



# QUARTER 2 FY15

Graham Briggs

Frank Abbott

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[www.harmony.co.za](http://www.harmony.co.za)

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# Agenda



- 1 Value focused
- 2 Growing the value of Golpu
- 3 Financial results
- 4 Conclusion



**VALUE FOCUSED**

# Strategic scorecard



## Our strategy

Safely delivering on plans

## Our performance to date

- Safety record improved
- Production improved



Increase free cash flow through higher grades and cost control

- Grades higher
- Costs contained
- Restructuring for profitability



Retain flexible balance sheet

- Keep net debt low



Complete Golpu studies and build mine

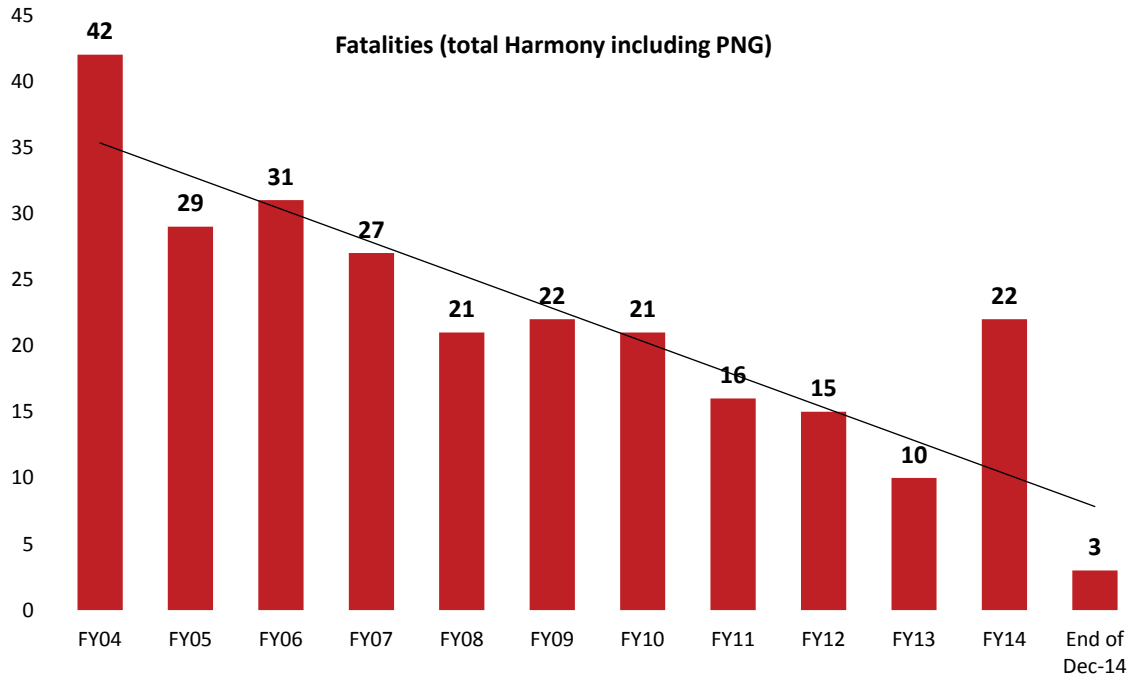
- Low capital
- High grades
- Staged development
- Robust returns
- Lowest quartile costs



# Improved safety



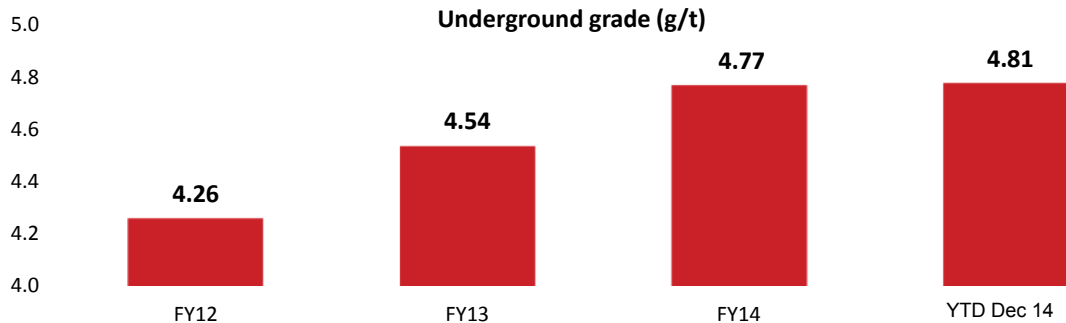
- During December 2014 quarter, the SA operations had zero fatalities



# Positioned to deliver long term value



- Golpu is spectacular and will drive down our costs
- Restructuring our asset portfolio to enhance margins
  - Target 3 placed on care and maintenance
  - Kusasaletu – restructuring in progress
  - Increase in underground grade year on year



# Operational results (q-on-q)



		Dec 2014 quarter	Sep 2014 quarter	% change
Gold produced	kg	8 459	9 435	(10)
	oz	271 963	303 341	(10)
Gold price	R/kg	432 963	443 690	(2)
	US\$/oz	1 200	1 282	(6)
Cash operating costs	R/kg	357 111	355 693	-
	US\$/oz	990	1 028	4
Underground recovery grade	g/t	4.78	4.84	(1)
Production profit	Rm	618	913	(32)
	US\$m	55	85	(35)
All-in sustaining costs	R/kg	455 202	431 063	(5)
	US\$/oz	1 262	1 245	(1)
Average exchange rate	R/US\$	11.22	10.77	4



# Delivering in line with our plans



Operation	Annual production guidance – average per quarter (oz)	Q2FY15 gold production (oz)	Plan achieved
Kusasaletu #	47 500 - 50 000	24 917	✘
Doornkop	23 750 - 26 250	23 374	✔
Phakisa	23 750 - 26 250	24 852	✔
Tshepong	33 750 - 36 250	38 902	✔
Masimong	20 000 - 21 250	22 666	✔
Target 1	30 000 - 32 500	32 472	✔
Bambanani	20 000 - 22 500	21 348	✔
Joel	17 500 - 20 000	20 223	✔
Unisel	13 750 - 15 000	15 143	✔
Target 3 <sup>1</sup>	0	1 318	✔
<b>Underground operations</b>			
Hidden Valley	25 000 - 27 500	21 541	✘
Various surface	15 000 - 17 500	14 179	✘
Kalgold	10 000 - 11 250	11 028	✔
<b>Total production guidance</b>	<b>~ 300koz</b>	<b>271 963</b>	<b>✘</b>

# Note that a new plan for Kusasaletu is currently in the process of being completed

<sup>1</sup> Target 3 was placed on care and maintenance in October 2014

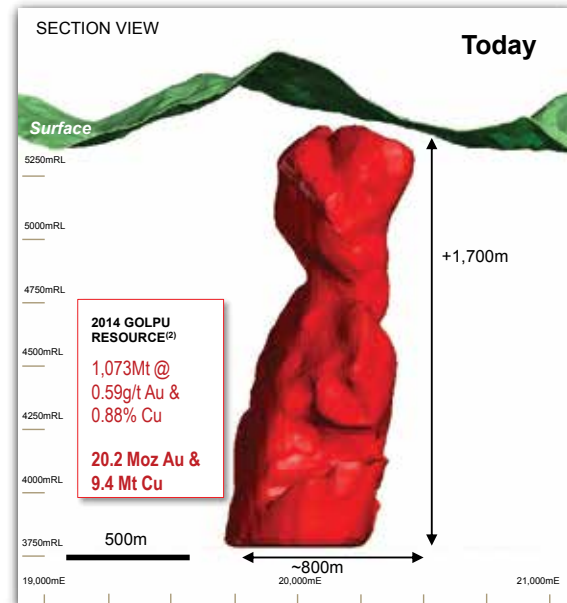
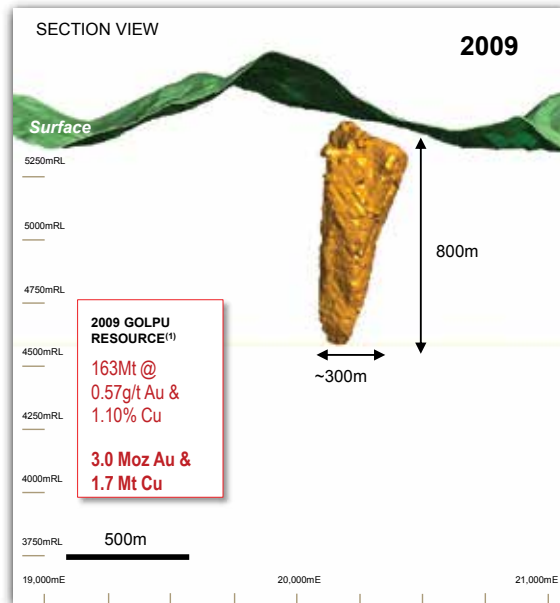


# GROWING THE VALUE OF GOLPU

# Resource growth from 2009 to today

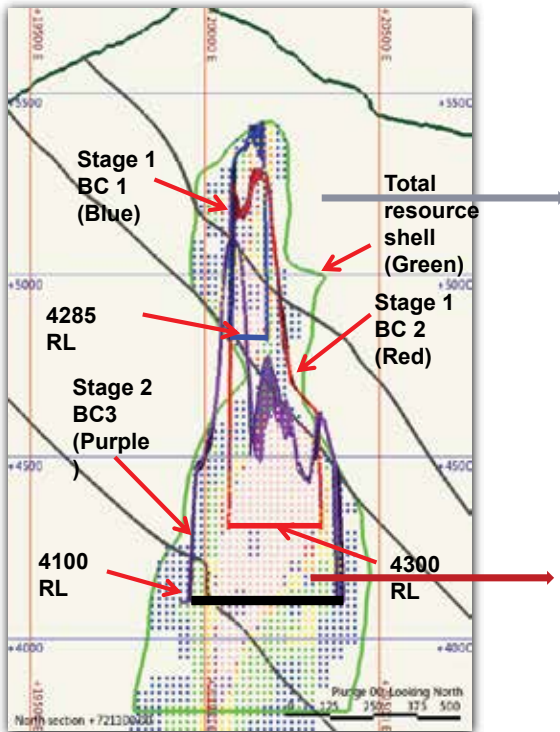


- Golpu is a globally significant resource
- Next phase for the Golpu project - commencement of Feasibility Study



1. Harmony Annual Statement of Mineral Resources and Reserves as at 30 June 2009  
2. Harmony Annual Statement of Mineral Resources and Reserves as at 30 June, 2014  
Resource figures quoted on 100% basis

# Golpu – a spectacular ore body



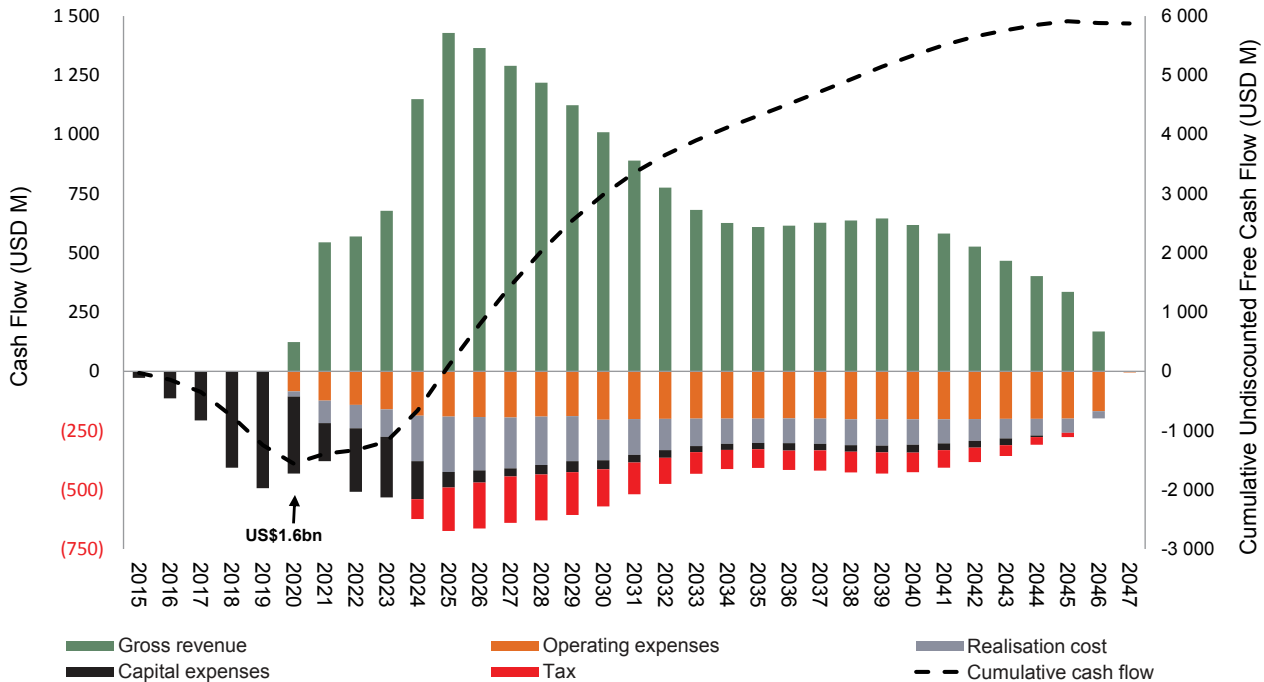
## Stage 1 (BC1 and BC2)

- Advanced exploration to start June 2015
- Feasibility study to be completed end 2015
- First production in 2020
- End of life estimated 2047

## Stage 2 (BC3)

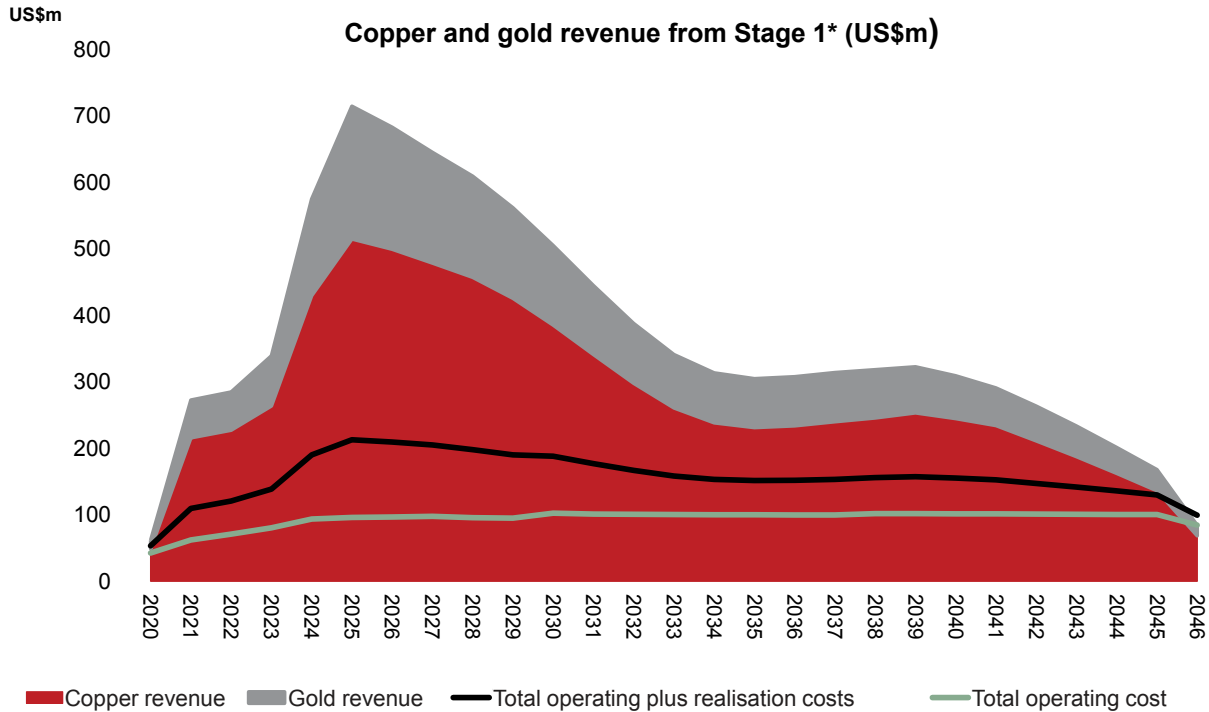
- Updated prefeasibility study to be completed end 2015
- Start of Stage 2 production 2044
- End of life estimated 2085

# Stage 1 – maximising free cash flow (100%)



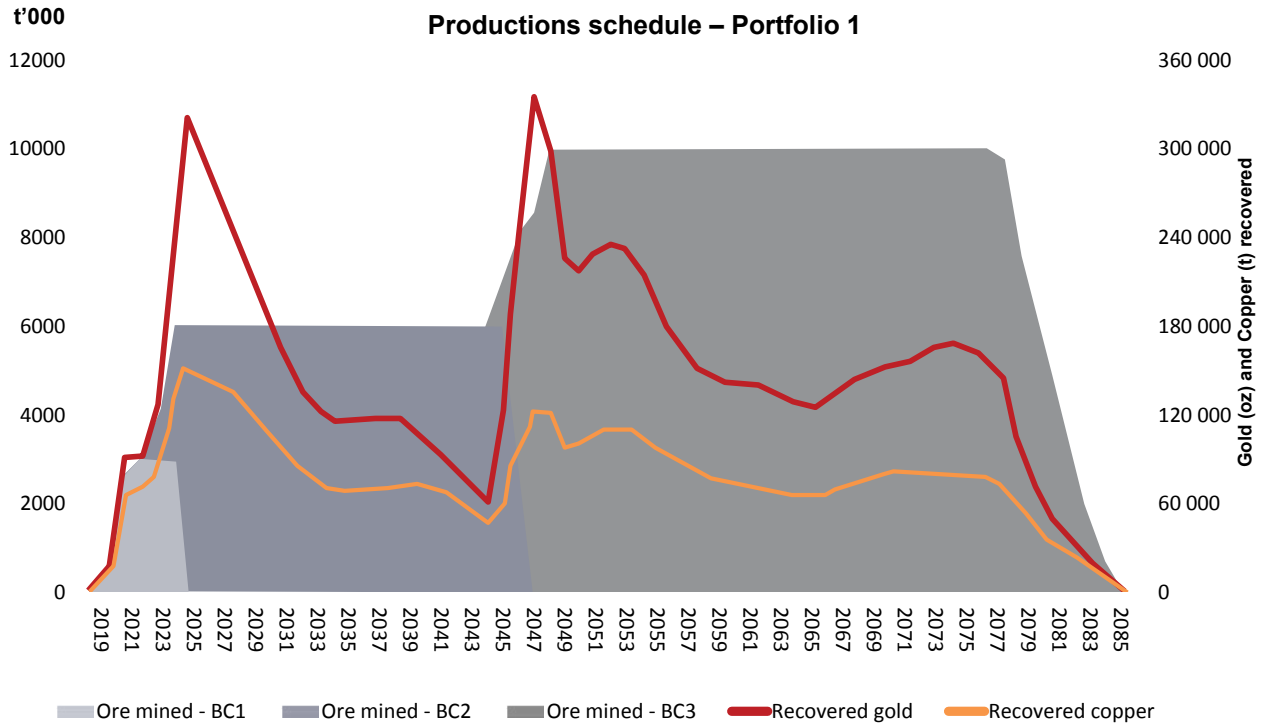
• Cumulative cash flow of US\$5.8bn over life of Stage 1

# Golpu's gross revenue (50%)



\*Copper price US\$3.10/lb and gold price US\$1250/oz

# 70 year production profile



# Funding Golpu



	Harmony equity (50%)	Harmony equity (35%) PNG Government buy-in	Funding options for Harmony
Year	Project capital US\$m	Project capital US\$m	
2H FY15	(15)	(15)	• Internal cash flows
FY16	(55)	(55)	
FY17	(105)	45*	
FY18	(205)	(140)	• Internal cash flows • Debt finance • Copper funding
FY19	(250)	(175)	
FY20	(155)	(110)	
<b>Total</b>	<b>(785)</b>	<b>(450)</b>	

From FY21 Stage 1 will be cash flow positive after capital expenditure

\*Assuming PNG government buys a 30% interest in the project



# Golpu - a capital project that will drive down costs



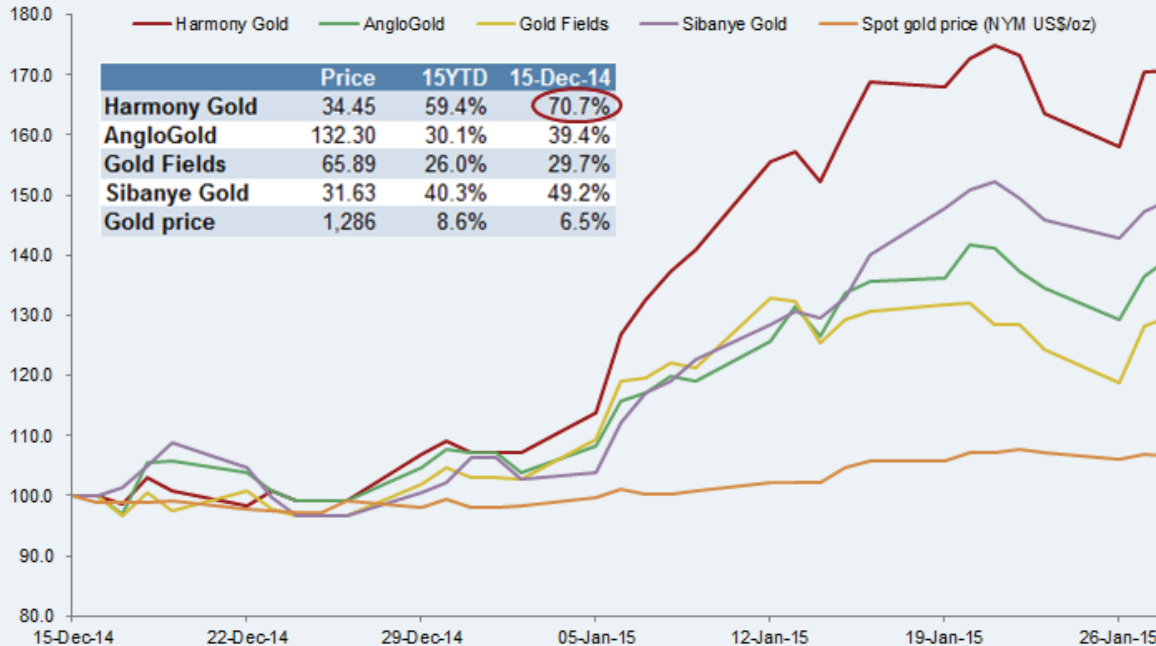
Description (Stage 1 100%)	Unit	6Mtpa Block cave
<b>Capital</b>		
Project capital	US\$bn	2.3
Sustaining capital	US\$bn	0.8
Total life of Stage 1 capital	US\$bn	3.1
Maximum negative cash flow	US\$bn	1.6
<b>Operating</b>		
Total operating cost (real)	US\$/t	34.6
Cash cost (C1) (after gold credits)	US\$/lb Cu	0.78
Total production costs* (after gold credits)	US\$/lb Cu	1.42
Cash costs (after copper credits)	US\$/oz Au	~ negative 1 700
Total production cost* (after copper credits)	US\$/oz Au	~ negative 950

\*Includes capital

# Golpu – a potential game changer for Harmony



Relative share price performance of peers (rebased to 100 on December 15, 2014)



Source: FactSet as of 28 January 2015



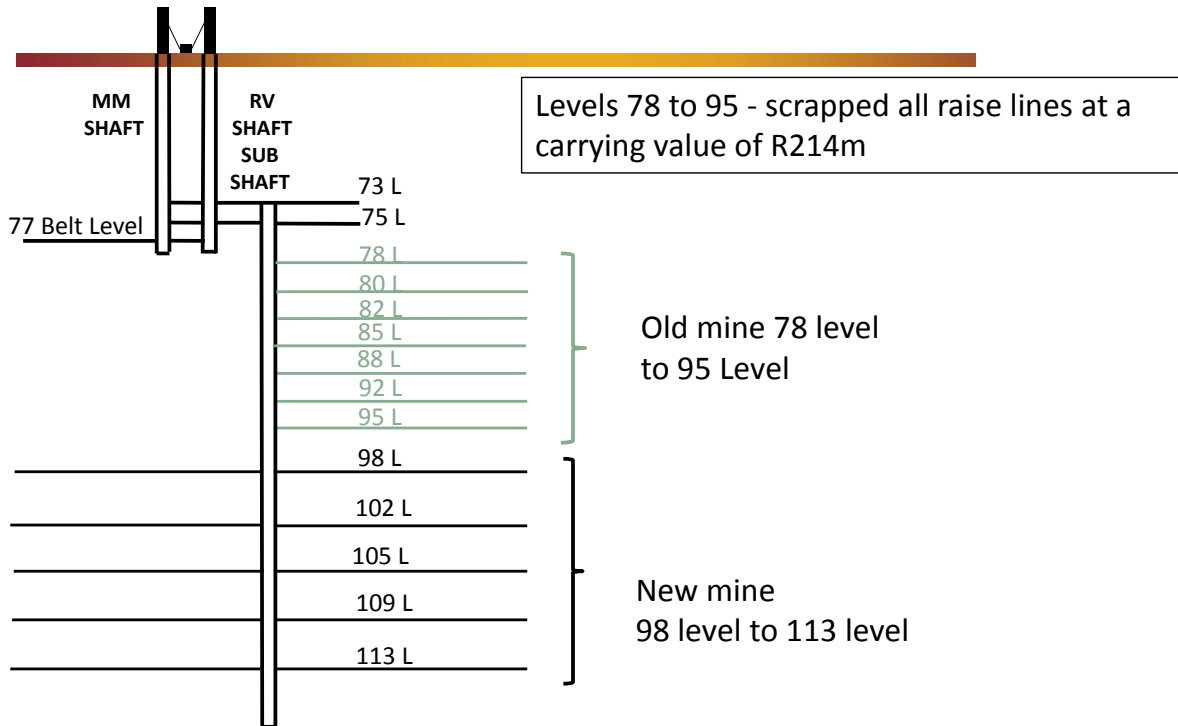
# FINANCIAL RESULTS

# Restructuring for profitability



- Optimised life of mine process – removed lower grade and unprofitable areas, which resulted in scrapping of the carrying values
  - Masimong: R216 million
  - Kusasaletu: R214 million
- Termination and restructuring costs/provisions: R182 million
  - Ernest Oppenheimer Hospital
  - Target 3
  - Kusasaletu
  - Management

# Kusasaletu – reduced carrying value

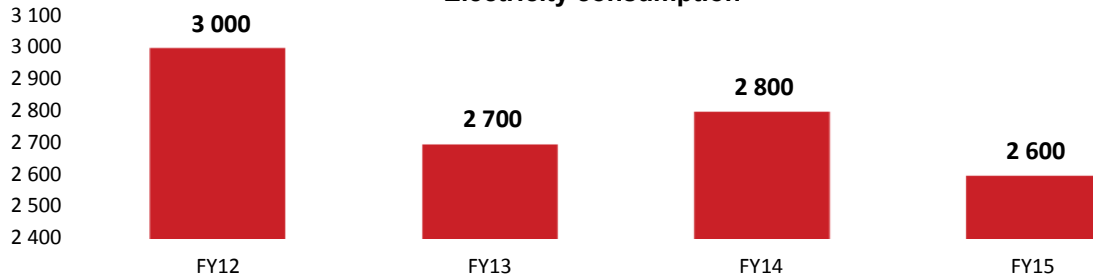


# Efficient electricity consumption...but costs increasing



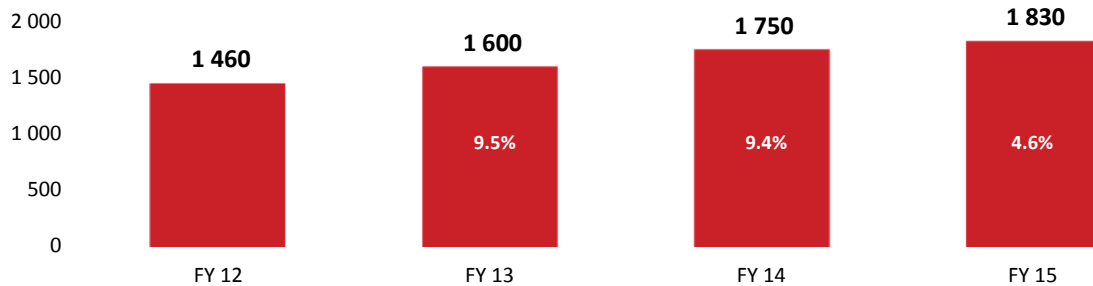
GWh

## Electricity consumption



Rm

## Electricity costs



## Extract from income statement (q-on-q) – Rand



	Dec 2014 quarter (Rm)	Sep 2014 quarter (Rm)	% change
Revenue	3 715	4 431	(16)
Production costs	(3 096)	(3 518)	12
Cash operating costs	(3 021)	(3 356)	10
Inventory movements	(75)	(162)	54
Production profit as per operating results	619	913	(32)
Amortisation and depreciation	(602)	(650)	7
Employment termination and restructuring costs	(182)	(48)	>(100)
Loss on scrapping of property, plant and equipment	(430)	-	(100)
<b>Net loss</b>	<b>(856)</b>	<b>(266)</b>	<b>&gt;(100)</b>
Loss on scrapping & other adjustments (net of tax)	360	-	100
<b>Headline (loss)</b>	<b>(496)</b>	<b>(266)</b>	<b>(86)</b>

# Extract from income statement (q-on-q) – US\$



Extracts from income statement and operating results	Dec 2014 quarter (US\$m)	Sep 2014 quarter (US\$m)	% change
Revenue	327	412	(21)
Production costs	(276)	(327)	16
Cash operating costs	(269)	(312)	14
Inventory movements	(7)	(15)	53
Production profit as per operating results	51	85	40
Amortisation and depreciation	(54)	(60)	10
Employment termination and restructuring costs	(16)	(4)	>(100)
Loss on scrapping of property, plant and equipment	(38)	-	(100)
<b>Net loss</b>	<b>(79)</b>	<b>(25)</b>	<b>&gt;(100)</b>
Loss on scrapping & other adjustments (net of tax)	32	-	100
<b>Headline (loss)</b>	<b>(47)</b>	<b>(25)</b>	<b>(88)</b>
Average exchange rate (R/US\$)	11.22	10.77	4



# Cash flow statement analysis (q-on-q) – Rand



Cash flow analysis	Dec 2014 Qtr (Rm)	Sept 2014 Qtr (Rm)
Other SA ops (excl. Kusasaletu)		
Operating cash flow	722	758
Capex	(548)	(451)
	<b>174</b>	<b>307</b>
Kusasaletu (incl. capex)	(236)	(71)
Hidden Valley (incl. capex <sup>1</sup> )	(67)	46
Restructuring	(106)	(47)
Other	(170)	(126)
Working capital change	(382)	343
Rand Refinery shareholder loan	(120)	-
<b>Net (decrease)/increase in cash</b>	<b>(907)</b>	<b>452</b>
Cash balance	1 374	2 281
Debt	3 121	3 052
<b>Net debt</b>	<b>(1 747)</b>	<b>(771)</b>

(1) Includes stripping activities of R65 million in the December 2014 quarter (September 2014: R34 million)

# Cash flow statement analysis (q-on-q) – US\$



Cash flow analysis	Dec 2014 Qtr (Rm)	Sept 2014 Qtr (Rm)
Other SA ops (excl. Kusasaletu)		
Operating cash flow	64	70
Capex	(49)	(42)
	<b>15</b>	<b>28</b>
Kusasaletu (incl. capex)	(21)	(7)
Hidden Valley (incl. capex <sup>1</sup> )	(6)	4
Restructuring	(9)	(4)
Other	(16)	(12)
Working capital change <sup>2</sup>	(35)	21
Rand Refinery shareholder loan	(11)	-
<b>Net (decrease)/increase in cash</b>	<b>(83)</b>	<b>30</b>
Cash balance	119	202
Debt	270	270
<b>Net debt</b>	<b>(151)</b>	<b>(68)</b>

(1) Includes stripping activities of US\$6 million in the December 2014 quarter (September 2014: US\$3 million)

(2) Includes foreign currency translation adjustments



# CONCLUSION

- Only safe, profitable ounces will be mined
- Restructuring operations will create a profitable and cash generative Harmony
  - aim to produce approximately 1.1 to 1.2Moz at a total cost including capital of approximately US\$1 150 – 1 250/oz (R420 000 - R440 000/kg) in FY15
- We plan to develop Golpu
- Diversified risk portfolio with gold and copper exposure

# QUESTIONS?



## CONTACT US

Email: [HarmonyIR@harmony.co.za](mailto:HarmonyIR@harmony.co.za)

[www.harmony.co.za](http://www.harmony.co.za)

## OUR KEY VALUE DRIVERS

1. We are efficient miners
2. We fund our capital to ensure future growth and profitability
3. We are experienced explorers, mine developers and operators in emerging economies
4. Golpu will develop into a world-class copper-gold mine

JSE (HAR)  
NYSE (HMY)

