Harmony Results – 30 August 2023

PETER STEENKAMP

I think that everybody's in the room. Good morning and welcome. A special word of welcome to Martin Prinsloo, one of our non-executive directors that joined us today, Martin, really appreciate to be here, obviously, the rest of my executive team, thanks for also joining us, and then obviously everybody else. For those who don't know, my name is Peter Steenkamp, CEO of Harmony, and it's a pleasure to be here today to presenting the full year results of the financial year that ended on the 30th of June 2023, of June sorry, at the end of June. Please take note of our Safe Harbor statement. Let's start with the company's strategy and the update on our excellent performance for this financial year. Our strategy is aimed at long term value creation. We achieve this through the production of safe profitable ounces and improving margins through operational excellence, and value accretive acquisitions. Harmony is a specialist gold producer with a growing international copper footprint. We have over 73 years of gold mining experience in South Africa, and have been operating for almost two decades in Papua New Guinea. During the financial year, we added a tier one mining jurisdiction with the acquisition of EVA copper in Australia. At 1.47 million ounces, we are South Africa's largest gold producer by volume, and have a diversified portfolio of operating assets, which include gold, silver, and uranium. We have nine underground mines, two open pit mines, and various tailings retreatment operations. Our gold tailings retreatment business, or recycling as you may know it, is the largest global and said to grow, my performance in a circular economy. Our latest mineral resource and mineral reserves declaration is 138 million ounces, and 39 million ounces respectively. This is a substantial resource base, and our pipeline of projects presents an incredible opportunity to convert these resources to higher quality reserves. In addition to the various projects we have in South Africa, the tier one Wafi-Golpu Project in Papua New Guinea, and Eva copper in Australia provide us with a sizable international copper gold footprint. Mining with purpose ensure all our stakeholders shared in the benefit of the minerals we extract, and in our presentation today we will provide further insights and how we create long term value for all. To ensure continued positive returns, we are directing major capital towards high quality assets and projects. Our four strategic pillars support our Planning and Investment Decisions. These capital investments will drive down costs and improve margins, transforming Harmony into a high quality gold and copper producer. Our South African high grade and optimized underground mines are delivering strong operational free cash flows to support our growth operations. Our high margin South African retreatment operations in the Free State, West Wits and Vaal River region are low risk, and support our contribution to the circular economy. These operations all continue supporting our international copper, gold growth aspirations.

This financial year was a landmark year for Harmony, not only that we again deliver against all guidance matrix, but our expansion into Near-term copper took hold. We have built up an incredible momentum, supported by an improved safety performance. Group last time injury frequency rate per million hours worked, improved to 5.49. This has remained below 6 for two consecutive financial years, the first in our 73 year history. This is a monumental achievement for deep level mining in South Africa, and affirms our commitment to improving safety. Gold production remains steady year on year, we produce 1.47 million ounces, which was towards the upper end of the guidance, despite the closure of Bambanani at the end of the 2022 financial here. Underground recover grades exceeded the upper end of the guidance, improving by 8%, to 5.8 grams a ton. Our costs remained under control with all in standing costs below that guidance of around 890,000 Rand per kilogram. This was an increase of only 6%, and well below our planned annual increase of between 8 and 9%. I'm very pleased with this achievement, especially in the current inflation rate environment. We deploy 2 billion Rand in major capital towards our high margin growth projects. On the back of the good operational performance, we generated 6 billion in operating free cash flow, an increase of more than 100%. This enabled us to maintain our strong flexible balance sheet, with nett debt to EBITDA at 0.2 times. Although we are now in a period of high capital expenditure, it remains our goal to return capital to shareholders. This is in line with our dividend policy and alongside our overall growth strategy. I'm therefore delighted to announce a final dividend of 75 South African cents, or 4 US cents, as a result of the strong group performance in the 2023 financial year.

This financial year marks seven years since we embarked upon our safety transformation journey. We have made tremendous progress and risk management is now embedded throughout Harmony. Harmony has adopted a proactive approach to safety. We have a centralized operational risk management team providing support to all our operations, through digitalization and modernization we have real time dashboards to monitor a leading indicators. In fact, we now monitor over 9 million gold controlled data points. This ensures we prevent significant unwanted events before they occur. As a company we have embraced the culture of learning and strive for continuous improvement. Our cultural transformation journey has reached 75% completion to date, and we are progressing with this through to regular visible felt leadership engagements, along with other safety awareness initiatives across our operations. We continue to equip our teams through ongoing leadership development and training, and I'm confident we are in the right track and firmly believe that zero loss of life is possible. As I mentioned, our group lost time injury frequent rate is below six for two consecutive financial years, our loss of life injury frequency rate declined to 0.06 per million hours work. Now this is the lowest in the company's history. Despite this improvement, we tragically lost six of our colleagues through the financial year. Now Harmony and it’s tripartite partners are continually engaging to learn from these tragedies and ensure that these incident did not happen again. Each employee is part of the Harmony family, and we deeply mourn each and every loss of life. Taking care of the Harmony family requires a holistic approach to safety and health. The prevention of work-related illnesses and mental wellbeing is of critical importance as we aim to go beyond zero harm.

Our decarbonisation strategy has gained significant momentum, and phase one of our renewable energy program is now complete. This program will deliver 360 megawatt renewable and alternative energy sources by financial year 2026. Phase one is now generating 30 megawatts of solar energy, delivering green electrons to our Free State operations. This represents approximately 20% of our peak Free State operations demand, and around 6% of our peak daytime demand for our South African operations. Construction of phase two will commence in this financial year. This will add another 137 megawatt renewable energy generation capacity. The first 100 megawatt will be constructed at Moab Khotsong, largely funded using the 1.5 billion green loan that was secured in June 2022. The remaining 37 megawatt will be delivered through a power purchase agreement as with phase one. Once completed phase one and two will generate a combined 167 megawatt. Now this is approximately 30% of our peak South African operations daytime demand, and will save an estimated 425 million per annum in electricity cost. This will help us achieve our goal of carbon nett zero by 2045 and reduces pressure on the South African grid.

Mining with purpose is what we are all about. True sustainability is embedded in all our decisions. And at Harmony we believe in actions over words. As a result, we continue to receive positive external recognition for our efforts in sustainability. We have been included in the FTSE4Good index for the sixth consecutive year placing us in the 95% percentile. Our inclusion in the Bloomberg Gender Equality Index for the fifth consecutive year is testimony to how we foster gender diversity and inclusivity. We have received a score of “A” from the CDP, for our best practice water management strategy, and our near term and longer term carbon reduction targets have been validated by the science based targets initiative, as we aim for nett carbon zero by 2045. Our decision making is informed by our sustainable development framework. We balance all aspects of E, S and G. We support the circular economy through effective waste management, through waste rock and tailings retreatment. We also donate waste rock dumps to our communities for aggregate production. We promote good water stewardship, prioritizing the cycling and efficiency used by the scarce resource. And we contribute to the resilience and prosperity of our host communities through benefit sharing. This makes Harmony the partner of choice. Harmony continues this exciting growth journey supported by clear strategy deliver on its objectives. Since we embarked on our growth strategy in 2016, we have demonstrated our ability to create shared value through effective capital allocation. This is an ongoing and integrated process, to find the optimal mix ensuring we deliver to our strategy. We have prioritized capital to drive safe and productivity improvements, through our safe 300 or S300 program. This program aims to achieve the safe blasting of 300 square meter per crew, per month, on average in the company. Not only will this further improve our safety performance, but also significantly enhance margins as a result of the various productivity and cost saving initiatives. Now in anticipation of EVA Copper and other key projects, we have maintained a strong and healthy balance sheet, and intent keeping our nett debt to EBITDA below one time. Through effective capital allocation we have first of all lowered our overall risk profile, improved our margins, demonstrate our ability to generate meaningful returns, and converted our resources to reserves, thereby extending our production profile. With 138 million ounces of mineral resources, and 39 million ounces of mineral reserves, Harmony presents a substantial opportunity to invest in exciting gold copper story. Our international copper project now represents 23% of our mineral resources. The EVA Copper in Australia, and Wafi-Golpu in Papua New Guinea. Our 2024 financial year declared mineral resources have increased by 4%, year on year, but our mineral reserves have remained steady. There is therefore upside potential to our reserves once EVA Copper, and Kerimenge extension feasibility studies are complete. With only around 26% of our reserves in South African underground mining, our production profile has been significantly de-risked, and the balance of our future productions will come from, first of all South African surface gold, P&G Copper and Gold, and in time Australian copper.

We therefore offer counter cyclical diversification through our lower risk and well diversified gold and copper portfolio. Our quality growth pipeline will unlock further value as we take our projects up the value curve. We are conducting various exploration drilling activities across all jurisdictions. These include the regional drilling in the EVA Copper surrounding tenements. Drilling at Target north in the Free State is nearing completion. We are also conducting brownfield exploration drilling at Joel to determine the possibility of deepening this mine. Pre-feasibility studies include the Kerimenge heap leach project near Eden Valley, and expanding our surface sources to convert the 5.7Moz in mineral resource to reserves. We have communicated the EVA Copper feasibility study will be updated at the end of the year. We expect to have the results in the third quarter of the 2025 financial year. We are also finalizing the feasibility studies to determine whether we can extend Mponeng safely and profitably. Mponeng has 24 million ounces in mineral resources, at an estimated reserve grade of 13 grams per ton. This could potentially add 25 years to the existing life of mining at Mponeng. Having signed a non-binding framework for MOU in April this year, we have taken significant steps closer to obtaining the mining development contract for Wafi-Golpu. This is a prerequisite for the granting of a special mining lease. Our other projects in execution are Zaaiplaats, the 9 grams per ton high-grade life of mine extension project at Moab Khotsong, Kareerand which is extending the tailing surface facility at mine bay solutions adding 14 year life of mine. The Doornkop extension of 107 and 212 levels, and the Hidden Valley extension, with stage 8 cut back now underway.

We are investing in quality ounces, now to deliver even stronger future cash flows and higher margins. This profile is purely for illustrative purposes and includes both approved plans and projects still in feasibility. This paints a very healthy picture for the future of the company, assuming current gold prices and exchange rates. As thing stands, Harmony could remain a 1.4 million ounce producer well into the future. This excludes any potential value accretive acquisitions that form part of our strategy. There is significant potential within our asset base for further value to be unlocked for all Harmony stakeholders. In order to achieve our growth plans, high capital expenditure is necessary. Our growth capital will increase, this is due to our sequence of projects which I have already discussed. It is however important to illustrate that our sustaining Capex, or Capex required to keep operations going, has remain consistent. Sustaining capital will increase in the 2024 financial year due to development as we maintain operational flexibility, and at Hidden Valley we are investing in necessary fleet replacement and continue with stage seven and eight cut backs as we extend the life of mine. To benefit from future returns, investment in our assets is required now. An exciting growth story attracts the best talent. Now earlier this year, we announced a change in operational structure in support of our growth ambitions. We have a diverse and highly skilled senior management team with over 320 years of combined experience. Note that 40% of our senior team is female, something we continue to celebrate, especially as we near to the end of the women's month in South Africa. Beyers Nel is now our Group Chief Operating Officer, oversees our global mining operations, and he will take you through the operational performance for FY 23. Thank you Beyers.

BEYERS NEL

Thank you, Peter. The strong full year results were predominantly driven by excellent recovered grades from our South African underground operations. However, most of our operations performed consistently throughout the year. Year on year, gold production was steady at around 46 tons, with a small decline mainly due to the closure of Bambanani mine at the end of 2022 financial year. If you were to adjust for Bambanani, group production increased by 2%, and underground recovered grades increased by 8% to 5.8 grams per ton. Now all in sustaining costs increased by 6%, mainly due to inflationary increases in consumables, the ongoing project at target one, and some lower grades at Kusasalethu. Despite global inflationary pressures, we kept the all in sustaining costs below the guided 900,000 Rand a kilogram. Capital expenditure increased by 23% to 7.6 billion as we progress well on our major capital projects. All in sustaining costs, which include major capital expenditure increased by only 9% to 940,000 Rand per kilogram. I am pleased to report that operating free cash flow increased by 108% to 6 billion in this financial year. Comparing the fourth quarter to the third quarter of 2023 financial year, all operating metrics improved. This strong momentum is continuing into the new financial year. Our South African high grade underground operations have been the driver of our solid operating free cash flows due to their good margins. These South African high-grade operations contributed 31% towards group production, and generated 3.5 billion in operating free cash flow, at a margin of 23%. This represents 57% of group operating free cash flows. Our South African optimized underground portfolio contributed 42% to group production, at 1.1 billion or 19% to group operating free cash flow. Our South African surface operations contributed 18% towards group production, and generated 835 million in operating free cash flow. Margins at the South African surface operations, surface operations rather, remains suppressed, due to the large capital project underway at Mine Waste Solutions. Hidden Valley, or our international quadrant, contributed 9% to total production, and 600 million in operating free cash flow was generated at a 14% more margin after a very strong fourth quarter from the Hidden Valley mine. Moab Khotsong continue to transform the Harmony portfolio due to the high grades and good volumes. Production from these mines increased by 12%, while all in sustaining costs decreased by 2%. And Mponeng delivered a phenomenal performance with recovered grades improving by 16% to 8.4 grams per ton. This is now our lowest cost underground mine with all in sustaining costs improving by 9%, to about 784,000 Rand a kilogram. As a result, Mponeng generated 2.1 billion, or 35% of total group operating free cash flow in this financial year. Moab Khotsong also delivered a strong performance with grades improving by 7%, to 7.3 grams per ton, and production increasing by 2% to nearly 6700 kilograms.

Moving on to the South African underground optimized operations. These underground mines are highly leveraged to the Rand per kilogram gold price, and play a critical role in funding our growth aspirations. Operating free cash flows increased fourfold to 1.1 billion, while average recovered grades increased by 6% to 4.9 grams per ton. All in sustaining costs increased by 11% to almost 990,000 Rand a kilogram, mainly as a result of the ongoing project to target one, and lower grades at Kusasalethu. Pleasingly, the unbundling of Tshepong operations delivered as we had planned, both Tshepong North and Tshepong South delivered strong operational performances and positive operating free cash flow. Joel was also profitable as margins normalized, after the completion of the decline project. At Target one, the optimization project is nearing completion and the mine is regaining flexibility. We expect an improved performance in the second half of the 2024 financial year. Part of our strategy is to unlock value in our existing operations through Brownfields exploration. During our financial year 2024 planning cycle, despite depletion during 2023 financial year, the life of mine of Masimong remained the same, at two years, and Kusasalethu, we added one year for a three year life. At both these mines we have identified blocks of ground with good potential to support this expansion. The Harmony surface source operations remain high margin and low risk assets, with strong cash flows. Surface source production decreased by 8% to 7.5 thousand kilograms, 7500 kilograms, apologies, as we continue to mine out available surface sources. All in sustaining costs increased by 12% to 764,000 Rand a kilogram, mainly due to above inflation price increases in consumables and specifically reagents. Very good operating free cash flow margins were achieved at Phoenix, 39%, central plant reclamation, 40%, and Savuka tailings 45%. The operations returned 835 million in operating free cash flow, and this despite the 822 million in major capital, which was deployed at Mine Waste Solutions. At Mine Waste Solutions, the Franco Nevada streaming agreement will end in the 2025 financial year. This will have a positive impact on revenue and margins, as 25,000 ounces of gold can be sold at spot gold prices.

Lastly, let's touch on our international portfolio. Production from Hidden Valley mines increased by 18%, to 4400 kilograms, while all in sustaining costs remained steady at just over 1 million Rand per kilogram. Hydro electricity supply from the state utility normalized in the fourth quarter, reducing diesel consumption. There was a 56% improvement in recovered grades to 1.6 grams per ton in the fourth quarter, and for this financial year, recovered grades remained steady at 1.1 grams per ton. As a result of the very strong first quarter operating free cash flow increased by over 100% to 600 million Rand. I will now hand over to our Financial Director Boipelo Lekubo to discuss the financial performance. Thank you.

BOIPELO LEKUBO

Okay, thank you Beyers and Peter and well done to the operational teams for delivering stellar results. I'm delighted to report a strong set of financial results for the 2023 financial year. Please note that all US dollar figures are in the annexure. Group revenue increased by 16% to 49 billion Rand from 42 billion, on the back of higher underground recovered grades and a higher average gold price received. Headline earnings on the other hand per share increased by an outstanding 60%, to 800 South African cents. Nett profit also increased significantly to 5 billion Rand, from a nett loss of 1 billion in the previous reporting period. Although nett debt increased to almost 3 billion Rand post the EVA Copper acquisition, EBITDA for the financial year increased by 55% to 12 billion Rand. We were able to repay approximately 2 billion Rand in debt on the back of strong operating free cash flows of 6 billion Rand. Nett debt to EBITDA was reduced to 0.2 times after reaching 0.6 times, post the Copper acquisition. There was therefore minimal change in our nett debt to EBITDA year on year as we maintained balance sheet strength.

As Peter and Beyers mentioned, costs continue to be well managed in a high inflationary environment. With planning foresight, our cost increases are predictable and controlled. Total cash operating costs increased by only 5% to 736,000 Rand a kilogram. Labor and electricity form the largest component of our cost base. Labor increased by 6%, or roughly 20,000 Rand a kilogram, mainly due to salary increases. Electricity costs increased by 10% or 13,000 Rand a kilogram, due to annual tariff increases from Eskom. Electricity cost increases were offset by our effective energy efficiency program. Consumables increased by 23%, or 40,000 Rand a kilogram year on year, mainly due to increase cyanide prices and diesel usage at Hidden Valley. In US dollar terms, our total cash costs decreased by 10% to just under $1,300 an ounce. Our nett debt to EBITDA has trended downward since 2018, and despite our various acquisitions we've kept comfortably below one time. Our balance sheet remains robust and flexible, with over 7 billion Rand in available headroom. This places Harmony in a very strong position to fund future projects, including EVA Copper, and observe, absorb rather any adverse changes in the gold price. Harmony has always been a highly leveraged player on the Rand per kilogram gold price, and you'll note that for every 100,000 Rand a kilogram increase in the gold price, Harmony would generate between 3 billion and 4 billion in additional free cash flow in the 2023 financial year. Currently, the gold price is at around 1150 thousand Rand, or, no, I wish 1,150,000 Rand a kilogram, providing us with significant tailwind and strong operating free cash flows. It is because of this volatility that we have an effective hedge strategy in place. The gold hedge book is currently filled to the 20% limit, at an average hedge cover of a million, 1.1 million Rand a kilogram for the 2024 financial year, and an average of around 1.3 million Rand a kilogram for the 2025 financial year. So please just refer to our hedge table in the next show for further details. Our capital allocation framework has created a strong growth pipeline, whilst allowing us to maintain a healthy balance sheet. As Peter mentioned earlier, we are pleased to announce a final dividend of 75 South African cents, or 4 US cents per share. This is a final dividend of about, dividend yield of about 1%. The payment of a dividend demonstrates confidence in our plans and our ability to pay a dividend alongside our growth aspirations. Thank you, and Peter back to you too close.

PETER STEENKAMP

Thanks Boipelo and Beyers for the presentation. Ja, you know, the financial directors used to be much longer in the past, you know, although Franks was also a very short one at the time.

So Harmony has a sizable and exciting project pipeline ahead. We have planned such that our projects capital is well sequenced and manageable. Our projects are catalysts to meaningful expense in margins over the next four years, as we continue driving costs down. In the 2025 financial year, the mine way solutions extension is expected to come, to be completed, and the Franco Nevada streaming contract will come to an end, as Beyers mentioned. Stage 8 waste stripping at Hidden Valley is expected to be completed by 2026 financial year, and this will result in a significant improvement in operating free cash flow margins at this mine. We expect to deliver our first copper from the EVA Copper project in 2027 financial year, and this is subject to the updated feasibility study being approved. In addition, we will also see the first gold from Zaaiplaats project at Moab Khotsong in the financial year 2027. Production from Wafi-Golpu is contingent to the special mining lease, and once in production, it will move Harmony into the first quartile cost producer.

Our investment in our people, quality ounces and operational excellence continue to yield results. Over the past few years, we have shown resilience, and demonstrated our ability to deliver to plan. Regardless of the challenges that we might face. We have created the necessary flexibility to maintain the strong momentum we have built at our mines. Our cost base is stable and predictable, and we have implemented good controls in ensuring our cost increases are in line with our plans. In short, we have improved our safety performance and engineered a higher quality and diversified portfolio. We have delivered operational consistency and strong free cash flows. What we achieved in this financial year demonstrates our succeeding in our goal. So, Harmony is a specialist gold producer with a growing international copper footprint. Embedded sustainability practices combined with quality ounces, and long reserve life, enable us to continue delivering long term value to all our stakeholders. Our mining team have strong technical skills and exploration capabilities to take our projects up the value curve. You had exposure to the Rand per kilogram gold price, provides us with strong tailwinds, but we focus on what we are able to control. With a flexible and robust balance sheet we are well positioned to deliver on our operational plans. Production guidance for the group for financial year 2024 is between 1.38 million to 1.48 million ounces, at an all in sustaining cost of less than 975,000 per kilogram. Underground recovery grade is guided to between 1.6, or 5.6 and 5.75 grams per ton. I am incredibly proud of what our team achieved in this last financial year. I would like to take this opportunity to thank each Harmonite for their contribution. I'm confident that we will achieve new heights in the year ahead. Thank you to our shareholders and stakeholders for your support and sharing in the Harmony story. Let us take questions from the audience, after which we will tend to the questions posted online on the conference facility. Jared, you will take the questions of the audience. I think let us sit there, then we can attend to…

QUESTIONS AND ANSWERS

RENE HOCHREITER
Hi, Peter, it’s Rene Hochreiter from Noah Capital. Once again, well done with your results. Excellent. Thank you. Could you give us some guidance on the nett debt to EBITDA over the next eight years as you roll out your various projects.

BOIPELO LEKUBO
I'll take that, Renee. I'm not gonna guide net debt to EBITDA over the next eight years. What we can do, I mean, currently we're sitting at 0.2. We target levels below one, but with an acquisition or, you know, obviously with the funding of EVA looming, we can stretch that up to 1.5. If you have a look at the EBITDA that we generated for the FY 23, there is a significant headroom to increase that. So I think that's as far as, as I'll take it. We do provide guidance for capital going forward. But we obviously have to come back to the market on the updated feasibility for EVA, and what that capital is. So once that, once we bring that forward, you know, there'll be more light in terms of where debt and things will sit given when we articulate what that funding package will look like. One times, as we were comfortable.

PETER STEENKAMP
I think what she said was, we will stretch it to 1.5 for short periods, you know, but I mean, we've done it in the past.

BOIPELO LEKUBO
Ja, I think, with Moab, we stretched it as far as three times, when we did the acquisition of Moab. But ja, I think it's important for a gold company to maintain flexibility. We're not too sure where, where, ja, where the gold price will go.

LEROY MNGUNI
Thanks Jared, it's Leroy Mnguni from HSBC. Your medium-term Capex profile, if I look at the next three years has come up quite significantly. And I was just wondering, just for us to kind of think about the potential for it to increase further. We've seen a ballpark number for EVA Copper, because there was a previous feasibility study, but for some of the other projects that you're currently considering, so, like there's the Savuka, Tau Tona pillar and Mponeng extension, do you have an idea of, you know, what those numbers could be in terms of Capex, just ballpark, we won't hold you to it. And then it looks like

there's a significant portion of your kind of project, Capex is going to be outside of South Africa, and into predominantly copper projects now. One of your peers earlier this week, spent quite a bit of time talking about driving a rerating from diversifying into other commodities, and to other geographies, and I was just wondering if that sort of part of your thinking or aim in, in your diversification strategy. Thanks.

PETER STEENKAMP

Ja, let me quickly take some of the questions. I think, I mean, obviously, Leroy, that copper, the guidance that we give in the next few years doesn't include EVA, and also Mponeng potential extension. Now, we haven't approved those projects, so we don't know what that numbers are for now. There are quite a number of options, specifically on Mponeng in terms of how we're going to deepen the mine, you know, the potential of digging one big decline down, or putting smaller declines down, maybe more cost effective, and also targeting on higher grades in the first place. And remember, there's also quite a big chunk of the reserve that is above current infrastructure, which is a carbon leader, and also, obviously, the sharp pillars. So it doesn't take a lot of capital to really develop those. So I don't want to speculate on what it's going to be, let us do the work, and then we'll come back to the market, and that will be at the next reporting cycle, which will be in February, roundabout February, that's when we will do that.

In terms of our long-term strategy, we are a proudly South African company, and we do not have any intentions of moving, as a matter of fact, we spend a lot of capital as we speak in South Africa, with, you know, predominantly Doornkop, Zaaiplaats project, and also obviously, the Kareerand extension and the mine waste solution, so we are not afraid to diversify, or to be in South Africa. To diversify outside South Africa, yes, we are. We are now 20 years, close to 20 years in Papua New Guinea. So I think we know how to operate in Papua New Guinea, we've been very successful in operating there. I mean, if you look at Hidden Valley mines, since we take it over as a sole owner, you know, in my view, we have done very, very well at Hidden Valley mine, and we still have a very, quite a number of good years in front of us. So yes, we are, you know, would not mine diversify in that jurisdiction, because we are familiar with it, and etc. We do have a very strong office operating from Brisbane in Queensland, and obviously the mine is, that EVA copper mine is in Queensland, northern part of Queensland. So you know, it's a very easy, you know, adjustment for us to operate in that environment. So, so, yes, but we are South African, we don't necessarily believe that we should not invest in South Africa. As a matter of fact, you know, if you look at our portfolio in front of us, there are going to be good investments in South Africa, and, ja, I mean, we, again, we operated here for 73 years, so we know how to operate in South Africa. We, you know, we don't battle to get approvals and things done and et cetera, et cetera, and we are well respected, I think also in this country, but also well respected in Papua New Guinea.

ARNOLD VAN GRAAN

Hi, Peter, its Arnold van Graan from Nedbank. I guess this is probably a bit of a follow up. And you've answered most of the question, but I note your exploration projects and, you know, Target North greenfields, Joel deepening. So, I mean, you make the point that you are proudly South African company, but I just want to get a sense of, you know, how you see this playing out, you know, your future capital allocation investment, given that you are, you know, putting expiration dollars, into projects that come, mines that have historically been quite challenging. So, ja, maybe, I guess you've already said a lot about that, but just give us a thinking of, of what opportunities you see, and, you know, what, what are we what are we missing. Thank you.

PETER STEENKAMP

Ja, obviously, Target North is a exploration, we reached, I think, 2007, round about that stage, all expiration Target North stopped. When I joined back in 2016, we had a look at it and said, why don't we just, because there was a theory that we didn't prove at the time, in terms of what potentially can be that ore body. So we spent money, not a lot of money, but we did spend, we drilled two big or three big holes, and deflections out of that, to try and prove up a specific theory, which we think we've done. Now obviously, that, all that work will be done like, next, starting next year, you know, the calendar year, talk about this financial year still. We will have a look at it, then we'll have a model and a thing that we can look at, and see what we can do. What we're going to do I don't know, yet. I've got no idea if we're going to develop it, or we're going to find, you know, co-partners that want to develop it with us. We think it's quite a big ore that it's the last big source sort of area in the space, but spaces still need to be developed. And there's a lot of work from, I think from the 40s, they will drill holes, put into that by the Anglo Vaal and other companies think so. So, the geologist are extremely excited about this opportunity, and you know, I'm extremely excited about, you know, if it was South Africa in 1980, it would have been a fantastic mine to develop, I think, going forward, but we understand all the, you know, rows and everything else that goes with a brand new mine that goes with it. So, so ja, so that exploration is, is a kind of a Greenfield, it will actually require brand new shafts to be sunken, probably a twin shaft, because you'd have to have a second outlet that needs to be sunk in an ore body that three and a half thousand meters deep, round about that. So it's a big decision to be made in the future. But I think in the meantime, we need to take this thing and actually try and prove it and take it up the value curve, because it's lying there in our portfolio as a resource now for a long period of time.

Joel, Joel is actually just an extension of the current Joel. I mean, since we've deepened Joel, Joel has done fantastically well, we are, it is just a, you know, it's actually more a brownfields thinks about. Can we extend to another level or two which obviously, there's not, it's a fairly shallow mine, it's not difficult to do that, and certainly, you know, you can, you know, the mine is generating good cash. So you can take some of that cash back and put it into the decline system that we want to put in place. So, so we're drilling that now, to understand that. You know, I'm more excited about also all the tenements out there, EVA, because it's quite a big area that we've got, that we bought as part of the acquisition of EVA, and it’s actually not drilled. So there's a lot of opportunity to actually find more, and probably pick a copper mine in that area, potentially, that can create a, you know, over the long term of that particular mine. But Ja, so we had, I think a strong pipeline of, you know, from exploration to project feasibility studies, to project execution, we've got quite an, you know, quite a nice mix in there.

SPEAKER 1
Thanks for that. Ja, maybe, my first one is just around the 1% dividend yield. Would that maybe be an indication of Harmony’s approach to being stakeholder, whole stakeholder oriented, instead of being, I mean, some shareholder capitalism company of some sort. And same I mean, on the results, the results I mean, we will all agree that it's a stellar results. However, I mean, looking at the events that have happened in the past few weeks where your peers in the industry, generally industrials, that they've been complaining about the external factors like Transnet and Eskom. But with Harmony, I mean, that the case is different. Would that also be an indication that Harmony has actually learned to be less reliant on those two parties, which are actually the major, majorly impact anyone who is either in the mining or any heavy industrial sector. And maybe just the last one is, I think the last one, maybe bases is around some of the declines that are reversing, and you, probably you can have one or two that can come up again. So would that potentially be related to some sort of strategic shift.

BOIPELO LEKUBO
Maybe, okay maybe I'll start with the dividend. I mean, in line with our capital allocation priorities, it's important for us to, to return back to shareholders in line with our dividend policy. You'll recall that interim, we did not declare an interim dividend, and that was really on the back of we had just done the EVA Copper acquisition in December, we didn't deem it prudent at that point to declare a dividend. So in line with the strong cash flow performance for the year, so in with the dividend policy that we have, we've, we've declared that final dividend. So I think that ja, I'll leave it at that.

BEYERS NEL
Thanks for the question. I'll take Eskom and Transnet, we're not in the bulk commodity space where we necessarily very reliant on rail to port, like the Transnet service. So, you know, that doesn't really have an impact on Harmony’s operations right now. As far as Eskom goes, you know, load curtailment, again, you know, we're not subject to load shedding, we subject to load curtailment. So we get a notification of drop in demand, you know, depending on the level of load curtailment. So, you know, we do get fore warning, and, you know, if you consider our operations, we're not necessarily the typical open cast operation that's got, you know, the crusher, and the mole, and the belt, everything in series. So we typically have large infrastructure, you know, mines that were developed with scale, some of these mines are fairly late in their lifecycle, so they run at levels lower than nameplate capacity, or infrastructure capacity. And that being the case, it gives you a bit more flexibility to switch

certain things off, and delay certain loads, and shift certain loads during the day. So you don't have to hoist the whole day to get the tons out, you don't have to pump the whole day to get the water out, you don't have to refrigerate the whole day to cool the mine down. So we use the spare infrastructure capacity wisely, you know, to manage load curtailment. Now, coupled to that, you know, we've got a fairly robust energy optimization or efficiency program, where we've continuously over the years invested in less energy intensive equipment, you know, which obviously also assists, and then there's the renewable program, I guess, sitting on top of that. So that's how we basically manage it in Harmony. Not to say it's not an issue, I mean, clearly, you know, uninterrupted power is good for mining. But that is how we managed to manage it at our mines. Do you mind just repeating the last question about declines, I just didn't get the full scope of it.

SPEAKER 1

Because this, I mean, those, some of the declines that are reaching the end of their live, some that are, you don't know what, which means some is somewhere. Now, why would check with that result to, what would be the potential of that resulting in today strategic shift.

BEYERS NEL

Ja, I can, I can take it. So you know, we've got quite a lot of IP around deepening mines, you know, whether it be sub verticals or extending declines, I think, fair to say, you know, we as a company at the moment are spoilt for choice when it comes to projects, and that is a good thing. So these projects all compete, you know, against our investment criteria, but they also compete against one another. So at the end of the day, it's only the best ones, you know, that get the investment decision. So, yes, we've got lots of declines in the company, as Peter indicated, and Mponeng extension might, you know, be an extension of current declines, but as I say, they're all just in the pot of investment decisions, and, you know, those ones that meet the criteria of the strategy, will get the nods. I don't necessarily see a strategic shift or anything like that, I mean, we've been out saying, what our investment criteria is, and how we valuate these things. Ja, it's a good position to be in to be spoilt for choice when it comes to future projects.

PETER STEENKAMP

But I mean, just to, I mean, there are a time when the decline becomes sub optimal. And, you know, you look at the old Evander mines and things like even Impala when they started, it was quite difficult, because decline and decline and decline and decline. So now we are many cases, we actually have the, like, the first generation and maybe the second-generation decline, so there will be a time when, you know, just trying to expand your mine by decline, mining is not always the best way to do it, because you have your traveling time and logistics problems and stuff that you create by doing that. So, yes, for now, it is still okay, and it still will be okay, for the next year or two. I mean, Mponeng by, you know, creating two levels, and mining the carbon leader, and mining a shaft you could potentially add another 25 years to the life of mine, of the current life of mine 70 years, over 30 years. But then, of course, after that 30 years, you know, will you still be effective to do declines. And you want to have to look at the time, you know, where it is where the price is, and obviously, the logistics supportive stuff. But yes, we got, I think, like Beyer said, we're very good at developing these one level extra declines and keep on extending the life of mine. So we've done it for many years, and, ja, but there will be a day when that's not very, you know, a good decision to make any longer.

LEROY MNGUNI

Hi, thanks, it's Leroy again. I've got two more questions. So the first one is around your decision to sort of find your Capex using debt, as opposed to equity. And a mindful of that old clichéd saying that, you know, sometimes the best time to come to the market for funding is when you don't need it, you're a single commodity producer with no control over that commodity price, we're not too far off record high Rand gold prices, would now not be the best time to sort of come to the market, raise a bit of funding so that you can fund your Capex, your project Capex pipeline. Because the concern is that if the macro environment turns, immediately your debt ratios come under pressure, your profitability is under pressure, and then it becomes a bit more difficult. So I was wondering if you had any comments on that. And then the second question, just really out of interest. A lot of mining companies have complained that it's been very difficult with their renewable energy projects to feed power back into the grid, and agree on some of those tariffs. I was just interested in what your experience has been. And if that is something that's sort of been resolved, or getting close to it.

BOIPELO LEKUBO

I think just on the debt, the funding, I mean, Harmony is quite leveraged to the Rand per kilogram gold price, so we do watch that closely. I think what you would have seen, for instance, when we did the EVA copper acquisition, I mean, we deleveraged from 0.6 to 0.2 within a six-month period, just on the ability with which we were able to generate EBITDA. So we're quite comfortable that we can take on a bit of debt, just given where we are. If we look going forward, I mean, the big decision is around funding, is around EVA copper. And where I sit at the moment, you know, going to the market is not something that's on the cards, it's possible, yes, but we don't have the full picture as to what that capital looks like, it will only be articulated once the feasibility is updated. And then there's also things like Mponeng deeps that have to go, you know, through rounds of approvals, etc. So we don't deem it appropriate at this point to, to come to market without, you know, a full story, you know, what, what is this for, et cetera. So at the moment, that's, that's not on the cards.

PETER STEENKAMP

I can quickly take this, Beyers, would you like to take it.

BEYERS NEL

I can take it Peter. Leroy thanks for the question on renewables, so we've opted more for a modular approach. So you find that a lot of these plants that we building are at the headgear, specifically designed for the headgear, and it ties in directly into the mine grid. So we're not necessarily, you know, building, you know, big plants in the Northern Cape and wanting to wheel the energy across, you know, which depends on infrastructure and distribution. So, ja, for now, I mean, these things sit right next to the headgear, I think the opening slide had a perfect picture of where this plant sits. That's actually the one at Tshepong. So right next to the headgear feeding directly into the mine.

PETER STEENKAMP

Ja, and the other thing is that I mean, obviously we, our first phase was a PPA, so we buy the energy, so that's what we buy. The second phase is 100 megawatt of that we bill, so that is going in Moab Khotsong area and Orkney area, and all of that energy was consumed by the mine at the time. So it's, none of that other 100 megawatt goes either to the mine or to the plant. So it's, you know, there's nothing, it's, so it's not necessary for us to try and deliver some of that to Eskom, which I think is a problem at the moment. People are trying to, you know, I've seen a lot of commentary on that, on people trying to get in, so, but so far, the things are all in, you know, like Beyers said, next to the headgear for our own consumption.

JARED COETZER

Arnold, I'm just going to give it to you now. And then we're going to take questions from a telephone, the web call and the webcast. I know we are running a bit short of time. So if I can just give it to Arnold, then we'll see what other questions are coming in.

ARNOLD VAN GRAAN

Thank you, Peter. Many of your peers have commented about, raised alarm, about criminality, and illegal mining, impacting the operations. So you manage an extensive footprint, throughout South Africa, in what could be considered in some areas hotspots, can you comment on the impact of this, if any, and how you are dealing with it. Thank you.

PETER STEENKAMP

I think we wish, we always obviously on the constant threat of illegal mining, into our operations and things like that, that's always a threat. But I think over time, we've managed to do reduce that risk, quite significantly. And I mean, we actually took down 50 holes in the ground in South Africa, in total, that we closed up. And, so there's no access into these holes any longer. So most of them in the Free State area, and since we've done that, you know, the access into the working areas, are really on through, you know, through our own shaft systems. And for that we have got, obviously, the state of the art best control systems in the world to make sure that people that get in and out there. So since we've done that in the Free State, you know, obviously, the illegal mining issue kind of moved away from the Free State to other parts of the world. Now, at the moment where we operate, we, you know, from time to time we have issues. Of late it was the old Deelkraal area where people managed to get into Kusasalethu, we closed the Deelkraal shaft up. So there's no, you know, you can't go in down that barrel any longer. We had to use it in the past for ventilation, we don't have to use it any longer, because we've made other plans. Ja, so we obviously had this incident at the old Harmony shaft, but that was miles away from where we operated, these mines were operated in the 90s. And there was one hole that kind of bleed methane, in what we call the Harmony five vent shaft. But I mean that mine was never operated, it was a hole that was sunk, and in some way, there was an explosion at the bottom many years ago, and that hole stayed open to bleed out methane in the Harmony area, as per a risk assessment that was done. So it was only all hole available, and unfortunately, people went down that hole, and then obviously went into the methane areas. So other than that we've had very little impact on our operations, we can't say that any of these illegal activities had an impact on our results. And you know, and I think we've got a good control at that point in time on that. It is obviously a massive issue if we look at, you know, what's happening on West Rand, East Rand, you know,, it's still I mean, it's something that needs real attention from government and police, and, you know, judicial system. But, you know, I think we had a nice blueprint in the Free State how to handle it, and we need somebody to take that blueprint and try to apply it somewhere else.

JARED COETZER
Thank you. Are there any calls that we want to take from the conference call, Dion.

CONFERENCE CALL
Yes, sir. Sir we have a question from Jared Hoover of RMB Morgan Stanley.

Morning Peter, and team thanks for the call. Most of my questions have been answered, but maybe two more from me, please. Just on your cost performance, obviously fantastic cost performance in 2023. Your ASIC is going up by about 8% odd in 2024, but I'm just trying to understand how we should be thinking about costs a little further out, given that your wage agreements come due relatively soon, and typically settle those at above inflation and on top of that's, I think you've extended the mine life of Kusasalethu and Masimong a little longer. Those mines were pegged for closure at the end of 2024, and I guess the expectation might have been that those large fixed costs would have fallen out of the profile, given the margins are relatively low on a consolidated basis, so just some commentary there on your costs and how that might evolve post 2024.

And then my second question, I think on one of your slides talking about your acquisition criteria. I think it looks like you've changed your, the ASIC that you will now look at for target assets. But it looks like it's changed to 1400, where previously, your target assets or target mines would have been having an ASIC of about 1250. Can you just talk to why that criteria has changed. Have you actually changed the gold price at which you are targeting a 15% IRR, or if I was to be a little bit more skeptical, is that being aligned to some of the target assets you're seeing in the market right now. I'll leave it there. Thanks.

PETER STEENKAMP

Okay, I'll take some of that Jared, quickly. Yes, I mean, our cost performance is correct. Our three year wage agreement comes to a end of this financial year. And then obviously, we have to renegotiate another tranche. I'm not sure if it's going to be 3, 4, 5 years or one year. I mean, it's still out there. We haven't started any of that negotiations as yet. Ja, I think two things, I mean, it's obviously there was quite inflationary. If we look at our cost increases from last year to this year, it was basically two things that drove the cost up the curve. One is, you know, reagents was very, quite a steep increase in, in reagent cost. And there was a lot of corporate activity taking place in South Africa, between Sasol, which is one of the, the only supplier and, and obviously, that was for sale and all the other kinds of things that happened with that. Now, we saw a little bit of a easing of that of late, so we don't think that that kind of inflation will continue at that trend. The other one was actually we had to burn a lot of diesel at Hidden Valley, on the back of not having hydropower. Now that situation have reversed, so the rain did come in, in PNG. So we have got, we are okay with that now, as we speak. But having said that, I mean, there are some obviously unknowns, I mean, one of the biggest one is always Eskom increases that we're going to see going forward. You know, we see opportunities, the same papers that you read about Eskom think that they under covered their costs. And so there's always pressure on that side, obviously, from outside and from the industry side, we will obviously push back as fast as hard as we can. We do have renewables coming in that will make it a little bit easier for us. But ja, so that is, these are the things that we get on the nose. Ja, I mean, luckily, the inflation kind of, kind of stabilized in a way. So we've from, you know, some pressures in terms of increases will, you know, will obviously also now not be as high as it used to be before.

On the Kusasalethu. Kusasalethu and some of the mines that we keep on having adding on these extra years, we actually got very good grace to the eastern side of our ore body in, in Kusasalethu that we didn't expect. We actually, first of all, drilled a hole into the VCR and got a very high grade, then we started developing, because we stopped development and we develop in that area, and that development is proven that we can actually extend the life of mine. We don't know the full extent of terms of how far we can extend it. We know, at one point in time that that pay shoot will cut off, and then we will be in a situation where the place will be non-profitable. But we will not continue with Kusasalethu, or develop or spend, you know, sustaining Capex if we're not certain about the grades that we're going to have going forward. So for now, we have a three-year life and we happy with that. Ja, investment criteria, you know, the 1000, the talking about 1250 I think we use now, and then we now are looking at 1250, 1400 all in sustaining cost. Ja, it's also a thing about trying to find the right assets that you can buy. But, you know, that’s only one of the criteria, I mean, there’s other criteria’s like, IRR, life of mine, you know, prospectivity, being, you know, safety issues, and all other kinds of criteria. So we've done that. Ja, we have to, you know, obviously be realistic in terms of what is available, there's not that many mines available at 1250 any longer, you know, that's not something that you will, we will pick up and if it's there, they will probably not be able to pay for it. So, so we need to be looking at, you know, where with this thing actually goes to. But again, like I said, it's one of a suite of criteria. We do want to, we do believe that whenever we buy must be better quality that we currently have, and must be actually taken up the value curve, not down the value curve in terms of, you know, buying things that make money now, but long term is not the right decision for Harmony. So, so, you know, we have to look at, our current all in sustaining costs of the company is about on dollar terms, it's about 1550, so that the 1400 will be a better …

JARED COETZER

I think we've broken our connection with everyone. So I think on that note, let's call a timeout. Peter I don’t know if you've got any concluding remarks.

PETER STEENKAMP

From my side, just everybody, thanks so much for joining us today. Please, mingle with our team here. We are very glad to have you here. Again, again, I want to thank my team for a good results. I think, I'm very proud of the team that we have in Harmony. We have a, first of all, a diversified team. I think a very committed team. I think like the Springboks, we also believe that we're good together, we are stronger. So, and that is why, you know, I'm very proud of the team in terms of not only raised by versification, but also in terms of, of our gender diversification that we have, you know, ladies keep us really on a toes, and we're very, very thankful for that, and ja, hard task masters. Thanks. Thanks.