



## PNG Licence to Operate January 2008



### PRIVATE SECURITIES LITIGATION REFORM ACT SAFE HARBOR STATEMENT

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## Government support

- Excellent support, dialogue and liaison with;
  - Provincial government
  - National government agencies
- Harmony management maintaining contact and communications with all levels of government (national, provincial and local)
  - Department of Labour / Immigration
  - Department of Finance / Treasury
  - Department of Mines
  - MRA (Minerals Resource Authority)



## Landowners

HV MOA (Memorandum of Agreement) signed August 2005

Land owners will participate in the benefits of our activities as follows;

- Hidden Valley Royalties (2% of revenue), allocated as follows;
  - Provincial Government - 42 %
  - Immediate Impact Area - Local Level Government - 14%
  - Affected Communities - 2.5%
  - Others - 2.5%
  - Landowners - 39%
- Business opportunity's and employment provided to landowners
- Wafi MOA and Mine Development Plan (MDC) to be developed on approval of the feasibility study
- Excellent dialogue and liaison with landowners



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## MOA key points

- Agreement between national, provincial government, traditional landowners and Harmony
- Major principles of this agreement;
  - Labour and recruitment preference of landowners
  - Business opportunities provided to landowners
  - Community support provided to the mining affected regions
  - Health and schooling support provided to the mining affected regions
  - Community infrastructure projects initiated in the mining affected regions
  - Sustainable business projects initiated in the mining affected regions



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## Localisation

**One of our key strategies is**

***To ensure that positions are localised with PNG National personnel performing all functions as soon as practically possible***

**To that effect an Employment equity plan has been developed to achieve this**

- Expatriate (Externally Recruited Employees or ERE) positions are to be considered temporary in PNG
- ERE's filling positions are to identify a PNG National (Locally Recruited Employee or LRE) to succeed them in their role
- ERE's to develop a training, knowledge transfer plan and defined training time line for a PNG National (LRE) to succeed them in their role ( Equity Plan)
- Handover plan to be developed by the ERE for handover to the nominated LRE.

Hidden Valley	ERE	LRE (male)	LRE (Females)	Females %	Total
	10	288	21	6.6%	319
Wafi Mining Ltd	ERE	LRE (male)	LRE (Females)	Females %	Total
	0	118	8	6.8%	126
Regional Exploration	ERE	LRE (male)	LRE (Females)	Females %	Total
	1	150	8	5%	159
PNG Central Services	ERE	LRE (male)	LRE (Females)	Females %	Total
	5	8	9	41%	22
Total	16	564	46	7.3 %	626

- Currently over 7% of company employees are females
- Currently 3% of company employees are ERE's
- Harmony has established agreements with the National Government and Landowners to employ females (Mining legislation and society norms inhibit the employment of females for some specific mining tasks)



## Localisation status

Harmony has been very successful in its localisation strategy to date:

- Currently over 40% of the identified localisation positions have been filled by LRE's
- Over 46% of the identified localisation positions for Managers and Coordinators at HV have been filled by LRE's
- Over 50% of the identified localisation positions for Managers and Coordinators at Wafi have been filled by LRE's
- All Harmony PNG Geologists are LRE's



## MOA Recruitment

### MOA priority – Recruitment

- Tier 1 = Landowner Groups
- Tier 2 = People of the District
- Tier 3 = People of the Morobe Province
- Tier 4 = People of Papua New Guinea
- Tier 5 = Non Citizens of Papua New Guinea

	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5	Total
Hidden Valley	111	47	28	115	18	319
Wafi Mining Ltd	96	6	3	21	0	126
Regional Exploration	72	51	10	26	0	159
PNG Central Services	0	0	9	8	5	22
<b>Total</b>	<b>279</b>	<b>104</b>	<b>50</b>	<b>170</b>	<b>23</b>	<b>626</b>

**For HV- Currently over 61% of company employees are Tier 1 and 2**

**The MOA philosophy is being applied at Wafi, albeit no MOA has been established (complying with the *intent or spirit of an MOA at Wafi* )**



## Training

Significant training programs for employees have been initiated by Harmony over the last 3 years

- Training and education is a key component of our localisation strategy
- The Company's structure and budgets have been established to facilitate this training through bursaries, scholarships and apprenticeships, together with in house courses
- Significant amounts and time are spend on internal and external training



## Educational Support

We provides educational support to both our employees and the landowner communities (over and above MOA compliance requirements)

- We support 121 Primary and Secondary school students at the Hidden Valley project
- Harmony currently supports 274 Primary and Secondary school students at Wafi
- Current expenditure for Primary and secondary schooling support in PNG is over A\$115,000 PA (landowners and employees)



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## Initiatives

- AIDS
  - Assisting HIV/Aids VCT Clinic, with awareness programs and training provided in schools and communities
  - Established HIV/Aids standards and procedures which are consistent with South African programs and the PNG Aids Council guidelines
  - HIV/Aids awareness days have been conducted in Wau
  - HIV Aids counseling training provided to Wau health workers
- General infrastructure upgrades
  - Community infrastructure upgrades for Wau and Wafi (Police Building, First aid post, road)



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## Healthcare initiatives

- We are assisting communities in the region to obtain safe and clean water supplies
- Work ongoing at primary and secondary schools for Wau and Wafi regions to provide sanitary water supply, plumbing and sewerage management
- Mobile Health Clinic program has been developed in conjunction with the Wau, Wafi and Bulolo Health Centres
- Clinics in the Wafi area are being upgraded
- Mosquito nets are being provided to Wafi villages as part of a malaria reduction programme
- Wafi Medical Centre improved and equipped to provide an greater service to the Wafi Community
- Working with Government bodies to assist in relation to Government community health initiatives within the Morobe Province



## Landowner association

The Hidden Valley project landowners formed the Nakuwi association to participate in Hidden Valley business spin offs

The Nakuwi Association comprises of;

- Nauti Investments Ltd, for the Nauti people
- Kuembu Investments Ltd, for the Kuembu People
- Winima Investments Ltd, for the Winima people



## Landowner business structure

- We assisted the HV landowners (Nakuwi Association) in establishing a commercial structure - the NKW group of companies
- Funding is provided for a Business Development Manager for NKW
- A vehicle was provided to facilitate NKW business development initiatives
- The NKW Office facility in Wau township is in operation
- Provincial and National Governments have provided A\$ 230 000 each allow the landowner business to start.



**NKW well positioned for growth:**

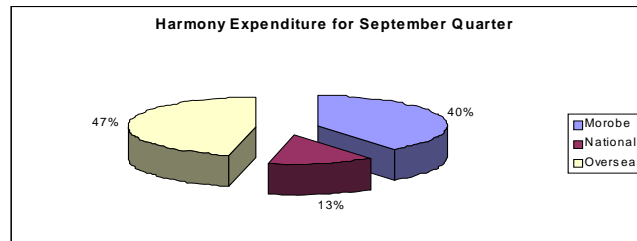
- NKW is well able to capitalise on providing to the mine goods and services
- Opportunities are made available for NKW to participate in Harmony mining related contracts
- Positioned to implement sustainable, non mine dependant, commercial activities in region.
- Harmony providing access to company owned land in the Wau township area for the development of sustainable agriculture (agreement to be signed 1<sup>st</sup> quarter 2008)

- Implemented a process to allow them for tendering and registration of interest for all contacts (Construction / Operational)
- Business development plan implemented with 6 major contracts awarded to date to landowner company NKW Holdings



Harmony committed to spending locally in PNG  
Harmony contributes significantly to the PNG economy

**Total expenditure (current) 53% of total expenditure spent in country in PNG**



- Harmony takes very seriously its social responsibilities and will endeavour at all times to ensure that Harmony PNG, is a responsible corporate citizen
- It recognises that successful development in PNG can only take place in partnership with landowner, provincial and national government