



## SOCIAL AND LABOUR PLAN 2013 – 2017

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Mining licence [NW30/5/1/1/2(77)MR]

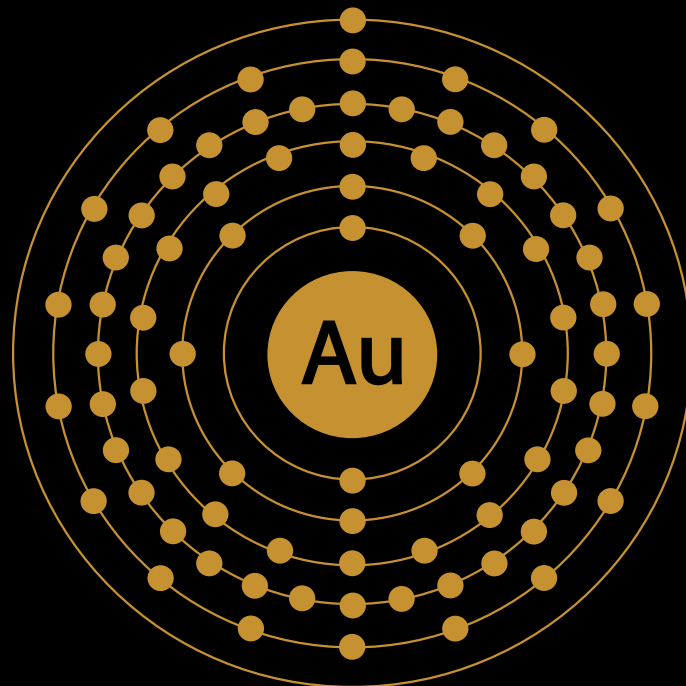
for

**Kalgold**

of

**Harmony Gold Mining Company Limited**

in the North West Province



# SUBMISSION OF AMENDMENTS TO THE SOCIAL AND LABOUR PLAN FOR MINING LICENCE [NW30/5/1/1/2(77)MR]

The five year period as stipulated in the current social and labour plan (SLP) for Kalgold mine has expired. For this reason, it is important to revise the period in line with the strategic planning for Kalgold mine.

We draw your attention to regulation 43 and 44 of the regulations to the Mineral and Petroleum Resources Development Act, Act 28 of 2002 (MPRDA) which reads as follows:

**“43. A social and labour plan lodged with the Regional Manager is valid until a closing certificate has been issued in terms of Section 43 of the Act.”**

**“44. A social and labour plan may not be amended or varied without the consent of the Minister after the granting of the mining right to which such social and labour plan pertains.”**

Harmony herewith accepts that permission is granted to amend the social and labour plans with the consent of the Minister of Mineral Resources.

The following are amendments to the SLP for Kalgold mine and mining right [NW30/5/1/1/2(77)MR]. The remainder of the SLP is unchanged as per regulation 43 of the regulations to the MPRDA.

This SLP is prepared in accordance with Part II of the Regulations of the MPRDA, and is a prescribed plan for dealing with the social and labour issues for the remaining life of every mining right. This document sets out amendments to the SLP in respect of the shaft's mining licence [NW30/5/1/1/2(77)MR], covering Kalgold mine. The starting point for this amendment, which will serve as the first year of the next five year cycle from which the company intends to progress, is the calendar year beginning January 2013.

For further information in relation to this document please contact:

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**Maimane (Joe) Mosupyoe**

Kalgold General Manager

Tel: +27 18 332 1102

E-mail: joe.mosupyoe@harmony.co.za

**Nkosinathi Mkhize**

Kalgold Human Resources Leader

Tel: +27 18 332 1103

E-mail: nkosinathi.mkhize@harmony.co.za



The Au symbol is an electron shell diagram for gold, the 79th element in the periodic table.

Our business is gold – our people make our business possible and are regarded as our 'human gold'. Our people include our stakeholders. Harmony is tenacious in pursuit of the serious commitments we make to our stakeholders.

We measure, we measure up and we deliver.

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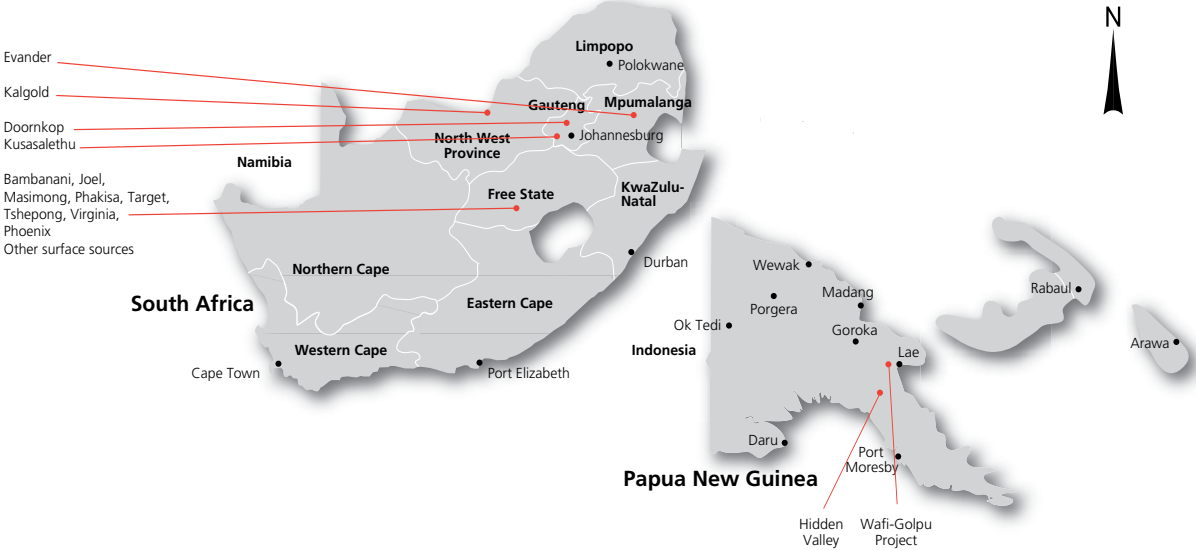
# MINING CHARTER SCORECARD

Does the company have a five year plan?					
Description	Yes	No	Regulation	Section	Page
<b>Human resource development</b>					
Has the company offered every employee the opportunity to be functionally literate and numerate by the year 2009 and are employees being trained?	•		46(b)	<b>2.3</b>	<b>13</b>
Has the company implemented career paths for historically disadvantaged South African (HDSA) employees, including skills development?	•		46(b)	<b>2.4</b>	<b>14</b>
Has the company developed systems through which empowerment groups can be mentored?	•		46(b)	<b>2.7</b> <b>2.11</b>	<b>16</b> <b>29</b>
<b>Employment equity</b>					
Has the company published its employment equity plan and reported on its annual progress in meeting that plan?	•		46(b)	<b>2.9 – 2.10</b>	<b>24</b>
Has the company established a plan to achieve a target of HDSA participation in management of 40% within five years, and is it implementing plan?	•		46(b)	<b>2.9 – 2.10</b>	<b>24</b>
Has the company established a plan to achieve the target for women participation in mining of 10% within five years and is it implementing the plan?	•		46(b)	<b>2.9 – 2.10</b>	<b>24</b>
<b>Migrant labour</b>					
Has the company subscribed to government and industry agreements to ensure non-discrimination against foreign migrant labour?	•		46(b)	<b>1.1.9</b>	<b>9</b>
<b>Mine community and rural development</b>					
Has the company co-operated in the formulation of IDPs, and is the company co-operating with government in the implementation of these plans for communities where mining takes place and for communities in major labour-source communities?	•		46(c)	<b>3.1 – 3.6</b>	<b>32</b>
Has there been an effort on the side of the company to engage the local mine community and major labour-sending communities? Companies will be required to cite a pattern of consultation, indicate money expenditures and show a plan.	•		46(c)	<b>3.8 – 3.11</b>	<b>48</b>

## MINING CHARTER SCORECARD cont.

Description	Does the company have a five year plan?		Regulation	Section	Page
	Yes	No			
<b>Housing and living conditions</b>					
For company-provided housing, has the mine (in consultation with stakeholders) established measures for improving the standard of housing – including the upgrading of hostels, conversion of hostels and family units and promotion of home-ownership options for mine employees? Companies will be required to show what they have done to improve housing, a plan to progress the issue over time and how the plan is being implemented.	•		46(c)	<b>3.7</b>	<b>47</b>
For company-provided nutrition, has the mine established measures for improving the nutrition of the mine employees? Companies will be required to show what they have done to improve nutrition, a plan to progress the issue over time and how they are implementing the plan.	•		46(c)	<b>Not applicable</b>	<b>-</b>
<b>Procurement and enterprise development</b>					
Has the company given HDSAs preferred supplier status?	•		46(c)	<b>3.12 – 3.13</b>	<b>55</b>
Has the company identified the current level of procurement from HDSA companies in terms of capital goods, consumables and services?	•		46(c)	<b>3.12 – 3.13</b>	<b>55</b>
Has the company indicated a commitment to a progression of procurement from HDSA companies over a three to five year time frame in terms of capital goods, consumables and services? To what extent has the commitment been implemented?	•		46(c)	<b>3.19</b>	<b>55</b>
<b>Reporting</b>					
Has the company reported (on an annual basis) its progress towards achieving its commitments in its annual report?	•		46(c)	<b>6.1</b>	<b>73</b>

# BACKGROUND: HARMONY



## About Harmony\*

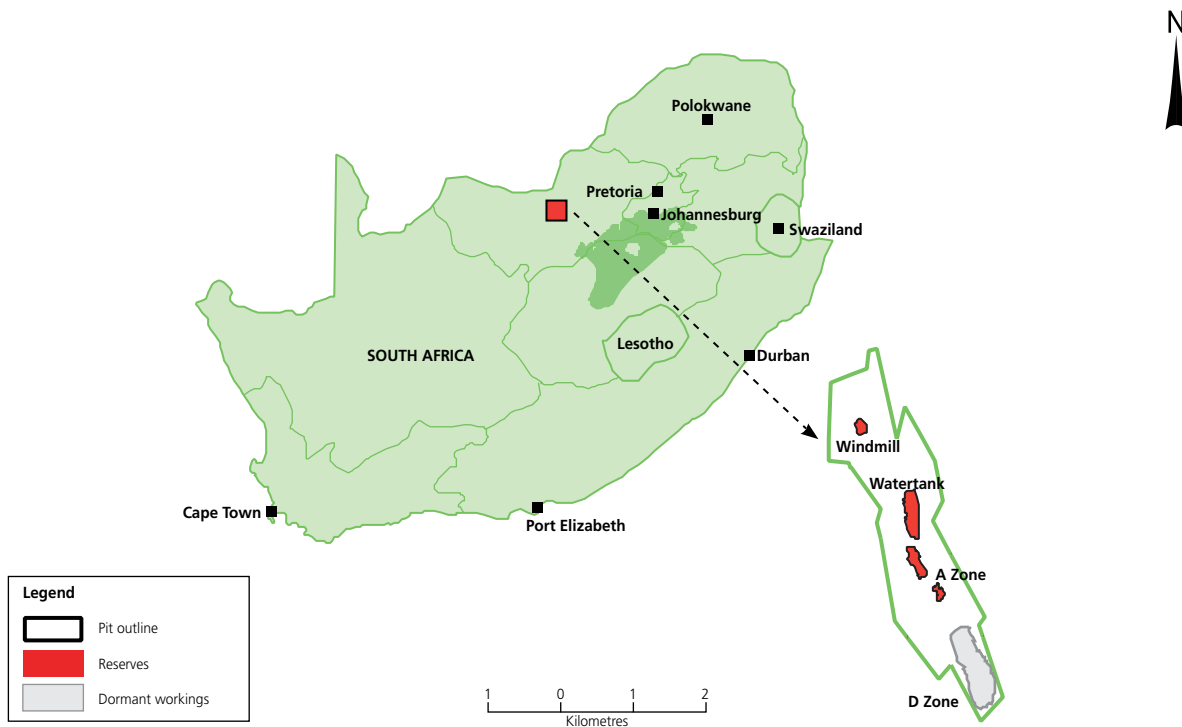
In South Africa, Harmony’s gold mining operations are concentrated in the world renowned Witwatersrand Basin and Kraaipan Greenstone Belt. In Papua New Guinea (PNG), Harmony is active in Morobe province, a highly prospective gold-mining region.

\* For further information on Harmony, please refer to pages 76 to 88 for the corporate investor presentation.

# BACKGROUND: KALGOLD

## About Kalgold

As per Regulation 46(a): Introduction, the following background information is provided on the mine.



### Kalgold

Kalgold is an open-pit mine near Mafikeng; accessing gold-bearing ore in a banded ironstone formation in the Kraaipan Greenstone Belt. Tonnage mined at Kalgold is treated at a carbon-in-leach plant on site.

### Safety

For the third consecutive year, there were no fatal accidents at Kalgold in the review period while the lost time injury frequency rate (LTIFR) for the year improved to 1.27 per million hours worked from 5.43 in FY11. Commendably, Kalgold received a special safety award from the Association of Mine Managers of South Africa for achieving 2.5 million fatality-free shifts during the year – a milestone that took 16 years to reach. Kalgold plant also achieved 1 million fatality-free shifts in June 2012.

## Operations review

Volumes at Kalgold declined 17% over the year, largely due to a malfunction in the pre-primary crushers in the first quarter. While these were being repaired, ore was crushed by two mobile plants and lower throughput countered by feeding higher-grade material from the stockpile. The Kalgold plant was evaluated by a team of internal and external experts who then prepared an action plan to address outstanding maintenance and implement improvements. This included replacing and repairing the carbon-in-leach tanks, carbon regeneration circuit and elution circuit in the third quarter. As a result gold produced for the year decreased 17% to 1 041kg (33 469oz).

Mining the Watertank Pit continued in FY12, and mining activities started in the A Zone Pit in the latter part of FY12.

Harmony continued brownfields exploration in areas surrounding the Kalgold operation.

## Kalgold key statistics

<b>Production</b>		<b>FY12</b>	<b>FY11</b>	<b>FY10</b>
Volumes milled	000t (metric)	<b>1 342</b>	1 611	1 700
	000t (imperial)	<b>1 480</b>	1 775	1 873
Gold produced	kg	<b>1 041</b>	1 253	1 526
	oz	<b>33 469</b>	40 285	49 063
Average grade	g/t	<b>0.78</b>	0.78	0.90
	oz/t	<b>0.023</b>	0.023	0.026
<b>Financial</b>				
Revenue	R million	<b>442</b>	399	390
	US\$ million	<b>57</b>	57	51
Operating cost	R/kg	<b>293 658</b>	254 946	182 215
	US\$/oz	<b>1 176</b>	1 135	748
Operating profit	R million	<b>131</b>	81	116
	US\$ million	<b>17</b>	12	15
Capital expenditure	R million	<b>76</b>	18	11
	US\$ million	<b>10</b>	3	1
<b>People</b>				
Number of employees				
Employees		<b>258</b>	229	230
Contractors		<b>454</b>	316	250
Total		<b>712</b>	545	480
HDSAs in management	%	<b>64</b>	67	63
Women in mining	%	<b>12</b>	13	13
Training and development expenditure	R million	<b>1</b>	1	1
<b>Safety</b>				
Fatalities		<b>–</b>	–	–
LTIFR	per million hours worked	<b>1.27</b>	5.43	1.49
<b>Environment</b>				
Electricity used	000MWh	<b>43</b>	42	77
Water used for primary activities*	000m <sup>3</sup>	<b>1 324</b>	2 750	2 337
GHG emissions	000t CO <sub>2</sub> e	<b>43</b>	43	65
Expenditure on local economic development (LED)	R million	<b>3</b>	1	1
Status of mining right	New-order mining right granted in December 2007			

## BACKGROUND: KALGOLD cont.

### Kalgold

Development metres decreased by 13% or 1 622m from the previous year, primarily due to the months affected by safety stoppages and the planned stoppage to complete the shaft-bottom spillage arrangement.

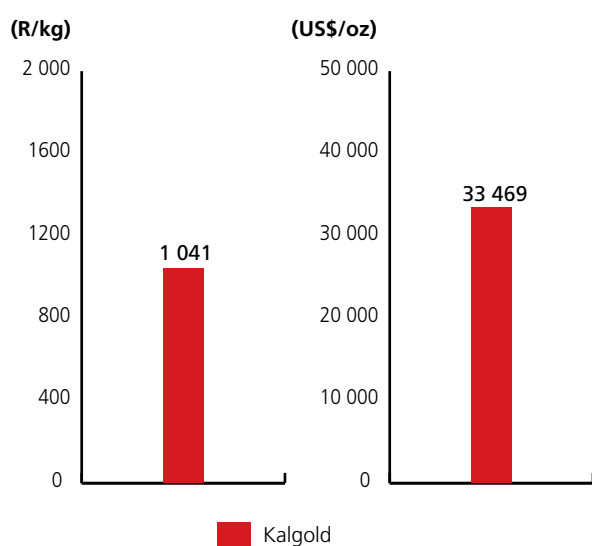
The conversion of the South Reef resource to reserves continued with an increase of 227 400oz of gold (42%) and 873 267t (27%). This brings total South Reef reserves to 4.1Mt and 776 617oz of gold (24.16t Au) at a grade of 4.92g/t.

### Financial review

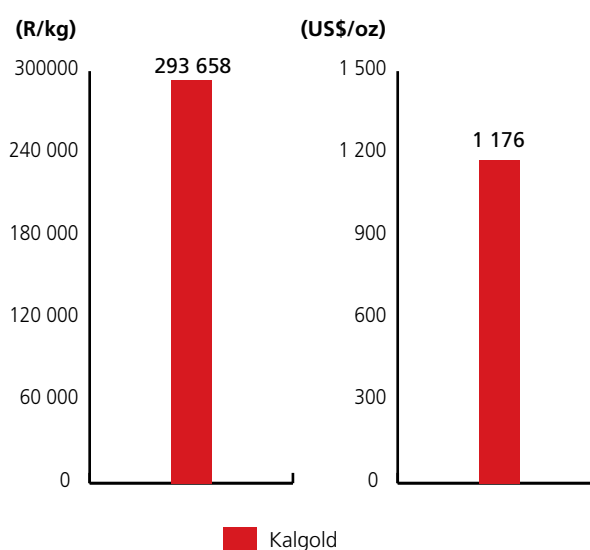
Cash operating profit increased by 134% to R421 million due to the higher gold price received and growth in ounces produced. Capital expenditure of R294 million (US\$38 million) was R42 million below budget, mainly due to fewer development metres completed than planned and less capital spent on the plant upgrading project which is now planned to roll forward into the new financial year. Of this capital expenditure, 46% was spent on on-going capital development and 32% on the South Reef project. Plant capital was 13% of total capital expenditure.

Unit costs increased 20% mainly as a result of the labour build-up and higher store's cost in line with the production build-up. Volume-related plant cost increases, labour rate increases and a significant rise in electricity tariffs also contributed to higher costs.

#### Gold produced in FY12



#### Operating costs for FY12



### Summary of key statistics

Year	Baseline	2013	2014	2015	2016	2017
Average total tonnes hoisted monthly (kt)	130	130	130	130	130	130
Average gold produced monthly (kg)	118	118	113	111	111	113
Average monthly operating cost (R million)	32.9	32.9	36.4	33.8	30.9	28.3
Average monthly on-going capital development (Rm)	708	569	569	569	569	569
Number of employees including contractors	3 390	3 577	4 043	4 530	5 151	5 230



# SECTION 1: PREAMBLE

## 1.1 Salient information on the application

### 1.1.1 Name of the holding company

Harmony Gold Mining Company Limited (1950/038232-06) ("Kalgold")

### 1.1.2 Name of the mines

Kalgold mine

### 1.1.3 Physical address

Name of the mine	Physical address
Kalgold	Portion 632 IQ of the farm Goldridge Mafikeng District Mafikeng/Vryburg Road Bunningham Farm <b>Mareetsane</b>

### 1.1.4 Postal address

Harmony Gold Mining Company: Kalgold mine  
PO Box 101  
Mareetsane  
2715

### 1.1.5 Telephone number

+27 18 478 2364

### 1.1.6 Fax number

+27 18 478 2363

### 1.1.7 Location of the mine

Kalgold is an open-pit gold mining operation situated on the Mafikeng/Vryburg road near the village of Mareetsane, some 55km south-west of Mafikeng in the central district of the North West Province.

The site is accessed through the local R49 road between Mafikeng and Vryburg. The gold deposits at Kalgold were discovered by Shell South Africa (Pty) Limited in 1991, following an exploration programme focused on the poorly exposed Archaean Greenstone belts of the Kraaipan Group which occur in the area.

### 1.1.8 Life of mine

Name of the mine	Current status	Date first commissioned	Life of mine (years)
Kalgold	Mineral	1985	5



### 1.1.9 Workforce composition

The tables below show the profiles of the total workforce of Kalgold mine as at 22 June 2012.

Profile of workforce	Total workforce	%
<b>Total workforce (excluding contractors)</b>	<b>258</b>	<b>100</b>
Male	224	87
Female	34	13
Black South African (SA) females	30	12
Black non-SA females	–	–
White females	4	2
Black SA males	198	77
Black non-SA males	1	–
White males	25	10
<b>Designated employees</b>		
As per revised Code of Good Practice (including foreigners, excluding white females)	230	89
As per Department of Labour (excluding foreigners, including white females)	257	100
Contractors	414	160

**Note:** Designated refers to HDSAs, including women. The numbers above reflect the definition of designated as used in the Mining Charter. Female figures represent all females, surface as well as core business. Please note that the above table excludes contractors' information.

### Total workforce profile per discipline at Kalgold mine as at 22 June 2012

Discipline	Total workforce	Contractors
Mining	2	229
Engineering	71	108
Human resources and finance	24	–
Metallurgical plant	123	77
Ore reserve management	29	–
Management	5	–
Safety	4	–
Ventilation	–	–
<b>Total</b>	<b>258</b>	<b>414</b>
<b>Grand total</b>		<b>672</b>

### Breakdown of employees per labour sourcing community as at 22 June 2012

Kalgold mine provides employment to 672 people of whom 258 are employed directly by the mine and 414 by contractors who provide services to the mine.

## SECTION 1: PREAMBLE cont.

Province	Total number of employees	% of workforce	% of previous SLP
<b>Total employees</b>	<b>258</b>	<b>100</b>	<b>-</b>
<b>Total South Africans</b>	<b>257</b>	<b>100</b>	<b>-</b>
<b>Total neighbouring countries</b>	<b>1</b>	<b>-</b>	<b>-</b>
Gauteng	12	5	-
Botswana	-	-	-
Eastern Cape	1	-	-
Free State	6	2	1
KwaZulu-Natal	2	1	-
Lesotho	-	-	-
Limpopo	4	2	-
Mozambique	1	-	-
Mpumalanga	1	-	-
North West Province	231	90	93
Swaziland	-	-	-
Contractors	414	161	93

### Breakdown of employees per occupational level

Workforce compilation						
Occupation level	Actual June 2012					
	Paterson band	Strength (including foreigners and white females)	HDSA employees (excluding foreigners excluding white females)	%	HDSA employees (excluding foreigners including white females)	%
Senior management	D5 and E	4	3	75	3	75
Professionals: Professionally qualified, experienced specialists and middle management	D3 and D4	3	1	33	-	-
<b>Total senior</b>	<b>D and E</b>	<b>7</b>	<b>4</b>	<b>57</b>	<b>3</b>	<b>43</b>
Technically skilled/operators: Skilled technical and academically qualified workers, junior management, supervisors, foremen, superintendents		7	4	57	5	71
Semi-skilled	C	62	44	71	46	74
Unskilled		182	177	98	178	98
<b>Total</b>		<b>258</b>	<b>229</b>	<b>89</b>	<b>232</b>	<b>90</b>

## SECTION 2: HUMAN RESOURCES DEVELOPMENT PROGRAMME

### 2.1 Introduction

This section of the social and labour plan (SLP) deals comprehensively with Kalgold mine's five year plan to achieve the optimal development of its human resources (HR) through education, training and development interventions, as envisaged in the MPRDA and the Broad-Based Socio-Economic Empowerment Charter for the South African Mining and Minerals Industry (the Mining Charter), and monitored by means of the accompanying scorecard.

### 2.2 Kalgold mine skills development plan

In line with Regulation 46(b): Human resources development programme, the following information is provided in this section:

- Regulation 46(b)(i): Skills development plan
- Introduction
- Current employee profile
- Training strategy and plans
- Adult basic education and training (ABET)
- Learnerships
- Engineering learnerships
- Other learnerships
- Skills programmes
- Plan for the provision of portable skills for post-mining employment
- Workplace skills plan (WSP) and annual training report (ATR)
- Skills development facilitator
- Hard-to-fill vacancies during the past 12 months

Kalgold mine submits, on an annual basis, the WSP and the ATR to the Mining Qualifications Authority (MQA) that outlines how employees are trained throughout the year in all identified areas of training needs. These reports are developed annually by designated skills development facilitators and in consultation with HR development (HRD) committees and the group HRD committee. Kalgold mine also pays the skills development levy and claims grants for training provided as per the relevant legislation and regulations.

#### 2.2.1 Education levels of Kalgold mine workforce

##### Kalgold mine's education levels as at 22 June 2012

			African		Coloured		White		Grand total
Band	NQF Level 2	Old system	M	F	M	F	M	F	
General education and training (GET)	No education	No schooling	37	–	–	–	4	41	<b>82</b>
		Grade 1/sub A/pre-ABET	–	–	–	–	–	–	–
		Grade 2/sub B/pre-ABET	11	–	–	–	–	–	<b>11</b>
		Grade 3/std 1/ABET L1	4	–	–	–	–	–	<b>4</b>
		Grade 4/std 2	11	2	–	–	–	–	<b>13</b>
		Grade 5/std 3/ABET L2	–	–	–	–	–	–	–
		Grade 6/std 4	–	–	1	–	–	–	<b>1</b>
		Grade 7/std 5/ABET L3	–	–	–	–	–	–	–
		Gr 8/std 6/form 1	–	–	–	–	–	–	–
	NQF 1	Grade 9/std 7/form 2/ABET L4	–	11	–	–	–	–	<b>11</b>
<b>GET</b>									

## SECTION 2: HUMAN RESOURCES DEVELOPMENT PROGRAMME cont.

### Kalgold mine's education levels as at 22 June 2012

			African		Coloured		White		Grand total
Band	NQF Level 2	Old system	M	F	M	F	M	F	
Further education and training (FET)	NQF 2	Grade 10/std 8/form 3/N1	14	–	–	–	–	–	14
	NQF 3	Grade 11/std 9/form 4/N2	12	1	–	–	–	–	13
	NQF 4	Grade 12/std 10/form 5/N3	78	15	1	–	2	1	97
<b>FET</b>									
Higher education and training (HET)	NQF 5	National higher certificate	20	7	1	–	9	1	38
	NQF 6	Advanced certificate/National diplomas	8	7	–	–	4	1	20
	NQF 7	Advanced diplomas/Bachelor degrees	2	–	–	–	1	–	3
<b>HET</b>									
<b>Grand total</b>			<b>203</b>	<b>30</b>	<b>2</b>	<b>–</b>	<b>20</b>	<b>3</b>	<b>258</b>

### 2.2.2 How Kalgold mine provides employees with the opportunity to become functionally literate and numerate

Campaigns have been undertaken over the past few years for promotion and awareness purposes. Communication channels include posters, mass meetings and articles in newsletters, HRD committee and flyers. An internal audit found that employees are fully aware of the ABET facilities at Kalgold mine. The ABET facilities are situated at the Kalgold training centre.

Kalgold mine is aligned to the company strategy of achieving a literate workforce by 2015 and the planned extension of the portable skills programme to include practical skills such as agriculture and entrepreneurship.

#### Planned ABET intake 2013 to 2017

Part-time	Baseline		2013		2014		2015		2016		2017	
Level	Block A	Block B	Block A	Block B	Block A	Block B	Block A	Block B	Block A	Block B	Block A	Block B
Pre-ABET	–	–	5	–	5	–	5	–	5	4	5	–
ABET 1	12	–	10	–	10	–	10	–	10	3	10	–
ABET 2	5	–	12	–	–	–	–	–	–	5	–	–
ABET 3	–	–	5	–	12	–	–	–	–	5	–	–
ABET 4	–	–	–	–	5	–	12	–	–	3	5	–
<b>Total</b>	<b>17</b>	<b>–</b>	<b>32</b>	<b>–</b>	<b>32</b>	<b>–</b>	<b>27</b>	<b>–</b>	<b>15</b>	<b>20</b>	<b>20</b>	<b>–</b>
Cost (R)	27 880		29 860		29 680		29 080		27 640		27 640	

*Note: These ABET figures could be affected by an annual labour turnover of approximately 10% and the recruitment of literate South Africa citizens or employees. These numbers will also be affected by success rates as well as the current recognition of prior learning process.*

## 2.3 Career progression

The career progression plan at individual level maps out career growth opportunities within and across departments in technical (specialist) and management roles on the mine. The process identifies career options for employees, and they are helped to develop skills so that they are better prepared and suitably qualified to assume positions that match their individual career goals with the needs of the mine (organisational needs).

### 2.3.1 Factors considered for effective career progression planning

The career progression plan of Kalgold mine is based on a number of factors:

- a) **Opportunity for all employees:** Career progression is available to all employees based on their career interests, availability of positions, employment equity (EE), potential assessments and excellent performance.
- b) **Cross discipline and multi-disciplinary:** An employee may move from one discipline to another depending on personal career interests.
- c) **Performance management:** Career progression plans are managed and monitored during performance management discussions between an employee and his/her supervisor. Top performers are usually considered for opportunities to advance to higher levels of the organisation.
- d) **Career interests:** Each employee's career interests are considered when career progression plans are discussed and agreed.
- e) **Availability of positions:** Career progression is based on positions that become vacant or available at Harmony mines. Employees are, therefore, promoted into these positions and or transferred to the positions for additional career exposure.
- f) **EE targets:** Career progression plans take cognisance of Kalgold mine to meet EE targets.
- g) **Development panels:** These are multi-disciplinary panels that monitor employees' careers to ensure that opportunities are made available to suitably qualified, high potential employees exhibiting excellent performance.

## SECTION 2: HUMAN RESOURCES DEVELOPMENT PROGRAMME cont.

### 2.3.2 Kalgold mine career progression plan

With respect to meeting the EE targets, specific attention will be given to management level positions.

Year	Baseline	2013	2014	2015	2016	2017
% Historically disadvantaged South African (HDSA) employees with respect to all promotion opportunities or filling of vacant positions in all employment levels	65	60	60	60	60	60

*Note: The targets above do not mean a general disregard of previously advantaged employees. During performance reviews, their career plans are also mapped out with the respective supervisors and, should vacant positions become available, they are also considered after the targets above have been met.*

### 2.4 Skills development, learnership and leadership development programmes for Kalgold mine

In line with Regulation 46(b): Human resources development programme, the following information is provided in this section:

- Regulation 46(b)(ii): Career progression plan and its implementation in line with the skills development plan
- Talent pool management
- Career progression through individual development plans
- Career progression, HDSA rates

#### Kalgold mine skills development plan

Type of training	Baseline	2013	2014	2015	2016	2017	Total nominees	Total costs (R)	Costs per person (R)
									5 year period (3.6% escalation per year)
Leadership development (D Band)	1	1	1	1	1	1	5	945 682	35 200
Supervisory development programme	6	4	4	4	4	4	20	3 782 729	35 200
Engineering learnerships	2	3	3	3	3	3	15	2 160 024	26 800
Repair and service person	2	2	1	1	1	1	6	219 226	6 800
Ore reserves training (talent pool)	4	5	4	4	4	4	21	2 289 690	20 292
<b>Total</b>	<b>15</b>	<b>15</b>	<b>13</b>	<b>13</b>	<b>13</b>	<b>13</b>	<b>67</b>	<b>9 397 353</b>	<b>124 292</b>

### 2.5 Talent pool

#### 2.5.1 Kalgold mine's plan on the HDSA representation of the talent pool

	Baseline	2013	2014	2015	2016	2017
% Talent pool designated employees	50	60	70	80	90	100

*Note: The talent pool figure will change based on changes in employee numbers and the continuous review of the talent pool size as new high potential and high performing employees are identified.*

## 2.5.2 Kalgold mine's employees in the talent pool

All high potential and high performing employees within Kalgold mine are eligible to be part of the talent pool. However, the number of the people in the talent pool only includes the top talent in the mine. The following occupational levels are, therefore, represented in the talent pool:

- a) **Semi-skilled and discretionary decision-making:** operators, administrative personnel and clerical personnel – *Paterson band A*.
- b) **Technically skilled/operators:** skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents – *Paterson band B*.
- c) **Professionals:** professionally qualified, experienced specialists and mid management – *Paterson bands B and C*.
- d) **Senior management:** *Paterson bands D and E*.

## 2.6 Kalgold mine mentorship programme

In line with Regulation 46(b): Human resources development programme the following information is provided in this section:

- Regulation 46(b)(iii): Mentorship plan and its implementation in line with the skills development plan and the needs of empowerment groups
- Introduction
- Mentorship programmes
- External mentorship programmes

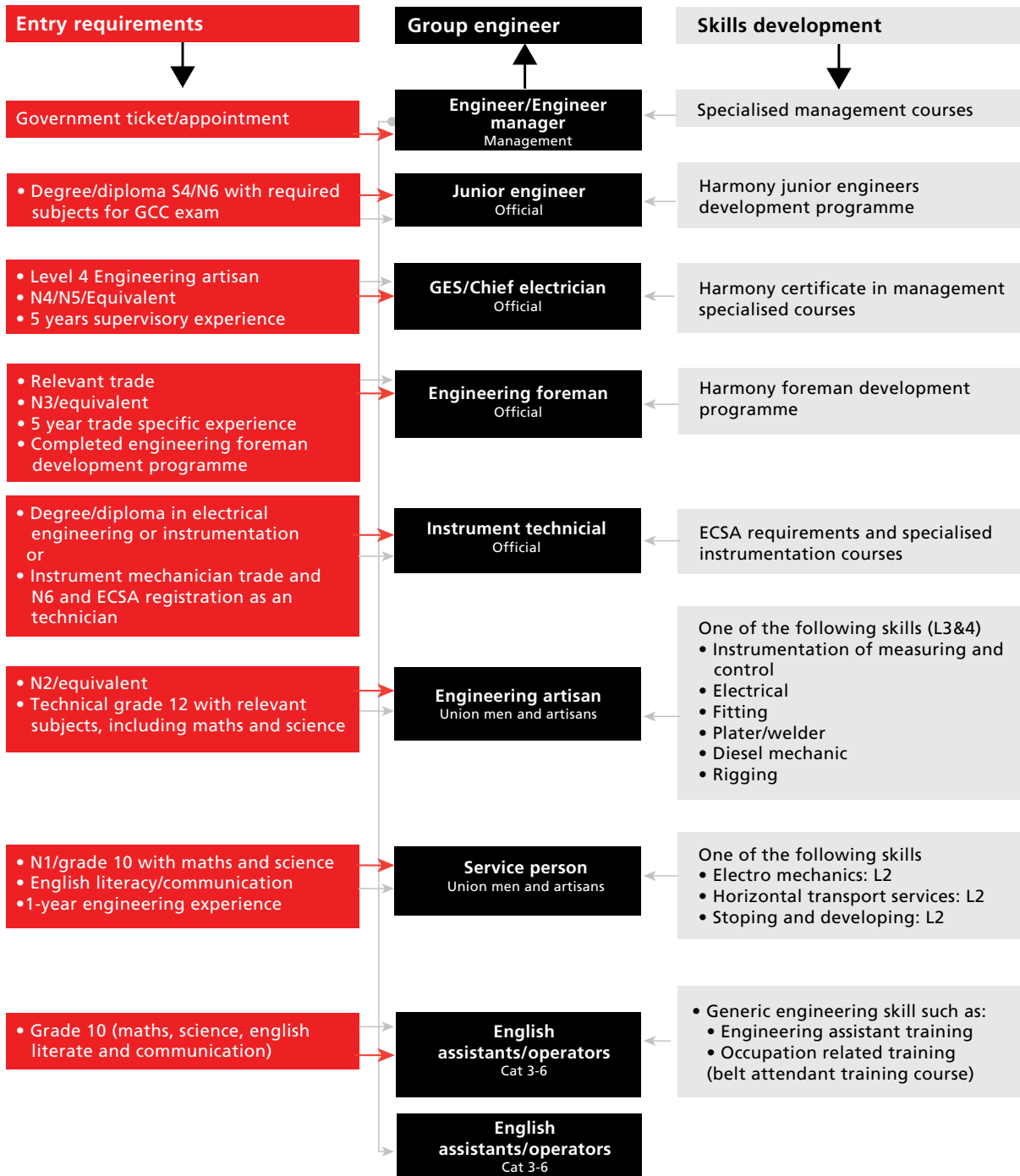
A formal internal Harmony mentorship development programme is in place. This formal mentorship programme is used to develop the following Kalgold mine employees who are part of the talent pool.

### Kalgold mine mentorship plan

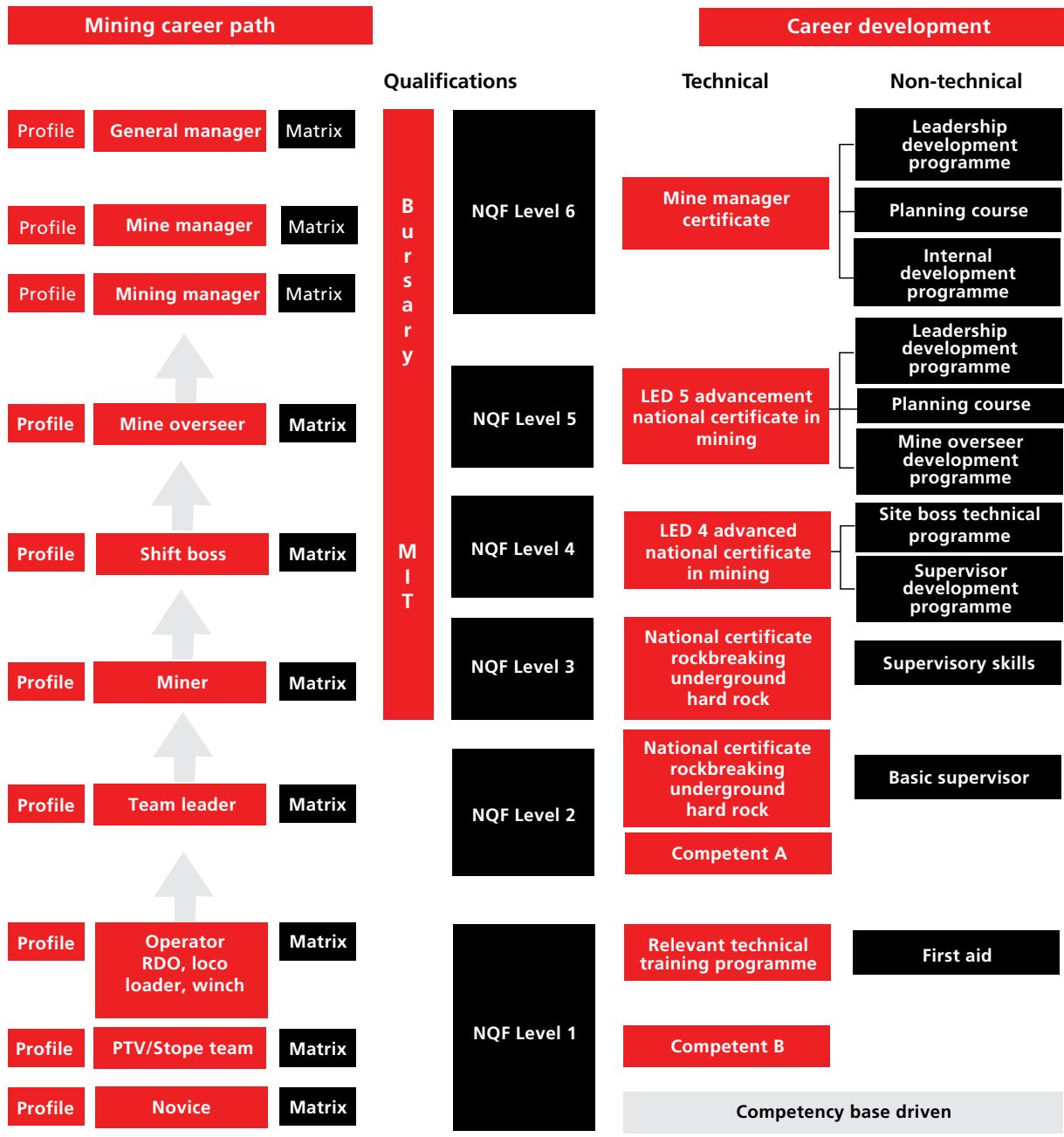
Human resources development – mentorship plan						
Training	Baseline	2013	2014	2015	2016	2017
Engineering foreman	–	1	1	1	1	1
Engineering learnership	–	3	3	3	3	3
Environmental management	–	1	–	–	–	–
Financial management	–	1	–	–	–	–
HR management	–	1	–	–	–	–
Metallurgy	–	1	–	–	–	–
Mine manager certificate	–	1	–	–	–	–
Ore reserves management (ORM)	–	–	1	–	–	–
Safety management	–	1	–	–	–	–
<b>Total mentees</b>	–	<b>10</b>	<b>5</b>	<b>4</b>	<b>4</b>	<b>4</b>

# SECTION 2: HUMAN RESOURCES DEVELOPMENT PROGRAMME cont.

## Engineering career path



# Mining career path



# SECTION 2: HUMAN RESOURCES DEVELOPMENT PROGRAMME cont.

## Career development metallurgy

Career path metallurgy	Career development metallurgy			
	Qualifications	Technical	Development	
Group metallurgist	BSc(Eng) Extraction with B Eng/BSc(Eng) Chem E	3 years theory 10 years experience, broad exposure	Leadership development Programme Management Development	
Plant manager	BEng/BSC(Eng) Chem E B-Tech: extraction metallurgy	3 years theory 4 to 5 years experience		
Senior plant metallurgist	BEng/BSC(Eng) Chem E B-Tech: extraction metallurgy	3 years theory 4 years experience		
Metallurgist	National diploma	3 years theory 1 year practical 4 years experience	Supervisory development programme	
Business unit leader	Mineral processing L4 64889	<ol style="list-style-type: none"> <li>1. Absorption of gold on activated carbon</li> <li>2. Crushing</li> <li>3. Gold smelting</li> <li>4. Electro-winning</li> <li>5. Gold elution and carbon regeneration</li> <li>6. Grading room operator</li> <li>7. Handling of chemicals</li> <li>8. Milling of material</li> <li>9. Ore reception</li> <li>10. Preparation of slimes for backfilling</li> <li>11. Relining of a mill</li> <li>12. Slimes reclamation</li> <li>13. Leach of minerals</li> <li>14. Thickening of slurry</li> <li>15. Water reticulation</li> </ol>	In-house courses <ol style="list-style-type: none"> <li>1. Milling</li> <li>2. Carbon management</li> <li>3. Thickening and leaching</li> <li>4. Backfilling</li> <li>5. Relining</li> <li>6. Chemical handling</li> <li>7. Grading room operations</li> </ol>	
Technical official	Mineral processing L3 62769			
Departmental shift supervisor	Mineral processing L2 59305			
Section supervisor				
Plant attendant	Skills programme for a workstation		Training matrix	
General workforce	Selection criteria minimum education level for an attendant Grade 10 with english and 4 years experience			
			Competency base driven	

## 2.7 Harmony bursary fund is awarded through Kalgold mine

The Harmony bursary programme was established in 2001, principally to help historically disadvantaged matriculants with their future mining careers. There is an annual intake of 16 South African students and the focus of the bursary programme is in the technical fields of mining, engineering, ORM and metallurgy. Other disciplines outside mining core disciplines are accommodated under the Harmony community based bursary sponsorship programme as determined by the local municipalities surrounding Harmony.

At the moment, Harmony supports 35 full-time students at various South African tertiary institutions – 18 are from communities around Harmony's mines. The 35 students vary from first to final years in their academic studies.

Future planning of the Harmony bursary programme includes:

- Developing students as part of establishing a pool of academically qualified individuals in order to meet Harmony's future business needs and the needs of the local municipalities;
- A greater degree of co-operation and interaction with the bursary students and their lecturers through visits to various institutions twice a year
- Enhancement of co-operation with the lecturing and technical expertise at the universities where sponsored students are registered: the universities of the Free State, Pretoria, Stellenbosch, Johannesburg, Witwatersrand, KwaZulu-Natal and Limpopo, as well as the universities of technology of the Vaal and Cape Peninsula;
- Integration of the practical work requirements of these educational institutions and the pre- and post-graduate development programmes as required by the institutions;
- Integration and extension of supervisory and leadership programmes to all bursars prior to their involvement in middle and senior business leadership programmes;
- Active participation in the continuing professional development initiatives of the professional bodies of registration such as the Engineering Council of South Africa (ECSA);
- Synergies with existing universities, FET, governmental and non-governmental organisation (NGO) initiatives to convert, improve and sustain educational qualifications and standards for the mining industry and South Africa in general;
- Extension of financial support for education to children from the communities where Harmony operates;
- Extension of bursaries and bridging school assistance for employees' children; and
- Focus on new bursary allocations within the communities in which Harmony operates.

## SECTION 2:

# HUMAN RESOURCES DEVELOPMENT PROGRAMME cont.

Kalgold mine will facilitate the awarding of three bursaries to deserving students annually.

### HUMAN RESOURCES DEVELOPMENT

#### The provision of FET to three bursary students through the Harmony bursary fund with a service obligation to Harmony

##### **Objectives:**

To promote the tertiary education and training of three bursary students according to the strategic labour requirements of the Kalgold mine in order to develop future leaders in areas identified as core mining disciplines. Students are allocated bursaries in collaboration with the local municipalities and allowed to study towards any diploma or degree of their choice that will assist in addressing the strategic developmental needs of the municipalities surrounding Harmony.

Harmony allocates bursaries for the following core mining disciplines:

- Mining engineering
- Engineering
- Metallurgy
- ORM

##### **Beneficial change:**

The empowerment of three young talented South Africans with at least one from the local community. These candidates must be achievement-oriented, able to handle the challenges of teamwork in a mining environment and have a business mindset.

##### **Beneficiaries:**

Three proud and talented South Africans with a passion for core mining disciplines and the desire to join Harmony. Should the municipality approach Harmony to award bursaries for disciplines aligned to their strategic priorities, such requests will also be considered.

##### **Implementation plan:**

- Promotion of this unique opportunity to students with potential through the Harmony website and internally for employees to be aware of opportunities for their children and relatives
- Annual applications to the Harmony bursary scheme before 30 June of each year
- Assessment of shortlisted applicants and selection through the interview process
- Formal bursary contracting with Harmony
- Commencement of formal studies
- Vocational work on Harmony operations under the guidance and support of a mentor
- On-going monitoring

### The Harmony bursary numbers

	Baseline	2013	2014	2015	2016	2017
Mining	16	16	16	16	16	16
Engineering	4	6	6	6	6	6
Geology/Surveying	6	6	6	6	6	6
Metallurgy	3	3	3	3	3	3
Services (HR and Finance)	6	4	4	4	4	4
<b>Total students</b>	<b>35</b>	<b>35</b>	<b>35</b>	<b>35</b>	<b>35</b>	<b>35</b>

### 35 active Harmony bursars in 2012

Field of studies*	Baseline	2013	2014	2015
Mining	1	4	6	5
Engineering	–	1	3	–
Geology/Survey	1	1	2	2
Metallurgy	–	–	2	1
Finance	–	–	3	1
Services (HR, Finance and Medicine)	1	–	1	–
Total	3	6	17	9
<b>Grand total**</b>			<b>35</b>	

\* **Note:** 12 students are due to complete their studies at the end of 2012

\*\* Assumptions: 100% pass rate, nil turnover

### Financial provision for the Harmony bursary programme\*

	2013	2014	2015	2016	2017
Budget (Rm)**	3	4	4	4	5

\* An expected increase due to an increase of bursary students and general cost increases of university studies

\*\* Expected financial value if a consumer price index (CPIX) increase of some 6% is applied

#### 2.7.1 Study assistance programme

- To encourage a life-long learning culture, Harmony provides financial assistance to employees furthering their studies on a part-time basis in various relevant disciplines. Through the optimisation of this programme, the company promotes the development of human capital which is critical for improved business performance and sustainability.
- In 2012, Harmony sponsored 249 employees to further their part-time studies. Of these, 198 came from historically disadvantaged backgrounds; representing 80% of employees on the study assistance programme.

#### Employees on the study assistance programme\*

	2013	2014	2015	2016	2017
Number of employees	249	250	250	250	250
Financial provision (R)**	2 611 105	2 767 771	2 933 837	3 109 867	3 296 459

\* Expected financial value if a CPIX increase of some 6% is applied

\*\* The total amount over five years is R14 719 039

## SECTION 2: HUMAN RESOURCES DEVELOPMENT PROGRAMME cont.

### 2.8 Internship and training programme

Our internship and training programme is part of Harmony's talent development programme. Graduates from different South African universities are recruited either directly or indirectly through the MQA grant system and placed on the internship programme over a period of time not longer than two years to acquire necessary practical work experience in various core mining-related disciplines such as mining, engineering, geology, metallurgy and surveying. Most of the graduates are HDSAs drawn from the immediate local communities where the company operates. Once these learners have completed the internship programme, Harmony exercises the first option whether or not to offer the candidates permanent employment.

This programme does not only help to provide the individuals with practical work experience but also to equip the candidates with business management and leadership skills to prepare them for future managerial-related work.

#### Internship programme candidates\*

	2013	2014	2015	2016	2017
Number of interns	6	22	22	22	22
Financial provision (R)	948 000	3 684 560	3 905 633	4 139 971	4 388 369

\* Expected financial value if a CPIX increase of some 6% is applied.

#### Experiential training programme\*

	2013	2014	2015	2016	2017
Number of learners	24	12	12	12	12
Financial provision (R)	3 456 000	1 831 680	1 941 580	2 058 075	2 181 560

\* Expected financial value if a CPIX increase of some 6% is applied.

#### 2.8.1 Participation in the Harmony Bridging School is awarded through Kalgold mine

The Harmony Bridging School was established in Virginia in 1996, principally to assist in bridging the gap between the achieved school results and the potential of the individual. This is necessary to assist the individual in launching a reasonable career progression within Harmony and beyond with focus on HDSAs. The bridging school has an annual intake of 20 students from the areas where Harmony has mining operations. The syllabus includes mathematics, physical science, business English, technical drawing, first-aid training, life and computer skills. All bridging school students are assisted in obtaining a driver's licence.

Future plans for the Harmony Bridging School include:

- Possible relocation to the premises of the Harmony Sports Academy where additional recreational facilities will enrich the current programme;
- Sharing of laboratory and computer class facilities with the Harmony Sports Academy;
- Integration and extension of the learnership programme in leadership; and
- Synergies with existing governmental, FET colleges, higher education, and NGO initiatives to improve educational qualifications and standards.

## HUMAN RESOURCES DEVELOPMENT

### Provision of bridging school education to matriculants from mining communities

#### Type of project: Education

**Objective:**

- To improve the school results of two students in maths, science, technical drawing and life skills to equip them for employment and further development inclusive of further studies

**Beneficial change:**

- Improved school results in maths and science to open doors for further educational opportunities
- Complementary life skills such as computer skills, financial literacy, driver's licence and leadership development by attending the full-year internal programme
- During the year, students are exposed to the various career options within Harmony before they exercise their choice to pursue a future career in Harmony

**Beneficiaries:**

- Every year, two students from the surrounding mining communities will be absorbed into learnership programmes or employed by Harmony and at least four households will be afforded the opportunity to become financially stable

**Implementation plan:**

- Since 1996, an annual intake of 20 students (240 in total) from surrounding mining communities participate in an internal bridging school programme in Virginia
- On completion of the year-long programme, students exercise a choice to pursue careers in
  - Mining
  - Engineering
  - Metallurgy
  - Finance
  - Information technology
  - HR management
  - ORM
- Bridging school graduates apply for the Harmony bursary scheme for full-time studies to be followed in their second year, after a year's exposure in their field of choice, at Harmony mines. Some follow formal learnerships in mining and engineering disciplines. Of the total number of ex-bridging school graduates, 58% are currently employed at Harmony, eight of them are in senior management positions and some of have started their own businesses.

**Harmony Bridging School current and projected student numbers\***

	Baseline	2013	2014	2015	2016	2017
Students	20	20	20	20	20	20

\* These figures could increase should partnerships with similar initiatives be introduced.

**Financial provision for the Harmony Bridging School\***

	2013	2014	2015	2016	2017
Budget (Rm)**	1	1	1	1	1

\* Expected financial value if a CPIX increase of some 6% is applied.

\*\* Harmony Bridging School receives no government subsidy and has an annual budget of some R1.18 million.

## SECTION 2: HUMAN RESOURCES DEVELOPMENT PROGRAMME cont.

### 2.9 Transformation and employment equity

In line with Regulation 46(b): Human resources development programme, the following information is provided in this section:

- Regulation 46(b)(v): EE plan
- Introduction
- EE policy
- Gender and disability equity
- HDSA participation in management

#### 2.9.1 Introduction

At Doornkop mine, transformation and EE is not merely about meeting the targets set by the Mining Charter or the Employment Equity Act, 1998 (Act No 55 of 1998) but about optimally engaging with all employees, and developing and utilising their skills in a dynamic business environment. Kalgold mine's business model involves flat structures, and the empowerment and coaching of its people. The majority of Kalgold mine's employees are drawn from HDSA segments of the population and the representation of these groups in management positions is increasing in line with Kalgold mine's business strategy.

Kalgold mine is committed to organisational transformation along with the transformation of South African society as a whole. Kalgold mine strategically views transformation as a long-term opportunity for the sustainable growth of its business. As a major South African organisation with deep roots in the development of South African society, Kalgold mine's transformation for sustainability will have a significant impact on the lives of thousands of South Africans and the South African economy as a whole.

In essence, Kalgold mine's transformation agenda displays a commitment to harnessing the incredible potential of a diverse society. It is also a commitment to examining the past in light of the future and making business decisions based on a thorough understanding of the country in which Harmony does business.

The objective for Kalgold mine is to:

- Achieve 40% HDSA representation in each management layer
- Achieve 10% representation of women in mining

#### 2.9.2 Form S – EE statistics as at 22 June 2012

Kalgold mine employment equity details (Form S) as at 22 June 2012 are shown below (in terms of regulation 46(b)(v) of the SLP of the MPRDA).

## Workforce compilation

Occupation level	Actual June 2012					
	Paterson band	Strength (including foreigners and white females)	HDSA employees (excluding foreigners excluding white females)	%	HDSA employees (excluding foreigners including white females)	%
Senior management	D5 and E	4	3	75	3	75
Professionals: Professionally qualified, experienced specialists and middle management	D3 and D4	3	1	33	–	–
<b>Total senior</b>	<b>D and E</b>	<b>7</b>	<b>4</b>	<b>57</b>	<b>3</b>	<b>43</b>
Technically skilled/operators: Skilled technical and academically qualified workers, junior management, supervisors, foremen, superintendents		7	4	57	5	71
Semi-skilled	C	62	44	71	46	74
Unskilled		182	177	97	178	98
<b>Total</b>		<b>258</b>	<b>229</b>	<b>89</b>	<b>232</b>	<b>90</b>

**Note:** Kalgold mine is currently conducting an audit to determine the total number of disabled employees in the mine to be completed by 31 December 2012.

### 2.9.3 Kalgold mine's employment equity plan

Note the following:

- The plan was based on the information available as at 22 June 2012.
- In future, and when presenting annual reporting to the Department of Mineral Resources, the EE plan will include the information as per the Form S above: gender and race.

### 2.9.4 EE statistics and targets per occupational level

The EE statistics and plan at the Kalgold mine as at 22 June 2012 are shown in the graphs below. Kalgold mine plans to reach a 40% EE target in management by 2014.

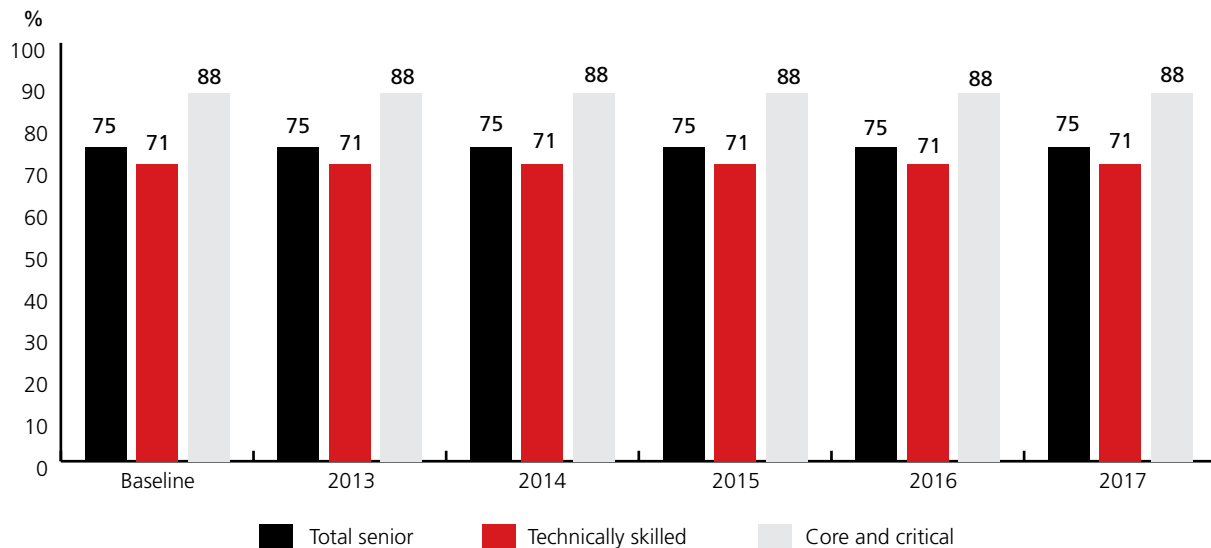
## SECTION 2: HUMAN RESOURCES DEVELOPMENT PROGRAMME cont.

### Kalgold mine's employment equity plan

#### EE: Designated employees, excluding foreigners and including white females

Occupation level	Paterson grading	Baseline			2013			2014			2015			2016			2017		
		Strength	Designated employee	%	Strength	Designated employee	%	Strength	Designated employee	%	Strength	Designated employee	%	Strength	Designated employee	%	Strength	Designated employee	%
Senior management	D5 and E	4	3	75	4	3	75	4	3	75	4	3	75	4	3	75	4	3	75
Professionals	D3 and D4	3	1	33	2	2	100	2	2	100	2	2	100	2	2	100	2	2	100
<b>Total senior</b>	<b>D and E</b>	<b>7</b>	<b>4</b>	<b>57</b>	<b>6</b>	<b>5</b>	<b>83</b>	<b>6</b>	<b>5</b>	<b>83</b>	<b>6</b>	<b>5</b>	<b>83</b>	<b>6</b>	<b>5</b>	<b>83</b>	<b>6</b>	<b>5</b>	<b>83</b>
Technically skilled		7	5	71	7	5	71	7	5	71	7	5	71	7	5	71	7	5	71
Core and critical		244	214	88	244	214	88	244	214	88	244	214	88	244	214	88	244	214	88
<b>Total</b>		<b>258</b>	<b>223</b>	<b>86</b>	<b>257</b>	<b>224</b>	<b>87</b>	<b>257</b>	<b>224</b>	<b>87</b>	<b>257</b>	<b>224</b>	<b>87</b>	<b>257</b>	<b>224</b>	<b>87</b>	<b>257</b>	<b>224</b>	<b>87</b>

### Kalgold mine's employment equity plan



Kalgold mine is committed to the following central focus points in its long term transformation and EE strategy:

- setting annual critical mass targets intended to facilitate an equitable representation and utilisation of human resources;
- pursuing transparency in recruitment, promotional and placement processes;
- accelerating the training and development of historically disadvantaged groups to contribute to their skills base and career advancement;
- establishing and maintaining an organisational culture that promotes better understanding and tolerance of the diverse backgrounds of all employees;
- monthly EE meetings with organised labour to monitor progress and maintain on-going dialogue;
- in the event of a dispute, an established EE forum exists as part of our HRD committee which highlights any queries or challenges to ensure speedy resolution; and
- linking performance bonuses to the EE targets of the respective businesses units within the organisation.

## **2.10 Women in mining and gender diversity**

The mine is committed to the successful integration of women into a previously male dominated environment. Specific development initiatives are introduced to facilitate integration.

### **2.10.1 Objectives for women in mining development strategy**

- To move all women into a positive role from coping to thriving to attain the mine objectives
- To develop all women in the company and give them the confidence and skills needed to perform their work effectively
- To coach and mentor younger women to enable them to reach their potential
- Additional interventions include the women in mining talent pool.

Women development programmes include the following:

- diversity training that is incorporated into a module at induction which introduces the ideas of new and previous employees dealing with potential challenges;
- leadership and personal capacity development intervention for middle and senior managers;
- women's empowerment workshops which are conducted bi-annually at each shaft to allow women the freedom to express themselves and play an active role in their development in a male dominated world;
- a women's mentoring programme; and
- the ultimate objective is to move women into a position where they have the space and opportunity to thrive.

### **2.10.2 Strategy to increase the number of women in mining**

Women are employed in various disciplines, including health and safety, mineral resources, engineering, metallurgical plants, finance services, HR, mining, ORM and engineering.

## SECTION 2: HUMAN RESOURCES DEVELOPMENT PROGRAMME cont.

To enable the mine to improve the percentage of women in mining, the following strategies will be implemented:

- preferential consideration will continue to be given to women when filling vacant positions;
- active marketing strategies to attract women and display information on available positions;
- women selected for accelerated development programmes;
- women appropriately represented among learnerships;
- annual induction training includes a module relating to sexual harassment to create an environment that is not prejudicial for women;
- one sexual harassment officer will be nominated and trained per 50 female employees to educate, inform and address any issues of sexual harassment;
- women underground will be provided with safety equipment and clothing that takes into account the ergonomic requirements of women;
- underground toilets are provided for female employees; and
- gender diversity issues will be addressed in the HRD forum meetings with women represented in the forum.

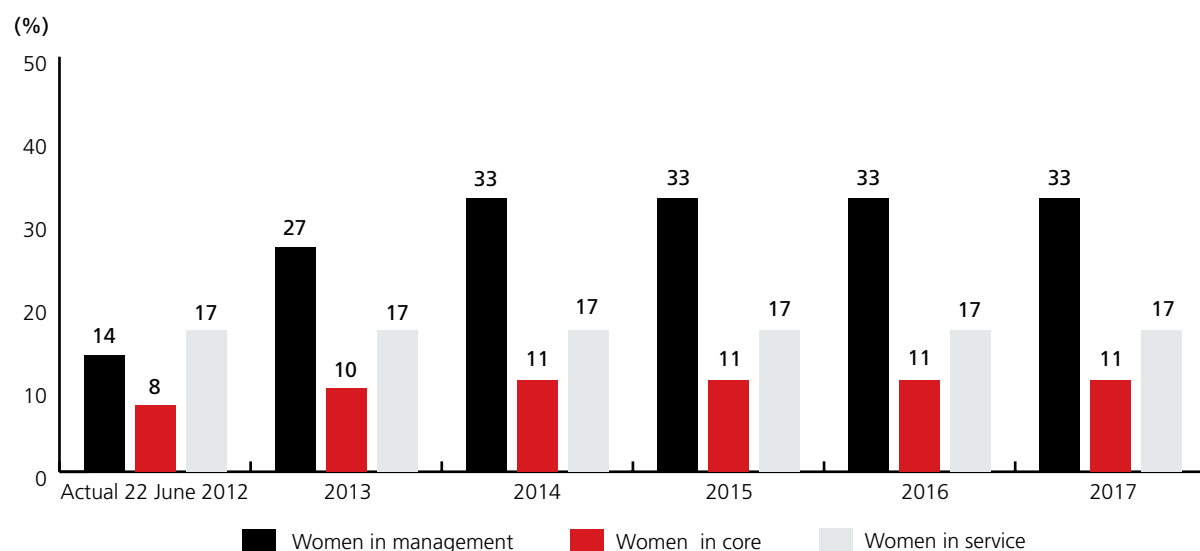
### 2.10.3 Kalgold mine women in mining targets

The table below shows the women in mining plan for the Kalgold mine.

#### Kalgold mine women in mining employment plan

	Actual 22 June 2012			2013			2014			2015			2016			2017		
	Actual in service employees	Women	%	Actual in service employees	Women	%	Actual in service employees	Women	%	Actual in service employees	Women	%	Actual in service employees	Women	%	Actual in service employees	Women	%
Women in management	14	2	14	15	4	27	15	5	33	15	5	33	15	5	33	15	5	33
Women in core	143	12	8	143	15	10	143	16	11	143	16	11	143	16	11	143	16	11
Women in service	116	20	17	116	20	17	116	20	17	116	20	17	116	20	17	116	20	17
<b>Total WIM</b>	<b>259</b>	<b>34</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

#### Women in mining plan at Kalgold mine



#### 2.10.4 Constraints to maintaining EE and women in mining targets

The attainment of targets will fluctuate from year to year, depending on the size of the workforce, the extent to which EE targets are achieved and the financial stability of the mine. Major constraints in constantly attaining EE and women in mining targets include:

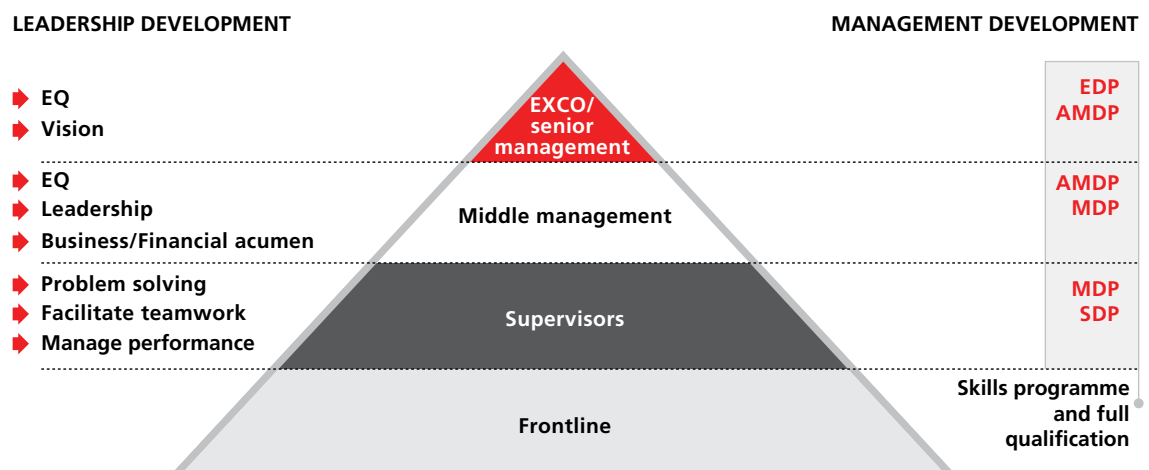
- skills retention;
- attraction of external qualified candidates to remotely located mines;
- risk factors to which women are exposed underground; and
- space creation (taking cognisance of the effect of shaft closure and downscaling).

Taking into account the potential constraints of maintaining our HDSA targets, strategies to continuously mitigate risks are implemented.

#### 2.11 Relationship between career pathing, mentorship and employment equity

Career, performance and EE management are conducted at mine level. This process is reviewed and co-ordinated at Harmony to ensure optimum development and deployment of the talent pool at each mine and at group level. This process also creates an opportunity for employees to access career opportunities throughout the organisation. A particular focus of this process is the employment of people from the designated groups to meet the mine's EE targets and to contribute to the transformation of the mining industry and South Africa.

As part of the people development strategy, leadership development with other development initiatives, such as executive, management and supervisory development have been highlighted as key employee development initiatives for Harmony.



##### 2.11.1 Supervisory development

Employees at supervisory level have the opportunity to attend the Harmony supervisory development plan as presented by a preferred vendor. This strategy focuses specifically on the development of key supervisory competencies as identified through consultation with important stakeholders and consultation with relevant unit standards critical for good supervision.

##### 2.11.2 Management, advance management development

Harmony's middle and senior managers will have the opportunity to attend public and advanced management development programmes at relevant business schools.

## SECTION 2:

# HUMAN RESOURCES DEVELOPMENT PROGRAMME cont.

### 2.11.3 Leadership development

Leadership development opportunities will be available for all employees from middle management and above, and presented by a preferred vendor. The content of the leadership development programme is aimed at values-driven leadership behaviour required to maintain current organisational objectives and to create a sustainable future for the organisation.

### 2.11.4 Talent management

Talent management is an integrated system for aligning people to the strategies, goals and values of the organisation through processes and technologies that enable the selection, recruitment, rewarding and retention of top talent. Talent management comprises all of the work processes and systems related to retaining and developing a superior workforce. Talent management solutions ensure that all functions are fully integrated around values, competency requirements and the strategic goals of the organisation. Talent acquisition, development and deployment processes will be aligned to business goals.

The aims and objectives of the talent pool in Harmony include:

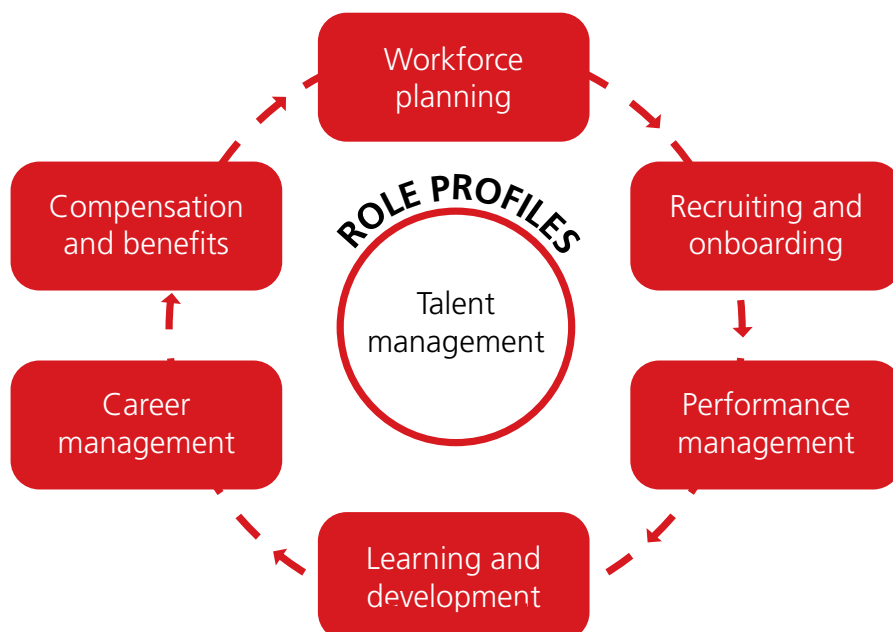
- meeting EE targets;
- developing high potential people;
- succession management;
- improving employee performance; and
- career management.

The mine talent pool consists of people who have been identified as having potential to occupy senior positions within the organisation in future. People in the talent pool usually also show excellent performance in their various careers. The talent pool forms part of talent management with issues such as employee retention strategies, career pathing and succession management.

The talent pool is used to meet EE objectives, and it is linked to career pathing and mentorship. Most of the people in the talent pool have either formal or informal mentors.

The talent pool is used to meet EE objectives, and it is linked to career pathing and mentorship. Most of the people in the talent pool have either formal or informal mentors.

### Interrelatedness of selection, recruitment, rewarding and retention of top talent



### **2.11.5 Role profiles**

Role profiles and competencies are used for performance management, and shared in learning, development, recruiting and succession planning.

### **2.11.6 Workforce planning**

Talent management must be integrated and aligned with the business plan.

### **2.11.7 Recruitment**

Through an integrated process of recruitment, assessment, evaluation and hiring, new people enter into the organisation. New employees in the organisation must be trained and enabled to become productive and integrated into the company.

### **2.11.8 Assessments**

In order to ensure that employees match or align with the company's business strategy, assessments based on specific criteria will be conducted. These assessments provide insight into employees' values, culture fit with the organisation, their areas of strength and development, and their likelihood to perform well in the organisation.

### **2.11.9 Performance management**

Performance management is conducted at management level, and is linked to compensation and benefits. Career path discussions are managed and monitored during performance management discussions between an employee and supervisor.

### **2.11.10 Learning and development**

Learning and development include training and development opportunities for technical and non-technical skills and competencies.

### **2.11.11 Career management**

Succession planning enables managers and individuals to identify the right candidates for a position. This function must also be aligned with the business plan to understand and meet requirements for critical positions three to five years out. Succession management also provides data around performance and potential against a full set of competencies; allowing the organisation to estimate the readiness of employees for lateral moves or promotions, and to provide information on current and future succession strength. Employees earmarked to progress into main roles in future can be assessed, compared and put on appropriate developmental and career paths, and then re-evaluated over time.

Development panels are also conducted for discussions on aspirations and opportunities for development. Each mine will have development panels for mining, engineering and services functions with cross functional management representation. In the development panels, all the individuals in the talent pool will be interviewed and alignment of their individual development plans will be checked against their career paths and career preferences. Successors will then be identified for promotion.

### **2.11.12 Compensation and benefits**

The compensation plan is linked to performance management at management level so that compensation, incentives and benefits align with business goals and business execution.

## SECTION 3:

# LOCAL ECONOMIC DEVELOPMENT PROGRAMME

As per Regulation 46(c): Local economic (LED) development programme, the following is covered in this section:

- Regulation 46(c)(i): The social and economic background of the area in which the mine operates
- Regulation 46(c)(ii)(a): Key economic activities of the area in which the mine operates
- Regulation 46(c)(ii)(b): Impact of the mine in local and labour-sending communities
- Number of jobs created and persons benefitting
- Other socio-economic impacts
- Regulation 46(c)(iii): Infrastructure and poverty eradication projects in the local and labour-sending areas
- Co-mine with the local municipality
- Job creation
- Infrastructure development
- Poverty alleviation
- Care of the environment
- Non-financial assistance
- Role of Harmony in national sustainable development
- HIV/Aids
- Regulation 46(c)(iv): Housing and living conditions
- Regulation 46(c)(v): Measures to address nutrition
- Regulation 46(c)(vi): Procurement progression plan

### 3.1 Introduction

Kalgold recognises that the business of gold mining has considerable economic, social and environmental impacts which have to be considered during the life of the mines. Section 3 of the SLP will consider various issues on LED around the mining community and the labour-sending areas of Kalgold mine.

**Section 3.2** deals with Harmony's approach to LED. In this section the principles guiding Kalgold LED support in the mining and labour-sending communities are identified and described; some of the examples of the current Kalgold socio-economic development projects, Kalgold's CSR approach, the distinction between CSR and LED projects, LED programmes in the labour-sending communities, and lastly responsibility and reporting on the SLP and in particular progress on the implementation of LED programmes supported by Kalgold.

**Sections 3.3 to 3.5** covers the socio-economic background and key economic activities of the Kalgold mining community.

Three areas will be covered:

- North West Province
- Ngaka Modiri Molema district municipality
- Ratlou local municipality

**Section 3.6** covers the summary of the socio-economic background and key economic activities of the North West (Kalgold mining and major labour-sending community).

**Section 3.7** shows the impact of Kalgold mine in the mining and labour-sending community.

**Section 3.8** contains a plan for Kalgold participation in the Ratlou local municipality and Ngaka Modiri Molema district municipality integrated development planning, implementation and review. The plan is part of corporate citizenship as well as part of LED support to the municipalities and labour-sending communities. The LED programmes focus mainly on job creation, poverty alleviation, community development, and infrastructure development. In this section, a commitment by the Kalgold mine on various issues to promote local economic development in the mining community is shown.

Memorandum of understanding signed by the municipal manager for 2012-2017

**HARMONY™**

HARMONY GOLD MINING COMPANY LIMITED  
PO Box 2, Randfontein, 1760  
Johannesburg South Africa

T +27 11 411 2000  
F +27 11 411 2070  
W [www.harmony.co.za](http://www.harmony.co.za)

NYSE and NASDAQ  
trading symbol HMY

JSE trading symbol HAR

28 August 2012

The Municipal Manager  
Ratlou Local Municipality  
P.O.Box 494  
Stella  
8650

BY HAND

Dear Sirs

**HARMONY MEMORANDUM OF UNDERSTANDING**

We hereby confirm our commitment to the following LED projects for our 2012/17 Calendar Years

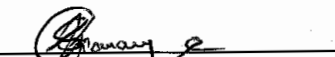
Mining Community Projects	Four Year Expenditure Provision (R)
Community Bursaries	R 800,000
Education Infrastructure Development	R 800,000
SMME Development - Ratlou	R 1.,200,000
Further Kalgold LED Support to the Mining Community	R 7,200,000
<b>Total</b>	<b>R 10,000,000</b>

We confirm that our contact persons in this regard are Mr. Nkosinathi Mkhize and Ms. Thembi Mashinini and on your side is Mr. Glen Lekomanyane.

Yours faithfully

  
Nkosinathi Mkhize  
HR LEADER: KALGOLD

  
THEMBI MASHININI  
LED MANAGER: SA. OPERATIONS

  
GLEN LEKOMANYANE  
MUNICIPAL MANAGER

**Directors:** PT Motsepe\* (Chairman), GP Briggs (Chief Executive), HO Meyer (Financial Director), HE Mashego (Executive Director), F Abbott\* JA Chissano\*\*, FFT De Buck\*\*, KV Dicks\*, Dr DS Lushaba\*, CE Markus\*, MJ Motloba\*, M Msimang\*, CML Savage\*, AJ Wilkens\*  
\*Non-Executive; \*\*Mozambican; \*\*\*US/Mali Citizen

**Secretary:** Riana Bisshoff

Registration Number: 1950/038232/06

## SECTION 3: LOCAL ECONOMIC DEVELOPMENT PROGRAMME cont.

**Section 3.9** identifies and describes the LED projects that will be supported by Kalgold mine in the mining community and major labour-sending community. Almost all the LED projects identified in this section were found not to have feasibility studies and/or project plans. In this case, Kalgold mine's support to the mining community will include the stages of feasibility studies and project management planning. According to the LED plans in this SLP, Kalgold Mine will invest R12 500 000 during the next few years on LED projects in the North West, focusing mainly on the Ratlou local municipality.

The Kalgold LED projects in the mining community and major labour-sending community include the following:

### Kalgold mine LED financial provision

Mining community LED Projects	5 year expenditure provision (Rm)
Community bursaries	1
Education infrastructure development	1
SMME development at Ratlou	2
Further Kalgold LED support to the mining community	9
<b>Total</b>	<b>13</b>

**Section 3.10** describes Kalgold's commitment for further support to local economic development in the Ratlou local and Ngaka Modiri Molema district municipalities. This covers new projects that will be identified jointly by Kalgold mine and other stakeholders including the Ratlou local municipality.

**Sections 3.11** shows the process Kalgold will follow to comply with the LED plan. The process covers collaboration and partnerships with provincial and local government, the allocation of resources to support the LED programme, monitoring and review.

**Sections 3.12** shows the procurement progression plan of Kalgold mine and principles that are adopted at Harmony to promote preferential procurement, broad-based black economic empowerment (BBBEE) and increasing the HDSA supplier base. The section also deals with the innovative idea of establishing a regional business development centre which is a part of enterprise development activities.

**Sections 3.13** details Harmony's approach and implementation of enterprise development.

**Section 3.14** identifies some of the key corporate social responsibility projects in the area of HIV/Aids, a strategic area of focus, considering the impact of the pandemic on society and to productivity in the workplace.

### 3.2 Harmony's approach to LED

LED and CSR are considered to be integral parts of doing business at Harmony. A key theme is the upliftment of the communities from which Harmony draws a significant percentage of its employees. Kalgold's LED focuses on how Harmony will address the socio-economic needs of its local environment and the regions from which Harmony sources its workforce.

#### 3.2.1 LED support in the mining and labour-sending communities

Harmony approaches the issue of LED through the local governments and municipal authorities. Each mine is tasked with establishing liaison and communication structures with the district and local government structures in the areas where it operates. This participative approach will ensure that all mineral initiatives in the field of economic development are formulated and implemented as an integral part of the local authorities' economic and integrated development plans.

In addition, Harmony liaises with the local governmental structures and municipal authorities in the labour-sending communities to ensure that group development initiatives are also integrated into the economic and development plans of those areas.

---

The LED support at the mining and labour-sending communities is guided by the principles outlined. Following is a memorandum of understanding signed by the municipal manager of Ratlou municipality. An additional amount of R2.5 million was included for LED, after the MOU was signed. The relevant parties were notified in writing of the additional LED funding.

#### **3.2.1.1 LED focus areas**

The focus areas for LED support include the following:

- Infrastructure development
- Poverty alleviation
- Community development
- Employment or job creation
- Economic growth triggers or enablers

The LED project plans agreed to with the local municipalities in the mining and labour-sending communities as per the this SLP will specify the focus areas in terms of the above and will also indicate the scope of each project, for instance, in terms of the number of jobs created or the target beneficiaries of a project.

The continuous review of the LED projects during the implementation process will ensure that the projects not static but are revised in terms of changing needs and also to ensure sustainability. New LED projects in addition to the ones identified in this SLP will also be identified in consultation with all relevant stakeholders.

#### **3.2.1.2 LED support drivers**

LED support by at various mining and labour-sending communities is driven by the following:

- IDP and or LED plans of municipalities both at district and municipal levels.
- Provincial growth and development strategies.
- National goals on economic development, infrastructure development, social development, and poverty eradication.
- Socio-economic development objectives at labour-sending countries for the areas where Harmony sources its employees.
- Collaborative and participative structures with LED partners, these are bilateral and stakeholder forum structures.

#### **3.2.1.3 LED ownership**

Kalgold's main business activity is that of mining and LED support is an integral part of the Company's sustainable development strategy. LED is a primary responsibility of the following entities:

- Local governments (municipalities)
- Provincial governments
- National governments

The LED projects will be owned by the local government structures from inception and where this is not the case, the Company will ensure that all local stakeholders including local municipalities are consulted or are participant in such projects.

#### **3.2.1.4 Kalgold's LED responsibilities**

As a responsible corporate citizen Kalgold, together with other private sector entities that embrace corporate citizenship, do not believe the task of LED as being solely that of government but believes LED is an integral part of its business and achieves this by:

- Running profitable and sustainable mining operations that create employment opportunities, boost local economies through support business activities and contribute to the government tax revenues.
- Participating in all activities that aims to promote LED in the community.
- Allocating resources in the mining and labour-sending communities to promote and or support LED.

## SECTION 3: LOCAL ECONOMIC DEVELOPMENT PROGRAMME cont.

### 3.2.1.5 Business approach to LED

In line with all business activities within the company, business principles are applied to LED support. This is achieved by ensuring a return on each LED investment (ROI) through the following:

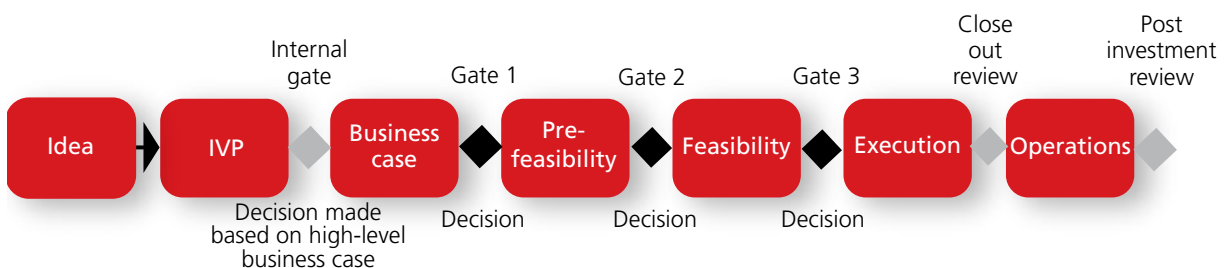
- **Impact:** Each LED project supported must have a positive impact on the mining community or labour-sending area. The impact may for instance, be in a form of: improved infrastructure, jobs created, a reduction in poverty, better skills in the community, and increased participation in the economy by community members.
- **Development:** Each LED project supported must have its primary objective to development the target community.
- **Focus:** To ensure focus, specific beneficiaries will be identified for each LED project supported.
- **Sustainability:** It is imperative that before each LED project is supported, proper feasibility and sustainability studies are conducted. LED projects must not in the long term depend on the existence of the mining operations.
- **Obtaining and keeping mining licences:** LED support in the mining and labour-sending communities must contribute to the company having the right to conduct mining operations in terms of the provisions of the MPRDA. The objective of Kalgold will be to always exceed legal requirements in line with its corporate citizenship strategy.

### 3.2.1.6 Project management principles

Project management and measurement is a one of the key focus areas within Harmony. The current Harmony project portfolio encompasses a broad spectrum of projects from building mega mines, both in South Africa and internationally, to smaller projects that cover all the disciplines found in the mining industry. The company has various organic growth and operational improvement projects that are aimed at increasing the life of mines and thereby ensuring long term profitability and long term employment opportunity.

Harmony manages investment opportunities and projects using a formalized stage gated process in order to ensure appropriate levels of governance and assurance. This process is in line with world best practice. Harmony has a project management function with representation at executive level that oversees projects undertaken in the Company.

Success in implementing the numerous projects within Harmony is achieved by implementing rigorous professional project management principles to support the gated approach described above. The gated approach (project life cycle) is summarized as such:



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This approach applies to all projects in which Harmony invests. Our LED partners will be encouraged to follow these practices in their respective environments in order to ensure Harmony LED alignment and support. Harmony will assist in developing these skills where feasible. The key principle here is for each LED project to have a suitable project plan that encompasses the required level of definition.

By applying suitable project management principles, the following advantages will be realised:

- The number of successfully implemented LED projects will increase
- The sustainability of LED projects will increase.
- The viability of LED projects will be determined before implementation
- Measurement of LED projects success is easily achieved
- Governance and assurance is formally demonstrated

Harmony will also provide project management capacity to monitor LED projects and to ensure that professional project management principles are followed as part of the implementation of this SLP.

#### **3.2.1.7 LED projects in the SLPs**

The LED projects contained in the SLPs for Kalgold mining operations will follow the principles above with the following considerations:

- The LED support plans are not static but will be reviewed regularly with the relevant stakeholders, especially municipalities, for opportunities of continuous improvement and to ensure that maximum economic development benefits are achieved.
- The LED projects will always be aligned with the LED objectives as set out in the MPRDA and the MPRDA regulations.
- The review of LED projects will be frequent and continuous, with all stakeholders playing a role including but not limited to municipalities, Harmony, and the DME.

### **3.3 Socio-economic background and key economic activities of the Kalgold mining community**

This Section will cover the social and economic background of the Kalgold mining community. Kalgold mine is located in Region D (Region Kalgold/Soweto) of the City of Johannesburg metropolitan municipality (Johannesburg) in the province of Gauteng, South Africa.

First a brief overview of the social and economic background of the Gauteng province will be given, followed by that of City of Johannesburg metropolitan municipality (Johannesburg). Region D is not a local municipality but a region of Johannesburg and therefore a detailed analysis of the social and economic background and key economic activities will not be given. However some background information of the Region will be given that will assist Kalgold mine in identifying and implementing LED programmes in line with the Johannesburg IDP.

#### **3.3.1 Social and economic background and key economic activities**

This section will cover the social and economic background of Kalgold's mining community. Kalgold is located in the Ratlou local municipality which is part of the Ngaka Modiri Molema district municipality of the North West Province.

## SECTION 3: LOCAL ECONOMIC DEVELOPMENT PROGRAMME cont.

### 3.3.1.1 Age and population group

Age in years	African/ Black	Coloured	Indian/ Asian	White	Total	%
0 – 4	58 204	1 273	62	3 252	62 791	10
5 – 9	58 138	1 387	59	3 766	63 350	10
10-14	64 107	1 451	34	4 992	70 584	11
15 – 19	63 371	1 478	41	5 177	70 067	11
20 – 24	54 980	1 269	51	3 442	59 742	9
25 – 29	50 851	1 116	73	3 752	55 792	9
30 – 34	48 272	1 053	48	3 958	53 331	8
35 – 39	49 073	963	47	4 112	54 195	8
40 – 44	41 380	894	25	4 266	46 565	7
45 – 49	31 071	704	29	4 206	36 010	6
50 – 54	21 532	551	25	3 689	25 797	4
55 – 59	14 376	386	16	3 219	17 997	3
60 – 64	11 234	251	13	2 675	14 173	2
65 – 69	8 583	185	6	2 200	10 974	2
70 – 74	5 089	107	5	1 639	6 840	1
75 – 79	2 818	48	3	1 117	3 986	1
80 – 84	2 225	44	–	744	3 013	1
85+	1 342	29	–	434	1 805	–
<b>Total</b>	<b>586 646</b>	<b>13 189</b>	<b>537</b>	<b>56 640</b>	<b>657 012</b>	<b>100</b>
%	89	2	–	9	100	–

Source: Statistics South Africa, Census 2001

The above table shows that majority of the province's population is below the age of 30. Education is therefore an important issue in the province.

### 3.3.1.2 Employment

#### Official employment status

	African/ Black	Coloured	Indian/ Asian	White	Total	%
Employed	124 113	3 146	253	20 930	148 442	34
Unemployed	115 971	2 531	26	2 018	120 546	28
Not economically active	147 779	3 040	91	16 066	166 976	38
<b>Total</b>	<b>387 863</b>	<b>8 717</b>	<b>370</b>	<b>39 014</b>	<b>435 964</b>	<b>100</b>
%	89	2	–	9	100	–

Source: Statistics South Africa, Census 2001

The table on the previous page shows unemployment, together with the not economically active population poses a serious challenge in terms of employment creation and poverty eradication. The combined total of these people constitute 66% of the population.

### 3.3.1.3 Highest level of education by population group

	African/ Black	Coloured	Indian/ Asian	White	Total	%
No schooling	57 223	1 677	12	908	59 820	9
Some primary schooling	87 696	1 300	17	742	89 755	14
Completed primary schooling	33 017	569	15	418	34 019	5
Some secondary schooling	109 869	2 574	88	14 148	126 679	19
Grade 12/std 10	43 442	1 303	124	16 283	61 152	9
Higher education	11 578	177	85	6 957	18 797	3
Not applicable	243 821	5 587	196	17 186	266 790	41
<b>Total</b>	<b>586 646</b>	<b>13 187</b>	<b>537</b>	<b>56 642</b>	<b>657 012</b>	<b>100</b>
%	89	2	–	9	100	–

*Source: Statistics South Africa, Census 2001*

The table above shows that about 9% of the population in the North West Province have no formal schooling, about 19% have some or have completed primary school, 19% have either completed or have some secondary school level of education, and there is high level (41%) shown as 'not applicable'. These low levels of education are a challenge to the province's skills base, and employment and income generation. The challenge for the province is to increase the percentage of people that enter higher education. Currently, the province sits at 3%.

### 3.3.1.4 Dwelling type

#### All households and collective living quarters

Type of housing	Total	%
House or brick structure on a separate stand or yard	98 075	50
Traditional dwelling/hut/structure made of traditional materials	5 104	3
Flat in block of flats	2 578	1
Town/cluster/semi-detached house (simplex, duplex, triplex)	2 115	1
House/flat/room in back yard	6 634	3
Informal dwelling/shack in back yard	15 960	8
Informal dwelling/shack not in back yard	51 888	26
Room/flat let not in back yard but on shared property	1 444	1
Caravan or tent	613	–
Private ship/boat	56	–
Not applicable (collective living quarters)	12 305	6
<b>Total</b>	<b>196 772</b>	<b>100</b>

*Source: Statistics South Africa, Census 2001*

The preceding table shows that 3% of population still live in traditional dwellings, while 35% live in informal settlements or structures. This indicates that approximately a quarter of the population requires formal housing.

## SECTION 3: LOCAL ECONOMIC DEVELOPMENT PROGRAMME cont.

### 3.3.2 Key economic activities in the North West Province

The top five key economic activities of the North West Province include the following:

- Mining and quarrying – representing 8% of total employment in the province.
- Agriculture, hunting, forestry and fishing – representing 6% of employment in the province.
- Private households – representing 5% of employment in the province.
- Community, social and personal services – representing 5% of employment in the province.
- Wholesale and retail trade, repairs, hotels and restaurants – representing 4% employment in the province.

The details of other economic activities are shown in the table below.

#### Economic sectors amongst the employed

	African/ Black	Coloured	Indian/ Asian	White	Total	%
Agriculture, hunting, forestry and fishing	22 467	564	8	2 087	25 126	6
Mining and quarrying	30 500	248	42	4 365	35 155	8
Manufacturing	4 662	174	3	1 242	6 081	1
Electricity, gas and water supply	580	13	–	170	763	–
Construction	3 209	212	6	654	4 081	1
Wholesale and retail trade, repairs, hotels and restaurants	12 084	500	119	3 187	15 890	4
Transport, storage and communication	3 493	74	–	452	4 019	1
Financial intermediation, insurance, real estate and business services	3 660	131	20	2 246	6 057	1
Community, social and personal services	15 286	442	27	4 042	19 797	5
Private households	20 133	340	6	147	20 626	5
Other and not adequately defined	8	–	–	–	8	–
Undetermined	8 031	444	27	2 338	10 840	3
Not applicable	263 750	5 570	117	18 084	287 521	66
<b>Total</b>	<b>387 863</b>	<b>8 712</b>	<b>375</b>	<b>39 014</b>	<b>435 964</b>	<b>100</b>
%	89	2	–	9	100	–

Source: Statistics South Africa, Census 2001

### 3.4 Socio-economic background and key economic activities

#### 3.4.1 Ngaka Modiri Molema district municipality

The Ngaka Modiri Molema district municipality is one of the four district municipalities of the North West Province.

The other three are:

- Ratlou local municipality
- Tswaing local municipality
- Mafikeng local municipality

- Ditsobotla local municipality
- Ramotshere Moiloa local municipality

Below is a brief overview of the social and economic background of the Ngaka Modiri Molema district municipality.

### 3.4.2 Age group and population group

Age in years	African/ Black	Coloured	Indian/ Asian	White	Total	%
0 – 4	79 446	1 194	249	1 939	82 828	11
5 – 9	85 122	1 204	284	2 258	88 868	12
10 – 14	87 998	1 223	278	2 502	92 001	12
15 – 19	84 872	1 220	235	2 200	88 527	12
20 – 24	67 656	1 037	220	1 618	70 531	9
25 – 29	56 684	991	271	2 019	59 965	8
30 – 34	49 688	883	261	2 192	53 024	7
35 – 39	44 759	864	256	2 294	48 173	6
40 – 44	38 790	741	238	2 305	42 074	6
45 – 49	29 759	527	192	2 090	32 568	4
50 – 54	22 758	425	167	1 876	25 226	3
55 – 59	19 128	279	111	1 568	21 086	3
60 – 64	16 057	239	110	1 486	17 892	2
65 – 69	12 154	150	43	1 174	13 521	2
70 – 74	9 485	146	38	966	10 635	1
75 – 79	7 296	71	20	628	8 015	1
80 – 84	4 246	47	14	367	4 674	1
85+	3 123	22	7	238	3 390	–
<b>Total</b>	<b>719 021</b>	<b>11 263</b>	<b>2 994</b>	<b>29 720</b>	<b>762 998</b>	<b>100</b>
%	94	2	–	4	100	–

Source: Statistics South Africa, Census 2001

The table alongside shows that 46% of the district municipality are aged below 20. Of this figure 49% are in the age group 20 to 64 and 5% are above the age of 65.

### 3.4.3 Employment

#### Official employment status

	African/ Black	Coloured	Indian/ Asian	White	Total	%
Employed	100 182	2 595	1 158	11 405	115 340	25
Unemployed	103 231	1 434	152	905	105 722	23
Not economically active	229 608	3 218	760	7 602	241 188	52
<b>Total</b>	<b>433 021</b>	<b>7 247</b>	<b>2 070</b>	<b>19 912</b>	<b>462 250</b>	<b>100</b>
%	94	2	–	4	100	–

Source: Statistics South Africa, Census 2001

The above table shows unemployment, together with the not economically active population amounts to 75% which poses a huge challenge in terms of employment creation and poverty eradication.

## SECTION 3: LOCAL ECONOMIC DEVELOPMENT PROGRAMME cont.

### 3.4.4 Level of education

#### Highest level of education by population group

Highest level	African/ Black	Coloured	Indian/ Asian	White	Total	%
No schooling	108 831	1 008	65	241	110 145	14
Some primary	85 885	1 032	85	307	87 309	11
Completed primary	23 530	447	77	161	24 215	3
Some secondary	88 635	2 382	462	6 467	97 946	13
Grade 12/std 12	55 888	1 227	754	9 278	67 147	9
Higher	18 814	329	506	4 367	24 016	3
Not applicable	337 437	4 841	1 045	8 899	352 222	46
<b>Total</b>	<b>719 020</b>	<b>11 266</b>	<b>2 994</b>	<b>29 720</b>	<b>736 000</b>	<b>100</b>
%	94	2	–	4	100	–

Source: Statistics South Africa, Census 2001

The above table indicates that 14% of the Central District has no formal schooling, about 15% have some or have completed primary school, and 22% have either completed or have some secondary school level of education.

### 3.4.5 Dwelling type

Type of housing	Total	%
House or brick structure on a separate stand or yard	140 045	76
Traditional dwelling/hut/structure made of traditional materials	11 384	6
Flat in block of flats	2 026	1
Town/cluster/semi-detached house (simplex; duplex; triplex)	1 066	1
House/flat/room in back yard	3 930	2
Informal dwelling/shack in back yard	4 590	3
Informal dwelling/shack not in back yard	15 059	8
Room/flat let not in back yard but on shared property	1 295	1
Caravan or tent	244	–
Private ship/boat	255	–
Not applicable (collective living quarters)	4 877	3
<b>Total</b>	<b>184 771</b>	<b>100</b>

Source: Statistics South Africa, Census 2001

The above table shows that 6% of the District's population still live traditional dwellings, 11% live in informal settlements or structures. This indicates that approximately 86% live in formal housing.

### 3.4.2 Key economic activities of the Ngaka Modiri Molema district municipality

The top four key economic activities of the Ngaka Modiri Molema district municipality include the following:

- Community, social and personal services – representing 7% of employment in the district
- Agriculture, hunting, forestry and fishing – representing 5% of employment in the district
- Private households – representing 4% of employment in the district
- Wholesale and retail trade, repairs, hotels and restaurants – representing 3% employment in the District

The details of other economic activities are shown in the table below.

#### Economic sectors amongst the employed

	African/ Black	Coloured	Indian/ Asian	White	Total	%
Agriculture; hunting, forestry and fishing	19 698	180	10	2 358	22 246	5
Mining and quarrying	2 292	39	3	215	2 549	1
Manufacturing	5 169	224	74	917	6 384	1
Electricity, gas and water supply	628	15	5	54	702	–
Construction	3 971	316	22	370	4 679	1
Wholesale and retail trade, repairs, hotels and restaurants	11 260	652	612	2 160	14 684	3
Transport, storage and communication	3 841	85	12	488	4 426	1
Financial intermediation, insurance, real estate and business services	5 112	264	95	1 413	6 884	2
Community, social and personal services	27 564	514	261	2 399	30 738	7
Private households	16 100	191	–	82	16 373	4
Other and not adequately defined	12	–	–	–	12	–
Undetermined	4 534	116	63	950	5 663	75
Not applicable	332	4 652	912	8 507	346 910	75
<b>Total</b>	<b>433 020</b>	<b>7 248</b>	<b>2 069</b>	<b>19 913</b>	<b>462 250</b>	<b>100</b>
%	94	2	–	4	100	–

Source: Statistics South Africa, Census 2001

### 3.5 Ratlou local municipality

#### Age and population composition

Age in years	African/ Black	Coloured	Indian/ Asian	White	Total	%
0 – 4	12 735	77	–	16	12 828	12
5 – 9	14 135	93	–	21	14 249	14
10-14	14 338	78	–	12	14 428	14
15 – 19	12 948	96	–	18	13 062	13
20 – 24	8 733	67	–	15	8 823	9
25 – 29	6 375	44	–	27	6 457	6
30 – 34	5 352	37	–	28	5 420	5
35 – 39	4 982	39	–	18	5 044	5
40 – 44	4 608	53	–	17	4 678	4
45 – 49	3 722	24	–	21	3 767	4
50 – 54	3 158	30	–	31	3 219	3
55 – 59	2 940	17	–	10	2 967	3
60 – 64	2 599	14	–	12	2 625	3
65 – 69	2 196	13	–	12	2 221	2
70 – 74	1 711	18	–	6	1 735	2
75 – 79	1 452	14	–	3	1 469	1
80 – 84	787	7	–	0	794	1
85+	533	4	–	0	537	1
<b>Total</b>	<b>10 3304</b>	<b>725</b>	<b>27</b>	<b>267</b>	<b>104 323</b>	<b>100</b>
%	99	1	–	–	100	–

Source: Statistics South Africa, Census 2001

The above table shows that 52% of the district municipality are aged below 20. Of this 41% are in the age group 20 to 64 and 7% are above the age of 65.

## SECTION 3: LOCAL ECONOMIC DEVELOPMENT PROGRAMME cont.

### 3.5.1 Employment

#### Official employment status

	African/ Black	Coloured	Indian/ Asian	White	Total	%
Employed	5 878	69	20	107	6 074	11
Unemployed	10 635	85	0	9	10 729	19
Not economically active	39 429	269	6	88	39 792	70
<b>Total</b>	<b>55 942</b>	<b>423</b>	<b>26</b>	<b>204</b>	<b>56 595</b>	<b>100</b>
%	99	1	–	–	100	–

Source: Statistics South Africa, Census 2001

The above table shows unemployment, together with the not economically active population amounts to about 89% of the population which therefore poses a huge challenge in terms of employment creation and poverty eradication.

### 3.5.2 Education

#### Ratlou local municipality, education and population group

	African/ Black	Coloured	Indian/ Asian	White	Total	%
No schooling	20 053	169	–	9	20 231	41
Some primary	12 920	112	–	9	13 041	26
Completed primary	2 761	18	–	3	2 782	6
Some secondary	9 084	68	9	64	9 225	19
Grade 12/std 12	3 383	12	8	63	3 466	7
Higher	944	–	11	52	1 007	2
Not applicable	49 145	379	28	200	49 752	100
<b>Total</b>	<b>99</b>	<b>1</b>	<b>1</b>	<b>–</b>	<b>100</b>	<b>–</b>
%	100	–	–	–	100	–

Source: Statistics South Africa, Census 2001

The above table indicates that 41% of the Ratlou local municipality has no formal schooling, about 32% have some or have completed primary school. About 9% of the population have completed standard 10 (or grade 12).

### 3.5.3 Dwelling type

#### Ratlou local municipality, education and population group

	African/ Black	Coloured	Indian/ Asian	White	Total	%
House or brick structure on a separate stand or yard	18 663	139	12	101	18 915	83
Traditional dwelling/hut/structure made of traditional materials	2060	13	–	3	2 076	9
Flat in block of flats	29	1	–	–	30	–
Town/cluster/semi-detached house (simplex; duplex; triplex)	12	–	–	–	12	–
House/flat/room in back yard	159	–	1	–	160	1
Informal dwelling/shack in back yard	494	3	1	–	498	2
Informal dwelling/shack NOT in back yard	649	14	–	–	663	3
Room/flatlet not in back yard but on shared property	121	–	–	–	121	1
Caravan or tent	27	3	–	–	30	–
Private ship/boat	2	–	–	–	2	–
Not applicable (institution)	202	1	1	2	206	1
<b>Total</b>	<b>22 418</b>	<b>174</b>	<b>15</b>	<b>106</b>	<b>22</b>	<b>100</b>
%	99	–	–	–	100	–

Source: Statistics South Africa, Census 2001

### 3.5.4 Key economic activities of Ratlou local municipality

The five most important economic activities of Ratlou Local Municipality, include the following:

- Agriculture, hunting, forestry and fishing – representing 3% of total employment in the municipality.
- Community, social and personal services – representing 2% of total employment in the municipality.
- Wholesale and retail trade; repairs, hotels and restaurants – represents 1% of total employment in the municipality.
- Private households – representing 1% of total employment in the municipality.
- Manufacturing – representing 1% of total employment in the municipality.

## SECTION 3: LOCAL ECONOMIC DEVELOPMENT PROGRAMME cont.

### Distribution of people in employment (aged 15 to 65 years) by population group and economic sector

	African/ Black	Coloured	Indian/ Asian	White	Total	%
Agriculture; hunting, forestry and fishing	1 376	15	–	43	1 434	3
Mining and quarrying	405	6	–	3	414	1
Manufacturing	549	3	–	3	555	1
Electricity; gas and water supply	11	–	–	–	11	–
Construction	235	9	–	3	247	–
Wholesale and retail trade; repairs, hotels and restaurants	12 084	500	119	3 187	15 890	4
	695	11	16	33	755	1
Transport, storage and communication	154	3	–	3	160	–
Financial intermediation; insurance; real estate and business services	322	–	–	6	328	1
Community; social and personal services	1 295	5	–	9	1 309	2
Private households	564	10	–	–	574	1
Other and not adequately defined	3	–	–	–	3	–
Undetermined	269	8	5	3	285	1
Not applicable	50 065	354	6	96	50 521	89
<b>Total</b>	<b>55 943</b>	<b>424</b>	<b>27</b>	<b>202</b>	<b>56 596</b>	<b>100</b>
%	99	1	–	–	100	–

### Ratlou local municipality, education and population group

	African/ Black	Coloured	Indian/ Asian	White	Total	%
No schooling	20 053	169	–	9	20 231	41
Some primary	12 920	112	–	9	13 041	26
Completed primary	2 761	18	–	3	2 782	6
Some secondary	9 084	68	9	64	9 225	19
Grade 12/std 12	3 383	12	8	63	3 466	7
Higher	944	–	11	52	1 007	2
Not applicable	49 145	379	28	200	49 752	100
<b>Total</b>	<b>99</b>	<b>1</b>	<b>–</b>	<b>–</b>	<b>100</b>	<b>–</b>
%	100	–	–	–	100	–

Source: Statistics South Africa, Census 2001

### **3.6 Summary of the socio-economic background and key economic activities in the North West Province**

The North West Province represents the mining community. The analysis of the information with respect to the socio-economic background and the key economic activities in the North West at provincial, district and local levels is outlined in the paragraphs below.

#### **3.6.1 Age**

- Provincial level

The socio-economic background information above shows that 41 % of the population is younger than 20 years.

- District municipality level

The socio-economic background information above shows that 46% of the population is younger than 20 years.

- Local municipality level

The socio-economic background information above shows that 52% of the population is younger than 20 years.

### **3.7 Impact of Kalgold mine on mining communities**

Kalgold provides employment to 672 people of whom 258 are employed directly by the mine and 414 by contractors who provide services to the mine. The average monthly salary of a mineworker is about R8 327 and it has been determined that approximately half (R4 164) of this is spent in the mining community.

Taking into consideration the total number of HDSA employees and contractors, this means that R1 802 796 of disposable income is spent monthly in the mining community per month. This amounts to an injection of R21 633 546 annually into the local economy. The Procurement Progression Plan will help to increase this contribution to the local economy by promoting local procurement. Additionally, local procurement will promote the employment of people living in the region by local supplier businesses and, therefore, add to the disposable income of families in the community.

The impact of this social and labour plan on the mining and labour-sending communities includes the following:

- The local economic development plan that will benefit communities through programmes such as
- The provision of low-cost housing;
- Small, medium and micro enterprise development;
- Education infrastructure-development programmes;
- Job creation through environmental rehabilitation programmes; and
- The development of integrated housing settlements.
- The policy of local recruitment to create local employment.
- Community skills-development programmes to develop the portable skills needed to start small businesses or find new employment.
- Internship programmes that will enable local students to complete their tertiary education.
- A mining community bursary fund that will make it possible to develop the skills needed for effective running of municipalities.
- Preferential procurement that will promote local procurement and, therefore, local job-creation opportunities.
- Participation in the integrated development planning processes (as outlined in paragraph 3.6 below) at district and local level by the mining community to assist with improved service delivery and the creation of a better life for all.

## SECTION 3:

# LOCAL ECONOMIC DEVELOPMENT PROGRAMME cont.

### 3.8 Participation in the Ratlou local municipality and Ngaka Modiri Molema district municipality integrated development planning and implementation

Kalgold mine is part of the Ratlou local municipality stakeholders and participates in all matters relating to the formulation, implementation and revision of the integrated development plan (IDP). The same applies with regard to the formulation, implementation and revision of the central district IDP.

Kalgold mine plans to continue with participation in the Ratlou IDP and LED Plan strategy and implementation according to the plan outlined below.

#### PARTICIPATION IN THE IDP FORMULATION/PLANNING, IMPLEMENTATION AND REVIEW – RATLOU LOCAL MUNICIPALITY

##### Type of project: Co-operation/Collaboration with local municipalities

##### Objective:

- To participate in the Ratlou IDP formulation and implementation to ensure community and LED.

##### Implementation plan:

Participation in the Ratlou stakeholder forum structures, monthly and ad hoc scheduled meetings.

The stakeholder forum structures deal with the following issues:

- Setting up Ratlou plans for community and LED.
- Allocating resources for the implementation of the plans and inviting (financial and non-financial) support from the private sector.
- Dealing with the positive and negative impact of organisations within the municipality.
- Identifying opportunities to promote community and LED.
- Alignment of the municipality plans and implementation thereof with the central district IDP and LED strategic objectives, the North West Province growth and development strategy, national economic growth objectives including the provisions of Vision 2014, Accelerated and Shared Growth Initiative for South Africa (AsgiSA), and extended public works programme (EPWP).
- Monitoring the implementation of the plans through community development and LED.

Forming and participating in the bilateral forum structures between Ratlou local municipality and Kalgold monthly. The bilateral forum structures deal with issues of mutual interest (including local economic and community development issues) between the Municipality and Kalgold including the following:

- Formulation and implementation of the Ratlou LED programmes to support Ratlou IDP implementation.
- Monitoring the Ratlou LED plans implementation.
- Sharing with the Municipality Harmony corporate activities including financial performance, sustainable development issues, growth initiatives, issues that may impact on the mines.
- Increasing the key economic activities in the area.
- Programmes for the women and the youth development.
- Job creation (employment) projects.
- Increasing community participation in the local economy.
- Poverty eradication projects.

**PARTICIPATION IN THE IDP FORMULATION/PLANNING, IMPLEMENTATION AND REVIEW –  
RATLOU LOCAL MUNICIPALITY**

**Type of project: Co-operation/Collaboration with local municipalities**

- Infrastructure development.
- Poverty alleviation.
- Environmental issues – sustainable development issues.
- Education promotion.
- Participation of Kalgold in the Ratlou IDP and LED plans formulation and implementation.
- Issues relating to the life of mine (LOM) and the impact thereof in the community. In case of possible restructuring and mine closures, consultations on social plan issues.
- Feedback by the on the procurement progression plan, including supplier development.
- Formulation and implement strategies that will strengthen the relationship between Kalgold mine and the Ratlou local municipality.
- Other socio-economic impacts in the mining community.

Planned Kalgold mine resources for support of Ratlou community development and the formulation and implementation of LED plans.

**Beneficial change:**

- Effective and efficient implementation of Ratlou LED programme.
- Effective participation of Kalgold mine in building the local economy through specific LED programmes.
- Creating a strong relationship between the municipality and Kalgold mine.

**Beneficiaries:**

- National government
- Ratlou local municipality – achieving LED and community development objectives.
- Kalgold mine – obtaining and keeping mining licences and corporate Citizenship.
- Community of Ratlou – increased levels of community and local economic development.
- SMMEs – small business promotion programmes.

**PARTICIPATION IN THE IDP FORMULATION/PLANNING, IMPLEMENTATION AND REVIEW –  
RATLOU LOCAL MUNICIPALITY**

Year	2013	2014	2015	2016	2017
Resources	<ul style="list-style-type: none"> <li>• Harmony has appointed a full time LED manager to deal with the issues mentioned above.</li> <li>• Kalgold mine management will be involved in the issues planned above (including the implementation, review and monitoring of the mine LED programme).</li> <li>• Kalgold mine has formulated LED plans with budgets for support to the Ratlou local municipality LED and community development plans.</li> </ul>				

The processes outlined in table above will apply with respect to the Ngaka Modiri Molema district municipality with the exception of the following:

Kalgold mine will support LED programmes at district level that will impact on and benefit the Ratlou local municipality. Bilateral forum meetings with the Ngaka Modiri Molema district municipality will be ad-hoc and issue-based rather than monthly as is the case with the Ratlou.

## SECTION 3:

# LOCAL ECONOMIC DEVELOPMENT PROGRAMME cont.

### 3.9 Kalgold mine's LED projects

The North West Province both represents the mining community and labour-sending community of Kalgold. The paragraphs below show the LED projects that Kalgold will support, focusing on LED at Ratlou local municipality

#### 3.9.1 Mining community education infrastructure development

The lack of education infrastructure is not unique to Ratlou but is a national problem. In some instances children have to attend classes under trees due to lack of proper classrooms, and where classrooms exist there are cases where children do not have furniture conducive for proper learning to take place. It is impossible for Harmony to eradicate this problem at the various mining communities and major labour-sending areas. However, the company will be forming partnerships with local stakeholders, including government departments to deal with the problem.

#### RATLOU

#### Type of project: Mining community education infrastructure development

##### Objective:

- To provide additional education infrastructure in the Ratlou where this is required.
- To create an environment of proper learning in schools.

##### Beneficial change:

- Better education infrastructure will result in an increased number of 140 learners attending school.
- It will also create job opportunities and it will alleviate poverty and skill upliftment of members of the community.

##### Beneficiaries:

- Ratlou community.
- Approximately 700 learners will benefit from the project in 5 years.
- National and provincial government, especially the Department of Education structure.
- District and local council.

##### Implementation plan:

- Consultation with the Department of Education's District offices, the North West Department of Education, education institutions, Department of Public Works, Ngaka Modiri Molema district municipality, and Ratlou on the provision of additional education infrastructure where there is a biggest need – September 2012.
- Consultation with national government, for an example, Departments of Education and Public Works November 2012.
- Conducting a study to determine education infrastructure needs – December 2012.
- Analysis of the findings of the survey study – January 2013.
- Business planning and project plans – January 2013.
- Presenting the business and project plans to stakeholders including the DMR – June 2013.
- Tender processes commence – July 2013.
- Implementation and starting with construction – August 2013.
- Monitoring is on-going – monthly with Ratlou local municipality.

*Note: The critical path does not cover those areas where needs analysis have been completed and the projects only require funding and therefore ready for implementation.*

Expenditure plan					
Year	2013	2014	2015	2016	2017
Expenditure (R)	200 000	200 000	200 000	200 000	200 000
Number of classrooms – Assuming the total cost of R100 000 per classroom per annum	2	2	2	2	2
Number of learners	175	175	175	175	175

### 3.9.2 SMME development

RATLOU	
Type of project: Job creation/poverty alleviation/LED enabler	

#### Background:

Kalgold mine believes that procurement plays a pivotal role in transforming the South African economical landscape. By engaging all the organization's supply chain tools and competence to sustainable create business opportunities, we aim to increase the money spent each year on procurement from BBBEE suppliers.

As part of this strategy Harmony has developed an enterprise development model which engages external stakeholders as well as creates internal capacity to form a business development centre. This centre provides SMMEs the opportunity to partake in assessment, training, development, mentoring programs as well as market opportunities internally and externally. These centres will be established in each region where Harmony operates in. The business development centre for Kalgold will be launched by December 2012. In partnership with Small Enterprise Development Agency (SEDA) as well as other development agencies will form a stabilised platform for the development of SMMEs, with the main focus of SMMEs located in the Ngaka Molema Modiri district municipality.

#### Objective:

- Assess, train, develop and mentor SMMEs at Kalgold through the Kraaipan skills development and SMME centre.
- Create sustainability in the local economic environment through the business development centre, mainly focusing on developing SMMEs.
- Increase procurement spend, regionally as well as from BBBEE suppliers in the Kalgold region.
- Diversify the local economy, and to promote local economic development.

#### Beneficial change:

- Increased number of sustainable small businesses and market competition in Ratlou and or Ngaka Modiri Molema district municipality.
- Diversifying the local economy.
- Employment creation – Ratlou only has a 10% employment rate.
- Poverty alleviation.

## SECTION 3: LOCAL ECONOMIC DEVELOPMENT PROGRAMME cont.

### RATLOU

#### Type of project: Job creation/poverty alleviation/LED enabler

##### Beneficiaries:

- Ratlou local economy through market growth and increased business sustainability.
- Small businesses through increased market opportunities and improved business capabilities and skills gained from programmes at the business development centre.
- Harmony anticipates securing an estimated 20 employable positions annually in two SMMEs through development programs and improving their business capabilities, and to create employment opportunities through the growth of these SMMEs.

##### Implementation plan:

- Consultation with national government (especially SEDA), provincial government, Mafikeng, on small business development issues – December 2012.
- Forming partnerships on Harmony involvement in SMME development at local community level – On-going.
- Formalising partnerships with SEDA.
- Studies, business and project planning, and budget review.
- Presenting the results of the feasibility studies, business and project plans to stakeholders including the DME – March 2013.
- Contracting service providers for SMME development – May 2013.
- Implementation – with effect from June 2013. (Harmony will support projects that are presented to the company and align with the IDPs and the company LED strategy should they be presented before this date. Implementation includes assessment, training, development and mentoring programmes.
- The annual review of the targets set for number of SMMEs to be developed and linked to procurement opportunities.
- Monitoring and review – monthly with Ratlou local municipality.

### RATLOU

#### Regional expenditure plan

Year	2013	2014	2015	2016	2017
Expenditure (R)	300 000	300 000	300 000	300 000	300 000
Number of SMMEs – based on a R5 000 development programme per person escalated	Studies, business and project planning – to ensure project sustainability	60	60	60	60
Number of SMMEs to be developed and linked to set a-side commodities for preferential procurement opportunities in the Kalgold/Ratlou region		2	2	2	2

### 3.9.3 Community bursaries for Ratlou local municipality

The community of Ratlou is poor and most of parents in the area cannot afford to provide their children with the opportunity to further their studies after matric. In order to help with this challenge Harmony contributes to the education of the youth in that area by making bursaries available to deserving students. The study disciplines supported are those that will benefit the municipality as well as the mining industry.

## BURSARIES

### Type of project: Education at Ratlou

**Objective:**

- To promote education and training of students from the local community.
- To assist the local government in acquiring skills needed by focusing support on those disciplines by recruiting employees .
- To create a source for talent for Harmony and other companies in the area.
- To enhance employment opportunities for beneficiaries from the local communities so that they can contribute towards the growth of the local economy.

**Critical path:**

- Consultation with stakeholders on education and skills development needs plans of the region to commence – September 2012.
- Consultation with local government – September 2012.
- Ensuring that the target students within the community are aware of the Bursary Fund – November 2012.
- Implementation – January 2012.
- Monitoring – On-going.

**Beneficial change:**

- Harmony's involvement in education and skills development will assist in uplifting both the education and skills levels in the community.
- Sustainable economic growth driven by local and suitable qualified talent.
- Local government being properly staffed in areas that are currently understaffed.

**Beneficiaries:**

- Students from various areas and villages around the Ratlou local municipality.

### Expenditure plan

Year	2013	2014	2015	2016	2017
Expenditure (R)	200 000	200 000	200 000	200 000	200 000
Number of beneficiaries	2	2	2	2	2

*Note: The students will be sourced from all the towns of Ratlou Local Municipality*

### 3.10 Further LED support to Ratlou plans and objectives

Kalgold mine will explore further areas of LED support with the Ratlou local municipality with the objective of promoting local economic development.

The basis for Kalgold further LED support will be based on the following:

- UN Millennium Development Goals (UN MDGs)
- National (RSA) development policies and strategies
- North West Provincial growth and development strategy
- Ngaka Modiri Molema district municipality IDP
- Ratlou local municipality IDP
- Kalgold business sustainability

The plan in the table below outlines the Kalgold mine plan with respect to areas for further support to Ratlou local municipality.

## SECTION 3: LOCAL ECONOMIC DEVELOPMENT PROGRAMME cont.

### FURTHER LED SUPPORT FOR RATLOU LOCAL MUNICIPALITY

Type of project: All LED areas

#### Objective:

To provide further support for the Ratlou local municipality LED plans in priority areas.

The following areas will be considered for further LED support:

- Infrastructure development
- Community development
- Capacity building for small businesses
- Housing development
- Education and training
- Poverty alleviation
- Job creation

#### Beneficial change:

- Achieving the objectives of Ratlou LED strategic objectives (infrastructure development, community development, poverty alleviation and job creation)

#### Beneficiaries:

- Ratlou communities.

#### Implementation plan:

- Further consultation with the Ratlou local municipality with an objective of identifying additional LED projects and reviewing the current projects in line with the IDP reviews – September 2012.
- List of new LED projects to be supported – September 2012.
- Stakeholder identification and engagement – On-going.
- Project plans and budgets, including the nature of Kalgold support – November 2012.
- Presenting plans to stakeholders including the DMR – December 2012.
- Implementation of new projects – implementation date based on completion of studies and business plans.
- Monitoring and review – monthly during bilateral forum meetings.

#### Expenditure plan

Year	2013	2014	2015	2016	2017
Budget for provision (R)	1 800 000	1 800 000	1 800 000	1 800 000	1 800 000

#### Note:

During the bilateral sessions with the Ratlou local municipality and Kalgold LED support to the area, the preference was that investment should currently be focussed on skills development to deal with the problem of unemployment and poverty.

In addition to this, Kalgold further commits to engage with the local municipality during the bilateral processes to identify any further areas of support in line with the municipality IDP, the central district IDP, and the North West Provincial growth and development strategy.

Any additional funds required for new projects, in addition to what has been provided for above, will be applied for in terms of the Harmony LED funding approval processes with respect to LED support to the mining communities and labour-sending areas.

### 3.11 Kalgold compliance with the LED plan

Kalgold's compliance with the LED support plan in Ratlou will cover the following:

- Consultation with Ratlou local municipality on the SLP, especially the LED section, as submitted to the Department of Minerals and Energy.

- Alignment of mine key personnel on LED support to the municipality and understanding that this is a business imperative.
- Monthly tracking and monitoring of the implementation of LED plans.
- This will be done through a project scorecard to track all LED projects that Kalgold mine will support in Ratlou.
- Monthly tracking and monitoring of LED plans implementation that company supports at labour-sending communities.
- Alignment of compliance activities with Harmony's corporate citizenship strategy.
- Forging strong relations with key external stakeholders who will be influencing the mine LED support to the municipality.
- These include, but are not limited to the following:
  - LED programmes or projects implementation will focus on ensuring the following:
    - Conducting feasibility studies of the LED projects envisaged above where this is not done or completed yet.
    - Ensuring that four year project plans are done in accordance with professional project management principles.
    - Strengthening relationships with LED government stakeholders at national, provincial and local level.
    - Strengthening relationships with LED stakeholders in the non-governmental organization sector.

### **3.12 Procurement progression plan**

#### **3.12.1 Introduction**

Harmony believes that procurement plays a pivotal role in the transformation of the South African economic landscape and this social and labour plan engages all of Harmony's supply chain tools and competence to sustainably create business opportunities to fuel the broader national development engine during and beyond the required five year period.

This plan is aimed at increasing the money spent each year on the procurement of goods and services from black economic empowered (BEE) entities over a further period of five years. The sustainability of small and micro enterprise (SME) businesses entails more than just the creation of purchase opportunities and also incorporates related elements of enterprise development initiatives.

#### **3.12.2 Affirmative procurement**

Harmony has embarked on an affirmative procurement programme to ensure that it meets its social and labour plan commitments. The programme required that Harmony change its policies and processes to accommodate the recording and tracking of BEE entity spend.

Some of the changes made were:

- The Harmony tender policy was amended to give preference to BEE entity suppliers. BEE entities can win tenders even when their price is higher than that of non-BEE entity suppliers. This allowance is possible due the sliding scale differential discount implemented in the tender policy;
- Certain commodities are set aside and may only be purchased from BEE-entity suppliers and certain commodities may only be acquired from 100% black owned suppliers through the Harmony business development centres;
- BEE-entities get a second chance to revise their tender price, should they not win a tender; and
- Preference is given to suppliers that are local to the operation where the service will be consumed.

#### **3.12.3 Social and labour plan activities**

To entrench the progress made in the previous SLP and to ensure compliance with the revised charter requirements, the following initiatives are planned for the period 2013 to 2017.

## SECTION 3: LOCAL ECONOMIC DEVELOPMENT PROGRAMME cont.

### Social and labour plan 2013 – 2017

Area	Purpose	Activity	Target date	Performance targeted
Reporting	BEE-entity classification and measurement	Fully convert to the mining charter scorecard definitions	2013	Converted to the new mining charter BEE-entity classification
		Vendor classification	2014	Differentiated supplier management strategies
		Continuous maintenance of BEE-entity ownership information	2013	Meet the new mining charter BEE-entity spend targets
		Reporting to operations on BEE-entity spend	2013	Provide monthly BEE-entity spend to all GMs and quarterly to Harmony Board
	Spend classification	Spend classification (Capital, Services & Consumables)	2013	Meet the mining charter BEE-entity spend per classification
		Change the ERP system to accommodate spend classification	2015	ERP system fully converted
	Spend reporting	Change reporting mechanisms to comply with the new charter reporting template	2013	Report on BEE-entity spend in the format specified by the charter
	Measurement of multinational supplier contribution to social fund	Change the ERP system to accommodate the multinational classification requirement	2013	ERP system converted with multi-national indicators
		Continuous maintenance of supplier multinational status information	2013	95% of all active capital supplier's multinational status information recorded in the ERP system
	Procurement and enterprise development	Policy adjustments	Change the procurement policy to promote preferential procurement	2013
Measure preferential procurement policy effectiveness			2015	No set-aside commodities to be purchased from non-BEE entity suppliers
Business development		Open a business development centre at Carletonville	2013	Operational business development centres functioning at Carletonville, Soweto and Welkom
		Extend current services offered at the centres to include mentoring, finance facilitation and training	2014	Phases 2 and 3 fully implemented

The procurement BEE-entity spend targets for the period 2013 to 2014 are based on the Mining Charter requirements and are as follows:

<b>Scorecard for the broad-based socio-economic empowerment charter for the South African mining industry</b>									
Element	Description	Measure	% Compliance target by 2014	Progress achieved by					% Weighting
				2010	2011	2012	2013	2014	
Reporting	Has the company reported the level of compliance with the Charter for the Calendar year?	Documentary proof of receipt from the department	Annually	March 2011	March 2012	March 2013	March 2014	March 2015	Y/N
Procurement and Enterprise Development	Procurement spent from BEE entity	Capital goods	40	5%	10%	20%	30%	40%	5
		Services	70	30%	40%	50%	60%	70%	5
		Consumable goods	50	10%	15%	25%	40%	50%	2
	Multi-national suppliers contribution to the social fund	Annual spend on procurement from multinational suppliers	0.5 of procurement value	0.5%	0.5%	0.5%	0.5%	0.05%	3

The procurement BEE-entity spend targets for the period 2015 to 2017 are an extrapolation of Mining Charter requirements and are as follows:

<b>Extrapolated scorecard</b>									
Element	Description	Measure	% Compliance target by 2017	Progress achieved by			% Weighting		
				2015	2016	2017			
Reporting	Has the company reported the level of compliance with the Charter for the Calendar year?	Documentary proof of receipt from the department	Annually	March 2015	March 2016	March 2017	Y/N		
Procurement and Enterprise Development	Procurement spent from BEE entity	Capital goods	50	45%	48%	50%	5		
		Services	70	70%	70%	70%	5		
		Consumable goods	60	55%	58%	60%	2		
	Multi-national suppliers contribution to the social fund	Annual spend on procurement from multinational suppliers	0.5 of procurement value	0.5%	0.5%	0.5%	3		

## SECTION 3:

# LOCAL ECONOMIC DEVELOPMENT PROGRAMME cont.

### 3.13 Enterprise development

#### 3.13.1 Introduction

Harmony takes its enterprise development obligation seriously, a group manager position was created for this function, who will collaborate closely with the supply chain to ensure increased local HDSA and BEE spend throughout Harmony's South African operations. As part of Harmony's social responsibility to the communities, the Company has committed itself to sustainable local economic development in and around the communities where they mine. The LED Department within Harmony is an important contributor towards enterprise development and makes use as far as possible of BEE and HDSA companies in the implementation of projects meant for the benefit and socio-economic development of the mine community.

#### 3.13.2 Business development centres (BDCs)

In support of the SLP commitments made, Harmony has decided to open BDCs in three areas and the rationale for running these centres are as follows:

- The centres contribute to Harmony's desire for good corporate citizenship;
- Harmony wants to be acknowledged as a socially responsible organisation that cares for the communities where it operates;
- The communities around Harmony's operations must experience Harmony as a valuable benefactor to their well-being;
- The centres must contribute to the development of a sustainable supplier base to Harmony; and
- Building the capacity and ability of emerging BEE companies.

#### 3.13.3 Purpose

- The enterprise development centre's aim is to make Harmony more accessible for small local black owned companies.

The enterprise development centre targets four distinct groups:

- HDSA suppliers specifically 100% black owned businesses,
- SMMEs,
- Local businesses,
- New entrants.

The centres are one-stop business facilities that provide a friendly environment through which the local existing and emerging small entrepreneurs can access information about procurement opportunities in Harmony. The centre's information hub is a good source for business opportunities available in Harmony. The professional staff at the centre will assist suppliers and guide them through the tender submission and vendor application processes.

Harmony through the BDCs aims:

- To develop HDSA enterprises;
- To grow a sustainable HDSA suppliers base;
- To diversify the HDSA supplier base;
- To create suppliers that can meet Harmony procurement needs;
- To match HDSA companies with entrenched suppliers;
- Reduce small businesses' dependence on Harmony's existence by assisting companies to create alternative markets;
- To collaborate with external stakeholders;
- To communicate effectively with HDSA suppliers; and
- To continuously monitor and measure performance.

### 3.13.4 Location

The enterprise development centres are positioned to be close to Harmony's main activity areas and situated central to the area it serves. The centres are easily accessible to the general public. Given the local municipality participation in this initiative, the proximity of municipal offices was also considered in determining the centre's location.

The centres will be situated at each of the following areas:

- Welkom,
- Soweto (Region D close to Dobsonville),
- Carletonville (Mohlakeng).
- Evander will be assisted through the Soweto Enterprise Development Centre as well as the central demand management and procurement office situated in Randfontein.
- Kalgold will be assisted by the Carletonville (Mohlakeng) Enterprise Development Centre as well as the central demand management and procurement office situated in Randfontein.

### 3.13.5 Services provided by the BDCs

The centres offer a wide range of services, all aimed at empowering HDSA suppliers to successfully transact with Harmony.

Given the scope of services, all will not be available initially, but will ramp-up as the centres develop:

- Immediate services,
- Keeping a database of local HDSA skills,
- Keeping track of career or purchase opportunities available at Harmony,
- Matching opportunities with available skills,
- Alerting suppliers and inviting them to quote,
- Assisting with tender and vendor processes,
- Providing reasons why bids were unsuccessful,
- Longer term services,
- Skills development programmes,
- Business incubation,
- Business workshops,
- Facilitating of bridging finance,
- Business hub facilities,
- Facilitate joint ventures,
- Temporary office facilities such as internet, printing and faxing,
- Mentorship, facilitated with traditional suppliers.

The Harmony EDCs are now operational in Welkom and Soweto. The Welkom Centre opened in October 2009, and the Soweto Centre opened in April 2010

- The EDCs are developed in phases;
- The first phase has been completed and provides the following services:
- Keeping a database of local emerging black suppliers and their skill sets;
- Alerting suppliers to new opportunities or purchases available in Harmony;
- Assisting suppliers with the tender and vendor processes;

## SECTION 3:

# LOCAL ECONOMIC DEVELOPMENT PROGRAMME cont.

- Agreement with FDC (Free State Development Council) to provide finance HDSA where required;
- Supporting emerging suppliers in the execution of their orders;
- Facilitating mentorships with traditional suppliers; and
- Subsequent phases will incorporate skills assessment, development, joint ventures, business hive facilities and administrative services.

A new centre is to be developed in Carletonville that will serve the immediate community as well the Kusasaletu shaft.

### 3.13.6 Stakeholders involved

The business development centre will be established by Harmony, but partners will be sought to co-own and co-manage the centre.

These stake holders will consist of:

- Harmony SA mines,
- Local municipalities,
- Department of Mineral Resources (DMR),
- Small Enterprise Development Agency (SEDA),
- Small Enterprise Finance Agency (SEFA),
- National Empowerment Fund (NEF),
- Free State Development Corporation (FDC),
- Industrial Development Corporation (IDC),
- Department of Trade and Industry (DTI),
- Participating financial institutions,
- Communities,
- Other mining houses operating in the same areas as Harmony,
- Chamber of commerce.

### 3.14 Corporate social responsibility projects

Harmony's approach to corporate social responsibility (CSR) is governed by a policy approved by the board of directors. The policy provides for the funding of projects. The policy formalises corporate citizenship in line with the company's strategic intentions. Harmony has clear corporate values, recognising the interest of employees and communities, being transparent and following best corporate governance practices. The Company takes a broader view of its role in the society and therefore realises the importance of socio-economic development, ethics, safety, health and environmental management.

Harmony's corporate social responsibility policy covers the following areas:

- education,
- socio-economic development focusing mainly on housing and infrastructure development,
- broad-based black economic empowerment,
- small business development,
- sports, arts, culture and recreation.

The Company actively identifies areas for involvement and funding depending on the nature of the needs of society, especially in the mining communities and labour-sending areas with the integrated development plans (IDPs).

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The policy provides for a committee that considers projects to be funded from the different mining communities, labour-sending areas and other areas. The CSR committee meets on a monthly basis to ensure that the funds are spent on meaningful projects. The Harmony board has approved 1% of net profit annually to be allocated to the CSR fund. Any additional funding required for LED or CSR projects is approved by the board.

### **3.14.1 The aims of CSR projects**

In some cases, CSR projects differ from LED projects in that they are not part of local government development plans, but have been selected by the Company as appropriate for the profile of Harmony in the specific community. In many instances, however, these projects are selected to promote the company as a good corporate citizen. This contributes significantly to social and economic development, poverty eradication and community development in specific communities in South Africa. The focus of Harmony recently has been to support CSR activities at mining communities and major labour-sending areas with the LED objectives of municipalities. At provincial and national level, the focus is to achieve the greatest impact to society, to create the common good and to ensure alignment of projects with the CSR policy objectives.

Harmony's mines contribute directly, in proportion to their contribution to the Company's overall revenue, to various group-based social, economic and community development projects which have a broader benefit to society.

Harmony's corporate social policy formalises its CSR activities and highlights its alignment with its business strategy. We believe in having a clear corporate value, recognising the interest of communities, being transparent in our dealings and following best corporate governance practices. In line with this, Harmony has actively identified areas for involvement and funding, selecting projects according to the nature of the needs and in terms of the potential benefit to society. Particular attention is paid to communities in Harmony's mining and major labour-sending regions.

Harmony's CSR committee is responsible for considering, approving and monitoring all social responsibilities or social investment projects and activities of the company. The CSR committee meets monthly or on an ad hoc basis depending on the urgency of the proposal to be considered. The committee comprises the Chief Executive, Executive Director: Government Relations and Other Stakeholders, Human Resources Executive, Corporate Investor Relations Executive and the Company Treasurer.

Input is elicited from Harmony stakeholders such as union representatives, community leaders, business leaders, civic organisations and municipalities for the consideration of CSR projects to ensure that they are sustainable, and where possible to establish partners for funding and or implementation. CSR activities are reported on regularly as part of the evaluation, monitoring and reporting process to which Harmony has committed itself. Some of the main CSR initiatives in which the Company has participated during the year are discussed below.

### **3.14.2 Education**

Education is important in the development of any society and plays a critical role in the transformation of South Africa. Harmony's contribution continues to focus on the teaching and learning of science and mathematics and supporting the education system by providing infrastructure, such as school libraries and laboratories, as well as educational material. Harmony is also involved in the jewellery school, bridging school, and educator development in schools surrounding our mining operations.

## **SECTION 3:**

### **LOCAL ECONOMIC DEVELOPMENT PROGRAMME cont.**

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#### **3.14.3 Socio-economic development**

Socio-economic development includes investment in projects associated with HIV/Aids, job creation, the alleviation of poverty, promotion of community safety and the facilitation of black economic empowerment.

The funding of projects, programmes or events are considered depending on the needs identified either locally or nationally. In financial year 2006, Harmony spent R8.4 million on CSR initiatives and will continue funding at similar levels going forward.

#### **3.14.4 Responsibility and reporting**

The implementation of the SLP, as well as the annual preparation and submission of an annual report by an operation, is the responsibility of the individual operation itself, and the operation is ultimately accountable to the executive in charge of South African operations to ensure the plans are successfully implemented.

However, the executive director is responsible for government relations and other stakeholders, and the corporate social responsibility manager in conjunction with the local economic development managers.

The executive director of government relations and other stakeholders reports to the CSR sub-committee of the executive committee and also provides reports to the sustainable development committee and empowerment committee (which are committees of the board).

# SECTION 4: PROCESS FOR THE MANAGEMENT OF DOWNSCALING AND RETRENCHMENT AT KALGOLD MINE

## 4.1 Introduction

This section of the social labour plan (SLP) deals with the issues of downsizing of mines from a Harmony perspective. The approach contained in this section applies to all mines at Harmony, and is enforced by group policy and procedures, group agreements and undertakings, Chamber of Mines agreements, and government legislative frameworks.

Central to Harmony's approach to the management of downsizing is Harmony's twin growth strategy through greenfield and brownfield exploration, and through project development which informs the approach.

In considering the Company's approach to the management of downsizing operations, it must be remembered that the Harmony of today was built up by acquiring mines from other mining houses.

By acquiring mines which other companies regarded as marginal or unprofitable, and turning these mines around through diligent control of costs and focus on careful management of the assets, Harmony has been able to grow into the fifth largest gold mining producer globally, thereby creating many job opportunities which would otherwise have been lost to the South African economy.

In addition to the strategy of growth and job creation through acquisition, Harmony has a number of projects which will, in turn, be brought up to full production in the short and medium term. The growth projects are set out in more detail below.

From a holistic point of view, although some mines may be downscaled, new opportunities will come into production, thereby creating job opportunities for the South African economy within the wider group. It is the Company's intention to utilise these opportunities to absorb the excess labour that may result from unavoidable downsizing as it has been proven over the past five years.

Regrettably, gold mining is not as predictable as other businesses. The implications of the rand and gold price fluctuations, and the mining out of ore bodies, is the threat of job losses which is a constant reality management, unions, government and communities have to face. This, in turn, necessitates planning to alleviate the effects of downsizing as far as possible. Harmony has embarked on the steps as set out below, in accordance with the requirements of the Mineral and Petroleum Resources Development Act, 2002 (Act No 28 of 2002) (MPRDA), the Broad-Based Socio-Economic Empowerment Charter (the Mining Charter), as well as the Labour Relations Act, 1995 (Act No 66 of 1995) (LRA), notably sections 189 and 189A. This does not preclude other relevant legislation, as well as extensive collective agreements with organised labour, and the desire to be a responsible corporate citizen.

## 4.2 Special mechanisms to avoid job losses and a decline in employment

### 4.2.1 The growth projects

#### 4.2.2 Doornkop's capital project

The Doornkop Shaft complex is located south of Krugersdorp, on the northwest rim of the Witwatersrand Basin. The property lies between the Cooke 1 Shaft and Durban Roodepoort Deep mine.

The Doornkop South Reef Project involves the deepening of the Doornkop main shaft to 1 973m to the South Reef, which lies between 1 650m and 2 000m below surface, and includes development towards these mining areas.

Currently, the Kimberley Reef is mined on the upper levels with the South Reef, on the lower levels, the target resource of the proposed deepening project. The South Reef was successfully and extensively mined on Randfontein Estates mines and to a limited extent, on the Durban Roodepoort Deep mines. Harmony acquired Doornkop when it acquired control of Randfontein Estates in early 2000 using mechanised methods to mine the Kimberley Reef.

## **SECTION 4: PROCESS FOR THE MANAGEMENT OF DOWNSCALING AND RETRENCHMENT AT KALGOLD MINE cont.**

Capital expenditure is estimated to total R1.8 billion upon completion in December 2013. The project will ensure that the staff complement will increase towards peak production levels in the latter half of 2015.

### **4.2.3 Kusasalethu's capital project**

This project involves the development of a 'new' mine beneath the original Elandsrand mine at depths of between 3 000m and 3 600m while mining continues in the upper areas of the mine. Originally started by AngloGold Ashanti in 1991, the project was restarted by Harmony in 2001, following the purchase of Elandsrand in February 2001.

Capital expenditure is estimated to total R1.1 billion upon completion of the project in December 2013. The project will ensure that no reduction in the staff complement of Kusasalethu is necessary. In fact, it is envisaged that a small increase in the labour complement will be required in 2012.

### **4.2.4 Conclusion**

Harmony's current downscaling and closure plans, which cover the next five years based on the gold price as at first quarter of FY13, show that Steyn mine will reach the end of its life in 2014 within the five years of this SLP period, and this will affect approximately 295 jobs.

### **4.3 Projected job opportunities in the next five years**

Employees affected by closures will be redeployed to the Doornkop and Kusasalethu projects. The current plans for the growth projects indicate that approximately 1 846 job opportunities will be created through the project over a period of five years. These new job opportunities, when added to forecasts of natural attrition, estimated at 2 720 at projected current rates, mean that Harmony will require an additional 4 566 employees. This will also be dependent on the economic environment or conditions.

These projected job opportunities to be created through Harmony's Doornkop and Kusasalethu growth projects, and the effects of natural attrition, indicate that more employees will be needed in the five year period than the 295 that will be made redundant by the expected Steyn mine closure.

It is for this reason that Harmony has not aggressively embarked on a portable skills training programme for these employees. In short, in job creation terms, Harmony intends to grow at a faster rate than it will reduce.

### **4.4 Establishment of a future forum at Kalgold mine**

The Kalgold mine future forum is operational, comprising representatives from mine management and unions or association branch committee members. This forum was set up to deal with issues of productivity improvement, minimising job losses and limiting the impact of downscaling, and retrenchments where these cannot be avoided. Mindful that the forum's experience challenges of inefficiencies and continuity due to continuous change of representation, Harmony continues to conduct annual audits on the functioning of the future forums annually. Steps are always taken to address these challenges, for example reviving the forums and improving their efficiencies. The corporate social responsibility manager has also been tasked to ensure sustainability in all the futures.

Members of future forums are, on a continuous basis, inducted or capacitated on the social plan, the Department of Labour's national social plan policy, Harmony's social plan framework, the social and labour plan (SLP) regulation and their functions.

The aims and objectives of the forum are as follows:

- Implementing early warning systems regarding changes to the existing life of mine;
- Discussing strategic plans to avoid or minimise retrenchments and job losses, and to promote sustainability and growth within the operation;
- Analysing monthly or quarterly performance by assessing operating and management reports;
- Developing early warning systems for the mine;

- Timeously analysing problems or operational issues;
- Assisting in developing turnaround and or redeployment or other appropriate strategies to avoid or minimise job losses while promoting business competitiveness and viability;
- Assisting in developing measures to avoid or minimise job losses and retrenchments – taking account of the viability and operational requirements of each mine and making recommendations to the specific shaft management team; and
- Co-ordinating and implementing approved solutions in a planned manner.

The forum is consensus driven and it operates in a completely transparent environment. Parties to the forum work together to improve the mine's performance and job security. The culture and approach of the forums is one of joint problem solving with management and organised labour 'on the same side' in attempting to prolong the life of the mine, and achieve the best possible return for all stakeholders from the ore body. All necessary information is placed at the disposal of the forums to ensure they make fully informed decisions. They do not deal with collective bargaining issues, however, as these tend to be adversarial in nature.

#### **4.4.1 Functions of Kalgold mine's future forum as required by the law**

- To notify the Minister of Mineral Resources on any matter concerning the social and economic impacts of the mining operation throughout the life of the mine within the operation, especially when major retrenchments are anticipated.
- Liaising with the social plan directorate of the Department of Mineral Resources (DMR) and other stakeholders with regard to social plan issues.
- Ensuring that appropriate early warning systems are established in advance and the results made available to the members of future forums on a regular monthly basis.
- Advising the mine on any matter concerning the social and economic impacts of the mining operation, specifically the setting and achievement of objectives and priorities in this regard.
- Using the appropriate methods of monitoring compliance to the achievement of such objectives and priorities.
- Conducting audits, studies or surveys on the needs of all employees that will indicate the skills they require for training.
- Creating awareness among employees of the contents of the social plan within each mine.
- Identifying suitable service providers for training as per the employees' needs analysis.
- After due internal processes, drawing the attention of the board to any relevant social and economic mining related matter which requires attention.
- The board may refer matters for consideration by the forum.

#### **4.4.2 Social plan framework agreement and the social plan fund**

In order to facilitate the functioning of the future forums and the development of alternative skills to the employees and or their proxies, a social plan framework agreement was signed by the Harmony group with organised labour on 19 March 2003.

In addition and following from the agreement, the company established a social plan fund in July 2003 with a board of trustees appointed to manage the fund. An amount of R15 million was initially placed in the fund and a further R3.5 million will be deposited into the trust fund on an annual basis for a period of 10 years. At the time of compiling this report, the fund's cash balance was estimated at R39 million. The trustees of the fund are drawn from representatives of management and labour.

#### **4.5 Kalgold's mine's mechanisms to provide alternative solutions and procedures for creating job security where job losses cannot be avoided**

As discussed, the primary method by which Kalgold mine intends to avoid retrenchments is by providing other employment opportunities. The mines are confident that, with favourable economic conditions, the Doornkop

## SECTION 4: PROCESS FOR THE MANAGEMENT OF DOWNSCALING AND RETRENCHMENT AT KALGOLD MINE cont.

and Kusasaletu projects set out above have the capacity to absorb all redundant jobs that may arise. See the Doornkop and Kusasaletu's capital projects breakdown of the potential job opportunities and redeployment plan below:

### Kalgold mine's project job creation plan

Number of potential career opportunities	2013	2014	2015	2016	2017
Kalgold project	–	466	487	621	52
Kusasaletu project	–	–	–	–	146

### Redeployment of Kalgold employees

#### REDEPLOYMENT OF KALGOLD MINE EMPLOYEES

#### Job saving and retention

#### Objectives:

- To save and retain jobs, and create more job opportunities

#### Beneficial changes:

- Saving jobs
- Retention of jobs
- Extension of life of mine
- Creation of more job opportunities

#### Beneficiaries:

- Kalgold mine employees

#### Implementation plan:

Kalgold mine's future forum will

- Proactively monitor the current life of mine (LOM) plan on an ongoing basis, and make regular recommendations aimed at helping to lengthen the LOM.

The recommendations will include the following measures:

- Exploring synergies and trade-offs between mines
- Mining of low grade areas
- Reduction of costs
- Exploration of new technology in mining for longer term sustainable operations
- Conducting strategic assessment and set performance goals to reduce high costs
- Growth and acquisition objectives of Harmony as a whole
- Redeployment within the group
- Managing/cessation/stopping recruitment of new employees
- Voluntary/compulsory early retirement
- Voluntary severance packages
- Termination of services of temporary and contract labour
- Employment in other companies outside the Company
- Adjustment to working arrangements
- Portable skills training

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However, in the event that it becomes impossible to avoid downscaling, despite the efforts of the management and the work of the future forums, the future forum will be tasked with finding alternatives to retrenchment and the loss of jobs. This process has been well established in South African labour relations practices and is comprehensively set out in sections 189 and 189A of the LRA. The provisions of the Act allow the representatives of affected employees the opportunity to examine the reasons for the proposed downscaling, to present and consider alternatives to job losses, and to propose measures to mitigate the effects of the loss of jobs on employees and communities.

The future forum is tasked with ensuring that retrenchments are avoided wherever possible but, where they cannot be avoided, it is the future forum's task to ensure that the retrenchments take place in an orderly manner with every effort made to reduce the negative consequences on employees and affected communities.

A range of possible courses of action to achieve these objectives, which the company plans to implement at Kalgold mine should downscaling and retrenchments become unavoidable, is set out below. The detailed implementation of these alternatives to retrenchment will be discussed and agreed upon as and when required in terms of the provisions of the LRA, other relevant legislation, guidelines and collective agreements.

#### **4.5.1 Voluntary or compulsory early retirement**

Preference may be given to retaining younger employees and allowing those closer to retirement to terminate their employment. This principle will obviously have to be considered and accepted by employee representatives in the context of the consultations envisaged by sections 189 and 189A of the LRA which the company and employee representatives will follow.

#### **4.5.2 Voluntary severance packages**

In circumstances where extensive job losses are being contemplated, there will be employees who, due to their skills, experience and/or financial circumstances are less dependent on Harmony for employment than others. These employees will be given the opportunity to voluntarily terminate their services.

#### **4.5.3 Stopping of new recruitment**

When employees may lose their jobs, it is absurd to continue recruiting new staff. However, there may be special skills which are required or particular shortages which cannot be readily filled through training and development. If it is not possible to fill the needs of the mine, such selective and restricted recruitment may continue but will be closely monitored and conducted in a completely transparent way.

#### **4.5.4 Termination of services of temporary and contracted labour**

Harmony has an agreement with the National Union of Mineworkers (NUM) that restricts the employment of contractors and temporary employees to specific circumstances. Replacing these contractors with our own employees that have become redundant is a consideration.

#### **4.5.5 Employment in other companies outside of Harmony**

The company will make use of the services of TEBA to attempt to place excess employees elsewhere in the industry as well as contact other employers in mining and other large-scale industries to place redundant employees.

#### **4.5.6 Adjustments to working arrangements**

This alternative includes arrangements such as working part-time, making adjustments to shift schedules, reductions in the length of the working week, extended home stay periods and temporary lay-offs. It is a source of potential job loss reduction which has, regrettably, not met with much acceptance by organised labour in South Africa but is used extensively in other countries with some success. Harmony plans to pursue this type of alternative with organised labour should job reductions become unavoidable. Any proposal will only be implemented with the agreement of the employee representatives concerned.

## **SECTION 4: PROCESS FOR THE MANAGEMENT OF DOWNSCALING AND RETRENCHMENT AT KALGOLD MINE cont.**

### **4.5.7 Reduction of overtime**

The use of extensive overtime is an undesirable work practice. Overtime is expensive and, where it occurs on a large scale, reduces job opportunities. The company constantly ensures that all overtime is strictly controlled and that only unavoidable overtime is worked. In circumstances where job losses are being contemplated, overtime will receive particularly close attention with a view to restricting it so that only absolutely necessary and unavoidable overtime is worked.

### **4.5.8 Working on off days**

Employees could be approached from time to time to agree to work additional shifts on off Saturdays and public holidays in order to improve productivity and generate additional revenue.

### **4.5.9 Section 189 and 189A of the LRA**

Kalgold mine will engage in formal Section 189 and 189A consultations with recognised employee representatives as soon as retrenchments are contemplated.

### **4.5.10 Section 52 of the MPRDA**

The company and its mines will provide the DMR with a letter for submission to the Minerals and Mining Development Board, as required by this section.

### **4.5.11 National social plan guidelines**

The consultation process as set out in the national social plan guidelines will be followed, whereby employees' representatives and the Department of Labour are notified of and consulted on the contemplated downscaling.

### **4.5.12 Moratorium recruitment of new employees**

Kalgold mine will discontinue the recruitment of new employees while attempting to fill vacant positions with its existing complement of employees who are suitably qualified, skilled and experienced, provided that Harmony will be entitled to recruit employees with specialist skills and where a shortage of labour has occurred in a particular category.

### **4.5.13 Portable skills training**

Portable skills training is one of the most sustainable methods of mitigating the effects of downscaling and industry job losses. It gives affected employees the opportunity of viable long-term independence from the mining industry's uncertainties. For this reason, it is important that Kalgold mine plans to make resources available for this type of training although it is possible to make arrangements to allow for training after the downscaling occurs and employment has been reduced. The mines plan to start such training before the need arises, thereby minimising the impact on affected employees and enabling them to take up alternative employment as soon as the need arises.

### **4.5.14 NEDLAC social plan agreement**

In accordance with the National Economic Development and Labour Council (NEDLAC) social plan agreement, the Department of Labour will be notified of:

- The number of employees possibly affected
- Their job categories
- The timing of the proposed retrenchments
- The assistance being offered (including training)
- The prospects for re-employment
- The languages and areas of origin of affected employees
- Their skill profiles
- The resources available to assist them
- Details of the agreements and disagreements or disputes with recognised and affected unions

Discussions will also be held with the department regarding any additional services that may be required, including the deployment of a retrenchment response team.

#### **4.6 Department of Labour**

It is envisaged that Kalgold mine will make use of the Department of Labour's retrenchment response teams. They will set up job advice centres for affected employees at the mines in question, provide affected employees with information packs and advise on the Unemployment Insurance Fund (UIF), assist work seekers to register with the department and advise on labour market and employment opportunities.

The mines reach an agreement with the department regarding the provision of services to assist employees, including group counselling, employment counselling, training of affected employees and placement services. If necessary, additional staff will be contracted to assist the department and the mines in ensuring that these services are provided. Where necessary, the above services provided for the affected employees will be for the mine's cost.

The Department of Labour is also required to notify the National Productivity Institute, and the provincial and local government of any anticipated retrenchments.

##### **4.6.1 Collective agreements**

Kalgold mine is part of Harmony's collective agreements with all recognised trade unions which deal with downscaling and retrenchments. These agreements replicate the processes and procedures set out above but they also deal with issues such as severance pay, notice pay, re-employment and recall procedures, accommodation arrangements and training. Harmony has ensured that compliance with these agreements is part of the planning processes for downscaling and job reductions.

These collective agreements commit Harmony to paying severance packages far in excess of the minimum required by legislation. They also exceed the minimum notice requirements. These higher payments are part of the plan to ameliorate the effects of job losses as much as possible.

All employees at Harmony are members of retirement funds to which the company and employees contribute on a monthly basis. In all cases, company contributions exceed those of the employees. On retrenchment, affected employees are able to access the accrued benefits accumulated over years of service in these funds.

Together with the Department of Labour's retrenchment response team, the downscaling mines will assist employees with the registration and collection of UIF benefits.

#### **4.7 Kalgold mine's mechanisms to ameliorate the social and economic impact on individuals, regions and economies where retrenchment or closure of the operation is certain**

- Should the measures set out above not be sufficient to avoid large scale retrenchments, and the regions from which Kalgold mine recruits employees be adversely affected.
- Should the measures set out above not be sufficient to avoid large scale retrenchments, and the regions from which Kalgold mine recruits employees be adversely affected.
- To ameliorate the hardships which results from job losses.
- Portable skills training will be provided to Kalgold mine employees for absorption into other sectors of the economy, and for job creation and poverty alleviation through self-employment projects.

##### **4.7.1 Portable skills training**

Other mechanisms to provide alternative solutions to avoid retrenchments include the following:

- Training and development
- Re-deployment of employees to other mines
- Productivity improvement measures

## SECTION 4: PROCESS FOR THE MANAGEMENT OF DOWNSCALING AND RETRENCHMENT AT KALGOLD MINE cont.

### 4.7.2 Portable skills

The training of the Kalgold mine's employees will be a continuous, holistic and inclusive process. This process will include educational advancement, and life and technical skills acquisition in a learning organisation supportive of the human need for growth and development. To meet these objectives, employees participate in Adult Basic Education and Training (ABET), life skills programmes, skills development, portable skills and individual career and development counselling (refer to Section 2 for details).

The following are roll out and portable skills development plans for Kalgold mine:

#### AMELIORATING THE SOCIAL AND ECONOMIC IMPACT OF JOB LOSSES ON INDIVIDUALS

##### Type of project: portable skills development of Kalgold mine employees

##### Objectives:

- To develop life or portable skills in all employees for job creation and poverty alleviation through self-employment and/or to be absorbed in other sustainable sectors of the economy

##### Implementation plan:

Kalgold mine's future forum will:

- Conduct roadshows and awareness programmes on portable skills training for all the Kalgold mine employees
- Conduct skills audits through which employees could make skills choices or preferences
- Implement assessment and counselling services
- Ensure that employees' skills choices or preferences are in accordance with the integrated development plans (IDPs) of the local economies where Kalgold mine's employees are sourced from mining communities and labour-sending areas
- Areas include Swaziland, Mozambique, Lesotho, Free State, Eastern Cape and Botswana
- Ensure integration of portable skills training to the operation's ABET and training programmes as a continuous, holistic and inclusive process (see Section 2)
- Implement portable skills training for all employees
- Monitoring training
- Ensure linkage of the developed portable skills to the sustainable community projects through Harmony's local economic development (LED) and small, medium and micro enterprises (SMME) development interventions (see Section 3)

##### Beneficial changes:

- Job creation through community projects
- Poverty alleviation
- SMME development skills

##### Beneficiaries:

- Kalgold mine employees and/or their proxies

##### Kalgold mine portable skills development plan

Kalgold mine	2012/13	2013/14	2014/15	2015/16	2016/17
Number of employees	83	82	80	78	77

**Note:** Specific portable skill needs will be in accordance with IDPs and personal preferences or choices, and will be identified through a pending skills audit.

## SECTION 5:

# FINANCIAL PROVISION

As per Regulation 46(d): Processes pertaining to the management of downscaling and retrenchment, the following is covered in this section:

- Regulation 46(d)(i): The establishment of the future forum
- Regulation 46(d)(ii): Mechanisms to save jobs and avoid job losses and a decline in employment
- Consultations
- Regulation 46(d)(iii): Mechanisms to provide alternative solutions and procedures for creating job security where job losses cannot be avoided
- Mechanisms to provide alternative solutions
- Regulation 46(d)(iv): Mechanisms to ameliorate the social and economic impact on individuals, regions and economies where retrenchment or closure of the mine is certain
- Severance package
- Leave calculation
- Retirement funds
- Outstanding staff loans
- Alternative work
- Re-employment
- Mechanisms and procedures for skills training on retrenchment
- Mine closure objectives and alternative use of infrastructure and land for sustainable community development

### 5.1 Five year plan for Kalgold mine

Kalgold mine is committed to implementing this SLP and details the amounts it intends to spend in the areas of HRD, LED and the management of downscaling and portable skills training.

The ability of Kalgold mine to fund on an on-going basis the programmes described in this SLP is, however, dependent on the ability of its mines to continue to generate positive cash flows after capital expenditure. Our strategic objective is to optimise the mining of our ore bodies, for the benefit of all stakeholders, particularly our employees whose job security is enhanced by our ability to extend the lives of our shafts through pay limit reduction. Decisions will, accordingly, always be made taking into account the long-term implications and a balance will need to be found between competing interests.

In a similar vein, profitability and the generation of cash flows is dependent on the rand gold price received, as is the availability of ore reserves to be mined profitably. Gold price sensitivity of the reserves in ounces is shown at 5% intervals above and below the base gold price. With an increasing reserve gold price, the average grade is reduced, but with additional tonnes resulting in an increased ore reserve. With a decreasing gold price, higher grades are declared at reduced tonnes equating to decreased ore reserves. The gold price to be used for the reserved declaration is reviewed annually and approved by the board within the requirements of the regulatory framework.

Given that we cannot control the international gold price or the rand/dollar exchange rate, the only way in which we can sustain our ore reserves and therefore our future, is through increased productivity in all spheres of the business, including stringent cost control. This SLP assumes a gold price of R340 000/kg. However, should this price not be achieved on a sustainable basis, and should our SLP roll out be impaired by the occurrence of events beyond our reasonable control, or should any risk factor (including, without limitation, the risk factors referred to above) materialise or alter materially, the roll out of the programmes outlined in this SLP may require re-assessment. Kalgold mine's undertakings in this plan needs to be read and understood in this context and

## SECTION 5: FINANCIAL PROVISION cont.

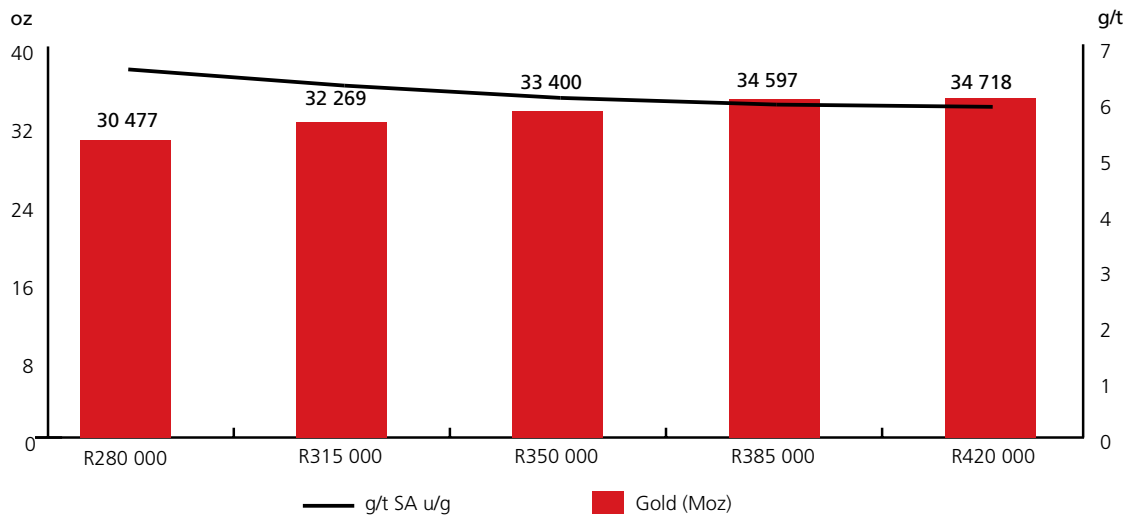
against this background. On the positive side, should we be able in the future to achieve revenues significantly in excess of R340 000/kg, we will be in a position to accelerate the programmes.

### 5.2 Ore reserve sensitivities

The ore reserve sensitivities of Harmony's South African mines are shown in the figure below.

The graph illustrates mineral reserve sensitivities, exclusive of Kalgold mine, to a changing gold price below and above R350 000/kg. Note that these sensitivities are approximations only and based on the orebodies in the current life of mine plans and pre-feasibility studies. Accordingly, at different gold prices, alternative mining strategies may be pursued, including the addition of more secondary reef horizons into mineral reserves.

#### Ore reserve sensitivities at Harmony's South African mines (as at 22 June 2012)



## **SECTION 6:**

# **REPORTING, MONITORING AND EVALUATION**

---

### **6.1 Implementation, reporting and monitoring of Kalgold mine's social labour plan**

The general manager of Kalgold mine is responsible for the implementation of this SLP and will report on a quarterly basis to the executive in charge of South African mines on progress regarding the implementation of this plan.

The executive in charge of the South African mines will in turn report to the Harmony executive committee and the Harmony board on progress on the implementation of this plan.

The executive in charge of South African mines shall be required to oversee the preparation and submission by Kalgold mine on an annual basis of reports to the Department of Mineral Resources (DMR) on the SLP implementation progress reports. Such reports will be in accordance with the calendar year end, and shall reflect expenditures and progress in accordance with the undertakings contained in the various chapters of the SLP.

# UNDERTAKING

---

Regulation 46(f): An undertaking by the holder of the mining right to ensure compliance with the SLP and to make it known to employees.

The person responsible for the SLP is required to make known to the employees that they may be contacted for follow-ups, requests, reports, queries, discussions, and makes the following undertaking on behalf of the mine or production mine. The Chief Executive Officer, Managing Director or any other person so appointed must approve the SLP.

I, **Graham Briggs**, the undersigned and duly authorised thereto by Harmony Gold Mining Company Limited, do undertake to adhere to the information, requirements, commitments and conditions as set out in the SLP.

Signed at Randfontein, Gauteng on this ..... day of ..... 2012

Signature of responsible person: .....

Designation: **Chief Executive Officer**

## Acceptance

I, **Maimane Mosupyou**, the undersigned and duly authorised thereto by Kalgold mine, do undertake to adhere to the information, requirements, commitments and conditions as set out in the SLP.

Signed at ..... on this ..... day of ..... 2012

Signature: .....

Designation: **General Manager**



# CORPORATE INVESTOR PRESENTATION



**HARMONY**

Harmony Gold Mining Company Limited (Harmony)

JSE (HAR)  
NYSE (HMY)

September 2012  
[www.harmony.co.za](http://www.harmony.co.za)

Au



**HARMONY**

Strategy

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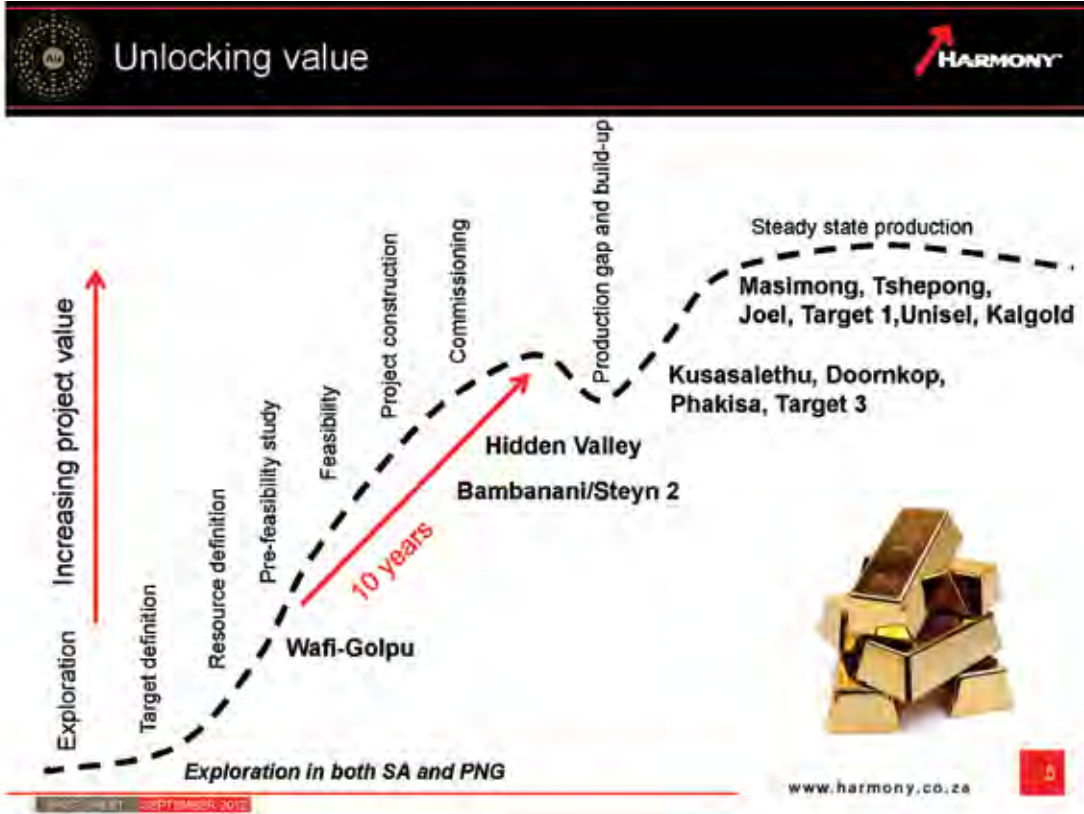
A global gold mining and exploration company - growing gold production, reserves and profits



- Operating in South Africa and Papua New Guinea (PNG)
- Building world class mines in South Africa and PNG
  - 10 underground mines, one open pit operation and several surface sources in SA
  - 50% joint venture in PNG with Newcrest Mining Ltd
    - Hidden Valley open pit mine
    - Wafi-Golpu
    - Exploration
  - 100% PNG exploration areas
- Company changing exploration projects
- Low debt with available facilities
- Generating robust margins and earnings
- Empowered
  - compliant with 2014 Mining Charter requirements
- Employs 40 000 (including 6000 contractors)
- 431 564 236 shares in issue
- Market capitalisation of R33bn (US\$4bn)
- Listed on JSE Limited (Ticker : HAR) New York Stock Exchange (Ticker: HMY)



# CORPORATE INVESTOR PRESENTATION cont.





## Safety and health behaviours



- Safety and health starts with me
- I behave safely and healthy in everything I do
  - ‘Zero harm, Zero accidents, Zero fatalities’
- I am always alert to my colleagues’ safety and health



FACT SHEET | SEPTEMBER 2012

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## Our safety and health journey



- Improve Harmony’s Occupational Health and Safety Management Framework (OHS)
- Develop and implement a safety culture strategy
- Continuous improvement through auditing, feedback and closing the loop
- Harmony participates in industry level health and safety initiatives
  - Charter requirements
  - Culture transformation framework
  - Mining Industry Occupational Safety and Health (MOSH)



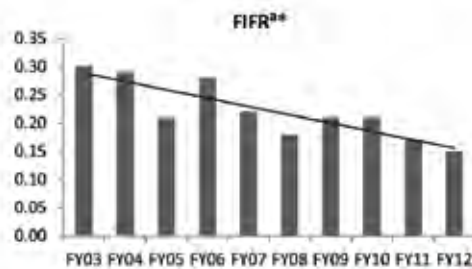
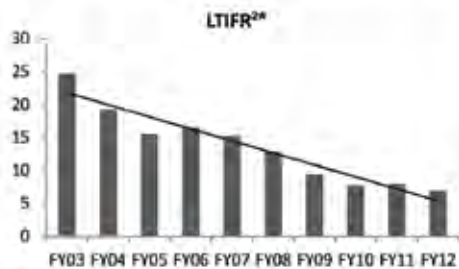
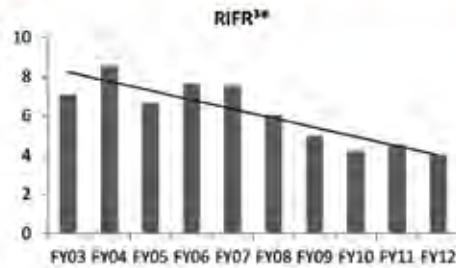
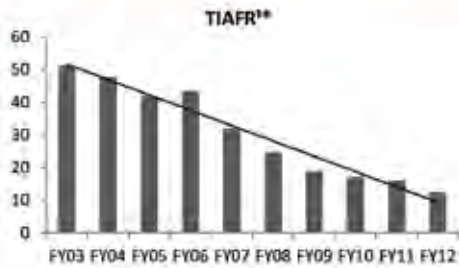
FACT SHEET | SEPTEMBER 2012

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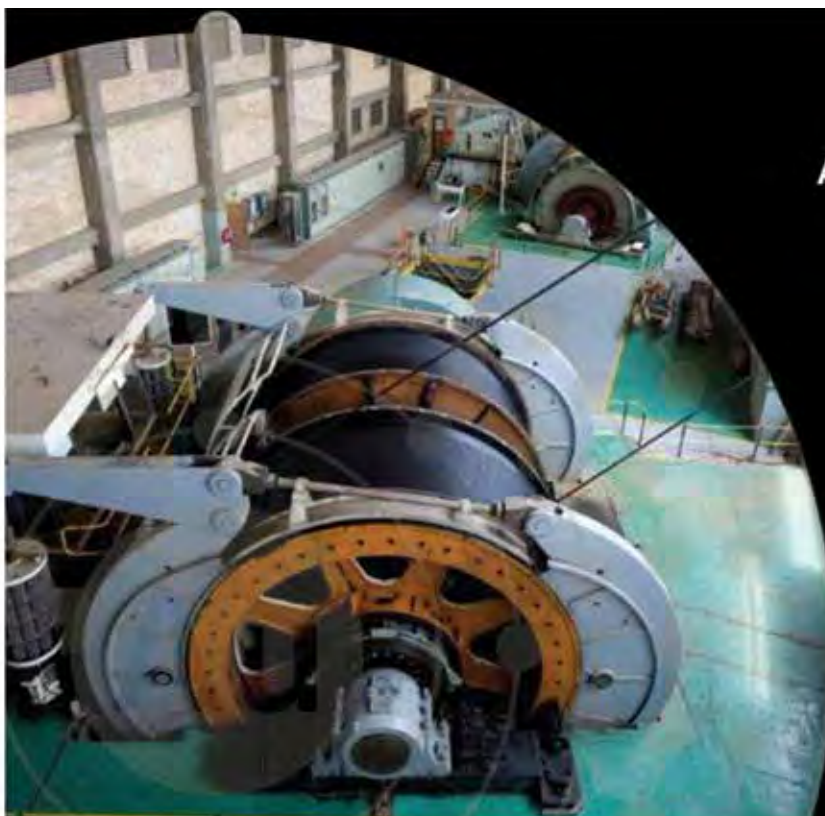
# CORPORATE INVESTOR PRESENTATION cont.

## All safety indicators improved over past 10 years



\* TIAFR: Total Injury Accident Frequency Rate (per million hours worked)  
 \* LTIFR: Lost Time Injury Frequency Rate (per million hours worked)  
 \* RIFR: Reportable Injury Frequency Rate (per million hours worked)  
 \* FIFR: Fatal Injury Frequency Rate (per million hours worked)  
 \* Note: Numbers reflect South Africa only

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## Assumptions

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## Commodity price assumptions for Reserves



- Gold (Au)
  - Cut-off gold price US\$1 400/oz, US\$/R7.55 = R340 000/kg
  - US\$/AUS\$1.00
- Silver price US\$25.00
- Copper (Cu) US\$7 714/tonne or US\$3.50/lb
- Oil US\$120/bbl
- Uranium US\$50/lb
- Molybdenum US\$15/lb

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## Planning parameters



### South Africa

- Salary increases 9.00%
- Electricity increases
  - April 2012, April 2013 16.00% nominal terms
  - April 2014 10.00% real terms
  - April 2015, April 2016, April 2017 5.00% real terms
- Water increases
  - August 2012 13.50% nominal terms
  - August 2013 - August 2016 7.08% real terms
- Consumables and contractors costs 8.00%

### PNG

- Average increase 7.50%

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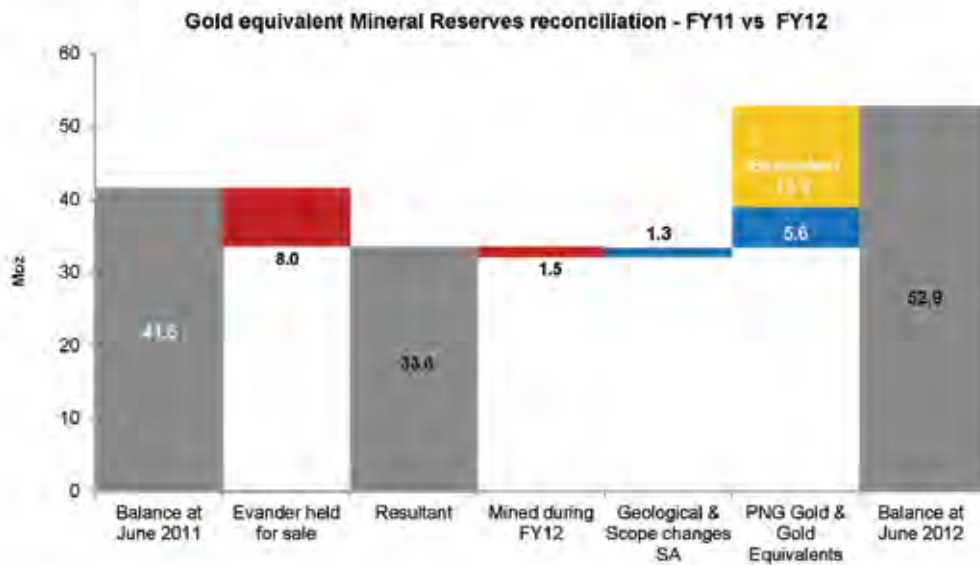


# CORPORATE INVESTOR PRESENTATION cont.



## Reserves reconciliation y-on-y

**HARMONY**





# Geographical diversification (Reserves)<sup>1</sup>



### Gold Reserves FY11



Value Reserves as at 30 June 2011 includes Essender

### Gold equivalent\* Reserves FY11

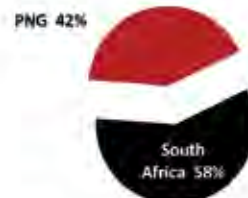


Value Reserves as at 30 June 2011 includes Essender

### Gold Reserves FY12



### Gold equivalent\* Reserves FY12



\* 30 June 2011 Gold equivalent based on US\$1150/oz Au, US\$2.50/lb Cu and US\$13.50/oz Ag at 100% recovery for all metals  
 30 June 2012 Gold equivalent based on US\$1400/oz Au, US\$3.50/lb Cu and US\$25.00/oz Ag at 100% recovery for all metals  
<sup>1</sup> Refer to Reserves and Resources press release on [www.harmony.co.za](http://www.harmony.co.za) released on 29 August 2012

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SEPTEMBER 2012



## Production

## CORPORATE INVESTOR PRESENTATION cont.

### Recovered grade vs reserve grade

Mine	Mineral reserve grade (g/t) June 2012	Adjusted (-5%) to compare with recovery grade (g/t)	Actual grade (g/t) achieved in FY12	Comments
Target 1	4.90	4.66	4.61	
Target 3	6.40	6.08	3.55	Increase Basal reef ratio
Unisel	4.63	4.40	4.04	
Masimong	5.06	4.81	3.45	Waste diluted recovered grade
Bambanani / Steyn 2	12.76	12.12	6.79	Shaft pillar mining
Phakisa	7.79	7.40	4.88	North area build-up
Tshepong	5.44	5.17	4.29	Decline build-up
Joel	5.20	4.94	4.78	
Doomkop	3.78	3.59	3.31	
Kusasaletu	6.30	5.99	4.71	4 years of waste dilution
<b>Total underground</b>	<b>6.04</b>	<b>5.74</b>	<b>4.26</b>	

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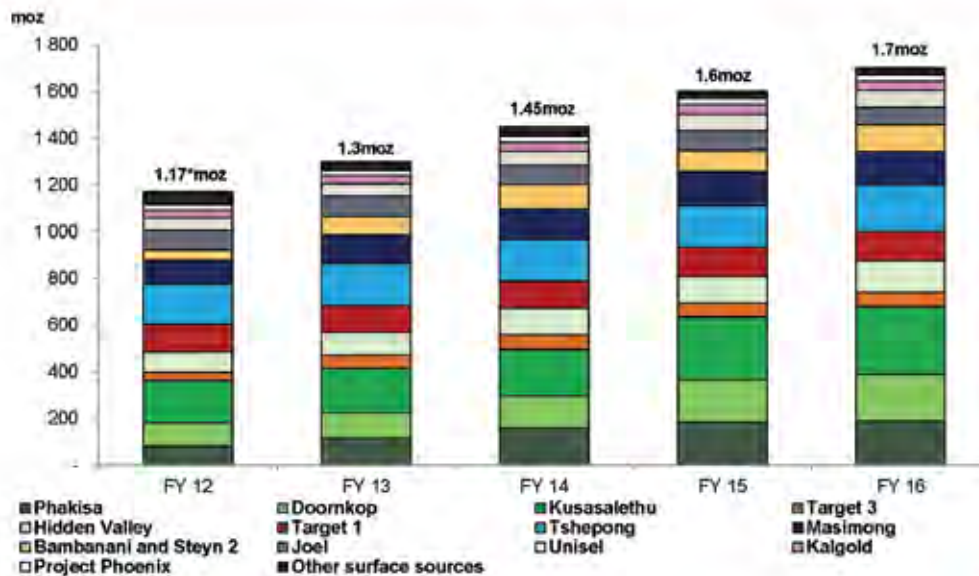
### Asset portfolio

Operation	Expected potential ounces	Cash cost* (R/kg)	Cash costs* (US\$/oz)	Life of mine (years)	Comments
Kusasaletu	260 000 - 300 000 oz	R240 000 - 250 000/kg	US\$990 - 1 030/oz	25 years	In build-up
Doomkop	185 000 - 200 000 oz	R245 000 - 255 000/kg	US\$1 010 - 1 050/oz	16 years	In build-up
Phakisa	175 000 - 200 000 oz	R200 000 - 210 000/kg	US\$825 - 885/oz	21 years	In build-up
Tshepong	190 000 - 200 000 oz	R245 000 - 260 000/kg	US\$1 010 - 1 070/oz	17 years	Steady state production
Masimong	135 000 - 150 000 oz	R215 000 - 220 000/kg	US\$890 - 910/oz	13 years	Steady state production
Hidden Valley	100 000 - 135 000oz*	Not applicable	US\$825 - 885/oz	13 years	Exploration may increase life
Target 1	115 000 - 125 000 oz	R235 000 - 250 000/kg	US\$970 - 1 030/oz	12 years	Steady state production
Bambanani	110 000 - 120 000 oz	R180 000 - 200 000/kg	US\$750 - 825/oz	9 years	Shaft pillar
Joel	75 000 - 85 000 oz	R230 000 - 245 000/kg	US\$950 - 1 010/oz	12 years	Decline depth extension commenced
Unisel	60 000 - 75 000 oz	R270 000 - 290 000/kg	US\$1 115 - 1 200/oz	6 years	Steady state production
Target 3	55 000 - 60 000 oz	R245 000 - 260 000/kg	US\$1 010 - 1 070/oz	17 years	In build-up
Various surface	55 000 - 60 000 oz	R215 000 - 230 000/kg	US\$890 - 950/oz	30+ years	Tailings, rock dumps, clean-up
Kalgold	35 000 - 40 000 oz	R300 000 - 320 000/kg	US\$1 240 - 1 320/oz	12 years	Steady state production
Steyn 2	13 000 - 15 000 oz	R230 000 - 240 000/kg	US\$950 - 990/oz	2 years	Shaft pillar
<b>Total</b>	<b>- 1.7 million oz</b>	<b>- R230 000 - 240 000/kg</b>	<b>- US\$950 - 990/oz</b>		

\*Future costs are calculated in rands and using an exchange rate of US\$R7.56  
 \* Represents Harmony's 90% equity portion

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## Planned production ounces





\*Excluding Evander

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## What is going to be different?

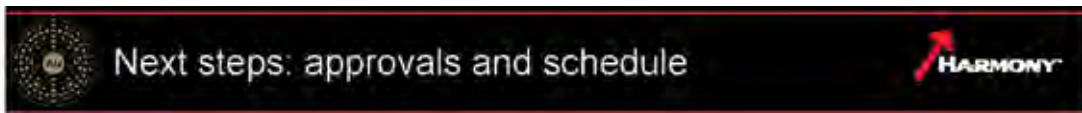


- Safety improvements
- Structure change aimed at improved safety, achievement of plans and standardisation
- Commissioning phase almost complete on build-up mines
  - lower risk of new infrastructure teething problems
- Short Interval Control process institutionalised at all operations
- Capital invested to improve infrastructure reliability
- International Mining Industry Underwriters (IMIU) risk reduction
  - higher major equipment availability
- Medical hub roll-out on operations (proactive health strategy) to enhance labour availability
- Values and culture alignment
- Leadership development program for senior and middle management
- Bulk of restructuring completed: higher morale and fewer risks associated with re-structuring

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## CORPORATE INVESTOR PRESENTATION cont.



- Consult and communicate with key stakeholders
- Feasibility study is anticipated to commence in early 2013
  - Subject to consultation, gating and Board approval
  - Approximately 24 month time frame
- Environmental Social Impact Assessment conducted in parallel with feasibility Study
- First production in 2019
  - Subject to timely approval of project by State and communities
- Mining approval leading to grant of a Special Mining Lease requires
  - Feasibility study
  - Negotiation of stakeholder agreements (Public Forum and Memorandum of Agreement)
  - Mine Development Contract

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Financials

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## Reconciliation of FY12 cost increases (Rand)



Total Cash Operating Cost	Y-on-Y %	Variance on total %
<b>Total FY12 vs FY11</b>		<b>-20%</b>
Build-up operations	-91%	-12%
Bambanani restructure	41%	4%
Hidden Valley	-23%	-2%
Steady operations	-14%	-10%

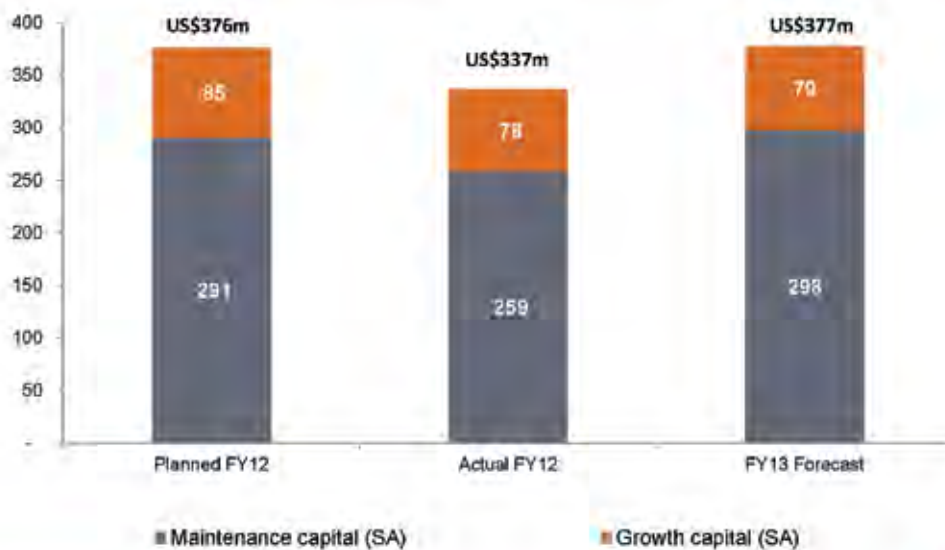
Estimated average cost increase of 12% for FY13

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## Well controlled capital expenditure (US\$m)\*



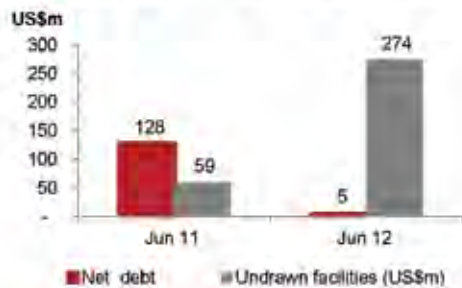
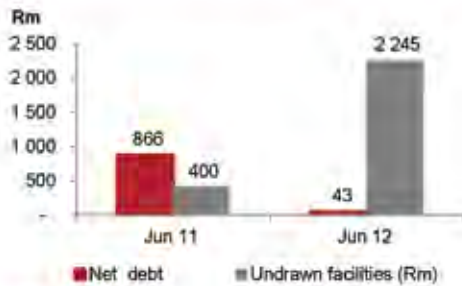
\*Future costs are estimated in real terms and using an exchange rate of US\$17.55

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# CORPORATE INVESTOR PRESENTATION cont.

## Low debt and available facilities HARMONY



### Year on year\* results

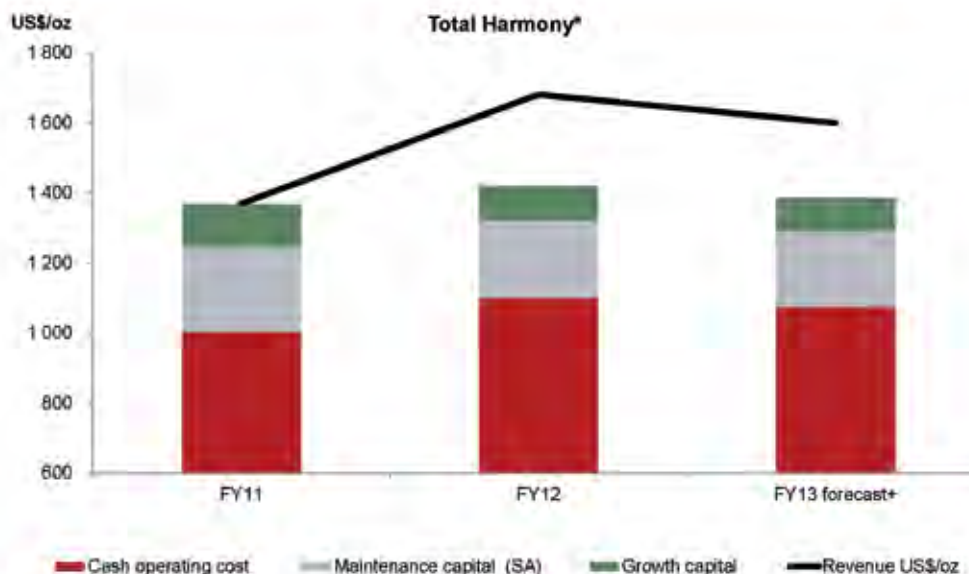
- Operating profit increased by 80% at R5.9bn (US\$759m)
- Headline earnings per share more than doubled at 551 SA cents (US\$71 cents)
- Total dividends declared for FY12 90 SA cents
- Exploration spent of R500m (US\$64m)
- Capital spent of R3226m (US\$415m)

\*Including discontinued operations

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## Robust margin (US\$/oz)\* HARMONY



\*Excludes Estander  
Financial plan at gold price of US\$1400/oz; US\$/R7.55 = R360 000/oz  
+FY13 forecast converted at R9.00/US\$

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