

# CHIEF EXECUTIVE'S REVIEW

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Peter Steenkamp – Chief executive officer

The Harmony team delivered on our gold production market guidance for the fourth consecutive year.

Annual gold production and cash flows were boosted by the inclusion of a full year's production from Moab Khotsong and Hidden Valley. This is in line with our strategy to produce safe, profitable ounces and improve margins through operational excellence and value-accretive acquisitions.

The group achieved a 17% increase in gold production which totalled 44 734 kilograms (1.44Moz). Underground recovered grade increased by 2% to 5.59g/t, making this the seventh consecutive year of increasing grade.

## SAFETY AND HEALTH

We tragically lost 11 employees during FY19. I wish to extend my heartfelt condolences to their families, colleagues and friends. Safety is my number one value and is also Harmony's. Our colleagues who lost their lives were – Tshelo Libate, Michael Plaatjies, Tsietsi Manoto, Mvuyisi Mayekiso, Mlamleli Mngqumeni, Mantlobo Phelane, Bernado Benedito Moiane, John Daniel Nell, Juan Frank Little, Andile Mqungquthu and Sennanyane Mashapha.

It is of paramount importance that every employee returns home each day – both safe and healthy. Together with each employee, I aim to ensure safe production, by preventing fatalities and embedding a robust safety and health culture in our organisation.

Harmony embarked on its safety improvement journey in FY16 to achieve global safety best practice and move towards a proactive and risk-based approach. We have adopted a four-layered risk management safety approach, rolled out the associated safety training, implemented new safety systems and put in place a secondary level safety assurance team. Our safety improvement journey will continue to entrench safe behaviour.

We have seen improvements in FY19. Harmony's group lost-time injury frequency rate improved to 6.12 per million hours worked (6.26 in FY18) and the group fatal injury frequency rate reduced to 0.12 (0.16 in FY18).

On 26 July 2019, the South Gauteng High Court approved the class action silicosis settlement agreement proposed between the Gold Working Group companies (including Harmony) and representatives of the claimants in the mineworkers' class action. We believe the settlement agreement is fair, and we remain committed to playing our part in its implementation.

For additional information, see [Safety and health](#).

## OPERATIONAL REVIEW

### South African operations

Harmony's South African operations achieved a 9% increase in gold production to 38 512 kilograms (1.24Moz), exceeding the previous year's production of 35 331 kilograms (1.14Moz). The underground recovered grade increased by 2% to 5.59g/t.

The first full financial year including Moab Khotsong in our portfolio resulted in 7 928 kilograms (254 891oz) of gold produced, contributing R745 million to our free cash flow and reducing the overall all-in-sustaining unit costs for the group.

Unfortunately, the performance of the Tshepong Operations was impacted negatively by a lack of flexibility because of the reduced availability of stoping panels to mine. As a result, gold production at the Tshepong Operations decreased by 1 427 kilograms (45 880oz) following a 10% decrease in recovered grade to 4.94g/t and a 6% decline in tonnes milled. Post year end we have already seen improvements in the mine's overall performance, following stoping development and improved overall mining and grade discipline.

### Papua New Guinea

At Hidden Valley, commercial levels of production achieved in June 2018 were maintained during FY19. Safety, good operational momentum and disciplined cost management contributed to Hidden Valley achieving gold production of 6 222kg (200 042oz) and generating operational free cash flow of R573 million (US\$40 million) at a margin of 16%. Stripping of the cutbacks will continue for the next two and a half years, to deliver an average life of mine all-in-sustaining cost of below US\$950/oz.

The licence for the Wafi-Golpu project was delayed with the election of a new prime minister by the Papua New Guinea Parliament. The licensing delay compelled the Wafi-Golpu Joint Venture to defer and revise the planned work programme, which had previously been scheduled to begin this calendar year.

The Papua New Guinea Government continues to signal its support for the project, and the Wafi-Golpu Joint Venture is well placed to resume discussions with the Government given the constructive progress already made on the various agreements required to complete the licensing process and the grant of a special mining lease. It is difficult to estimate the duration of this delay and the market will be advised when discussions resume.

*Harmony and Newcrest Mining Limited each currently own 50% of Wafi-Golpu through the Wafi-Golpu Joint Venture. The State of Papua New Guinea retains the right to purchase up to 30% equity interest in any mineral discovery at Wafi-Golpu, at any time before the start of mining.*

## OUR PEOPLE

Our employees are integral to Harmony achieving its business objectives. We provide training and development; promote fair labour practices for employees and contractors; and encourage local employment opportunities to ensure employees are motivated and productive. We aim to provide opportunities for each employee to develop to their full potential.

The employee relations environment was stable during this financial year. For more employee-related initiatives, refer to *Employee relations*.

## MINING CHARTER

Harmony welcomes publication of Mining Charter III and broadly supports its intentions and content. This Charter provides a better balance between the mutually reinforcing concepts of promoting competitiveness and transformation. However, we remain concerned about some key issues, in particular, provisions regarding previous empowerment transactions, mining right renewals and transfers of these rights. As a member of the Minerals Council South Africa, we continue to participate in discussions to resolve these outstanding issues.

Harmony is fully compliant with the 2014 Mining Charter targets and we have exceeded the 26% ownership requirement. Refer to the *Mining Charter II – compliance scorecard*.

## ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE

We have substantially reduced the size of our operating footprint, and its environmental impacts, by completing the closure of no fewer than 45 shafts in South Africa. In FY19, we turned more of our mining land over to farming and reduced our electricity and consumption of potable water – the latter, in part, through the construction of three water recycling plants. Testimony to our belief in the importance of “taking people along with us”, we increased our social spend in South Africa by 47%.

Harmony was recognised externally for its contribution to conserving the environment, embracing social projects and embedding strong governance (ESG) principles. Harmony is a component of the FTSE4Good Index and the Bloomberg Gender-Equality Index, and the Carbon Disclosure Project rated us A- for climate change and B for water.

## LOOKING AHEAD

We continue to focus on margin improvement through organic growth, acquisitions, cost containment and an increase in production. In FY20, we plan to produce 1.46Moz of gold at an all-in sustaining cost of R579 000/kg.

Global economic risks, combined with an evolving worldwide gold mining industry, support higher gold prices. With most of our gold production being unhedged, the current gold price rally materially supports our cash flows.

## CONCLUSION

Harmony's people work as a team in progressing our business. Everyone has played their part, and to all I extend my sincere thanks. I extend my sincere appreciation to our chairman, Dr Patrice Motsepe, and the board, for providing me with invaluable support during this past year.

**Peter Steenkamp**  
Chief executive officer  
24 October 2019