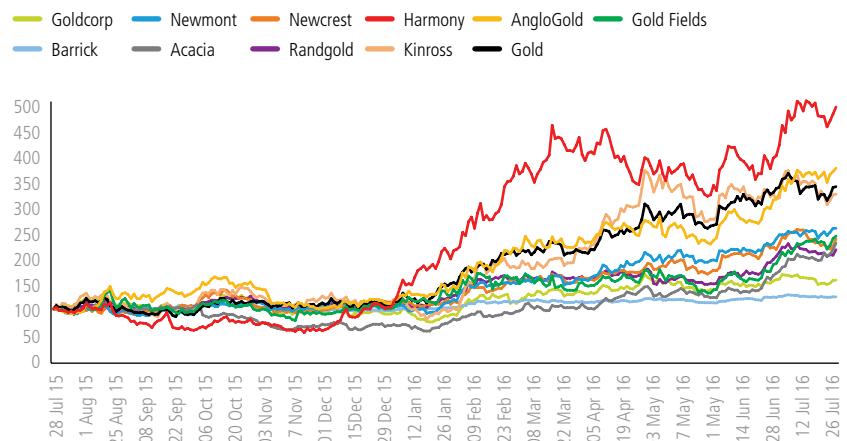
Harmony has intensified its focus on safety through the appointment of a chief operations officer who will refine the safety strategy to institutionalise risk management, promote a culture of continuous improvement and a genuine care for safety whilst providing safety leadership.

Our overall lost-time injury rate improved from 9.24 to 6.23 per million hours worked across the company from the previous year.

Harmony had been honoured with a number of awards at the 2016 MineSAFE awards ceremony which attests to our commitment to creating a safe and healthy workplace for our people. For more information, see [Our Awards](#).

In terms of our holistic approach to ensure the wellness of our people, our health-care hubs are based at the operations and are staffed by medical professionals. These facilities provide prompt health services when they are required and redirect those in need of further attention to outsourced service providers. Our people are encouraged to be proactive in seeking treatment and advice.

Harmony's share price performance versus that of peers and the gold price



OPERATIONS

Total gold production for FY16 amounted to 1.08Moz, marginally higher than the previous year. An average increase of 21% in the rand gold price escalated group turnover to R18.3 billion (US\$1.3 billion) (19% higher than the previous year in rand terms, US\$84 million lower in US\$ terms). Good cost control assisted us in limiting the increase in all-in sustaining costs to only 3% at R467 526/kg. The combined effect of this was an 81% increase in production profit to R5.1 billion (US\$350 million).

Harmony increased the underground grade recovered for a fourth consecutive year to an average grade of 5.02g/t. This is due to the good results delivered by our projects. The ramp up in production at Phakisa and Tshepong decline is on track. We have managed to access higher grade areas through the deepening of Doornkop and Kusasalethu. In addition, we are successfully mining the Bambanani high-grade shaft pillar and the completion of the Joel decline is expected to deliver additional higher grade ore.

I am confident that we will achieve our production guidance of 1.05Moz at an all-in sustaining cost of US\$1 100/oz (R495 000/kg) for FY17, having positioned each of our mines to produce safe, profitable ounces.

GROWING PROFITABILITY

Harmony's aspiration is to grow our production to approximately 1.5Moz and increase our profitability in the next three years by:

- growing, nurturing and developing our core assets
- harvesting operations that are high cost and have a short life
- expanding in South Africa, into Africa and in Papua New Guinea
- exploring organic growth opportunities

Papua New Guinea

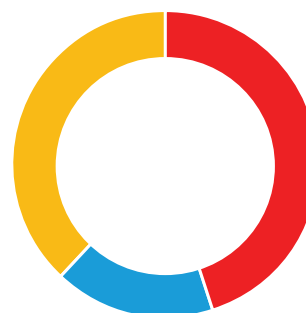
Excellent progress is being made with the Golpu gold-copper project in which we have a 50% stake with Newcrest. During the year the feasibility and prefeasibility study of the project was completed, showing that the mine will operate in the lowest industry cost quartile, generating strong cash flows over many years. The Golpu gold-copper porphyry, a world-class deposit, lends itself to phased development and block cave mining and when completed, will be the largest underground mine in Papua New Guinea. The Golpu reserve was updated with the completion of the feasibility and prefeasibility study of Stage 1 and Stage 2 of the project. The updated reserve is declared as 379Mt containing 11.0Moz gold and 4.8Mt of copper (100% basis, 50% attributable to Harmony). Post year end, an application for a special mining lease was submitted to the Mineral Resources Authority in Papua New Guinea.

We declared a maiden mineral resource in November 2015 at our wholly-owned Kili Teke project in Papua New Guinea. Subsequent exploration and drilling to further probe the potential to expand the two zones along strike and down dip generated encouraging results. This enabled us to update our initial estimate, post year end, to a 222Mt mineral resource at 0.35% copper and 0.25g/t gold (785 000t copper, 1.2Moz gold). The deposit contains two main areas of higher-grade quartz stockwork-related mineralisation.

Post year end, Harmony acquired the whole of Hidden Valley, which was previously held in a 50:50 joint venture with Newcrest. The conclusion of this transaction is subject to South African regulatory approval.

Harmony plans to invest and develop stages 5 and 6 of the mine, accessing the ore body of 1.4Moz ounces of gold and 27Moz of silver over a period of seven years. We believe that Hidden Valley has the potential to contribute approximately 180 000oz gold per annum to Harmony's production profile at an all-in sustaining cost of less than US\$950/oz within the next three years.

Gold equivalent reserves: geographic split (%)



■ South Africa: gold	45
■ Papua New Guinea: gold	17
■ Papua New Guinea: copper	38

Total gold equivalent reserves: 36.9Moz

South Africa (gold):	16.8Moz
Papua New Guinea (gold):	6.2Moz
Papua New Guinea (copper):	* 13.9Moz
* Equivalent to 5 269Mlb copper	

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South Africa

We have resolved to optimise cash flow by accessing higher grades at Kusasalethu and shortening its life of mine. We are considering the feasibility of mining the high-grade Ventersdorp Contact Reef payshoot below our current infrastructure at Kusasalethu.

We are currently busy with an optimisation study to integrate the infrastructure between Phakisa and Tshepong with a view to improving the financial metrics of mining the combined operation.

Additional potential payable resources are expected to be defined with planned drilling of ore bodies scheduled at Tshepong, Phakisa, Doornkop, Target 1 and Kalgold.

Details of our year end reserves and resources are provided in *Mineral Resources and Reserves – Summary*.

SOUTH AFRICA'S LABOUR ENVIRONMENT

Harmony continued its open and co-operative interactions with employees and unions. In applying our value of connectedness, we ensure that employees feel part of the Harmony family. Since my appointment, I have used every opportunity to engage with our employees. A union leadership empowerment programme had been initiated in FY15 aimed at sharing the business imperatives and performance, company strategy and an understanding of business principles.

Labour disputes and strikes are considered a material issue for Harmony. Not only do these disputes result in a loss of production, but they also affect morale and reputation, and present a risk to non-striking employees, communities and company assets. We are fortunate that inter-union rivalry did not significantly affect Harmony in the past year.

We have reached a three-year wage agreement with the National Union of Mineworkers, United Association of South Africa and Solidarity, effective from 1 July 2015. Increases range from 6% for miners, artisans and officials to 10.4% for category 4 employees.

MINING CHARTER AND SOCIAL RESPONSIBILITY

Harmony supports South Africa's Broad-Based Socio-Economic Charter for the Mining Industry (the Charter) which is aimed at including historically disadvantaged persons and transforming the mining industry. Harmony is fully compliant with the current Charter's provisions and we have exceeded the 26% ownership credentials.

A draft new Mining Charter has been proposed by the Minister of Mineral Resources during May 2016. Harmony has partnered with the industry in seeking an open and negotiated agreement of the draft Charter's provisions to ensure that the rights of all our stakeholders are protected and advanced. Discussions are ongoing.

Harmony continues to comply with the current Charter's social requirements. Refer to the *Mining Charter Compliance Scorecard*.

CONCLUSION

I extend my appreciation to my chairman, Patrice Motsepe, for his support and leadership at the board. I also want to thank the board and my executive team for their guidance and support. I would also like to thank everyone at Harmony for making this company what it is and the support you have given me.

Our management teams are geared to deliver, steered by an experienced and competent executive team. I have no doubt that Harmony's current momentum will be upheld.

Peter Steenkamp
Chief executive officer

26 October 2016