

## Key statistics - production

- Resource defined per data
- Reserve defined in current mine plan 1 875 000 oz
- Project life (conservative estimate) 6.5 years
- Gold produced 1 875 000 oz
- Silver produced 25 509 000 oz
- (Gold equivalent 342 000 oz)

## Key statistics - financial

- Total project capital A\$ 260 million
- Project revenue A\$ 1.23 billion
- Operating costs A\$ 630 million
- Royalties A\$ 46 million

## Key statistics - financial (continued)

- Project operating cash flow A\$ 302 million
- Cash operating cost A\$ 305 /oz (US\$ 224/oz)
- Government taxes and interest A\$ 97 million
- Net project cash flow A\$ 200 million

## Key statistics - investment parameters

- Project IRR 23%
- NPV after tax and interest @ 8 % A\$ 95 million
- Total cash cost including capital A\$ 468/oz (US\$ 344/oz)  
(present reserve only)

## **Key statistics- investment parameters (continued)**

- Maximum project negative cash outflow A\$ 188 million
- Harmony project equity           A\$ 46 million
- Project financing                    A\$ 150 million
- Fleet financing                        A\$ 52 million

## Key assumptions

Gold price	US\$ 410/oz (A\$ 558/oz)
Silver price	US\$ 5.50/oz (A\$ 7.48/oz)
A\$ / US\$ exchange rate	A\$1 = US\$ 0.735
Diesel fuel price	A\$ 0.60 / litre
Project facility interest rate	5%
Fleet financing interest rate	6%



## Impact on project NPV and IRR

	-10 %	-5%	0%	5%	10%
Gold price	A\$ 42mil 15%	A\$ 69 mil 19%	A\$ 95 mil 23%	A\$121mil 27%	A\$146 mil 30%
Silver price	A\$ 85mil 21%	A\$ 90 mil 22%	A\$ 95 mil 23%	A\$ 99mil 23%	A\$104 mil 24%
Exchange rate	A\$153mil 31%	A\$122mil 27%	A\$ 95 mil 23%	A\$ 70mil 19%	A\$ 46 mil 15%

## Key points

- Facility amount US \$ 110 million (A\$ 149 million)
- 7 year term, including 2 year construction period
- Interest rate 6 month LIBOR + 2 %
- Bank costs and commitment fees 0.9% pa
- Project supported by Debt Service Support Agreement between bank, Harmony and Harmony Australia
- Balance sheet encumbered at date of first draw down
- Political risk insurance to be obtained from MIGA (World Bank) and ECA (export credit agency Australia or Japan, depending on where equipment is sourced)
- Political risk premium 1.1% - 1.2% pa
- No hedging required



## Key points

- Facility amount US \$ 38 million (A\$ 52 million)
- 6 year finance lease term following construction
- Initial rent payable of 15 % of equipment leased
- Equipment serves as security, no recourse to balance sheet or any guarantees provided
- Facility backed by Export Credit Agencies, which ensures competitive rates, as well as political risk insurance
- Interest rate 3 month Libor + 2.5%
- Bank costs and commitment fees 1.05%

## Main components of capital

• Treatment plant	A\$ 70 mil
• Tailings disposal and storage	A\$ 3 mil
• Infrastructure and services	A\$ 52 mil
• Management costs	A\$ 14 mil
• Plant preproduction	A\$ 10 mil
• Mining fleet and power plant	A\$ 63 mil
• Mine development costs	A\$ 12 mil
• Fees, compensation and insurance	A\$ 2 mil
• Mining costs capitalised	A\$ 12 mil
• Tails dam construction	A\$ 6 mil
• Contingencies and working capital	<u>A\$ 15 mil</u>
<b>Total project capital</b>	<b>A\$ 259 mil</b>

## Expenditure to date

- Purchase, deconstruction and shipping of Misima plant to lay down yard in Lae A\$ 14 mil
  - Fees, compensation and insurance A\$ 0.5 mil
- Total expenditure** A\$ 14.5 mil

## Project royalties

2 % PNG Government royalty on refined production      A\$ 25 mil

## Rio Tinto royalty

200 000 oz – 1 mil oz	2%
1 mil oz – 5 mil oz	3.5 %
> 5 mil oz	2%

Total royalty payable to Rio Tinto      A\$ 21 mil



## Overview

- Statutory tax rate 30%
- Capital and exploration expenditure amortised at 25% per year on diminishing basis, speeded up at end of project
- In certain instances double deduction allowed for exploration expenditure incurred after Jan 2003
- Projects ring fenced for tax, certain exploration expenditure transferable between projects
- Significant accumulated tax losses available for project > A\$ 60 mil



# HARMONY™

## Project summary

		Year -1.5	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Project Total
<b>Ore Production</b>										
Ore Mined	t 000's		2,752	3,483	3,480	3,481	3,500	3,504	1,259	21,459
Au Grade	g/t		2.93	2.99	2.91	2.97	3.23	2.82	2.69	2.96
Ag Grade	g/t		7.67	34.33	45.09	54.13	44.87	60.84	47.21	42.67
<b>Metal Produced</b>										
Gold Produced	ozs 000's		242	310	299	302	333	289	99	1,875
Silver Produced	ozs 000's		448	3,137	4,488	5,379	4,468	5,864	1,724	25,509
<b>Revenue</b>										
Gold & Silver Sales	A\$000's		138,364	196,542	200,499	208,820	219,203	204,987	68,167	1,236,581
<b>Operating Costs</b>										
Mining	A\$000's		24,294	53,930	60,426	64,669	59,336	65,164	7,918	335,737
Treatment	A\$000's		29,386	39,013	37,399	37,478	37,520	39,944	13,095	233,835
Administration	A\$000's		8,231	9,877	9,877	9,877	9,877	9,877	2,469	60,088
<b>Royalties</b>										
PNG Govt. & Rio Tinto	A\$000's		2,767	4,882	7,348	7,548	9,938	9,738	3,298	45,519
<b>OPERATING CASH FLOW</b>	<b>A\$000's</b>		<b>73,686</b>	<b>88,838</b>	<b>85,448</b>	<b>89,248</b>	<b>102,532</b>	<b>80,263</b>	<b>41,387</b>	<b>561,402</b>
<b>Cash Operating Cost</b>	<b>A\$oz</b>		<b>261</b>	<b>306</b>	<b>320</b>	<b>319</b>	<b>297</b>	<b>339</b>	<b>219</b>	<b>305</b>
<b>Project Capital</b>										
Capital & Pre- Production Expenditure Exploration	A\$000's	163,532	49,210	15,574	13,297	11,871	11,522	4,396	(9,497)	259,904
<b>Project Cash Flow (Before Interest &amp; Tax)</b>	<b>A\$000's</b>	<b>(163,532)</b>	<b>24,476</b>	<b>73,265</b>	<b>72,151</b>	<b>77,378</b>	<b>91,010</b>	<b>75,867</b>	<b>50,884</b>	<b>301,498</b>
			IRR	32%						
			NPV	8%		162,531				
Rehabilitation	A\$000's	-	496	705	719	749	786	735	244	4,434
Interest	A\$000's	5,503	7,451	6,774	4,933	3,075	1,183	-	-	28,918
Tax	A\$000's	-	-	-	6,399	8,806	12,326	22,771	18,024	68,325
<b>Project Cash Flow (After Interest &amp; Tax)</b>	<b>A\$000's</b>	<b>(169,035)</b>	<b>16,528</b>	<b>65,786</b>	<b>60,100</b>	<b>64,748</b>	<b>76,716</b>	<b>52,362</b>	<b>32,616</b>	<b>199,821</b>
			IRR	23%						
			NPV	8%		94,639				
<b>Total Cash Cost</b>	<b>A\$oz</b>		<b>491</b>	<b>371</b>	<b>391</b>	<b>385</b>	<b>363</b>	<b>415</b>	<b>291</b>	<b>468</b>



**HARMONY™**

# Key project statistics

Project Life	Years		6.50
Total Ore Mined	t	000's	21,459
Au Grade	g/t		2.96
Ag Grade	g/t		42.67
Metal Produced			
Gold	ozs	000's	1,875
Silver	ozs	000's	25,509
Project Revenue			
Gold & Silver Sales	\$	000's	1,236,581
Project Capital			
Plant & Infrastructure	\$	000's	164,961
Power Station	\$	000's	12,917
Tails Dam Construction	\$	000's	17,751
Mine Development	\$	000's	13,865
Mining Mobile Equipment	\$	000's	50,410
	<b>Total Capital</b>	<b>\$ 000's</b>	<b>259,904</b>
Operating Costs			
Mining	\$	000's	335,737
Processing	\$	000's	233,835
Administration	\$	000's	60,088
	<b>Total Operating Costs</b>	<b>\$ 000's</b>	<b>629,659</b>
Royalties			
PNG Government	\$	000's	24,732
Rio Tinto	\$	000's	20,788
	<b>Total Royalty Payments</b>	<b>\$ 000's</b>	<b>45,519</b>
Project Operating Cash Flow	\$	000's	301,498
	IRR	%	32%
	Cash Operating Cost	\$ oz	304.57
Rehabilitation	\$	000's	4,434
Government Taxes & Interest			
PNG Company Tax	\$	000's	68,325
Project Financing Interest	\$	000's	28,918
	<b>Total Tax &amp; Royalty Payments</b>	<b>\$ 000's</b>	<b>97,244</b>
Project Cash Flow	\$	000's	199,821
	IRR	%	23%
	NPV	8% 000's	94,639
	<b>Total Cash Cost</b>	<b>\$ oz</b>	<b>467.68</b>