

CHAIRMAN'S LETTER

Patrice Motsepe
Chairman



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Dear Shareholders

Harmony reported a second consecutive profitable year and made significant progress during the year in its strategy to increase its production profile by acquiring:

- AngloGold Ashanti Limited's Moab Khotsong mine complex, which will add 250 000oz of gold per year, increase Harmony's average recovered grade, reduce our cost per ounce and improve cash flows. The transaction is subject to conditions precedent including shareholder approval
- Newcrest Mining Limited's 50% in Hidden Valley. Hidden Valley will produce 180 000oz of gold and 3Moz of silver annually

The Central Plant reclamation project was also completed, and will add 15 000oz of gold annually for approximately 19 years.

Stronger operating performance and a higher gold price enabled us to reduce our debt, pay dividends and pursue our objective of increasing annual production to 1.5Moz.

Gold production for the year exceeded guidance, owing to the good work of management. Headline earnings per share increased by 35% and we declared an interim and a final dividend for FY17 and paid dividends totalling R439 million (US\$33 million).

Further details of the company's financial and operational performance are provided respectively in the Financial director's report and in the Chief executive officer's review.

We remain confident of gold's long-term fundamental demand as a desirable store of wealth. The volatility in the gold price over the previous year created the opportunity to hedge a portion of our future gold production to secure our profit margin and strengthen the balance sheet. Our hedging programme contributed R1.7 billion (US\$128 million) to the group's overall cash position.

SAFETY AND HEALTH

The safety and health of all our employees are our primary concerns. In line with our target to achieve zero harm, it is most gratifying to report on a company milestone with the last quarter of FY17 being fatality free.

Harmony and five other South African mining companies have formed a gold mining industry working group to address issues relating to compensation and medical care for occupational lung diseases in the South African gold mining industry. In consultation with all stakeholders, we are working towards finding a comprehensive and sustainable solution, which deals both with legacy compensation issues and future legislation.

Our emphasis on and commitment to safety, which involves partnerships with all employees, their union representatives and the authorities, will continue to assist in contributing to reducing incidents at our mines.

INVESTING IN OUR EMPLOYEES

Harmony employs approximately 33 200 people in South Africa and 2 100 people in Papua New Guinea. Our employees reside mainly in communities adjacent to our operations and we paid R9.2 billion (US\$676 million) in salaries during the year under review.

Harmony employees received training at a cost of R409 million (US\$30.1 million) in critical skills, mentorship, hazard identification, risk assessment, mineral resource management and various other courses through study assistance programmes. We awarded 76 bursaries to students studying at South African universities.

ENABLING OUR MINING COMMUNITIES

We are committed to developing and improving the living conditions of the people living in our host communities. Our socio-economic programmes, which include various corporate social investment and local economic development and social and labour plan initiatives and projects, support national imperatives such as housing, education, skills development and job creation.

We prioritised the small-, medium- and micro-enterprise sector with the launch of development funds in Carletonville, the Ratlou Municipality and in Welkom/Virginia that support women and young entrepreneurs. These initiatives created 360 jobs in host communities.

In Papua New Guinea, we supported various projects, including cocoa farming, community health improvement initiatives and much-needed water supply programmes to ensure the supply of fresh water.

We paid R779 million (US\$57 million) in taxes and royalties in South Africa and Papua New Guinea. R7.2 billion (US\$529 million) was spent on local procurement and R74 million (US\$5 million) on socio-economic initiatives in host communities in both countries.

SOUTH AFRICAN MINING INDUSTRY

The mining industry remains a key part of the South African economy. It is a significant contributor to the country's economic growth and sustainable development. Despite the current challenges of low business confidence, job losses and disagreement between government and the Chamber of Mines on the Mining Charter, we

remain optimistic that all parties and stakeholders recognise that it is critically important that the legal, regulatory, tax and overall governing dispensation of the mining sector continues to be globally competitive and attractive for private and foreign investment.

We are committed to working with government, labour, our host communities and other stakeholders to ensure that the South African mining industry accommodates the interests of and benefits all stakeholders.

RECOGNITION

We are grateful to all our employees, our host communities and all other stakeholders for their co-operation and support during the past financial year.

I would like to thank Peter Steenkamp and his management team for their hard work, commitment and dedication in executing the company's strategy.

I would also like to thank all the directors for their guidance and wisdom during the year.

Harmony is better positioned to continue to create value for shareholders and to operate our mines for the benefit of all stakeholders.

Patrice Motsepe
Chairman

26 October 2017