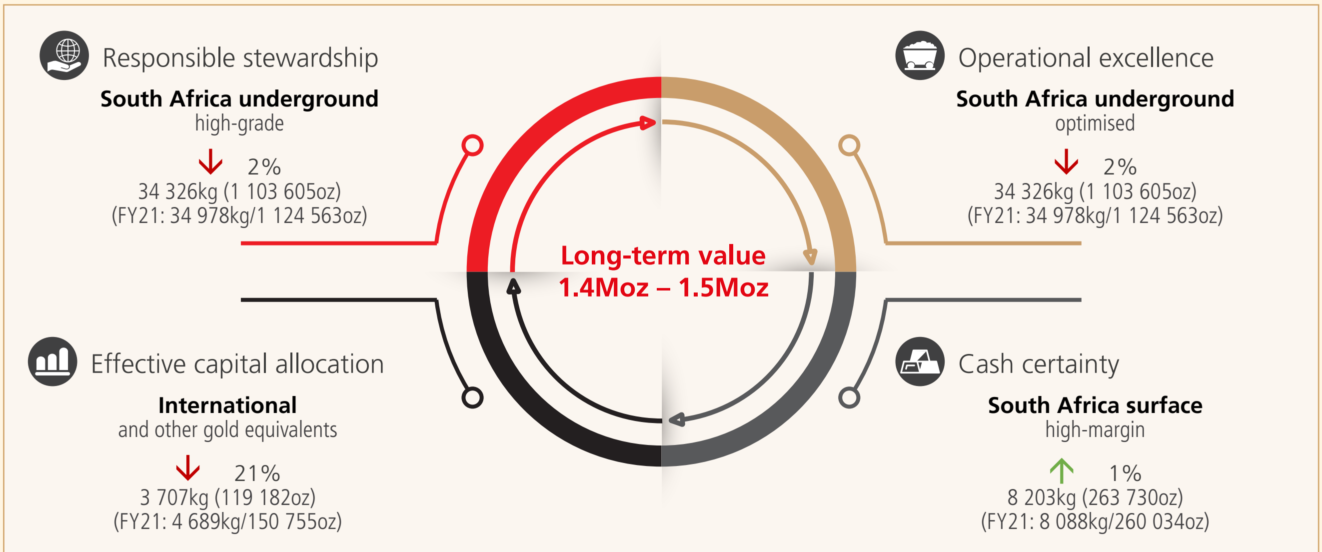
Chief executive officer's review

An emerging market gold mining specialist with near-term copper

We maintained our position as South Africa's largest gold producer by volume in FY22, focusing on effective capital allocation across four core business areas, and prioritising grade and margins. Our robust balance sheet enabled us to continue creating value for our stakeholders through a diversified portfolio. The Harmony equity story comprises four key components, namely:

- Our high-grade underground assets
- An underground portfolio optimised for cash generation
- Our high-margin surface retreatment plants in South Africa
- An international business set to differentiate Harmony with the Tier 1 Wafi-Golpu copper-gold asset in Papua New Guinea and the recent announcement of the planned acquisition of the Eva Copper project in Australia.

As a group, we met our revised production guidance and delivered 46 236kg (1 486 517oz) of gold (FY21: 47 755kg/1 535 352oz). The 3% reduction from FY21 was mainly due to Papua New Guinea, where production was severely impacted by the overland conveyor belt failure at Hidden Valley, resulting in a 21% decline in gold production from FY21. In addition, pre-emptive safety-related stoppages, mining constraints and supply chain disruptions at our South African operations negatively impacted production. However, development grades were higher or in line with reserve grades at all our underground operations.



Key focus areas

Our key focus areas during the year were improving safety, delivering meaningful returns, active cost management and growing our ounces. On the back of value-accretive mergers and acquisitions we ensured continued value creation for our stakeholders into the future by focusing on our key focus areas during the year, including our brownfield and greenfield projects pipeline as well as responsible capital allocation towards ESG-focused initiatives.

Improving safety

Safety is Harmony's top imperative. We drive our safety journey through impactful initiatives such as our humanistic Thibakotsi culture transformation programme. Through this and our robust risk management framework, we achieved some extraordinary safety milestones as a company. There were significant improvements in falls of ground and incidents related to rail-bound equipment. We also saw an increase in white flag (accident-free) days and, for the first time in our history, had a loss-of-life-free January and February. Our lost time injury frequency rate (LTIFR) trended below six per million shifts for three consecutive quarters.

Read more about **Thibakotsi** on page 89 of our **ESG report**.

As safety will always take precedence over production, our performance is disappointing. Despite the progress in the areas listed above, we regrettably lost 13 colleagues in mine-related incidents. We extend our sincere condolences to their families, friends and colleagues.

In memoriam

- Thembile Simon Mabala (Phakisa rock drill operator)
- Pule Jan Mokhatsi (Moab Khotsong stope team member)
- Richard Mohapi (Mponeng rock drill operator)
- Thobela Gwangxu (Kusasalethu winch operator)
- Mbongeni Zulu (Kusasalethu stope team member)
- Sicelo Tshovana (Doornkop artisan)
- Andile Michael Mafilika (Kusasalethu stope team leader)
- Makoae Cosma Makhang (Doornkop tramming team leader)
- Sifiso Siphamandla Gumede (Kusasalethu fitter and turner)
- Emmanuel Zolile Dhlamini (Kusasalethu engineering assistant)
- Joao Andre Nhanthumbo (Kusasalethu engineering assistant)
- Lemohang Lerato (Kusasalethu engineering assistant)
- Linda Mgudzi (Kusasalethu development team member).

We also lost Juliao Macamo (Moab Khotsong stope team leader) after year-end.

Driven by our safety-first approach Bambanani was closed during the year due to increased seismicity as the mine neared the end of its life. We will retain the highly skilled crews within the group. I would like to extend my gratitude to past and current Bambanani crews for their contribution to the success of the mine over many years.

Read more about the closure of Bambanani on page 36.

Delivering meaningful returns

Focus on diversifying our portfolio, disciplined capital allocation and improving grades enables us to deliver meaningful returns to our shareholders. We were pleased to declare an interim and final dividend of 40 and 22 South African cents (3 and 1 US cent) per share, respectively, for the financial year.

We will remain disciplined and focused as we grow, particularly in capital allocation. We therefore made a strategic decision in FY22 to reallocate capital towards projects and operations that will deliver the highest possible returns. We lowered our overall risk profile and prioritised investment in high-grade assets to ensure our mines remain safe and profitable.

We executed a tough decision in restructuring Tshepong Operations to create a smaller but immediately profitable operation. Going forward, it will be reported separately as Tshepong North and Tshepong South. The Tshepong North sub-75 project was suspended and the life-of-mine reduced from 19 to seven years. Capital earmarked for Tshepong North will be reallocated to projects delivering higher returns. R650 million (US$40 million) in capital, as well as employees, will be moved to Zaaiplaats and the Kareerand expansion project. Recovered grade from Tshepong North is expected to improve from 4.38g/t to 5.24g/t so that the new life-of-mine is profitable from the first year and net present value improves over a shorter life of mine.

By investing in grade, we can drive down costs over time. To safely lift the outputs of our mining crews from the current average of 260m^2 per month to 300m^2 per month, we will advance our Thibakotsi journey with the technologically advanced S300 programme designed to optimise output at the rockface, fine-tune shifts and implement appropriate technologies in narrow-reef underground mining environments. Some of our crews are already mining at 700m^2 per month, creating a significant opportunity to improve overall productivity.

Active cost management

We invest in our high-grade underground assets to ensure we deliver superior returns and improve cash flow. As such, our underground assets are grouped per grade and life of mine. Major capital allocation is prioritised in terms of grade and returns.

Stringent controls ensured that cash costs only increased by 8% in line with our planning parameters in FY22 (excluding Unisel, which closed in FY21, and Mponeng and related assets). Labour, contractors and electricity accounted for 77% of our South African cash operating costs. Our wage agreement kept the increase in fixed labour costs below 6%. Higher electricity tariffs primarily increased our overall costs, which were 13% higher.

Care and maintenance costs also increased by 90% to R273 million (US$18 million) from R144 million (US$9 million) due to closure of the Kopanang gold plant as well as the Vaal River surface operations at the end of FY21.

Chief executive officer's review continued

Growing our ounces

As part of our objective to grow our ounces through value-accretive acquisitions, we will consider and assess all opportunities, provided they are affordable and meet our investment criteria for value creation.

To strengthen our long-term financial and operational capacity by improving cash flow and growth profiles, various exploration projects are underway or planned to address production gaps, replace ounces and increase life of mine:

- In **South Africa**, our brownfield projects, announced in FY21, include the Target 1 recapitalisation project (expected to be completed by December 2022), the Doornkop 207/212 project, and exploration at Mponeng, Joel, Doornkop and Kalgold. We are also conducting studies at Target North where drilling is underway
- In **Papua New Guinea**, brownfield exploration focuses on developing new satellite areas through the Kerimenge deposit with an Inferred Resource of 16.4Mt at 1.07g/t for 17 582kg (565 000oz) of gold. The Tier 1 Wafi-Golpu copper-gold project also continues as we work with Newcrest to progress the special mining lease permitting process
- In **Australia**, we are set to take ownership of Eva Copper (an open-pit operation with a conventional crush, grind and flotation circuit) and Copper Mountain Mining Corporation exploration grounds, as announced on 6 October 2022. Copper, a strategic metal in developing renewable energy technology, also supports our participation in the global transition to a low-carbon economy.

Mining with purpose

Investment in our people is creating positive change and building trust among our stakeholders. We remain committed to our long-term sustainability and our people in terms of the three-year wage agreement for the period 1 July 2021 to 30 June 2024.

Details of this wage agreement are on page 110 of our **ESG report**.

A greener and more equitable future is certainly within sight for our stakeholders. As part of our journey to be net-carbon zero by 2045, we began the build of phase 1 of our renewable energy programme during the year. We will fund the second phase with a R1.5 billion green term loan. These initiatives will also de-risk our operations and improve margins.

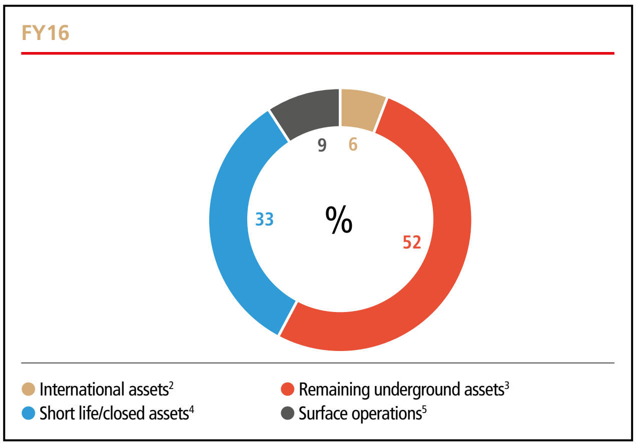
Our efforts are acknowledged by ESG rating agencies that recognise Harmony as a dedicated top performer in our sector. Our FTSE Russell rating improved from 3.4 to 4, placing Harmony in the top 9% in the gold sub-sector, and Sustainalytics placed us at a higher 37.6 in FY22 from 40.2 in FY21, demonstrating strong management of risk exposures.

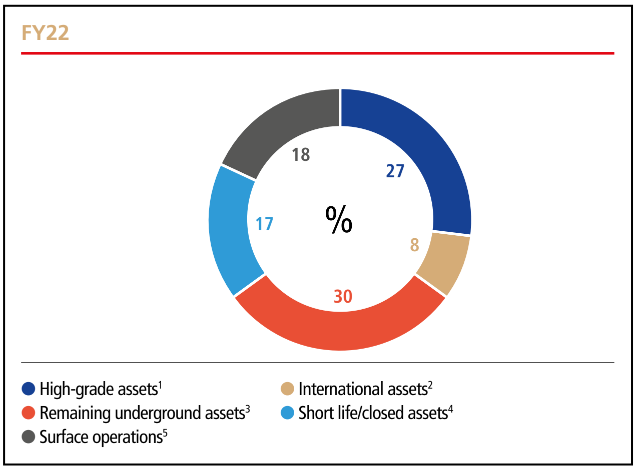
See our **ESG ratings by FTSE4Good**, **FTSE Russell**, **Sustainalytics**, the **Bloomberg Gender-Equality Index**, **CDP Water Management** and **MSCI** on page 21 of our **ESG report**.

Our growth journey

Reflecting on achievements since our growth strategy began in FY16, it is evident that the business has been repositioned through organic expansion and investment for future success, sustainability and delivery of long-term value.

Gold production split across a more profitable and de-risked portfolio





[1] Moab Khotsong and Mponeng.
[2] Hidden Valley.
[3] Target 1, Tshepong Operations, Joel and Doornkop.
[4] Unisel, Bambanani, Kusasalethu and Masimong.
[5] Kalgold, Mine Waste Solutions, Phoenix, Central Plant reclamation and dumps.

Our acquisitive growth journey began with the purchase of our joint venture partner's 50% share in Hidden Valley in FY17, providing potential to contribute approximately 5 600kg (180 000oz) of gold per annum to Harmony's production profile. This was followed by investments in Moab Khotsong in FY18.

The company made a strategic decision in FY22 to redirect capital to high-grade underground assets and high-margin surface operations to help deliver on our strategy of safe, profitable ounces and increase cash conversion from reserves. This augments our organic growth efforts, including exploration drilling in FY18 at Kalgold (a safe and low-risk, open-pit mine providing an expanded, robust mineralised system extending beyond current resource limits) and incorporation of Mponeng and Mine Waste Solutions into the Harmony portfolio in FY21.

Our future focus

Planning for FY23 and beyond, safety remains non-negotiable as we maintain our focus on successfully executing key projects, delivering operational excellence through S300, growing our margins and advancing our copper footprint. The acquisition of the Australian Eva Copper project has introduced near-term copper production into our portfolio, in line with our strategy of becoming a low-cost, global gold and copper mining company. Harmony and its joint venture partner, Newcrest, continue to work with the Government of Papua New Guinea as we progress the Special Mining Lease permitting process for the Tier 1 Wafi-Golpu copper-gold asset.

Growth and replacement of ounces will be achieved through ongoing investment in our organic pipeline and progressing our pre-feasibility projects. Inorganic expansion into Africa and South-east Asia will also be considered, provided this meets our investment criteria.

We remain in a high-capital investment cycle. This impacted free cash in FY22 and will continue into FY23 as we invest in our high-grade assets and surface retreatment business to create long-term value.

Conclusion

Our business model places Harmony in a solid position to deliver operationally. However, our journey is not yet complete. Our portfolio will continue to evolve as we strive to produce safe, profitable ounces and further our efforts to grow production across the three core business areas.

I believe that concluding a year without any loss of life is possible and achieving this goal remains our priority.

Thank you to all our stakeholders for their ongoing support, which enables Harmony to achieve its goals. I commend our hard-working and dedicated employees across the globe for their contributions to our success.

Peter Steenkamp
Chief executive officer