Harmony integrated annual report 2012

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Find out more

In this report we have included references to additional information on certain sections, either in the report itself or online.

We have allowed some repetition to avoid interrupting your reading too often, but we've also provided cross-references. This icon tells you where you can find related information in our report.

This icon tells you where you can find more information online at **www.harmony.co.za**.

Go to **www.harmony.co.za** for a more detailed account of the environmental, socio-economic and governance (ESG) aspects of Harmony's business.

These QR code links will take you to information suitable to view on your mobile device. Download an application for your phone, take a picture of the code and the relevant page will open in your browser window.

For quick access on your mobile to the Harmony website scan the barcode above.

Alternatively go to **www.harmony.co.za** for more information.

The forward-looking statements can be found on the inside back cover of this report.

We have integrated our values into the electron shell diagram to illustrate how our values permeate our business.

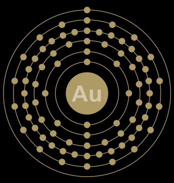
No matter the circumstances, **safety** is our main priority

We are all **accountable** for delivering on our commitments

Achievement is core to our success

We are all **connected** as one team

We uphold **honesty** in all our business dealings and communicate openly with stakeholders



An electron shell diagram for gold, the 79th element in the periodic table.

Key features 2012

Strategy

- Excellent progress on strategy of optimising asset portfolio and building low-cost, high-grade mines
- Exploration in PNG increases geographical diversification. Gold equivalent reserve ounces in PNG now represent 42% of Harmony's total reserves
- Two dividends paid, amounting to R431 million (US$59 million)
- Improved safety

Safety and health

- Harmony won six of seven awards at the annual MineSAFE conference, underpinning encouraging results from major safety initiative
- Improved safety performance rates (FIFR and LTIFR)
- Healthcare facilities expanded

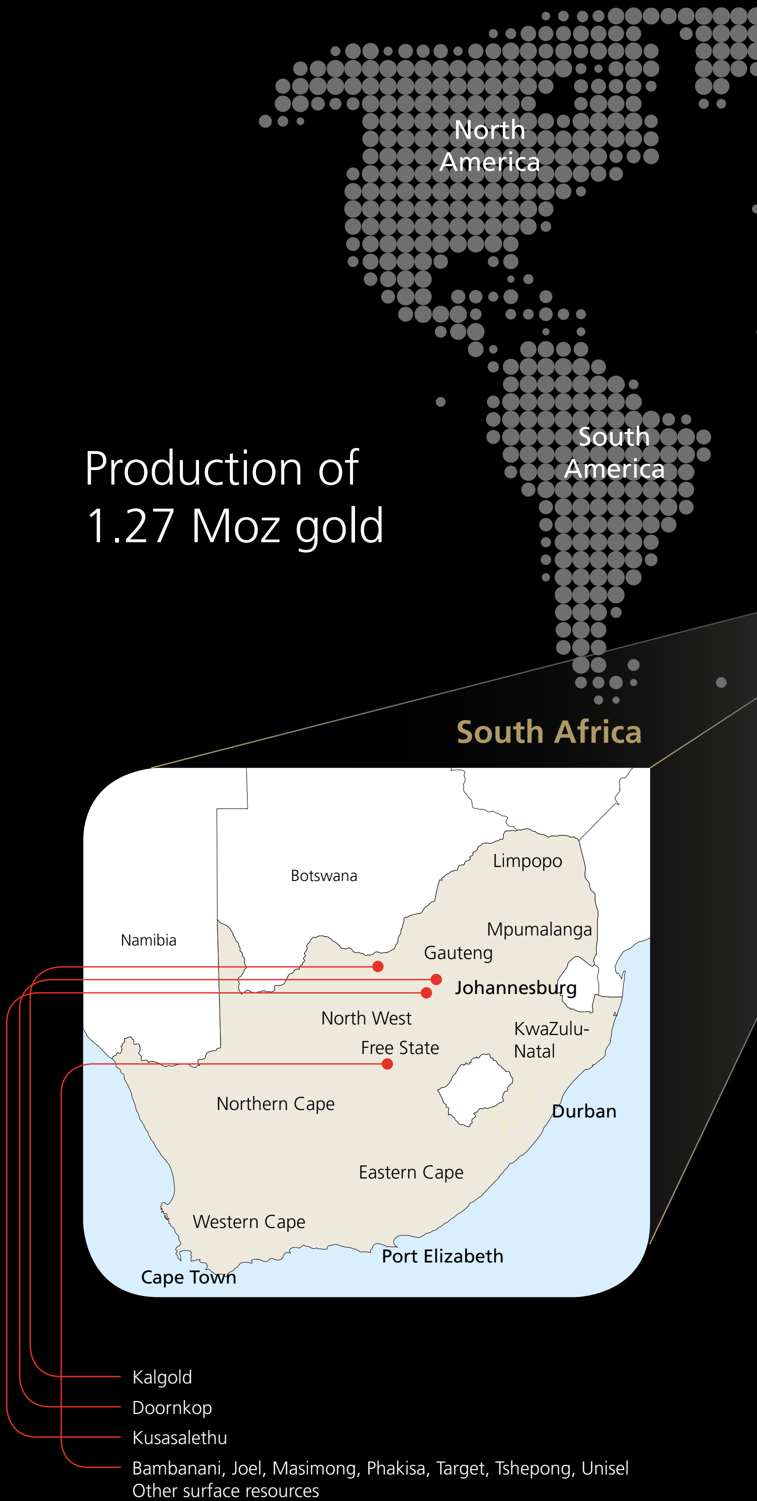
Community

- In South Africa, R50 million (US$6.4 million) spent on local economic development projects and R10 million (US$1.3 million) on corporate social responsibility projects
- In PNG, R14.6 million (US$1.8 million) spent on community programmes
- Preferential procurement expenditure in South Africa totalled R2.3 billion (42% of total discretionary expenditure) and K431 million (41%) in PNG

Environment

- Executing group-level environmental strategy focusing on standards, reporting and auditing
- Effective implementation of energy efficiency and climate change policy catapults Harmony to fourth place in Carbon Disclosure Project 2011 from 17th in 2010
- Free State rehabilitation programme reduces group environmental liability by around R100 million
- Success of PNG programme for community access to clean water

Production of
1.27 Moz gold



Net profit of
R2.65 billion
(US$341 million)

Gold equivalent reserve ounces in PNG now represent 42% of Harmony's total reserves.

Labour practices and human rights

- Employee share option scheme launched, benefiting around 33 000 employees
- Steady progress on employment equity in South Africa: HDSAs made up 43% of management
- In PNG, effective communication ensured through representative committees

Operations

- OHSAS 18000, ISO 14001 and ISO 9000 certification received for Harmony 1 plant, Phakisa, Tshepong, Masimong, Target plant and Target 1 post year-end
- Short interval controls introduced
- Underground grade down 4% at 4.42g/t
- Production of 1.27Moz (including discontinued operations)
- Operations in build-up showed an 8% improvement
- Commissioning phase almost complete on build-up mines
- Wafi-Golpu Resource at 1.2bn tonnes of mineralised material
- Golpu Reserves were increased to 450Mt after pre-feasibility study

Financials

- **Net profit for the year of**
  R2.65 billion (US$341 million)
  (FY11: net profit of R617 million/US$86 million; FY10: loss of R192 million/US$24 million)
- **Basic earnings per share at**
  614 SA cents (USc79)
  (FY11: 144 SA cents/USc20; FY10: loss of 46 SA cents/USc6)
- **Headline earnings of**
  565 SA cents per share (USc74)
  (FY11: 223 SA cents/USc31; FY10: loss of 7c (USc1))
- Dividend* of 90 SA cents per share total dividends (FY11: 60 SA cents; FY10: 50 SA cents)
- Operating margin of 35% (FY11: 26%; FY10: 26%)

* *Include dividends declared after year end.*

Securing the future

Responsible mining contributes to sustainability through:

1. Value creation ✓
2. Skills development, education and training ✓
3. Economic upliftment ✓
4. Job creation ✓
5. Poverty alleviation ✓
6. Corporate social investment ✓
7. Local economic development ✓
8. Social and economic transformation ✓
9. Infrastructure development ✓

In financial year 2012 alone, Harmony has contributed over R7.3 billion in the form of salaries, taxes and social investment and paid R431 million in dividends. In addition, Harmony has invested R3.7 billion in capital expenditure and exploration that will secure jobs well into the future.

The framework that guides our approach to sustainability is detailed in the sustainable development report. This is based on global principles and focused on ensuring Harmony makes a positive contribution to the greater well-being of society and remains a responsible steward of the environment in which we operate.

Our framework acknowledges that while corporate citizenship is a moral responsibility, this duty rests on the inextricable link between profitability and sustainable development.

At all times, therefore, to secure Harmony's future for the benefit of all stakeholders, we strive to balance economic development with environmental protection and social responsibility within a robust governance framework.

Gold production

Social responsibility	Environmental protection	Economic development
• Labour practice • Safety and health • Training and development • HIV/Aids • Stakeholder engagement • Community relations • Equal opportunities	• Environmental management and auditing • Responsible use of resources • Effective closure and rehabilitation • Acid mine drainage management • Cyanide management • Climate change and GHG emission	• Global gold market • Returns to shareholders • Economic market in SA and PNG • Producing safe profitable ounces • Investing in the future • Economic transformation and empowerment

Governance and compliance

While this approach is detailed in our sustainable development report, for convenience, in this integrated report we highlight the best practices being entrenched to ensure we secure the future:

Governance practices and reporting

- Harmony is listed and regulated by various stock exchanges – JSE, NYSE, Brussels and Berlin
- The company's solid governance structure is regularly reviewed
- Integrated reporting – we combine financial and non-financial reporting performance
- Our sustainable development report is aligned with GRI and King III, and independently assured
- Harmony has been a constituent of the JSE SRI index since inception in 2004

Governance structures

The Board, through its various committees, review both financial and non-financial matters within a regulatory framework and according to the requirements of various legislation and governance principles that the company is subject to.

A long-term approach

At Harmony, we subscribe to:

- Ethical business practices and sound systems
- Sustainable development considered in all decision-making processes
- Uphold fundamental human rights
- Base risk management strategies on valid data and sound science
- Seek continual improvement in health and safety performance
- Seek continual improvement in environmental performance
- Contribute to social, economic and institutional development
- Implement effective and transparent engagement and communication

Awards and recognition

Various third parties have acknowledged Harmony for its achievements in the past year. We received the following acknowledgements:

- Govan Mbeki Human Settlement Awards 2012
- SAMREC for the best reporting of Resources and Reserves by a mining or exploration company listed on the JSE Limited
- Harmony wins six out of seven safety awards at the MineSAFE 2012 Industry Awards
- 4th in Carbon Disclosure Project
- Qualified for the Nedbank BGreen Fund
- Included in JSE Socially Responsible Investment Index for 6th consecutive year
- Department of Mineral Resources Millionaire's Award for Safety – Doornkop 1 000 000 fatality free shifts
- International recognition of the significance of the Wafi-Golpu Cu-Au resource expansion through invitation at various international forums
- Harmony's International Mining Insurance Underwriters rating is above global industry average.

Scope of this report

This integrated annual report covers the financial year from 1 July 2011 to 30 June 2012 (FY12). In line with its commitment to the principle of integrated reporting, Harmony Gold Mining Company Limited (Harmony) has, for the third time, incorporated its broader social, environmental and economic performance throughout this report in line with the requirements of the King Report on Governance for South Africa (King III). In addition, the company has produced:

➜ **An online sustainable development report 2012** Go to **www.harmony.co.za** for a more detailed account of the environmental, socio-economic and governance (ESG) aspects of Harmony's business. This report has been compiled in accordance with the G3 guidelines of the Global Reporting Initiative (GRI) and the principles of integrated reporting as recommended by King III.

➜ **An annual report prepared on a Form 20-F**, filed with the US Securities and Exchange Commission (SEC), in compliance with the listings regulations of the NYSE. Electronic copies of this will be available from October 2012 free of charge on EDGAR at www.sec.gov and on our corporate website: **www.harmony.co.za**

The aim of these reports is to give all our stakeholders – shareholders, investors, employees, suppliers, regulatory authorities and governments around the world – an informative description of Harmony's business and operations, their impacts and the sustainable value we create.

Operational and financial information in this report covers the period FY12 with comparative annual data provided for information. The annual financial statements in this report have been prepared in accordance with the International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS), the South African 2008 Companies Act and the listings requirements of the JSE Limited.

The mineral resources and reserves information in this report has been compiled in accordance with the South African Code for Reporting of Exploration Results, Mineral Reserves and Mineral Resources (SAMREC), the Australian Code for Reporting Mineral Resources and Mineral Reserves (JORC) and Industry Guide 7 of the United States' SEC. This information has been gathered, reviewed and confirmed by the relevant competent persons as defined by SAMREC.

These reports, as well as additional detailed information on Harmony, including its regulatory filings, press releases, stock exchange announcements and quarterly reports, are available on the company's website at **www.harmony.co.za**.

All use of $ or dollar refers to US dollars, unless otherwise stated. All use of K refers to the currency of Papua New Guinea (kina). All production volumes are reported in metric tonnes (t) unless specifically referred to as imperial tons.

Doornkop mine, some 30km west of Johannesburg, is ramping up its production of the higher-grade South Reef project

Delivering long-term value

Hidden Valley, in the Morobe Province of Papua New Guinea, is Harmony's first offshore greenfield project

Harmony clearly understands that delivering long-term value is a process of interlocking elements – both financial and non-financial. **The balance between these elements is captured in our new company values and will guide our performance in future**.

In South Africa, more particularly in the world-renowned Witwatersrand Basin and Kraaipan Greenstone Belt, the company has ten underground mines and one open-pit mine and several surface operations. In PNG, Harmony has a 50% interest in the Morobe Mining Joint Ventures (MMJV), which includes Hidden Valley, an open-pit gold and silver mine (opened in 2010), the exciting Wafi-Golpu project, and extensive exploration tenements. Outside the joint venture, Harmony's own exploration portfolio focuses principally on highly prospective areas in PNG.

Significant capital expenditure in recent years has accessed the company's extensive resources and extended the lives of its mines.

We have made good progress in getting the company where we want it to be – producing better-quality ounces. Hidden Valley in PNG is now an operating mine, Harmony's first greenfields offshore development; in South Africa we have Kusasalethu, Doornkop and Phakisa projects in build-up. Mines such as Tshepong, Masimong, Target, Bambanani, Unisel, Evander and Joel have also been positioned to deliver on their production targets.

Harmony has invested a great deal in expanding its production base in South Africa and PNG. PNG has become one of the world's premier new gold regions. As part of Harmony's strategy to diversify internationally, we have increased our exploration expenditure significantly over the last three years.

Golpu's grade is 0.9% copper and 0.63g/t gold confirming it is one of the highest-grade copper-gold porphyry systems in south-east Asia. These excellent results validate our long-held belief that PNG is a company-changing region for Harmony. On a 100% basis, Golpu alone now hosts a resource of 1 000Mt, containing 20.3Moz of gold and 9.0Mt of copper (65Moz on a gold-equivalent basis).

Our resource base in PNG now represents 14% of Harmony's total gold resources (or 27% of the resource on a gold equivalent basis), in line with Harmony's strategy to increase its geographic diversification.

In South Africa, a surface exploration drilling campaign is under way at Masimong 5 shaft, east of a major north/south trending fault but within the present mining right. The first phase started in October 2011 with two drill holes completed to 1 800m below surface, intersecting both the B reef and Basal reefs. Another two holes are expected to be completed in October 2012. A second-phase exploration drilling programme will be considered depending on interpretation of final phase 1 results.

In FY12, Harmony produced 1.27Moz[1] of gold (FY11: 1.30Moz[1]). The company employed 40 257 people, largely in South Africa, of whom 34 187 were full-time employees and 6 070 contractors (FY11: 39 440 people, including contractors).

At 30 June 2012, Harmony reported attributable gold equivalent mineral reserves of 52.9Moz[2] (FY11: 41.6Moz) and attributable gold mineral resources of 150.2Moz[2] (FY11: 163.9Moz).

Harmony's corporate headquarters are in Randfontein, South Africa.

[1] *Including discontinued operations.*
[2] *Gold equivalent based on US$1 400oz Au, US$3.50lb Cu at 100% recovery for both metals.*

Key statistics 2012

		FY12	FY11
Operating performance			
Ore milled	000t	**18 792**	19 280
– Underground	000t	**7 524**	7 170
– Surface	000t	**11 268**	12 110
Gold produced[1]	kg	**39 642**	40 535
	000oz	**1 275**	1 303
– Underground	kg	**33 314**	33 627
	000oz	**1 071**	1 081
– Surface	kg	**6 328**	6 908
	000oz	**203**	222
Operating costs	R/kg	**270 918**	226 667
	US$/oz	**1 085**	1 009
Yield	g/t	**2.11**	2.07
– Underground	g/t	**4.42**	4.60
– Surface	g/t	**0.56**	0.57
Financial performance			
Revenue[2]	R million	**15 169**	11 596
	US$ million	**1 953**	1 659
Production costs[2]	R million	**9 911**	8 504
	US$ million	**1 276**	1 218
Total procurement spend: black economic empowerment	R million	**2 254**#	2 267
Operating profit[3]	R million	**5 258**	3 092
	US$ million	**677**	441
Operating margin	%	**35**	27
Net profit/(loss) for the year[4]	R million	**2 645**	617
	US$ million	**341**	86
Total basic earnings/(loss) per share[4]	SA cents	**614**	144
	US cents	**79**	20
Total headline earnings/(loss) per share[4]	SA cents	**565**	223
	US cents	**74**	31
Capital expenditure[4]	R million	**3 226**	3 036
	US$ million	**414**	436
Exploration spend	R million	**500**	324
Dividend spend	R million	**431**	214
Market performance			
Average gold price received	R/kg	**419 492**	307 875
	US$/oz	**1 680**	1 370
Exchange rate	R/US$	**7.77**	6.99

[1] 36kg/1 157oz capitalised (2011: 621kg/19 967oz).
[2] Prior-year figure re-presented to exclude discontinued operations.
[3] Operating profit is comparable to the term production profit in the segment report in the annual financial statements and not the operating profit line item in the income statement.
[4] Includes discontinued operations.
 # Assured by independent auditors.
Note: All statistics are for total Harmony unless otherwise stated.

		FY12	FY11	FY10
Occupational health and safety				
FIFR – fatal injury frequency rate				
– South Africa	per million hours worked	**0.16**	0.17	0.21
– PNG		**0.00**	0.22	0.20
LTIFR – lost-time injury frequency rate		**6.67#**		
– South Africa	per million hours worked	**7.29**	8.32	7.73
– PNG		**0.45**	0.45	0.70
South Africa				
– Shifts lost due to occupational illness and injury		**24 979**	27 539	27 254
– Noise-induced hearing loss (NIHL) compensated cases		**101**	365	442
– Silicosis cases identified		**909#**	747	881
– New TB cases reported		**906**	1 201	1 302
– Number of people on HAART		**4 066**	2 902	3 226
People				
Number of employees and contractors		**40 257**	39 440	40 226
Employment equity (previously disadvantaged South Africans in management)	%	**43#**	42	40
Number of people in single rooms		**1 757#**	3 100	**
Number of people sharing		**10 574#**	7 925	**
Number of people in critical skills positions trained		**74#**	**	**
Community				
South Africa				
– Corporate social responsibility projects	Rm	**10**	14	23
– Local economic development	Rm	**50**	70	59
PNG	US$m	**1.8**	1.5	1.1
Harmony Group LED	Rm	**64.5#**		
Environment				
Mineral waste (volume disposed)	000t	**20 888#**	**	**
Land disturbed and available for rehabilitation	km^2	**9 779**	**	**
Total electricity use				
– Group	000MWh	**3 370#**	3 534	3 764
CO_2 emissions	000t CO_2e	**3 365**	3 715	4 532
Water used for primary activities	$000m^3$	**38 011#**	37 608	46 182
Cyanide use				
– Group	t	**11 097**	9 983	9 598
Funding and guarantees for rehabilitation and closure	R million	**2 386**	2 466	2 391
Mineral reserves				
– Gold equivalent reserve ounces	Moz	**52.9**	43.9	50.4

\# *Assured by independent auditors.*
* *Scope 1 data in FY10 was over-estimated due to a unit discrepancy*
** *not previously reported*

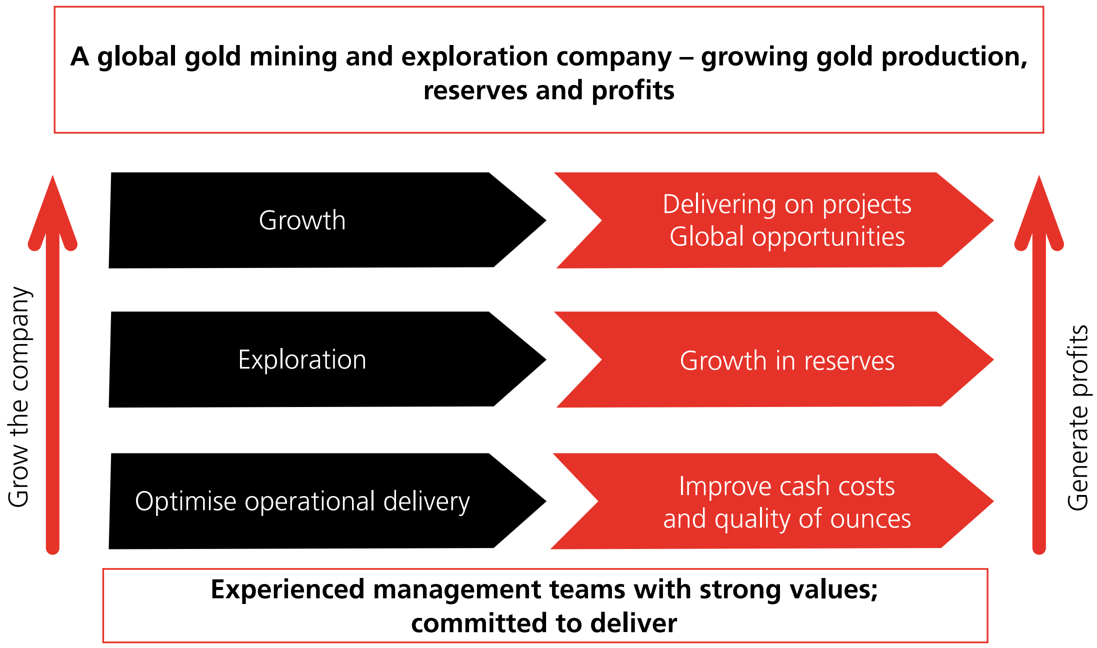
Strategic scorecard

Our strategy is to produce 1.7 million safe and profitable ounces of gold by 2016. We are on track to meet this target, as detailed in the chairman's letter and chief executive officer's review.

Strategic objectives

	KEY STEPS	PROGRESS
Growth	• Mineral reserve growth • Dividend growth • Net debt reduction • Fund capital expenditure	• Increased by 31% • Up by 50% • Lowered by R823m (US$123m) • Operations funded all capex (R3.2bn, US$415m)
Exploration	• Adequately funded • Diverse • Discovery cost	• Increased by 52% • Increased number of gold and copper targets • Improved diversity – geographic and copper • Discovery cost of US$6 per equivalent resource ounce
Optimise operational delivery	Focus on training, motivation, safety, health, environment, labour relations	• Improved safety • Disposed of non-core assets • Improved margin – 26% in FY11, 35% in FY12 • Leverage to gold price – 36% increase in R/kg gold price = 80% increase in rand operating profit – 23% increase in US$/oz gold price = 62% increase in US$ profit
PNG	Wafi-Golpu	• Golpu world-class gold/copper project, long life, generating strong cash flows • Lowest industry quartile operating cost (gold and copper) • Significant upside potential – Golpu and Wafi transfer structure

For the next five years, our focus is to grow the company and generate profits based on the strategic pillars shown below.



Material issues

Harmony uses the principle of integrated reporting for its 2012 suite of reports. We recognise that integrated reporting combines our financial and non-financial performances to provide a holistic view of the company by explaining the cause and effect of various issues affecting the bottom line.

Our aim is to continuously improve communication with all stakeholders, to build up a formal, approved record of our financial and non-financial performance, and to comply with the listings requirements of the various stock exchanges on which Harmony is listed.

The social, environmental, governance and economic aspects of our business, and the opportunities and challenges these present, are detailed throughout this report, reflecting our commitment to report in line with the Global Reporting Initiative (GRI). This report is also available online **www.harmony.co.za**.

Certain key performance indicators have been assured by the auditing firm PricewaterhouseCoopers, and the assurance statement appears on pages 48 to 49.

We have identified our most material issues in this report. This is the culmination of a thorough process that follows workshops that were done discipline by discipline and regular feedback from stakeholders. Harmony's performance in FY12 and targets for FY13 are tabulated below.

Governance and economic sustainability

The economic dimension of sustainability concerns the impact Harmony has on the economic conditions of its stakeholders and on economic systems at local, national and global levels. The company's economic imperatives in turn are achieved within a framework of sound corporate governance. Accordingly, we report on these areas in a combined section in the report.

Governance

ISSUE	PERFORMANCE IN FY12	OBJECTIVES AND TARGETS FOR FY13
Establishment and maintenance of board and management structures	Harmony's solid governance structure is regularly reviewed to ensure we comply with legislation and standards in the countries in which we operate and with the stock exchanges on which Harmony is listed.	Ongoing compliance
Implementation of good practice in governance and reporting	In line with our primary listing on the JSE Limited, disclosure is guided by the new South African Companies Act 2008, JSE regulations and King III. We also comply with the regulations of other exchanges where Harmony is listed, the US Securities and Exchange Commission (SEC) and the Sarbanes-Oxley Act of 2002. We use an integrated approach that combines financial and non-financial reporting, and our sustainable development disclosure is aligned with GRI and King III.	Continual improvement
Integrity and ethics	A code of ethics governs our behaviour, while an ethics committee meets quarterly to monitor ethical behaviour within Harmony.	Continual improvement
Compliance with legislation	No significant fines were paid by the company in any areas of operation in FY12, and no actions were brought against the company for anti-competitive behaviour, anti-trust or monopoly practices.	Ongoing compliance
Risk management and mitigation	Under a formal risk policy framework and risk management structure, primary risks identified in FY12 are covered on pages 24 to 25 and in Form 20-F. Appropriate levels of due diligence are applied before finalising significant contracts. The precautionary approach is used in planning and developing new projects, in line with relevant legislation and good practice.	Ongoing adoption of best practice and alignment with King III

Material issues continued

Economic sustainability

ISSUE	PERFORMANCE IN FY12	OBJECTIVES AND TARGETS FOR FY13
Economic context and relevance	Harmony is one of the world's leading producers of gold, and South Africa's third largest. Regionally, Harmony has an even bigger impact, for example in South Africa's Free State province where mining accounts for a significant portion of provincial GDP. In FY12, the company employed over 40 000 people.	To continue playing a meaningful role in the regional economies where we operate
Producing safe, profitable ounces	Regrettably, Harmony recorded 15 fatalities during the year – see safety discussion overleaf. Total gold production of 1.27Moz (39 642kg) – production during the year was affected by mine closures, safety stoppages and underperformance at some mines.	We aim to produce 1.7Moz of gold by FY16. Equally, we aim to achieve this target safely – eliminating all fatal accidents
The gold market	Gold remains a desirable product and we expect the price to be around US$1 800/oz in our next financial year, especially with continued global uncertainty. Harmony remains highly exposed to the R/US$ exchange rate, as most operations are in South Africa. While our earnings are in dollars the exchange rate impacts our revenue in rands. The rand weakened against the dollar throughout FY12, leaving the company with strong margins.	We remain positive on gold. However, the gold price and exchange rate are not within our control. Our strategic plans for FY13 are based on a gold price of R340 000/kg (an exchange rate of R7.55/US$ and a gold price of US$1 400/oz)
Investing in the future	In FY12, we continued restructuring our asset base in line with our strategy to deliver 1.7 million safe, profitable ounces by 2016. We invested R3.2 billion in our mines and our attributable mineral reserves including gold equivalents totalling 52.9Moz across South Africa and Papua New Guinea. On exploration alone we invested R500 million in the past financial year.	Ongoing development of mines: R4.1 billion allocated for capital expenditure and R453 million for exploration and Golpu pre-feasibility study in FY13
Economic transformation and empowerment	Harmony complies in all material respects with the South African Mining Charter's requirement on empowerment through partnerships and the sale to HDSA companies of interests in the company and its underlying operations. To date 28% of production is attributable to HDSA interests. Contracts are in place with PNG landowner groups for a range of services. We continue to offer business development opportunities to landowners as Hidden Valley moves towards full production and more opportunities become available.	Ensure Harmony complies to charter expectations for 2014 while promoting continuous improvement Ensure ongoing dialogue with stakeholders and seek opportunities to enhance community development

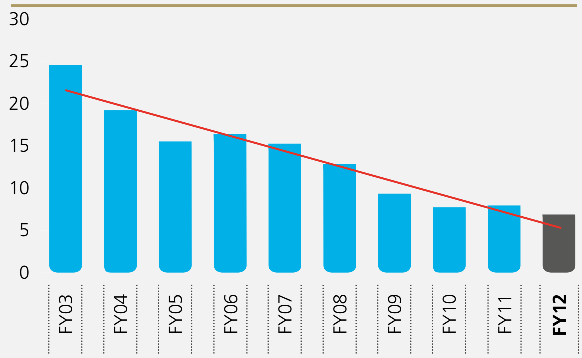
Social performance

Harmony has an impact on the social environment in which it operates. This report includes comprehensive discussions on safety, occupational health and well-being, labour practices and community issues.

Safety

ISSUE	PERFORMANCE IN FY12	OBJECTIVES AND TARGETS FOR FY13
Eliminating accidents by managing risk and ensuring appropriate structures, systems and training are in place	Regrettably, 15 employees lost their lives in mine-related incidents in FY12 (FY11: 16). In South Africa, the FIFR improved to 0.16, and the LTIFR to 7.29 per million hours worked. Both exceed targets set for the year, and there are encouraging early signs of behavioural improvement from the major safety initiative under way (refer to the sustainable development report).	FIFR: 0 LTIFR SA: 5.99 LTIFR PNG: 0.77 LTIFR Harmony: 5.68

Lost-time injury frequency rate (LTIFR) FY03 – FY12 (SA only)



In PNG, with no fatalities recorded, the FIFR was 0 per million hours worked, while the LTIFR was 0.45, significantly above the target set.

ISSUE	PERFORMANCE IN FY12	OBJECTIVES AND TARGETS FOR FY13
Reducing falls of ground	Falls of ground account for a large portion of all lost-time injuries in Harmony. Our new ground control strategy consolidates efforts to prevent fall-of-ground incidents and accidents, and promotes an even safer and more stable underground environment. • There were 2 gravity-related fall-of-ground fatalities in FY12 (FY11: 3) and 1 seismic-related fall-of-ground fatality in FY12 (FY11: 2).	Fall-of-ground injury frequency rate of 1.60 per million hours worked
Addressing the issue of illegal miners in South Africa	Illegal or criminal mining activities endanger the safety of both company employees and criminals. Harmony again proactively addressed illegal mining activities by liaising with the authorities, unions, private security companies, local businesses and affected communities. • In FY12, our focus on communicating the risks and consequences of illegal mining and fraud to our own workforces paid off and our zero-tolerance approach has seen the number of employees dismissed for related offences rising from 133 in FY11 to 153.	Eliminate illegal mining as far as practically possible

Material issues continued

Occupational health and well-being

ISSUE	PERFORMANCE IN FY12	OBJECTIVES AND TARGETS FOR FY13
Occupational lung diseases, including silicosis	In FY12, the implementation of a number of operational controls in South Africa resulted in the gradual downward trend of recent years.	We aim to have no new cases of silicosis among previously unexposed individuals
Pulmonary tuberculosis and other HIV-related illnesses	Harmony's integrated healthcare approach takes a broader view of chronic diseases managed by the company. In FY12: • TB rate declined by 24%, with 906 cases diagnosed. Multidrug-resistant TB cases dropped to 33 (63 in FY11 vs 49 in FY10) • 29% of employees were tested for HIV and 55% received counselling; 9 861 individuals were tested (FY11: 7 009); current uptake rate of VCT has increased to 55%. Over the past three years, 47 758 HIV/Aids tests have been performed in Harmony • 4 066 employees participated in the HAART programme (FY11: 2 902).	Continual improvement
Noise-induced hearing loss (NIHL) and use of protective equipment	South Africa: In FY12, 346 cases of NIHL were identified (FY11: 420), with 101 cases compensated. • We have issued personalised hearing protection devices to over 22 000 employees and 2 900 contractors • All rock drills, fans and mechanical loaders exceeding stipulated noise levels have been silenced. Good progress was made on silencing air hoists (90%) and diamond drills (91%).	Meeting the industry target to prevent any hearing loss of more than 10% remains a challenge for Harmony
Heat stress	Extensive refrigeration and ventilation systems at all operations ensure heat stress management parameters are well within legislated limits and continually improve the safety and productivity of people exposed. • In FY12, 20 472 heat tolerance tests were conducted (FY11: 26 948).	Ensure continued testing as per our code of practice for thermal stress
Healthcare	In PNG, medical centres at Hidden Valley, Wafi and Wau provide full-time primary healthcare and occupational health surveillance to employees, dependants and the local community. • In FY12, 18 840 health contacts were made at all MMJV medical centres (FY11: 15 216) and 1 826 employees were treated for malaria.	Ongoing surveillance for potential occupational illnesses. Roll out integrated strategy on TB, malaria and HIV – building on systems already in place

Labour practices

ISSUE	PERFORMANCE IN FY12	OBJECTIVES AND TARGETS FOR FY13
Steady progress on employment equity	Harmony's policy is to recruit local employees where possible and ensure no discrimination against foreign migrant labour. • At 43%, Harmony exceeds the South African Mining Charter target of HDSAs comprising 40% of management.	Mining Charter: Top and senior management: 30% Middle and junior management: 40% Core and critical skills: 30%
Hostel de-densification process; accommodation and living conditions	Our housing strategy in South Africa has a dual thrust: promoting home ownership and integrating mining communities into local structures. Core to this is upgrading hostels into single occupancy or family units. • Masimong and Tshepong completed in FY12 • To date, over 18% of our employees have moved from hostels to single or family accommodation, while five old hostels are being converted to create 1 000 family units by 2014.	Hostel project will continue until FY15, when 240 units in our Gauteng operations will be converted at a total estimated cost of R46.6 million. In the Free State, the Unisel and Phakisa hostel upgrades will be completed at an estimated total cost of R23 million
Promoting skills development and employment in our communities	In South Africa and PNG, the mining industry is a significant employer. More importantly, given the shortage of sector-specific skills in both regions, the industry is a material source of funding for skills development. In South Africa: • We have registered 225 mining learnerships (43 from the communities), 51 artisan learnerships (seven from local communities), 19 service persons and 354 services learnerships for hostel cooks and supervisors • We offered 35 students bursaries in different mining disciplines • We offered 249 employees study assistance to further their studies in different disciplines • 127 employees attended the supervisory development programme • 24 tertiary students accommodated for experiential training • 20 students selected for Harmony Bridging School • 438 employees or proxies received portable skills training • 968 employees and community members attended ABET at a cost of R47 million – Harmony literacy rate is up from 25% in FY09 to 50% in FY12 • 72% of our South African workforce received some form of training at a cost of R245 million; 97% of those trained were HDSAs and 13% women. In PNG: • 15 employees attended ABET classes • Training and mentoring benefited 74% of locally recruited employees • 14 students from local university engaged to monitor aspects of geology and environmental management.	Mining Charter: 5% of payroll by 2014

Material issues continued

Labour practices continued

ISSUE	PERFORMANCE IN FY12	OBJECTIVES AND TARGETS FOR FY13
Promoting sound and constructive employee relations	Harmony recognises the right of all employees and contractors to freedom of association and adheres to collective bargaining agreements relevant to the countries of operation. In South Africa: • Employee share option scheme launched benefiting around 33 000 employees • 89% of workforce unionised • Six days lost to labour action in FY12 • Two-year wage agreement signed, including profit sharing, after five-day strike across gold mining sector early in FY12.	• Maintain and improve relationships with employees and their recognised unions • Prevent or minimise production losses due to labour action • Promoting profit-share incentive
	In PNG: • Very low rates of unionisation, no industrial action in FY12 • Effective communication ensured through representative committees, 89% of workforce represented by internally resourced employees • 14% of workforce now women • First three-year training plan developed and submitted to Department of Labour for approval.	• Maintain and improve relationships with PNG employees and representative committees • Local employees comprise 96% of PNG workforce by FY13 • 17% of PNG workforce to be women by FY13

Community

ISSUE	PERFORMANCE IN FY12	OBJECTIVES AND TARGETS FOR FY13
Adding value – optimising the available budget to ensure maximum benefits for our communities	In South Africa: Harmony's corporate social responsibility (CSR) and local economic development (LED) activities span four key areas – education; socio-economic development; sports, arts and culture; and black economic empowerment (BEE) support – in its mining and labour-sending communities. • CSR encompasses broader community development and includes national socio-economic development programmes such as mathematics and science development. Some R10.2 million spent in FY12 (FY11: R14 million) • LED initiatives are aligned with the Mining Charter, MPRDA and Codes of Good Practice for the Minerals and Mining Industry. In FY12 Harmony spent almost R50 million (FY11: R70 million) on LED projects.	Continue to implement CSR and LED programmes in line with the company's policy and in compliance with the Mining Charter
	In PNG: Harmony's socio-economic development programmes are aimed at addressing priorities in health, education, agriculture and infrastructure. • Clean water facilities provided for six communities • Teacher training for almost 400 primary and elementary school teachers.	Continue to implement programmes in line with agreements, including: • Business management training • Collaboration with government, donors and NGOs in HIV, TB, malaria awareness and prevention programmes

Community continued

ISSUE	PERFORMANCE IN FY12	OBJECTIVES AND TARGETS FOR FY13
Affirmative procurement especially promoting business with HDSAs and local communities	• Black economic empowerment (BEE) procurement expenditure in South Africa in FY12 of R2 254 million (42% of total discretionary spend) split between: – capital above target (20%) at 22% – services below target (50%) at 32% – consumables above target (25%) at 46% • Harmony's enterprise development centres in Welkom, Soweto and Carletonville support affirmative procurement, making it easier for BEE suppliers to conduct business with the company.	Continue affirmative procurement strategies in compliance with Mining Charter targets: • 20% for capital • 50% for services • 25% for consumables
Stakeholder engagement – developing and promoting sound and responsive internal and external relationships	Strategic and ongoing engagement with stakeholders in South Africa ensures Harmony's LED priorities are stakeholder-driven and guided by an engagement process involving municipalities, communities, the DMR, NGOs and governments of the labour-sending countries of Lesotho and Mozambique.	Continue as per SLP strategic plan until 2015
	Extensive PNG community engagement programmes address concerns on environmental impacts of the mine, particularly Watut River sedimentation issues. • First year with an external stakeholder advisory panel in place to advise the Hidden Valley operations team on environmental improvement projects.	Continue to work with the stakeholder advisory panel and PNG regulatory authorities on implementing environmental improvement programmes at Hidden Valley mine

Environment

ISSUE	PERFORMANCE IN FY12	OBJECTIVES AND TARGETS FOR FY13
Water management	As our South African operations use extensive amounts of water, a group-wide campaign is under way to reduce consumption of fresh water and optimise reuse of process water. • Of total water used, 50% was recycled.	Working from FY08 baseline, over five years we aim to: • Reduce fresh water consumption by 2% • Increase recycled water by up to 5%
	Water is the most significant resource used by MMJV in PNG. • Every effort is being made to reduce the amount of fresh water used, and increase the quantum of treated recycled water • Significant progress in reducing mine-related sediment in Watut River.	Long-term targets for FY14 to FY20 are subject to board approval at end FY13

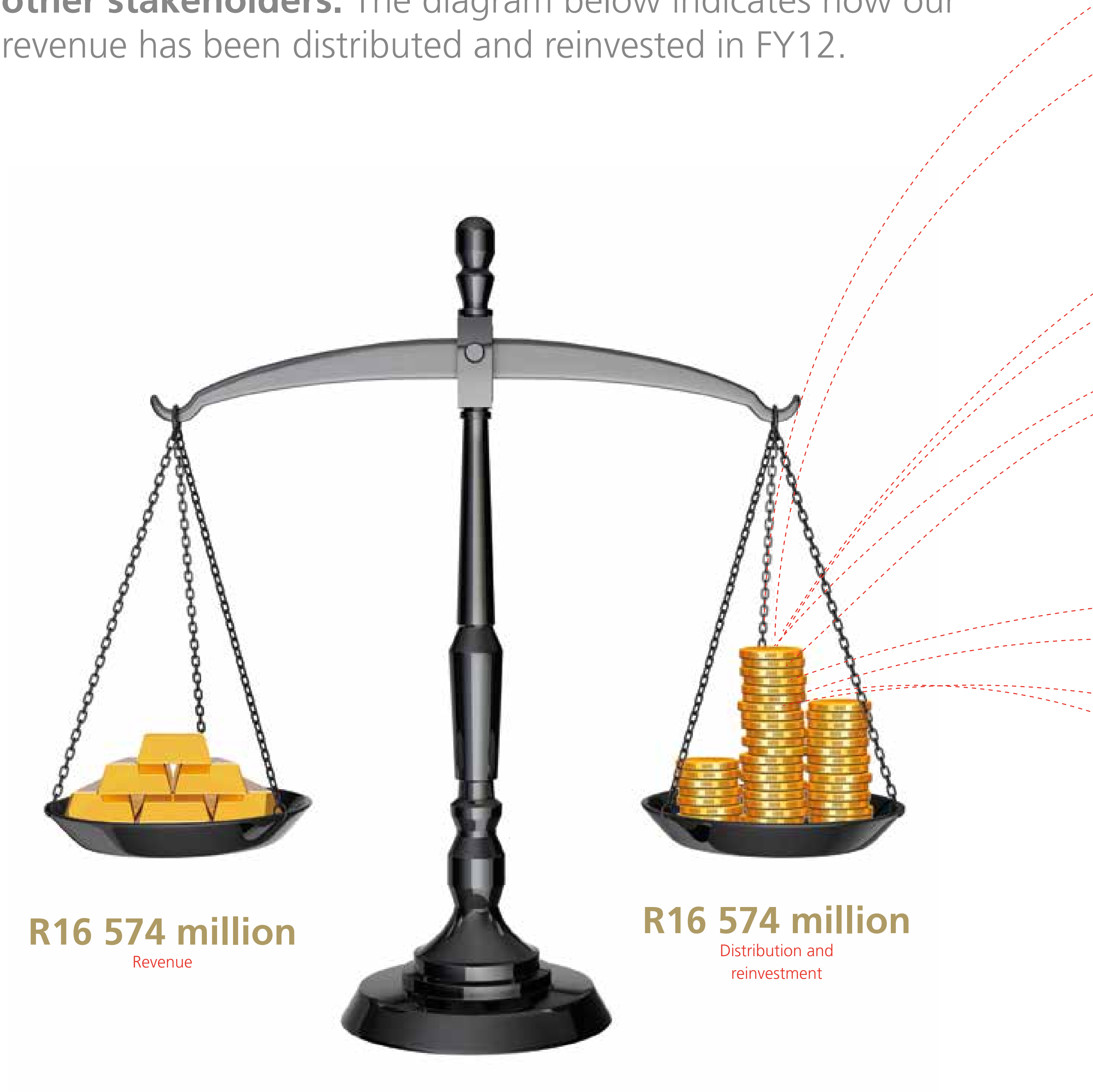
Environment continued

ISSUE	PERFORMANCE IN FY12	OBJECTIVES AND TARGETS FOR FY13
Land-use: concurrent rehabilitation and financial provision	As a responsible mining company, we are committed to enhancing rehabilitation at our operations and continuously identify land for rehabilitation to a sustainable alternative use. In South Africa: • Total rehabilitation liability estimated at R2.25 billion in June 2012 while total funding coverage was R2.38 billion. The rehabilitation liability coverage is 106% • Rehabilitation plan and strategy for decommissioned operations in Free State implemented • Concurrent rehabilitation under way at Deelkraal, Evander Winkelhaak plant, Kalgold, Brand, Merriespruit, St Helena, President Steyn, and Virginia 2 shaft and plant. In PNG: A high-capacity nursery on site is hardening over 20 000 seedlings, with 30 000 planted in 2012.	• 100% provisioning for environmental liability • Group aggregate target is a 3% reduction of liability by 2013
Legal compliance	In line with our strategy of meeting and exceeding legislative compliance, we are implementing appropriate environmental management systems at all operations. These will also ensure environmental management is addressed in a formal, systematic approach. • To date, ISO 14001 systems have been implemented at nine operations • In FY12, self-assessment tools and standards were developed for implementation at all operations • No environmental fines or sanctions were received in FY12. In PNG, integrated sustainable business management system on track for certification to ISO 14001 and other relevant international safety and community standards.	Implementation of environmental management systems continues at remaining long-life operations and action plans to address all high-risk impacts are under way Roll out integrated sustainable business management system across MMJV operations
Carbon footprint reduction	Harmony is focused on reducing the use of fossil fuels and developing initiatives to mitigate and manage greenhouse gases (GHGs) to reduce its carbon footprint. All greenfields and brownfields projects consider the impact of climate change in their design and planning. • Fifth response to Carbon Disclosure Project (CDP) submitted: in FY11 Harmony ranked fourth among companies on the JSE Limited. Total scope 1 and 2 emissions in South Africa decreased by 8%, mainly due to efficiency initiatives. Total scope 1 emissions in PNG decreased by 70% as the operation ramps up and as a result of connection to the hydro powered grid.	Continued implementation of energy efficiency initiative Group aggregate target for CO_2 reduction: 15% by 2013 (2005 base year) Explore renewable energy initiatives
Radiation – rehabilitating legacy sites	Radiation is a potential risk at certain sites in South Africa. Radiation is well controlled at our sites through systematic, systemic, and operational controls and barriers. • Regional public impact assessments were recently completed at Evander, Kusasalethu and Doornkop.	• Rehabilitation of Joint Metallurgical Services plant will begin in FY13 • Rehabilitation research and development to be initiated in FY13

Exploration at Zimake in PNG

Distribution and reinvestment of revenue

Harmony plays an important role in the lives of its employees, communities, government, suppliers and other stakeholders. The diagram below indicates how our revenue has been distributed and reinvested in FY12.



Note: Figures include Evander

R3 143 million
Cost of materials and services

R1 555 million
Electricity

R5 763 million
Employees' salaries and benefits

R949 million
Employees' tax

R431 million
Dividends to shareholders

R169 million
Royalties

R286 million
Taxation

R2 212 million
Profit accumulated in the business

R75 million
Social investment

R1 991 million
Depreciation and amortisation

South African Mining Charter Scorecard

2012 scorecard for the broad-based socio-economic mining empowerment charter

Element	Description	Measure
Reporting	Has the company reported level of compliance with the charter for the calendar year	Documentary proof of receipt from the department
Ownership	Minimum target for effective HDSA ownership	Meaningful economic participation
		Full shareholder rights
Housing and living conditions	Conversion and upgrading of hostels to attain the occupancy rate of one person per room.	Percentage reduction of occupancy rate towards 2014 target
	Conversion and upgrading of hostels into family units	Percentage conversion of hostels into family units
Procurement and enterprise development	Procurement spent on BEE entity	Capital goods
		Services
		Consumable goods
	Multinational suppliers' contribution to the social fund	Annual spend on procurement from multinational suppliers
Employment equity	Diversification of the workplace to reflect the country's demographics to attain competitiveness	Top management (board) Senior management Middle management Junior management Core skills
Human resources development	Developing requisite skills, including support for South African-based research and development initiatives intended to develop solutions in exploration, mining, processing, technology efficiency (energy and water use in mining), beneficiation as well as environmental conservation	HRD expenditure as percentage of total annual payroll (excluding mandatory skills development levy)
Mine community development	Conduct ethnographic community consultative and collaborative processes to delineate community needs analysis	Implement approved community projects
Sustainable development and growth	Improvement of the industry's environmental management	Implement approved environmental management programmes (EMPs)
	Improvement of the industry's mine health and safety performance	Implementation of tripartite action plan on health and safety
	Utilisation of South African-based research facilities for analysis of samples across the mining value	Percentage of samples in South African facilities
Beneficiation	Contribution towards beneficiation (effective from 2012)	Added production volume contributory to local value addition beyond the baseline

** To date, approximately 28% of production was attributable to HDSA interests.*

	Progress achieved by	
Compliance target by 2014	Compliance target 2012	Actual 2012
Annually		June 2012
26%		28%
26%		28%
Occupancy rate of one person per room	**Hostels** • Number of people sharing = 10 574 • Number of employees accommodated in single quarters (one person per room) = 1 757 • Harmony is converting old hostels to create 1 000 family units by 2014	
Family units established	**Housing** Harmony facilitates home ownership by donating land, funding infrastructure and services, and monitoring construction of housing units in mixed-use developments (ie retail, residential and community infrastructure). The award-winning Masimong 5 development was officially opened in FY12.	
30%	20%	22%
60%	50%	32%
40%	25%	46%
0.5%	With the definition of a multinational supplier now established, Harmony will negotiate participation with relevant suppliers and develop an appropriate system to track these commitments.	
40% 40% 40% 40% 40%		44% 28% 52% 44% 27%
5%	4%	3.8%
Up-to-date project implementation		50% complete
100%	Harmony conducts EMP performance assessments every two years. Integrated ISO 14001 and OHSAS 18000 certification now in place at ten operations, ensuring compliance with licence conditions and best practices. Implementation at other operations is ongoing.	
100%	Safety management and performance targets have been set and integrated into performance parameters at each operation. Meeting certain industry milestones remains a challenge for Harmony.	
100%	Environmental monitoring at SA laboratories	100%
Section 26 of MPRDA (% above baseline)		See the sustainable development report for Harmony-driven beneficiation initiatives

Our company at a glance

		Production	Cash operating cost
Kusasalethu		5 633kg 181 105oz	R261 167/kg US$1 046/oz
Doornkop		3 075kg 98 863oz	R285 269/kg US$1 142/oz
Phakisa		2 541kg 81 695oz	R319 317/kg US$1 279/oz
Tshepong		5 287kg 169 980oz	R243 087/kg US$973/oz
Masimong		3 220kg 103 526oz	R263 900/kg US$1 057/oz
Hidden Valley	**Gold**	2 762kg 88 800oz	R309 230/kg US$1 238/oz
	Silver	26 672kg 857 540oz	
Target[1]		4 753kg 152 814oz	R269 036/kg US$1 077/oz
Bambanani[2]		1 374kg 44 174oz	R446 244/kg US$1 787/oz
Joel		2 663kg 85 618oz	R208 807/kg US$836/oz
Unisel[3]		1 593kg 51 216oz	R312 957/kg US$1 253/oz
Evander		3 175kg 102 079oz	R231 325/kg US$926/oz
Surface operations			
Kalgold		1 041kg 33 469oz	R293 658/kg US$1 176/oz
Phoenix		822kg 26 427oz	R241 309/kg US$966/oz
Other[4]		1 703kg 54 754oz	R242 084/kg US$969/oz

[1] Target including Target 1 and Target 3.
[2] Bambanani includes Steyn. In 2012, 36kg (1 157oz) of Steyn 2's production was capitalised until it had reached commercial levels of production.
[3] Unisel forms part of the Virginia segment.
[4] Includes surface sources of Freddies dump, Free State surface sources, Freegold surface sources (Unisel Waste rockdump, Joel Waste rockdump, St Helena plant clean-up), Freegold dredging, Kusasalethu surface, Doornkop waste and Evander surface.
[5] Employees from remaining surface operations and services.

Production profit/(loss) (millions)	Capital expenditure (millions)	Mineral resources at year-end (Moz)	Mineral reserves at year-end (Moz)	Number of employees (including contractors)
R881 US$114	R415 US$53	9.0	7.1	6 216
R422 US$54	R294 US$38	7.9	1.1	3 979
R261 US$34	R302 US$39	15.0	4.9	3 976
R944 US$122	R288 US$37	13.5	3.9	5 092
R506 US$65	R208 US$27	21.9	1.1	3 218
R312 US$40	R296 US$38	3.3	1.9	2 725
		58.6	33.1	
R714 US$92	R349 US$45	11.2	2.8	3 589
(R48) (US$6)	R266 US$34	1.5	1.0	1 873
R559 US$72	R84 US$11	4.1	1.0	1 719
R178 US$22	R71 US$9	5.0	0.4	1 923
R596 US$77	R177 US$23	nr	nr	3 079
R131 US$17	R76 US$10	1.7	0.6	712
R147 US$19	R30 US$4	1.1	1.1	417
R294 US$38	R369 US$47	7.3	6.0	1 802[5]

Risk management

RISK MANAGEMENT

Harmony has a coordinated approach to establish, coordinate and drive the risk management process throughout the organisation.

The board is accountable to shareholders for the management of risk. To assist the board in its duties, it delegated oversight of risk management to the audit and risk committee, while management is responsible for the design, implementation and monitoring of risk management practices throughout the company.

Risk identification, assessment, response and monitoring are performed monthly at operational level while risk assessments for corporate functions are performed on a six-monthly basis. Management provides formal risk reports to the audit and risk committee each quarter.

To continue increasing the effectiveness of risk management, one of management's key focus areas for FY12 entailed a comprehensive benchmark of our existing risk management process against globally recognised guidelines and frameworks. While management and the board are satisfied that existing systems of internal control and risk management provide a sound basis for preparing reliable financial statements, the results of the benchmark will strengthen Harmony's capabilities to proactively address risks and opportunities. Management is rolling out the refined risk management approach which will enable Harmony to further increase the value created for shareholders, employees, customers, regulators and society. Progress against the refined risk management approach will be continually monitored and formally reported to the audit and risk committee.

The chief executive officer and financial director are both required by the Sarbanes-Oxley Act to certify on the Form 20-F filed with the Securities and Exchange Commission (SEC) that the group financial statements present a true and fair view of Harmony's financial position, cash flows and operational results, in accordance with IFRS. Both officers are responsible for establishing and maintaining disclosure, internal controls and procedures for financial reporting. The certification process is pre-approved by the board of directors prior to filing the Form 20-F.

There may be risks in addition to those reported that Harmony does not currently know of or deems immaterial based on information available. Any of these risks could have a materially adverse effect on Harmony's business, financial condition or operational results, leading to a decline in the trading prices of Harmony's ordinary shares or ADRs. At the time of reporting, the class action lawsuit lodged against gold miners in terms of potential silicosis claims as well as industrial action affecting the mining sector were recognised as risk factors that could adversely affect our business – although the likelihood and potential impact are currently uncertain.

The risks described below may be incomplete and therefore may not be the only risks to which we are exposed. Additional risks and uncertainties not presently known to us or that we now believe are immaterial (which have not been included) could also adversely affect our businesses, results of operations or financial condition. The order of the risk factors below does not indicate the likelihood of their occurrence or the magnitude or significance of individual risks. The risks described below could occur individually or cumulatively and intensify in the case of a cumulative occurrence.

Risks relating to Harmony and the gold mining industry

Risk	Comment
Gold price volatility	Any fall in the gold price below our cash cost of production for any sustained period may lead to losses and require Harmony to curtail or suspend certain operations.
Foreign exchange rate fluctuations	Gold is priced globally in US dollars and Harmony's revenue is thus realised in US dollars, but most operating costs are incurred in rand and other non-US currencies. Any significant and sustained appreciation of the rand and other non-US currencies against the dollar will materially reduce Harmony's rand revenues and overall net income. As we currently do not enter into forward sales, commodity derivatives or hedging arrangements on future gold production, Harmony is exposed to the impact of any significant appreciation in the exchange rate.
Financing, integrating and managing acquisitions, exploration, new developments, large capital projects	Although Harmony is quite experienced in bringing in new acquisitions or expansions, it normally takes a number of years from initial feasibility study until development is completed and, during that time, the economic feasibility of production may change. Difficulties or delays in integrating new acquisitions could affect profitability of the operation.

Risks relating to Harmony and the gold mining industry continued

Risk	Comment
Acquiring and discovering quality ore reserves	Exploring for gold and other metals is speculative; it may be unsuccessful and involves many risks. Given the assumptions used to calculate Harmony's mineral reserves, estimates in this report should not be interpreted as assurances of the economic life of the company's gold and other metal deposits or future profitability of operations.
Major environmental incident	Certain of our mining operations are next to those of other companies. Any mine closure can affect operations at an adjacent mine if appropriate preventative steps are not taken. In particular, this could include the ingress of underground water when pumping operations at the closed mine are suspended. This can cause damage to property, operational disruptions and additional pumping costs, affecting our adjacent mining operations. Due to the interconnected nature of mining operations, any proposed solution for potential flooding and decant risk posed by deep groundwater needs to be a combined one, supported by all mines in the goldfields and government in the event of legacy issues. The Department of Mineral Resources and affected mining companies are involved in developing a regional mine closure strategy. The occurrence of any natural hazards could delay production, increase cash costs and result in financial liability to Harmony.
Safety risks	The environmental and industrial risks identified above also present safety risks for our operations and employees and could lead to the suspension and potential closure of operations for indeterminate periods.
Competition for key human resources	Harmony competes with mining and other companies globally for key human resources with the appropriate technical skills and operating and managerial experience to operate its business. The need to recruit, develop and retain skilled employees is particularly critical with historically disadvantaged South Africans (HDSAs), women in mining in South Africa, and recruiting and training local landowners in PNG.
Potential liability for occupational health diseases	There may be claims in future for occupational health diseases, including silicosis, which we would need to defend. The incidence of HIV/Aids in South Africa and PNG poses potential risks in terms of reduced productivity and increased medical and other costs.
Socio-economic, political and regulatory changes	Harmony's operations in South Africa and PNG are subject to legislation regulating mineral rights and mining those rights. All Harmony's South African operations have been granted new-order mining licences. If we want to expand any of our initiatives in PNG into additional areas under exploration, these operations would need to convert their existing exploration licences prior to the start of mining. That process could require landowner title approval, and there can be no assurance that approval would be received. As a gold mining company, Harmony is subject to extensive environmental regulation. We expect the trend of rising production costs due to compliance with South African and PNG environmental laws and regulations to continue. A number of international and national measures are being developed to address or limit GHG emissions. As our current mines have a life expectancy of over 20 years, future climate change regulation will therefore need to be considered for all Harmony's extensions and acquisitions. All new greenfields and brownfields projects are required to consider the impact of climate change in their design and planning. Our operations could face a number of physical risks from climate change, such as increased rainfall, reduced water availability, higher temperatures and extreme weather events. Events such as flooding or inadequate water supplies could disrupt our operations and rehabilitation efforts, and could increase health and safety risks. Companies in general are under pressure to demonstrate that while they seek a satisfactory return on investment for shareholders, other stakeholders including employees, communities surrounding operations and the countries in which they operate, also benefit from their commercial activities. Harmony has operations in South Africa and PNG. Changes or instability in the economic or political environment in these countries or neighbouring territories could affect Harmony's results and an investment in the company.
Compliance with corporate governance and public disclosure requirements	Harmony is committed to maintaining high standards of corporate governance and public disclosure, and its efforts to comply with evolving laws, regulations and standards will continue to increase general and administrative expenses.

Board of directors

Non-executive chairman

Patrice Motsepe (49)

Non-executive chairman

BA (Legal), LLB

Appointed to the board in 2003, Patrice became non-executive chairman during 2004. He was a partner in one of the largest law firms in South Africa, Bowman Gilfillan Inc. He was a visiting attorney in the USA with the law firm, McGuire Woods Battle and Boothe. In 1994 he founded Future Mining, which grew rapidly to become a successful contract mining company. He then formed ARMgold in 1997, which listed on the JSE in 2002. ARMgold merged with Harmony in 2003 and this ultimately led to the takeover of Anglovaal Mining (Avmin). In 2002 he was voted South Africa's Business Leader of the Year by the CEOs of the top 100 companies in South Africa. In the same year, he was the winner of the Ernst & Young Best Entrepreneur of the Year award. He is a recipient of numerous business and leadership awards. He is also the executive chairman of ARM Limited and the deputy chairman of Sanlam. Patrice serves on the International Business Council of the World Economic Forum. His various business responsibilities included being president of Business Unity South Africa (BUSA) from January 2004 to May 2008 – BUSA is the representative voice of organised business in South Africa. He is also president of Mamelodi Sundowns Football Club.

Deputy chairman

Modise Motloba (46)

Independent non-executive director

BSc, Diploma in Strategic Management

Modise joined the board in 2004. Currently chief executive officer of Quartile Capital (Proprietary) Limited, Modise is also a director of the Land Bank and Land Bank Insurance (chairman). His 19 years' experience in investment banking, treasury and fund management includes appointments at Rand Merchant Bank, African Merchant Bank, African Harvest Fund Managers and Goldman Sachs. Modise is a former president of the Association of Black Securities and Investment Professionals (ABSIP) where he was instrumental in formulating and negotiating the historic financial services charter in 2003.

Lead independent non-executive director

Fikile De Buck (51)

Lead independent non-executive director

BA (Economics), FCCA (UK)

Fikile joined the board in March 2006. A chartered certified accountant, she is a fellow of the Association of Chartered Certified Accountants (ACCA) (UK) and a member. From 2000 to 2008, Fikile worked in various capacities at the Council for Medical Schemes in South Africa, including as chief financial officer and chief operations officer. Prior to that, she was treasurer at the Botswana Development Corporation. Fikile is a non-executive director and chairman of the audit committee of Anooraq Resources Corporation. In August 2010, Fikile was appointed lead independent non-executive director and chairman of the nomination committee.

Independent non-executive directors

Joaquim Chissano (72)

Independent non-executive director

PhD

Joaquim was appointed to the board in April 2005. Former president of Mozambique (1986 to 2004), Joaquim also served as chairman of the African Union for 2003/2004. On leaving the presidency, he established the Joaquim Chissano Foundation for Peace Development and Culture, and has led various international peace initiatives on behalf of the United Nations, African Union and Southern African Development Community to Guinea-Bissau, Democratic Republic of the Congo, Uganda and Madagascar. In 2006 he was awarded the annual Chatham House prize for significant contributions to improving international relations and received the inaugural Mo Ibrahim prize for Achievement in African Leadership in 2007. He is a non-executive director of ARM Limited and TEAL. Joaquim was appointed to the Global Development Programme Advisory Panel of the Bill and Melinda Gates Foundation in December 2009.

Ken Dicks (73)

Independent non-executive director

Mine Manager's Certificates (Metalliferous and Fiery Coal Mines), Management Development Diploma and Management Diploma

Ken joined the Harmony board in 2008. He is a mining engineer with 39 years' experience in the South African mining industry. He spent 37 years working in the Anglo American Corporation's gold and uranium division where he held several senior positions. He presently serves as an independent non-executive director on the boards of Bauba Platinum and Witwatersrand Consolidated Gold Resources Limited.

Dr Simo Lushaba (46)

Independent non-executive director

BSc (Hons), MBA and DBA

Simo joined the Harmony board in October 2002. An entrepreneur and executive business coach, he previously held senior management positions at Spoornet and Lonmin plc and was chief executive of Rand Water. Simo is a member of the boards of Cashbuild Limited, Talent Africa, GVSC and the Nepad Business Foundation (SA).

Cathie Markus (55)

Independent non-executive director

BA, LLB

Cathie joined the board in May 2007. She spent 16 years at Impala Platinum Holdings Limited, initially as legal adviser and from 1998 to 2007, as executive director responsible for legal, investor and community affairs. After graduating from the University of the Witwatersrand, Cathie served articles at Bell Dewar & Hall. On qualifying as an attorney, notary and conveyancer, she joined the legal department of Dorbyl Limited. She is currently a trustee of the Impala Bafokeng Trust and chairs the St Mary's School Waverley Foundation.

Board of directors continued

Independent non-executive directors continued

Mavuso Msimang (70)

Independent non-executive director

MBA (Project Management) United States International University, San Diego California BSc, University of Zambia

Mavuso joined the board in March 2011. He has 27 years' experience in management at executive level. He was involved in the successful transformation and restructuring of various state-owned entities over a period of 16 years until 2010. Mavuso was director-general of the South African Department of Home Affairs and previously served successively as CEO of the State Information Technology Agency, South African National Parks and SA Tourism. He was country representative of international development organisations World University Service/ Canada and CARE-International in Ethiopia and Kenya, respectively. He also held senior management positions with UNICEF and the World Food Programme. He currently consults in the conservation and tourism sectors.

John Wetton (63)

Independent non-executive director

CA(SA), FCA (England & Wales)

John joined the Harmony board in July 2011. He was with Ernst & Young from 1967 to June 2010. Corporate audit was his main focus, but for the last 11 years he played a business development role across Africa. John led Ernst & Young's mining group for a number of years and continued to act as senior partner for some of the firm's major mining and construction clients. John was a member of Ernst & Young's executive management committee and was, until retirement, a member of the Ernst & Young Africa governance board.

Non-executive director

André Wilkens (64)

Non-executive non-independent director

Mine Manager's Certificate of Competency, MDPA, RMIIA

André joined the Harmony board in August 2007. He was appointed to the board of ARM in 2004 and was chief executive officer of ARM until March 2012. He is currently executive director growth and strategic development (based in the office of the ARM executive chairman). He headed ARMgold for five years and ARM Platinum for a year before being appointed chief operating officer of Harmony after its merger with ARMgold in 2003. André has over 43 years' experience in the mining industry, particularly gold, platinum group metals, iron ore, manganese, coal, chrome, nickel and copper.

Executive directors

Graham Briggs (59)

Chief executive officer

BSc (Hons) (Geology)

Graham was appointed chief executive officer in January 2008, after his appointment to the board in 2007. Having joined Harmony as new business manager in 1995, Graham's previous positions include that of chief executive of Harmony Australia. A geologist by training, Graham has more than 37 years' experience in the field and in an operational capacity at a number of South African gold mines. Graham serves as a director on Harmony's subsidiary companies.

Frank Abbott (57)

Financial director

BCom, CA(SA), MBL

Frank joined the Harmony board as non-executive director in 1994, and was appointed financial director in 1997. In 2004 Frank was appointed financial director of ARM, while remaining on the Harmony board as non-executive director. In August 2007, Frank was seconded to Harmony as interim financial director, a position he held until handing over to Hannes Meyer in 2009. He was appointed executive director of Harmony in November 2011 and has been serving as financial director on the board of Harmony since February 2012.

Executive management

Executive directors continued

Harry Ephraim "Mashego" Mashego (48)

Executive director

BA Ed, BA (Hons), GEDP, JMDP

Mashego joined Harmony in July 2005 as group human resources development manager. Mashego, who has more than 21 years' experience in human resources, began his career as human resources manager at Eskom. He progressed in the field at JCI, Atlantis Diesel Engines and Foskor Limited. He was promoted to general manager at Harmony's Evander operations in 2005 and appointed executive: human resources in 2007. Mashego was appointed executive director: organisational development and transformation in 2010. He accepted his new role as executive director: government relations in August 2011.

Executive management

Jaco Boshoff (43)

Executive: mineral resources development and growth

BSc (Hons), MSc (Geology), MBA, PrSciNat, MSAIMM

Jaco joined Harmony in April 1996. He has served as the executive: reserves and resources and competent person since 2004. In 2010, projects and new business were added to his portfolio and he was the acting chief operating officer for Harmony's North region during FY12. From 1998 to 2004 he was an ore reserve manager at various Harmony operations and before that a geologist at Harmony and Gengold mines. Jaco is registered as a professional geological scientist with the South African Council for Natural Scientific Professions and is a member of the South African Institute of Mining and Metallurgy.

Anton Buthelezi (48)

Executive: human resources

National diploma (Human Resources Management), BTech (Labour Relations Management), Advanced Diploma in Labour Law

Anton rejoined Harmony in 2005 as human resources manager at Evander. He has over 23 years' experience in human resources management in the mining industry. Previous positions include senior HR officer at Anglogold Ashanti, and mid and senior managerial positions in the same field at ARMgold, Samancor Chrome and Harmony. He has a proven track record in the full spectrum of HR functions as a generalist. Anton joined the executive committee in October 2011.

Matthews Pheello Dikane (46)

Executive: legal, governance and ethics

LLB, LLM (Labour Law), Postgraduate Diploma in Management Practice, Postgraduate Diploma in Corporate Law

Pheello joined Harmony in 2009. He has 21 years' experience in the mining industry, working his way up from learner official to production mine overseer at AngloGold Ashanti Limited. During this time, he studied for his law degree and served his articles at Perrott Van Niekerk Woodhouse Incorporated. He returned to AngloGold Ashanti's corporate office as a legal counsel, later joining Brink Cohen Le Roux as a senior associate where he became a director.

Melanie Naidoo-Vermaak (37)

Executive: environment

BSc, BSc (Hons), MSc and MBA

Melanie joined Harmony in 2009. She is an experienced sustainable development specialist who has worked for both the private sector in the mining industry, and the public sector in the Departments of Water Affairs and Forestry and Minerals and Energy. She has spent more than 13 years in this discipline and has international environmental management exposure gained in the UK, Australia, Papua New Guinea, Fiji and Africa. She has held various positions at some of the world's leading mining companies, including BHP Billiton, Anglo American plc and De Beers Consolidated Mines Limited.

Executive management continued

Alwyn Pretorius (41)

Executive: health and safety

BSc (Mining Engineering), BSc (Industrial Engineering)

Alwyn joined Harmony on its merger with ARMgold in 2003. He began his career at Vaal Reefs as a mining graduate in training in 1993 and was appointed shift boss in 1995, gaining experience in remnant mining. Alwyn obtained his BSc in industrial engineering in 1998 and joined ARMgold in 1999 at its Orkney operations, becoming mine manager in 2003. Alwyn was appointed executive, South African operations at Harmony in March 2007, and then as chief operating officer: North region. He was appointed to his current position in August 2011.

Tom Smith (55)

Chief operating officer: South Africa

NHD (Mine Surveying and Metalliferous Mining)

Tom joined Harmony in 2002. He began his career in the industry in 1975 as a sampler at Vaal Reefs mine, becoming chief surveyor in 1988. He changed his career to mining in 1991, working as a section manager on the Great Noligwa, Elandsrand and Mponeng mines. He was also involved in projects at Tau Lekoa and Moab Khotsong, acquiring experience in conventional, trackless, pillar and deep-level mining. He was promoted to production manager at AngloGold's Mponeng in 1998. Tom was appointed general manager of Tshepong in 2000. Following the merger with ARMgold, he was involved in restructuring the Free State operations. He joined the executive team in September 2007.

Marian van der Walt (39)

Executive: corporate and investor relations

BCom (Law), LLB, Higher Diploma in Tax, Diploma in Corporate Governance, Diploma in Insolvency Law, Certificates in Business Leadership

Marian was appointed company secretary in 2003 and joined Harmony's executive committee in 2005 as executive: legal and compliance. This included taking responsibility for company secretarial, risk management, internal audit and Sarbanes-Oxley compliance. In 2008, she resigned as company secretary, enabling her to accept her current position as executive: corporate and investor relations. Staff engagement was added to her portfolio in February 2012. Marian began her career as attorney and conveyancer in 1998 and held positions at Routledge Modise Attorneys, Deloitte and Touche and the Standard Bank of South Africa Limited prior to joining Harmony.

Johannes van Heerden (40)

Chief executive officer: South-east Asia

BCompt (Hons), CA(SA)

Johannes was appointed chief executive officer of south-east Asia in January 2008. He is responsible for Harmony's Papua New Guinea assets which comprise an extensive exploration portfolio in addition to the Morobe Mining Joint Ventures' assets. In this role he serves as rotating chairman on the Morobe Mining Joint Ventures (MMJV) committee which provides oversight and direction to the MMJV assets consisting of the Hidden Valley mine, Wafi-Golpu project and Morobe exploration, held in 50/50 partnership with Newcrest Mining Limited. He joined Harmony in July 1998 as financial manager of the Free State operations with operational and group reporting responsibility for the region. He was appointed group financial manager in 2001, before being relocated to Harmony South-east Asia as chief financial officer in 2003, responsible for Harmony's Australian and Papua New Guinean portfolio. In this capacity, he served as non-executive director of Abelle Limited, the ASX-listed Australian company that held the PNG assets before Harmony's takeover. He was appointed to the Harmony executive committee in 2005.

Abré van Vuuren (52)

Executive: risk management and services improvement

BCom, MDP, DPLR

Abré was appointed human resources manager at Grootvlei Gold Mining Company when Harmony acquired the operation in 1997.He joined Harmony's executive committee in 2000, responsible for industrial relations. Since then he has held various positions in services and human resources until accepting his current position as executive: risk management and services improvement. Abré started his career in the mining industry in 1982, holding positions in finance and mainly human resources, on various gold mines and collieries in the Rand Mines Group.

Early morning shift activity at Kusasalethu mine

Chairman's statement

Patrice Motsepe
Chairman

"The Harmony of today is a significantly better company than the Harmony of a few years ago."

Dear shareholder

The Harmony of today is a significantly better company than the Harmony of a few years ago.

We have a strong balance sheet and a portfolio of quality assets, having sold or closed our high-cost, marginal and non-core assets. Harmony has a collection of world-class assets which have generated free operating cash flow of over R2.5 billion for the year to 30 June 2012; comfortably funding the required capital expenditure for the year and significantly reducing net debt.

Our diversification strategy has seen Harmony expand beyond South Africa's borders to one of the world's premier new gold regions – Papua New Guinea (PNG) – with exploration results that vindicate our investment. Gold equivalent reserve ounces in PNG now represent 42% of Harmony's total reserves compared to 11% a year ago.

This diversification has also reduced our exposure to a single currency. Year on year, the US dollar gold price received rose 23% while the South African rand weakened by 11% against the US dollar, resulting in a 36% increase in the gold price in R/kg terms, and leaving Harmony with strong margins.

In South Africa, gold production from the company's four world-class mines in build-up is steadily increasing, as is overall grade, reflecting the benefits of our capital investment in these operations in the past financial year. In addition, Harmony is a partner in one of the biggest gold projects worldwide – Wafi-Golpu in PNG. At present, our SA mines which are in the build-up phase (Kusasalethu, Doornkop, Phakisa and Target) represent 30% of our total gold equivalent mineral reserves. These mines, together with Wafi-Golpu in PNG, are the solid foundation on which Harmony will in the medium to long term increase profits, reserves and gold production.

The importance of investor confidence

We are witnessing a gradual but discernible shift in global economic power and activity from west to east as the global economy slowly recovers from its first recession in over six decades. This recovery is, however, unevenly distributed; sluggish in developed economies and more sustained in developing countries. In addition, the material-intensive nature of growth in emerging economies will escalate in the next decade, responding to the urbanisation and industrialisation pressures particularly in China, India and other emerging markets.

Simply put, the rules of the game have changed in the mining industry. With restructured balance sheets, mining companies are looking for new opportunities and the shift is to emerging markets. Demand continues to be stoked by growth in these markets as supply becomes more challenging, given declining grades and new mines in remote locations.

The mining industry is also confronted by increased demands and expectations from governments, the communities living near our mines and other stakeholders in some developing economies. Inclination towards resource nationalism is also on the increase.

In the past year, investors have voiced concerns about the security of their investments in the mining industry, particularly in South Africa after reports about mooted initiatives ranging from nationalisation, excessive taxes and, most recently, the tragic events in Marikana and labour unrest and strikes in the mining sector.

The mining industry is a significant and strategically important sector in South Africa's economy, generating around 18% of the country's GDP (10% indirect) and 50% of its total foreign exchange earnings. The industry also accounts for around one million jobs directly and indirectly.

The most successful mining countries in the world are those that have created a globally competitive and attractive environment for domestic and foreign investment in the mining and other sectors of their economy.

In these countries, thousands of new jobs have been created, the standards of living of their inhabitants have significantly increased, poverty is decreasing and there has been growth of the middle class. Chile, Brazil, Botswana, Ghana, Peru, Tanzania and, more recently, Zambia are a few examples of countries that have recognised the substantial benefits of establishing a mining dispensation that is globally competitive and attractive to investment in the mining sector.

I have no doubt that the South African government is aware of these mining success stories and recognises the crucial importance of maintaining the confidence and trust of the investment community.

Stakeholder benefits from mining

Harmony is committed to creating value for its shareholders and recognises its obligations to its employees, the communities living near our mines and other stakeholders.

In the past year Harmony invested over R75 million in improving the living standards of many communities in South Africa and Papua New Guinea. These funds were allocated to local development initiatives and in terms of other social and labour plans (detailed in our sustainable development report).

Despite Harmony's solid results, concerns were raised recently about the company's ability to fund its expansion, specifically Wafi-Golpu in PNG. Given the importance of Wafi-Golpu, the company's strong cash flow, low debt and undrawn lending facilities and a rand/dollar exchange rate which is working in Harmony's favour, we are confident that we will fund our portion of the Wafi-Golpu expansion project.

Management is focused on meeting its guidance to the investment community of delivering 1.7 million ounces of gold by 2016 on a risk-adjusted basis. An important component in reaching this milestone lies in the development work being done throughout the company to ensure our grade continues to improve. Delivery on the company's targets should contribute to recognition of the value in Harmony's share price.

Safety

The safety and health of all our employees remains Harmony's foremost priority and our target is an injury-free workplace. We understand that the sustainability of our company and the mining sector as a whole depend on the skills and expertise of our workforce.

The South African mining industry continues to improve its safety performance as evidenced by a further decline in the industry number of fatalities in calendar 2011. In the past decade, fatalities have declined by almost 40% despite working at greater operational depths. This commendable progress reflects the commitment of all stakeholders to mine safely. We still have a long way to go before reaching our stated goal of an injury-free workplace.

To realise this goal, a comprehensive safety initiative is being rolled out across the company's mines with encouraging results. An important element of this initiative is effectively communicating that safety lies at the heart of every action and that the consequences of unsafe behaviour permeate the company – from the operational impact of each safety stoppage to the impact on the morale and safety of all employees.

This safety initiative is set out in greater detail in the chief executive officer's review and Harmony's sustainable development report.

Our people

In line with our values, developed in consultation with our employees and graphically illustrated in this report, major initiatives in FY12 focused on our workforce. Everything we do at Harmony is based on these values, namely – safety, accountability, achievement, connectedness and honesty (discussed in more detail in the CEO's report). This means we believe and do what is right for our shareholders, employees and other stakeholders.

The key issues that will underpin our sustainability therefore include transforming attitudes to safety from reactive to proactive. This is already producing encouraging results as evidenced by the drop in the number of injuries in Harmony's mines. The task of changing attitudes is widely acknowledged as being the most important element in successfully managing the process of creating a safe working environment in the mining sector.

Harmony is fortunate to enjoy very healthy relationships with its unions and employees, and considerable effort is devoted to continually strengthening these relationships to ensure all stakeholders work together in adopting leading global practices.

In August 2012 awards were made under the first Harmony employee share ownership plan (Tlhakanelo Employee Share Trust) which was well received and builds on the performance bonus established in FY11. Through this trust, over 33 000 employees and their dependants will directly benefit from the restructuring and repositioning under way to ensure Harmony's growth and continued success. Initiatives like these recognise the value our workforce adds to building a sustainable business and ensure we retain the scarce skills on which our operations depend.

Operational performance

Year on year, Harmony increased production profit by 80% to R5.9 billion, up from R3.3 billion in FY11. Gold production decreased marginally while cash operating costs per kilogram of gold produced increased. The net profit of R2.6 billion for the year is a fourfold increase on FY11.

Headline earnings and headline earnings per share (HEPS) more than doubled year on year, from R957 million to R2.4 billion and 223 SA cents to 565 SA cents respectively.

These results underpin my earlier comments about our company's robust financial health.

Dividends

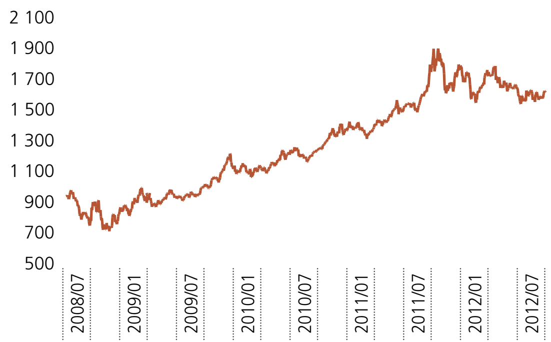
In line with our strategy of paying regular dividends, I am again very pleased that the board has approved, in addition to the interim dividend declared at half year, an annual dividend for the fourth consecutive year. A payment of 50 SA cents per share (thus a total dividend of 90 cents declared for FY12) was approved, underscoring Harmony's steady delivery on its strategy to attain sustainable profitability that funds both dividends and growth.

Gold – still a safe haven

Since the global financial crises in 2008 the world has seen an extended period of very low interest rates, combined with unprecedented measures by central banks to provide liquidity and stimulus to the global economy. Faith in paper currencies is being undermined by high levels of government debt in the developed world and the more accommodating monetary policy being applied worldwide.

In this uncertain environment, inflation expectations are rising, explaining the increased official-sector demand for gold bullion and investor demand for gold exchange traded funds (ETFs) holdings reaching an all-time high. Most notably, total demand from India and China combined has nearly doubled over the last five years. Against this background the gold price has increased from around US$700 per ounce to current levels of US$1 700/oz to US$1 760/oz. While these conditions prevail, it is likely the gold price will continue this rising trend.

Gold price in US dollars for the past four years



Sustainable development

By definition, any sustainable development strategy must be dynamic to adapt to changing conditions, needs and expectations. For Harmony this means:

- We need to operate our mines safely and competitively to generate the cash flows that will finance sustainable organic and acquisitive growth and pay dividends to our shareholders. As noted, our shareholders now include over 33 000 employees who in turn support approximately 330 000 people
- The sustainable development of our operations for the benefit of all stakeholders is fundamentally important. Our growth benefits our local suppliers and their dependants as well as local communities as a whole. Direct benefits accruing to local stakeholders include jobs, preferential procurement and enterprise development, while indirect benefits span infrastructural investment in road works, utilities, housing, education and healthcare

Each year we identify, in consultation with our stakeholders; issues which are material to our operations. These include mine safety, health, environmental and social issues, and are detailed on pages 9 to 16.

Harmony continues to make notable progress in meeting its environmental obligations:

- The implementation of our energy efficiency and climate change policy catapulted the company from 17th place in 2010 to fourth in 2011 in the Carbon Disclosure Project
- A number of operations were certified to integrated OHSAS 18000/ISO 14001/ISO 9000 standards during the year. In line with our policy to entrench global best practices in our company, we are executing a group-level environmental strategy to standardise processes and systems
- In the Free State province three closed metallurgical plants were rehabilitated and the rehabilitation of nine mines has started – restoring the land to its former status
- Our programme in PNG is aimed at giving local communities access to clean water, while an external stakeholder advisory panel is providing valuable independent advice on environmental and community-related issues stemming from operating the Hidden Valley mine.

In line with our objective of sustainable social development during and after the life of our mines, in South Africa and PNG we have made further progress in supporting local businesses. In both countries we are meeting challenges presented by the lack of infrastructure, skills and finance affecting potential suppliers to Harmony. These and other initiatives are discussed in the sustainable development report **www.harmony.co.za**.

Corporate governance

For mining entities in South Africa, good governance remains a prerequisite to obtaining a mining licence. Holders of mining licences are seen as stewards or custodians of an asset that is the common heritage of all South Africans, and must be exploited for the benefit of the country as a whole.

We are committed to complying with legislation in the countries where we operate and adhering to global best practices. In many instances, we exceed local compliance levels to achieve and maintain good practice standards. The corporate governance report details progress during the year and underlines our commitment to continually reviewing and refining Harmony's systems of internal control and risk management, and robust code of ethics.

We produced our first integrated report in 2011 as required by King III. Although Harmony has long been known for its comprehensive reporting, we now provide even more detailed disclosure of the risks our company faces and the strategies in place to ensure all stakeholders' interests are protected.

Fikile De Buck has been a director since 2006 and was reappointed lead independent non-executive director in August 2012. John Wetton was appointed an independent non-executive director on 1 July 2011. Cedric Savage retired on 30 November 2011 and we are truly grateful for his invaluable contribution to the growth of Harmony over the eight years that he served on our board. David Noko, deputy chairman, resigned on 19 June 2012 to pursue a full-time executive position at another company. Post year-end, Modise Motloba was appointed as deputy chairman.

The board is pleased that Graham Briggs has agreed to extend his contract as chief executive officer with the company for a further four-year term.

The Harmony board now has 13 directors; three executive directors, two non-executive directors and eight independent non-executive directors.

Thanks

The collective effort of over 40 000 people is reflected in Harmony's results for the year and we thank each and every one of them for their commitment and contribution to the growth and development of Harmony. Graham Briggs and his first-rate management team are steadily unlocking the exciting potential of our company with the support, counsel and expertise of my colleagues on the board.

I would like to express our gratitude to every one of the Harmony board members for their hard work and sacrifices.

Harmony continues to build and nurture solid relationships with all its stakeholders and we thank them for their contribution to ensuring that we achieve our objectives.

Outlook

The results for the year prove that Harmony is guided by a clear strategy and expert management teams that deliver sustainable and competitive results.

While the price of gold, the rand/dollar exchange rate, geographic and currency diversification will always be key factors in our company's performance, as a board we are confident that the people, policies, systems and infrastructure in place will ensure Harmony's competitiveness and sustainability for many years to come.

Patrice Motsepe
Chairman

25 October 2012

Chief executive officer's review

Graham Briggs
Chief executive officer

"The end of our financial year also marked the sixth consecutive quarter of free operating cash flow, highlighting our ability to create a sustainable company capable of generating earnings that can fund dividends and continued growth."

We have completed the fifth year of our realigned strategy, which is now effectively demonstrating Harmony's potential. The end of our financial year also marked the sixth consecutive quarter of free operating cash flow, highlighting our ability to create a sustainable company capable of generating earnings that can fund dividends and continued growth.

Results for the 12 months to 30 June 2012 have proven that Harmony is managing change and, increasingly, doing so proactively against a clear strategy. After a record first half, the third quarter was affected by a number of factors, some unexpected. Our aim going into the fourth quarter was thus to clearly illustrate how we would tackle the production issues of the prior quarter. In communicating this to the market, we were congratulated for our honesty but questioned on our ability to continue improving or at least sustaining our results. In our strategic planning sessions for FY13, therefore, we took cognisance of the challenges that could prevent our teams from achieving our safety and production targets. This required a holistic view of both our company (the systems) and our people (the attitudes). By engaging with our people at every level, we have secured the bottom-up commitment to common goals, based on a negotiated value system (below) that will underpin sustainable progress for the benefit of all. By investing in the technical processes and expertise to manage these, we are equipping our people to achieve the safety and production goals on which our strategy rests.

We are excited to introduce the company's new values which were established through a process of actively engaging and consulting our employees. The passion, insight and commitment demonstrated during these engagements again confirmed the calibre of our people.

Everything we do at Harmony is based on our values:

1. **Safety** is our main priority – no matter what the circumstances are.
2. We acknowledge that we are **accountable** for delivering on our commitments.
3. **Achievement** is core to our success.
4. We are **connected** with all our stakeholders as a team.
5. In all our business dealings we uphold **honesty** and communicate openly with stakeholders.

We understand that our credibility depends on delivery, so we plan carefully before we commit. This approach is already paying off, as evident in the significant safety and production improvements at some of our mines during FY12. The focus is now on replicating those improvements throughout the company while entrenching the cultural alignment underpinning our new values and their golden thread of safety.

We issued awards under the Harmony employee share ownership plan (Tlhakanelo Employee Share Trust) in August 2012 – tangible recognition of the importance of the people who sustain our business. As shareholders, our employees now benefit from the growth of the company but, more importantly, gain a deeper understanding of the composite elements of that growth. Fundamentally, all understand that production equals profit, but the key message we are driving is that safe production equals sustainable profit. We will not rest until we achieve our target of seeing every member of every team returning home safely every day.

The review period also marked the fifth year of our strategy to diversify our geographic base. In Papua New Guinea (PNG), the pre-feasibility study on Golpu was completed by September 2012 and drilling results from this joint venture confirm this as a world-class deposit, with the potential to be more than one mine. The first full year of production at our new PNG mine, Hidden Valley, presented the challenges of a greenfields operation in a remote location but with steady progress and valuable lessons overall. We continued to realign our assets in South Africa to dispose of non-core operations, completing the sale of Rand Uranium and closing the sale of Evander towards the end of 2012, while making significant strides at our growth projects – Doornkop, Phakisa and Kusasalethu – the nucleus of our future South African gold production.

We produced 1.27Moz of gold for the period compared with 1.3Moz last year. While this was disappointing, it was largely a function of safety stoppages and certain production challenges, detailed in the review of operations. We understand that production lost to stoppages in any quarter may have a short-term impact on our share price, but we believe improved safety will mean improved production in the long term. For us, this is not negotiable.

Focus on safety

Safety at Harmony encompasses two elements: systems/standards on the one hand and culture on the other. Implementing world-class safety systems/standards at our shafts is a straightforward, albeit painstaking, task with which we are making good progress and closing the gaps, where required.

Changing a culture is more difficult. During the year, we conducted a cultural alignment survey and asked employees which values support their activities at Harmony on a day-to-day basis. The feedback from this process was used to prepare a cultural change programme. Our people are our gold and the cultural alignment programme aims to reinforce that.

Safety starts with me, and with each of our employees. Our value stipulates that we behave safely in everything we do – 'zero harm, zero accidents, zero fatalities'. Although we are making progress, as evident in the improved safety indicators on page 11, our aim remains to have no fatalities at all.

Regrettably, 15 employees lost their lives during FY12. This is completely unacceptable and we realigned our safety priorities, particularly in behavioural change as detailed above. The improved performance in the final months reflected notable achievements at many of our operations (see review of operations). We are particularly proud of the special safety achievement awards received from the Association of Mine Managers of South Africa in the final quarter: Doornkop for achieving 5 million fall-of-ground fatality-free shifts and Kalgold for achieving 2.5 million fatality-free shifts – milestones that took seven and 16 years to reach respectively. Encouragingly, the lost-time injury frequency rate (LTIFR) has dropped from 19.22 in FY04 to 7.29 per million hours worked in the review period. Harmony has now maintained a single-digit LTIFR over 15 consecutive quarters.

Globally, the mining sector acknowledges that safety is more about attitude than equipment, with the results of countless investigations proving the impact of a casual error on the most sophisticated systems. As managers we remain responsible for minimising human error by ensuring people are well trained, in good health and working in environments conducive to safe practices.

Given the high risks involved in many of our underground operations, the safety, health and well-being of our people are of paramount importance. As part of our major initiative focused on transforming Harmony's approach to safety from reactive to proactive, and based on our agreed values, a number of audits were conducted by IRCA (a leading global risk management solutions provider on safety, health, environment and quality) in the second half to establish the reasons behind accidents – particularly fatalities – especially in view of the notable safety improvements we have made recently and our increased focus on safety. The IRCA gap audits were completed at all operations, and a project plan developed to rectify identified shortcomings and move Harmony from a reactive to a proactive approach.

Our occupational health and safety management system has also been reviewed by IRCA and will be improved to meet international best practice in tandem with the initiative under way to improve the safety behaviour and culture of Harmony employees.

A high-level audit team consisting of internal mining and safety experts has been established. The main objective of this team is to verify physical conditions in fatal risk areas at Harmony's operations and assess the effectiveness of management systems used to ensure the safety of workers at these areas. The team will also focus on the level of implementation of strategic health and safety programmes and standards at all operations.

In South Africa, the mining industry firmly supports the government's drive for greater safety and solid progress has been made in recent years. However, we stress the need to find an appropriate balance between stopping operations after a fatal incident or violation of safety standards, and for more minor reasons given that the build-up required to return any mine to full production is twice as long as the actual stoppage. We therefore welcome the tripartite team (government, organised labour and private sector) that is investigating the protocol for issuing stoppage notices to determine whether these are being overzealously applied.

Performance

During the review period, we continued to restructure our asset base in line with our strategy of delivering safe, profitable and sustainable ounces. Significant steps towards this goal included:

- Ongoing investment in development at Phakisa, Kusasalethu, Doornkop, Tshepong and Hidden Valley mines, reaffirming their robust life-of-mine plans and reserves
- Bambanani was restructured following the decision to halt mining in the sub-shaft, with crews transferred to our build-up operations. Activities on this mine are now focused on developing the shaft pillar
- Ongoing development of the orebodies at Joel, Unisel, Masimong, Target 1 and Target 3 to maintain optimal extraction of ore
- Ongoing exploration in PNG, including tenements wholly owned by Harmony
- Completing the pre-feasibility study at Golpu, PNG, where drilling results justify our confidence that this project has the potential to change the company materially
- Continuing to create a new dynamic for junior gold miners in South Africa by disposing of non-core assets: Rand Uranium was sold to Gold One International for US$250 million (Harmony share US$38 million) and an agreement for the sale of Evander to Pan African Resources for R1.5 billion was entered into. The proceeds will be available for further development of Wafi-Golpu, and other growth initiatives.

Salient features of our financial and operational performance in FY12 include:

- Gold production declined 2% to 1.27Moz or 39 642kg
- The gold price received rose by 36% to R419 492/kg and by 23% to US$1 680/oz
- Revenue from continuing operations of R15.2 billion – up 31%
- Operating margin of 35%
- Operating profit of R5.9 billion – up 80%
- Total dividend declared for the year of 90 South African cents.

Doing business in South Africa

The pace of regulatory change in South Africa has been intense for almost two decades now. As an industry, we support legislation that makes mining safer, more environmentally friendly and a sustainable benefit to its stakeholders. Equally, we remain committed to working with the authorities in developing partnerships based on shared goals because South Africa is a global resource treasure house. Our aim is to capitalise on these resources for the widest possible benefit by operating profitably and responsibly.

Harmony remains at the forefront of implementing transformation initiatives to comply with legislated empowerment objectives. We recognised some time ago that it is imperative to move beyond the letter of the law to the spirit of the law, because it is the right thing to do for our company and our stakeholders. For example, two thirds of our workforce is now drawn from surrounding areas in contrast to the migrant labour system that typified the South African mining industry for decades. Using local labour strengthens the societal fabric of a community, supports the regional economy and creates opportunities for emerging entrepreneurs, collectively benefiting entire communities. Equally, 44% of Harmony's managerial positions are now held by black people, an important pool of talent for sustainable growth.

For Harmony, one aspect of the revised Mining Charter that needs more attention is enterprise development, where new requirements have been stipulated. We have made solid progress in this field, most notably through initiatives under way in our enterprise development centres in Welkom and Soweto in South Africa. A third centre was opened in Carletonville during the review period. As detailed in the sustainable development report these centres offer valuable resources for emerging entrepreneurs, from basic business training to information on tender processes and networking opportunities.

On the environmental side, centralising and standardising related initiatives has produced tangible benefits in the form of energy efficiency, excellent rehabilitation results and a cohesive strategy based on global best practice. The results were evident when Harmony's latest submission to the international Carbon Disclosure Project leapt from 17th to fourth place based on both the quality of disclosure and level of implementation.

South African business is also adjusting to the implementation of the King III requirements on corporate governance and new Companies Act. Again, Harmony measures up – our governance standards are continually reviewed to ensure their suitability in a changing world, and to reflect our commitment to global best practice. Refer to the audit and risk committee report on page 191 explaining the most recent King III compliance review.

Focus on delivering long-term value

In terms of our strategy, we have diversified our geographic operating base, taken decisive measures to further improve our safety record and produced sustainable benefits for our stakeholders. In recent years much groundwork has been prepared and some tough decisions implemented:

- Closing high-cost mines, resulting in a better mix of assets
- Commissioning excellent gold mines in South Africa and PNG
- Tailoring each mine's business plans to its unique requirements
- Proactively addressing industry challenges
- Improving production and productivity
- Increasing our exploration exposure
- Employing an experienced team of people who will deliver value for all stakeholders well into the future
- Delivering value on social initiatives in all areas where the company operates.

On a risk-adjusted basis, our strategy is aimed at producing 1.7 million safe and profitable ounces of gold by FY16, excluding acquisitions and disposals. We are on track to meet this target. Our focus is to deliver consistent production results, improve productivity, curb costs and create value for shareholders.

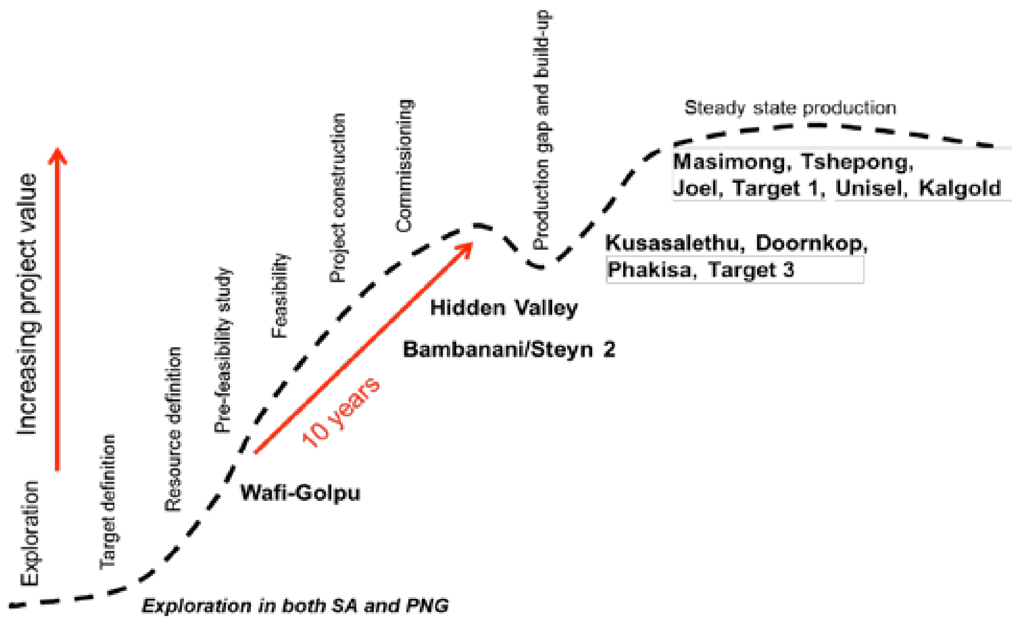
Today, Harmony is recognised as one of the more innovative and most cost-effective explorers. Evidence of this is our Wafi-Golpu project where resources have been discovered at under US$10/oz. Our rapid progress in PNG, in particular, underlines the benefits mining can generate in an enabling environment when all stakeholders work together. We are building sustainable, low-cost, high-grade mines, supported by unhedged production and a strong balance sheet with low debt.

Our business is gold – our people make our business possible and they are truly our 'human gold'. We are steadily creating a culture where people are more connected and engaged in living the vision and values of Harmony which, in turn, will support significantly improved safety and production performance. We are drawing on the considerable expertise of an experienced, focused management team – an important advantage in an industry beset by critical skills shortages – and rewarding our shareholders for their steady support as we build a base of world-class assets.

In FY13, our focus will be on four key strategic objectives: further execution of the strategy set out above; operational delivery; standardisation of all our policies and procedures; and growth.

Our promise is simple: we measure, we measure up and we deliver.

Unlocking value



Substantial resource and reserve base

At 30 June 2012, Harmony's gold equivalent reserves had risen 31% to 52.9Moz spread across assets in South Africa and PNG. The reserves of Kusasalethu, Doornkop, Target and Phakisa in South Africa and Hidden Valley in PNG now constitute 35% of our total mineral reserves.

Our PNG gold equivalent reserves now represent 42% of the company total at 22Moz – up from 11% in the prior year and largely due to the significant increase in the Wafi-Golpu resource (jointly held by Harmony and Newcrest in the Morobe Mining Joint Ventures).

Exploration

Exploration remains a cornerstone of Harmony's growth strategy to acquire quality assets that offer higher grades. We continue to identify and evaluate a number of assets in South Africa, elsewhere in Africa and in south-east Asia that may complement our future portfolio. Against our stringent acquisition criteria, none of the opportunities identified during the review period offered sufficient value at a reasonable price.

At year-end, we had eight drill rigs operating on the Wafi-Golpu project – two completing geotechnical assessments for the proposed decline and mine infrastructure and six focused on further defining the Golpu orebody. Recent drilling at Golpu has validated the model, with mineralisation open at depth, open towards the east in the proposed Lift 2 position and tonnage and grade growth probable in the upper part of the orebody. The search for new discoveries is under way in the highly prospective Wafi transfer zone, where two drill rigs are operating, while drill testing continues on identified and new targets in adjacent areas. These results satisfy our current exploration target of 30Moz of gold and 8Mt of copper at this world-class discovery. Wafi-Golpu still has the potential to change this company materially.

We remain excited about our PNG operations as the cornerstone of our growth initiatives. Our first offshore greenfields project, Hidden Valley, is steadily improving production levels. Further positive exploration results at Wafi-Golpu were confirmed in our latest reserves and resources statement; resources of gold and copper at this project have risen 7% to over one billion tonnes. The Golpu deposit benchmarks as one of the highest-grade gold-copper deposits in south-east Asia, with potential to improve further. Both Hidden Valley and Wafi-Golpu are held by the Morobe Mining Joint Ventures.

Our objective in Papua New Guinea is to continue expanding and leveraging off this solid platform in one of the world's new premier gold regions. To achieve this, we again increased our exploration spend in the review period to R468 million (US$60.2 million), with concomitant benefits in terms of value enhancement.

Harmony has acquired valuable exploration tenements in PNG in recent years. Our aim is to enhance our competitive edge earlier in the pipeline, expand our geographic diversity and leverage our existing base in this exciting gold region.

Importantly, our cost of exploration – under US$10/oz discovered – is unrivalled among the major mining groups.

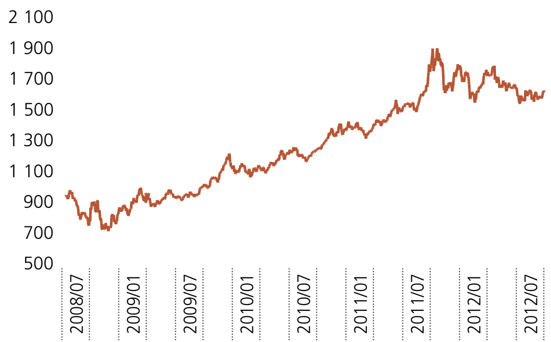
Bullish about gold

The economic volatility of recent years has entrenched gold's function as a store of value and a currency, and this has been reflected in its continued price appreciation.

Year on year, the US dollar gold price received increased 23% from an average of US$1 370/oz for the previous financial year to US$1 680/oz in the past year. During the same period the rand weakened 11% against the US dollar, resulting in an increase in the gold price of 36% in rand terms from R307 875/kg in FY11 to R419 492/kg in the review period – leaving the company with strong margins.

We remain bullish on the gold price and believe it will resume its upward trend in FY13 as uncertain economic times prevail.

Gold price in US dollars for the past four years



HARMONY IN BRIEF
ANNUAL REVIEWS
OPERATIONAL REVIEW
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Gold price in rand for the past four years

As the graphs illustrate, whether viewed in rands or dollars, gold has more than doubled in value over the past four years. This reflects the ongoing search by investors for safe havens, particularly through the popular global ETFs. More important, however, are the fundamentals of supply and demand for physical gold. In terms of supply, new mines are coming on stream, some existing miners are scaling up production, and tailings and dump recycling has become an established industry, albeit with fluctuating deliveries depending on gold price forecasts. This supply must, however, be considered against falling production from mature mining regions, such as South Africa.

Our bullish sentiment on gold is tempered by the strength or weakness of the South African rand. While gold rose by 36% in rand terms in FY12, in dollar terms the rise was only 23%. In South Africa, our mine costs are incurred in rands and we face ongoing pressure from rising costs (mainly labour and electricity) over which we have limited control, as does the rest of the gold industry.

Harmony does not hedge gold and our shareholders have complete exposure to spot gold prices and current exchange rates. As the gold price and strength of the rand are factors outside our control, we focus on those we can control – safety, people, productivity, production and cost.

Integrated reporting

Harmony has long ensured the interests of all stakeholders in developing the company's strategies and operating plans, and reporting these to our broader stakeholder base. To balance the diverse needs of our stakeholders, we focus on ensuring mutual benefit and the willing participation of all parties.

Key elements of our sustainable development performance are integrated into this report, while the full report is published on our website. This report was aligned with the principles and recommendations of King III and the guidelines of the Global Reporting Initiative (GRI G3).

For Harmony, integrated reporting remains a work in progress – one that we will refine each year by talking to our stakeholders, listening to their concerns, and incorporating this knowledge into our planning.

Recognition

Globally, the ecosystem that is Harmony has expanded considerably over recent years: some 40 000 employees support around 400 000 dependants, plus a broad base of suppliers, our communities and our shareholders. Every one of these people contributes to our continued success and our sustainability; we reward these contributions through safe, healthy working conditions, fair remuneration and benefits, continual development and, most importantly, by unlocking our full potential as a premier global gold mining company that delivers value, both financial and social.

We also appreciate the counsel of our board of directors and those individual members who provide such valuable input as the chairmen of board committees.

Outlook

Harmony has a good mix of assets including some of the best gold mines in South Africa and some of the best exploration prospects in the world. As our growth projects come on stream and our existing mines operate to tailored business plans, we are confident of attaining our long-term targets. Our focus remains on safely increasing production, with improved margins and better grades, as well as improved costs per tonne milled in the lowest quartile of South African producers.

Harmony is a mining company capable of managing change – adept and nimble in capitalising on opportunity, proactive in addressing challenges and able to generate value for all stakeholders globally

Graham Briggs
Chief executive officer

25 October 2012

Financial director's review

Frank Abbott
Financial director

"The Harmony of 2012 is operating off a solid balance sheet, with strong cash flows and minimal debt. This has enabled the company to fund its own capital expenditure and exploration activities, and pay dividends to shareholders including our own employees through our new ownership plan."

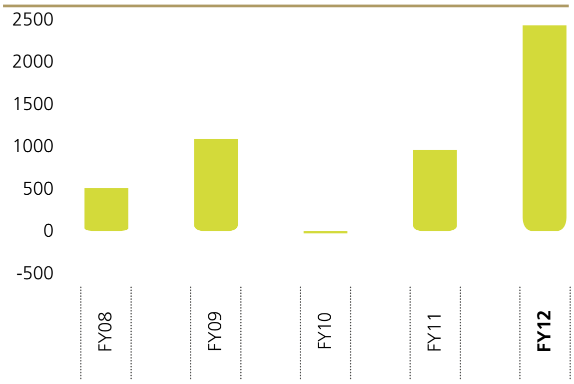
Financial overview

The headline earnings of R2 432 million for FY12 (headline earnings per share (HEPS) of 565 cents) represents a significant 154% increase compared to the previous year. This increase is mainly as a result of the increase in the average US dollar gold price received of 23% and 11% weakening of the SA rand against the US dollar.

HEPS has been increasing and is showing a positive trend since FY08 and the company has declared an interim and final dividend for the FY12 amounting to 90c per share.

Gold price over four years (R/kg): July 2008 – July 2012

Headline earnings/(loss) (Rm)



Contribution to production profit	2012 Rm	2011 Rm	%
Kusasalethu	**881**	453	94
Doornkop	**422**	180	134
Phakisa	**261**	78	235
Tshepong	**944**	835	13
Masimong	**506**	570	(11)
Hidden Valley	**312**	261	20
Target 1	**670**	264	154
Bambanani	**(48)**	93	(152)
Joel	**559**	37	> 999
Unisel	**178**	166	7
Target 3	**44**	1	> 999
Surface	**529**	200	165
Evander (discontinued operations)	**638**	183	249
Virginia (closed)	**–**	(46)	(100)
Total production profit	**5 896**	3 275	80

The production profit (refer to the segment report on page 270) for FY12 was R5 896 million compared to R3 275 million in FY11, an increase of 80% illustrating the operational leverage the group have to the gold price.

[1]*Unless stated otherwise, figures include discontinued operations.*

The build-up at Doornkop was impacted by a management decision to halt the operation for 17 days to upgrade infrastructure in the higher grade South Reef area. Hidden Valley was negatively impacted by the conveyer belt failure which resulted in ore being trucked during the current year at significant additional cost.

At Masimong profits were negatively impacted due to orepass problems diluting reef tonnes with waste resulting in lower grade. An upgrade of the system was completed this year which will contribute to improvement in the grade. Joel improved significantly due to improved grade mined as well as improved tons following a stoppage to improve shaft bottom infrastructure in the previous year.

Bambanani was restructured during the current year to be a smaller mine targeting the higher grade shaft pillar area and improved performance can be expected in the coming year.

Extract from consolidated income statements	**2012 Rm**	2011 Rm	%
Revenue	**15 169**	11 596	31
Cost of sales	**12 137**	10 699	(13)
Gross profit	**3 032**	897	238
Corporate, administrative and other expenditure	**352**	322	9
Exploration expenditure	**500**	324	54
Finance cost	**286**	271	6
Taxation credit	**123**	387	(68)
Profit/(loss) from discontinued operations	**592**	(16)	624
Net profit	**2 645**	617	329
Headline earnings	**2 432**	957	154
Headline earnings per share (cents)	**565**	223	153

Revenue for the year of R15 169 million is 31% higher than revenue for FY11 as a result of the increase of 23% in the average US dollar gold price received as well as the 11% weakening of the rand. This was offset by the 4% decrease in gold sold.

The cost of sales increased by R1 438 million to R12 137 million. This is as a result of increases in labour costs of 10%, electricity cost of 17% and depreciation of 19%. The increase in depreciation is due to the ramp-up in production at the build-up operations, where a large investment in capital expenditure was made in recent years.

The exploration expenditure of R500 million in FY12 relates mainly to the various projects in PNG, with the majority spent on the Golpu prefeasibility study.

The tax credit of R123 million for the year was mainly as a result of the decrease of the deferred tax balances following the repealing of the higher gold mining tax rate with the implementation of Dividend Tax.

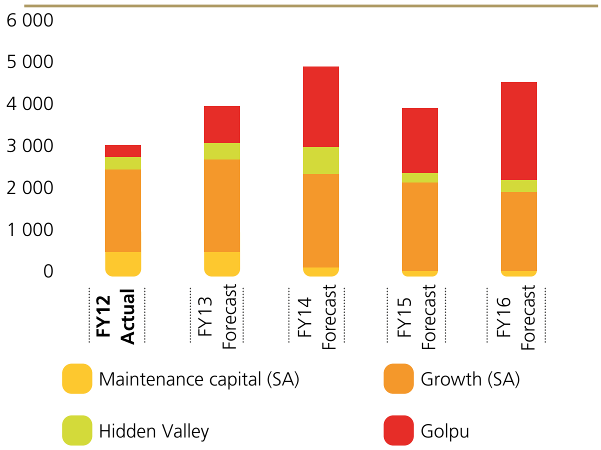
Profit from discontinued operations of R592 million is the profit from the Evander operations which were reclassified as held for sale and includes the once-off profit recorded on the sale of Evander 6 and Twistdraai sold during the year.

The increase in headline earnings underlines the leverage the group had to the 36% increase in the rand gold price.

Strong cash flows increased cash balances to R1 773 million reducing the net debt amount by R823 million to R43 million;

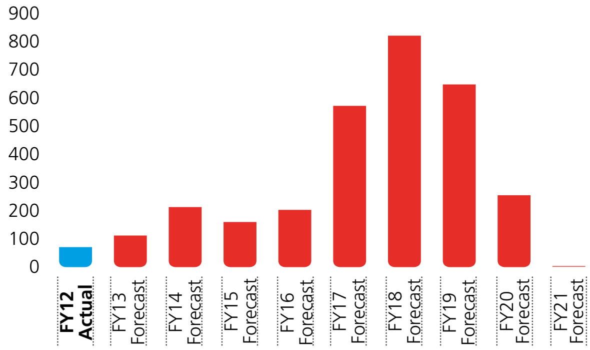
Borrowings and cash	**2012 Rm**	2011 Rm
Borrowings		
– Long term	**1 503**	1 229
– Short term	**313**	330
Total borrowing	**1 816**	1 559
Cash and cash equivalents	**1 773**	693
Net debt	**43**	866
Borrowings		
– Syndicated USD facility	**1 030**	–
– Nedbank ZAR facilities	**759**	1 508
– Other	**27**	51
	1 816	1 559

Total Harmony capital – Profile (Rm)



*Future costs are calculated in real terms
Note: Golpu figures represent Harmony's equity portion.*

Golpu net capital ($m)



Extracts from the cash flow statements	2012 Rm	2011 Rm
Cash generated by operating activities	**4 213**	2 379
Net additions to property, plant and equipment	**(3 140)**	(3 110)
Cash utilised by investing activities	**(2 878)**	(2 654)
Dividends paid	**(431)**	(214)
Borrowings raised	**1 443**	925
Borrowings repaid	**(1 248)**	(546)
Cash (utilised)/generated by financing activities	**(210)**	209
Net increase/(decrease) in cash and cash equivalents	**1 080**	(77)

Operating activities

Net cash generated by operating activities increased 77% to R4 213 million due to the increase in the gold price. This was partially offset by increased taxes paid during the year.

Investing activities

Cash utilised by investing activities decreased 8% compared to last year to R2 878 million. Continued capital investment comprised most of this amount partially offset by proceeds on the disposal of non-core assets.

Financing activities

During the year under review borrowing raised and repaid was approximately the same and largely reflects the replacement of ZAR denominated debt with the syndicated USD facility. The balance of financing activities comprises dividend payments of R1 per share to shareholders, being the final dividend of 60c for FY11 and the interim dividend of 40c for FY12.

Dividend declared

On 13 August 2012, the board approved a final dividend for FY12 of 50 cents per share taking the full distribution for the financial year to 90 cents per share.

Dividend Tax (DT)

As of 1 April 2012, a withholding tax of 15% on dividends became effective. DT will be withheld by the company declaring the dividend or the withholding agent, unless specifically exempt. The final dividend declared for FY12 utilised the remaining portion of the company's STC credits, resulting in DT being withheld in respect of those shareholders that do not qualify for a reduction or exemption.

Evander sale

The company signed a sale of shares and claims agreement for the disposal of its entire shareholding in Evander Gold Mines Limited on 30 May 2012 with Pan African Resources plc for a consideration of R1.5 billion. Certain conditions precedent need to be fulfilled and the transaction is expected to become effective by December 2012.

Frank Abbott
Financial director

25 October 2012

Independent assurance report

To the Directors of Harmony Gold Mining Company Limited

We have been engaged by the Directors of Harmony Gold Mining Company Limited (Harmony) to perform an independent assurance engagement in respect of selected identified sustainable development information included in Harmony's 2012 Integrated Annual Report for the year ended 30 June 2012 (the Report). This report is produced in accordance with the terms of our contract with Harmony dated 19 March 2012.

Independence and expertise

We have complied with the International Federation of Accountants' Code of Ethics for Professional Accountants, which includes comprehensive independence and other requirements founded on fundamental principles of integrity, objectivity, and professional competence and due care, confidentiality and professional behaviour. Our engagement was conducted by a team of health, safety, environmental and assurance specialists with experience in sustainability reporting.

Scope and subject matter

The subject matter of our engagement is the group level data except where specified otherwise, and the related level of assurance that we are required to provide are as follows:

Reasonable assurance

- The following identified sustainable development information in the Report was selected for an expression of reasonable assurance:
  (a) Electricity purchased (kWh) (page 7)
  (b) Preferential procurement in South Africa – BEE total spend (South African rands) (page 6)

Limited assurance

- The following identified sustainable development information in the Report was selected for an expression of limited assurance:
  (a) Housing and living conditions in South Africa – conversion from sharing to single occupancy rooms (page 7)
  (b) Local economic Development (LED) spend (South African rands) (page 7)
  (c) Water used for primary activity (kilolitres) (page 7)
  (d) Volumes of mineral waste disposed (tonnes) (page 7)
  (e) Lost-time Injury Frequency Rate (LTIFR) (page 7)
  (f) Silicosis – number of new cases identified (page 7)
  (g) Critical skills training – number of people trained (page 7)
  (h) Employment equity in management in South Africa (page 7)

We refer to this information as the 'Subject Matter Selected for Reasonable Assurance' and the 'Subject Matter Selected for Limited Assurance', respectively, and collectively as the 'Selected Identified Sustainable Development Information'.

We have not carried out any work on data reported for prior reporting periods except for data that was included in the prior year's assurance scope, nor have we performed work in respect of future projections and targets. We have not conducted any work outside of the agreed scope and therefore restrict our opinion to the Selected Identified Sustainable Development Information.

Respective responsibilities of the Directors and PricewaterhouseCoopers Inc.

Harmony's Directors are responsible for the selection, preparation and presentation of the Selected Identified Sustainable Development Information in accordance with Harmony's internally defined procedures set out in the glossary of terms and acronyms on page 316 to 320 (the Reporting Criteria) and for the development of the Reporting Criteria. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of the Selected Identified Sustainable Development Information that are free from material misstatements, whether due to fraud or error.

Our responsibility is to form an independent conclusion, based on our assurance procedures, on whether the Subject Matter Selected for Reasonable Assurance has been prepared, in all material respects, in accordance with the Reporting Criteria.

We further have a responsibility to form an independent conclusion, based on our limited assurance procedures, on whether anything has come to our attention to indicate that the Subject Matter Selected for Limited Assurance is not stated, in all material respects, in accordance with the Reporting Criteria.

This report, including the conclusions, has been prepared solely for the Directors of Harmony as a body, to assist the Directors in reporting on Harmony's sustainable development performance and activities. We permit the disclosure of this report within the Report for the year ended 30 June 2012, to enable the Directors to demonstrate they have discharged their governance responsibilities by commissioning an independent assurance report in connection with the Report. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Directors as a body and Harmony for our work or this report save where terms are expressly agreed and with our prior consent in writing.

Assurance work performed

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements 3000 *Assurance Engagements other than Audits or Reviews of Historical Financial Information* issued by the International Auditing and Assurance Standards Board (ISAE 3000). This Standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain either reasonable or limited assurance on the Selected Identified Sustainability Information as per the terms of our engagement.

Our work included examination, on a test basis, of evidence relevant to the Subject Matter Selected for Reasonable

Assurance. It also included an assessment of the significant estimates and judgements made by the Directors in the preparation of the Subject Matter Selected for Reasonable Assurance. We planned and performed our work so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence on which to base our conclusion in respect of the Subject Matter Selected for Reasonable Assurance.

Our work in respect of the Subject Matter Selected for Reasonable Assurance included the following procedures:
- reviewing the processes that Harmony has in place for determining the Selected Identified Sustainable Development Information included in the Report;
- obtaining an understanding of the systems used to generate, aggregate and report the Selected Identified Sustainable Development Information;
- conducting interviews with management at corporate head office;
- evaluating the data generation and reporting processes against the Reporting Criteria;
- performing key controls testing and testing the accuracy of data reported on a sample basis at seven of the 13 operational sites; and
- reviewing the consistency between the Selected Identified Sustainable Development Information and related statements in Harmony's Report.

Our procedures relating to the Subject Matter Selected for Limited Assurance primarily comprised:
- reviewing the processes that Harmony has in place for determining the Selected Identified Sustainable Development Information included in the Report;
- obtaining an understanding of the systems used to generate, aggregate and report the Selected Identified Sustainable Development Information;
- conducting interviews with management at corporate head office;
- evaluating the data generation and reporting processes against the Reporting Criteria;
- performing key controls testing and testing the accuracy of data reported on a sample basis at four of the 13 operational sites; and
- reviewing the consistency between the Selected Identified Sustainable Development Information and related statements in Harmony's Report.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement under ISAE 3000. Consequently, the nature, timing and extent of procedures for gathering sufficient appropriate evidence are deliberately limited relative to a reasonable assurance engagement, and therefore less assurance is obtained with a limited assurance engagement than for a reasonable assurance engagement.

The procedures selected depend on our judgement, including the assessment of the risk of material misstatement of the Selected Identified Sustainable Development Information, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the company's preparation of the Selected Identified Sustainable Development Information in order to design procedures that are appropriate in the circumstances.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

Inherent limitations

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods used for determining, calculating, sampling and estimating such information. The absence of a significant body of established practice on which to draw allows for the selection of different but acceptable measurement techniques which can result in materially different measurements and can impact comparability. Qualitative interpretations of relevance, materiality and the accuracy of data are subject to individual assumptions and judgements. The precision of different measurement techniques may also vary. Furthermore, the nature and methods used to determine such information, as well as the measurement criteria and the precision thereof, may change over time. It is important to read the Report in the context of the Reporting Criteria.

In particular, where the information relies on factors derived by independent third parties such as laboratory test results, our assurance work has not included examination of the derivation of those factors and other third-party information.

Conclusions

Reasonable assurance

Based on the results of our procedures, in our opinion, the Subject Matter Selected for Reasonable Assurance for the year ended 30 June 2012 has been prepared, in all material respects, in accordance with the Reporting Criteria.

Limited assurance

Based on the results of our procedures nothing has come to our attention that causes us to believe that the Subject Matter Selected for Limited Assurance for the year ended 30 June 2012 has not been prepared, in all material respects, in accordance with the Reporting Criteria.

Other matter

The maintenance and integrity of Harmony's website is the responsibility of Harmony's management. Our procedures did not involve consideration of these matters and, accordingly, we accept no responsibility for any changes to either the information in the Report or our independent assurance report that may have occurred since the initial date of presentation on the Harmony website.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Wessie van der Westhuizen
Registered Auditor

Johannesburg
25 October 2012

YOU are the gold

Prioritising accommodation and living conditions

Harmony's housing strategy in South Africa has a dual focus: promoting home ownership and integrating mining communities into local structures.

Core to this strategy is upgrading hostels and the hostel de-densification project. We have again made good progress with the hostel project over the past year, aiming to create privacy in single-sex hostels over the next two years.

In the Free State, the Masimong 4 hostel project was completed in the prior year, while the Tshepong project was completed by the end of June 2012. The hostel occupancy rate was further reduced during the year.

In line with the company's focus on promoting home ownership, to date 17% of Harmony's employees have moved from hostels to single or family accommodation. A further five hostels are being converted into 1 000 family units by 2014. This project will continue until FY15.

In PNG operations, exploration camps are used while employees are on duty. Employees, however, return to their homes as a work roster enables them to spend significant time at home.

For all developments, Harmony donates the land, funds the construction of infrastructure such as power and water, manages the project and monitors quality.

More hostels are being converted into 1 000 family units by 2014.

Operational review

Supporting the ongoing focus on profitability, Harmony's strategic production target was revised to 1.7Moz of gold by FY16, and we are on track to meet this goal.

Introduction

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.

From these mines, Harmony produced 1 274 520oz (FY11: 1 303 228oz) of gold (39 642kg, FY11: 40 535kg) in FY12 at an overall grade of 2.11g/t (FY11: 2.07g/t) to generate revenue of R16.57 billion (FY11: R12.45 billion) and a production profit of R5.9 billion (FY11: R3.3 billion). Group operating cash costs were R270 918/kg (FY11: R226 667/kg) (US$1 085/oz, FY11: US$1 009/oz) for an operating margin of 35%.

At present, Harmony is South Africa's third-largest gold producer, with Kusasalethu (14%), Tshepong (13%), Target (12%), Masimong (8%) and Doornkop (8%) accounting for over half the company's total production. In PNG, Hidden Valley produced 7% of the total gold for Harmony.

Note: discussion above includes Evander unless otherwise stated.

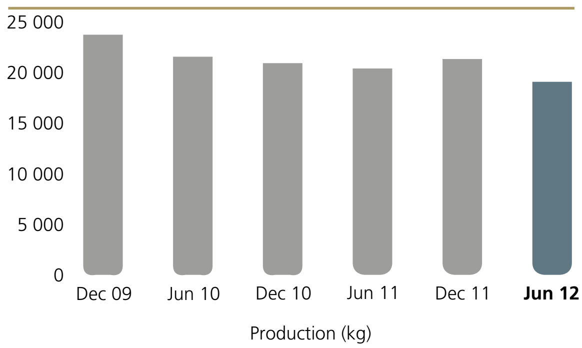
We have made solid strides in recent years in achieving our stated strategy of creating a sustainable company that generates free cash flow to fund dividends and growth. This has included closing high-cost mines and disposing of non-core operations to achieve a better mix of assets; commissioning excellent mines in South Africa and PNG; and tailoring each mine's business plans to its unique requirements.

Supporting the ongoing focus on profitability, Harmony's strategic production target was revised to 1.7Moz of gold by FY16, and results for the year prove we are on track to meet this goal. Simultaneously, we are ensuring the sustainability of our business through company-wide initiatives focused on our 'human gold' – the people who generate these results.

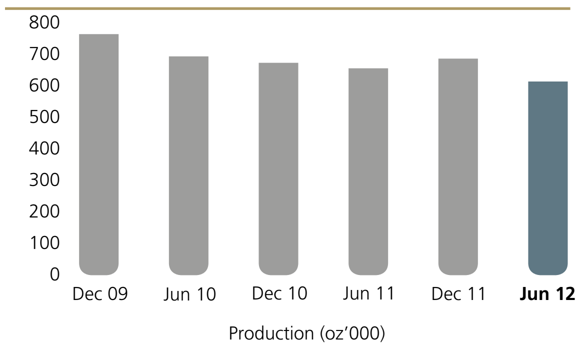
Detailed information on the economic performance and consequences of Harmony's operations appears in the printed and online sustainable development report with a summary on pages 6 to 16 of this report.

Asset portfolio

Total Harmony including Evander (kg)



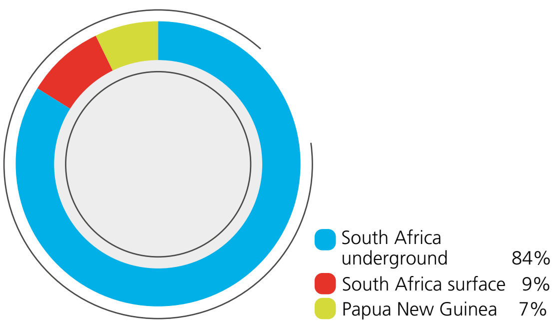
Total Harmony including Evander (oz)



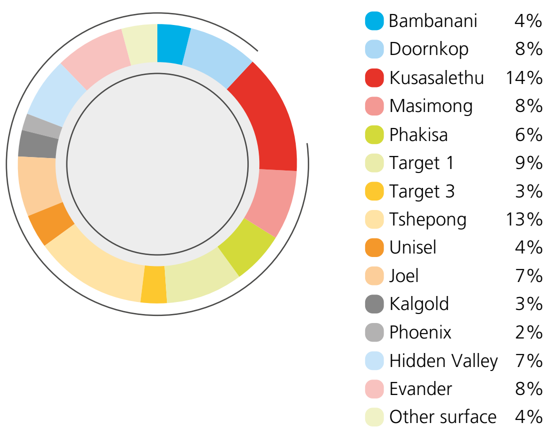
Operation	Expected potential ounces	Cash cost* (R/kg)	Cash costs* (US$/oz)	Life-of-mine (years)	Comments
Kusasalethu	260 000 – 300 000	R240 000 – 250 000	US$990 – 1 030	25	In build-up
Doornkop	185 000 – 200 000	R245 000 – 255 000	US$1 010 – 1 050	16	In build-up
Phakisa	175 000 – 200 000	R200 000 – 210 000	US$825 – 865	21	In build-up
Tshepong	190 000 – 200 000	R245 000 – 260 000	US$1 010 – 1 070	17	Steady state production
Masimong	135 000 – 150 000	R215 000 – 220 000	US$890 – 910	13	Steady state production
Hidden Valley#	100 000 – 135 000	Not applicable	US$825 – 865	13	Exploration may increase life
Target 1	115 000 – 125 000	R235 000 – 250 000	US$970 – 1 030	12	Steady state production
Bambanani	110 000 – 120 000	R180 000 – 200 000	US$750 – 825	9	Shaft pillar
Joel	75 000 – 85 000	R230 000 – 245 000	US$950 – 1 010	12	Decline depth extension commenced
Unisel	60 000 – 75 000	R270 000 – 290 000	US$1 115 – 1 200	6	Steady state production
Target 3	55 000 – 60 000	R245 000 – 260 000	US$1 010 – 1 070	17	In build-up
Various surface	55 000 – 60 000	R215 000 – 230 000	US$890 – 950	30+	Tailings, rock dumps, clean-up
Kalgold	35 000 – 40 000	R300 000 – 320 000	US$1 240 – 1 320	12	Steady state production
Steyn 2	13 000 – 15 000	R230 000 – 240 000	US$950 – 990	2	Shaft pillar
Total	**1.7 million**	**R230 000 – 240 000/kg**	**US$950 – 990/oz**		

**Future costs are calculated in real terms and using an exchange rate of US$/R7.55.*
#Represents Harmony's 50% equity portion.

Regional contribution to production



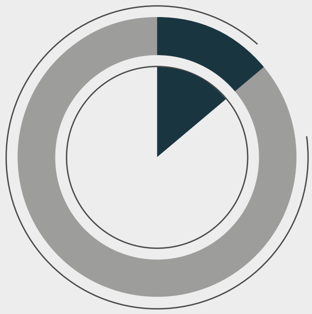
Operational contribution to production



Kusasalethu

14%*

contribution to group



* *Percentage of ounces contributed during FY12*

Kusasalethu mine, on the border of the Gauteng and North West provinces, comprises twin vertical and twin sub-vertical shaft systems. Mining uses conventional methods in a sequential grid layout. Ore mined is treated at the Kusasalethu plant.

Safety

The focus on creating a safe working environment at Kusasalethu was redoubled after the mine recorded four fatalities during the year (FY11: two). The LTIFR improved to 5.57 per million hours worked (FY11: 7.74) as intensified safety initiatives were rolled out across Harmony. Kusasalethu achieved over 2.5 million fall-of-ground fatality-free shifts and third place in the MineSAFE competition for improved LTIFR. A continuous drive to entrench the mine's value system and non-negotiable standards in different disciplines is evident in improved physical conditions.

A new auditing system was successfully introduced, encompassing joint visits to worksites by all service departments, with feedback to relevant supervisory personnel. Pre-planning sessions, including both stoping and development, have been escalated to senior level, with all department heads attending.

Seismicity remains a risk at Kusasalethu, with management focusing on improving the quality of pre-conditioning at the stope face to reduce the risk presented by small, but damaging, seismic events.

More detailed information on safety performance and Harmony's sustainable development concerns in South Africa can be found in the online sustainable development report, with a summary on pages 6 to 16 of this report.

Water pumps at Kusasalethu

Kusasalethu key statistics

		FY12	FY11	FY10
Production				
Volumes milled	000t (metric)	**1 197**	1 099	1 035
	000t (imperial)	**1 320**	1 212	1 141
Gold produced	kg	**5 633**	5 609	5 444
	oz	**181 105**	180 334	175 029
Average grade	g/t	**4.71**	5.10	5.26
	oz/t	**0.137**	0.149	0.153
Financial				
Revenue	R million	**2 320**	1 774	1 392
	US$ million	**299**	254	184
Operating cost	R/kg	**261 167**	226 398	208 864
	US$/oz	**1 046**	1 008	857
Production profit	R million	**881**	453	301
	US$ million	**114**	65	40
Capital expenditure	R million	**415**	380	430
	US$ million	**53**	54	57
People				
Number of employees				
Employees		**5 237**	4 983	5 049
Contractors		**979**	773	636
Total		**6 216**	5 756	5 685
HDSAs in management	%	**39**	40	33
Women in mining	%	**10**	10	10
Training and development expenditure	R million	**41**	35	39
Safety				
Fatalities		**4**	2	2
LTIFR	per million hours worked	**5.57**	7.74	6.88
Environment				
Electricity used	000MWh	**683**	663	629
Water used for primary activities	000m^3	**4 193**	2 497	2 138
GHG emissions	000t CO_2e	**676**	683	765
Expenditure on local economic development	R million	**2**	5	10
Status of mining right	New-order mining right granted in December 2007			

See pages 134 to 141 for detailed information on Kusasalethu's resources and reserves.

Operations review

Volumes milled rose by 9% to 1.2Mt as a result of hoisting development waste with ore, thus diluting recovered grade by 8%. Gold produced rose by 771oz to 181 105oz, for FY12. Currently, 71% of production at Kusasalethu is from areas below 100 level (the new mine expansion project) and 29% from areas in the old mine, above 100 level.

The completed deepening project has extended the sub-vertical shafts, accessing the Ventersdorp Contact Reef up to 3 276 metres below collar. By year-end, the mine was commissioning the final phases of extending the service shaft to 113 level, the refrigeration complex at 100 level and the 92 level turbine complex.

As part of the Chamber of Mine's MOSH adoption process on early morning examinations and 'making safe' procedures, the demonstration stage of in-stope bolting and netting at Kusasalethu was completed. This was followed by an industry-wide workshop in February 2012, with participants from all major and junior mining groups.

We have instituted a decentralised healthcare pilot at Kusasalethu. An integrated drive on TB, HIV and wellness produced encouraging results during the year, with 92 defaulters re-enrolled on ART treatment, and 47% of primary healthcare visitors referred for psychosocial matters to the on-site social worker.

In terms of grades, Kusasalethu is mining in an area of localised enrichment although the higher grade is diluted by waste being hoisted with reef and delivered to the plant. A decision to rehabilitate the shaft orepass system after major scaling took place inside these excavations resulted in only one orepass system being available for production. Estimates are that the rehabilitation work will take around four years to complete, after starting with the 109/113 level orepass rehabilitation.

The refrigeration complex on 98 and 100 levels was completed, and the mini fridge plant on 109 level installed.

Other engineering initiatives include protection relays to prevent power outages and a central monitoring system for all pumps. All HT feeders on the mine are operating to provide load flexibility. Rotational dam cleaning has eliminated the risk of silting, which has compromised dam capacity in the past and constrained pumping. Additional instrumentation has been installed on all large dams to monitor their levels and prevent mud being drawn into the valves, causing production delays. We started the turbine on 29 and 52 levels, assisting with power supply.

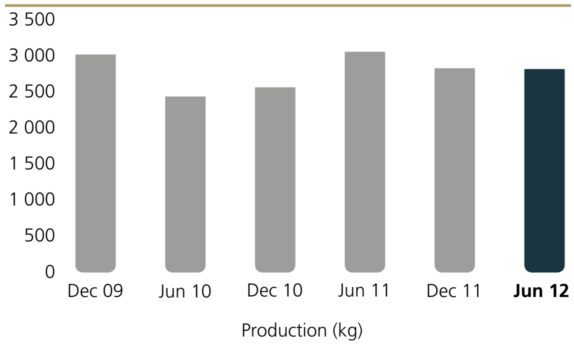
These and other initiatives are expected to improve productivity.

Financial review

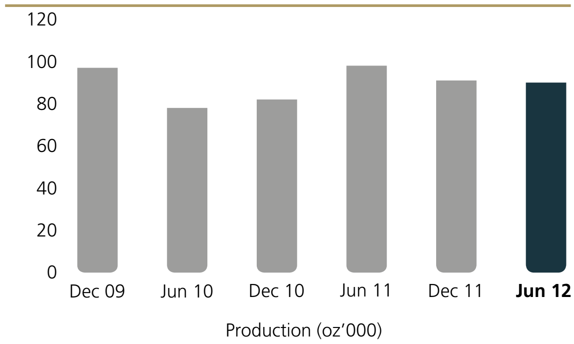
Revenue and production profit increased due to the higher average gold price and increased ounces sold. Revenue was R2 320 million (US$299 million), up 31%, while cash production profit rose by 94% to R881 million (US$114 million). The cash operating cost increased 15% to R261 167/kg (US$1 046/oz), mainly reflecting annual labour increases and higher electricity tariffs.

Capital expenditure for the year was R415 million (US$53 million), mostly for ongoing development R287 million (US$37 million), maintaining equipment R52 million (US$7 million), shaft capital and developing the new mine project R76 million (US$9 million).

Kusasalethu (kg)



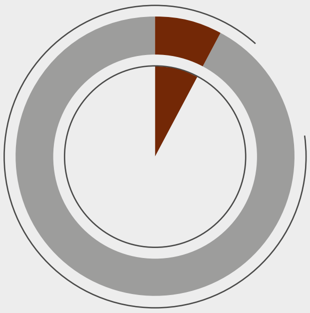
Kusasalethu (oz)



Doornkop

8%*

contribution to group



* *Percentage of ounces contributed during FY12*

Some 30km west of Johannesburg, Doornkop is a single-shaft operation mining the Kimberley and South Reefs to a depth of just under 2 000 metres. Doornkop uses both mechanised bord-and-pillar and narrow-reef conventional mining, with ore processed at its carbon-in-pulp plant. Production at the higher-grade South Reef project is ramping up to scheduled full production in FY16.

Safety

After achieving 22 months and 1.7 million shifts without a fatality, Doornkop's safety record was marred by two fatalities in the third quarter (FY11: zero). New safety initiatives being rolled out resulted in the LTIFR improving to 6.38 per million hours worked (FY11: 8.04). Commendably, the mine achieved five million fall-of-ground fatality-free shifts during the year. Doornkop was awarded fourth place in the MineSAFE competition for its year-on-year improvement in LTIFR.

More detailed information on safety performance and Harmony's sustainable development concerns in South Africa can be found in the online sustainable development report, with a summary on pages 6 to 16 of this report.

Doornkop achieved a milestone when volumes milled exceeded 102 000 tonnes per month

Doornkop key statistics

		FY12	FY11	FY10
Production				
Volumes milled	000t (metric)	**928**	718	540
	000t (imperial)	**1 023**	792	595
Gold produced	kg	**3 075**	2 512	1 950
	oz	**98 863**	80 763	62 694
Average grade	g/t	**3.31**	3.50	3.61
	oz/t	**0.097**	0.102	0.105
Financial				
Revenue	R million	**1 284**	781	517
	US$ million	**165**	112	68
Operating cost	R/kg	**285 269**	236 810	200 324
	US$/oz	**1 142**	1 054	822
Production profit	R million	**422**	180	107
	US$ million	**54**	26	14
Capital expenditure	R million	**294**	292	342
	US$ million	**38**	42	45
People				
Number of employees				
Employees		**3 294**	2 838	1 645
Contractors		**685**	853	1 004
Total		**3 979**	3 691	2 649
HDSAs in management	%	**32**	35	38
Women in mining	%	**9**	9	8
Training and development expenditure	R million	**13**	19	10
Safety				
Fatalities		**2**	0	2
LTIFR	per million hours worked	**6.38**	8.04	5.50
Environment				
Electricity used	000MWh	**195**	161	155
Water used for primary activities*	000m^3	**1 370**	2 750	2 725
GHG emissions	000t CO_2e	**193**	165	184
Expenditure on local economic development	R million	**3**	4	4
Status of mining right	New-order mining right granted in December 2007			

**New definitions used in FY11 have resulted in a revised calculation methodology.*

See pages 134 to 141 for detailed information on Doornkop's resources and reserves.

Operations review

Excellent results for the first half of the year were countered by much poorer performance in the third quarter following safety stoppages after two fatalities in January 2012, and a management decision to upgrade infrastructure on the higher-grade South Reef, which resulted in 17 production days lost. In the first month after these stoppages, however, Doornkop achieved a milestone when volumes milled exceeded 102 000 tonnes, vindicating the decision to halt production to redesign the shaft-bottom spillage arrangement. The mine performed well during the final quarter of the year with 261 000 tonnes milled and treated from underground.

Temporary production interruptions of this nature are typical of the commissioning challenges faced by newly built operations as production ramps up. Despite a 7% reduction in average grade recovered from the South Reef, we remain confident of the geology and grade available in this reef. Grade on the mine was also affected by two events during the year: treating stockpiled material after the belt fire in the first quarter and the effect of the prolonged shaft stoppage in the third quarter where plant capacity was used to mill and treat low-grade material.

A project to optimise equipment availability and beneficiation processes in the plant was launched in mid-2011, with phase 1 to be completed by September 2012. The project is focused on installing or replacing equipment to minimise downtime in the plant and optimise gold recovery, with a second phase of plant upgrading being considered to further enhance efficiencies.

The installation of skip arrestors on the rock winder as well as work on the spillage arrangement on 212 level will be commissioned in the second quarter of the new financial year. As part of this project a 340m decline, forming part of the permanent spillage arrangement, was completed during the third quarter, with 277m developed in 39 days.

Testing and commissioning of the headgear changeover were successfully completed in the first weeks of 2012. Raise-bore drilling for the 6.1m diameter hole between 106 and 192 levels began in the third quarter, with 633m drilled by year end. Pilot drilling will be completed in the first quarter of FY13, when reaming will start.

Additional emphasis on clean mining resulted in the mine call factor (MCF) improving to end the period at 83% (FY11: 80%).

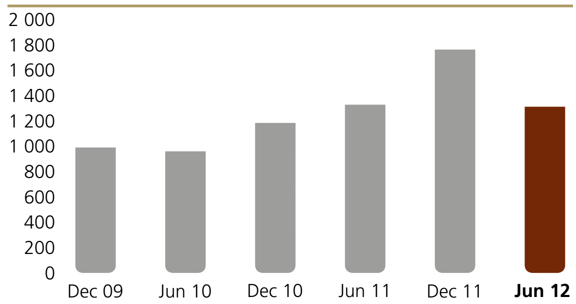
Overall, Doornkop started the financial year by recording its first quarter of positive operating cash flow (after capital) since beginning commercial production in May 2009, and continued to generate an operating profit for the rest of the year. Production build-up on South Reef continued during the year, with the mine enjoying the expected benefits of trackless machinery introduced on the Kimberley Reef in the prior year.

South Reef areas accounted for 62% of total tonnes mined in FY12 – up from 58% the year before – while the contribution from Kimberley Reef decreased to 38%. The average grade of both reefs declined – South Reef to 4.18g/t and Kimberley Reef to 1.97g/t.

As part of the company's proactive approach to healthcare, a new heat tolerance screening centre was commissioned early in the period to serve Doornkop and Kusasalethu.

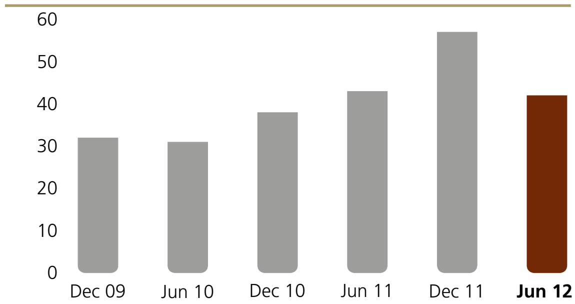
Development metres decreased by 13% or 1 622 metres from the previous year, primarily due to the months affected by safety stoppages and the planned stoppage to complete the shaft-bottom spillage arrangement.

Doornkop (kg)



Production (kg)

Doornkop (oz)



Production (oz'000)

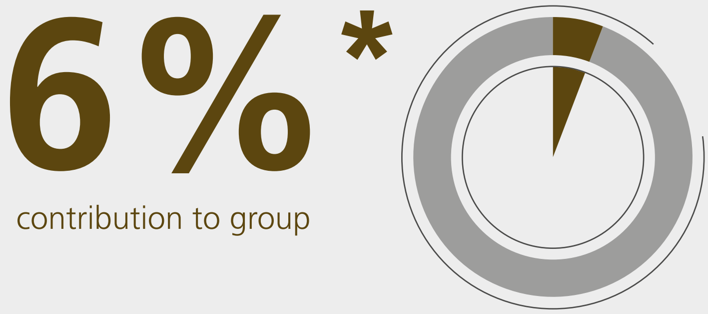
The conversion of the South Reef resource to reserves continued, with an increase of 227 400oz of gold (42%) and 873 267 tonnes (27%). This brings total South Reef reserves to 4.1Mt and 776 617oz of gold (24.16t Au) at a grade of 4.92g/t.

Financial review

Production profit increased by 134% to R422 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 ongoing 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 stores 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.

Phakisa



* *Percentage of ounces contributed during FY12*

Phakisa became an operating mine on the Basal Reef in the prior year, after starting production in FY08. The mine received integrated ISO 14001, OHSAS 18000 and ISO 9000 certification during the year. Once the expansion project is complete, this mine will operate to a depth of some 2 400 metres with monthly capacity of 72 000 tonnes. Phakisa includes the Nyala shaft, some five kilometres away, which is used to hoist rock and as a second escape route. Ore mined at Phakisa is processed at Harmony 1 plant, 20 kilometres away.

During the year, Phakisa's workforce was expanded after it absorbed crews from the restructuring initiative at Bambanani.

Safety

Phakisa recorded excellent safety results for the year, with no fatalities (FY11: 5) and an LTIFR that decreased steadily to end the year at 8.87 per million hours worked (FY11: 10.27). Phakisa also recorded 1.5 million fatality-free shifts in June 2012 and 1.5 million fall-of-ground fatality-free shifts towards the end of the year, as well as 2 million tramming fatality-free shifts in FY12.

Notably, the strong improvement in safe use of rail-bound equipment reflects both internal initiatives and the mine's success as an implementation site for the related MOSH initiative. Management is also concentrating on reducing fall-of-ground incidents by implementing best-practice standards.

More detailed information on safety performance and Harmony's sustainable development concerns in South Africa can be found in the online sustainable development report, with a summary on pages 6 to 16 of this report.

Phakisa recorded an excellent safety result for the year with no fatalities

Operational review: Phakisa continued

Phakisa key statistics

		FY12	FY11	FY10
Production				
Volumes milled	000t (metric)	**521**	387	339
	000t (imperial)	**575**	427	374
Gold produced	kg	**2 541**	1 762	1 371
	oz	**81 695**	56 649	44 079
Average grade	g/t	**4.88**	4.55	4.04
	oz/t	**0.142**	0.133	0.118
Financial				
Revenue	R million	**1 064**	551	375
	US$ million	**137**	79	50
Operating cost	R/kg	**319 317**	269 531	232 190
	US$/oz	**1 279**	1 200	953
Production profit	R million	**261**	78	49
	US$ million	**34**	11	7
Capital expenditure	R million	**302**	369	486
	US$ million	**39**	53	64
People				
Number of employees				
Employees		**3 603**	2 866	2 858
Contractors		**373**	239	176
Total		**3 976**	3 105	3 034
HDSAs in management	%	**37**	30	32
Women in mining	%	**9**	9	11
Training and development expenditure	R million	**24**	14	10
Safety				
Fatalities		**0**	5	3
LTIFR	per million hours worked	**8.87**	10.27	8.40
Environment				
Electricity used	000MWh	**109**	95	67
Water used for primary activities*	000m^3	**4 167**	717	408
GHG emissions	000t CO_2e	**108**	247	81
Expenditure on local economic development	R million	**3**	5	2
Status of mining right	New-order mining right granted in December 2007			

** Increase primarily reflects production build-up and increased ice production.*

See pages 134 to 141 for detailed information on Phakisa's resources and reserves.

Operations review

A steady increase in milled volumes during the year and a 7% improvement in recovered grade mined contributed to a 44% increase in gold produced to 81 695oz as part of the build-up strategy. The disappointing drop in grade in the third quarter was reversed as development progressed to the north of the mining area.

Although production build-up was affected by some ventilation issues, illegal mining activities and commissioning of new infrastructure, Phakisa set a new tonnage benchmark in March 2012 of 55 194 tonnes. Ventilation and cooling remain important issues for this mine to provide the working conditions that underpin its production targets. As part of this focus, new 10.5MW chillers on 55 level were installed during the year, and will be commissioned in the first quarter of FY13 after construction on the condenser pond is completed.

Improved environmental conditions are expected to translate into improved production.

Capital expenditure during the year was concentrated on ventilation and cooling systems, renovations to the mine's residences, heating, ventilation and air-conditioning (HVAC) initiatives and increased security at Nyala.

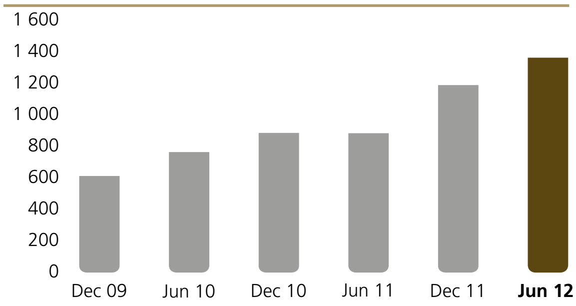
Since it is still a new mine, development at Phakisa is currently centred close to the shaft in lower-grade areas. The major drive is developing the area to the north to access higher-grade zones and move closer to the average reserve grade. Grades will improve further as development progresses towards the north and more reef is exposed in the major north-west to south-east trending Basal Reef payshoot.

Financial review

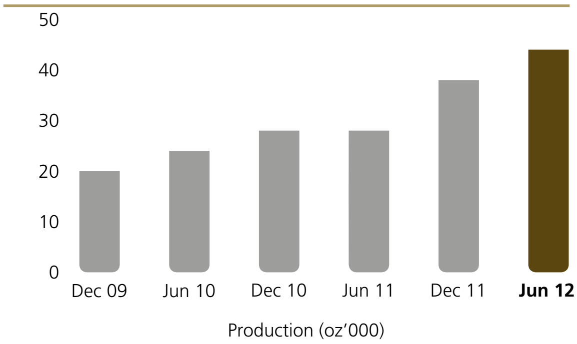
Revenue for the year rose by 93% to R1 064 million, boosted by the increase in production and higher gold price received. In dollar terms, revenue was up 73% to US$137 million. Costs increased as a result of production build-up costs and the cost of employees transferred from closed shafts to Phakisa. Cash operating costs in rands rose 18% to R319 317/kg and were 7% higher in dollar terms at US$1 279/oz.

Capital expenditure for the year was R302 million (US$39 million). This comprised development costs of R199 million (US$26 million), equipment maintenance of R10 million (US$1 million) and project costs of R93 million (US$12 million).

Phakisa (kg)



Phakisa (oz)



CASE STUDY:

Building a solid portfolio

The Phakisa mine that Harmony bought for R1 in 2002 will become the company's second-largest producing South African mine in the next two years as production ramps up.

Underground at Phakisa mine

Harmony has spent approximately R2.3 billion on development and infrastructure at Phakisa, including one of the first underground rail-conveyor systems in the world. This is a mix between a train and a conveyor, but much more efficient in terms of energy costs and performance. Another first was Harmony's investment in biometric security measures which, in conjunction with a union-negotiated ban on food underground, has helped counter the growing problem of illegal mining in the Free State.

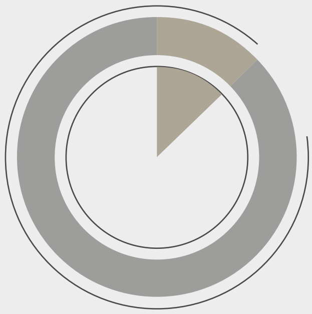
Phakisa, together with Doornkop and the sub-shaft at Kusasalethu, is integral to the growth projects that support our aim to produce a total of 1.7 million ounces of gold by FY16.

Operational review: Tshepong

Tshepong

13%*

contribution to group



* *Percentage of ounces contributed during FY12*

Tshepong has a single vertical shaft extending 2 161 metres below collar. Ore is transported 23 kilometres to the Harmony 1 plant. The new sub-71 decline project will extend mining to 2 366 metres below surface and the sub-66 project is building up production. The mine uses conventional undercut mining on the Basal Reef while the B Reef is exploited as a high-grade secondary reef. The mine received integrated ISO 14001, OHSAS 18000 and ISO 9000 certification during the year.

Safety

Overall safety performance improved, with the LTIFR at 12.54 (FY11: 12.60). There were regrettably two fatalities during the year (FY11: two). Tshepong also recorded 600 000 fatality-free shifts and over 600 000 shifts without a fall-of-ground fatality during the review period.

More detailed information on safety performance and Harmony's sustainable development concerns in South Africa can be found in the online sustainable development report, with a summary on pages 6 to 16 of this report.

Tshepong is one of Harmony's lowest-cost producers, with grade remaining sensitive to stoping width

Tshepong key statistics

		FY12	FY11	FY10
Production				
Volumes milled	000t (metric)	**1 233**	1 343	1 518
	000t (imperial)	**1 359**	1 481	1 674
Gold produced	kg	**5 287**	6 468	6 749
	oz	**169 980**	207 950	216 986
Average grade	g/t	**4.29**	4.82	4.45
	oz/t	**0.125**	0.140	0.130
Financial				
Revenue	R million	**2 219**	2 007	1 823
	US$ million	**286**	287	241
Operating cost	R/kg	**243 087**	182 042	164 938
	US$/oz	**973**	810	677
Production profit	R million	**944**	835	676
	US$ million	**122**	119	90
Capital expenditure	R million	**288**	273	261
	US$ million	**37**	39	35
People				
Number of employees				
Employees		**4 887**	4 982	4 901
Contractors		**205**	206	163
Total		**5 092**	5 188	5 064
HDSAs in management	%	**33**	31	30
Women in mining	%	**9**	9	11
Training and development expenditure	R million	**24**	22	23
Safety				
Fatalities		**2**	2	2
LTIFR	per million hours worked	**12.54**	12.60	12.22
Environment				
Electricity used	000MWh	**298**	314	288
Water used for primary activities*	000m^3	**9 199**	9 351	1 144
GHG emissions	000t CO_2e	**295**	348	347
Expenditure on local economic development	R million	**5**	10	6
Status of mining right	New-order mining right granted in December 2007			

** New definitions used in FY11 have resulted in a revised calculation methodology.*

See pages 134 to 141 for detailed information on Tshepong's resources and reserves.

Operations review

After a poor start to the year caused by safety stoppages and a wage strike, performance was lower with tonnes milled down by 8% to 1 233 million in FY12. Grade was erratic during the period, fluctuating from an exceptional 5.08g/t in the second quarter to 3.95g/t in the fourth quarter and ending at 4.29g/t for the year. During the last quarter, the recovery grade was directly affected by the average mining grade, which was lower than anticipated due to a lack of available face length in the higher-grade areas. Gold produced decreased to 169 980oz. Tshepong is one of Harmony's lowest-cost producers, although its grade remains sensitive to stoping width. This is rigorously controlled by the under-cut mining method used at this mine.

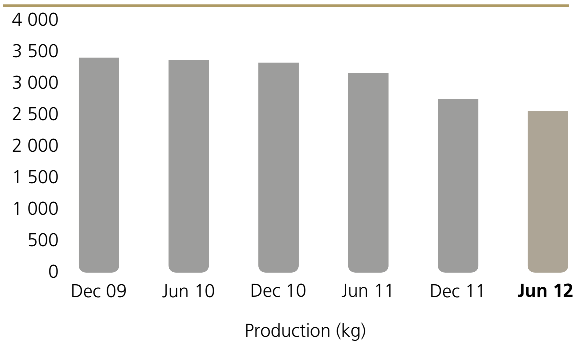
The sub-71 project, which will connect Tshepong with Phakisa, is scheduled to be completed in April 2013. This extends the existing double decline from 71 to 76 level to enable mining on both 73 and 75 levels. Management is investigating ways to implement a waste/reef split from the sub-71 decline, which currently affects recovered grade.

Financial review

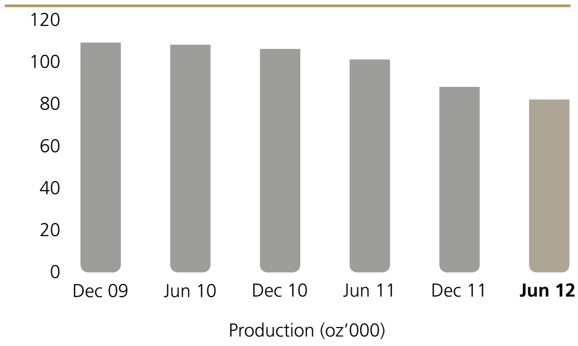
Revenue rose 11% to R2 219 million and remained constant in US$ at US$286 million. Cash operating costs rose by 34% to R243 087/kg and by 20% to US$973/oz with cost pressure coming from the underperformance in kilograms recovered as a result of not achieving planned volumes for the year, and underperformance in grade during the last quarter. Cost was also impacted by increased wages, electricity tariffs and the cost of supplies and equipment.

Capital expenditure was 5% higher at R288 million (US$37 million), primarily for ongoing development, major equipment maintenance, other shaft capital which included a fridge plant conversion, and the sub-71 decline project. Total expenditure to date on this project is R240 million (US$33 million).

Tshepong (kg)

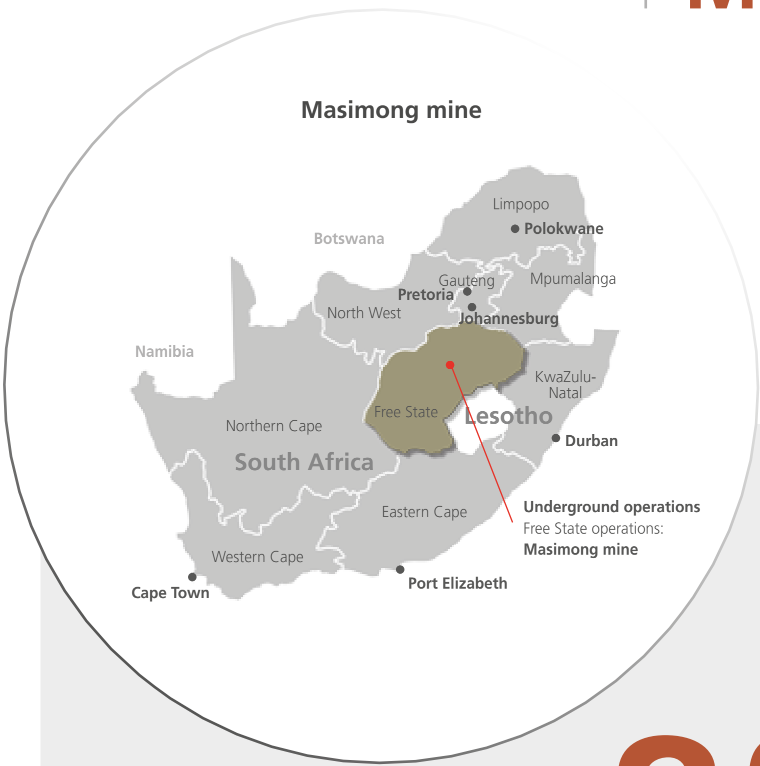


Tshepong (oz)



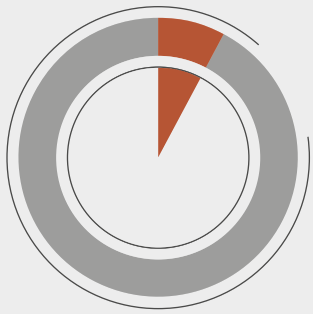
Operational review: Masimong

Masimong



8%*

contribution to group



* *Percentage of ounces contributed during FY12*

Masimong comprises a single operating shaft and an additional shaft used for ventilation, pumping and as a second outlet. Mined ore is processed at the Harmony 1 plant some 20 kilometres away. Conventional drilling, blasting and scraping operations are focused on the Basal and B Reefs. The shafts are intermediate depth, extending to around 2 300 metres. The mine received integrated ISO 14 001, OHSAS 18 000 and ISO 9000 certification during the year.

Safety

Masimong recorded a fatality-free year (FY11: one), passing the milestone 1 million fatality-free shifts just after year-end. The LTIFR deteriorated slightly to 13.52 per million hours worked (FY11: 13.13). Commendably, Masimong also recorded more than 2 million fall-of-ground fatality-free shifts during the year.

More detailed information on safety performance and Harmony's sustainable development concerns in South Africa appears in the online sustainable development report, with a summary on pages 6 to 16 of this report.

For Masimong, the review period was one of maintenance and development

Operational review: Masimong continued

Masimong key statistics

		FY12	FY11	FY10
Production				
Volumes milled	000t (metric)	**933**	868	899
	000t (imperial)	**1 029**	957	991
Gold produced	kg	**3 220**	4 280	4 840
	oz	**103 526**	137 605	155 609
Average grade	g/t	**3.45**	4.93	5.38
	oz/t	**0.101**	0.144	0.157
Financial				
Revenue	R million	**1 349**	1 326	1 277
	US$ million	**174**	190	168
Operating cost	R/kg	**263 900**	177 130	146 674
	US$/oz	**1 057**	788	602
Production profit	R million	**506**	570	575
	US$ million	**65**	82	76
Capital expenditure	R million	**208**	178	177
	US$ million	**27**	26	23
People				
Number of employees				
Employees		**3 078**	3 050	3 067
Contractors		**140**	137	138
Total		**3 218**	3 187	3 205
HDSAs in management	%	**38**	29	19
Women in mining	%	**11**	10	12
Training and development expenditure	R million	**17**	15	14
Safety				
Fatalities		**0**	1	1
LTIFR	per million hours worked	**13.52**	13.13	7.37
Environment				
Electricity used	000MWh	**208**	249	229
Water used for primary activities*	000m^3	**1 577**	1 743	1 722
GHG emissions	000t CO_2e	**206**	275	274
Expenditure on local economic development	R million	**8**	15	13
Status of mining right	New-order mining right granted in December 2007			

** New definitions used in FY11 have resulted in a revised calculation methodology.*

See pages 134 to 141 for detailed information on Masimong's resources and reserves.

Operations review

For Masimong, the review period was one of maintenance and development, which affected the recovery grade. Maintenance plans included completion of the Masimong 4 water plug as well as completion and commissioning of the new fridge plant on Masimong 5, followed by replacement of the orepass system. The development of a new orepass system between two levels was completed in the last quarter of the financial year. As a result, cash operating costs rose 49% from R177 130/kg to R263 900/kg for the year. While volumes milled increased year on year by 7% to 933 000 tonnes, gold produced dropped 25% to 103 526oz because of the impact on recovery grade noted above.

Grade declined 30% to 3.45g/t, mainly a result of mixing ore and waste during the year which was necessary given damage to the reef transfer on 2070 level by wear and tear. Face grade in cmgt was down 9%, mainly due to lower grades mined from Basal Reef. Although a drop in grade was anticipated in the plan, the mined face grade achieved was 3% below the planned figure, given less volume from the higher-grade B Reef. Stoping width increased marginally by 0.6% to 137.7cm. The mine call factor was down 2% to 66% due to quality mining problems during the year.

The infrastructural upgrade completed two years ago continues to support improved productivity, efficiencies and output. Masimong's historical ventilation issues have been addressed by changing the entire ventilation circuit from a booster fan system to a conventional bottom-level return airways system. A new refrigeration plant was installed in December 2011.

Results for the final quarter prove that the earlier upgrade programme and infrastructural investments during the review period will enable Masimong to again meet its production targets and return to being one of Harmony's lowest-cost producers.

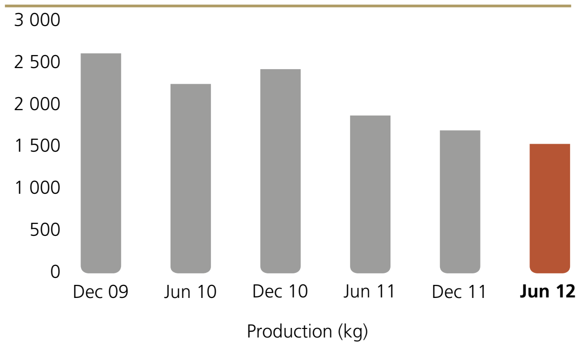
The project to convert company hostels into quality family rental units was showcased during the year when the Masimong conversion was officially opened (detailed in sustainable development report). This formed part of the municipal spatial development framework focused on urban renewal.

Financial review

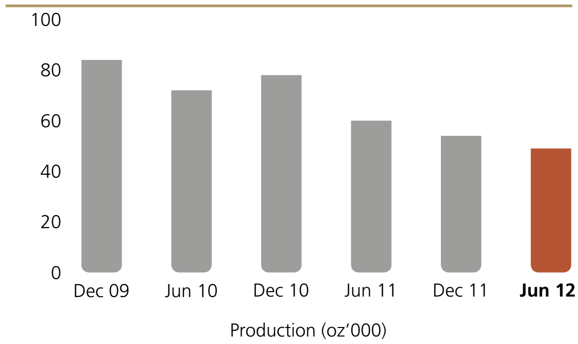
Revenue was up 2% to R1 349 million (US$174 million). Costs rose by 49% to 263 900/kg and, in dollars, by 34% to US$1 057/oz. A 25% decrease in gold produced, offset by a higher rand gold price, resulted in an 11% decrease in production profit to R506 million. Production profit in US dollars decreased by 21% to US$65 million, mainly as a result of lower gold produced.

Capital expenditure of R208 million (US$27 million) was spent largely on the refrigerator plant, Masimong 4 plug, new inter-level orepass system and the infrastructure upgrade.

Masimong (kg)



Masimong (oz)

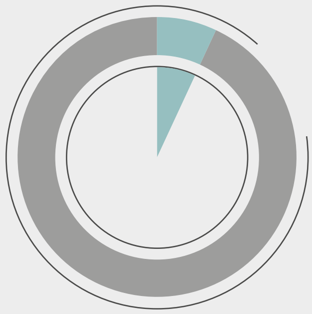


Operational review: Hidden Valley

Hidden Valley

7%*

contribution to group



* *Percentage of ounces contributed during FY12*

Hidden Valley, part of the joint venture between Harmony and Newcrest (50:50), is in a highly prospective area of Morobe Province PNG, some 300 kilometres north-west of Port Moresby. With its substantial gold and silver reserves, Hidden Valley is Harmony's first offshore greenfield project, and an important step in our strategy of geographical and asset diversification. Equally, the experience gained in developing Hidden Valley will be valuable as we seek growth in Morobe Province as part of the joint venture and elsewhere in PNG through our own exploration portfolio.

Two open pits are in production, some five kilometres apart: the first exploits the Hamata gold orebody, and the larger pit exploits the Hidden Valley and Kaveroi gold and silver orebodies. The joint-venture partners are actively exploring on the mining lease and the life of the operation could be extended if additional resources are identified. There is ongoing resource definition drilling throughout the year and this is expected to continue in the normal course of business.

Developing Hidden Valley will continue to present challenges – given its remote location and relative lack of infrastructure. However, the government and communities of PNG and Morobe Province remain supportive, working closely with the joint-venture partners to ensure this development makes a long-term, positive and sustainable contribution to the region.

More detailed information on safety performance and Harmony's sustainable development concerns in PNG can be found in the online sustainable development report, with a summary on pages 6 to 16 of this report.

The first open pit at Hidden Valley exploits the Hamata gold orebody and the second, the Kaveroi/Hidden Valley gold and silver orebodies

Operational review: Hidden Valley continued

Hidden Valley key statistics

		FY12†	FY11†	FY10*† production	FY10*† capitalised
Production					
Volumes milled	000t (metric)	**1 766**	1 679	304	–
	000t (imperial)	**1 948**	1 852	335	–
Gold produced	kg	**2 762**	3 118	465	1 438
	oz	**88 800**	100 246	14 939	46 234
Silver produced	kg	**26 672**	20 934	2 423	4 504
	oz	**857 540**	673 032	77 896	144 821
Gold – average recovered grade	g/t	**1.56**	1.86	1.53	–
	oz/t	**0.046**	0.054	0.045	–
Silver – average recovered grade	g/t	**15.10**	12.47	7.97	–
	oz/t	**0.440**	0.401	0.233	–
Financial					
Revenue	R million	**1 163**	976	79	–
	US$ million	**150**	140	10	–
Operating costs	R/kg	**309 230**	223 019	244 721	–
	US$/oz	**1 238**	993	1 003	–
Production profit	R million	**312**	261	16	–
	US$ million	**40**	37	2	–
Capital expenditure	R million	**296**	289	44	497
	US$ million	**38**	42	6	65
People					
Number of employees					
Employees		**1 035**	950	806	
Contractors		**1 690**	1 440	892	
Total		**2 725**	2 390	1 698	
Training and development expenditure	R million	**1.7**	2.8	2.9	
Safety					
Fatalities		**0**	0	1	
LTIFR	per million hours worked	**0.75**	0.2	0.7	
Environment					
Energy consumed	000MWh	**45#**	108	105	
Water used for primary activities	000m³	**505**	1 533	1 843	
GHG emissions	000t CO_2e	**33**	675	128	

** Commercial production began in May 2010.*
† Represents Harmony's 50%.
 # Energy consumed includes 16 000MWh of electricity purchased; the remainder being self generated.

See pages 134 to 141 for detailed information on Hidden Valley's resources and reserves.

Safety

As production ramps up at Hidden Valley, a comprehensive risk management strategy is reflected in another excellent safety performance for the year, with no fatalities (FY11: one) and an LTIFR of 0.75 (FY11: 0.2). Hidden Valley also recorded four consecutive months without a lost-time injury during the year.

Operations review

In FY12, 3.5Mt were processed to yield 177 602oz of gold and 1 715 081oz of silver, 50% attributable to Harmony. Lower production for the year reflects a combination of factors, largely outside management's control but which will always have to be considered when operating in remote areas. Management's ability to quickly remedy or mitigate the impact of unexpected events reflects the benefit of an experienced team on site or on hand.

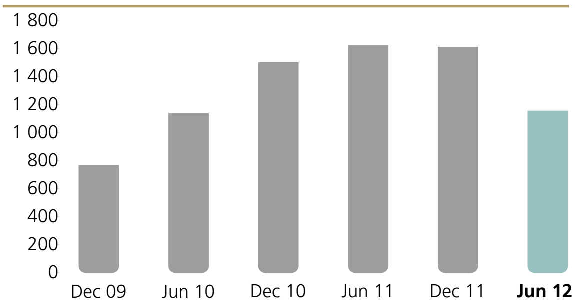
After the overland conveyor was recommissioned in September 2011, increasing capacity of the materials handling system, Hidden Valley was able to raise milled tonnes by 14% in the second quarter. However, production in ensuing months was severely curtailed by natural factors (an earthquake in December and exceptionally high rainfall in January/February 2012), impeding access to high-grade ore. This was exacerbated by infrastructural constraints which included a six-day shutdown mainly due to lack of grid power, the decision to reduce throughput to remediate large quantities of water on the tailings storage facility, fuel shortages caused by flooding, and a 24-hour shutdown to check for damage after the earthquake.

By year-end, monthly annualised throughput had improved to record levels.

Major capital projects are under way to increase mill throughput to an initial 4.7Mtpa (from the current nameplate 4.2Mtpa). These include installing an upgraded crusher, upgraded oxygen plant, reconfiguring tankage and increasing inter-stage screen capacity and raw water filtration. These enhancements will increase production at incremental cost.

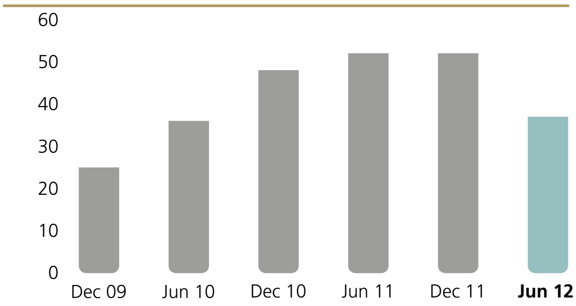
Hidden Valley mine was connected to the national electricity grid in FY11, and is receiving up to 10MW of grid power at night (100% of total requirements) and 5MW during the day. We are working with the national utility to increase the daytime supply. Grid power has reduced the operational costs of trucking diesel to site, with concomitant environmental benefits, and lowered demand on the site's diesel-fired power

Hidden Valley (kg)



Production (kg)

Hidden Valley (oz)



Production (oz'000)

station. In terms of the offtake agreement in place, the national utility benefits from securing a large customer which, in turn, will support its infrastructural development and rural electrification programme.

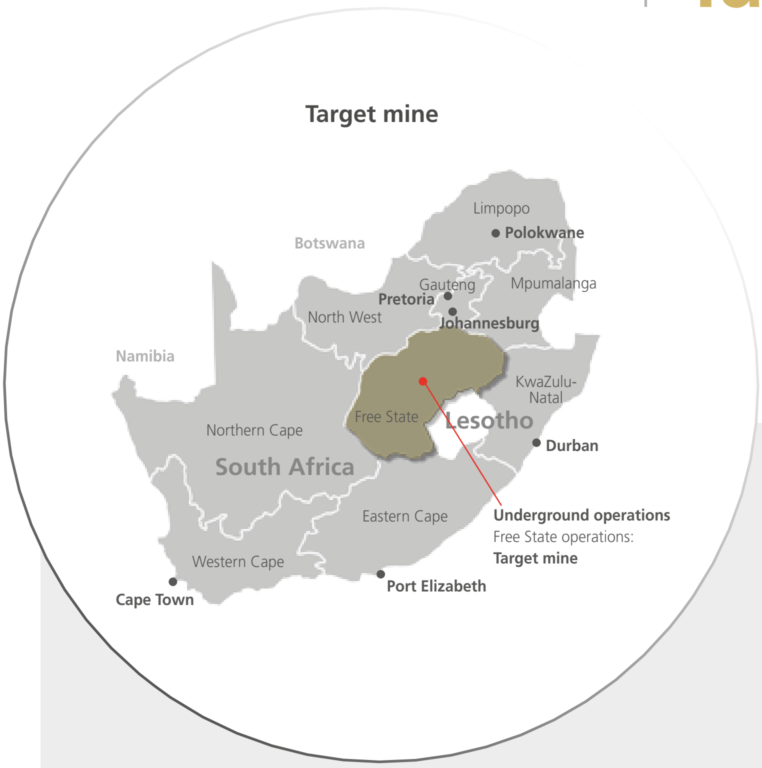
Hidden Valley's policy of community engagement and local employment and training continued during the year. Progress in mitigating the mine's impact on the Watut River is detailed in the environmental section of the sustainable development report.

Financial review

Hidden Valley generated revenue of R1 163 million (US$150 million) for the year, with total cash operating costs after silver credits of R309 230/kg (US$1 238/oz). Attributable capital expenditure by Harmony during the year was R296 million (US$38 million), which included work on approved mine development (sustaining capital) projects, process plant projects and new mobile equipment.

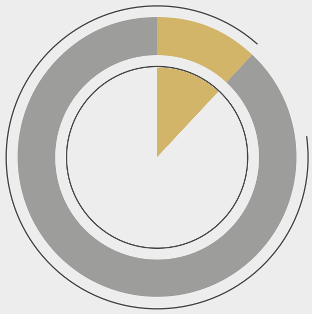
Operational review: Target

Target



12%*

contribution to group



* *Percentage of ounces contributed during FY12*

Some 20 kilometres north of Welkom, Target 1 has a single surface shaft system with a sub-shaft and a decline. Two years ago, an acquired asset was incorporated into this operation and named Target 3 shaft. Ore is processed at the Target plant adjacent to 1 shaft. Target plant received integrated ISO 14001, OHSAS 18000 and ISO 9000 certification during the year. Both mechanised and conventional mining occur on the Basal, Elsburg and Dreyerskraal Reefs, with mining operations extending to a depth of some 2 350 metres.

Safety

Reflecting the concerted effort in recent years to improve safety, Target recorded a second consecutive fatality-free year (FY11: zero). The LTIFR improved 38% to 4.78 per million hours worked (FY11: 7.71). In the final quarter, the Target plant reached 1 000 reportable injury-free days, while Target 1 achieved 1 million fatality-free shifts in February 2012. Target 1 and Target 1 and 3 combined both achieved 1 million fall-of-ground fatality-free shifts in FY12. The combined operation was awarded first place in the MineSAFE competition for its year-on-year improvement in LTIFR.

More detailed information on safety performance and Harmony's sustainable development concerns in South Africa appear in the online sustainable development report, with a summary on pages 6 to 16 of this report.

All seven narrow-reef, conventional mining panels were in production during the review period, supported by a clean-mining initiative

Operational review: Target continued

Target key statistics

		FY12	FY11	FY10
Production				
Volumes milled	000t (metric)	**1 104**	805	777
	000t (imperial)	**1 217**	888	857
Gold produced††	kg	**4 753**	3 981	3 539
	oz	**152 814**	127 992	113 782
Average grade	g/t	**4.31**	4.29	4.40
	oz/t	**0.126**	0.125	0.128
Financial				
Revenue	R million	**1 997**	1 080	878
	US$ million	**257**	154	116
Operating cost	R/kg	**269 036**	227 178	190 720
	US$/oz	**1 077**	1 011	783
Production profit	R million	**714**	265	214
	US$ million	**92**	37	28
Capital expenditure	R million	**349**	439	382
	US$ million	**45**	63	51
People				
Number of employees				
Employees		**3 054**	2 811	2 676
Contractors		**535**	408	402
Total		**3 589**	3 219	3 078
HDSAs in management	%	**38**	35	34
Women in mining	%	**10**	10	11
Training and development expenditure	R million	**16**	16	13
Safety				
Fatalities		**0**	0	2
LTIFR	per million hours worked	**4.78**	7.71	3.39
Environment				
Electricity used	000MWh	**328**	337	228
Water used for primary activities*	000m^3	**1 093**	891	2 755
GHG emissions	000t CO_2e	**325**	366	279
Expenditure on local economic development	R million	**4**	6	3
Status of mining right	New-order mining right granted in December 2007			

** Previous year includes waste rock dust suppression.*
†† FY11: 531kg (17 073oz) and FY10: 117kg (3 762oz) capitalised.

See pages 134 to 141 for detailed information on Target's resources and reserves.

Operations review

Combining Target 1 and Target 3, volumes milled rose 37% to 1 104 000 tonnes. Grade increased by 1% while gold produced rose 19% for the year to 152 814oz.

Target 1

After solid results in the first half, scheduled maintenance on load-haul-dump trucks in the third quarter affected loading from the massive stopes. With ventilation and cooling issues resolved in the prior year, all seven narrow-reef, conventional mining panels were in production during the review period, supported by a clean-mining initiative. Collectively, this has enabled Target to perform consistently and manage its ore reserves better, which is crucial to the mine's success. Overall grade improved by 6.0% from 4.35g/t to 4.61g/t.

Target 3

Infrastructural improvements and shaft build-up continued during the year. This included a new belt on 71 level to facilitate build-up of the sub-shaft on the higher-grade Basal Reef. On the B Reef, pre-development reef slushers are being used to identify high-grade zones, similar to the approach employed at Masimong.

Although challenges remain in improving sub-shaft conditions, the new fridge plant has supported access to more panels in the sub-shaft, contributing in turn to higher grades. Mining on non-critical development ends was halted at the interim stage, improving the recovery grade.

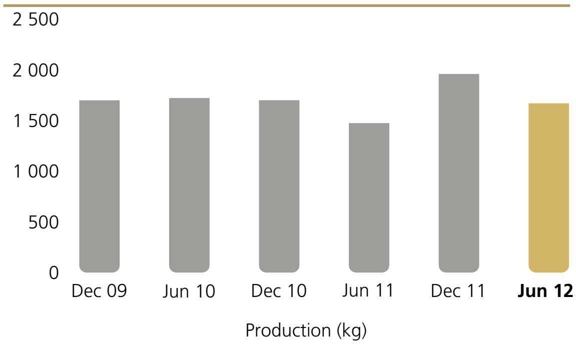
Higher grades are expected when volumes mined from the sub-shaft increase.

Financial review

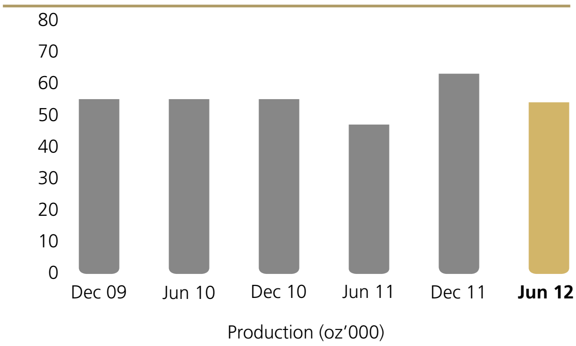
Higher production and a higher gold price achieved for the year contributed to revenue rising in rand and dollar terms by 85% and 67% respectively to R1 997 million and US$257 million. Cash operating costs were 18% up in rand terms at R269 036/kg (7% to US$1 077/oz). This was mainly due to the delayed start-up of the sub-shaft at Target 3 and labour transfers earlier than planned from other Harmony operations to avoid retrenchments.

Capital expenditure of R349 million (US$45 million) included R202 million (US$25 million) for ongoing development, R50 million (US$7 million) on major equipment maintenance and R97 million (US$13 million) on other shaft capital and major projects.

Target (kg)



Target (oz)



Target mine – true teamwork

Target 1 received four special awards in the FY12 Harmony leadership conference, adding medals for best progress in productivity, profitability and quality over six months to the CEO Special Award. In addition, on 29 February 2012, Target reached 1 000 000 fatality-free shifts – a particularly significant achievement for every person at the mine.

Many things are clearly being done exceptionally well at Target. At every level, Target's workforce ascribes this to continuous focus and teamwork – the power of people working together towards a common goal.

Mining, particularly gold mining, is not an easy endeavour. It is a risky business from all points of view – health and safety challenges presented by the occupational environment, fluctuation of the gold price due to factors outside the control of mine management, technological demands and even political influences. To remain on course in such circumstances requires exceptional organisation structures in which ordinary people can achieve outstanding results.

The team members at Target cite a mindset and culture that revolve around health, safety and achievement, as reflected in the mine's aspirations statement:

- To be the healthiest and safest team
- To create an environment where people can come to work happy, confident, proud and with a positive attitude
- To be the best mine and team to work for, to own and to lead
- Our people to be recognised and rewarded for excellent achievements
- To create profits which will attract investors for growth
- To positively influence our families and the community to become proud and prosperous.

As a result, the people at Target are positive and motivated. Participation is another performance driver, with examples of collective decision-making at various levels across the mine. This generates buy-in from employees and a commitment to implement plans and achieve the envisaged results. Equally, an open-door culture encourages stakeholders to freely express their opinions, leading to consensus and commitment.

The ability to collectively plan a critical path across the short, medium and longer term flows from this participative culture and rests on a mature and skilled workforce. Through adequate planning, problem areas are eliminated while providing the flexibility to effectively and collectively deal with contingencies as they arise. A good example is the ore reserve management capabilities at Target where personnel who understand the reserves can ensure appropriate action is implemented in good time.

These foundational attitudes support a willingness to be innovative and take on new challenges. Gold mining requires thinking people who can sensibly deal with a variety of situations every day. At Target examples include the underground use of vehicles at very deep levels, continuous improvement programmes involving the entire workforce, and the Target health hub (see case study). All these projects require solid thinking, initiative and determination, contributing to the efficient functioning of Target mine.

Target is an interesting example of an organisation that can change and transform itself to shape the environment in which it operates, while adapting to that environment. This is being achieved through dynamic leadership at all levels, particularly the example set by senior management. This was clearly demonstrated by the Target general manager, Carel Joubert, at a recent management meeting where a new initiative was being discussed, when he cited the words of Thomas Edison: *Opportunity is missed by most people because it is dressed in overalls and looks like work.*

CASE STUDY:

Target health hub – from aspirations to reality

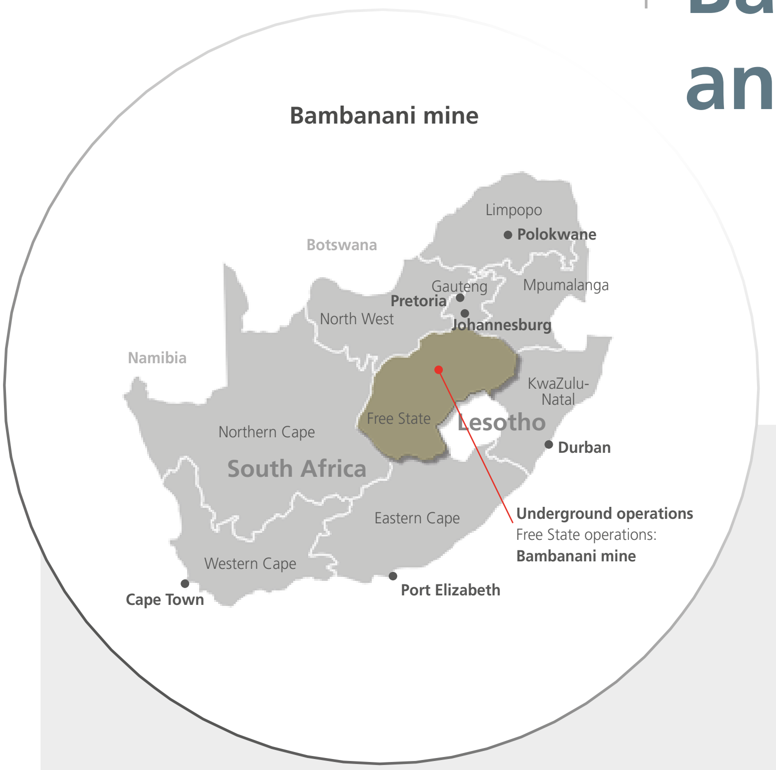
After capital expenditure of R1.7 million and six months in planning, preparation and commissioning, the Target health hub is perceived as a significant investment by Harmony in the well-being of employees.

Waiting room at the Target health hub

This is a particularly good example of mine management being prepared to host a pilot project to bring primary, occupational and wellness services closer to the mine on a proactive and integrated basis. Given the success of the Target health hub, this approach can now be implemented at other Harmony mines to improve the quality of healthcare, reduce the cost of healthcare services and improve productivity as Target did with its notable improvements:

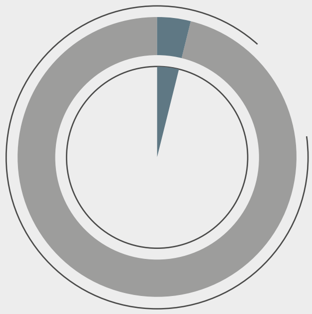
- 4% labour availability – translating into an average of 79 additional employees being continually available for work
- An integrated health and safety structure reporting to a new line function – an occupational, environmental, health and safety manager – providing improved synergy between health, safety and associated functions
- Optimising the healthcare educator's role through training, revised responsibilities and job descriptions in cooperation with the recognised trade union NUM
- Introducing psychosocial screening in the certificate-of-fitness process
- Improved emergency response capabilities through upgraded emergency care facilities and equipment
- Establishing a compliance and comprehensive healthcare monitoring capability by introducing a case management function
- Close cooperation with DMR in planning and commissioning the health hub.
- More efficient dispensing procedures for chronic medication to ensure compliance and reduced time in healthcare processes.
- Introducing innovative technology to share X-ray images with doctors and specialists
- Rationalising processes for scheduling certificate-of-fitness and heat tolerance screening assessments, further reducing time spent on healthcare processes
- Eliminating the inconvenience, cost and unproductive time of transporting employees between Target and healthcare facilities in Welkom
- Creating a health hub operating manual with appropriate job descriptions, policies, operating procedures as well as system and process structures.

Bambanani and Steyn 2



4%*

contribution to group



* *Percentage of ounces contributed during FY12*

Bambanani, near Welkom, has three surface shafts (Bambanani, Steyn 2 and West) with ore conveyed seven kilometres to Harmony 1 plant for processing. Bambanani is in the final stages of preparation for the removal of the shaft pillar. Steyn 2 shaft has commenced with the removal of its shaft pillar and is planning to complete this within the next 18 months. The ore from both of these shaft pillar extractions is going to be hoisted at West shaft, which is being re-commissioned for this purpose.

Safety

Bambanani regrettably had one fatality in FY12 (FY11: three) and the LTIFR improved to 8.51 per million hours worked (FY11: 10.74). Bambanani recorded 1.5 million fall-of-ground fatality-free shifts towards the end of the year, and received seventh place for year-on-year improvement in LTIFR in the MineSAFE competition.

More detailed information on safety performance and Harmony's sustainable development concerns in South Africa can be found in the online sustainable development report, with a summary on pages 6 to 16 of this report.

Bambanani is on track to mine the shaft pillar for approximately eight years from 2013

Bambanani key statistics

		FY12	FY11	FY10
Production				
Volumes milled	000t (metric)	**197**	426	528
	000t (imperial)	**217**	470	582
Gold produced††	kg	**1 374**	3 051	4 137
	oz	**44 174**	98 092	133 007
Average grade	g/t	**6.79**	6.95	7.77
	oz/t	**0.198**	0.203	0.227
Financial				
Revenue	R million	**549**	921	1 114
	US$ million	**71**	132	147
Operating cost	R/kg	**446 244**	280 075	176 253
	US$/oz	**1 787**	1 247	723
Production (loss)/profit	R million	**(48)**	93	369
	US$ million	**(6)**	14	49
Capital expenditure	R million	**266**	321	207
	US$ million	**34**	46	28
People				
Number of employees				
Employees		**1 467**	3 418	3 611
Contractors		**406**	402	276
Total		**1 873**	3 820	3 887
HDSAs in management	%	**31**	39	44
Women in mining	%	**12**	9	9
Training and development expenditure	R million	**15**	18	13
Safety				
Fatalities		**1**	3	1
LTIFR	per million hours worked	**8.51**	10.74	9.20
Environment				
Electricity used	000MWh	**253**	471	467
Water used for primary activities	000m^3	**1 794**	2 655	3 505
GHG emissions	000t CO_2e	**441**	652	559
Expenditure on local economic development	R million	**4**	6	4
Status of mining right	New-order mining right granted in December 2007			

†† FY12: 36kg (1 157oz); FY11: 90kg (2 894oz) and FY10: 33kg (1 061oz) were capitalised.

See pages 134 to 141 for detailed information on Bambanani's resources and reserves.

Operations review

In the first quarter, and in line with Harmony's stated strategy to restructure for safe, profitable and quality ounces, we decided to halt mining in the sub-shaft after Bambanani had struggled to meet production targets and curb costs for a number of quarters. As such, mining activities moved from deeper operating areas to accelerated development of the shaft pillar.

The restructuring process at Bambanani was well managed, with only 284 employees retrenched (118 of those elected voluntary retrenchment) out of a possible 2 268). This process was concluded by year-end. Almost 2 000 employees were redeployed or retrained and transferred to other Harmony operations, mainly Doornkop and Phakisa, in line with production build-up at those operations.

The decision to halt mining in the sub-shaft was vindicated by a 70% improvement in recovered grade in the second quarter. Production was severely curtailed in the third quarter, after the DMR imposed a section 54 stoppage (following the fatality) that covered West shaft, Bambanani, Steyn 2 and Unisel as one general manager is responsible for all these operations. The stoppage equated to 45 lost shaft days.

Bambanani is on track to mine the shaft pillar for around eight years from 2013, improving both the productivity and profitability of this mine.

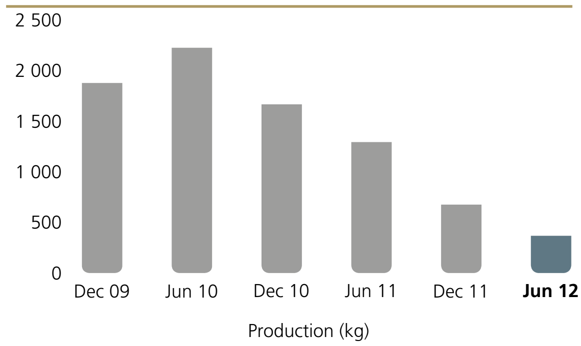
The focus on standards and procedures is ongoing as preparations to mine the shaft pillar near completion. The shaft pillar is being established through up-dips to start breast-panel mining in the new financial year. Backfill will be in place in the pillar to mitigate seismic events, with support in the face area enhanced by in-stope steel netting. A detailed seismic risk assessment was completed for the shaft pillar by the Institute of Mine Seismology of Stellenbosch, and some re-design work is under way to further mitigate identified risks.

Bambanani and Steyn 2 will become a single operation shortly, when the barrel of Steyn 2 is closed and all services routed through Bambanani/West shaft. Reef development has been halted, in line with the mine plan, and capital metres are slowing with completion scheduled for October 2012 (Bambanani only).

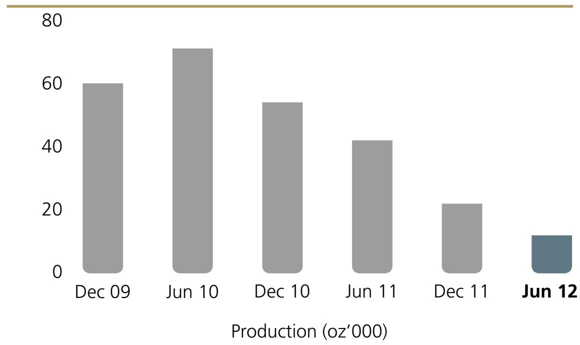
Financial review

Revenue and production profit decreased significantly in both rand and dollar terms, despite the higher average gold price received for the year. This was due to lower ounces sold. Revenue was R549 million (US$71 million) with a production

Bambanani (kg)



Bambanani (oz)

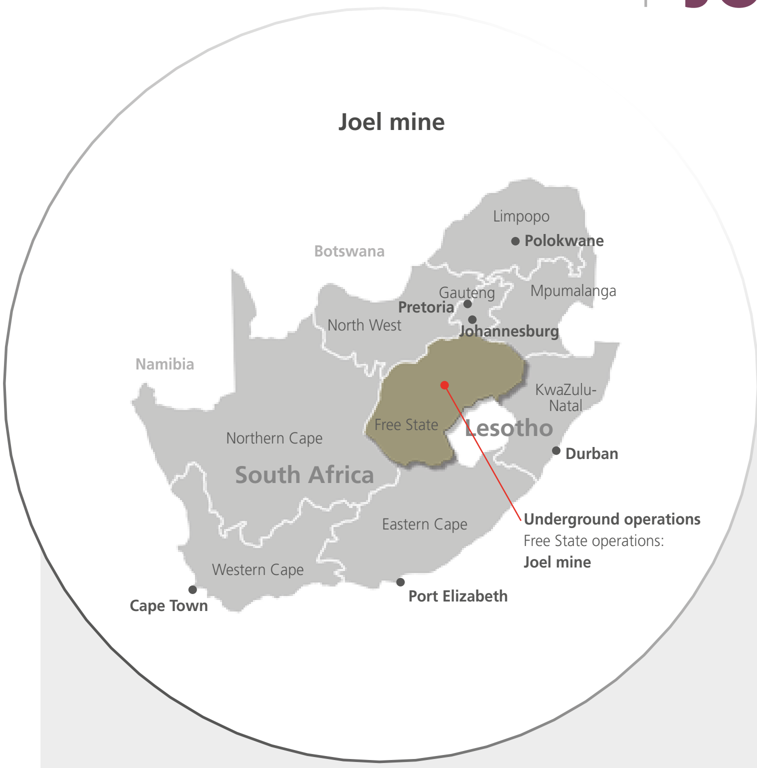


loss of R48 million (US$6 million), down 152% and 143% respectively. Production costs of R597 million (US$77 million) for the year were 28% lower (35% down in dollar terms).

Capital expenditure dropped by 17% in FY12 to R266 million (US$34 million), including R80 million (US$10 million) in capital costs for the Steyn operations. The majority of the remaining capital at Bambanani East was for the shaft-pillar work.

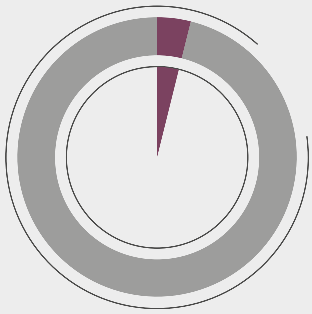
Operational review: Joel

Joel



7%*

contribution to group



* *Percentage of ounces contributed during FY12*

Joel mine, on the south-western edge of the Witwatersrand Basin, comprises the North and South shafts and ore mined is processed on site. Scattered mining takes place on the Beatrix Reef, down to a depth of some 1 400m, with the reef dipping at 14° from south to north.

Safety

Overall, safety performance improved in FY12, with zero fatalities (FY11: one) and an LTIFR of 1.77 per million hours worked (FY11: 2.05). Commendably, Joel plant achieved one full year without any lost-time or reportable injuries.

More detailed information on safety performance and Harmony's sustainable development concerns in South Africa appears in the online sustainable development report, with a summary on pages 6 to 16 of this report.

Grade at Joel mine improved by 34% with a 37% increase in volumes milled

Joel key statistics

		FY12	FY11	FY10
Production				
Volumes milled	000t (metric)	**557**	407	439
	000t (imperial)	**614**	448	484
Gold produced	kg	**2 663**	1 449	2 006
	oz	**85 618**	46 586	64 495
Average grade	g/t	**4.78**	3.56	4.57
	oz/t	**0.139**	0.104	0.133
Financial				
Revenue	R million	**1 124**	454	524
	US$ million	**145**	65	69
Operating cost	R/kg	**208 807**	291 288	193 019
	US$/oz	**836**	1 297	792
Production profit	R million	**559**	37	145
	US$ million	**72**	5	19
Capital expenditure	R million	**84**	73	88
	US$ million	**11**	11	10
People				
Number of employees				
Employees		**1 582**	1 453	1 436
Contractors		**137**	101	34
Total		**1 719**	1 554	1 470
HDSAs in management	%	**54**	47	50
Women in mining	%	**12**	11	10
Training and development expenditure	R million	**7**	5	6
Safety				
Fatalities		**0**	1	1
LTIFR	per million hours worked	**1.77**	2.05	4.26
Environment				
Electricity used	000MWh	**103**	108	79
Water used for primary activities	000m^3	**1 007**	722	682
GHG emissions	000t CO_2e	**102**	121	94
Expenditure on local economic development	R million	**3**	5	3
Status of mining right	New-order mining right granted in December 2007			

See pages 134 to 141 for detailed information on Joel's resources and reserves.

Operations review

Exceptional production in the first half and sharply higher recovered grades were offset by challenges in the third quarter, including a mud rush in January 2012 which halted production in the development section for five days, a 14-day stoppage in February for unplanned rope guide repairs which locked up ore tonnage underground and a one-day industry (Cosatu) strike in March.

Grade improved by 34%, with a 37% increase in volumes milled to 557 000 tonnes in FY12. This resulted in an overall increase of 84% in gold produced to 2 663kg (85 618oz), despite the stoppages noted earlier.

Production at Joel is progressively moving to deeper portions of the mine, some 1 400 metres below surface. Access to these areas is via North shaft, which was never fully equipped for this purpose and required retrospective adjustments to shaft spillage arrangements. In the prior period, these included changing the winder from sinking to production mode; installing larger skips; ensuring emergency egress was available; raise boring the lift shaft from 121 to 129 level; and improving cleaning arrangements at the shaft bottom.

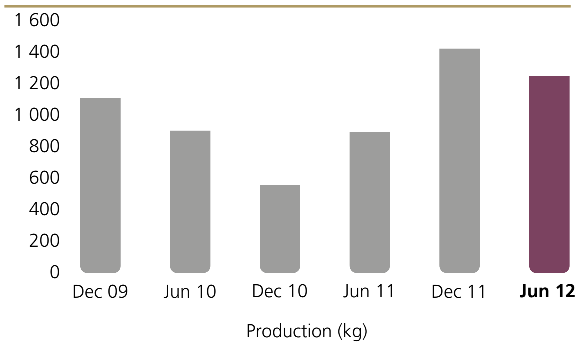
During the reporting period, the decline project (to 137 level) started well, reflecting good progress with development metres. Managing the shaft and project schedules is critical for Joel, given its limited shaft flexibility.

Joel is the pilot site for a triggered accident response plan or TARP under the Chamber of Mines' MOSH initiative. To date, potential rock fall hazards have been identified and catalogued and a reference book developed to assist underground supervisors in hazard identification. All supervisors at Joel have completed hazard identification and treatment training via e-learning as part of developing leading practice.

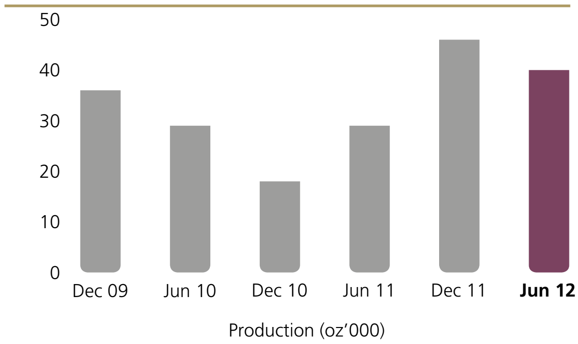
By the end of FY12, Joel's lift shaft – an integral part of the logistics of mining at this deep mine – was equipped down to 129 level from 121 level. This has provided access to the higher grades at deeper levels. In addition, mining support design was altered with the shaft changing from shallow to intermediate depth. This will impact the face advance as well as costs per square metre. The benefits of these changes were evident in the first half when Joel recorded the lowest cash operating costs in the company.

To ensure production targets are met, plans are in place to ensure the operability of North shaft through a planned maintenance programme to minimise breakdowns, maintain blast advances and assess the feasibility of mining below 129 level. Supported by a successful drilling programme in 2009 and pre-feasibility study in 2010, a feasibility study on mining 137 level and testing the upside potential of 145 level was completed by the end of the review period. The project was approved and began in the last quarter of the financial year.

Joel (kg)



Joel (oz)

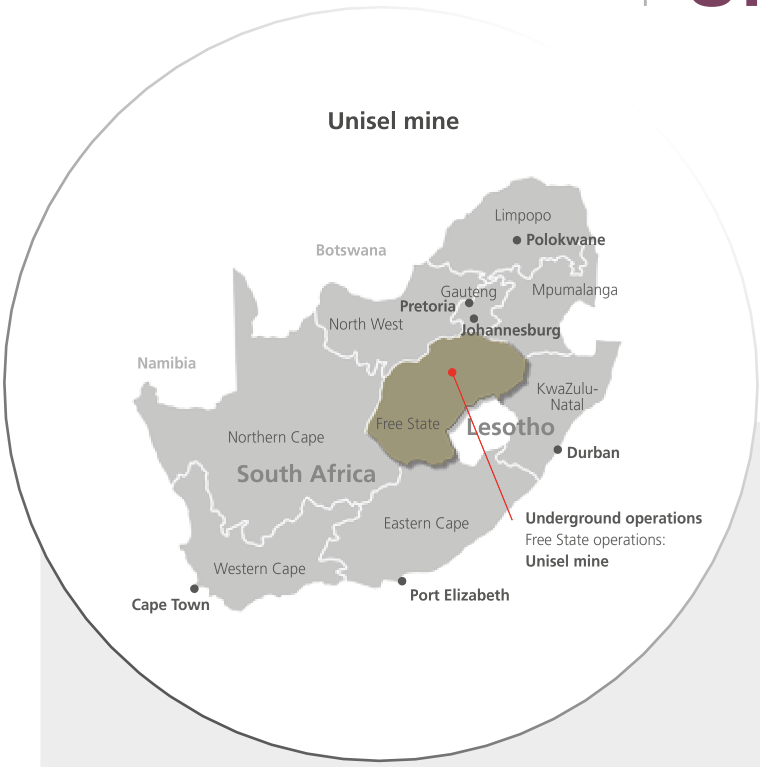


Financial review

Revenue increased 148% to R1 124 million and by 123% to US$145 million, with an increase in the gold price year on year of 34%. Mainly due to an excellent performance during the year, cash operating costs decreased by 28% to R208 807/kg while production profit rose 1 411% to R559 million (US$72 million). Capital expenditure of R84 million (US$11 million) was 15% higher than FY11 mainly due to the start-up of the 137 decline project to extend the current life-of-mine.

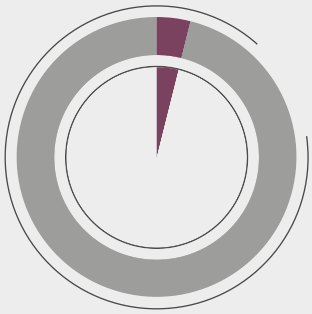
Operational review: Unisel

Unisel



4%*

contribution to group



* *Percentage of ounces contributed during FY12*

Unisel is at intermediate depth, with mining ranging from 1 000 to 2 000 metres, and uses scattered mining and pillar reclamation to access the Basal, Leader and Middle Reefs. Ore is processed at Harmony 1 plant.

Safety

Unisel recorded improved performance across several safety indicators during the year, reflecting the benefits of an improved relationship with organised labour. Regrettably, there was one fatality in the first quarter (FY11: one). The LTIFR deteriorated to 15.83 per million hours worked (FY11: 12.77). Unisel recorded over 1 million fall-of-ground fatality-free shifts during the review period.

More detailed information on safety performance and Harmony's sustainable development concerns in South Africa appear in the online sustainable development report, with a summary on pages 6 to 16 of this report.

Unisel recorded improved performance across several safety indicators during the year

Operational review: Unisel continued

Unisel key statistics

		FY12	FY11	FY10
Production				
Volumes milled	000t (metric)	**394**	453	508
	000t (imperial)	**434**	500	560
Gold produced	kg	**1 593**	1 949	1 905
	oz	**51 216**	62 661	61 248
Average grade	g/t	**4.04**	4.30	3.75
	oz/t	**0.118**	0.125	0.109
Financial				
Revenue	R million	**672**	606	504
	US$ million	**86**	87	66
Operating cost	R/kg	**312 957**	226 712	214 803
	US$/oz	**1 253**	1 009	881
Production profit	R million	**178**	166	98
	US$ million	**22**	24	13
Capital expenditure	R million	**71**	79	67
	US$ million	**9**	11	9
People				
Number of employees				
Employees		**1 823**	1 802	1 863
Contractors		**100**	68	32
Total		**1 923**	1 870	1 895
HDSAs in management	%	**18**	21	19
Women in mining	%	**10**	9	9
Training and development expenditure	R million	**12**	10	9
Safety				
Fatalities		**1**	1	3
LTIFR	per million hours worked	**15.83**	12.77	13.32
Environment				
Electricity used	000MWh	**110**	118	107
Water used for primary activities	000m^3	**2 146**	2 673	2 332
GHG emissions	000t CO_2e	**109**	122	110
Expenditure on local economic development	R million	**3**	5	2
Status of mining right	New-order mining right granted in December 2007			

See pages 134 to 141 for detailed information on Unisel's resources and reserves.

Operations review

Production for the year was down 13% to 394 000 tonnes milled, reflecting the impact of a 20-day stoppage for safety and labour issues in the first quarter and a third-quarter safety stoppage caused by the fatality at Bambanani West (see page 87). Gold production decreased 18% to 51 216oz.

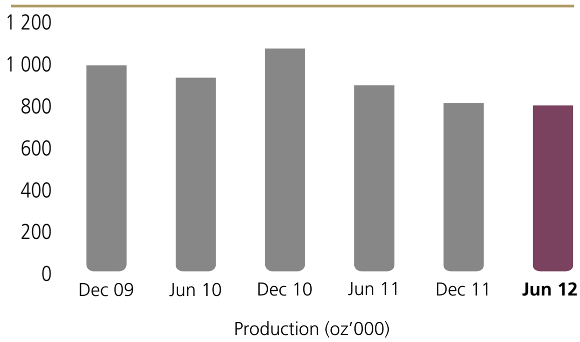
At Unisel, grade increases in variability to the south of the shaft, where most of the mining takes place. The ratio between Basal and Leader reefs is important as Basal Reef generally has higher grades than Leader Reef. Grade is an important factor in the viability of this marginal mine and although face grades are currently in line with the mine plan, management is focused on normalising belt grades to planned values. Increased seismicity in the decline section, which damaged footwall excavations in the first quarter and affected planned production, is being closely monitored.

Financial review

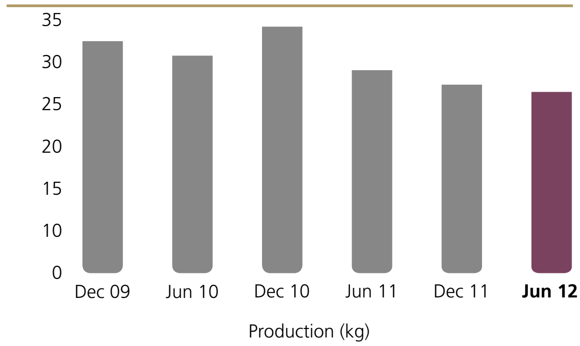
Revenue increased 11% to R672 million (US$86 million). Following the reductions in gold produced by 18% and grade by 6%, cash operating costs rose by 38% to R312 957/kg (US$1 253/oz).

However, production profit rose by 7% to R178 million (US$22 million). Capital expenditure of R71 million (US$9 million) was spent largely on ongoing development (73%), maintenance and other shaft capital (27%).

Unisel (oz)



Unisel (kg)



Operational review: Surface operations

Harmony's surface operations comprise the Phoenix tailings operations, the open-pit Kalgold mine and the programme to process waste rock dumps.

Phoenix

The Phoenix operation, adjacent to Harmony's current operations in the Free State, involves retreating tailings from regional tailings storage facilities to extract residual gold. Phoenix uses the Saaiplaas plant, next to the historical Saaiplaas 2 shaft area.

2%*

contribution to group

* *Percentage of ounces contributed during FY12*

Processing works at the Phoenix operation in the Free State

Safety

No fatalities were recorded at Phoenix in FY12 (FY11: 0), and a focused safety drive resulted in an LTIFR of 2.54 (FY11: 2.89) per million hours worked for the year. The plant recorded 2 000 reportable injury-free days in FY12.

More detailed information on safety performance and Harmony's sustainable development concerns in South Africa can be found in the online sustainable development report, with a summary on pages 6 to 16 of this report.

Phoenix operation key statistics

		FY12	FY11	FY10
Production				
Volumes milled	000t (metric)	**4 996**	5 301	5 517
	000t (imperial)	**5 509**	5 846	6 083
Gold produced	kg	**822**	589	647
	oz	**26 427**	18 937	20 801
Average grade	g/t	**0.16**	0.11	0.12
	oz/t	**0.005**	0.003	0.003
Financial				
Revenue	R million	**349**	181	172
	US$ million	**45**	26	23
Operating cost	R/kg	**241 309**	256 353	185 762
	US$/oz	**966**	1 141	762
Production profit	R million	**147**	36	52
	US$ million	**19**	5	7
Capital expenditure	R million	**30**	22	5
	US$ million	**4**	3	1

See pages 134 to 141 for detailed information on the surface operations' resources and reserves.

Operations review

Phoenix, which began five years ago and has a current life of 18 years, involves retreating around 6Mt annually (500 000tpm) at plant capacity. Tonnes milled dropped to 300 000t for the year as Phoenix is not currently operating at capacity after restrictions were imposed. At present, Phoenix is processing Dam 21 and Brand A, focusing on the latter with its superior recovery grade. Gold produced for the year rose from 589kg to 822kg due to improved gold dissolution after introducing pre-oxidised feed sources during transfer to the plant. The average recovery grade has since improved, due to this improved dissolution, and the strategic change to remining to maximise the higher-grade Brand A feed source.

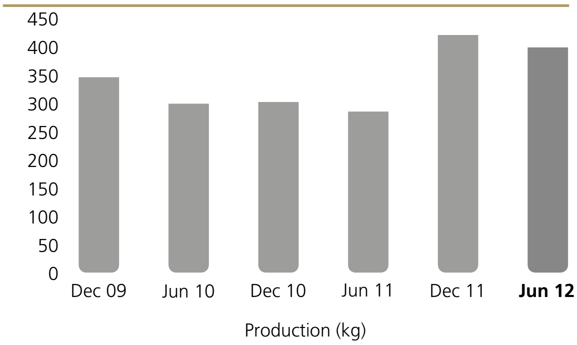
Earlier issues with the Dam 21 source that required process modifications to boost plant recovery were resolved just before the start of the review period. Two pumping systems were installed at Klippan to pump effluent to Dam 13, alleviating water supply problems during the year. Power costs remained high, given the delayed plant compressor project at Eskom, with installation completed in August 2012.

A major capital project of R184 million was approved to add two contact stages to the carbon-in-leach circuit to improve gold adsorption and to build a 500 000t/m cyclone residue dam on the old St Helena 1, 2, 3 dam footprint to restore production from 423 000t/m to 500 000t/m by May 2013.

Financial review

Phoenix's cash operating cost for the year was R241 309/kg, down 6%. Production profit tripled as a result of the higher gold price received, increased volumes and better grade.

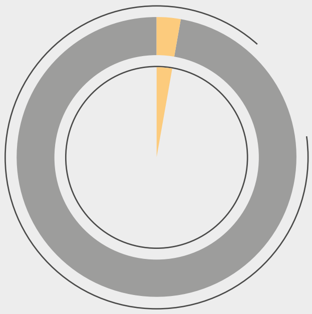
Project Phoenix (kg)



Kalgold

3%*

contribution to group



* *Percentage of ounces contributed during FY12*

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. Kalgold received ISO 14001 certification during the year.

Safety

For the third consecutive year, there were no fatal accidents at Kalgold, while the LTIFR 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. It was also awarded second place in the MineSAFE competition for year-on-year improvement in LTIFR. Kalgold recorded 51 white flag days and reached 1 million fatality-free shifts during the year.

More detailed information on safety performance and Harmony's sustainable development concerns in South Africa appear in the online sustainable development report, with a summary on pages 6 to 16 of this report.

Work on under way at the Kalgold surface operations in the North West province

Kalgold key statistics

		FY12	FY11	FY10
Production				
Volumes milled	000t (metric)	**1 342**	1 611	1 700
	000t (imperial)	**1 480**	1 775	1 873
Gold produced	kg	**1 041**	1 253	1 526
	oz	**33 469**	40 285	49 063
Average grade	g/t	**0.78**	0.78	0.90
	oz/t	**0.023**	0.023	0.026
Financial				
Revenue	R million	**442**	399	390
	US$ million	**57**	57	51
Operating cost	R/kg	**293 658**	254 946	182 215
	US$/oz	**1 176**	1 135	748
Production profit	R million	**131**	81	116
	US$ million	**17**	12	15
Capital expenditure	R million	**76**	18	11
	US$ million	**10**	3	1
People				
Number of employees				
Employees		**258**	229	230
Contractors		**454**	316	250
Total		**712**	545	480
HDSAs in management	%	**64**	67	63
Women in mining	%	**12**	13	13
Training and development expenditure	R million	**1**	1	1
Safety				
Fatalities		**0**	0	0
LTIFR	per million hours worked	**1.27**	5.43	1.49
Environment				
Electricity used	000MWh	**43**	42	77
Water used for primary activities	000m^3	**1 324**	2 750	2 337
GHG emissions	000t CO_2e	**43**	43	65
Expenditure on local economic development	R million	**3**	1	1
Status of mining right	New-order mining right granted in February 2009			

See pages 134 to 141 for detailed information on Kalgold's resources and reserves.

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, which 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.

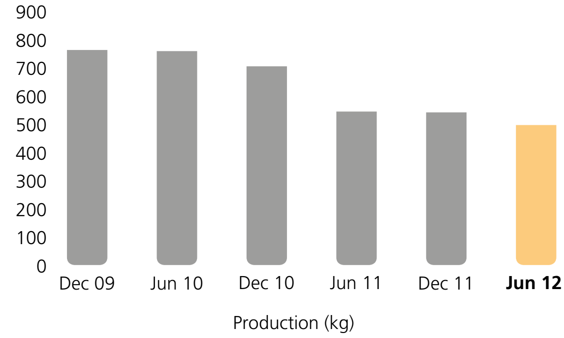
During the year, Kalgold stopped operations for three weeks due to a lack of water supply. Harmony has since adjusted its strategy to reduce its dependency on existing groundwater infrastructure.

Harmony continued brownfield exploration in areas surrounding the Kalgold operation.

Financial review

Despite the lower level of production and cash costs of R293 658/kg (US$1 176/oz), Kalgold reported a production profit of R131 million (US$17 million). The increase in unit cost largely reflects lower gold production while the tonnage mined remained relatively constant. Capital expenditure for the year was R76 million (US$10 million), mostly on replacing the carbon-in-leach tanks.

Kalgold (kg)



Waste rock dumps

There are some 7Mt of reserves available in rock dumps around our Free State operations. A programme run by metallurgical services is under way to mill and process these dumps when there is spare capacity.

4%*

contribution to group

* *Percentage of ounces contributed during FY12*

A tailings dam

Redundant plant clean-up

Virginia, St Helena and Steyn plants are currently being cleaned up. Virginia will be completed before the end of August 2013 while St Helena and Steyn will be completed by the end of July 2014. Please see our sustainable development report for details of the significant rehabilitation initiative under way.

Return-water dams

Although dredging never reached expected levels, the sources surveyed show good promise. This year 88 328 tonnes were processed at an average grade of 0.68g/t, producing 59.8kg of gold.

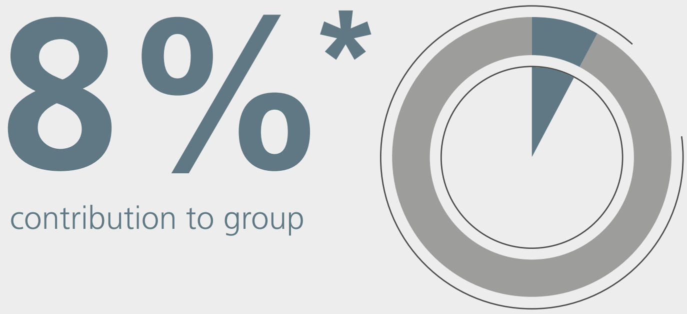
Rock dumps and clean-up operations (excluding Evander)

		FY12	FY11	FY10
Production				
Volumes milled	000t (metric)	**2 986**	3 229	1 630
	000t (imperial)	**3 292**	3 560	1 798
Gold produced	kg	**1 509**	1 516	1 030
	oz	**48 516**	48 740	33 114
Average grade	g/t	**0.51**	0.47	0.63
	oz/t	**0.015**	0.014	0.018
Financial				
Revenue	R million	**637**	466	280
	US$ million	**82**	67	37
Operating cost	R/kg	**247 510**	237 406	177 346
	US$/oz	**991**	1 057	728
Production profit	R million	**252**	85	81
	US$ million	**32**	12	11
Capital expenditure	R million	**24**	51	0
	US$ million	**3**	7	0

Operational review: Discontinued South African operation

Harmony entered into an agreement for the sale of Evander to Pan African Resources plc on 30 May 2012, for the disposal of its 100% interest in Evander Gold Mines Limited for a total consideration of R1.5 billion. The transaction is expected to be completed towards the end of calendar year 2012.

Evander



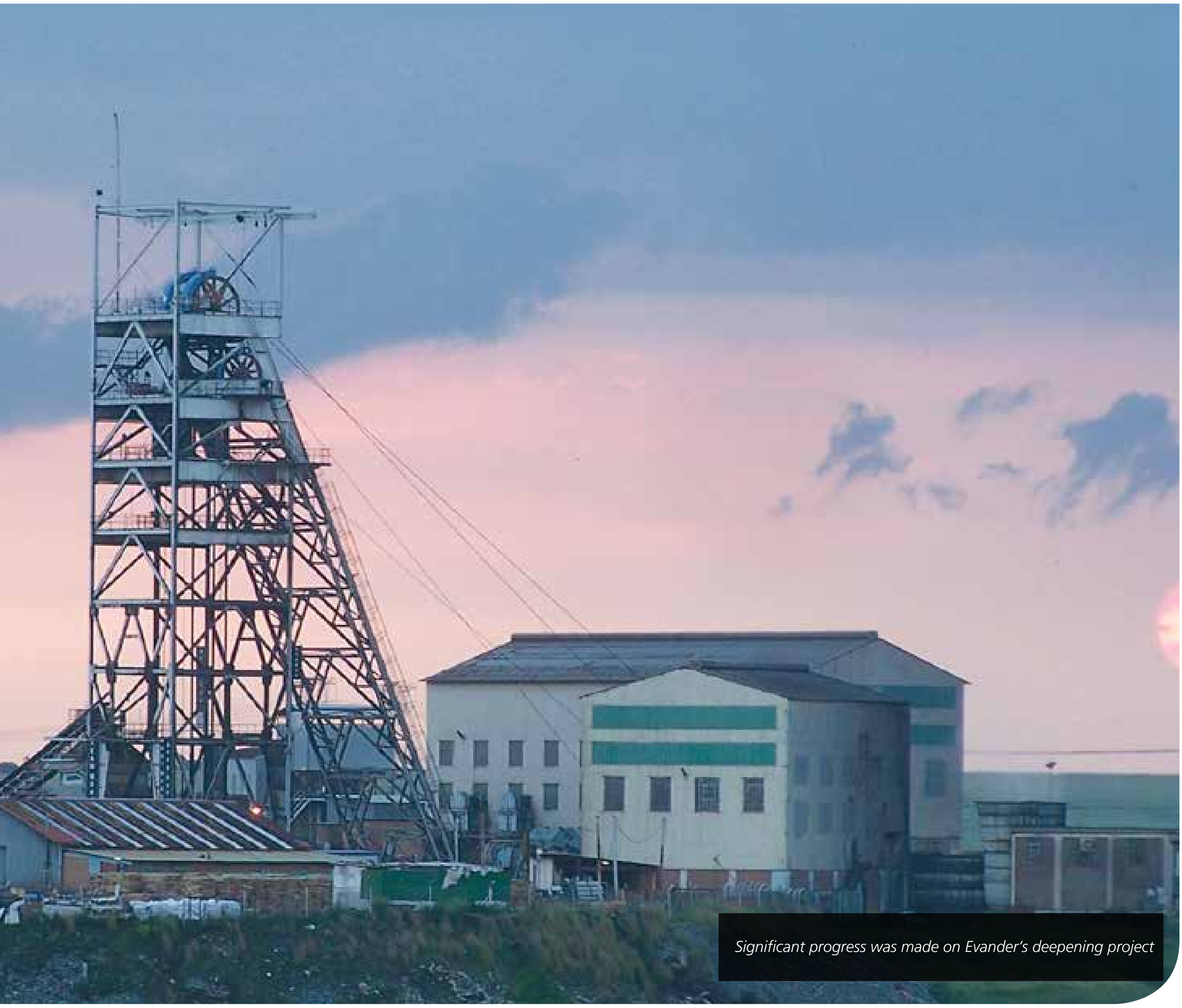
* *Percentage of ounces contributed during FY12*

The Evander operation mines the Kimberley Reef in the Evander Basin from a single shaft, with an expected life-of-mine of more than 10 years. Ore is milled and processed at the Kinross plant.

Safety

Regrettably, five fatalities were recorded (FY11: zero). The LTIFR rose to 4.00 per million hours worked (FY11: 3.72). Commendably Evander recorded over 1 million fall-of-ground fatality-free shifts and 1 million fatality-free shifts during the review period. It was awarded sixth place in the MineSAFE competition for year-on-year LTIFR improvement.

More detailed information on safety performance and Harmony's sustainable development concerns in South Africa can be found in the online sustainable development report, with a summary on pages 6 to 16 of this report.



Significant progress was made on Evander's deepening project

Evander key statistics

		FY12	FY11	FY10
Production				
Volumes milled	000t (metric)	**638**	831	1 081
	000t (imperial)	**704**	916	1 192
Gold produced	kg	**3 369**	2 734	4 003
	oz	**108 317**	87 900	128 700
Average grade	g/t	**5.28**	3.29	3.70
	oz/t	**0.154**	0.096	0.108
Financial				
Revenue	R million	**1 405**	849	1 050
	US$ million	**181**	122	138
Operating cost	R/kg	**229 575**	240 467	224 686
	US$/oz	**919**	1 070	922
Production profit	R million	**638**	183	154
	US$ million	**82**	27	20
Capital expenditure	R million	**177**	196	175
	US$ million	**23**	28	23
People				
Number of employees				
Employees		**2 521**	2 547	2 865
Contractors		**558**	423	466
Total		**3 079**	2 970	3 331
HDSAs in management	%	**39**	35	31
Women in mining	%	**8**	8	8
Training and development expenditure	R million	**12**	13	21
Safety				
Fatalities		**5**	0	2
LTIFR	per million hours worked	**4.00**	3.72	7.41
Environment				
Electricity used	000MWh	**312**	280	397
Water used for primary activities	000m^3	**5 032**	4 463	5 267
GHG emissions	000t CO_2e	**309**	288	491
Expenditure on local economic development	R million	**3**	3	5
Status of mining right	New-order mining right granted in December 2007			

Operations review

Ore milled for the year totalled 638 000 tonnes, a decrease of 23% on FY11. Significantly higher grades recovered in the first half dropped slightly in the second half, as expected, to average 5.28g/t for the period (FY11: 3.29g/t). The increase in grades contributed to gold production for the year rising 23% to 108 317oz.

Significant progress was made on Evander's deepening project, which involves deepening the decline and repositioning it within the payshoot for immediate access to high-grade areas between 24 and 25 levels. Ventilation and cooling components were installed by year-end after pipe work to commission the second cooling plant was completed in the third quarter. Development of the raise portion of the decline was completed in the same quarter, and construction and installation of the conveyor belt is under way. By year-end, development of the decline winze had advanced 192 metres and rehabilitation work completed to transport ore from the new decline to 24 level tips. This will also be equipped with services from the vent sub-shaft to the new decline. The material way/chairlift excavation from 24 to 23 level at the new decline position has also been completed.

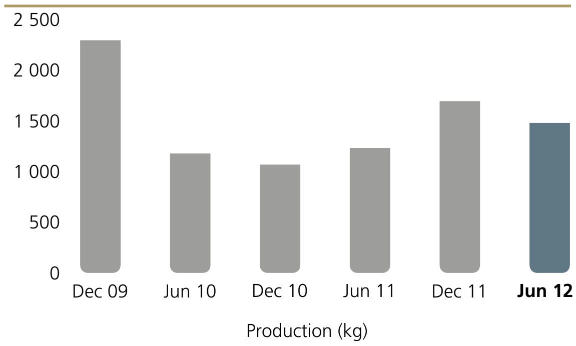
Following the earlier closure of shafts and a plant in FY10, a clean-up programme was initiated. The aim was to clean up any metal contained in the plant footprints, process rock from dumps in the vicinity, rehabilitate the plant, and clean the surface rail network. In FY12, around 177 440 tonnes were treated via this programme at a recovered grade of 1.09g/t, yielding 194kg (6 238oz) of gold and contributing to Evander's results for the year.

Financial review

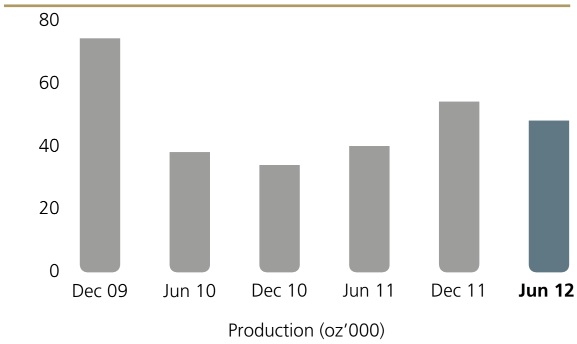
Revenue increased 65% to R1 405 million (US$181 million) while production costs rose 15% to R767 million (US$99 million) including surface sources. Unit costs reduced by 5% to R229 575/kg and by 14% to US$919/oz, as a result of increased production. Production profit rose to R638 million (US$82 million).

Capital expenditure of R177 million (US$23 million) was allocated mostly to ongoing development (R52 million (US$7 million)), major equipment maintenance (R14 million (US$2 million)) and shaft capital (R26 million (US$3 million)), with the balance spent on major project capital for Evander 8 (R85 million (US$11 million)).

Evander (kg)



Evander (oz)



YOU are the gold

Tailoring our sustainability approach to PNG's unique needs

In FY12, Harmony and its joint-venture partner in Papua New Guinea commissioned a study of the scope of benefits being provided by mining and exploration activities in the region, specifically Hidden Valley mine. This benefit stream analysis has provided valuable insight, and is detailed in our sustainable development report.

Within Morobe Province, the mine is expected to generate direct benefits averaging K183 million annually for 15 years (encompassing both the construction and operational phases). The benefits range from procurement and wages to benefits and support.

A number of initiatives are providing a more equitable share of benefits in Bulolo District and Morobe Province in general. The Morobe Project Management Unit (MPMU) has been established as the channel for government grants to be transferred to the province. For example, considerable work has been completed on the Wau-Bulolo Highway and supporting production of coffee and cocoa.

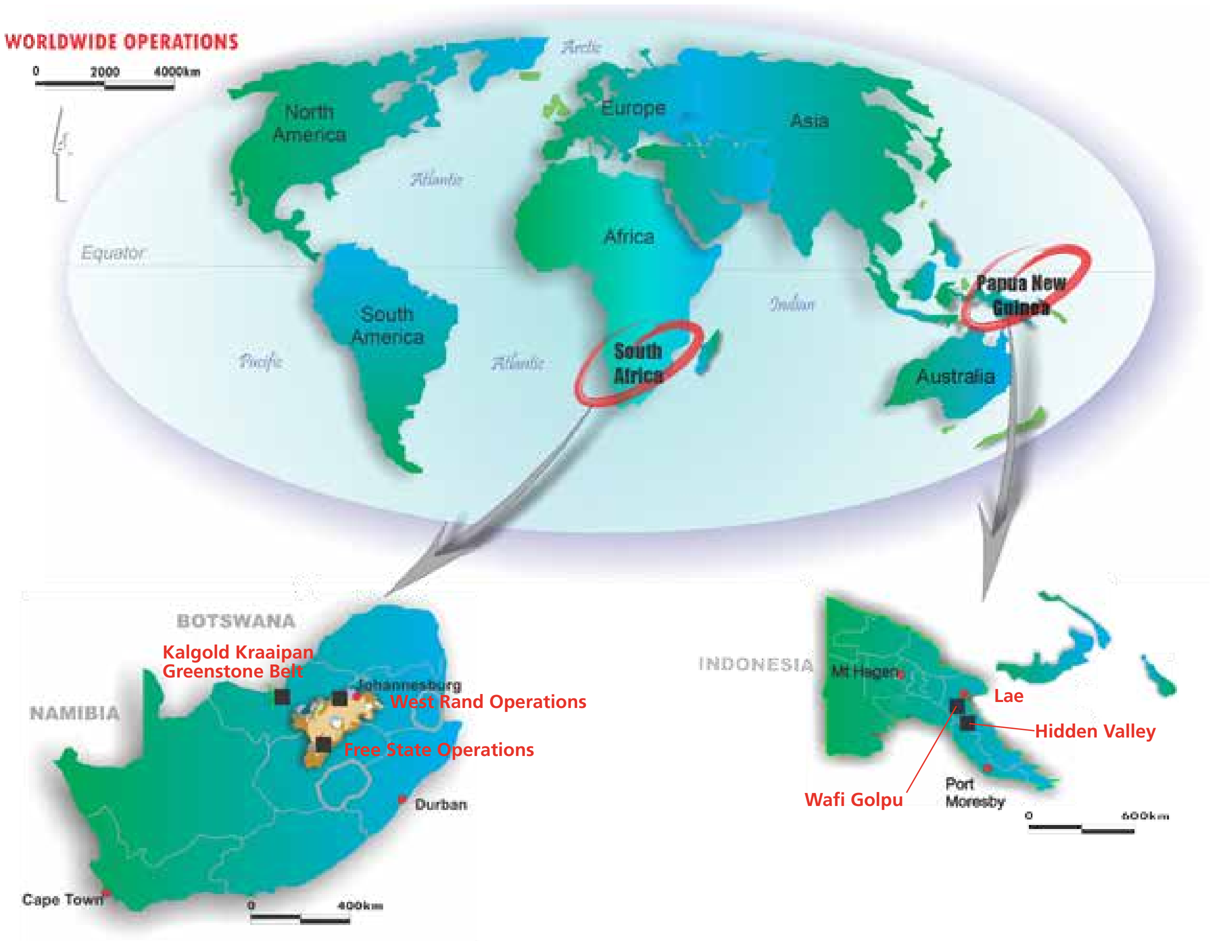
Due to these strategies, the benefits of Hidden Valley mine are being spread throughout the province.

MMJV has prepared a community and regional development plan, and allocated over K15 million in the past year to a wide range of projects, including roads and bridges, water supply, education, agriculture and health.

24% of total goods and services have been procured from the province since July 2008.

Geology

Harmony has operations in Papua New Guinea (PNG) and South Africa (SA). The geology of these areas in which Harmony has exploration, projects and operations, is described in this section.



Papua New Guinea

Papua New Guinea (PNG) lies at the northern end of the Australian Plate and has three major components: a continental cratonic platform, an arc of volcanic islands and a central collisional fold belt, consisting of mesozoic sediments, ophiolite sequences, tertiary sediments and diorite intrusions. During collision, the Wau Graben, the host of major gold and silver deposits, was formed in the fold belt. It coincided with a phase of volcanic activity, resulting in precious and base metal deposits being formed. These include epithermal gold deposits at Hidden Valley, Hamata, Kerimenge and Wafi and porphyry-style copper deposits such as Golpu. Numerous other gold and copper-gold prospects, which are at various stages of exploration and evaluation, occur in Harmony's lease areas.

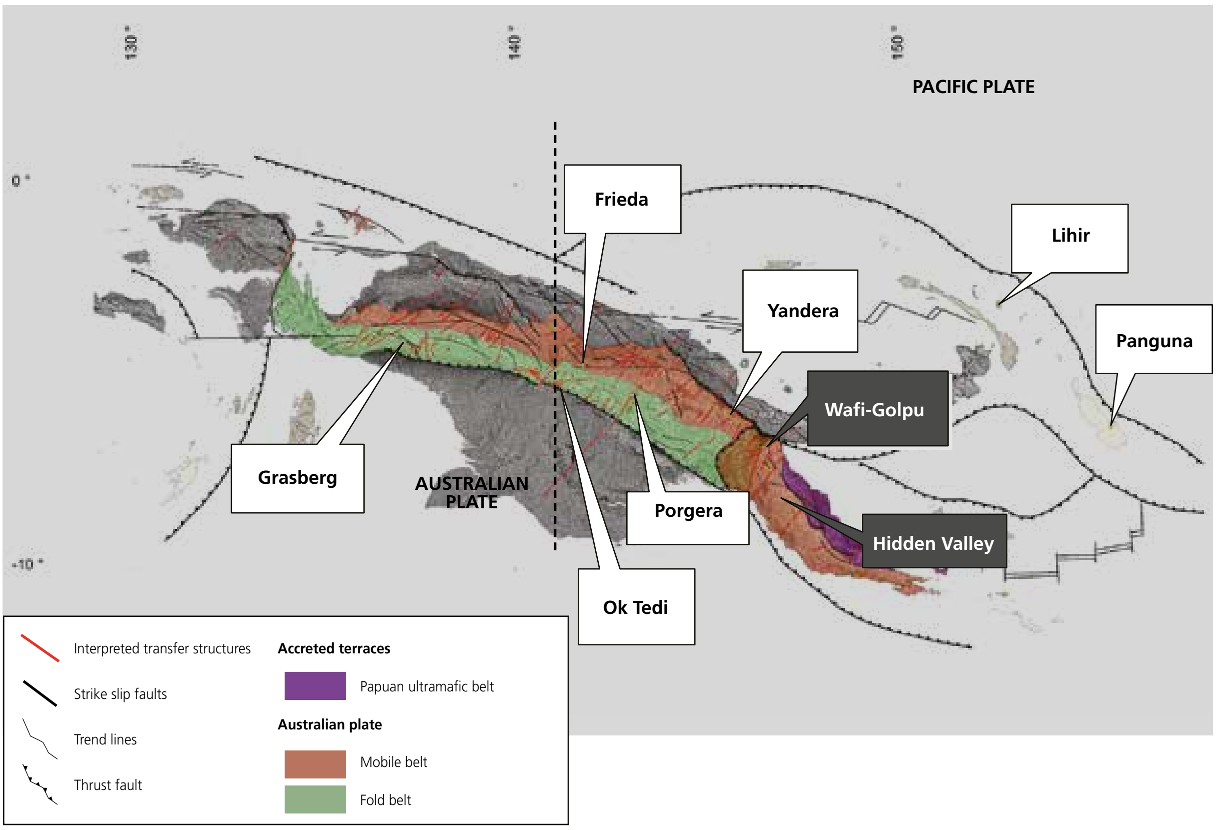
Hidden Valley and Hamata

The major gold-silver deposits of the Morobe Goldfield and the Hidden Valley project are hosted in the Wau Graben. The Wau Graben developed as a back-arc rift basin in the southern extension of the New Guinea Mobile Belt (Owen Stanley Foreland Thrust Belt) covering an area of approximately 850 square kilometres in which the Morobe Goldfield, including the Hidden Valley and Hamata deposits, are developed. Both the Hidden Valley and Hamata deposits are hosted within the Morobe Granodiorite batholith that is contained within the Graben structure.

The Hidden Valley and Hamata deposits are interpreted as low-sulphidation or adularia-sericite-type epithermal gold-silver deposits. The Hidden Valley deposit further forms part of the carbonate-base-metal-gold subgroup, with abundant carbonate vein-gangue. Discrete zones of intense stockwork fracture and mineralised veining comprise individual lodes. At the Hidden Valley deposit, gold and silver are related to the flat lying (Hidden Valley Zone, 'HVZ') and steeply dipping (Kaveroi Creek Zone, 'KCZ') sheeted vein swarms associated with an underlying shallow thrust. The Hamata gold deposit is a structurally controlled shallow dipping vein system and associated with sericite-pyrite alteration.

Wafi-Golpu

The Wafi-Golpu project comprises porphyry and epithermal copper and gold systems within a 2.5km x 2.5km area that contains numerous diorite porphyry lodes, such as the Golpu copper-gold porphyry and the Nambonga gold-copper porphyry; and the Wafi epithermal gold lodes. The Wafi gold and Golpu porphyry mineralisation is hosted by sedimentary/volcanoclastic rocks of the Owen Stanley Formation which surrounds the intrusive Wafi Diatreme. Gold mineralisation occurs in the form of extensive high-sulphidation epithermal alteration overprinting porphyry mineralisation and epithermal style vein-hosted and replacement gold mineralisation with associated wall-rock alteration.



Witwatersrand Supergroup

Free State Region

The Harmony Free State operations are located on the south-western corner of the Witwatersrand Basin, between the towns of Allanridge, Welkom, Theunissen and Virginia. The basin, situated on the Kaapvaal Craton, has been filled by a 6km thick succession of sedimentary rocks, which extends laterally for hundreds of kilometres.

The Free State goldfield is divided into two sections, cut by the north-south striking De Bron fault. This major structure has a downward vertical displacement of about 1 500m in the region of Bambanani, as well as a lateral shift of 4km. This lateral shift can allow a reconstruction of the orebodies of Unisel to the west of the De Bron and Masimong to the east. A number of other major faults (Stuirmanspan, Dagbreek, Arrarat and Eureka) lie parallel to the De Bron fault.

To the west of the De Bron fault, current operating mines are Target, Tshepong, Phakisa, Unisel, Bambanani and Joel. Dips of the reef are mostly towards the east, averaging 30 degrees but become steeper approaching the De Bron fault. To the east of the fault lies Masimong mine. These reefs mostly dip towards the west at 20 degrees, although Masimong is structurally complex and dips of up to 40 degrees have been measured. Between these two blocks lie the uplifted Horst block of West Rand Group sediments with no reef preserved.

The western margin area is bound by synclines and reverse thrust faults and is structurally complex. Towards the south and east, reefs sub-crop against overlying strata, eventually cutting out against the Karoo to the east of the lease area.

Most of the mineral resource tends to be concentrated in reef bands located on one or two distinct unconformities. A minority of the mineral resource is located on other unconformities. Mining that has taken place is mostly deep-level underground mining, exploiting the narrow, generally shallow dipping tabular reefs.

The Basal Reef is the most common reef horizon and is mined at all shafts except Target 1 and Joel. It varies from a single pebble lag to channels of more than 2m thick. It is commonly overlain by shale, which thickens northwards. Tshepong has resorted to undercutting its mining panels to reduce the effect of shale dilution.

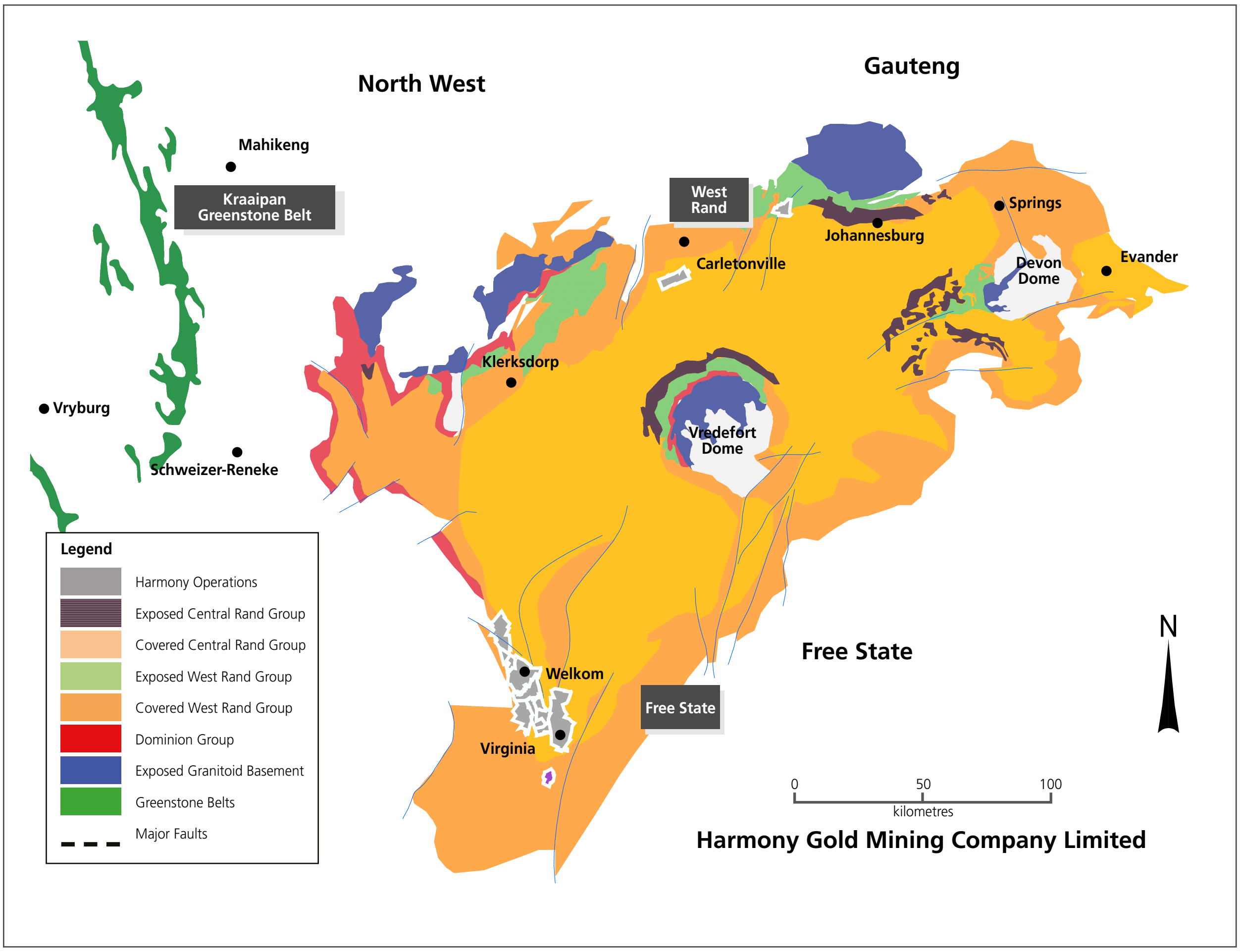
The second major reef is the Leader Reef, 15m to 20m above the Basal Reef. This is mined at Unisel to the south. Further north, it becomes poorly developed with erratic grades. The reef consists of multiple conglomerate units, separated by thin quartzitic zones, often totalling up to 4m thick. A selected mining cut on the most economic horizon is often undertaken.

The B Reef is a highly channelised orebody located 140m stratigraphically above the Basal Reef. Because of its erratic nature, it has only been mined at Masimong, Tshepong, Target 2 and Target 3 shafts. Within the channels, grades are excellent, but this reduces to almost nothing outside the channels. Consequently, these shafts have undertaken extensive exploration to locate these pay channels.

The A Reef is also a highly channelised reef, located some 40m above the B Reef and is only mined at Target 3 shaft, within an extensive channel that lies along the western margin from Nyala to Lorraine. It consists of multiple conglomerate bands of up to 4m thick and a selected mining cut is usually required to optimise the orebody.

Joel mine, 30km south of Welkom, is the only Harmony Free State operation to mine the Beatrix Reef. This varies from a single-pebble lag to a multiple conglomerate, often showing mixing of the reef with some of the overlying lower-grade VS5 (mixed pebble conglomerate) material. None of the other reefs are present this far south, having sub-cropped against the Beatrix Reef.

The Target operations are at the northern extent of the Free State goldfields, some 20km north of Welkom. The reefs currently exploited are the Elsburg-Dreyerskuil conglomerates, which form a wedge-shaped stacked package, comprising 35 separate reef horizons, often separated by quartzite beds. The Elsburg Reefs are truncated by an unconformity surface at the base of the overlying Dreyerskuil member. Below the sub-crop, the Elsburg dips steeply to the east, with dips becoming progressively shallower down dip. Close to the sub-outcrop, the thickness of the intervening quartzites reduces, resulting in the Elsburg Reefs coalescing to form composite reef packages that are exploited by massive mining techniques at Target mine. The Dreyerskuil also consists of stacked reefs dipping shallowly to the east. These reefs tend to be less numerous, but more laterally extensive than the underlying Elsburg Reefs.



West Rand Region

Doornkop

The structure of the West Rand goldfield is dominated by the Witpoortjie and Panvlakte Horst blocks, which are superimposed over broad folding associated with the south-east plunging West Rand syncline. At Doornkop mine, both the Kimberley Reef and South Reef are exploited.

The Doornkop shaft lease area is bounded by and lies to the south-east of the major north-easterly striking Roodepoort fault, which dips to the south and constitutes the southern edge of the Witpoortjie Horst block or gap. This Horst block comprises the stratigraphically older sediments of the West Rand Group, the overlying Central Rand Group sediments having been removed by erosion. A number of other faults, forming part of and lying south-east of the Roodepoort fault, including the Saxon fault, also constitute conspicuous structural breaks. A second major fault, the Doornkop fault, which trends in an east-west direction, occurs toward the southern portion of the lease area. This fault dips to the south and has an up-throw to the north.

Nearly the entire upper Witwatersrand section is present in the lease area and therefore all the major zones are present, though due to the distance of the area from the primary source of gold, the number of economic bands and their payability is limited. Eight of the well-known reefs are present in the area, but only the Kimberley Reef and South Reef are considered viable at this stage.

The Kimberley Reef is contained in the Vlakfontein member of the Westonaria formation. This reef, also known as the K9 Reef horizon, rests on an unconformity and is a complex multi-pulse conglomerate, which can be separated into four facies or cycles. All four cycles consist on average of an upper conglomerate and a lower quartzite. The characteristics of every cycle are area-dependent and the grades are variable within each cycle.

The South Reef is some 900m below the current Kimberley Reef mining, and between 7.5 and 60m above the Main Reef horizon. The hanging wall to the South Reef consists of siliceous quartzites with non-persistent bands of ‘blue-shot’ grit and thin argillite partings. The footwall to the South Reef

Geology continued

is a light coloured and fairly siliceous quartzite. Secondary conglomerate bands and stringers in the hanging wall and footwall of the South Reef may contain sporadic gold values.

The general strike of the reef is east-west, with a dip from 10 to 20 degrees.

Kusasalethu

Kusasalethu is situated in the West Wits Basin and is mining Ventersdorp Contact Reef (VCR) as its main orebody. The VCR rests unconformably on the quartzites of the Witwatersrand (WWR) Supergroup.

These WWR quartzites belong to the Mondeor Formation in the western part of the lease area and the Elsburgs Quartzite Formation in the eastern part of the lease area. The unconformity angle becomes more perceptible towards the east. The average dip of the VCR is 25 degrees to the south-east and the VCR has an average strike of N72 degrees east.

The VCR is generally a clast supported conglomerate of small sub-angular and milky (top 20cm unit) with sub-rounded milky and smoky (60:40 respectively) quartz pebbles. The matrix is dark grey and medium-grained and comprises mostly quartzite, separating the two units as internal quartzites. It is mineralised by some pyrhotite, chalcopyrite and, in rare instances, by some carbon flyspecks. Sometimes there are changes to the reef appearance in the form of thickness and, to some degree, elimination. These changes are brought about by either erosion (lava erosion channels – lava appearing at different elevations, with resultant undulations of the reef), or flat faulting (as evidenced by the presence of mylonite at the top contact of the reef).

The Elsburgs conglomerates are found on the west side of kusasalethu, forming footwall to the VCR. The Elsburgs are Part of the Turffontein Supergroup. It is a predominantly polymictic matrix supported conglomerate of well-packed and moderately sorted, sub-rounded smoky (80%), black/grey (15%) quartz pebbles, chert (3%) and some elongated shale pebbles (2%). The matrix is pale yellow to light green and medium-grained, also, pyritic in places. This is well-mineralised with disseminated pyritic.

The VCR is overlain by the Ventersdorp Lava. The lava belongs to the Ventersdorp Supergroup. It is light to mid-grey in colour and fine crystalline, seldom containing phenocrysts. In places it is amygdaloidal with quartz and pyrite mineralisation. Flow structures are also present at the base of the lava. It breaks into very angular fragments due to weak jointing and the flow banding – it would appear to be andesitic in composition.

The facies model at Kusasalethu is based on the Palaeotopographic or Slope and Terrace model. Nine facies types have been recognised at Kusasalethu, eight sedimentological and one structural. Four of the facies are thick, high-grade, geologically distinct reef terraces separated from one another by thin low-grade slope reef. The sand-filled channel is a thick low-grade facies. Sandy Terrace Complex (TC2) is found on the same elevation as Terrace Complex but is essentially a pebbly quartzite with no grade. The Mondeor conglomerates have been identified sub-cropping against the VCR in stopes on the 36, 37, 38, 39 and 40 lines and have been delineated as a separate facies in these areas.

The reefs mined here are products of braided river systems with the characteristic alternating conglomerate and quartzite layers, which were later incised and, subsequent to tectonic processes of uplift, the dropping of the sea level plus erosion (and much later, resumption of deposition), brought about the preserved different levels of flood plains (terraces) and slopes joining them.

Geological discontinuities observed at Kusasalethu include faults, dykes and sills. Sills may occur in the footwall in many areas adjacent to certain dykes. Flat bedding plane faulting also occurs and results in reef duplication, elimination and brecciation. Faults and dykes are classified according to their relative geologic ages, and are as follows: Pre-VCR structures, Ventersdorp structures, Platberg structures, Bushveld structures and Pilanesberg structures.

Kusasalethu is mining in blocky ground created by structures in the form of dykes and faults. The dykes are fairly basic in composition and they tend to strike north-north-east and south-south-west with a general dip of 75 degrees. The faults, however, have a strike mostly of east-south-east and west-north-west with a few exceptions. Generally, faults here are normal faults with the accompanied loss of ground with varying throws, from a throw of mere centimetres to a massive 60m throw (Kittims and De Twem Fault).

Kraaipan Greenstone Belt

Kalgold

Locality

The Kalgold operation is located within the Kraaipan Greenstone Belt, 60km south of Mahikeng. This is part of the larger Amalia-Kraaipan Greenstone terrain, consisting of north-trending linear belts of Archaean meta-volcanic and metasedimentary rocks, separated by granitoid units. Mineralisation occurs in shallow dipping quartz veins, which occur in clusters or swarms, within the steeply dipping magnetite-chert banded iron formation. Disseminated sulphide mineralisation, dominated mostly by pyrite, occurs around and between the shallow dipping quartz vein swarms.

The D zone is the largest orebody encountered and has been depleted. Mineralisation has also been found in the Mielie Field zone (adjacent to the D zone), the A zone, Watertank and Windmill areas to the north of the A zone. Current operations are focused on mining the Watertank and A zone open pits.

Pit geology

- A zone pit

The A zone consists of two units, the main ore body, Main A zone (MAZ) and a smaller unit A zone west (AZW). The entire ore body stretches along a strike length of approximately 6.5km N–S and has variable width of 15 to 45m. The ore bodies are characterised by a hanging wall comprising meta-pelitic rocks, meta-greywacke and conglomerates. The footwall to the ore bodies comprises mafic schist, which consists of meta-basaltic rocks. In the A zone, the massive Banded Iron Formation (BIF) consists of two units that are associated with the MAZ and AZW ore bodies respectively. The Banded Iron Formations in this zone are separated by approximately 50m thick alternating sequence of chloritic and argillaceous meta-pelites.

The A zone deposit consists of a number of mineralised cherty banded iron formation units that are interbedded with schist and shale and also consists of banded iron formation rich in silica. The A zone has an overall strike of 850m and comprises individual zones of mineralisation which are steeply dipping and have strike lengths from 200 to 500m. Reef widths range between 15 and 70m. The intercalated shale and schist Banded Iron Formations and Banded Iron Formation with silica of the oxides has recorded lower grade than that of the sulphides.

- Watertank pit

Watertank is a long narrow deposit hoisted by cherty banded iron formation which has a similar stratigraphic position to the D zone and A zone and planned to be mined-out in January 2013. The top 40 metres of the mining is in oxidised material followed by deeper sulphide mineralisation. The oxidised BIF has recorded lower grade than that of the sulphides. Intersecting the ore (mineralised BIF) at deeper levels has shown an increase in the grade. The orebody at Watertank is steeply dipping at 75° and has a strike length of 950m and an average width of 45m. The mineralised zones within this unit range between 2 and 12m in width.

HARMONY IN BRIEF
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Exploration

Highlights

Brownfields exploration in South Africa focused on quality ounces
- Excellent potential of Freddies 9 shaft
- Positive drill results from Joel – new modelling outlines potential life-of-mine extension of seven years

Quality project pipeline developed – solid balance between early-stage and more immediate prospects to underpin further growth

Resource growth in PNG
- Wafi-Golpu resource expanded to 27.3Moz gold, 9Mt copper, 95 000t molybdenum*
- Equivalent to a total gold endowment of 74Moz[1]
- Discovery cost less than US$10 per oz

Three key exploration project areas in the New Guinea mobile belt – a world-class copper and gold belt undergoing a resurgence in exploration
- Kurunga intrusive complex (porphyry-related gold, copper and molybdenum) at Mt Hagen
- Vein stockwork gold mineralisation at Amanab
- Porphyry copper-gold and associated gold skarn mineralisation at Tari.

** Represents Harmony/Newcrest joint venture 100% portion.*

Total exploration expenditure for the Harmony group of companies was R500 million (US$64.4 million) (94% PNG and 6% SA) and can be broken up into greenfields and brownfields.

Harmony's exploration strategy is to target key prospective geological terranes to create shareholder value through the discovery of large long-life gold orebodies.

Harmony maintains a balanced approach to exploration:
- Brownfields exploration work to develop mineral districts, maximise value from established infrastructure and sustain our operations
- Greenfields exploration work to create new opportunities in highly prospective, under-explored mineral provinces and emerging gold districts.

Organic growth and geographical diversification are fundamental to the company's strategy. This is reflected in the board's commitment to exploration.

Harmony aims to develop a quality pipeline of projects across all stages of the exploration process (ie project generation, advanced projects, resource definition and projects moving into pre-feasibility) to sustain resource growth. Safety, maximising in-ground expenditure, and conviction to drill test high-priority targets are key operational strengths.

Harmony's approach to access quality projects is flexible and can include JV partnerships, acquisition and other arrangements. New growth projects are subject to rigorous application of filter criteria based on project- and country-related risk and ability to meet minimum requirements on potential size, production profile and investment targets.

Outside South Africa, Harmony has a strong focus on south-east Asia, targeting arc-related epithermal gold and porphyry copper-gold deposits, although sediment-hosted gold deposits are also highly ranked.

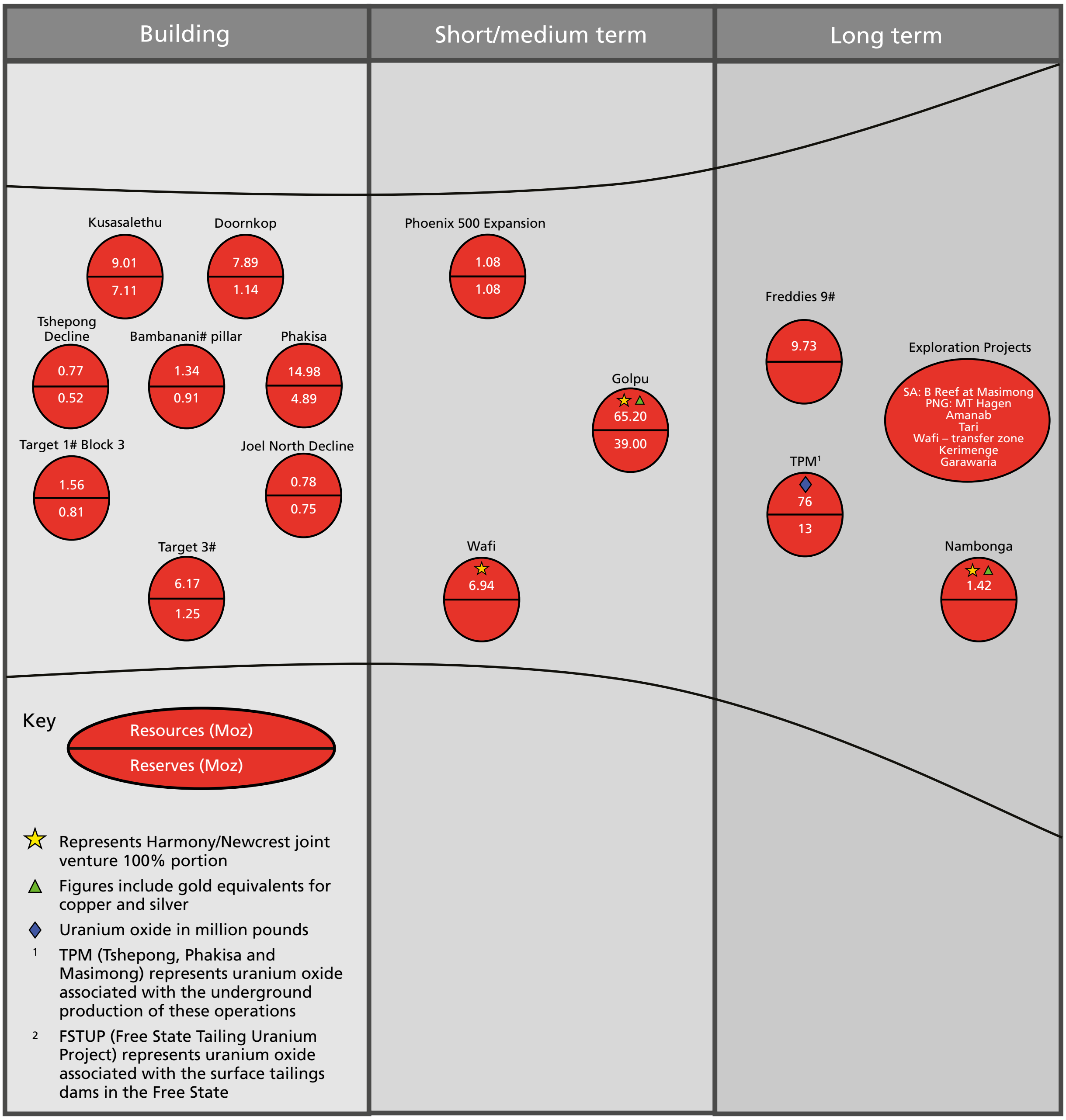
Exploration projects

The New Guinea mobile belt of Papua New Guinea is one of the world's pre-eminent geological terrains for porphyry copper-gold and epithermal gold mineralisation. The belt is host to several world-class mines including Grasberg-Ertzberg (copper-gold), Porgera (gold) and Ok Tedi (copper-gold), and continues to grow in endowment with recent discoveries and resource expansions at Wafi-Golpu, Frieda River and Yandera. Collectively these three development projects in PNG have grown to over 35Moz gold and 20Mt copper, and the belt is currently undergoing a resurgence in exploration on the back of this success.

Harmony has been actively exploring in PNG since 2003 and is well positioned despite increasing competition for exploration acreage. We have an established quality project portfolio comprising over 12 000km^2 of exploration, encompassing some of the most prospective mineral provinces and emerging gold and copper districts.

Harmony's exploration investment in PNG since 2003 now totals A$188.5 million. Our resource base has grown by 17.5Moz of gold, 4.5Mt copper, 77.8Moz silver and 47 600t

Harmony project pipeline



molybdenum. On an ounce-equivalent basis, this represents 41.2Moz of gold[1] and equates to a cost per discovery ounce of less than US$10.

The tenement portfolio includes the Morobe Mining Joint Ventures, a 50:50 partnership between Harmony and Newcrest, together with a number of 100%-owned projects including Mt Hagen, Amanab and Tari. These projects represent quality greenfield gold and copper-gold opportunities in highly prospective, under-explored districts of the New Guinea mobile belt.

Morobe Mining Joint Venture (MMJV)

The MMJV land holding comprises some 4 726km² of tenure. The tenements sit in a broader strategic alliance area where both Harmony and Newcrest operate as JV partners.

The tenement package encompasses the Wafi-Golpu and Hidden Valley projects and is a key strategic holding in the Morobe goldfields district. Although prospecting and mining activities date back to the early 1900s, the true potential of the district is only now beginning to crystallise.

[1] *Gold equivalent ounces calculated based on prices of US$1 400/oz Au, US$3.50/lb Cu, with 100% recovery.*

Exploration continued

FY12 exploration expenditure for the MMJV totalled US$17 million (PGK36 million).

The underlying strategy of the MMJV exploration programme is threefold:

- Wafi-Golpu
  - Resource definition and brownfields exploration to develop Wafi-Golpu into a second mining operation for the MMJV
  - Wafi transfer zone – greenfields exploration targeting discovery of additional resources to expand Wafi-Golpu into a mineral district
- Hidden Valley district – brownfields exploration in a 10km radius of the Hidden Valley plant to develop resources to replace mining depletion and support expansion
- Regional greenfields exploration – develop a project pipeline capable of delivering additional quality resources and sustaining future growth and operations in the province.

Work programmes and results for these activities are detailed below.

The region is considered under-explored and has significant potential for discovery of additional multimillion-ounce gold deposits. Accordingly, the MMJV proposes to spend US$78 million on exploration in FY13 of which US$39 million will be Harmony's share.

Wafi-Golpu

Resource definition and greenfields exploration

Drilling at Wafi-Golpu this year focused on delineation of the existing resource to bring the deposit into reserve and feasibility study. The drilling confirmed the high-grade nature of the deposit but added further knowledge on the internal geological structure of the deposit. The Golpu copper-gold deposit is a nested porphyry system that comprises at least four separate mineralised intrusions. There is strong potential for additional mineralised intrusives along strike from Golpu, at Nambonga, and for additional feeder zones around the margins and at depth below the diatreme. Recent drilling has shown that the upper area of Golpu (Lift 1 in the pre-feasibility study) is open to the north and extending closer to surface in this area. The lower portions of the orebody are open at depth and to the east. In overall assessment, the deposit remains hugely prospective and under-explored.

The Wafi epithermal gold system is also expanding, with new zones of gold mineralisation discovered off the northern margin of the diatreme. We have identified additional Wafi-style gold mineralisation adjacent to the Golpu porphyry in drill holes designed to target the latter deposit.

The FY13 drilling strategy for Wafi-Golpu will find a balance between further resource growth, further resource definition and engineering-focused drilling for infrastructure, and geotechnical and hydrogeological system is to expand the known resource through step-out drilling while exploring for more Wafi and Golpu-style mineralisation via brownfields exploration strategies inside the 2.5km^2 project zone and greenfields exploration programmes along the Wafi transfer structure outside the project zone.

Some of this drilling will specifically target areas of the existing resources requiring additional geotechnical, hydrological and metallurgical information. The majority will focus on resource extension and discovery.

Golpu pre-feasibility study

A pre-feasibility study on Golpu was completed and reported in August 2012. The study allows the Wafi-Golpu joint-venture participants to report a substantially increased mineral reserve estimate for Golpu. Block caving is the mining method proposed for Golpu, with two lifts to an aggregate depth of 1.45km. Drilling beneath Lift 2 has returned significant high-grade intersections and mineralisation remains open at depth. The development capital costs and resulting preliminary valuations demonstrate a sound business case that supports the updated mineral reserve estimate associated with developing Lifts 1 and 2 at Golpu.

The Golpu project is not yet in the feasibility study phase. The joint-venture partners are engaging with key stakeholders (including the PNG and provincial governments, landholders and community representatives) to ensure clear alignment on the objectives and requirements for the project's development, key elements of the next phase of work and how the project would proceed in the medium term. In addition, capital costs which have been estimated to pre-feasibility study level are now being closely evaluated to assess what opportunities exist to further refine these, given continuing weaker global economic conditions. It is anticipated that, subject to satisfactory resolution on these outstanding matters, Harmony and Newcrest will progress the Golpu project into the feasibility study phase in the first half of calendar 2013.

Highlights of the Golpu pre-feasibility study

- Excellent potential for further mineral discoveries in the region
- Golpu deposit – a large, low-cost, long-life, block-cave mining operation:
  - Updated Golpu probable mineral reserve estimate containing 12.4Moz gold and 5.4Mt copper for 38.9M gold equivalent ounces[1] (see detailed tables in Mineral Resource and Reserves section)
  - Drilling within Lift 1 post completion of the study has returned higher grades than modelled in the mineral reserve, thus there is grade upside potential to the mineral reserve estimate
  - First production by 2019, subject to approvals and feasibility study
  - Mine life of 26 years and annual production reaches 490 000 ounces of gold and 290 000 tonnes of copper

[1] *Gold equivalent ounces calculated based on prices of US$1 400/oz Au, US$3.50/lb Cu, with 100% recovery.*

during the period 2026 to 2035 under the pre-feasibility basecase scenario
  – First-quartile cash costs (whether measured by gold or copper unit cost)
  – Estimated capital cost to first production of US$4.85 billion. This estimate is at pre-feasibility study level and capital costs are being further evaluated to optimise these
  – Harmony has budgeted US$114 million for study and drilling programme costs for FY13 and the company's share of expenditure for the feasibility study is estimated at US$400 million, over half of which would comprise expenditure on additional resource definition drilling and early-stage access decline development
  – Total capital expenditure to first production occurs over a six-year period. Harmony expects to be able to fund its share of the capital expenditure largely from operating cash flow (see investor day presentation on **www.harmony.co.za**)
  – High-grade drill intercepts occur at depth, indicating good potential for a third mining lift
  – Further metallurgical test work is expected to optimise metal recoveries assumed in the pre-feasibility study
- The Wafi deposit is in concept study phase, with progress to pre-feasibility likely to occur later this calendar year

Greenfields exploration

Wafi transfer structure

The Wafi structural corridor is constrained between the faulted contact of the Babwaf conglomerate and the Owen Stanley metamorphics. It comprises over 25km of strike with 17km covered by MMJV tenements hosting a number of prospects defined by high-tenor gold and copper-gold geochemistry in stream sediment sampling. The entire corridor ranks as a high-priority target for major mineralised gold and porphyry copper-gold systems similar to Wafi-Golpu. Drilling activities focus on the Zimake and Kesiago prospects with target generation along the remainder of the structure.

Zimake

The Zimake prospect lies some 12km north-east of Wafi-Golpu. Ridge and spur soil sampling outlined a highly anomalous zone of copper and gold in soils, over a 1.5km area. Peak assays included 0.5g/t Au and 0.2% Cu. The anomaly is associated with a bulls-eye magnetic target, and is prospective for porphyry copper-gold mineralisation similar to Golpu.

Two holes were drilled to test this anomaly. The initial drillholes did not encounter economic mineralisation but intersected unaltered hornblende diorite. Minor chalcopyrite occurs as vein infill, with very weak epidote alteration. The presence of chalcopyrite may explain the surface geochemical anomaly but further drilling is targeting the potassic altered hornfelsed margin of the diorite, which may be a focus for mineralisation.

Kesiago

The Kesiago prospect lies some 5km south-west of Wafi-Golpu on the Wafi Transfer structure. Historical drilling obtained a best drill intercept of 337.4m at 0.25g/t Au and identified potential for a mineralised porphyry system with characteristics similar to Golpu. One hole, KDH009, was drilled and returned a result of 246m at 0.6g/t Au from surface.

Mineralisation is associated with a base metal-quartz-carbonate stockwork zone which decreases in intensity to 400m and transitions to propylitic alteration. The intercept is located at the interpreted intersection of the Nambonga and Rafferty's fault and may be indicative of porphyry mineralisation at depth. A second deep follow-up hole is under way.

Hidden Valley

Brownfields exploration

Work to delineate additional resources and delineate high-grade feedstock for Hidden Valley continued on two fronts:
- Generative work targeting the Watut fault began with 137 soil samples collected as part of a systematic programme to generate new targets along strike to the north-west of Hidden Valley
- Kerimenge-Kulang trend; drill pad and set-up in preparation for drilling

In addition, detailed mapping has defined excellent potential for high-quality, accessible limestone source immediately north of the Hidden Valley mining lease.

Mungowe/Heyu prospect (EL497)

Drilling at the Heyu prospect was designed to test the Morobe Granodiorite for a large-scale bulk mineable deposit, similar to Hidden Valley.

Hole 1 intersected several base metal carbonate zoned below mineralised structures mapped at surface, together with veined and altered granodiorite at depth. Initial results include:

HEYD001:	8m at 1.61g/t Au from 287m
	8m at 0.53g/t Au from 592m

Results support the interpretation for Au mineralisation as 'leakage' into hanging wall metasediments from Hidden Valley-style mineralisation at depth. The results are not economic but encouraging and further work for FY13 is planned.

Exploration continued

Limestone project

Not gold-related but certainly important for operations at Hidden Valley is a supply of hard rock and preferably limestone. Mapping of the limestone bodies nearby at Hikinangowe and Mungowie over 25km^2 was undertaken to define a limestone source for the site. The exercise has been highly successful with a continuous limestone body mapped over a 4km strike length, ranging from several to tens of metres thick.

The limestone unit lies some 3.5km north of the Hamata open pit, is relatively accessible from the mine access road and has potential for significant tonnage with little to no overburden. Access to hard rock and limestone will help to reduce operating costs and mitigate acid rock drainage at Hidden Valley.

Morobe regional exploration

The highlight of regional generative exploration activities is the exciting Garawaria prospect which is shaping up to be one of the largest and most prospective Au anomalies ever developed on the Morobe tenement package.

Mapping and trenching has revealed significant surface mineralisation: 122 trench samples were collected and results have confirmed the prospectivity outlining a bedrock gold target over 600m of strike with +1g/t values. Individual trench results included 99m at 2.11g/t Au, 12m at 2.06g/t Au, and 12m at 1.2g/t Au.

Mineralisation occurs associated with a hydrothermal breccia, intensely silicified with abundant dark fine-grained pyrite. Dickite and alunite identified with the mineralisation suggest a high sulphidation epithermal system and potential for porphyry copper gold mineralisation at depth.

A drill programme is planned for FY13.

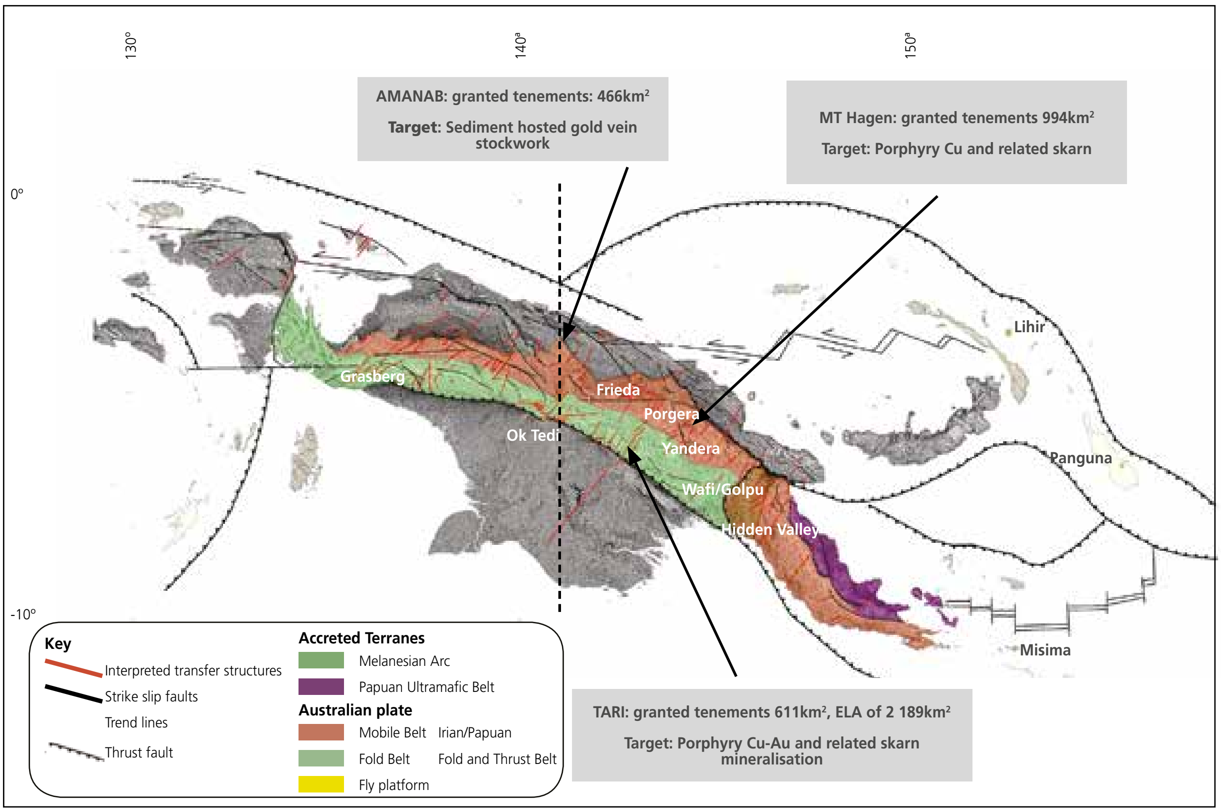
Regional greenfields exploration work continued over the other tenements to develop the project pipeline.

100% Harmony PNG tenements

A total of US$11 million was spent on greenfields exploration outside the Morobe JV on Harmony-owned projects in FY12 where work is now focused on three key projects:

- Mt Hagen: One of the highest-tenor copper-gold anomalies in the belt of rocks extending between the Frieda River and Yandera Cu-Au-Mo projects, targeting the Kurunga intrusive complex (porphyry-related gold, copper and molybdenum) and a major epithermal gold target at Penamb prospect
- Amanab: Located in Sandaun Province of western PNG, some 160km north of the Ok Tedi copper-gold mine, targeting vein stockwork hosted gold mineralisation
- Tari: Located in the Southern Highlands Province, around 50km south-west of Porgera, targeting porphyry copper-gold and associated gold-base metal skarn mineralisation
- Harmony Exploration now holds interests in over 4 254km^2 of exploration tenure in PNG.

A budget of US$14 million has been approved for FY13.



Harmony Gold (PNG) Exploration Limited tenement portfolio

Mt Hagen project

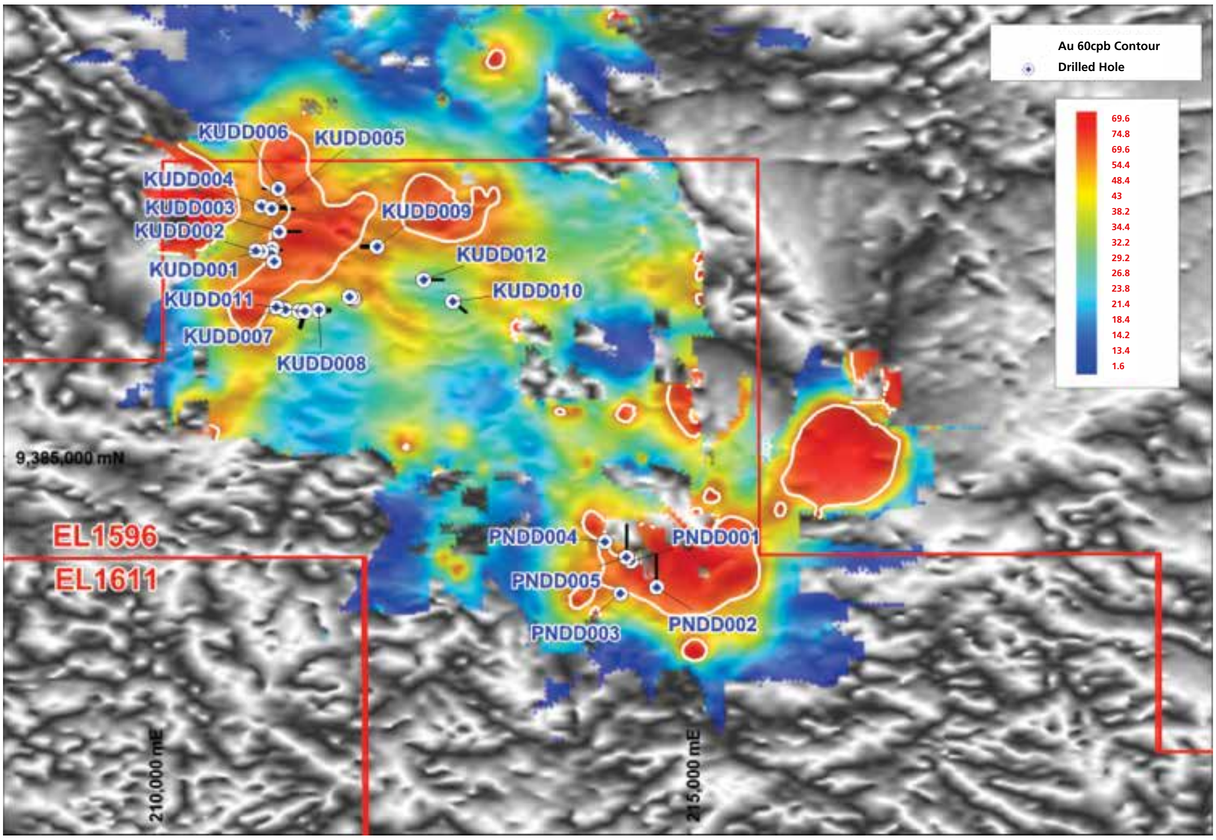
The Mt Hagen project forms a contiguous block of tenure covering 994km² in the Western Highlands region. Over the past two years, exploration work at Mt Hagen focused on the Kurunga Intrusive Complex with the aim of completing first-pass exploration over the target by December 2012.

Drilling has been completed at Kurunga, Penamb and Bakil prospects for a total of 10 200m. Reconnaissance exploration activities comprised ridge and spur soil sampling and mapping, rock chip and stream sediment sampling. Three main anomalies have been identified, with a copper-gold system at Kurunga prospect, epithermal-style gold mineralisation at Penamb East and a copper-molybdenum porphyry system at Penamb (possibly similar to the Yanderra Cu-Mo porphyry). Drilling to date has defined a 400m zone of +0.1% copper at the Penamb porphyry prospect associated with outer potassic-style alteration. All five drillholes have obtained significant intercepts of anomalous copper mineralisation:

- PNDD001 285m at 0.1% Cu, 83 Mo from 63m
- PNDD002 144m at 0.1% Cu, 27ppm Mo from 32m
  190m at 0.1% Cu, 47ppm Mo from 193m
- PNDD003 225m at 0.1% Cu, 87ppm Mo from 456m
- PNDD004 379m at 0.1% Cu, 135ppm Mo from 198m
- PNDD005 264m at 0.13% Cu, 107ppm Mo from 20m

Follow-up drilling before the end of 2012 aims to expand this footprint and determine vectors to high-grade mineralisation.

To the north-east of Penamb prospect on EL1611, a 3km anomalous zone in excess of 0.5g/t gold has been defined from stream sediment and soil sampling programmes which will also see drill testing over coming months.



Kurunga and Penamb prospects showing helimag, gold grid, 60ppb gold contour (in white) and drilled holes

Exploration continued

Amanab project

The Amanab project covers 466km² in West Sepik Province and encompasses the Amanab alluvial goldfield, which is one of 17 recognised alluvial goldfields on the PNG mainland.

Regional geology includes cretaceous metamorphic (phyllites, slates, marble and volcanics) intruded by younger metadiorites and there is a major anomalous stream sediment footprint. Magnetic anomalies at Amanab may reflect intrusions at depth, as an under-explored area with no drill testing for the hard rock source, this makes it highly prospective for large-scale epithermal gold deposits (+2Moz) and porphyry copper-gold deposits.

To date, ridge and spur soil sampling has been encouraging with first-pass sampling returning values up to 13.8g/t gold. Some 70 line kilometres of mapping has also been undertaken on the project and over 1 100 surface samples collected. As a result a high-tenor gold anomaly with a footprint of over 5km of strike and rock chip values to 39g/t gold has been developed, associated with north-west trending structural breaks in the magnetics. Drill testing is being planned.

Tari project

The Tari project consists of one granted exploration licence and one exploration licence application encompassing some 2 804km² of tenure in the Southern Highlands.

Regional data assessment identified the tenements as being highly prospective for an Ok-Tedi-style copper-gold system. Key porphyry-epithermal gold targets have been identified at Kopiago and Parero Creek on the Porgera transfer structure some 30km south-west of Mt Kare.

Geologically the tenements are located in miocene carbonates, intruded by late miocene/pliocene dioritic to monzonitic intrusions within the Papuan Fold Belt. The Lake Kopiago magnetic target is conspicuous as being intensely fractured by dominant NE trending fault systems, similar to the Porgera NE trending transfer.

Following the tenement grant in March 2012, field work at Kopiago has included reconnaissance mapping and a detailed airborne magnetic-radiometric survey. Results have highlighted a bulls-eye magnetic target associated with strong pervasive propylitic altered intrusives. Previous explorers identified lead, zinc and copper mineralisation associated with hornblende porphyry sills intruding limestone, and gold-bearing magnetite skarns on the periphery.

South Africa

Brownfields exploration

Joel North

The feasibility study for mining down to 137 level was accepted and approved at the beginning of the year. Much of the increase in the reserve now being reported for Joel is due to the inclusion of this additional area, with the life-of-mine almost doubling from seven to 12 years. In due course, a decision may be taken to carry out further surface drilling to determine the extent of the orebody between 137 and 145 levels. The design of the access allows for excavations to be extended to mine this area should it be economical to do so.

Capital for the project was approved at the beginning of the year and development to access the project area has started on 129 level.

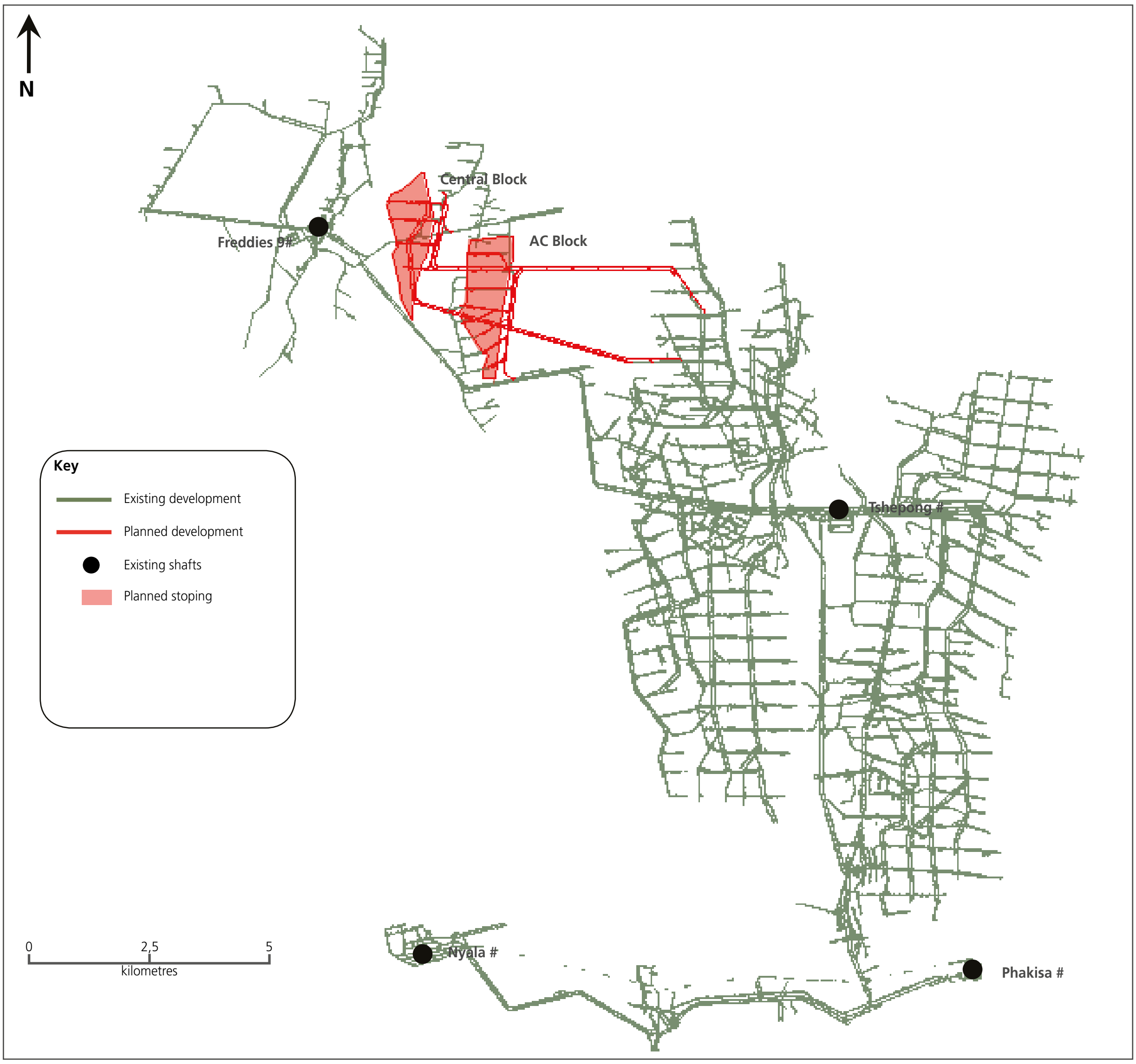
Freddies 9 shaft

A business case that concentrated on extracting five different blocks on ground in the Freddies 9 shaft area, from three different shafts, was completed during the year. Two of the blocks, however, need additional exploration before they can be carried forward. The business case showed that the remaining blocks can best be mined from Tshepong shaft. A pre-feasibility study to evaluate this project is expected to be completed early next year.

Kalgold

A project has been initiated to explore on the current mining right as well as on adjacent prospecting rights. Drilling will begin in the vicinity of the current mine while the regional exploration programme is being prepared. This drilling will target a number of small high-grade orebodies which could supplement feed to the present plant. Extensions to the current pits will also be explored, the first phase of which will be to drill near the Windmill target.

Freddies 9 shaft project



Exploration continued

As part of the exploration project, we will also clean up historical information and generate a systematic, secure, three-dimensional geological database to facilitate efficient geological modelling and streamline information for grade control and reconciliation purposes.

Regional exploration will start with a high-resolution airborne magnetic survey over the entire prospecting area. Based on the results of this survey and a review of the historical database, further regional exploration may be necessary.

Masimong surface drilling

All mining from the Masimong shafts, except for a single development end, has stopped against the north-south trending Saaiplaas fault, 1 500m east of Masimong 5 shaft. However, there is every reason to expect that these high-grade channels continue beyond the fault, further eastwards. Only 1650 level development has penetrated this fault and drilling from this level, beyond the fault, indicated the presence of the B Reef channel. One historic surface hole was drilled between the shaft and eastern boundary (in 1948) and it intersected the B Reef.

The block of ground between the Saaiplaas fault and eastern lease boundary is at least as large as the area mined at Masimong 5 in the past 20 years. If the area is proven, the life of Masimong will be substantially increased.

Because of the vast area, we believed an initial four surface holes should be drilled to a depth of some 1 800 metres below surface to test the theory of continuity of the B Reef channels. Once proven, further phased drilling could be undertaken. Capital of R20.5 million was approved for the project in July 2011.

Drilling started in October 2011 and, to date, two of the four holes have been completed. All planned reef horizons – the Ventersburg Contact Reef, VS5 (mixed pebble conglomerate), A Reef (Witpan and Uitzig), B Reef, Leader Reef and Basal Reefs – were intersected in both holes. The B1 facies type of the B Reef appears to be prevalent throughout the central target area. The northerly of the two holes also intersected a well-developed Basal Reef channel. The remaining two boreholes are due to be completed by the end of October 2012.

On the strength of information received to date, Masimong has planned development on 1650 level to access and cross the B Reef channel and to undertake additional underground drilling.

Retreatment projects

Uranium project – Tshepong, Phakisa, Masimong (TPM)

Gold ore from Harmony's Free State mines contains uranium as an associated mineral. Accordingly, Project TPM was established to evaluate the potential for economic recovery of uranium from ore mined at Tshepong, Phakisa and Masimong mines in the Free State.

The resource totals 202Mt and contains 76 million pounds of uranium, and the reserve 49Mt containing 13 million pounds of uranium. The project is expected to produce 850 000 pounds of uranium per annum at peak production from 280 000 tonnes of underground ore per month over a 20-year life. As an added benefit, uranium processing enhances gold recovery by around 0.1g/t, resulting in gold production from these operations potentially increasing by some 28kg per month. By treating the uranium as a by-product, it is accounted for as a credit, potentially reducing the operating costs of contributing shafts by over R10 000/kg.

A value engineering study was completed during the year, resulting in a reduced capital cost for the project and mitigating potential gold loss in the uranium extraction process. The project is being evaluated further although current uranium prices and future price projections make it difficult for this project to compete for capital in the Harmony project pipeline.

Kalgold CIL tank replacement project

The Kalgold metallurgical plant was constructed in 1997 and built to last ten years. While numerous repairs have enabled the plant to continue operating, the CIL (carbon-in-leach) tanks in particular have suffered considerable corrosion and a decision was taken in 2011 to replace them. Capital of over R77 million was set aside for the project which presented the added difficulty of having to be constructed within the same perimeter while the current tanks remained operational.

The project was started in July 2011 and is expected to be completed by the end of September 2012, on time and below budget. Construction of the eight 500m³ CIL tanks is complete, along with the top platforms and mechanical equipment consisting of agitators, carbon transfer pumps and carbon inter-stage screens. A new power supply has also been constructed. Commissioning of the new tanks is under way.

The new CIL tanks have a design life of 20 years which will enable gold processing to continue beyond the present 13-year life-of-mine. It will also provide more flexibility should production be increased and allow for safer operation of the overall plant.

Phoenix 500

The Phoenix surface tailings retreatment project in the Free State has been successfully operated for a number of years. However, heavier rainfall than usual last year reduced the rate at which tailings could be deposited. Throughput was cut from 500 000tpm to 420 000tpm. Less gold was recovered but gold recovery percentages increased as the lower volume of feed material had more time to interact with the cyanide solution in the same number of tanks.

In June 2011, capital expenditure of over R184 million was approved for returning throughput to 500 000tpm and to ensure Phoenix became a stand-alone project, able to operate separately from the treatment of all Free State underground production. This objective required a new tailings deposition site to be identified and constructed, a new 19km pipeline to be installed from the Saaiplaas plant to the deposition site, and additional tanks to be erected in the plant to maintain higher gold recovery.

The project was started in July 2011 and is due for completion in April 2013. Good progress is being made on all aspects with the pipeline being manufactured, earthworks at the deposition site being excavated and additional tank construction at the Saaiplaas plant being well advanced. The project is expected to come in under budget and on time.

Kalgold open pit operation near Mahikeng

Mineral Resources and Mineral Reserves

Introduction

As at 30 June 2012, Harmony's attributable gold equivalent mineral reserves amounted to 52.9Moz, spread across Harmony's assets in South Africa and PNG. This represents an increase of 27% to the annual declared reserves. The increase is due to the additional reserves that have been declared in PNG following the completion of the pre-feasibility study at Golpu. As drilling at Golpu continues, more ounces from PNG may be added to Harmony's resources and reserves.

Attributable gold equivalent Mineral Resources are 150.2Moz, an 8% decrease year on year. The decrease is largely due to the exclusion of the resources from the Evander assets being held for sale from our declaration. Harmony's PNG gold equivalent resources at 41.2 Moz now represent 27% of Harmony's total resources.

We use certain terms in this report such as 'measured', 'indicated' and 'inferred' resources, which SEC guidelines strictly prohibit US-registered companies from including in their filings with the SEC. US investors are urged to consider closely the disclosure in our Form 20-F.

In converting the mineral resources to mineral reserves the following parameters were applied:

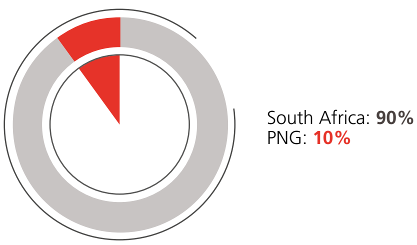
- A gold price of US$1 400/oz
- An exchange rate of US$1/ZAR7.55
- The above parameters resulted in a gold price of R340 000/kg
- The Hidden Valley mine and Wafi-Golpu project in the MMJV used prices of US$1 250/oz Au, US$21/oz Ag, US$15/lb Mo and US$3.10/lb Cu at an exchange rate of US$1/AUD0.90
- Gold equivalent ounces are calculated assuming a US$1 400/oz Au, US$3.50/lb Cu and US$25/oz Ag with 100% recovery for all metals.

Auditing

Harmony's mineral resources and mineral reserves have been comprehensively audited by a team of internal competent persons that functions independently of the operating units. The internal audit team verifies compliance with the Harmony code of resource blocking, valuation, resource classification, cut-off calculations, development of life-of-mine plans and SAMREC-compliant statements from each operation and project which support Harmony's annual mineral resources and mineral reserves declaration. This audit process is specifically designed to comply with the requirements of internationally recognised procedures and standards such as:

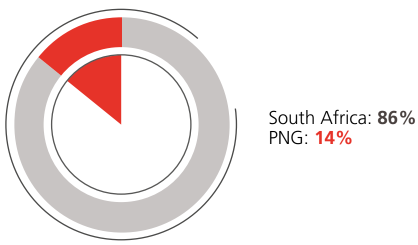
Geographical distribution of the mineral resources

Gold resources (30 June 2011)



Note: Resources as at 30 June 2011 include Evander.

Gold resources (30 June 2012)



Gold equivalent* resource ounces (30 June 2011)

Note: Resources as at 30 June 2011 include Evander.

Gold equivalent* resource ounces (30 June 2012)

- South African Code for Reporting Mineral Resources and Mineral Reserves – SAMREC Code
- Industry Guide 7 of the United States Securities Exchange Commission
- Sarbanes-Oxley requirements
- Australian Code for Reporting of Exploration Results, Mineral Resources and Mineral Reserves – the JORC Code, which complies to the SAMREC Code

In addition to the internal audits, Harmony's South African resources to reserves conversion process and four operations, Phakisa, Joel, Doornkop and Kalgold were reviewed and audited by SRK Consulting Engineers and Scientists for compliance with the South African Code for Reporting Mineral Resources and Mineral Reserves – SAMREC Code (2008), Industry Guide 7 of the United States Securities Exchange Commission and Sarbanes-Oxley requirements. Harmony's Papua New Guinea mineral resources and mineral reserves were independently reviewed by AMC Consultants (Proprietary) Limited for compliance with the standards set out in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Mineral Reserves – the JORC Code.

Competent persons' declaration

In South Africa, Harmony employs an ore reserve manager at each of its operations who takes responsibility for the compilation and reporting of mineral resources and mineral reserves at his/her operation. In PNG, competent persons are appointed for the mineral resources and reserves for specific projects and operations.

The mineral resources and mineral reserves summaries and tables in this report are based on information compiled by the following competent persons:

Reserves and resources South Africa:
Jaco Boshoff, Pri Sci Nat, who has 17 years' relevant experience and is registered with the South African Council for Natural Scientific Professions (SACNASP) and a member of the South African Institute for Mining and Metallurgy.

Reserves and resources PNG:
James Francis for the Wafi-Golpu Mineral Resources, German Flores for the Golpu Mineral Reserves, Greg Job for Hidden Valley Mineral Resources and Anton Kruger for the Hidden Valley Mineral Reserves. James, German, Greg and Anton are corporate members of the Australian Institute of Mining and Metallurgy and all have relevant experience in the type and style of mineralisation for which they are reporting, and are 'Competent Persons' as defined by JORC and SAMREC.

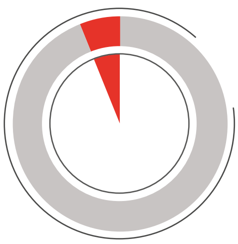
These competent persons consent to the inclusion in the report of the matters based on the information in the form and context in which it appears. Jaco and Greg are full-time employees of Harmony Gold Mining Company Limited and James, German and Anton are full-time employees of Newcrest Mining Limited. Newcrest is Harmony's joint venture partner in the Morobe Joint Venture in respect of the Hidden Valley mine and Wafi-Golpu project.

Jaco Boshoff **Greg Job**

25 October 2012

Geographical distribution of the mineral reserves

Gold reserves (30 June 2011)



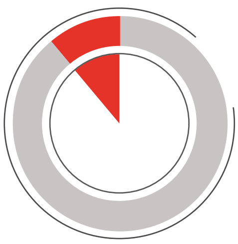
South Africa: **94%**
PNG: **6%**

Note: Reserves as at 30 June 2011 include Evander.

Gold reserves (30 June 2012)

South Africa: **79%**
PNG: **21%**

Gold equivalent* reserve ounces (30 June 2011)



South Africa: **89%**
PNG: **11%**

Note: Reserves as at 30 June 2011 include Evander.

Gold equivalent* reserve ounces (30 June 2012)

South Africa: **58%**
PNG: **42%**

** 30 June 2011 Gold equivalent based on US$1 150/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$1 400/oz Au, US$3.50/lb Cu and US$25.00/oz Ag at 100% recovery for all metals.

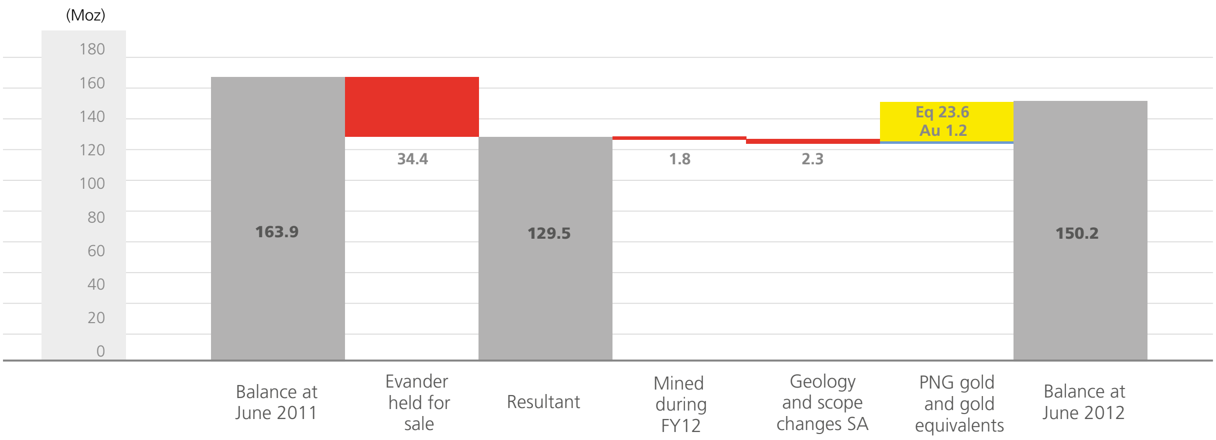
Mineral resources and mineral reserves continued

Reconciliation FY11/FY12

Mineral resources

As at 30 June 2012, attributable gold equivalent mineral resources are 150.2Moz, down from 163.9Moz in 2011. This is a negative variance of 38.3Moz from South Africa and a positive variance of 24.8Moz from Papua New Guinea. The following graph shows the year-on-year reconciliation of the mineral resources.

Mineral resources reconciliation – FY11 vs FY12 – including gold equivalents PNG



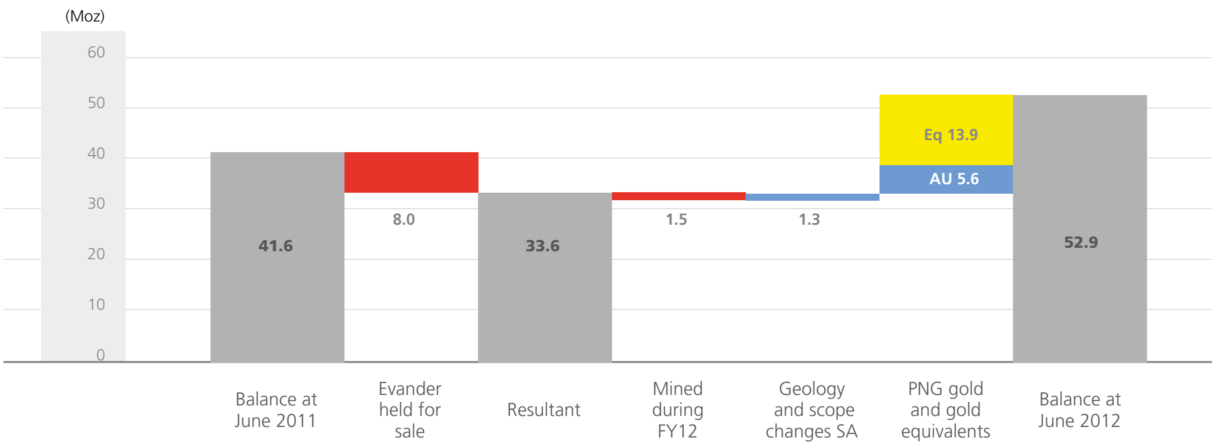
Mineral resources reconciliation: FY11 to FY12 – including gold equivalents PNG

	Gold (tonnes)	Gold (Moz)
Balance at June 2011	**5 098**	**163.9**
Reductions		
Evander held for sale	(1 070)	(34.4)
Mined during FY12	(56)	(1.8)
Geology and scope changes	(72)	(2.3)
Increases		
PNG gold and gold equivalents	771	24.8
Balance at June 2012	**4 671**	**150.2**

Mineral reserves

As at 30 June 2012, Harmony's attributable gold equivalent mineral reserves amounted to 52.9Moz of gold. The reserve declaration excludes the Evander assets which are being held for sale. The net effect of these exclusions, depletion, and the increase of reserves in PNG, resulted in an increase of 11.3Moz year on year. The year-on-year mineral reserves reconciliation is shown in the following graph.

Mineral reserves reconciliation – FY11 vs FY12 – including gold equivalents PNG



Mineral reserves reconciliation: FY11 to FY12 – including equivalent gold ounces PNG

	Gold (tonnes)	Gold (Moz)
Balance at June 2011	**1 294**	**41.6**
Reductions		
Evander held for sale	(249)	(8.0)
Mined during FY12	(47)	(1.5)
Increases		
Geology and scope changes SA	40	1.3
PNG gold and gold equivalents	607	19.5
Balance at June 2012	**1 645**	**52.9**

Mineral resources and mineral reserves continued

Relationship between Harmony's mineral resources and mineral reserves according to the SAMREC Code

South Africa underground*

Underground (excluding below infrastructure)

Increasing level of geoscientific knowledge and confidence

Mineral resources (total)

Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)
403.9	7.61	3 075	98 876

Reported as in situ mineralisation estimates

Mineral reserves (total)

Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)
119.8	6.04	724	23 262

Reported as mineable production estimates

Inferred

Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)
209.4	7.01	1 467	47 176

Indicated

Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)
104.9	8.07	846	27 201

Probable

Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)
63.3	6.21	393	12 635

Measured

Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)
89.6	8.51	762	24 499

Proved

Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)
56.5	5.85	331	10 627

Consideration of mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors (the modifying factors)

South Africa surface

Surface (including Kalgold)

Increasing level of geoscientific knowledge and confidence

Mineral resources (total)

Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)
1 114.0	0.28	314	10 087

Reported as in situ mineralisation estimates

Mineral reserves (total)

Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)
890.4	0.27	238	7 662

Reported as mineable production estimates

Inferred

Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)
62.1	0.48	30	967

Indicated

Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)
685.3	0.27	182	5 847

Probable

Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)
523.8	0.26	137	4 389

Measured

Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)
366.6	0.28	102	3 273

Proved

Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)
366.6	0.28	102	3 273

Consideration of mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors (the modifying factors)

**Excluding Evander mineral assets held for sale*

Relationship between Harmony's mineral resources and mineral reserves according to the SAMREC Code continued

South Africa total*

Increasing level of geoscientific knowledge and confidence

Mineral resources (total)

Tonnes (Mt)	Gold (000kg)	Gold (000oz)
1 517.9	3 389	108 963

Reported as in situ mineralisation estimates

Mineral reserves (total)

Tonnes (Mt)	Gold (000kg)	Gold (000oz)
1 010.2	962	30 924

Reported as mineable production estimates

Inferred

Tonnes (Mt)	Gold (000kg)	Gold (000oz)
271.6	1 497	48 143

Indicated

Tonnes (Mt)	Gold (000kg)	Gold (000oz)
790.1	1 028	33 048

Probable

Tonnes (Mt)	Gold (000kg)	Gold (000oz)
587.1	530	17 024

Measured

Tonnes (Mt)	Gold (000kg)	Gold (000oz)
456.2	864	27 772

Proved

Tonnes (Mt)	Gold (000kg)	Gold (000oz)
423.2	432	13 900

Consideration of mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors (the modifying factors)

Papua New Guinea** – gold

Increasing level of geoscientific knowledge and confidence

Mineral resources (total)

Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)
665.6	0.82	545	17 511

Reported as in situ mineralisation estimates

Mineral reserves (total)

Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)
264.5	0.96	253	8 147

Reported as mineable production estimates

Inferred

Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)
131.5	0.72	94	3 024

Indicated

Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)
533.3	0.84	450	14 458

Probable

Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)
263.7	0.96	252	8 118

Measured

Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)
0.7	1.19	1	29

Proved

Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)
0.8	1.20	1	29

Consideration of mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors (the modifying factors)

* *Excluding Evander mineral assets held for sale.*
** *Total attributable.*

Total Harmony underground and surface – excluding gold equivalents

Increasing level of geoscientific knowledge and confidence

Mineral resources (total)

Tonnes (Mt)	Gold (000kg)	Gold (000oz)
2 183.5	3 934	126 474

Reported as in situ mineralisation estimates

Mineral reserves (total)

Tonnes (Mt)	Gold (000kg)	Gold (000oz)
1 274.7	1 215	39 071

Reported as mineable production estimates

Inferred

Tonnes (Mt)	Gold (000kg)	Gold (000oz)
403.1	1 591	51 167

Indicated

Tonnes (Mt)	Gold (000kg)	Gold (000oz)
1 323.5	1 478	47 506

↔ Probable

Tonnes (Mt)	Gold (000kg)	Gold (000oz)
850.8	782	25 142

Measured

Tonnes (Mt)	Gold (000kg)	Gold (000oz)
457.0	865	27 801

↔ Proved

Tonnes (Mt)	Gold (000kg)	Gold (000oz)
423.9	433	13 929

Consideration of mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors (the modifying factors)

Total Harmony underground and surface* – including gold equivalents

Increasing level of geoscientific knowledge and confidence

Mineral resources (total)

Tonnes (Mt)	Gold (000kg)	Gold (000oz)
2 183.5	4 671	150 176

Reported as in situ mineralisation estimates

Mineral reserves (total)

Tonnes (Mt)	Gold (000kg)	Gold (000oz)
1 274.7	1 647	52 937

Reported as mineable production estimates

Inferred

Tonnes (Mt)	Gold (000kg)	Gold (000oz)
403.1	1 721	55 338

Indicated

Tonnes (Mt)	Gold (000kg)	Gold (000oz)
1 323.5	2 085	67 028

↔ Probable

Tonnes (Mt)	Gold (000kg)	Gold (000oz)
850.8	1 213	39 000

Measured

Tonnes (Mt)	Gold (000kg)	Gold (000oz)
457.0	865	27 810

↔ Proved

Tonnes (Mt)	Gold (000kg)	Gold (000oz)
423.9	433	13 937

Consideration of mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors (the modifying factors)

**Total attributable.*
Gold equivalent ounces are calculated assuming a US$1 400/oz Au, US$3.50/lb Cu and US$25/oz Ag with 100% recovery for all metals.

Mineral resources statement (metric)

Operations	Measured resources			Indicated resources			Inferred resources			Total mineral resources		
Gold	Tonnes (Mt)	Grade (g/t)	Gold (000kg)	Tonnes (Mt)	Grade (g/t)	Gold (000kg)	Tonnes (Mt)	Grade (g/t)	Gold (000kg)	Tonnes (Mt)	Grade (g/t)	Gold (000kg)
SA underground												
Free State Region												
Bambanani	2.8	16.39	46	0.0	25.72	1	–	–	–	2.8	16.52	47
Joel	4.5	7.76	35	6.6	6.75	45	9.1	5.48	50	20.1	6.40	129
Masimong	14.6	7.00	102	7.1	6.13	44	91.6	5.84	535	113.3	6.01	680
Phakisa	6.1	8.41	51	17.0	11.80	200	23.6	9.11	215	46.6	10.00	466
Target												
Target 1	8.8	7.54	67	9.7	7.85	76	2.1	5.72	12	20.6	7.50	155
Target 2	0.0	14.00	1	0.1	15.52	2	–	–	–	0.2	15.14	3
Target 3	11.0	8.47	93	9.7	7.70	75	4.5	5.28	24	25.2	7.60	192
Total	**19.9**	**8.07**	**161**	**19.6**	**7.83**	**153**	**6.6**	**5.42**	**36**	**46.0**	**7.59**	**349**
Freddies 9				6.0	10.61	64	29.6	8.09	239	35.6	8.51	303
Tshepong	18.8	10.42	196	6.9	9.04	63	16.1	9.99	161	41.8	10.03	419
Unisel	8.8	6.05	54	7.2	5.72	41	11.6	5.34	62	27.7	5.66	157
Total Free State underground	**75.4**	**8.53**	**643**	**70.4**	**8.66**	**610**	**188.1**	**6.90**	**1 297**	**333.9**	**7.64**	**2 550**
West Rand Region												
Doornkop												
Doornkop Kimberley Reef	4.3	2.60	11	10.3	2.56	26	–	–	–	14.7	2.57	38
Doornkop South Reef	1.6	7.71	13	3.6	7.31	26	21.2	7.98	169	26.4	7.88	208
Total	**6.0**	**3.99**	**24**	**13.9**	**3.78**	**53**	**21.2**	**7.98**	**169**	**41.0**	**5.98**	**245**
Kusasalethu	8.2	11.61	95	20.6	8.93	184	0.2	9.35	2	28.9	9.69	280
Total West Rand Region	**14.1**	**8.40**	**119**	**34.5**	**6.85**	**236**	**21.3**	**7.99**	**171**	**70.0**	**7.51**	**526**
Total SA underground	**89.6**	**8.51**	**762**	**104.9**	**8.07**	**846**	**209.4**	**7.01**	**1 467**	**403.9**	**7.61**	**3 075**
SA surface												
Kraaipan greenstone belt												
Kalgold	3.0	0.62	2	44.7	0.84	37	16.6	0.79	13	64.3	0.82	52
Free State Region – surface												
Phoenix	106.0	0.32	33.6	–	–	–	–	–	–	106.0	0.32	34
St Helena	257.6	0.26	66.3	–	–	–	–	–	–	257.6	0.26	66
Other: WRD	–	–	–	5.6	0.46	3	30.3	0.46	14	36.0	0.46	17
Slimes dams	–	–	–	634.9	0.22	142	15.2	0.19	3	650.2	0.22	145
Subtotal	**–**	**–**	**–**	**640.6**	**0.23**	**144**	**45.6**	**0.37**	**17**	**686.1**	**0.24**	**161**
Total Free State Region	**363.6**	**0.27**	**99.9**	**640.6**	**0.23**	**144**	**45.6**	**0.37**	**17**	**1 049.7**	**0.25**	**261**
Total SA surface	**366.6**	**0.28**	**102**	**685.3**	**0.27**	**182**	**62.1**	**0.48**	**30**	**1 114.0**	**0.28**	**314**
Total SA	**456.2**		**864**	**790.1**		**1 028**	**271.6**		**1 497**	**1 517.9**		**3 389**
Papua New Guinea[1]												
Hidden Valley	0.7	1.18	1	70.3	1.29	91	5.0	0.99	5	76.1	1.27	97
Hamata	0.0	2.00	0	3.1	1.96	6	0.5	2.11	1	3.5	1.98	7
Wafi	–	–	–	55.0	1.70	94	11.0	1.30	14	66.0	1.63	108
Golpu	–	–	–	405.0	0.64	259	95.0	0.61	58	500.0	0.63	317
Nambonga	–	–	–	–	–	–	20.0	0.79	16	20.0	0.79	16
Total Papua New Guinea	**0.7**	**1.19**	**1**	**533.3**	**0.84**	**450**	**131.5**	**0.72**	**94**	**665.6**	**0.82**	**545**
Grand total	**457.0**		**865**	**1 323.5**		**1 478**	**403.1**		**1 591**	**2 183.5**		**3 934**

Operations	Measured resources		Indicated resources		Inferred resources		Total mineral resources	
Gold equivalents[1] Silver	Tonnes (Mt)	Au eq (000 kg)	Tonnes (Mt)	Au eq (000 kg)	Tonnes (Mt)	Au eq (000 kg)	Tonnes (Mt)	Au eq (000 kg)
Hidden Valley	0.7	0	70.3	30	5.0	2	76.1	33
Total	**0.7**	**0**	**70.3**	**30**	**5.0**	**2**	**76.1**	**33**
Copper								
Golpu	–	–	405.0	577	95.0	121	500.0	698
Nambonga	–	–	–	–	20.0	6	20.0	6
Total	**–**	**–**	**405.0**	**577**	**115.0**	**128**	**520.0**	**705**
Total silver and copper as gold equivalents	**0.7**	**0**	**475.3**	**607**	**120.0**	**130**	**596.1**	**737**
Total PNG including gold equivalents	**0.7**	**1**	**533.3**	**1 057**	**131.5**	**224**	**665.6**	**1 282**
Total Harmony including equivalents	**457.0**	**865**	**1 323.5**	**2 085**	**403.1**	**1 721**	**2 183.5**	**4 671**

Operations	Measured resources			Indicated resources			Inferred resources			Total mineral resources		
Papua New Guinea: other[1] Silver	Tonnes (Mt)	Grade (g/t)	Ag (000 kg)	Tonnes (Mt)	Grade (g/t)	Ag (000 kg)	Tonnes (Mt)	Grade (g/t)	Ag (000 kg)	Tonnes (Mt)	Grade (g/t)	Ag (000 kg)
Hidden Valley	0.7	19.18	14	70.3	24.21	1 702	5.0	21.22	107	76.1	23.97	1 823
Golpu	–	–	–	405.0	1.10	446	95.0	1.00	95	500.0	1.08	541
Nambonga	–	–	–	–	–	–	20.0	2.87	57	20.0	2.87	57
Total	**0.7**	**19.18**	**14**	**475.3**	**4.52**	**2 148**	**120.0**	**2.16**	**259**	**596.1**	**4.06**	**2 421**
Copper	**Tonnes (Mt)**	**Grade (%)**	**Cu (000 t)**	**Tonnes (Mt)**	**Grade (%)**	**Cu (000 t)**	**Tonnes (Mt)**	**Grade (%)**	**Cu (000 t)**	**Tonnes (Mt)**	**Grade (%)**	**Cu (000 t)**
Golpu	–	–	–	405.0	0.92	3 726	95.0	0.80	760	500.0	0.90	4 486
Nambonga	–	–	–	–	–	–	20.0	0.21	42	20.0	0.21	42
Total	**–**	**–**	**–**	**405.0**	**0.92**	**3 726**	**115.0**	**0.70**	**802**	**520.0**	**0.87**	**4 528**
Molybdenum	**Tonnes (Mt)**	**Grade (ppm)**	**Mo (000 t)**	**Tonnes (Mt)**	**Grade (ppm)**	**Mo (000 t)**	**Tonnes (Mt)**	**Grade (ppm)**	**Mo (000 t)**	**Tonnes (Mt)**	**Grade (ppm)**	**Mo (000 t)**
Golpu	–	–	–	405.0	100.00	41	95.0	75.00	7	500.0	95.25	48
South Africa: uranium Uranium	**Tonnes (Mt)**	**Grade (kg/t)**	**U3O8 (Mkg)**	**Tonnes (Mt)**	**Grade (kg/t)**	**U3O8 (Mkg)**	**Tonnes (Mt)**	**Grade (kg/t)**	**U3O8 (Mkg)**	**Tonnes (Mt)**	**Grade (kg/t)**	**U3O8 (Mkg)**
Free State underground												
Masimong	9.2	0.27	2	11.4	0.22	2	92.5	0.18	17	113.0	0.19	21
Tshepong	8.0	0.19	2	25.1	0.19	5	8.7	0.07	1	41.8	0.17	7
Phakisa	6.3	0.18	1	17.0	0.18	3	23.6	0.08	2	46.8	0.13	6
Total	**23.4**	**0.22**	**5**	**53.4**	**0.19**	**10**	**124.8**	**0.15**	**19**	**201.6**	**0.17**	**34**
Total SA underground	**23.4**	**0.22**	**5**	**53.4**	**0.19**	**10**	**124.8**	**0.15**	**19**	**201.6**	**0.17**	**34**
Free State surface	–	–	–	396.8	0.08	30	–	–	–	396.8	0.08	30
Grand total	**23.4**	**0.22**	**5**	**450.2**	**0.09**	**40**	**124.8**	**0.15**	**19**	**598.4**	**0.11**	**65**

[1]*Total attributable.*
Gold equivalent ounces are calculated assuming a US$1 400/oz Au, US$3.50/lb Cu and US$25/oz Ag with 100% recovery for all metals.
NB: Rounding of numbers may result in slight computational discrepancies.
Note: 1 tonne = 1 000 kg = 2 204 lbs.

Mineral resources statement (imperial)

Operations	Measured resources			Indicated resources			Inferred resources			Total mineral resources		
Gold	Tons (Mt)	Grade (oz/t)	Gold (000 oz)	Tons (Mt)	Grade (oz/t)	Gold (000 oz)	Tons (Mt)	Grade (oz/t)	Gold (000 oz)	Tons (Mt)	Grade (oz/t)	Gold (000 oz)
SA underground												
Free State Region												
Bambanani	3.1	0.478	1 467	0.0	0.747	32	–	–	–	3.1	0.482	1 499
Joel	4.9	0.226	1 118	7.3	0.197	1 431	10.0	0.160	1 595	22.2	0.187	4 144
Masimong	16.1	0.204	3 289	7.8	0.179	1 401	100.9	0.170	17 187	124.9	0.175	21 877
Phakisa	6.7	0.245	1 636	18.7	0.344	6 436	26.0	0.266	6 911	51.4	0.292	14 983
Target												
Target 1	9.7	0.220	2 143	10.7	0.229	2 441	2.3	0.167	384	22.7	0.219	4 968
Target 2	0.1	0.399	20	0.1	0.451	67	–	–	–	0.2	0.438	87
Target 3	12.2	0.247	3 002	10.7	0.224	2 412	4.9	0.154	758	27.8	0.222	6 172
Total	**21.9**	**0.235**	**5 165**	**21.6**	**0.228**	**4 920**	**7.2**	**0.158**	**1 142**	**50.7**	**0.221**	**11 227**
Freddies 9	–	–	–	6.6	0.309	2 045	32.6	0.236	7 690	39.2	0.248	9 735
Tshepong	20.7	0.304	6 286	7.6	0.264	2 017	17.8	0.291	5 173	46.1	0.292	13 476
Unisel	9.8	0.176	1 720	7.9	0.167	1 324	12.8	0.156	1 993	30.5	0.165	5 037
Total Free State underground	**83.2**	**0.249**	**20 681**	**77.6**	**0.253**	**19 606**	**207.3**	**0.201**	**41 691**	**368.1**	**0.223**	**81 978**
West Rand Region												
Doornkop												
Doornkop Kimberley Reef	4.8	0.076	362	11.4	0.075	850	–	–	–	16.2	0.075	1 212
Doornkop South Reef	1.8	0.225	403	3.9	0.213	838	23.3	0.233	5 432	29.1	0.230	6 673
Total	**6.6**	**0.116**	**765**	**15.3**	**0.110**	**1 688**	**23.3**	**0.233**	**5 432**	**45.2**	**0.174**	**7 885**
Kusasalethu	9.0	0.339	3 053	22.7	0.260	5 907	0.2	0.272	53	31.9	0.283	9 013
Total West Rand Region	15.6	0.245	3 818	38.0	0.200	7 595	23.5	0.233	5 485	77.1	0.219	16 898
Total SA underground	**98.7**	**0.248**	**24 499**	**115.6**	**0.235**	**27 201**	**230.8**	**0.204**	**47 176**	**445.2**	**0.222**	**98 876**
SA surface												
Kraaipan greenstone belt												
Kalgold	3.4	0.018	61	49.3	0.024	1 205	18.3	0.023	422	70.9	0.024	1 688
Free State Region – surface												
Phoenix	116.8	0.009	1 081	–	–	–	–	–	–	116.8	0.009	1 081
St Helena	284.0	0.008	2 131	–	–	–	–	–	–	284.0	0.008	2 131
Other: WRD	–	–	–	6.2	0.013	83	33.4	0.014	452	39.7	0.013	535
Slimes dams	–	–	–	699.9	0.007	4 559	16.8	0.006	93	716.7	0.006	4 652
Subtotal	**–**	**–**	**–**	**706.1**	**0.007**	**4 642**	**50.2**	**0.011**	**545**	**756.3**	**0.007**	**5 187**
Total Free State Region	**400.8**	**0.008**	**3 212**	**706.1**	**0.007**	**4 642**	**50.2**	**0.011**	**545**	**1 157.1**	**0.007**	**8 399**
Total SA surface	**404.1**	**0.008**	**3 273**	**755.4**	**0.008**	**5 847**	**68.5**	**0.014**	**967**	**1 228.0**	**0.008**	**10 087**
Total SA	**502.9**		**27 772**	**871.0**		**33 048**	**299.3**		**48 143**	**1 673.2**		**108 963**
Papua New Guinea[1]												
Hidden Valley	0.8	0.035	28	77.5	0.038	2 926	5.6	0.029	161	83.8	0.037	3 115
Hamata	0.0	0.060	1	3.4	0.057	193	0.5	0.061	32	3.9	0.058	226
Wafi	–	–	–	60.6	0.050	3 006	12.1	0.038	460	72.8	0.048	3 466
Golpu	–	–	–	446.4	0.019	8 333	104.7	0.018	1 863	551.2	0.018	10 196
Nambonga	–	–	–	–	–	–	22.0	0.023	508	22.0	0.023	508
Total Papua New Guinea	0.8	0.035	29	587.9	0.025	14 458	145.0	0.021	3 024	733.7	0.024	17 511
Grand total	**503.7**		**27 801**	**1 458.9**		**47 506**	**444.3**		**51 167**	**2 406.9**		**126 474**

Operations	Measured resources		Indicated resources		Inferred resources		Total mineral resources	
Gold equivalents[1] Silver	Tons (Mt)	Au eq (000 oz)	Tons (Mt)	Au eq (000 oz)	Tons (Mt)	Au eq (000 oz)	Tons (Mt)	Au eq (000 oz)
Hidden Valley	0.7	9	77.5	977	5.6	63	83.8	1 049
Total	**0.7**	**9**	**77.5**	**977**	**5.6**	**63**	**83.8**	**1 049**
Copper								
Golpu	–	–	446.4	18 545	104.7	3 904	551.1	22 449
Nambonga	–	–	–	–	22.0	204	22.0	204
Total	**–**	**–**	**446.4**	**18 545**	**126.7**	**4 108**	**573.1**	**22 653**
Total silver and copper as gold equivalents	**0.7**	**9**	**523.9**	**19 522**	**132.3**	**4 171**	**656.9**	**23 702**
Total PNG including gold equivalents	**0.7**	**38**	**587.9**	**33 980**	**145.0**	**7 195**	**733.7**	**41 213**
Total Harmony including equivalents	**503.7**	**27 810**	**1 458.9**	**67 028**	**444.3**	**55 338**	**2 406.9**	**150 176**

Operations	Measured resources			Indicated resources			Inferred resources			Total mineral resources		
Papua New Guinea: other[1] Silver	Tons (Mt)	Grade (oz/ton)	Ag (000 oz)	Tons (Mt)	Grade (oz/ton)	Ag (000 oz)	Tons (Mt)	Grade (oz/ton)	Ag (000 oz)	Tons (Mt)	Grade (oz/ton)	Ag (000 oz)
Hidden Valley	0.8	0.559	450	77.5	0.706	54 720	5.6	0.619	3 440	83.8	0.699	58 610
Golpu	–	–	–	446.4	0.032	14 323	104.7	0.029	3 054	551.2	0.032	17 377
Nambonga	–	–	–	–	–	–	22.0	0.084	1845	22.0	0.084	1 845
Total	**0.8**	**0.559**	**450**	**523.9**	**0.132**	**69 043**	**132.3**	**0.063**	**8 339**	**657.0**	**0.118**	**77 832**
Copper	Tons (Mt)	Grade (%)	Cu (M lb)	Tons (Mt)	Grade (%)	Cu (M lb)	Tons (Mt)	Grade (%)	Cu (M lb)	Tons (Mt)	Grade (%)	Cu (M lb)
Golpu	–	–	–	446.4	0.835	8 214	104.7	0.726	1 675	551.2	0.814	9 890
Nambonga	–	–	–	–	–	–	22.0	0.191	93	22.0	0.191	93
Total	–	–	–	446.4	0.835	8 214	126.8	0.633	1 768	573.2	0.790	9 982
Molybdenum	Tons (Mt)	Grade (lb/ton)	Mo (M lb)	Tons (Mt)	Grade (lb/ton)	Mo (M lb)	Tons (Mt)	Grade (lb/ton)	Mo (M lb)	Tons (Mt)	Grade (lb/ton)	Mo (M lb)
Golpu	–	–	–	446.4	0.200	89	104.7	0.150	16	551.2	0.190	105
South Africa: uranium Uranium	Tons (Mt)	Grade (lb/ton)	U3O8 (M lb)	Tons (Mt)	Grade (lb/ton)	U3O8 (M lb)	Tons (Mt)	Grade (lb/ton)	U3O8 (M lb)	Tons (Mt)	Grade (lb/ton)	U3O8 (M lb)
Free State underground												
Masimong	10.1	0.536	5	12.5	0.434	5	102.0	0.358	36	125	0.380	47
Tshepong	8.9	0.385	3	27.6	0.384	11	9.6	0.138	1	46	0.333	15
Phakisa	6.9	0.355	2	18.7	0.366	7	26.0	0.154	4	52	0.258	13
Total	**25.8**	**0.436**	**11**	**58.8**	**0.389**	**23**	**137.6**	**0.304**	**42**	**222**	**0.342**	**76**
Total SA underground	**25.8**	**0.436**	**11**	**58.8**	**0.389**	**23**	**137.6**	**0.304**	**42**	**222**	**0.342**	**76**
Free State surface	–	–	–	437.4	0.152	66	–	–	–	437.4	0.152	66
Grand total	**25.8**	**0.436**	**11**	**496.3**	**0.180**	**89**	**137.6**	**0.304**	**42**	**659.7**	**0.216**	**142**

[1] Total attributable.
Gold equivalent ounces are calculated assuming a US$1 400/oz Au, US$3.50/lb Cu and US$25.00/oz Ag with 100% recovery for all metals.
NB: Rounding of numbers may result in slight computational discrepancies.
Note: 1 ton = 907 kg = 2 000 lbs.

Mineral reserves statement (metric)

Operations	Proved reserves			Probable reserves			Total mineral reserves		
Gold	Tonnes (Mt)	Grade (g/t)	Gold[2] (000 kg)	Tonnes (Mt)	Grade (g/t)	Gold[2] (000 kg)	Tonnes (Mt)	Grade (g/t)	Gold[2] (000 kg)
SA underground									
Free State Region									
Bambanani	2.3	12.76	30	–	–	–	2.3	12.76	30
Joel	1.5	5.28	8	4.3	5.17	22	5.8	5.20	30
Masimong	5.6	5.05	28	1.2	5.11	6	6.9	5.06	35
Phakisa	3.7	6.24	23	15.8	8.15	129	19.5	7.79	152
Target									
Target 1	5.1	3.24	17	4.7	6.71	32	9.9	4.90	48
Target 3	2.4	7.52	18	3.7	5.66	21	6.1	6.40	39
Total	**7.5**	**4.60**	**35**	**8.4**	**6.25**	**53**	**15.9**	**5.47**	**87**
Tshepong	18.1	5.55	100	4.0	4.94	20	22.1	5.44	120
Unisel	1.7	4.80	8	1.1	4.36	5	2.8	4.63	13
Total Free State underground	**40.5**	**5.74**	**232**	**34.9**	**6.73**	**235**	**75.3**	**6.20**	**467**
West Rand Region									
Doornkop									
Doornkop Kimberley Reef	2.6	2.19	6	1.8	2.31	4	4.5	2.24	10
Doornkop South Reef	1.6	5.30	8	3.3	5.12	17	4.9	5.18	25
Total	**4.2**	**3.36**	**14**	**5.2**	**4.13**	**21**	**9.4**	**3.78**	**35**
Kusasalethu	11.8	7.12	84	23.3	5.89	137	35.1	6.30	221
Total West Rand Region	**16.0**	**6.13**	**98**	**28.4**	**5.57**	**158**	**44.5**	**5.77**	**257**
Total SA underground	**56.5**	**5.85**	**331**	**63.3**	**6.21**	**393**	**119.8**	**6.04**	**724**
SA surface									
Kraaipan greenstone belt									
Kalgold	3.0	0.62	2	15.7	1.01	16	18.7	0.95	18
Free State Region – surface									
Phoenix	106.0	0.32	34	–	–	–	106.0	0.32	34
St Helena	257.6	0.26	66	–	–	–	257.6	0.26	66
Other: WRD	–	–	–	5.1	0.48	2	5.1	0.48	2
Slimes dams	–	–	–	503.0	0.24	118	503.0	0.24	118
Subtotal	**–**	**–**	**–**	**508.1**	**0.24**	**121**	**508.1**	**0.24**	**121**
Total Free State Region	**363.6**	**0.27**	**100**	**508.1**	**0.24**	**121**	**871.7**	**0.25**	**221**
Total SA surface	**366.6**	**0.28**	**102**	**523.8**	**0.26**	**137**	**890.4**	**0.27**	**238**
Total SA	**423.2**		**432**	**587.1**		**530**	**1 010.2**		**962**
Papua New Guinea[1]									
Hidden Valley	0.7	1.18	1	36.4	1.48	54	37.1	1.48	55
Hamata	0.0	1.90	0	2.3	2.17	5	2.3	2.17	5
Golpu	–	–	–	225.0	0.86	193	225.0	0.86	193
Total Papua New Guinea	**0.8**	**1.20**	**1**	**263.7**	**0.96**	**252**	**264.5**	**0.96**	**253**
Grand total	**423.9**		**433**	**850.8**		**782**	**1 274.7**		**1 215**

Operations	Proved reserves		Probable reserves		Total mineral reserves	
Gold equivalents[1] Silver	Tonnes (Mt)	Au eq[2] (000 kg)	Tonnes (Mt)	Au eq[2] (000 kg)	Tonnes (Mt)	Au eq[2] (000 kg)
Hidden Valley	0.7	0	36.4	18	37.1	18
Total	**0.7**	**0**	**36.4**	**18**	**37.1**	**18**
Copper						
Golpu	–	–	225.0	413	225.0	413
Total	**–**	**–**	**225.0**	**413**	**225.0**	**413**
Total silver and copper as gold equivalents	**0.7**	**0**	**261.4**	**431**	**262.1**	**431**
Total PNG including gold equivalents	**0.8**	**1**	**263.7**	**684**	**264.5**	**685**
Total Harmony including equivalents	**423.9**	**433**	**850.8**	**1 213**	**1 274.7**	**1 647**

Operations	Proved reserves			Probable reserves			Total mineral reserves		
Papua New Guinea: other[1] Silver	Tonnes (Mt)	Grade (g/t)	Ag[2] (000 kg)	Tonnes (Mt)	Grade (g/t)	Ag[2] (000 kg)	Tonnes (Mt)	Grade (g/t)	Ag[2] (000 kg)
Hidden Valley	0.7	19.50	14	36.4	27.90	1 016	37.1	27.74	1 030
Copper	Tonnes (Mt)	Grade (%)	Cu[2] (000 t)	Tonnes (Mt)	Grade (%)	Cu[2] (000 t)	Tonnes (Mt)	Grade (%)	Cu[2] (000 t)
Golpu	–	–	–	225.0	1.21	2 723	225.0	1.21	2 723
South Africa: uranium Uranium	Tonnes (Mt)	Grade (kg/t)	U3O8[2] (Mkg)	Tonnes (Mt)	Grade (kg/t)	U3O8[2] (Mkg)	Tonnes (Mt)	Grade (kg/t)	U3O8[2] (Mkg)
Free State underground									
Masimong	5.2	0.18	1	2.4	0.14	0	7.6	0.17	1
Tshepong	8.2	0.10	1	13.7	0.11	1	21.8	0.11	2
Phakisa	3.7	0.14	1	15.8	0.13	2	19.5	0.13	3
Total SA underground	**17.1**	**0.13**	**2**	**31.9**	**0.12**	**4**	**48.9**	**0.12**	**6**
Grand total	**17.1**	**0.13**	**2**	**31.9**	**0.12**	**4**	**48.9**	**0.12**	**6**

[1] Total attributable.
Gold equivalent ounces are calculated assuming a US$1 400/oz Au, US$3.50/lb Cu and US$25.00/oz Ag with 100% recovery for all metals.
[2] Metal figures are fully inclusive of all mining dilutions and gold losses, and are reported as mill delivered tonnes and head grades. Metallurgical recovery factors have not been applied to the reserve figures.
NB: Rounding of numbers may result in slight computational discrepancies.
Note: 1 tonne = 1 000 kg = 2 204 lbs.

Mineral resources and mineral reserves continued

Mineral reserves statement (imperial)

Operations	Proved reserves			Probable reserves			Total mineral reserves		
Gold	Tons (Mt)	Grade (oz/t)	Gold[2] (000 oz)	Tons (Mt)	Grade (oz/t)	Gold[2] (000 oz)	Tons (Mt)	Grade (oz/t)	Gold[2] (000 oz)
SA underground									
Free State Region									
Bambanani	2.6	0.372	952	–	–	–	2.6	0.372	952
Joel	1.7	0.154	258	4.7	0.151	715	6.4	0.151	973
Masimong	6.2	0.147	911	1.4	0.149	205	7.6	0.148	1 116
Phakisa	4.1	0.182	739	17.4	0.238	4 149	21.5	0.228	4 888
Target									
Target 1	5.7	0.094	534	5.2	0.196	1 021	10.9	0.143	1 555
Target 3	2.6	0.219	579	4.1	0.165	671	6.7	0.186	1 250
Total	**8.3**	**0.134**	**1 113**	**9.3**	**0.182**	**1 692**	**17.6**	**0.160**	**2 805**
Tshepong	19.9	0.162	3 229	4.4	0.144	633	24.3	0.159	3 862
Unisel	1.9	0.140	267	1.2	0.127	150	3.1	0.135	417
Total Free State underground	**44.6**	**0.167**	**7 469**	**38.4**	**0.196**	**7 544**	**83.0**	**0.181**	**15 013**
West Rand Region									
Doornkop									
Doornkop Kimberley Reef	2.9	0.064	185	2.0	0.067	135	4.9	0.065	320
Doornkop South Reef	1.7	0.154	269	3.7	0.149	548	5.4	0.151	817
Total	**4.6**	**0.098**	**454**	**5.7**	**0.120**	**683**	**10.3**	**0.110**	**1 137**
Kusasalethu	13.0	0.208	2 704	25.7	0.172	4 408	38.7	0.184	7 112
Total West Rand Region	**17.7**	**0.179**	**3 158**	**31.4**	**0.162**	**5 091**	**49.0**	**0.168**	**8 249**
Total SA underground	**62.3**	**0.171**	**10 627**	**69.8**	**0.181**	**12 635**	**132.0**	**0.176**	**23 262**
SA surface									
Kraaipan greenstone belt									
Kalgold	3.3	0.018	61	17.3	0.030	510	20.6	0.028	571
Free State Region – surface									
Phoenix	116.8	0.009	1 081	–	–	–	116.8	0.009	1 081
St Helena	284.0	0.008	2 131	–	–	–	284.0	0.008	2 131
Other: WRD	–	–	–	5.6	0.014	78	5.6	0.014	78
Slimes dams	–	–	–	554.5	0.007	3 801	554.5	0.007	3 801
Subtotal	**–**	**–**	**–**	**560.1**	**0.007**	**3 879**	**560.1**	**0.007**	**3 879**
Total Free State Region	**400.8**	**0.008**	**3 212**	**560.1**	**0.007**	**3 879**	**960.9**	**0.007**	**7 091**
Total SA surface	**404.1**	**0.008**	**3 273**	**577.4**	**0.008**	**4 389**	**981.5**	**0.008**	**7 662**
Total SA	**466.4**		**13 900**	**647.2**		**17 024**	**1 113.5**		**30 924**
Papua New Guinea[1]									
Hidden Valley and Kaveroi	0.8	0.035	28	40.1	0.043	1 736	40.9	0.043	1 764
Hamata	0.0	0.086	1	2.5	0.063	161	2.5	0.065	163
Golpu	–	–	–	248.0	0.025	6 221	248.0	0.025	6 221
Total Papua New Guinea	**0.8**	**0.036**	**30**	**290.6**	**0.028**	**8 118**	**291.4**	**0.028**	**8 148**
Grand total	**467.2**		**13 930**	**937.8**		**25 142**	**1 404.9**		**39 072**

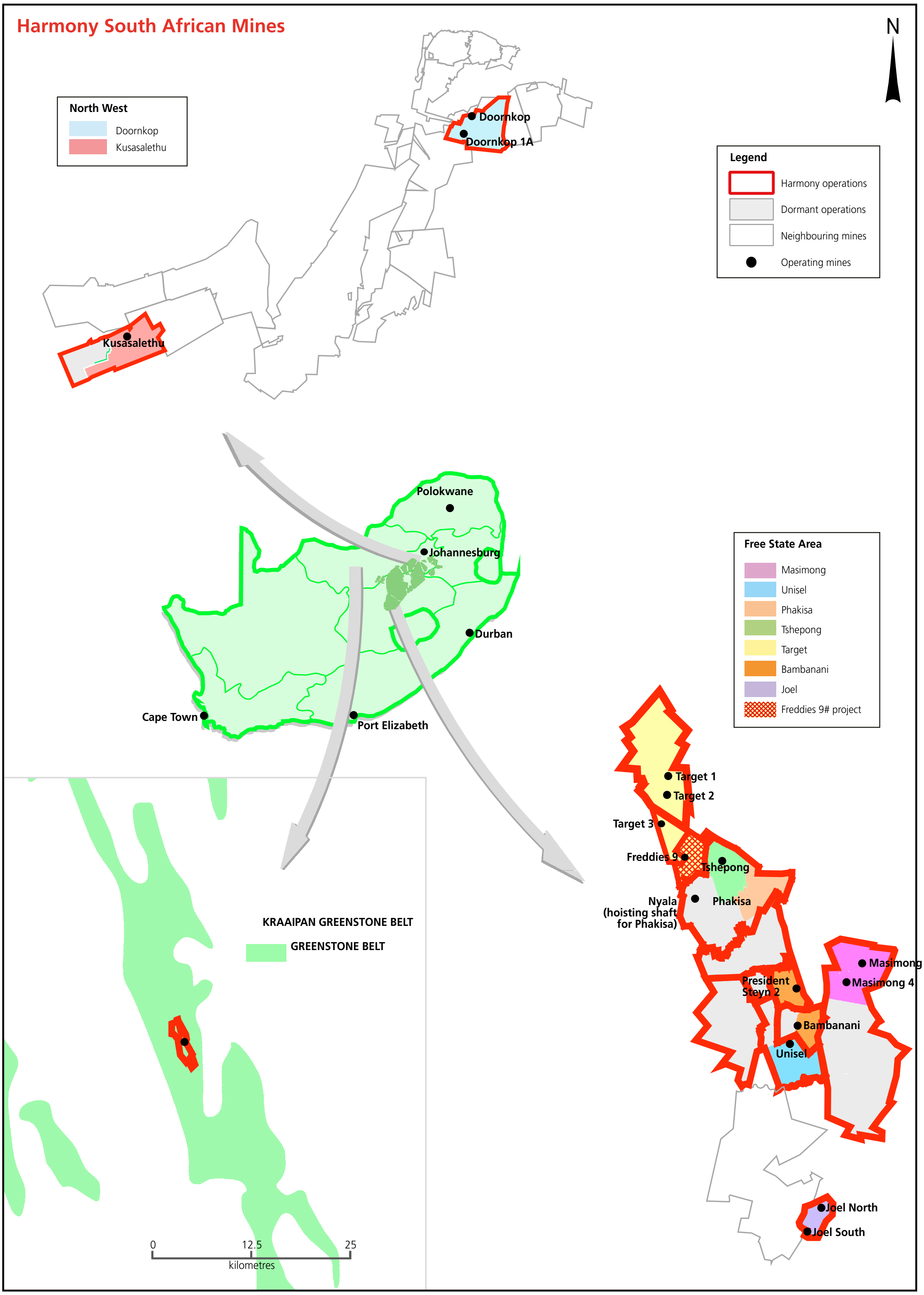
Operations	Proved reserves		Probable reserves		Total mineral reserves	
Gold equivalents[1] Silver	Tons (Mt)	Au eq[2] (000 oz)	Tons (Mt)	Au eq[2] (000 oz)	Tons (Mt)	Au eq[2] (000 oz)
Hidden Valley	0.7	8	40.1	584	40.8	592
Total	**0.7**	**8**	**40.1**	**584**	**40.8**	**592**
Copper Golpu	–	–	248.0	13 274	248.0	13 274
Total	**–**	**–**	**248.0**	**13 274**	**248.0**	**13 274**
Total silver and copper as gold equivalents	**0.7**	**8**	**288.1**	**13 858**	**288.8**	**13 867**
Total PNG including gold equivalents	**0.8**	**37**	**290.7**	**21 976**	**291.4**	**22 014**
Total Harmony including equivalents	**467.3**	**13 937**	**937.8**	**39 000**	**1 405.1**	**52 937**

Operations	Proved reserves			Probable reserves			Total mineral reserves		
Papua New Guinea: other[1] Silver	Tons (Mt)	Grade (oz/ton)	Ag[2] (000 oz)	Tons (Mt)	Grade (oz/ton)	Ag[2] (000 oz)	Tons (Mt)	Grade (oz/ton)	Ag[2] (000 oz)
Hidden Valley	0.8	0.569	458	40.1	0.814	32 654	40.9	0.809	33 112
Copper	Tons (Mt)	Grade (%)	Cu[2] (Mlb)	Tons (Mt)	Grade (%)	Cu[2] (Mlb)	Tons (Mt)	Grade (%)	Cu[2] (Mlb)
Golpu	–	–	–	248.0	1.098	6 003	248.0	1.098	6 003
South Africa: uranium Uranium	Tons (Mt)	Grade (lb/ton)	U3O8[2] (M lb)	Tons (Mt)	Grade (lb/ton)	U3O8[2] (M lb)	Tons (Mt)	Grade (lb/ton)	U3O8[2] (M lb)
Free State underground									
Masimong	5.7	0.351	2	2.6	0.288	1	8.3	0.333	3
Tshepong	9.0	0.206	2	15.1	0.217	3	24.1	0.213	5
Phakisa	4.1	0.273	1	17.5	0.253	4	21.6	0.256	5
Total SA underground	**18.8**	**0.265**	**5**	**35.2**	**0.239**	**8**	**54.0**	**0.239**	**13**
Grand total	**18.8**	**0.265**	**5**	**35.2**	**0.239**	**8**	**54.0**	**0.239**	**13**

[1] Total attributable.
Gold equivalent ounces are calculated assuming a US$1 400/oz Au, US$3.50/lb Cu and US$25.00/oz Ag with 100% recovery for all metals.
[2] Metal figures are fully inclusive of all mining dilutions and gold losses, and are reported as mill delivered tonnes and head grades. Metallurgical recovery factors have not been applied to the reserve figures.
NB: Rounding of numbers may result in slight computational discrepancies.
Note: 1 ton = 907 kg = 2 000 lbs.

Mineral resources and mineral reserves continued

Mineral resources and mineral reserves – location of mining operations



Free State Region

Gold – Mineral resources

Operations	Measured resources				Indicated resources				Inferred resources				Total mineral resources			
Gold	Tonnes (Mt)	(g/t)	Gold (000 kg)	Gold (000 oz)	Tonnes (Mt)	(g/t)	Gold (000 kg)	Gold (000 oz)	Tonnes (Mt)	(g/t)	Gold (000 kg)	Gold (000 oz)	Tonnes (Mt)	(g/t)	Gold (000 kg)	Gold (000 oz)
Underground																
Bambanani	2.8	16.39	46	1 467	0.0	25.72	1	32	–	–	–	–	2.8	16.52	47	1 499
Joel	4.5	7.76	35	1 118	6.6	6.75	45	1 431	9.1	5.48	50	1 595	20.1	6.40	129	4 144
Masimong	14.6	7.00	102	3 289	7.1	6.13	44	1 401	91.6	5.84	535	17 187	113.3	6.01	680	21 877
Phakisa	6.1	8.41	51	1 636	17.0	11.80	200	6 436	23.6	9.11	215	6 911	46.6	10.00	466	14 983
Target																
Target 1	8.8	7.54	67	2 143	9.7	7.85	76	2 441	2.1	5.72	12	384	20.6	7.50	155	4 968
Target 2	0.0	14.00	1	20	0.1	15.52	2	67	–	–	–	–	0.2	15.14	3	87
Target 3	11.0	8.47	93	3 002	9.7	7.70	75	2 412	4.5	5.28	24	758	25.2	7.60	192	6 172
Total	**19.9**	**8.07**	**161**	**5 165**	**19.6**	**7.83**	**153**	**4 920**	**6.6**	**5.42**	**36**	**1 142**	**46.0**	**7.59**	**349**	**11 227**
Freddies 9	–	–	–	–	6.0	10.61	64	2 045	29.6	8.09	239	7 690	35.6	8.51	303	9 735
Tshepong	18.8	10.42	196	6 286	6.9	9.04	63	2 017	16.1	9.99	161	5 173	41.8	10.03	419	13 476
Unisel	8.8	6.05	54	1 720	7.2	5.72	41	1 324	11.6	5.34	62	1 993	27.7	5.66	157	5 037
Total underground	**75.4**	**8.53**	**643**	**20 681**	**70.4**	**8.66**	**610**	**19 606**	**188.1**	**6.90**	**1 297**	**41 691**	**333.9**	**7.64**	**2 550**	**81 978**
Surface																
Free State																
Phoenix	106.0	0.32	34	1 081	–	–	–	–	–	–	–	–	106.0	0.32	34	1 081
St Helena	257.6	0.26	66	2 131	–	–	–	–	–	–	–	–	257.6	0.26	66	2 131
Other:																
WRD	–	–	–	–	5.6	0.46	3	83	30.3	0.46	14	452	36.0	0.46	17	535
Slimes dams	–	–	–	–	634.9	0.22	142	4 559	15.2	0.19	3	93	650.2	0.22	145	4 652
Subtotal	**–**	**–**	**–**	**–**	**640.6**	**0.23**	**144**	**4 642**	**45.6**	**0.37**	**17**	**545**	**686.1**	**0.24**	**161**	**5 187**
Total surface	**363.6**	**0.27**	**100**	**3 212**	**640.6**	**0.23**	**144**	**4 642**	**45.6**	**0.37**	**17**	**545**	**1 049.7**	**0.25**	**261**	**8 399**
Grand total	**439.0**		**743**	**23 893**	**711.0**		**754**	**24 248**	**233.6**		**1 314**	**42 236**	**1 383.6**		**2 811**	**90 377**

Mineral resources and mineral reserves continued

Free State Region continued

Modifying factors

Underground operations	MCF (%)	SW (cm)	MW (cm)	PRF (%)
Bambanani	82	183	212	96
Joel	83	155	185	96
Masimong	69	133	152	96
Phakisa	80	119	142	96
Target 1 (Missives)	100	–	–	95
Target 3	75	113	128	95
Tshepong	72	105	128	96
Unisel	77	180	194	96

Surface operations	MCF (%)	PRF (%)
Free State (Phoenix)	100	45
Free State (St Helena)	100	45
Free State (Other)	100	53

Gold – Mineral reserves

	Proved				Probable				Total			
Operations	Tonnes (Mt)	(g/t)	Gold (000 kg)	Gold (000 oz)	Tonnes (Mt)	(g/t)	Gold (000 kg)	Gold (000 oz)	Tonnes (Mt)	(g/t)	Gold (000 kg)	Gold (000 oz)
Underground												
Bambanani	2.3	12.76	30	952	–	–	–	–	2.3	12.76	30	952
Joel	1.5	5.28	8	258	4.3	5.17	22	715	5.8	5.20	30	973
Masimong	5.6	5.05	28	911	1.2	5.11	6	205	6.9	5.06	35	1 116
Phakisa	3.7	6.24	23	739	15.8	8.15	129	4 149	19.5	7.79	152	4 888
Target												
Target 1	5.1	3.24	17	534	4.7	6.71	32	1 021	9.9	4.90	48	1 555
Target 3	2.4	7.52	18	579	3.7	5.66	21	671	6.1	6.40	39	1 250
Total	**7.5**	**4.60**	**35**	**1 113**	**8.4**	**6.25**	**53**	**1 692**	**15.9**	**5.47**	**87**	**2 805**
Tshepong	18.1	5.55	100	3 229	4.0	4.94	20	633	22.1	5.44	120	3 862
Unisel	1.7	4.80	8	267	1.1	4.36	5	150	2.8	4.63	13	417
Total underground	**40.5**	**5.74**	**232**	**7 469**	**34.9**	**6.73**	**235**	**7 544**	**75.3**	**6.20**	**467**	**15 013**
Surface												
Free State Phoenix	106.0	0.32	34	1 081	–	–	–	–	106.0	0.32	34	1 081
St Helena	257.6	0.26	66	2 131	–	–	–	–	257.6	0.26	66	2 131
Other: WRD	–	–	–	–	5.1	0.48	2	78	5.1	0.48	2	78
Slimes dams	–	–	–	–	503.0	0.24	118	3 801	503.0	0.24	118	3 801
Subtotal	**–**	**–**	**–**	**–**	**508.1**	**0.24**	**121**	**3 879**	**508.1**	**0.24**	**121**	**3 879**
Total surface	**363.6**	**0.27**	**100**	**3 212**	**508.1**	**0.24**	**121**	**3 879**	**871.7**	**0.25**	**221**	**7 091**
Grand total	**404.1**		**332**	**10 681**	**543.0**		**355**	**11 423**	**947.0**		**687**	**22 104**

Uranium – Mineral resources

Operations	Measured Tonnes (Mt)	Measured (kg/t)	Measured U3O8 (Mkg)	Measured U3O8 (Mlb)	Indicated Tonnes (Mt)	Indicated (kg/t)	Indicated U3O8 (Mkg)	Indicated U3O8 (Mlb)	Inferred Tonnes (Mt)	Inferred (kg/t)	Inferred U3O8 (Mkg)	Inferred U3O8 (Mlb)	Total Tonnes (Mt)	Total (kg/t)	Total U3O8 (Mkg)	Total U3O8 (Mlb)
Underground																
Masimong	9.2	0.27	2	5	11.4	0.22	2	5	92.5	0.18	17	36	113.0	0.19	21	47
Tshepong	8.0	0.19	2	3	25.1	0.19	5	11	8.7	0.07	1	1	41.8	0.17	7	15
Phakisa	6.3	0.18	1	2	17.0	0.18	3	7	23.6	0.08	2	4	46.8	0.13	6	13
Total	**23.4**	**0.22**	**5**	**11**	**53.4**	**0.19**	**10**	**23**	**124.8**	**0.15**	**19**	**42**	**201.6**	**0.17**	**34**	**76**
Surface																
Total	**0.0**	**0.00**	**0**	**0**	**396.8**	**0.08**	**30**	**66**	**0.0**	**0.00**	**0**	**0**	**396.8**	**0.08**	**30**	**66**
Grand total	**23.4**	**0.22**	**5**	**11**	**450.2**	**0.09**	**40**	**89**	**124.8**	**0.15**	**19**	**42**	**598.4**	**0.11**	**65**	**142**

Modifying factors

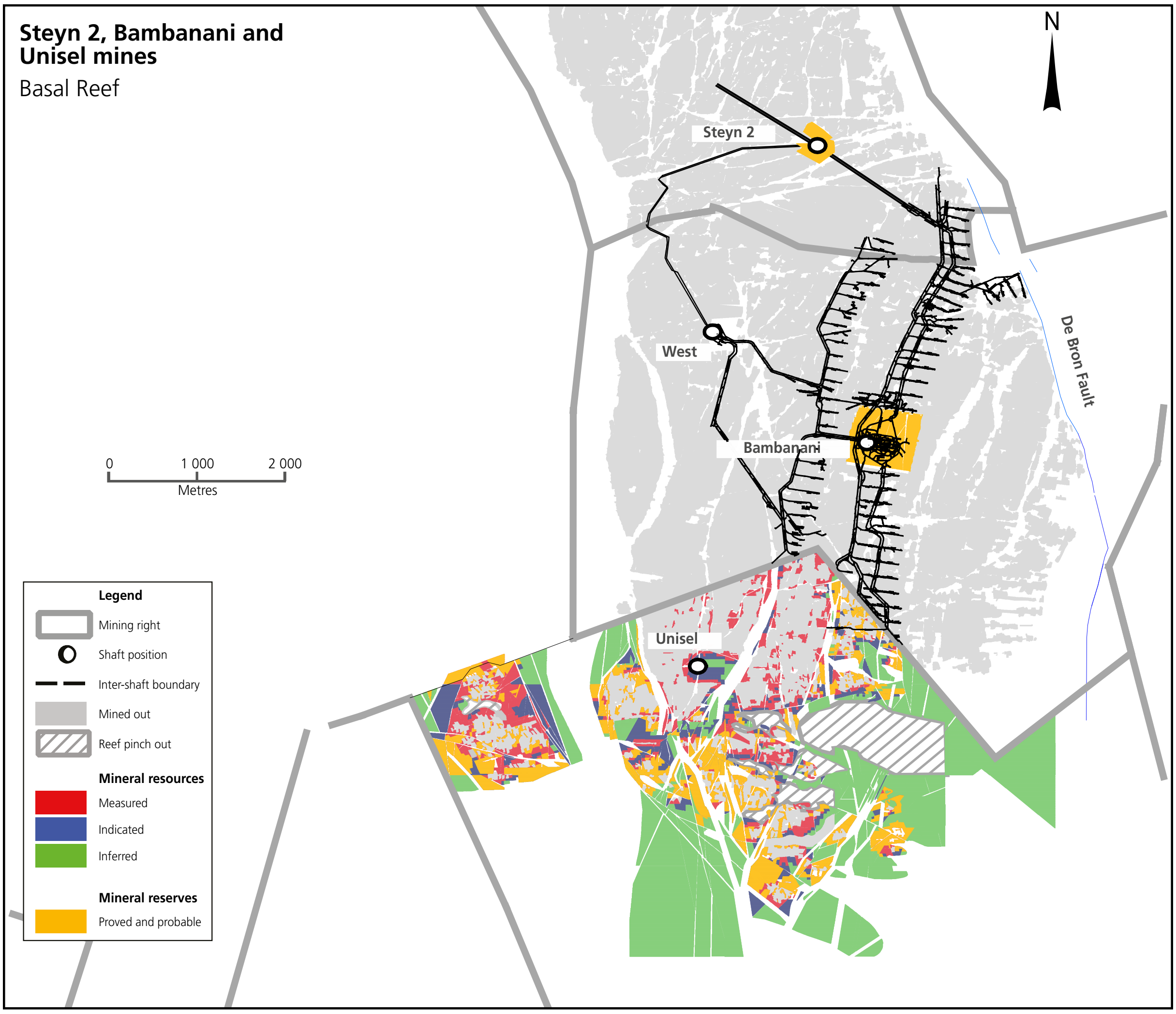
Underground operations	MCF (%)	PRF (%)
Masimong	69	80
Tshepong	72	80
Phakisa	80	80

Uranium – Mineral reserves

Operations	Proved Tonnes (Mt)	Proved (kg/t)	Proved U3O8 (Mkg)	Proved U3O8 (Mlb)	Probable Tonnes (Mt)	Probable (kg/t)	Probable U3O8 (Mkg)	Probable U3O8 (Mlb)	Total Tonnes (Mt)	Total (kg/t)	Total U3O8 (Mkg)	Total U3O8 (Mlb)
Underground												
Masimong	5.2	0.18	0.9	2	2.4	0.14	0.3	1	7.6	0.17	1.3	3
Tshepong	8.2	0.10	0.8	2	13.7	0.11	1.5	3	21.8	0.11	2.3	5
Phakisa	3.7	0.14	0.5	1	15.8	0.13	2.0	4	19.5	0.13	2.5	6
Grand total	**17.1**	**0.13**	**2**	**5**	**31.9**	**0.12**	**4**	**8**	**48.9**	**0.12**	**6**	**13**

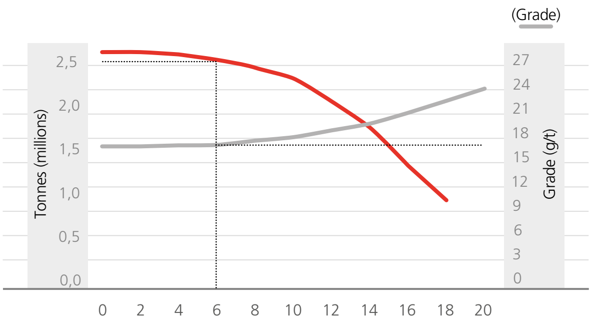
Mineral resources and mineral reserves continued

Free State Region continued

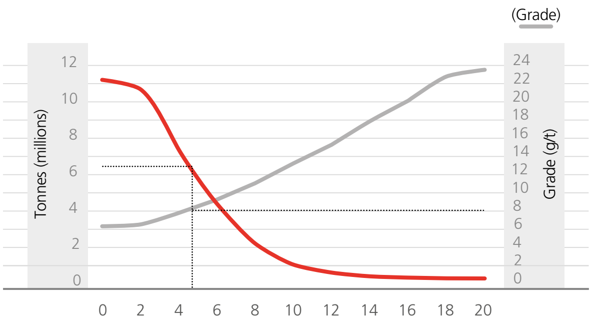


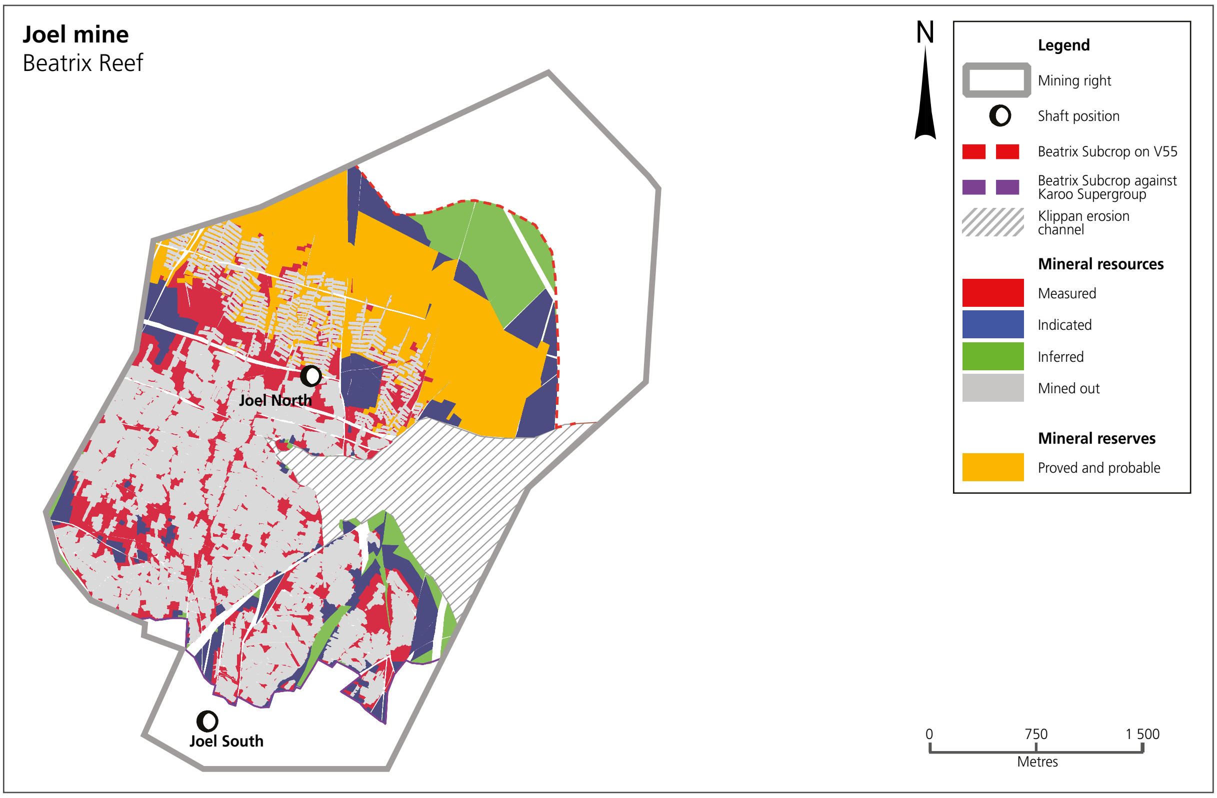
Measured and indicated mineral resources – grade tonnage curves

Bambanani: Basal Reef

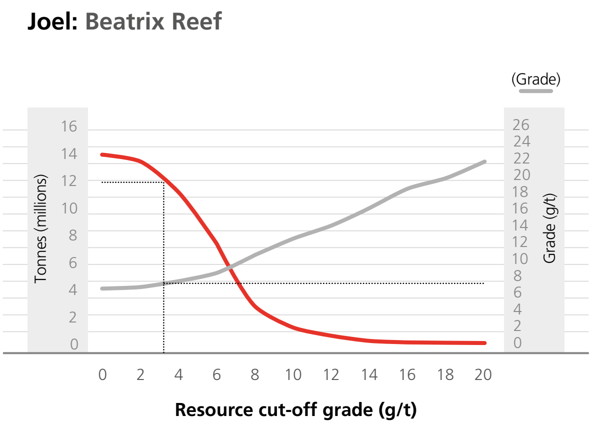


Unisel: Basal Reef



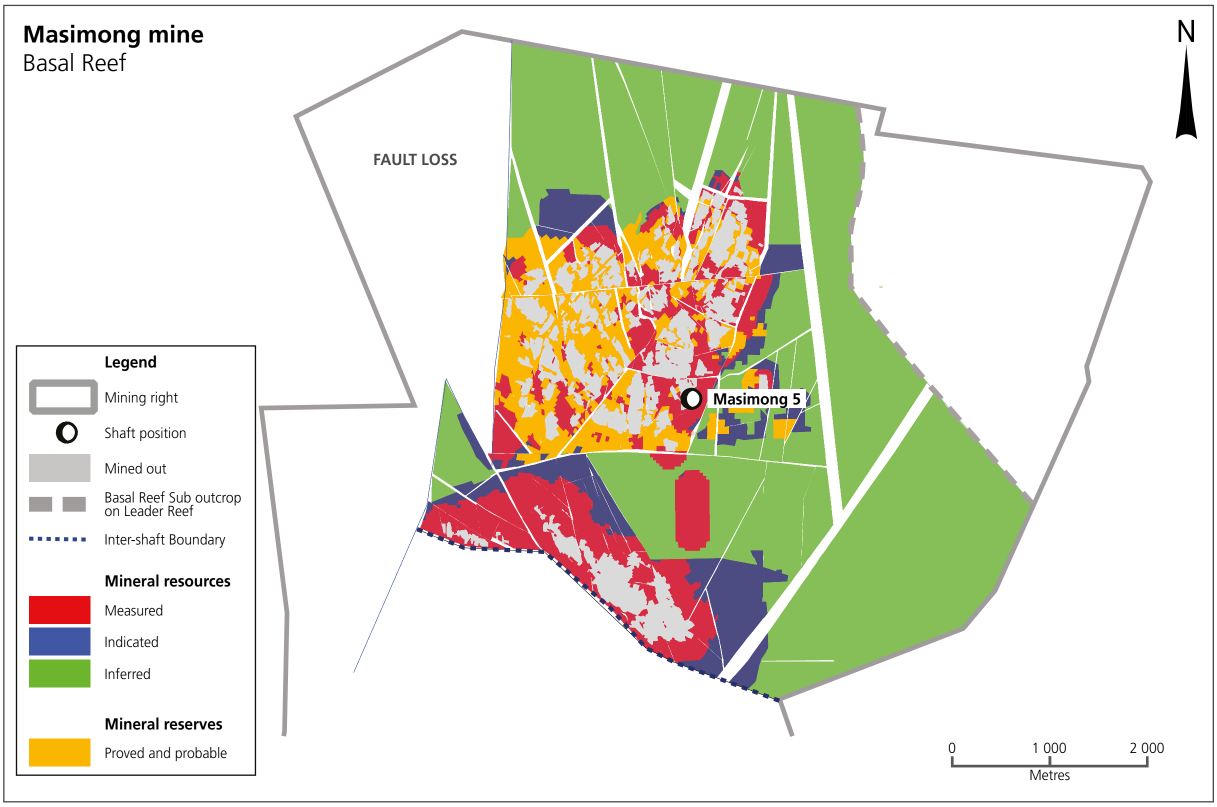


Measured and indicated mineral resources – grade tonnage curve



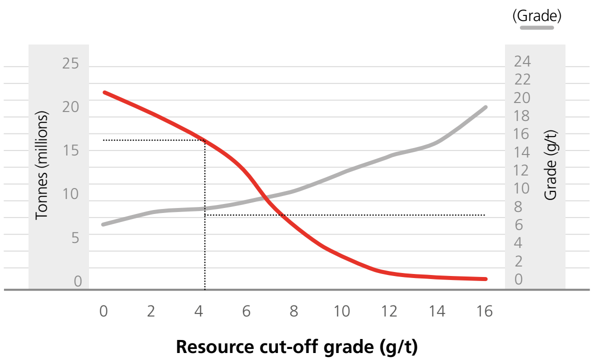
Mineral resources and mineral reserves continued

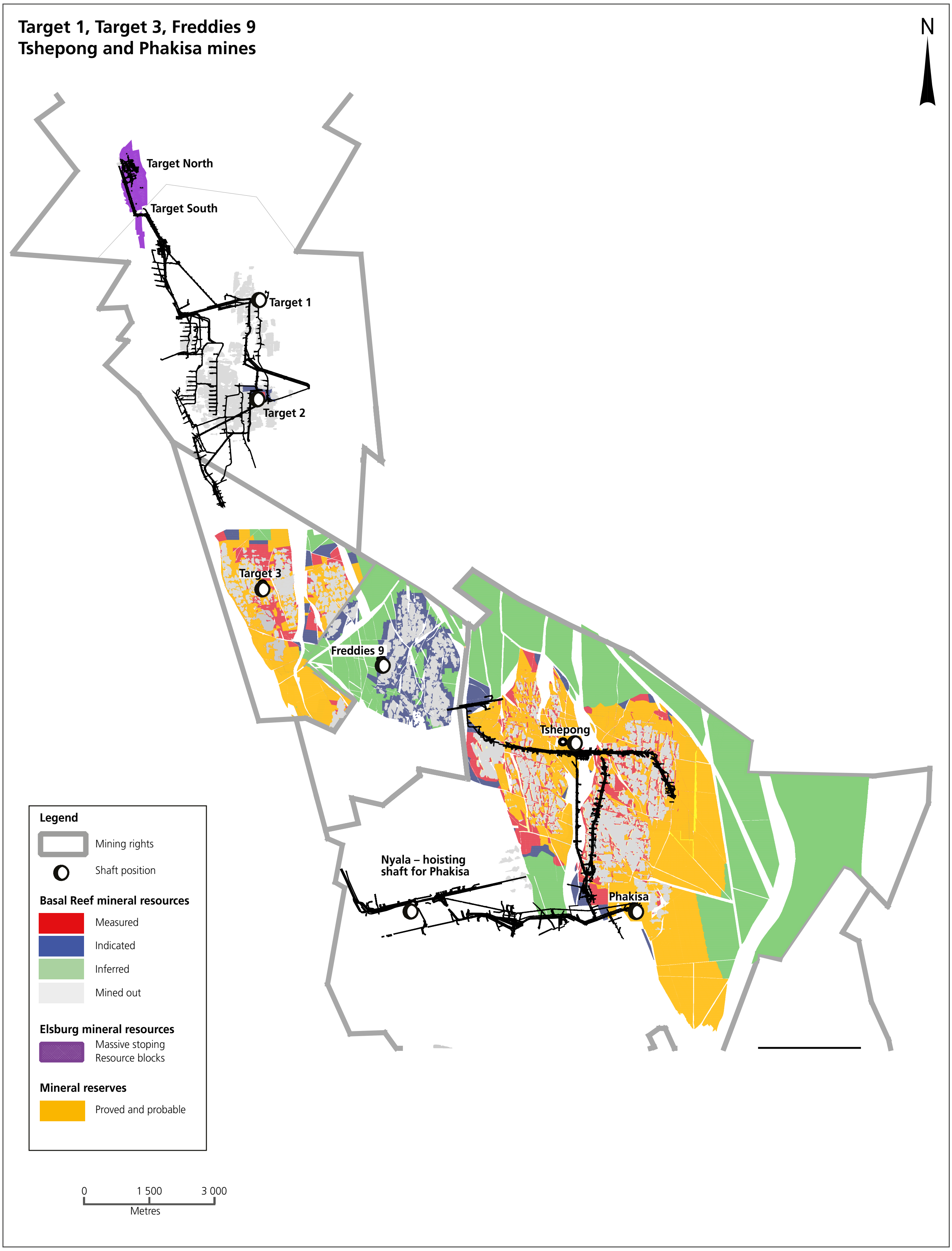
Free State Region continued



Measured and indicated mineral resources – grade tonnage curve

Masimong: Basal Reef





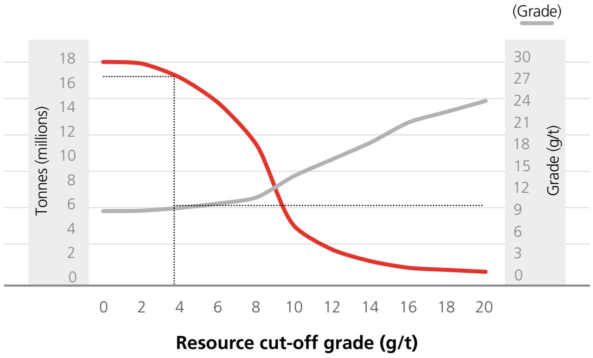
Target 1, Target 3, Freddies 9
Tshepong and Phakisa mines
N
Target North
Target South
Target 1
Target 2
Target 3
Freddies 9
Tshepong
Nyala – hoisting
shaft for Phakisa
Phakisa
Legend
Mining rights
Shaft position
Basal Reef mineral resources
Measured
Indicated
Inferred
Mined out
Elsburg mineral resources
Massive stoping
Resource blocks
Mineral reserves
Proved and probable
0
1 500
3 000
Metres

Mineral resources and mineral reserves continued

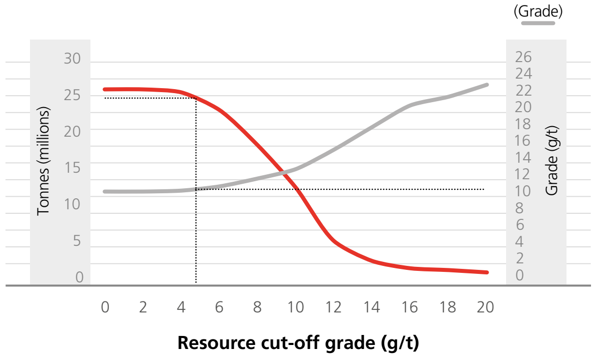
Free State Region continued

Measured and indicated mineral resources – grade tonnage curves

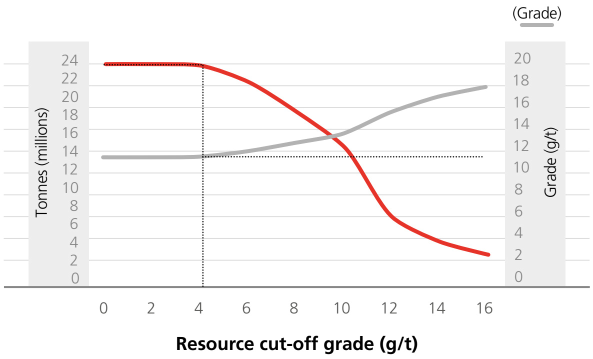
Target 3: Basal Reef



Tshepong: Basal Reef



Phakisa: Basal Reef



West Rand Region

Gold – Mineral resources

	Measured				Indicated				Inferred				Total			
Operations	Tonnes (Mt)	(g/t)	Gold (000 kg)	Gold (000 oz)	Tonnes (Mt)	(g/t)	Gold (000 kg)	Gold (000 oz)	Tonnes (Mt)	(g/t)	Gold (000 kg)	Gold (000 oz)	Tonnes (Mt)	(g/t)	Gold (000 kg)	Gold (000 oz)
Under-ground																
Doornkop																
Kimberley Reef	4.3	2.60	11	362	10.3	2.56	26	850	0.0	0.00	0	0	14.7	2.57	38	1 212
South Reef	1.6	7.71	13	403	3.6	7.31	26	838	21.2	7.98	169	5 432	26.4	7.88	208	6 673
Total	**6.0**	**3.99**	**24**	**765**	**13.9**	**3.78**	**53**	**1 688**	**21.2**	**7.98**	**169**	**5 432**	**41.0**	**5.98**	**245**	**7 885**
Kusasalethu	8.2	11.61	95	3 053	20.6	8.93	184	5 907	0.2	9.35	2	53	28.9	9.69	280	9 013
Grand total	**14.1**	**8.40**	**119**	**3 818**	**34.5**	**6.85**	**236**	**7 595**	**21.3**	**7.99**	**171**	**5 485**	**70.0**	**7.51**	**526**	**16 898**

Modifying factors

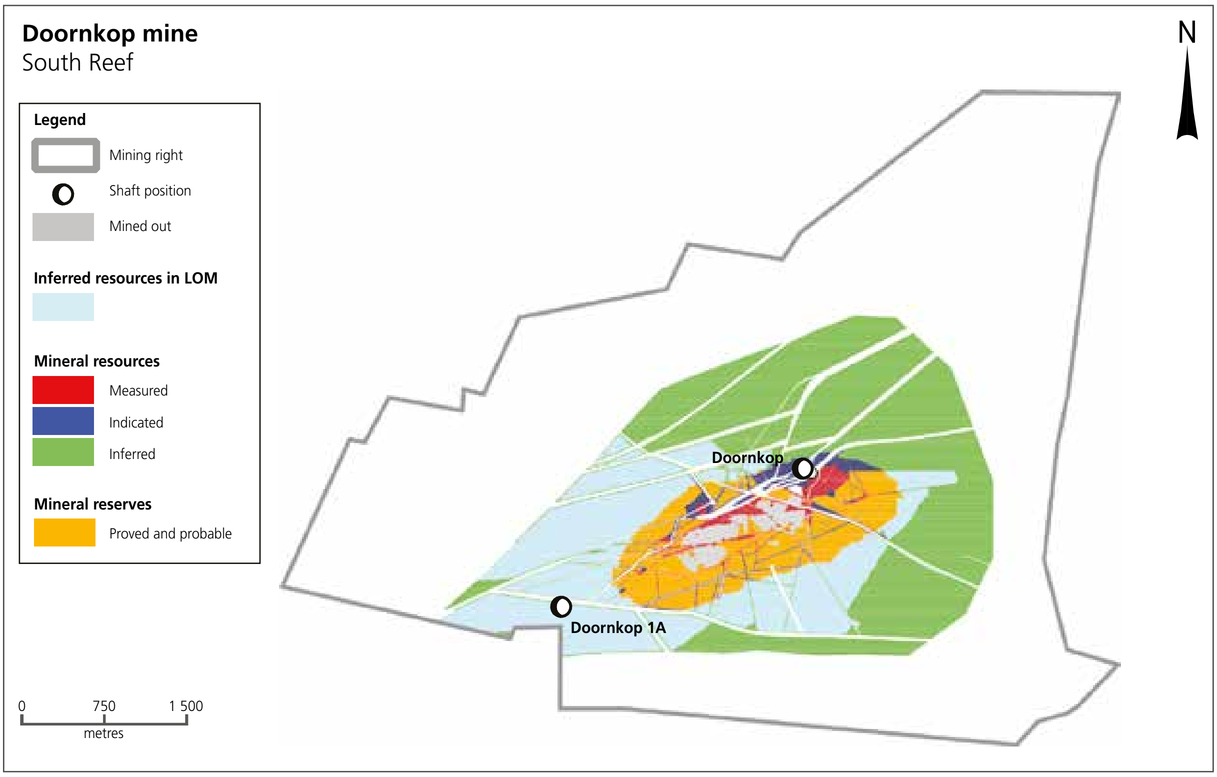
Underground operations	MCF (%)	SW (cm)	MW (cm)	PRF (%)
Doornkop Kimberley Reef	95	380	399	95
Doornkop South Reef	81	124	146	95
Kusasalethu	87	126	159	96

Gold – Mineral reserves

	Proved				Probable				Total			
Operations	Tonnes (Mt)	(g/t)	Gold (000 kg)	Gold (000 oz)	Tonnes (Mt)	(g/t)	Gold (000 kg)	Gold (000 oz)	Tonnes (Mt)	(g/t)	Gold (000 kg)	Gold (000 oz)
Underground												
Doornkop												
Kimberley Reef	2.6	2.19	6	185	1.8	2.31	4	135	4.5	2.24	10	320
South Reef	1.6	5.30	8	269	3.3	5.12	17	548	4.9	5.18	25	817
Total	**4.2**	**3.36**	**14**	**454**	**5.2**	**4.13**	**21**	**683**	**9.4**	**3.78**	**35**	**1 137**
Kusasalethu	11.8	7.12	84	2 704	23.3	5.89	137	4 408	35.1	6.30	221	7 112
Grand total	**16.0**	**6.13**	**98**	**3 158**	**28.4**	**5.57**	**158**	**5 091**	**44.5**	**5.77**	**257**	**8 249**

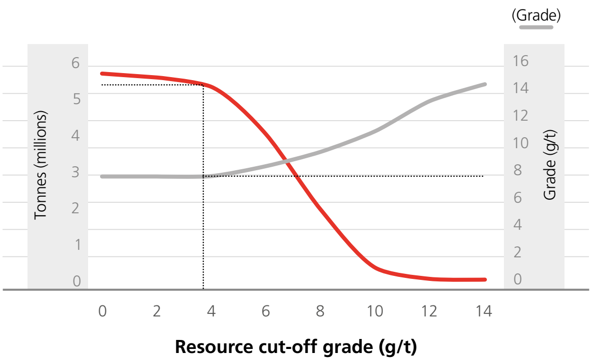
Mineral resources and mineral reserves continued

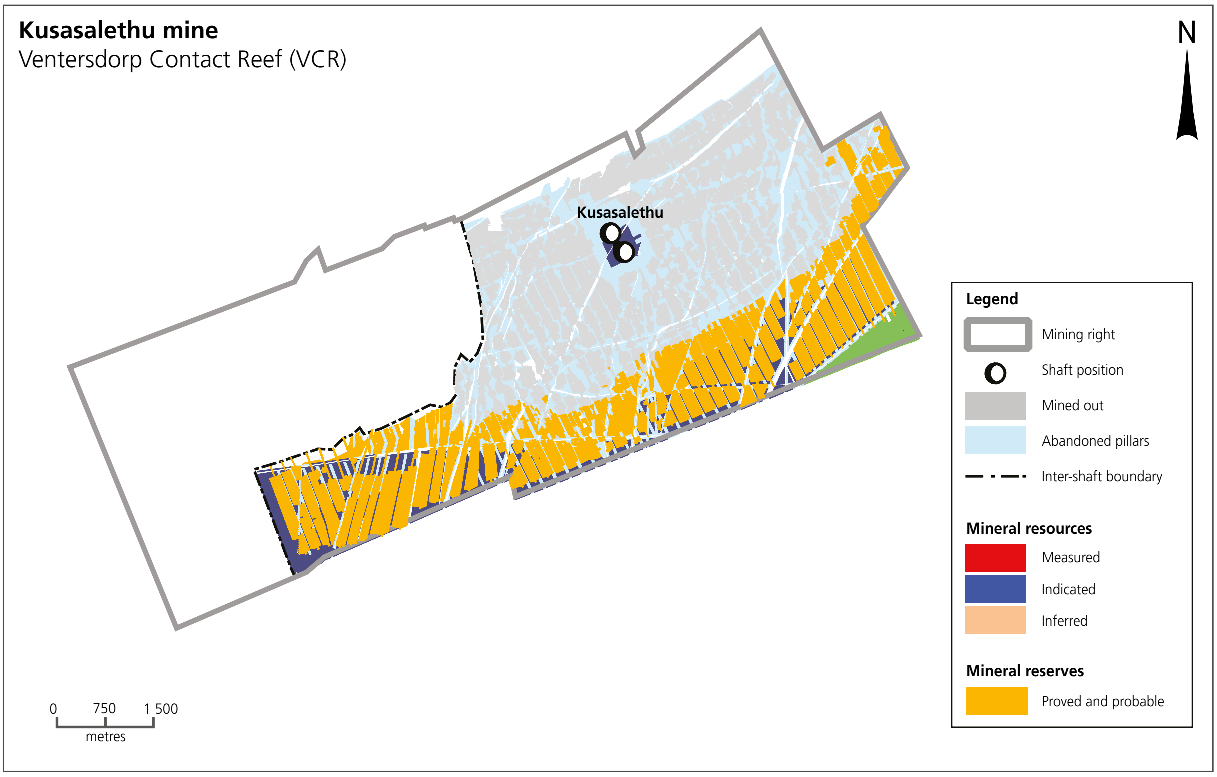
West Rand Region continued



Measured and indicated mineral resources – grade tonnage curve

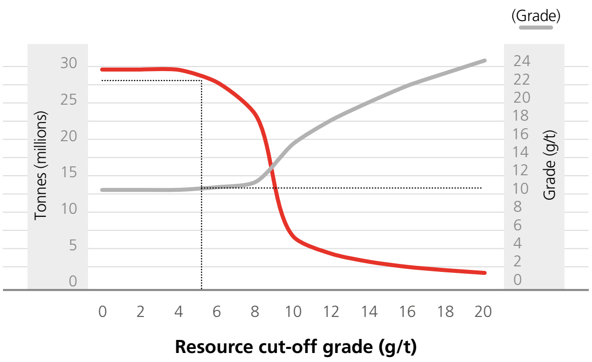
Doornkop: South Reef





Measured and indicated mineral resources – grade tonnage curve

Kusasalethu: VCR Reef



Mineral resources and mineral reserves continued

Kraaipan Greenstone Belt

Gold – Mineral Resources

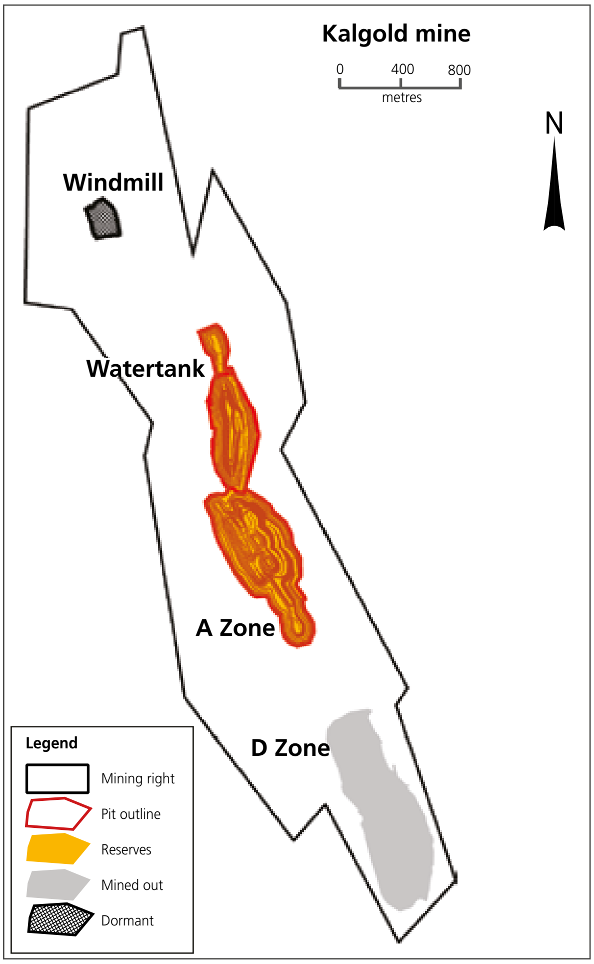
	Measured				Indicated				Inferred				Total			
Operations	Tonnes (Mt)	(g/t)	Gold (000 kg)	Gold (000 oz)	Tonnes (Mt)	(g/t)	Gold (000 kg)	Gold (000 oz)	Tonnes (Mt)	(g/t)	Gold (000 kg)	Gold (000 oz)	Tonnes (Mt)	(g/t)	Gold (000 kg)	Gold (000 oz)
Kalgold	3.0	0.62	2	61	44.7	0.84	37	1 205	16.6	0.79	13	422	64.3	0.82	52	1 688
Grand total	**3.0**	**0.62**	**2**	**61**	**44.7**	**0.84**	**37**	**1 205**	**16.6**	**0.79**	**13**	**422**	**64.3**	**0.82**	**52**	**1 688**

Modifying factors

Surface operations	MCF (%)	Dilution (%)	PRF (%)
Kalgold	100	3	85

Gold – Mineral reserves

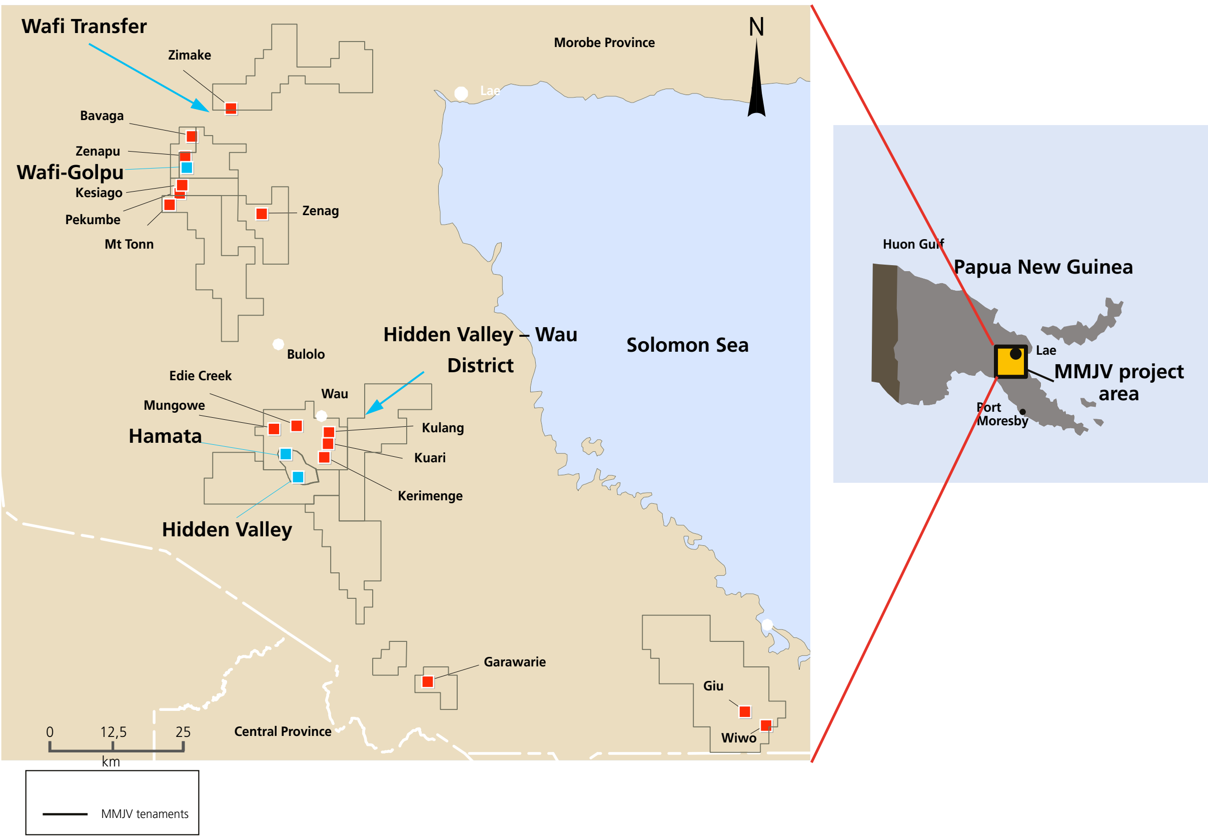
	Proved				Probable				Total			
Operations	Tonnes (Mt)	(g/t)	Gold (000 kg)	Gold (000 oz)	Tonnes (Mt)	(g/t)	Gold (000 kg)	Gold (000 oz)	Tonnes (Mt)	(g/t)	Gold (000 kg)	Gold (000 oz)
Kalgold	3.0	0.62	2	61	15.7	1.01	16	510	18.7	0.95	18	571
Grand total	**3.0**	**0.62**	**2**	**61**	**15.7**	**1.01**	**16**	**510**	**18.7**	**0.95**	**18**	**571**



Mineral resources and mineral reserves – PNG

Papua New Guinea

Mineral resources and mineral reserves detailed in the following tables represent the Harmony Newcrest joint venture 100% portion.



Gold – Mineral resources

Operations	Measured				Indicated				Inferred				Total			
	Tonnes (Mt)	(g/t)	Gold (000 kg)	Gold (000 oz)	Tonnes (Mt)	(g/t)	Gold (000 kg)	Gold (000 oz)	Tonnes (Mt)	(g/t)	Gold (000 kg)	Gold (000 oz)	Tonnes (Mt)	(g/t)	Gold (000 kg)	Gold (000 oz)
Hidden Valley	1.5	1.18	2	56	140.6	1.29	182	5 852	10.1	0.99	10	322	152.1	1.27	194	6 230
Hamata	0.0	2.00	0	2	6.1	1.96	12	386	1.0	2.11	2	64	7.1	1.98	14	452
Wafi	–	–	–	–	110.0	1.70	187	6 012	22.0	1.30	29	920	132.0	1.63	216	6 932
Golpu	–	–	–	–	810.0	0.64	518	16 666	190.0	0.61	116	3 726	1 000.0	0.63	634	20 392
Nambonga	–	–	–	–	–	–	–	–	40.0	0.79	32	1 016	40.0	0.79	32	1 016
Grand total	**1.5**	**1.19**	**2**	**58**	**1 066.7**	**0.84**	**899**	**28 916**	**263.0**	**0.72**	**188**	**6 048**	**1 331.2**	**0.82**	**1 089.3**	**35 022**

Modifying factors

Operations	MCF (%)	PRF (%)
Hidden Valley	95	89
Hamata	95	89
Golpu	100	61

Mineral resources and mineral reserves – PNG continued

Papua New Guinea continued

Gold – Mineral reserves

	Proved				Probable				Total			
Operations	Tonnes (Mt)	(g/t)	Gold (000 kg)	Gold (000 oz)	Tonnes (Mt)	(g/t)	Gold (000 kg)	Gold (000 oz)	Tonnes (Mt)	(g/t)	Gold (000 kg)	Gold (000 oz)
Hidden Valley	1.5	1.18	2	56	72.8	1.48	108	3 472	74.3	1.48	110	3 528
Hamata	0.0	1.90	0	2	4.6	2.17	10	322	4.7	2.17	10	324
Golpu	–	–	–	–	450.0	0.86	387	12 442	450.0	0.86	387	12 442
Grand total	**1.5**	**1.20**	**2**	**58**	**527.4**	**0.96**	**505**	**16 236**	**528.9**	**0.96**	**507**	**16 294**

Silver – Mineral resources

	Measured				Indicated				Inferred				Total			
Operations	Tonnes (Mt)	(g/t)	Ag (000 kg)	Ag (000 oz)	Tonnes (Mt)	(g/t)	Ag (000 kg)	Ag (000 oz)	Tonnes (Mt)	(g/t)	Ag (000 kg)	Ag (000 oz)	Tonnes (Mt)	(g/t)	Ag (000 kg)	Ag (000 oz)
Hidden Valley	1.5	19.2	28	900	140.6	24.2	3 404	109 440	10.1	21.2	214	6 880	152.1	24.0	3 646	117 220
Golpu	–	–	–	–	810.0	1.1	891	28 646	190.0	1.0	190	6 108	1 000.0	1.1	1 081	34 754
Nambonga	–	–	–	–	–	–	–	–	40.0	2.9	115	3 690	40.0	2.9	115	3 690
Grand total	**1.5**	**19.2**	**28**	**900**	**950.6**	**4.5**	**4 295**	**138 086**	**240.1**	**2.2**	**519**	**16 678**	**1 192.1**	**4.1**	**4 842**	**155 664**

Silver – Mineral resources as gold equivalents

	Measured	Indicated	Inferred	Total
Operations	(000 oz)	(000 oz)	(000 oz)	(000 oz)
Hidden Valley	18	1 954	126	2 098
Grand total	**18**	**1 954**	**126**	**2 098**

Modifying factors

Operations	MCF (%)	PRF (%)
Hidden Valley	95	65

Silver – Mineral reserves

	Proved				Probable				Total			
Operations	Tonnes (Mt)	(g/t)	Ag (000 kg)	Ag (000 oz)	Tonnes (Mt)	(g/t)	Ag (000 kg)	Ag (000 oz)	Tonnes (Mt)	(g/t)	Ag (000 kg)	Ag (000 oz)
Hidden Valley	1.5	19.5	28	916	72.8	27.9	2 031	65 308	74.3	27.7	2 060	66 224
Grand total	**1.5**	**19.5**	**28**	**916**	**72.8**	**27.9**	**2 031**	**65 308**	**74.3**	**27.7**	**2 060**	**66 224**

Silver – Mineral reserves as gold equivalents

	Proved	Probable	Total
Operations	(000 oz)	(000 oz)	(000 oz)
Hidden Valley	16	1 168	1 184
Grand total	**16**	**1 168**	**1 184**

Copper – Mineral resources

	Measured				Indicated				Inferred				Total			
Operations	Tonnes (Mt)	(%)	Cu (Mkg)	Cu (Mlb)	Tonnes (Mt)	(%)	Cu (Mkg)	Cu (Mlb)	Tonnes (Mt)	(%)	Cu (Mkg)	Cu (Mlb)	Tonnes (Mt)	(%)	Cu (Mkg)	Cu (Mlb)
Golpu	–	–	–	–	810.0	0.92	7 452	16 429	190.0	0.80	1 520	3 351	1 000.0	0.90	8 972	19 780
Nambonga	–	–	–	–	–	–	–	–	40.0	0.21	84	185	40.0	0.21	84	185
Grand total	**–**	**–**	**–**	**–**	**810.0**	**0.92**	**7 452**	**16 429**	**230.0**	**0.70**	**1 604**	**3 536**	**1 040.0**	**0.87**	**9 056**	**19 965**

Copper – Mineral resources as gold equivalents

	Measured	Indicated	Inferred	Total
Operations	(000 oz)	(000 oz)	(000 oz)	(000 oz)
Golpu	–	37 090	7 808	44 898
Nambonga	–	–	408	408
Grand total	**–**	**37 090**	**8 216**	**45 306**

Modifying factors

Operations	MCF (%)	PRF (%)
Golpu	100	92

Copper – Mineral reserves

	Proved				Probable				Total			
Operations	Tonnes (Mt)	(%)	Cu (Mkg)	Cu (Mlb)	Tonnes (Mt)	(%)	Cu (Mkg)	Cu (Mlb)	Tonnes (Mt)	(%)	Cu (Mkg)	Cu (Mlb)
Golpu	–	–	–	–	450.0	1.21	5 446	12 006	450.0	1.21	5 446	12 006
Grand total	**–**	**–**	**–**	**–**	**450.0**	**1.21**	**5 446**	**12 006**	**450.0**	**1.21**	**5 446**	**12 006**

Copper – Mineral reserves as gold equivalents

	Proved	Probable	Total
Operations	(000 oz)	(000 oz)	(000 oz)
Golpu	–	26 549	26 549
Grand total	**–**	**26 549**	**26 549**

Mineral resources and mineral reserves – PNG continued

Papua New Guinea continued

Molybdenum – Mineral resources

	Measured				Indicated				Inferred				Total			
Operations	Tonnes (Mt)	(ppm)	Mo (Mkg)	Mo (Mlb)	Tonnes (Mt)	(ppm)	Mo (Mkg)	Mo (Mlb)	Tonnes (Mt)	(ppm)	Mo (Mkg)	Mo (Mlb)	Tonnes (Mt)	(ppm)	Mo (Mkg)	Mo (Mlb)
Golpu	–	–	–	–	810.0	100	81	179	190.0	75	14	31	1 000.0	95	95	210
Grand total	**–**	**–**	**–**	**–**	**810.0**	**100**	**81**	**179**	**190.0**	**75**	**14**	**31**	**1 000.0**	**95**	**95**	**210**

Total mineral resources: Gold and gold equivalents

	Measured	Indicated	Inferred	Total
Operations	(000 oz)	(000 oz)	(000 oz)	(000 oz)
Gold	58	28 916	6 048	35 022
Silver	18	1 954	126	2 098
Copper	–	37 090	8 216	45 306
Grand total	**76**	**67 960**	**14 390**	**82 426**

Total mineral reserves: Gold and gold equivalents

	Proved	Probable	Total
Operations	(000 oz)	(000 oz)	(000 oz)
Gold	58	16 236	16 294
Silver	16	1 168	1 184
Copper	–	26 549	26 549
Grand total	**74**	**43 953**	**44 027**

Mineral resources and mineral reserves detailed in the following tables represent Harmony's PNG 50% attributable gold equivalent mineral resources and mineral reserves

Mineral resources: Gold equivalents*

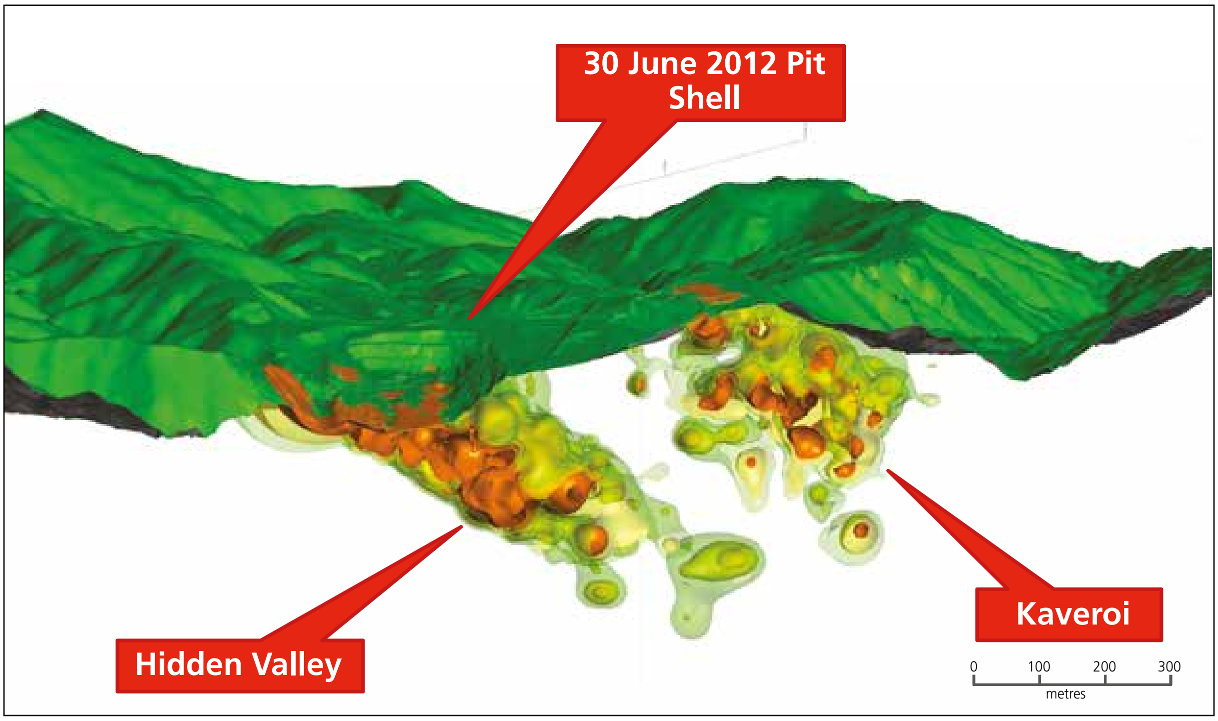
	Tonnes	Gold	Gold
	(Mt)	(000 Kg)	(000 oz)
Measured	0.8	1	38
Indicated	533.3	1 057	33 980
Inferred	131.6	224	7 195
Total	**665.6**	**1 282**	**41 213**

Mineral reserves: Gold equivalents*

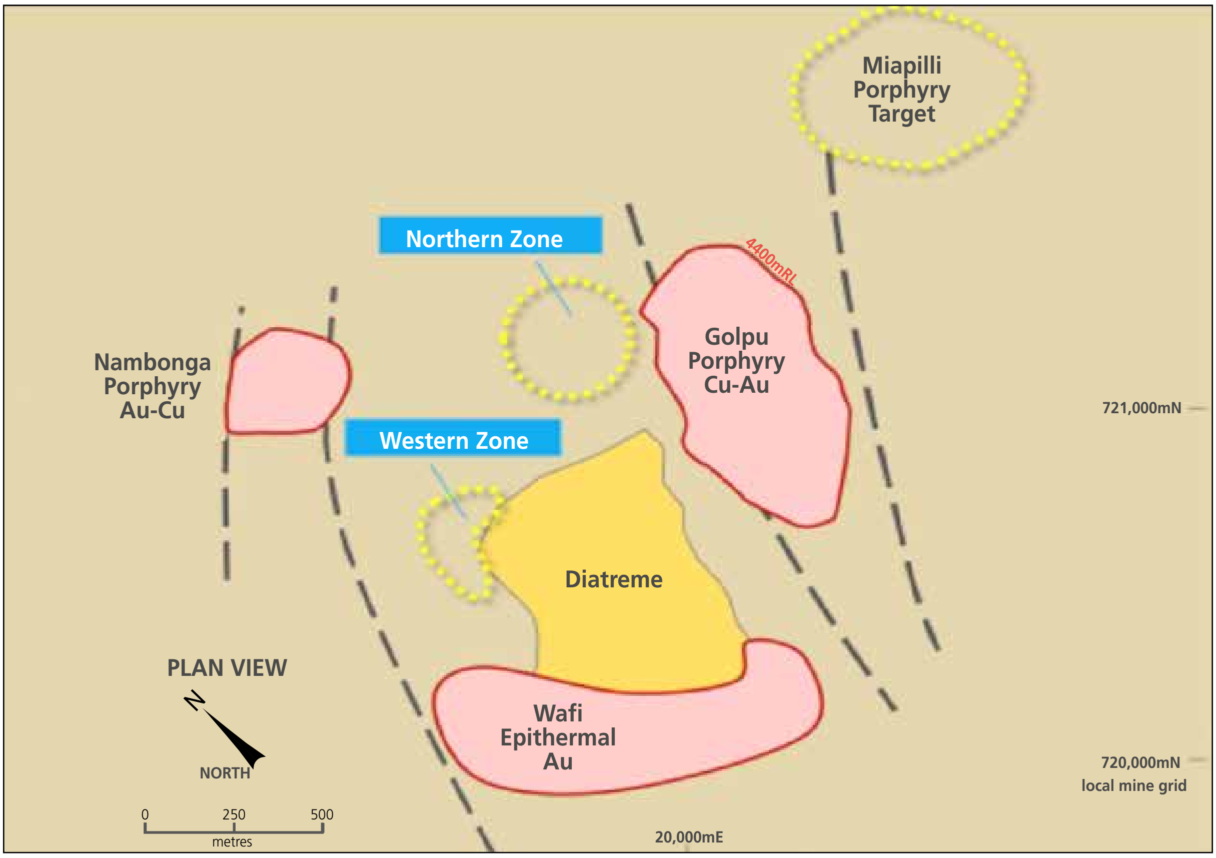
	Tonnes	Gold	Gold
	(Mt)	(000 Kg)	(000 oz)
Proved	0.8	1	38
Probable	263.7	684	21 976
Total	**264.5**	**685**	**22 014**

**Gold equivalent ounces are calculated assuming a US$1 400/oz Au, US$3.50/lb Cu and US$25.00/oz Ag with 100% recovery for all metals.*

Hidden Valley mine



Wafi-Golpu project



Appendix

Reporting code

Harmony uses the South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves (SAMREC Code), which sets out the internationally recognised procedures and standards for reporting mineral resources and ore/mineral reserves in South Africa. This code was developed by the South African Institute of Mining and Metallurgy and is the recommended guideline for reserve and resource reporting for companies listed on the JSE Limited. Harmony's reporting of its Australian and PNG mineral resources and mineral reserves also complies with the Australian Code for the Reporting of Mineral Resources and Mineral Reserves (JORC Code) of the Australian Institute of Mining and Metallurgy. This code is materially the same as the SAMREC Code. In reporting reserves, distinct cognisance has also been taken of Industry Guide 7 of the United States Securities Exchange Commission.

Definitions as per the SAMREC Code

Mineral resources

A **mineral resource** is a concentration (or occurrence) of material or economic interest in or on the earth's crust in such form, quality and quantity that there are reasonable and realistic prospects for eventual economic extraction. The location, quantity, grade, continuity and other geological characteristics of a mineral resource are known, estimated from specific geological evidence and knowledge, or interpreted from a well-constrained and portrayed geological model.

Mineral resources are sub-divided in order of increasing confidence in respect of geoscientific evidence into inferred, indicated and measured categories.

An **inferred mineral resource** is that part of a mineral resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and sampling, and assumed but not verified geologically and/or through analysis of grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that may be limited or of uncertain quality and reliability.

An **indicated mineral resource** is that part of a mineral resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and the testing of information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed.

A **measured mineral resource** is that part of a mineral resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity.

Mineral reserves

A **mineral reserve** is the economically mineable material derived from a measured and/or indicated mineral resource. It includes diluting and contaminating materials and allows for losses that are expected to occur when the material is mined. Appropriate assessments to a minimum of a pre-feasibility study for a project, or a life-of-mine plan for an operation, must have been carried out, including consideration of, and modification by, realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors (the modifying factors). Such modifying factors must be disclosed.

A **probable mineral reserve** is the economically mineable material derived from a measured and/or indicated mineral resource. It is estimated with a lower level of confidence than a proved mineral reserve. It includes diluting and contaminating materials and allows for losses that are expected to occur when the material is mined. Appropriate assessments to a minimum of a pre-feasibility study for a project, or a life-of-mine plan for an operation, must have been carried out, including consideration of, and modification by, realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. Such modifying factors must be disclosed.

A **proved mineral reserve** is the economically mineable material derived from a measured mineral resource. It is estimated with a high level of confidence. It includes diluting and contaminating materials and allows for losses that are expected to occur when the material is mined. Appropriate assessments to a minimum of a pre-feasibility study for a project, or a life-of-mine plan for an operation, must have been carried out, including consideration of, and modification by, realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. Such modifying factors must be disclosed.

Harmony reporting in compliance with SAMREC

To meet the requirements of the SAMREC Code that the material reported as a mineral resource should have 'reasonable and realistic prospects for eventual economic extraction', Harmony has determined an appropriate cut-off grade which has been applied to the quantified mineralised body according to a process incorporating a long-term view on future economic modifying factors. In applying this process, Harmony uses a gold price of R500 000/kg to derive a cut-off grade to determine the mineral resources at each of its South African underground operations. For the PNG JV operations, a gold price of US$1 250/oz, silver price of US$21/oz and a copper price of US$3.10/lb at AU$/US$ exchange rate of 0.9:1.0 was used.

Mineral resources have been estimated on the basis of geoscientific knowledge with input from the company's mineral reserve managers, geologists and geostatistical staff. Each mine's mineral resources are categorised, blocked-out and ascribed an estimated value. At all our mines, computerised geostatistical estimation processes are used.

To define that portion of a measured and indicated mineral resource that can be converted to a proved and probable mineral reserve, Harmony applies the concept of a cut-off grade. At our underground South African mines, this is done by defining the optimal cut-off as the lowest grade at which an orebody can be mined such that the total profits, under a specified set of mining parameters, are maximised. The cut-off grade is determined using the company's Optimiser software, which requires the following as input: the database of measured and indicated resource blocks (per shaft section); an assumed gold price which, for this mineral reserve statement, was taken as R340 000/kg; planned production rates; the mine recovery factor (MRF) which is equivalent to the mine call factor (MCF) multiplied by the plant recovery factor (PRF); and planned cash operating costs (rand per tonne). Rand per tonne cash operating costs are historically based but take cognisance of distinct changes in the cost environment such as restructuring, right-sizing, and other cost-reduction initiatives, and for below-infrastructure ounces, an estimate of capital expenditure.

The block cave reserve at Golpu in PNG uses proprietary block cave optimisation software to define the optimal mine plan and sequencing. The open-pit reserve at Hidden Valley in PNG is using the Whittle optimisation programme to guide the most efficient mine design given the commodity prices and cost inputs assumed.

The mineral reserves represent that portion of the measured and indicated resources above cut-off in the life-of-mine plan and have been estimated after consideration of the factors affecting extraction, including mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors.

A range of disciplines, including geology, survey, planning, mining engineering, rock engineering, metallurgy, financial management, human resources management and environmental management, has been involved at each mine in the life-of-mine planning process and the conversion of resources into reserves.

The modifying factors related to the ore flow that are used to convert the mineral resources to mineral reserves through the life-of-mine planning process are stated for each shaft. For these factors, historical information is used, except if there is a valid reason to do otherwise. As a result of the depth at which mining occurs and the resulting rock engineering requirements at our South African underground mines, some shafts include stope support pillars into the design of their mining layouts which accounts for discounts of 7% to 10%. A further 15% discount is applied as a life-of-mine factor to provide for unpay and off-reef mining. In general, life-of-mine plan extraction factors do not exceed 85% and are reflected in the mineral reserves.

Glossary of geological terms

ACIDIC	Descriptor for silica rich igneous rocks (containing greater than 65% silica) such as Rhyolite or Granite.
ALLUVIUM	Relatively recent deposits of sedimentary material laid down in riverbeds, flood plains, lakes, or at the base of mountain slopes.
ALTERATION	Any physical or chemical change in a rock resulting from fluids moving through the rock.
ANTICLINE	An arch or fold in layers of rock.
ASSAY	An analysis to determine the presence and concentration of one or more chemical components.
BASALT	An extrusive mafic volcanic rock.
BASIC	Descriptor for silica poor igneous rocks such as Basalt or Gabbro.
BELOW INFRASTRUCTURE	That part of a company's mineral reserve that can only be accessed following certain capital expenditure which has yet to be approved.
BLOCK CAVING	A mining method suited for large low grade ore bodies that are unsuitable for open cut mining. In development a series of evenly spaced crosscuts are made at the bottom of the ore block from which raises are driven up into the ore. The ore block is then undercut so that it begins to collapse (or 'cave') into the raises. The weight of the material above provides the force to fracture and crush the underlying ore which is drawn from the drawpoints on the crosscuts. As ore is withdrawn the cave progresses up through the ore body.
BORNITE	A copper iron sulphide that commonly defines the core of porphyry copper gold deposits.
BRECCIA	Fractured and broken rock that results from structural, volcanic or sedimentary processes.
BULK MINING	Any large-scale mechanised method of mining involving significant volumes of material being extracted on a daily basis.
CALDERA	A large, basin shaped volcanic depression, more or less circular in form, that results from the collapse of the earth's surface into an exhausted magma chamber.
CHALCOCITE	A copper sulphide mineral common in zones of secondary enrichment.
CHALCOPYRITE	A copper iron sulphide that comprises the bulk of ore in many copper mines.
CONCENTRATE	The product of the milling process that contains a high percentage of the valuable metals. The concentrate is commonly the final product produced onsite and is sent to a third party for separation or smelting.
CONGLOMERATE	A sedimentary rock consisting of rounded, water worn pebbles or boulders cemented into a solid mass.
CONTACT	A geological term used to describe the line or plane along which two different rock types meet.
CONTACT METAMORPHISM	Metamorphism of country rocks adjacent to an intrusion caused by heat and fluids from the intrusion.
CRATON	A part of the earth's crust that has attained stability and has been little deformed for a long period of geological time.

CROSSCUT	An opening underground that is cut at right angles from the main level drive or shaft that generally links to and cuts the ore body, may also refer to a link between different drives.
COUNTRY ROCKS	The surrounding "Host" rocks into which an igneous intrusion or ore body is emplaced.
CUT-OFF GRADE	The lowest grade of copper or gold ore that is considered economic to mine.
DECLINE	A sloping underground opening that allows access to the ore body from surface or a higher level.
DEPOSIT	A concentration of mineral matter, sedimentary or volcanic material, commonly refers to an accumulation of mineralised material that need not be economic to extract.
DIAMOND DRILLING	A method of obtaining samples of rock that utilises a diamond encrusted drill bit to cut long cylindrical sticks of core.
DIATREME	A long vertical pipe or plug filled with volcanic breccia formed by explosive release of energy from a gas-charged magma.
DILUTION	Unmineralised rock that is by necessity removed along with ore during the mining process that effectively lowers the overall grade of the ore.
DIORITE	Plutonic or intrusive rocks of intermediate composition between acidic and basic.
DIP	The angle at which a bed, stratum, or vein is inclined from the horizontal, measured perpendicular to the strike and in the vertical plane.
DISSEMINATED ORE	Ore carrying small distributed particles or valuable minerals distributed more or less uniformly through the rock.
DRAWPOINT	An underground opening at the bottom of the stope through which broken ore is extracted.
DYKE	A long and relatively thin body of igneous rock that, while in the molten state, intruded a fissure in older rocks.
ENRICHMENT	The process of upgrading the concentrations of various elements into more concentrated deposits.
EPITHERMAL DEPOSIT	A mineral deposit consisting of veins and replacement bodies containing precious metals or, more rarely, base metals; that form close to the earth's surface at high levels in the crust.
EXPLORATION	Prospecting, sampling, mapping, drilling and other work involved in the search for ore.
FAULT	A break in the continuity of a body of rock. It is accompanied by a movement on one side of the break relative to the other so that what were once parts of one continuous rock stratum or vein are now separated. The amount of displacement of the parts may range from a few inches to thousands of feet. Various descriptive names have been given to different kinds of faults, including but not limited to; closed fault, dip fault, dip-slip fault, distributive fault, flaw fault, gravity fault, heave fault, hinge fault, horizontal fault, longitudinal fault, normal fault, oblique fault, oblique slip fault, open fault, overthrust fault, parallel displacement fault, pivotal fault, reverse fault, rotary fault, step fault, strike fault, strike-slip fault, thrust fault, transcurrent fault, translatory fault, underthrust, vertical fault.
FELSIC	An igneous rock having abundant light-coloured minerals and enriched in lighter elements such as silica and aluminium.
FLOTATION	A milling process in which valuable particles are induced to become attached to bubbles and float where they are more easily separated.

Glossary of geological terms continued

FOLD	A curve or bend of a planar structure such as rock strata, bedding planes, foliation, or cleavage. A fold is usually a product of deformation, although its definition is descriptive and not genetic and may include primary sedimentary structures.
GABBRO	A dark, coarse-grained mafic igneous rock.
GANGUE	The commercially worthless material that surrounds, or is closely mixed with, the ore.
GOLD EQUIVALENT OUNCES	In instances where individual deposits may contain multiple valuable commodities with a reasonable expectation of being recovered; for example gold + copper in the one deposit, Harmony computes a Gold Equivalent to more easily assess the value of the deposit against gold only mines. Harmony does this by calculating the value of each of the deposits commodities then divides the product by the price of gold. For example ((gold ounces * gold price per ounce) + (Copper pounds * copper price per pound)) / gold price per ounce; this will return the gold equivalent of a gold and copper deposit. All calculations are done using metal prices as stipulated in attached documentation. Harmony assumes a 100% metallurgical recovery in its calculations unless otherwise stated.
GRABEN	A block of rock bound by faults that has moved downward to form a depression between adjacent fault blocks.
GRANITE	A light course-grained felsic intrusive rock.
GRANODIORITE	A light course-grained intermediate intrusive rock.
GREENSTONE	A field term for any compact dark green altered or metamorphosed basic igneous rock that owes its colour to chlorite.
HEAD GRADE	The average grade of ore fed into the mill.
HORST	An elongate, relatively uplifted crustal unit or block that is bounded by faults, the opposite of a Graben. It is a structural form and may or may not be expressed geomorphologically.
HYDROTHERMAL	Relating to hot fluids circulating in the earth's crust; generally the source of metals found in mineral deposits.
IGNEOUS ROCK	Rocks formed by the solidification of molten material below the earth's crust.
INTRUSIVE	A body of igneous rock formed by the consolidation of magma intruded into country rock, in contrast to lava which is extruded onto the earths surface.
LAVA	A general name for the molten rock ejected by volcanoes.
MAFIC	An igneous rock composed chiefly of dark, ferromagnesium minerals and enriched in heavier elements such as iron.
MAGMA	The molten material within the earth from which igneous rocks are formed.
MARAMUNI ARC	A part of the New Guinea Mobile Belt, an arc across the island of PNG within which a large portion of economic deposits are found.
MATRIX	The finer-grained material between the larger particles of a rock or the material surrounding a fossil or mineral.

METALLURGY	The study of extracting metals from their ores.
MESOZOIC	An era of geologic time, from the end of the Paleozoic to the beginning of the Cenozoic, or from about 225 million years to about 65 million years ago.
NEW GUINEA MOBILE BELT	A belt of folded and mountainous terrain that defines the core of the island of Papua New Guinea, considered to define the leading edge of the Australian content where it is in collision with the pacific ocean plate.
NON-REFRACTORY	Gold or copper ore that is easily extracted using standard and well tested mill and plant technologies.
OPHIOLITE	A section of the earth's oceanic crust and the underlying mantle that has been uplifted and often emplaced (or obducted) onto the edge of a continental plate; commonly the product of subduction systems. The material comprises mafic and ultramafic rocks and minerals.
ORE	A mixture of minerals and gangue from which at least one of the minerals can be extracted at a profit.
OROGENY	A period of mountain building characterised my compression and folding within the earth's crust.
OXIDATION	Generically refers to a chemical reaction of the rock when exposed to oxygen and surface water, resulting in oxide material in a mining environment.
PLUNGE	The inclination and orientation of a fold axis or other linear feature, measured in the vertical plane.
PORPHYRY	An igneous rock of any composition that contains conspicuous phenocrysts in a fine-grained groundmass that has intruded into the upper crust rapidly. A rock name descriptive of the groundmass composition usually precedes the term; eg, diorite porphyry.
PORPHYRY COPPER	A specific deposit type associated with the intrusion of multiple phases of porphyry. The heat and associated fluids commonly carry and precipitate metals such as gold, copper, molybdenum and silver.
PYRITE	Iron sulphide that usually occurs in veins, as magmatic segregation, as an accessory in igneous rocks, and in metamorphic rocks, in sedimentary rocks including coal seams; It is commonly associated with gold.
QUARTZITE	A very hard metamorphosed sandstone, consisting chiefly of quartz grains that are so completely cemented with secondary silica that the rock breaks across or through the grains rather than around them.
RAISE	A vertical or inclined shaft that has been mined from the bottom up.
RECOVERY	The percentage of valuable metal in the ore that can be recovered by metallurgical treatment.
REFRACTORY	Ore type that contains gold or copper that is 'locked up' and difficult to extract without specialised processing equipment.
RESOURCE	The estimated amount of material in a mineral deposit, based on limited drilling but considered to be available for eventual economic extraction.
RHYOLITE	A fine-grained extrusive igneous rock with the same chemical composition as granite.
SCHIST	A foliated metamorphic rock that has undergone sufficient strain so as to align all the mineral components into a roughly parallel arrangement.
SHAFT	A vertical or inclined excavation in rock for the purpose of accessing the ore body, usually equipped with a hoist and winder to move miners and materials between the surface and various levels underground.

Glossary of geological terms continued

SILICA	Fine grained silicon dioxide (such as quartz).
SILICEOUS	An alteration type where a large portion of the original rock has been replaced by silica. Also spelled silicious.
STOPE	An excavation in a mine from which ore is, or has been, removed.
STRIKE	The bearing from north of a geological structure such as a bed, fault or ore body, defined as a horizontal line measured across the surface perpendicular to the dip.
STRIP	To remove the overburden and waste to reveal the ore underneath.
STRIPING RATIO	The ratio of ton of waste removed to tons of ore recovered in an open pit mine.
SUBDUCTION	The process in plate tectonics whereby a portion of one of the earth's plates is drawn down below another.
SUBLEVEL	A level in an underground mine between two main working levels.
SUB-OUTCROP	A rock stratum that unconformably underlies another rock stratum.
SYNCLINE	Concave fold in stratified rock, in which strata dip down to meet in a trough.
TAILINGS	Material rejected from the milling process from which much of the economic material has been removed.
TSF	Tailings Storage Facility (or tailings pond) – where the tailings are stored until the end of mining when the facility is capped and rehabilitated.
UNCONFORMITY	The structural relationship between rock strata in contact, characterised by a lack of continuity in deposition due to a period of non-deposition, weathering, or erosion prior to the deposition of the younger beds. An unconformity is often marked by absence of parallelism between the strata where the younger overlying stratum does not conform to the dip and strike of the older underlying rocks.
VOLCANIC	Derived from volcanoes.
WASTE	Unmineralised or low-grade material that cannot be mined at a profit.
WINZE	An internal shaft within a mine, dug from the top down.

Corporate governance

The board of directors is responsible for establishing management structures and processes based on good corporate governance principles and ethical values, ensuring the company's business is sustainable in terms of our economic, financial, environmental and social performance.

Harmony is committed to achieving high standards of business integrity and endorses the ethical values of responsibility, accountability, fairness and transparency across all its activities. The board advocates effective, responsible leadership and aims to lead by example. Governance structures and processes are regularly reviewed and adapted to accommodate internal developments and reflect national and international best practice to the extent considered in the best interests of the company. During FY12, we completed a comprehensive review of our compliance with the King Report on Governance for South Africa 2009 and the King Code of Governance Principles 2009 (collectively King III), as amended. Aspects of King III requiring enhanced application are dealt with in the audit and risk committee report on pages 190 to 192.

Harmony is committed to continuous application of the new Companies Act 71 of 2008 (the Act) which came into effect on 1 May 2011 and, as a listed public company with a primary listing on the JSE Limited (JSE), abides by the provisions of the JSE Listings Requirements. Harmony is also listed on the New York Stock Exchange (NYSE) in the form of American Depositary Receipts (ADRs) and as International Depository Receipts on the Berlin and Brussels Exchanges. It is therefore further regulated by the US Securities and Exchange Commission.

Board of directors

In line with the recommendations of King III, Harmony is governed by a unitary board which, at 30 June 2012, comprised 13 members, eight of whom were independent non-executive directors, two non-independent non-executive directors and three executive directors.

Given that Harmony is a South African company, we promote transformation at the highest levels. Two non-executive directors are women, and eight directors are drawn from groups considered to be historically disadvantaged South Africans (HDSAs).

Full details of the board are set out on pages 168 to 171 of the integrated report.

Board purpose and function

The board is guided in its actions by a charter that is reviewed annually. All board and committee charters (setting out the duties and responsibilities of the board, board committees, chairman, chief executive officer and management) are available for information on the company's website **www.harmony.co.za**. The board and its committees have adopted work plans to ensure all responsibilities are appropriately addressed throughout the year. The committees' work plans are annually approved by the board. The committees report to the board quarterly.

Executive directors

Executive directors have standard employment contracts which include a notice period of at least three months. The executive directors have waived their rights to directors' fees.

Executive directors participate in Harmony's share schemes and also benefit from pension contributions. Their employment contracts do not make provision for predetermined compensation on termination. The number of share options held by executive directors during the financial year is detailed in the Remuneration Report on pages 182 to 183.

Non-executive directors

No non-executive director has a service contract with Harmony. Non-executive directors are entitled to fees as approved at Harmony's annual general meeting (AGM) and to reimbursement for out-of-pocket expenses incurred on the company's behalf. Details of directors' fees paid in the period under review appear in the Remuneration Report on page 181.

Independent non-executive directors

On recommendation from the nominations committee, the board, at its meeting in May 2012, evaluated and confirmed the classification of non-executive directors as independent in terms of King III.

Subsequent to year-end, the board is structured as follows:

MAIN BOARD OF DIRECTORS

Chairman
- Patrice Motsepe

Deputy chairman
- Modise Motloba

Lead Independent non-executive director
- Fikile De Buck

Independent non-executive directors
- Joaquim Chissano
- Ken Dicks
- Simo Lushaba
- Cathie Markus
- Mavuso Msimang
- John Wetton

Non-executive director
- André Wilkens

Executive directors
- Graham Briggs (CEO)
- Frank Abbott (Financial director)
- Mashego Mashego

Audit and risk committee
- John Wetton (Chairman)
- Fikile De Buck
- Modise Motloba
- Simo Lushaba

Investment committee
- Simo Lushaba (Chairman)
- Ken Dicks
- Cathie Markus
- John Wetton
- André Wilkens

Nomination committee
- Fikile De Buck (Chairman)
- Joaquim Chissano
- Modise Motloba
- Mavuso Msimang
- Patrice Motsepe

Remuneration committee
- Cathie Markus (Chairman)
- Fikile De Buck
- Simo Lushaba
- John Wetton
- André Wilkens

Social and ethics committee
- Modise Motloba (Chairman)
- Joaquim Chissano
- Fikile De Buck
- Cathie Markus
- Mavuso Msimang
- John Wetton

Technical committee
- André Wilkens (Chairman)
- Ken Dicks
- Cathie Markus

Chairman and chief executive officer

The chairman of the board is not considered independent. The board is, however, of the view that the value added by Patrice Motsepe as chairman is significant. Following the board's annual self-assessment, Patrice Motsepe was re-elected as chairman in August 2012 for a period of one year as recommended by King III. His appointment is based on his ability to add significant value to the board and his outstanding performance against what is expected of his role and function. As part of the succession plan for the position of chairman, Modise Motloba was appointed deputy chairman on 13 August 2012.

Fikile De Buck was reappointed lead independent non-executive director in August 2012, given the fact that the chairman is not independent. This appointment is in line with the requirements of King III to assist the board in managing any actual or perceived conflicts of interest.

The roles of chairman and chief executive officer (CEO) are separate and distinct as required by King III. The board established a delegation of authority framework (reviewed annually). The role, functions and performance criteria of the CEO have recently been reviewed and agreed when Mr Briggs' employment contract was extended for a further four years. The board will evaluate the performance of the CEO in relation to those agreed parameters. The board ensures that a succession plan for the CEO and other members of the executive team is in place. On recommendation from the nomination committee, these plans are reviewed annually.

Board appointments and resignations

In making new appointments to the board, Harmony considers skills, experience, gender and demographic composition and believes it has an acceptable balance of members. The company is satisfied that non-executive and independent directors are of sufficient calibre, experience and number for their views to carry significant weight in the board's decisions. While the nomination committee makes recommendations on appointments to the board, consideration of these appointments is undertaken by the board as a whole in accordance with its charter.

During FY12:

- John Wetton was appointed as director on 1 July 2011
- Cedric Savage retired by rotation on 30 November 2011
- Frank Abbott was appointed as an executive director with effect from 8 November 2011 and as financial director from 7 February 2012. Hannes Meyer resigned as director on 14 March 2012
- David Noko resigned as director on 19 June 2012.

After year-end:

- Modise Motloba was appointed deputy chairman on 13 August 2012.

Board induction and training

The board induction programme is managed by the company secretary. On appointment and as part of the company's board induction programme, new directors are provided with comprehensive company information and governance packs. New directors are invited to meet with management at the company's head office for a tour of the business and informal introductory meetings with various management teams.

A formal training needs analysis is conducted annually and supplemented with ad hoc training needs identification throughout the year. The company secretary provides board members with regular updates on recent regulatory and industry developments that enable them to stay abreast of such developments. Board members are also invited to attend site visits at our operations and at our social development projects throughout the year.

Access to management and operations, and independent advice

Each director has unrestricted access to the advice and services of senior management. All non-executive directors are able to visit Harmony's operations at any time and attend management meetings at their discretion. Board members have unrestricted access to company and subsidiary information, records, documents and property. If required by a board member, independent professional advice may be obtained at the company's expense.

Rotation of directors

In terms of King III, the company's current memorandum of incorporation and proposed memorandum of incorporation (see the AGM notice), not less than one-third of the non-executive directors of the board must retire from office at the next AGM. The non-executive directors to retire in every year will be those who have been longest in office since their last election. In addition, directors appointed after the previous AGM are also expected to stand down for election by shareholders at the AGM following their respective appointments.

Accordingly, the directors retire by rotation in accordance with the schedule below:

2009	2010	2011	2012
Fikile De Buck	Patrice Motsepe	Mavuso Msimang	Fikile De Buck
Simo Lushaba	Joaquim Chissano	John Wetton	Simo Lushaba
Modise Motloba	Cathie Markus	Graham Briggs	Modise Motloba
	André Wilkens	Frank Abbott	Patrice Motsepe
	Mashego Mashego	Ken Dicks	

Short resumés of all directors to retire by rotation and are eligible for re-election at the 2012 AGM appear on pages 26 to 27 of this report.

Board self-assessment

In terms of its charter, the board is required to conduct an annual self-assessment of the performance of the board as a whole, board committees, individual directors and the chairman. As part of the board's philosophy of sound governance, the audit firm KPMG was again appointed to assist with the annual board self-assessment. A full report based on the findings of this evaluation was considered by the board. Suggested areas identified that require further improvement are:

- Ongoing training
- Board reports to include more detail on stakeholder management and human resource intervention
- A detailed information pack to be distributed in advance of strategy sessions.

Board committees

To assist the board in discharging its duties, certain responsibilities have been delegated to board committees. At 30 June 2012, these board committees comprised:

- Audit and risk committee
- Investment committee
- Nomination committee
- Remuneration committee
- Social and ethics committee (this replaced the sustainable development committee in August 2011 to comply with the Act)
- Technical committee

During the review period, the majority of members of all board committees were independent non-executive directors. All board committees were chaired by an independent non-executive director, except for the technical committee chaired by André Wilkens (a non-independent non-executive director). The board is confident that André's leadership as chairman of the technical committee is in the best interest of the company, based on his extensive knowledge of the specific areas of responsibilities of that committee.

The creation of committees does not reduce the board's overall responsibility and the chairmen of all committees report and make recommendations to the board at each board meeting. Minutes of all committee meetings are included in meeting packs provided to each board member prior to board meetings for information purposes.

Audit and risk committee

In line with the requirements of section 94 of the Act and King III, the board established the audit and risk committee as a statutory committee of the board. In line with King III requirements the audit and risk committee has provided a separate report on page 190.

Investment committee

The primary purpose of the investment committee is to consider projects, acquisitions and disposal of assets in line with the company's overall strategy. This includes performing other investment-related functions that may be designated by the board from time to time. This committee's responsibilities include ensuring due diligence procedures are followed when acquiring or disposing of assets.

At 30 June 2012, the members of this committee were:

- Simo Lushaba (chairman) – member since 26 January 2004 and appointed chairman on 5 August 2005
- Ken Dicks – member since 13 February 2008
- André Wilkens – member since 7 August 2007
- Cathie Markus – member since 29 October 2007
- John Wetton – member since 12 August 2011

Nomination committee

The primary purpose of the nomination committee is to ensure that procedures governing appointments to the board are formal and transparent, by making recommendations to the board on all new board appointments and reviewing succession planning for directors and other members of the executive team. In line with King III, the chairman of the board is a member of the committee.

At 30 June 2012, the members of this committee were:

- Fikile De Buck (chairman) – member and chairman since 13 August 2010
- Patrice Motsepe – member since 24 October 2003
- Joaquim Chissano – member since 3 May 2006
- Modise Motloba – member since 29 October 2010
- Mavuso Msimang – member since 7 May 2012

Remuneration committee

The primary purpose of the remuneration committee is to ensure the company's directors and executive managers are fairly rewarded for their individual contributions to Harmony's performance. Please refer to page 176 of the report for details.

Social and ethics committee

This committee assists the board in ensuring the group remains a committed, socially responsible corporate citizen. The primary purpose of the committee is to oversee the company's activities in sustainable social and economic development which, inter alia, include public safety (a report on public safety will be presented to the social and ethics committee annually. Public safety involves prevention of and protection from events that could endanger the general public), HIV/Aids, environmental management, corporate social investment, consumer relationships, labour and employment, the promotion of equality and ethics management.

At 30 June 2012, the members of this committee were:

- Modise Motloba (chairman) – member and chairman since 5 August 2005
- Joaquim Chissano – member since 3 May 2006
- Fikile De Buck – member since 3 May 2006
- Cathie Markus – member since 29 October 2010
- Mavuso Msimang – member since 3 May 2011
- John Wetton – member since 12 August 2011

A report by the chairman of the social and ethics committee can be found in the company's sustainable development report.

Technical committee

The technical committee provides a platform for the CEO to discuss the company's strategy, performance against targets, operational results, projects and safety. The committee also informs the board of key developments, progress against objectives and challenges facing operations. The company's strategic plans are considered by the committee and recommended for approval to the board. The committee also provides guidance and support to management to ensure the company remains sustainable and successful.

At 30 June 2012, the members of this committee were:

- André Wilkens (chairman) – member and chairman since 22 January 2008
- Ken Dicks – member since 13 February 2008
- Cathie Markus – member since 12 August 2011

Empowerment committee

At a meeting on 7 May 2012, the board resolved that the empowerment committee be incorporated into the social and ethics committee to avoid a duplication of duties.

At 7 May 2012, the members of this committee were:

- Joaquim Chissano (chairman) – member and chairman since 3 May 2006
- Cathie Markus – member since 29 October 2007
- Modise Motloba – member since 3 May 2006
- Mavuso Msimang – member since 3 May 2011
- David Noko – member since 12 August 2011

Board and committee meetings attendance

	Board	Audit and risk committee	Nomination committee	Remuneration committee	Technical committee	Investment committee	Social and ethics committee	Empowerment committee[1]
Number of meetings held	**4**	**5**	**3**	**4**	**5**	**4**	**5**	**4**
Patrice Motsepe (chairman)	4	–	3	–	–	–	–	–
Modise Motloba (deputy chairman)	4	3	3	–	–	–	5	3
David Noko[2]	4	–	–	–	4	–	4	3
Joaquim Chissano	3	–	2	–	–	–	4	3
Fikile De Buck	4	3	3	2	–	–	3	–
Ken Dicks	4	–	–	–	5	4	–	–
Simo Lushaba	4	5	–	4	–	4	–	–
Cathie Markus[3]	4	–	–	2	4	4	5	4
Cedric Savage[4]	2	3	–	2	2	2	–	–
André Wilkens	4	–	–	4	5	4	–	–
Mavuso Msimang	4	–	–	–	–	–	4	4
John Wetton[5]	4	5	–	3	–	3	4	–
Graham Briggs	4	–	–	–	–	–	–	–
Frank Abbott	4	–	–	–	–	–	–	–
Mashego Mashego	4	–	–	–	–	–	–	–
Hannes Meyer[6]	3	–	–	–	–	–	–	–

[1] *Effective until 7 May 2012*
[2] *Resigned on 19 June 2012*
[3] *Appointed as member of the technical and remuneration committees during the course of FY12*
[4] *Retired by rotation on 30 November 2011*
[5] *Appointed as member of the investment, remuneration and social and ethics committees during the course of FY12*
[6] *Resigned on 14 March 2012*

Code of ethics

Harmony concentrates on instilling and maintaining the highest levels of integrity in conducting its business. Through a process of constructive employee engagements, Harmony has enshrined the following values as those to which the company and its employees subscribe: safety, accountability, achievement, connectedness and honesty. See the sustainable development report.

Harmony's code of ethics **www.harmony.co.za** was adopted to respond to the challenge of ethical conduct in the business environment. The code is reviewed annually by the board and its application is monitored by management. All employees (including contract employees), directors or officers and service providers/suppliers are expected to abide by the code. The company's ethics programme is subject to independent assurance by means of inclusion in the internal audit coverage plan.

An ethics committee was established six years ago by the executive committee to monitor the ethical culture and standards of integrity in Harmony, and reports to the social and ethics committee of the board. The ethics committee meets quarterly, and oversees the monitoring and application of the company's ethics programme.

Harmony has a dedicated, 24-hour crime line (Khuluma) which is managed by an external security contractor. Alleged irregularities can be reported anonymously via the crime line or reported to management. All cases are logged, investigated and monitored by the white-collar crime committee. During the year, two alleged irregularities were reported via the crime line. The matters were investigated which revealed that the allegations were unfounded. Harmony protects the identities of employees who report non-compliance with the code of ethics and encourages stakeholders to use the company's crime line or any of the other available reporting structures. The Khuluma crime line number is 0800 811 811.

Restrictions on share dealings

Employees and directors are prohibited from dealing in Harmony shares during price-sensitive periods. The company secretary regularly distributes written notices, via email, to advise employees and directors of restricted periods. Employees are obliged, in terms of regulatory and governance requirements, to disclose any dealings in Harmony shares by themselves or related parties. The clearance procedure for directors to deal in Harmony shares is regulated in terms of the company's policy on trading in shares.

Company secretary

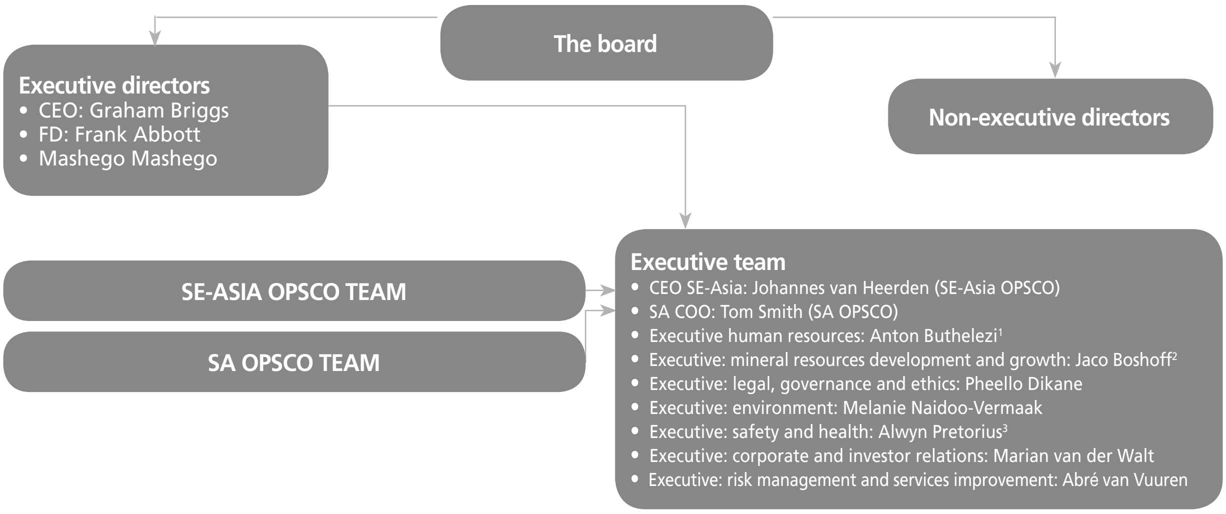
Harmony's company secretary plays an active role in achieving good corporate governance, supporting the chairman and the board in, inter alia*:*

- Ensuring the effective functioning of the board
- Providing guidance to the chairman, board and directors of Harmony's subsidiaries on their responsibilities and duties in the prevailing regulatory and statutory environment
- Raising matters that may warrant the attention of the board.

The company secretary assists in ensuring that the board's decisions and instructions are clearly communicated to the relevant stakeholders, and is available as a central source of guidance and advice in Harmony on matters of ethics. The company secretary is actively involved in preparing the integrated annual report. Riana Bisschoff was appointed group company secretary on 1 March 2012.

The company secretary is fully supported by the board and management.

Harmony's existing operational reporting structure is as follows:



[1] *Anton Buthelezi was appointed executive: human resources on 1 October 2011.*
[2] *Jaco Boshoff is the chief operating officer of Evander in addition to his current responsibilities.*
[3] *Alwyn Pretorius was appointed executive: safety and health on 1 August 2011.*

Management committees

Certain members of the executive management committee belong to the following management committees:

Committee name	Members	Purpose and function
Group operational committee	Chief operating officer and group operations teams	Review operations, safety performance, environmental issues and human resources
Operations committee	Chief operating officer, group operations teams and general managers	Oversee the execution of detailed shaft plans, employee relations, procurement, costs, cash flow
Shaft review committee	Chief operating officer, shaft teams and members of the executive	Review shaft-specific operational performance, major capital expenditure and forecasts
Ethics committee	Human resources executive, corporate and investor relations executive, risk management executive, government relations executive and legal and compliance executive	Monitor the ethical culture and levels of integrity
Tender committee	Group engineering manager; supply chain manager; central finance manager; group metallurgical engineer; general security manager; mining manager; group services manager; enterprise development manager	Monitor all procurement procedures and review increases on contract items
White collar crime committee	Heads of services departments or senior appointed members of each department as alternative	Investigate findings of investigations done by the security department on confidential reports received pertaining to code of ethics violations, fraud, corruption and inappropriate behaviour by employees and/or approved Harmony vendors/suppliers. Some matters are referred to the ethics committee for consideration
Risk management committee	Chief operating officer, financial director, risk manager and head of internal audit	Oversight of risk management
SOX steering committee	Heads of services departments, financial manager, head of internal audit and financial director	Review of SOX compliance
Payroll steering committee	Chief executive officer, financial director, executive: human resources, senior management, members of the human resources, payroll, finance and IT departments	Investigate/analyse the payroll control environment with the objective of addressing/resolving the weaknesses within the control environment; which includes process as well as technology aspects within the control environment
IT steering committee	Financial director, chief information officer, risk manager, head of internal audit as well as senior financial and payroll management	Oversee IT governance, including the performance of IT as well as IT investments commensurate with the organisation's strategic and sustainability objectives

Memorandum of incorporation

In terms of the Act, the company's current memorandum of incorporation will be replaced with a revised memorandum of incorporation on or before 1 May 2013. The company's proposed memorandum of incorporation, a summary of which is attached to the notice of annual general meeting (AGM), will be presented to shareholders for approval at the AGM to be held on 28 November 2012. A copy of the new memorandum of incorporation is available for inspection on the company's website at **www.harmony.co.za** (also see the AGM notice).

Risk management

Management is responsible for implementing effective risk management processes. This is overseen by the audit and risk committee on behalf of the board. A comprehensive report on risk management appears on pages 24 to 25.

Information technology

In line with King III, Harmony has conducted a gap analysis and further strengthened its governance structures, processes and policies on information technology. The report on IT can be found on page 175.

Internal control

Ensuring appropriate levels of authority and responsibility are in place for all eventualities remains a key area of focus, with substantial focus on internal controls.

The company's system of internal control is designed to identify, evaluate and manage material misstatement and loss. The company's system of internal financial control is designed to provide assurance of proper accounting records and reliable financial information for management decision-making and for publication. Any detected control weaknesses are communicated to management and appropriately remediated. Significant matters are reported to the audit and risk committee.

Management is developing a combined assurance framework to expand the existing compliance-based assurance plan to a risk-based assurance plan. This will further strengthen existing assurance activities and address appropriate integration and coordination of various assurance roles in the company.

Internal audit

The board is accountable for Harmony's system of internal control, designed to provide reasonable assurance against material misstatement and losses. Management is responsible for maintaining a sound system of internal control and reviewing its effectiveness. The internal audit function is responsible for assisting the board and management by independently reviewing the adequacy and effectiveness of Harmony's system of internal control. Significant findings are reported to the audit and risk committee and follow-up audits are conducted in areas where significant internal control weaknesses are found.

Harmony has an in-house internal audit function in a co-sourced arrangement to provide assurance on the effectiveness of governance, risk management and the internal control environment.

The purpose, authority and responsibility of the internal audit function are formally documented in the internal audit charter as approved by the audit and risk committee. The head of internal audit reports jointly to the chairman of this committee and the financial director.

External audit

The appointment of external auditors is undertaken under the auspices of the audit and risk committee in accordance with the provisions of the Act. To maintain their credibility and effectively fulfil their primary role as the financial auditors of Harmony, the external auditors are required to be independent of the group, both in fact and in appearance. The provision of extensive levels or certain types of other services to the group may impair their independence or be perceived to do so. The audit and risk committee therefore approved an external audit non-audit services policy to regulate its views on auditor independence in terms of providing statutory audit services as well as non-audit services.

The auditing firm, PricewaterhouseCoopers Inc, was engaged to undertake the following non-audit activities during the year:

- Corporate tax compliance services – assistance with 2009 IT10 review
- Corporate tax compliance services (IT4 and T10) – taxpac licences
- Sustainability – assuring selected key performance indicators reported in the 2012 integrated report and sustainability report
- Sustainability – clearance of non-conformances (ISO 14001).

Sarbanes-Oxley

Full details of Sarbanes-Oxley processes and compliance are reported in the Form 20-F for the financial year 2012 under item 15 thereof. Refer to Harmony's website to download the Form 20-F **www.harmony.co.za**. The Form 20-F for FY12 will be filed and available on our website towards the end of October 2012.

Stakeholders

Harmony is committed to maintaining a positive relationship with all its stakeholders and communicates regularly with shareholders and other stakeholders on its financial and operational performances, and strategy. Detailed information is provided in the separate sustainability report at **www.harmony.co.za**.

Information management and access to information

Harmony complies with the Promotion of Access to Information Act of 2000 (PAIA). The company's information manual can be found on its website at **www.harmony.co.za**. The company received no requests for information in terms of PAIA during the year.

Information technology (IT) governance report

Recognising that IT is integral to doing business today, and fundamental in supporting the sustainability and growth of our company, the Harmony IT division uses industry best practices to ensure security and control over all information, as well as information and communication technology (ICT) assets.

IT governance and King III

Harmony subscribes to the King III principles on operating all IT functions and related projects for the group. To continuously improve our levels of compliance, a King III status review was conducted by Harmony internal audit and KPMG Inc, and recommendations are being addressed.

As part of this process, we are optimising existing practices in our IT function. Our IT governance programme includes developing frameworks and controls as well as independent reviews of strategic investments and other related requirements. Project-specific steering committees guide all crucial technology-related projects.

IT risk management and sustainability

Accurate, reliable and timely information is essential for effective reporting and appropriate management of our business. Equally, the rapid evolution and obsolescence of technology remains a constant challenge. While innovative technologies introduce new capabilities and benefits to a business, they also introduce new risks, which are handled with care.

Risk management

Harmony's IT processes and methodologies ensure data is generated, used and maintained securely and sustainably, against key objectives:

- **Secure and properly controlled:** The information and system security is tested and updated regularly, and appropriate measures taken to account for emerging threats. Initiatives are under way to ensure greater control in sharing and storing information by Harmony to reduce risk and manage licensing and hardware costs for the organisation.
- **Reliable and available:** Harmony IT strives to ensure maximum reliability and availability of all systems and services to the business, using preventative maintenance to prolong service life, and regularly reviewing procedures to safeguard the integrity of both systems and data.

Harmony's ICT environment is governed by a number of formalised policies, most importantly the end-user security standard, which has been designed to mitigate risks identified in the IT risk register underlying the company's enterprise risk management strategic risk register.

Identified IT risks, and how they are managed, include:

- **Physical access to IT facilities:** Access is restricted to authorised personnel and requires appropriate identification and authentication. Harmony data centres are controlled with conventional electronic and biometric access control.
- **Access control to business systems and supporting infrastructure:** A password function defines minimum system security requirements for the Harmony user domain and key business applications. A control process is in place for key business applications, and all controls are periodically reviewed.
- **Security of IT environment:** The security and integrity of business systems and supporting infrastructure are continually monitored.
- **Availability and continuity of IT systems and services:** Backup and recovery solutions control and execute daily backup of all critical data to on-site storage mediums, supplemented by weekly dispatch to a professional external off-site facility for storage. A supplementary data centre was commissioned in Welkom to serve as a disaster recovery site for all business-critical systems from the main data centre in Randfontein. Harmony data centres incorporate industry-standard design and use environmental monitoring, fire suppression and clean power supply systems to reduce the likelihood of loss of information assets and ensure service.
- **Unauthorised changes and managing authorised changes:** A formal and standardised change control procedure is enforced across all business systems and supporting infrastructure. The process is managed by a change advisory board that meets weekly to review and approve the release of all system changes.

Sustainability of systems

The sustainability of Harmony's systems revolves around providing systems and services that serve Harmony appropriately and are consistent with its corporate strategy and cost-conscious focus. These include:

- **Performance orientation (systems and people):** Harmony IT provides services and systems that are important to the continued performance of the organisation and its operations. Any absence or sub-standard performance could have safety and operational implications. Regular monitoring by qualified technical staff ensures systems align to company requirements.
- **Scalable, flexible platforms:** Our 'virtualisation' principle enables IT systems to be scaled up or reduced rapidly as required, and in line with international best practice and industry trends.
- **Cost-efficiency:** Harmony IT invests in proven technologies that meet strict performance criteria but with a constant focus on limiting the cost by working with service providers.
- **Appropriate to the needs of the company:** A systems implementation lifecycle methodology guides Harmony in prioritising its business and process requirements before deciding about technology.
- **Planning for the future:** Harmony IT management plans for the future in line with provisions specified in the group IT strategy, and the evolving needs of various parts of the company.

Harmony recognises that the principles of equity and fairness, coupled with a competitive and balanced remuneration strategy, lead to enhanced organisational performance – benefiting all stakeholders.

Remuneration committee

The primary purpose of the remuneration committee is to ensure the company's directors and executive managers are fairly rewarded for their individual contributions to Harmony's performance. The committee primarily assists the board on, inter alia, monitoring, reviewing and approving Harmony's compensation policies and practices, and administering the company's share incentive schemes. The committee has an independent role, operating as an overseer and making recommendations to the board for its consideration and final approval. The committee does not assume the functions of management, which remain the responsibility of the executive directors, officers and members of senior management.

In remunerating executive managers, the committee considers the interests of shareholders and the financial and commercial health of the company. None of the committee members has any personal interest in the outcome of these decisions. A majority of the members are independent non-executive directors.

The committee recently reviewed the salaries of executive management and non-executive directors' fees and obtained the advice of an independent compensation consultant, at the group's expense. The independent consultant also administers the company's Tlhakanelo employee share incentive scheme. The work of the compensation consultant did not raise any conflict of interest. The consultant reported that executive management's salaries required some adjustment to align these with industry benchmarks. The committee considered this report and made a recommendation to the board, which the board approved post year-end, effective 1 August 2012. In addition, the committee's recommendation that non-executive directors' fees be adjusted in line with industry benchmarks was approved by the board for recommendation to shareholders.

Harmony's formal remuneration and incentive awards strategy, adopted by the board and presented to shareholders for consideration on a non-binding advisory vote at the annual general meeting in 2011, is unchanged, except for the inclusion of the Tlhakanelo Employee Share Trust. The company's remuneration and incentive awards strategy will again be presented to shareholders for their consideration at the 2012 annual general meeting.

At 30 June 2012, the members of this committee were:

- Cathie Markus (chairman) (independent non-executive director) – member and chairman from 30 November 2011
- Simo Lushaba (independent non-executive director) – member since 5 August 2005
- André Wilkens (non-independent non-executive director) – member since 7 August 2007
- Fikile De Buck (independent non-executive director) – member since 29 October 2010
- John Wetton (independent non-executive director) – member since 12 August 2011.

The chief executive officer, financial director, executive: government relations and executive: human resources were invited to attend all meetings.

Reward strategy

The objective of Harmony's reward strategy is to enable the business to:

- Recruit high-performing skills from a limited pool of talent
- Retain competent employees who continuously enhance business performance
- Reinforce, encourage and promote superior performance
- Direct employees' energies and activities to achieving key business goals
- Achieve most effective returns (employee productivity) for total employee spend
- Embrace diverse needs of employees in building the Harmony culture.

To achieve this, Harmony rewards employees in a way that fairly reflects the dynamics of the market and the context in which it operates. All components of the reward strategy are aligned to Harmony's strategic direction, business-specific value drivers and operational results.

Reward strategy – design principles

The principles that govern Harmony's reward strategy include:

- **Competitive pay levels:** Harmony is committed to paying packages that are competitive relative to the target labour market
- **Pay for performance:** remuneration practices reward high-performing employees for their contribution to the company

- **Internal equity:** remuneration differentiation between employees is based on criteria that are fair and objective
- **Cost management:** Harmony manages the total cost of employment for all employees
- **Holistic approach:** Harmony has adopted an integrated approach to reward strategy – a balanced design that includes:
  - Guaranteed pay
  - Short-term incentive pay
  - Long-term (share-based) incentive pay
  - Performance management
  - Employee growth and development
  - Non-financial rewards and recognition
- **Regular revision:** Harmony recognises that the reward strategy and resultant remuneration policies are dynamic and should be reviewed regularly to ensure practices keep pace with both the company's objectives and market practices
- **Communication:** Harmony is committed to ensuring employees are aware of the company's reward strategy.

Guaranteed pay

In reviewing and approving levels of guaranteed pay, the committee ensures these reflect the market sector in which Harmony operates, and the contribution of employees, particularly senior executives and executive directors.

To compete effectively for skills in a challenging employment market, Harmony identifies the target market, those organisations or companies from which skills are acquired, or to which skills are lost. Operational and technical comparisons are made predominantly to the mining and resources market, while more general comparisons are made to the national market and, at executive level, to top executive surveys.

For all positions other than those for which specific premiums are deemed appropriate due to scarcity or criticality of skills, Harmony aims for guaranteed pay levels relative to the market median of the target market.

In the context of guaranteed pay, all other benefits including pensions, benefits-in-kind and other financial arrangements are scrutinised to ensure they are justified, appropriately valued and suitably disclosed. Additionally, Harmony ensures guaranteed pay is a sufficient proportion of total remuneration to allow a fully flexible incentive scheme to operate.

Short-term incentive pay

The remuneration committee ensures Harmony's directors and senior executives are fairly rewarded for their individual contributions to overall performance. In September 2006, the committee approved an annual incentive scheme as part of Harmony's reward philosophy to benefit executive directors and members of management. This scheme was revised in 2010 to provide twice-yearly incentive bonuses for all management employees applying to corporate, Harmony central services, medical services and central operations; and quarterly incentive bonuses for designated shaft management team members as well as regional operations management teams.

Although bonuses are payable bi-annually and quarterly, they still relate to performance against annual objectives consistent with long-term value for shareholders, with both business and corporate performance targets, financial and non-financial, and tailored to the needs of the business. They are reviewed annually to ensure they remain appropriate.

While Harmony's fundamental aim is to generate profit for its shareholders while continuing to grow, it is equally committed to ensuring that the safety, health and well-being of its employees is a primary area of focus. Therefore remuneration is linked to safety performance at all levels of the organisation to reinforce safety as a top priority.

Minimum levels of financial and operational performance are also included, with targets for threshold, expected and stretch levels of performance set and robustly monitored. Performance drivers are not duplicated, and a balance is struck between the need to reward success over the short and long term.

Scorecards of multiple targeted performance measures are used to avoid manipulation of results or poor business decisions. Currently, the principles of the scheme are based on the key targets of improvements in safety, and performance against budget targets for: kilograms of gold produced, underground grade, cash cost and capital expenditure.

Throughout, the remuneration committee satisfies itself on the accuracy of recorded performance measures that govern vesting of incentives. Risk-based oversight of bonuses payable is exercised to ensure behaviours contrary to the company's risk management strategy are eliminated.

Occasionally, external factors impacting performance outside the control of participants may be accommodated to a limited extent for executives (with board discretionary approval), but may be more generously applied at lower levels in the organisation (with executive committee discretionary approval).

Long-term (share-based) incentives

Harmony has implemented various share option schemes in the past, but since implementation of the 2006 share plan, no options have been or will be issued in terms of these schemes. Options granted prior to the 2006 share plan remain open for acceptance for ten years after the date of grant, subject to the terms of the relevant option scheme.

The Harmony 2006 share plan

The Harmony 2006 share plan (the plan) was adopted by shareholders at the annual general meeting on 10 November 2006 and subsequently amended at the annual general meeting held in Johannesburg on 1 December 2010 to bring it in line with amendments to the JSE Listings Requirements. The board of directors resolved in September 2012 to further amend the plan to align it with the Companies Act 2008. These amendments were permissible in terms of the plan without prior approval by shareholders.

The plan incorporates: equity-settled share appreciation rights, performance shares and performance-allocated restricted shares. The plan is in line with global and South African best practice, and rewards the required attributes of shareholder alignment and long-term, sustained performance.

In terms of the plan, executives and senior managers of Harmony and its subsidiaries and associates are awarded rights to receive shares in Harmony, when time and performance conditions have been met, the awards have vested and, in the case of share appreciation rights (SARs), the rights have been exercised.

Annual allocations of SARs, awards of performance shares, and grants of restricted shares are governed by Harmony's reward strategy in which, inter alia, the 'expected value' of long-term incentive rewards is set for defined categories of executive and senior management. Participation is restricted to full-time employees and executive directors, and is subject to appropriate limits for individual participation.

Annual offers are made as this reduces the risk of unanticipated outcomes due to share-price volatility and cyclical factors, allows the adoption of a single performance measurement period and lessens the possibility and impact of 'underwater' share appreciation rights or excessive windfall gains. There is no repricing or surrender and regrant of any offers. The rules of the scheme provide that share awards are not granted in a closed period and no backdating of awards is allowed.

Rewards are settled in shares. However, participants are able to receive, via the company-appointed share scheme administrators, cash from the sale of the shares, less tax payable.

Performance conditions governing vesting of the scheme instruments include growth in earnings above inflation, targeted operational performance, and comparative financial/share performance against a peer group or index. They are designed to be challenging but achievable and are linked to the company's medium-term business plan over three-year performance periods.

A summary of the main elements of the current share plan and performance conditions is set out below. Performance conditions for subsequent awards may use different performance measures and targets, but will be no less challenging in the context of the prevailing business environment.

Share appreciation rights scheme (SARs)

Eligible employees receive annual allocations of share appreciation rights, which are rights to receive shares equal to the value of the difference between the exercise and allocation price, less tax payable on the difference.

Vesting of SARs is phased and subject to performance conditions specified in the allocation letter. Currently, vesting occurs in equal thirds on the third, fourth and fifth anniversary of the allocation, subject to a performance condition tied to the company's performance in headline earnings per share (HEPS) above inflation.

Performance share plan (PSP)

Eligible employees receive annual conditional awards of a maximum number of performance shares.

The conditional award vests after three years if performance conditions have been satisfied. Specific performance conditions are stated in the award letter.

Performance criteria since November 2009 for senior management are:

- 50% of the number awarded is linked to the annual gold production of the company against targets set annually
- 50% of the number awarded is linked to the South African Gold Index.

Performance criteria for management since November 2010:

- 70% of the number awarded is linked to the annual gold production of the company against targets set annually
- 30% of the number awarded is linked to the South African Gold Index.

Although performance shares vest in the third year, performance against the two selected metrics is assessed annually and locked in for three discrete and equal segments of each award.

On vesting of the conditional award, the company procures the delivery of shares to settle the after-tax value of the vested portion of the award. Conditional awards that do not vest at the end of the three-year period lapse.

Performance allocated restricted share plan (RSP)

Periodically, eligible employees may be granted a number of restricted shares and matching performance shares at the discretion of the board, based on their individual performance in the preceding year, or future worth or value to the company. The quantum and balance between restricted shares and matching performance shares is at the discretion of the board.

Restricted shares vest three years from the grant date, at which point the participant has 30 days to elect to exercise them. A request to exercise must be in writing and is subject to board approval. If the participant decides not to exercise all or a portion of the restricted shares on vesting, or does not react within 30 days from the vesting date, these shares remain restricted for a further three years, but are supplemented by a matching grant of restricted shares. All restricted shares are then only settled after the end of a further three-year period.

The employee share option scheme (ESOP)

At the company's annual general meeting on 1 December 2010, shareholders approved the implementation of the ESOP via a trust now known as the Tlhakanelo Employee Share Trust (trust).

The ESOP is an equity-settled share incentive and share appreciation right (SAR) scheme in terms of which:

- A total maximum threshold of 12 864 000 ordinary shares subdivided into (i) 4 288 000 ordinary shares in the share capital of the company (scheme shares) at par value; and (ii) 8 576 000 SARs have been made available for offer to more than 33 000 Harmony current and future qualifying employees (qualifying employees) in the ratio of 1 scheme share to 2 SARs, subject to the terms and conditions of the deed of trust (trust deed)
- The scheme shares and SARs allocated to qualifying employees (participants) will vest in equal tranches on each anniversary of the relevant allocation date
- Upon vesting of scheme shares, the participants will be entitled to take delivery of the vested scheme shares
- Upon the vesting of SARs, the participants will be entitled to receive a number of ordinary shares in the share capital of the company (entitlement shares) and/or a cash bonus.

  The number of entitlement shares which a participant will be entitled to receive will be determined by reference to the appreciation of the share price between the offer date of the SARs (offer date) and the vesting date (vesting date), subject to a maximum appreciation value of R32. To the extent that the share price:
  - appreciates less than R18 but more than zero between the offer date and vesting date, the participant will, in addition to receiving entitlement shares, receive a cash bonus equal to the difference between R18 and the appreciation of each vested SAR
  - depreciates between the offer date and vesting date, the participant will not be entitled to any entitlement shares but will instead receive a cash bonus of R18 per vested SAR, collectively referred to as the cash bonus
- Prior to vesting, participants are entitled to elect to either (i) receive their vested scheme shares and/or entitlement shares or (ii) have their vested scheme shares and/or entitlement shares sold on their behalf and to receive the net proceeds of such sale.

Shareholders will be requested to approve amendments to the trust deed at the annual general meeting to be held on 28 November 2012. Further details can be found in the notice of the annual general meeting.

Reward strategy – pay-mix considerations

The remuneration committee ensures that the mix of fixed and variable pay, in cash, shares and other elements, meets the company's needs and that incentives are based on targets that are stretching, verifiable and relevant.

Pay mix is defined as the balance targeted between the major components of remuneration, namely:

- Total cost to company guaranteed pay (TCTC)
- Variable pay for performance
  - Bonuses derived from cash incentive bonuses
  - The expected value derived from offers in terms of a long-term (share-based) incentive plan (LTIP).

Expected value is defined as the present value of the future reward outcome of an allocation/award/grant, given the targeted future performance of the company and its share price. It should not be confused with the term 'fair value' which is used to establish the accounting cost in the company's financial statements. Neither should it be confused with the term 'face value' which is used to define the current value of the underlying share at the time of allocation/award/grant.

The reward strategy/pay-mix relationship currently in place at Harmony, as it relates to the CEO, executive and general manager positions, is shown below:

Reward strategy – pay mix

Reward level	Designations	On-target incentive reward*	Maximum incentive reward*	Total share reward (expected value)
CEO	CEO	50%	100%	70%
Exec	Executives	50%	100%	50%
GM	General manager	30%/50%	50%/70%	35%

All percentages applied to TCTC.

* *The on-target incentive bonus percentage of 30% is generally applied to all corporate and support positions, with the 50% applied to all shaft operational positions. In both cases, the percentage is based on achieving strategy plan targets.*

Non-executive directors' fees

Harmony's remuneration committee ensures directors are fairly rewarded for their individual contributions to overall performance. The board periodically considers an increase in non-executive directors' fees to ensure these remain competitive.

Non-executive director fees are paid monthly, varying according to factors including the level of expertise of each director. The chairman and other non-executive directors do not receive options or other incentive awards geared to share price or group performance, as these would align their interests too closely with executives and may be seen to impair their ability to provide impartial oversight and advice.

The board considered the King III recommendation that fees for non-executive directors should consist of a base fee as well as a fee per meeting. Harmony follows a different approach in paying a structured annual retainer as well as additional fees for ad hoc meetings and/or attendance to company business, which it deems fair and transparent and therefore in the best interests of the company.

Contracts, severance, termination

Contracts do not commit the company to pay on termination arising from an executive's failure to deliver agreed performance standards, and balloon payments are not paid on termination, nor is there any automatic entitlement to bonuses or share-based payments. Contracts also make it clear that if a director is dismissed after a disciplinary procedure, a shorter notice period than set out in the contract will apply.

Contracts do not compensate executives for severance as a result of change of control; however, this does not preclude payments to retain key executives during a period of uncertainty. Where individuals leave voluntarily before the end of the service period, or are dismissed for good cause, any unvested share-based awards lapse.

In other cases of cessation of employment, where the remuneration committee decides that early vesting of long-term incentives is appropriate, the extent of vesting would depend on performance criteria over the period to date as well as time served of vesting periods.

Directors' remuneration

	Directors' fees (R000)	Salaries and benefits (R000)	Retirement contributions during the year (R000)	Bonuses paid (R000)	Total (R000)	Total (R000)
Name	**FY12**	**FY12**	**FY12**	**FY12**	**FY12**	FY11
Non-executive directors						
Patrice Motsepe	**883**	–	–	–	**883**	833
Frank Abbott[1]	**156**	–	–	–	**156**	332
Joaquim Chissano	**432**	–	–	–	**432**	427
Fikile De Buck	**696**	–	–	–	**696**	609
Ken Dicks	**372**	–	–	–	**372**	326
Dr Simo Lushaba	**491**	–	–	–	**491**	452
Cathie Markus	**568**	–	–	–	**568**	343
Modise Motloba	**557**	–	–	–	**557**	534
Mavuso Msimang	**328**	–	–	–	**328**	63
David Noko[2]	**484**	–	–	–	**484**	64
Cedric Savage[3]	**381**	–	–	–	**381**	707
John Wetton	**571**	–	–	–	**571**	–
André Wilkens	**500**				**500**	441
Executive						
Frank Abbott[4]	**–**	**3 436**	**–**	**110**	**3 546**	1 273
Graham Briggs	**–**	**5 966**	**–**	**1 330**	**7 296**	7 972
Mashego Mashego	**–**	**2 346**	**235**	**611**	**3 192**	3 412
Hannes Meyer[5]	**–**	**2 154**	**–**	**677**	**2 831**	3 978
Prescribed officers						
Jaco Boshoff[6]	**–**	**1 797**	**200**	**455**	**2 452**	–
Tom Smith	**–**	**2 314**	**267**	**602**	**3 183**	3 704
Johannes van Heerden	**–**	**3 422**	**126**	**622**	**4 170**	4 138
Senior management[7]	**–**	**12 533**	**864**	**3 164**	**16 561**	23 633
Total	**6 419**	**33 968**	**1 692**	**7 571**	**49 650**	53 241

[1] *July 2011 to October 2011.*

[2] *Resigned June 2012.*

[3] *July 2011 to November 2011 (retired).*

[4] *November 2011 to June 2012 (appointed 8 November 2011).*

[5] *July 2011 to March 2012 (resigned).*

[6] *Acting chief operating officer for the operations in Gauteng, the North West and Mpumalanga to March 2012, thereafter acting chief operating officer for Evander.*

[7] *Includes five people for full year, and two people for a portion of the year.*

Executive directors' and management share incentives

	Executive directors							
	Graham Briggs		Hannes Meyer[1]		Frank Abbott		Mashego Mashego	
	Number of shares	Average price (Rands)	Number of shares	Average price (Rands)	Number of shares	Average price (Rands)	Number of shares	Average price (Rands)
Share options								
Opening balance at 1 July 2011	91 938	48.55	–	–	–	–	–	–
Options exercised	–	n/a	–	n/a	–	n/a	–	n/a
– Average sales price	–	n/a	–	n/a	–	n/a	–	n/a
Closing balance at 30 June 2012	91 938	48.55	–	–	–	–	–	–
Performance shares								
Opening balance at 1 July 2011	305 011	n/a	55 800	n/a	–	n/a	77 201	n/a
Options granted	63 921	n/a	21 446	n/a	23 072	n/a	19 082	n/a
Options exercised	59 221	n/a	–	n/a	–	n/a	13 802	n/a
– Average sales price	–	113.01	–	n/a	–	n/a	–	113.01
Options forfeited and lapsed	88 832	n/a	77 246	n/a	–	n/a	20 705	n/a
Closing balance at 30 June 2012	220 879	n/a	–	n/a	23 072	n/a	61 776	n/a
Restricted shares								
Opening balance at 1 July 2011	48 485	n/a	24 525	n/a	–	n/a	22 262	n/a
Options granted	15 000	n/a	10 000	n/a	8 000	n/a	8 000	n/a
Options exercised	–	n/a	–	n/a	–	n/a	–	n/a
Options forfeited and lapsed	–	n/a	34 525	n/a	–	n/a	–	n/a
Closing balance at 30 June 2012	63 485	n/a	–	n/a	8 000	n/a	30 262	n/a
Share appreciation rights								
Opening balance at 1 July 2011	265 713	78.44	15 608	80.68	–	–	54 458	77.11
Options granted	11 676	104.79	5 963	104.79	6 585	104.79	5 361	104.79
Options exercised	–	n/a	–	n/a	–	n/a	17 779	71.98
– Average sales price	–	n/a	–	n/a	–	n/a	–	104.66
Options forfeited and lapsed	–	n/a	21 571	87.35	–	n/a	–	n/a
Closing balance at 30 June 2012	277 389	78.00	–	–	6 585	104.79	42 040	82.80
Grant date								
Share options	91 938		–		–		–	
27 March 2003	–	91.60	–	91.60	–	91.60	–	91.60
10 August 2004	32 340	66.15	–	66.15	–	66.15	–	66.15
26 April 2005	59 598	39.00	–	39.00	–	39.00	–	39.00
Performance shares	220 879				23 072		61 776	
16 November 2009	74 534	n/a	–	n/a	–	n/a	17 372	n/a
15 November 2010	82 424	n/a	–	n/a	–	n/a	25 322	n/a
15 November 2011	63 921	n/a	–	n/a	23 072	n/a	19 082	n/a
Restricted shares	63 485				8 000		30 262	
15 November 2010	48 485	n/a	–	n/a	–	n/a	22 262	n/a
15 November 2011	15 000	n/a	–	n/a	8 000	n/a	8 000	n/a
Share appreciation rights	277 389				6 585		42 040	
15 November 2006	3 473	112.64	–	112.64	–	112.64	3 645	112.64
15 November 2007	159 484	70.54	–	70.54	–	70.54	14 252	70.54
7 March 2008	46 154	102.00	–	102.00	–	102.00	–	102.00
5 December 2008	28 377	77.81	–	77.81	–	77.81	7 055	77.81
16 November 2009	14 286	77.28	–	77.28	–	77.28	5 327	77.28
15 November 2010	13 939	84.81	–	84.81	–	84.81	6 400	84.81
15 November 2011	11 676	104.79	–	104.79	6 585	104.79	5 361	104.79
Closing balance as at 30 June 2012	**653 691**		**–**		**37 657**		**134 078**	

[1] Hannes Meyer resigned during March 2012.
[2] The opening balances have been adjusted for transfers from management to executive.

Prescribed officers						Other					
Jaco Boshoff		Tom Smith		Johannes van Heerden		Executive management[2]		Other management[2]		Total	
Number of shares	Average price (Rands)	Number of shares	Average price (Rands)	Number of shares	Average price (Rands)	Number of shares	Average price (Rands)	Number of shares	Average price (Rands)	Number of shares	Average price (Rands)
5 480	66.15	124 138	52.12	34 325	44.69	83 035	54.95	1 008 289	49.78	1 347 205	50.12
5 480	66.15	–	n/a	–	n/a	71 035	47.89	441 131	51.61	517 646	51.25
–	96.75	–	n/a	–	n/a	–	105.64	–	104.05	–	105.41
–	–	124 138	52.12	34 325	44.69	12 000	91.60	567 158	48.38	829 559	49.43
64 755	n/a	89 084	n/a	89 084	n/a	450 088	n/a	2 562 558	n/a	3 693 581	n/a
14 038	n/a	19 082	n/a	19 082	n/a	117 843	n/a	904 955	n/a	1 202 521	n/a
12 646	n/a	16 964	n/a	16 964	n/a	71 296	n/a	504 358	n/a	695 251	n/a
–	113.01	–	113.01	–	113.01	–	113.01	–	112.94	–	112.94
18 969	n/a	25 447	n/a	25 447	n/a	208 210	n/a	1 034 994	n/a	1 499 850	n/a
47 178	n/a	65 755	n/a	65 755	n/a	288 425	n/a	1 928 161	n/a	2 701 001	n/a
8 301	n/a	22 262	n/a	22 262	n/a	85 091	n/a	114 695	n/a	347 883	n/a
5 000	n/a	8 000	n/a	8 000	n/a	45 000	n/a	56 000	n/a	163 000	n/a
–	n/a	–	n/a	–	n/a	–	n/a	–	n/a	–	n/a
–	n/a	–	n/a	–	n/a	41 907	n/a	22 765	n/a	99 197	n/a
13 301	n/a	30 262	n/a	30 262	n/a	88 184	n/a	147 930	n/a	411 686	n/a
61 924	74.69	107 216	73.60	107 506	73.70	375 503	75.17	5 794 892	80.28	6 782 820	79.66
3 998	104.79	5 361	104.79	5 361	104.79	35 150	104.79	998 769	104.79	1 078 224	104.79
–	n/a	–	n/a	–	n/a	50 349	71.49	621 377	77.28	689 505	76.72
–	n/a	–	n/a	–	n/a	–	102.59	–	111.68	–	111.55
–	n/a	–	n/a	–	n/a	101 786	79.16	714 556	81.78	837 913	81.61
65 922	76.52	112 577	75.08	112 867	75.18	258 518	78.88	5 457 728	84.81	6 333 626	83.85
–		124 138		34 325		12 000		567 158		829 559	
–	91.60	–	91.60	–	91.60	12 000	91.60	50 400	91.60	62 400	91.60
–	66.15	60 000	66.15	7 200	66.15	–	66.15	98 388	66.15	197 928	66.15
–	39.00	64 138	39.00	27 125	39.00	–	39.00	418 370	39.00	569 231	39.00
47 178		65 755		65 755		288 425		1 928 161		2 701 001	
15 916	n/a	21 351	n/a	21 351	n/a	99 325	n/a	268 155	n/a	518 004	n/a
17 224	n/a	25 322	n/a	25 322	n/a	99 796	n/a	792 826	n/a	1 068 236	n/a
14 038	n/a	19 082	n/a	19 082	n/a	89 304	n/a	867 180	n/a	1 114 761	n/a
13 301		30 262		30 262		88 184		147 930		411 686	
8 301	n/a	22 262	n/a	22 262	n/a	55 184	n/a	91 930	n/a	270 686	n/a
5 000	n/a	8 000	n/a	8 000	n/a	33 000	n/a	56 000	n/a	141 000	n/a
65 922		112 577		112 867		258 518		5 457 728		6 333 626	
2 031	112.64	2 328	112.64	2 618	112.64	8 950	112.64	312 742	112.64	335 787	112.64
40 544	70.54	78 934	70.54	78 934	70.54	124 064	70.54	460 733	70.54	956 945	70.54
–	102.00	–	102.00	–	102.00	–	102.00	–	102.00	46 154	102.00
9 695	77.81	13 006	77.81	13 006	77.81	39 903	77.81	1 090 360	77.81	1 201 402	77.81
4 881	77.28	6 548	77.28	6 548	77.28	31 757	77.28	1 763 611	77.28	1 832 958	77.28
4 773	84.81	6 400	84.81	6 400	84.81	28 480	84.81	889 972	84.81	956 364	84.81
3 998	104.79	5 361	104.79	5 361	104.79	25 364	104.79	940 310	104.79	1 004 016	104.79
126 401		**332 732**		**243 209**		**647 127**		**8 100 977**		**10 275 872**	

YOU are the gold

More than 33 000 employees to become shareholders

In August 2012, Harmony issued awards under its employee share ownership plan (ESOP), known as Tlhakanelo, through which around 33 000 employees will participate in direct ownership of the company. Based on the number of shares in issue at 31 December 2011, Tlhakanelo could account for ownership of 2.9% of the company, enhancing Harmony's black economic empowerment (BEE) status further.

Tlhakanelo is a R1 billion share incentive and share appreciation rights scheme, in terms of which nearly 4.3 million ordinary shares at par value in the share capital of the company and around 8.6 million share appreciation rights have been made available for offer to current and future qualifying employees. All non-management employees will benefit from the scheme, based solely on length of service at allocation date.

Following lengthy negotiations with NUM, UASA and Solidarity over the proposed employee share option plan, the final format incorporates a minimum payout guarantee, accompanied by a maximum payout ceiling per share appreciation right (see our Sustainable Development Report on www.harmony.co.za for more information).

The ESOP will be overseen by the Tlhakanelo Employee Share Trust, with trustees comprising both management and union representatives.

With the launch of Tlhakanelo, we tangibly recognise the importance of employees who sustain our business – the people who are, in essence, our human gold. This plan not only benefits our employees, but has also demonstrated and enhanced our close relationship with our unions.

Tlhakanelo is a R1 billion share incentive and share appreciation rights scheme.

Financials and administration

Contents

Company secretary certification

I certify, in accordance with the Companies Act No 71 of 2008, as amended, that for the year ended 30 June 2012 Harmony Gold Mining Company Limited has lodged with the Companies and Intellectual Property Commission (CIPC) all such returns and notices as are required of a public company in terms of this Act, and that all such returns and notices appear to be true, correct and up to date.

R Bisschoff
Company secretary

25 October 2012

Directors' report

Our business

The Harmony group of companies has underground and surface operations and conducts gold mining and exploration in South Africa and Papua New Guinea. A general review of the group's business and operations is provided on pages 52 to 107 of the integrated annual report (the report).

The company does not have a controlling shareholder and is managed by its directors for its stakeholders. The group's primary listing is in South Africa on the securities exchange operated by the JSE Limited. Harmony's ordinary shares are further listed in the form of American Depositary Receipts (ADRs) on the New York Stock Exchange and as International Depositary Receipts on the Berlin and Brussels exchanges.

The directors are responsible for the preparation, integrity and fair presentation of the financial statements of the company and its subsidiaries.

Financial statements

A review by the financial director is provided on pages 44 to 47 of the report.

The directors have pleasure in presenting the summarised consolidated annual financial statements for the year ended 30 June 2012 (attached to the notice of annual general meeting) and the complete consolidated and company financial statements for the same period (included in the 2012 integrated annual report on pages 194 to 307). The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the Companies Act of South Africa, Act No 71 of 2008, as amended.

The group's external auditors, PricewaterhouseCoopers Incorporated, have audited the consolidated and separate financial statements and their report is presented on page 193 of the report. The financial statements have been prepared by Harmony Gold Mining Limited's corporate reporting team headed by Herman Perry. This process was supervised by the financial director, Frank Abbott.

2012 integrated annual report

As required by the King Report on Governance for South Africa, 2009 (King III), the board has reviewed and approved the 2012 integrated annual report on recommendation from the audit and risk committee.

Statement by the board

The board of directors is of the opinion that the 2012 integrated annual report and summarised annual financial statements fairly reflect the true financial position of the group at 30 June 2012 and its performance for the year.

Company secretary

The company secretary is Riana Bisschoff. Her business and postal addresses appear on the inside back cover of this report. The company secretary certification is on page 187 of the report.

Board of directors

For detail on the board and board changes during the year, please refer to the corporate governance report on page 169 of the report.

Directors' shareholdings

None of the directors, other than André Wilkens, who held 101 303 shares in Harmony at 30 June 2012, or any of their immediate families and associates, held any direct shareholding in the company's issued share capital. No executive director held or acquired any shares in the company, other than through share incentive schemes, for the year to 30 June 2012. Post year-end, the chief executive officer, Graham Briggs, bought 14 347 shares in the company, the financial director, Frank Abbott, bought 73 900 shares and Ken Dicks, a non-executive director, bought 12 500 shares.

Going concern

In accordance with the solvency and liquidity test in terms of section 4 of the Companies Act, the board is of the opinion that the company has adequate resources and that:

- the company's assets, fairly valued, exceed its liabilities, fairly valued; and
- the company will be able to pay its debts as they become due in the ordinary course of business for the 12 months preceding 30 June 2013.

Financial results

Details of the group's financial performance are discussed in the financial director's review on pages 44 to 47 of the report.

Share capital

Full details of the authorised, issued and unissued share capital of the company as at 30 June 2012 are set out in the statements of changes in shareholders' equity on page 197.

Shareholders

Information on shareholder spread, range of shareholdings and public shareholders, as well as major shareholders, is presented on page 314 of the report.

Investments

A schedule of investments in subsidiaries, associates and joint ventures appears on pages 308 to 311 of the report.

Contingencies

None of Harmony's properties is the subject of pending material legal proceedings. We have received a number of claims and are involved in legal and arbitration proceedings that are incidental to the normal conduct of our business. The directors do not, however, believe liabilities related to such claims and proceedings are likely to be material, individually or in aggregate, to the company's consolidated financial condition. Refer to note 36 of the group financial statements for further discussion.

Borrowings

(i) Movement in borrowings. See note 30 to the group financial statements
(ii) Borrowing powers

The level of the company's borrowing powers, as determined by its current memorandum of incorporation, will not, except with the consent of the company's shareholders, exceed the aggregate from time to time of the issued and paid-up share capital of the company, together with the aggregate of the amounts standing to the credit of all distributable and non-distributable reserves (including interests in subsidiary companies and provisions for deferred taxation) and any share premium account of the company. At year-end, total borrowings were R1 816 million (US$221 million) (FY11: R1 559 million (US$230 million)).

Special resolutions by subsidiary companies

A resolution in terms of section 45 of the Companies Act, 71 of 2008 (financial assistance) was passed by the following companies:

- African Rainbow Minerals Gold Limited (Reg no 1997/015869/06)
- Avgold Limited (Reg No 1990/007025/06)
- Evander Gold Mines Limited (Reg No 1963/006226/06)
- Armgold/Harmony Freegold Joint Venture Company (Proprietary) Limited (Reg No 2001/029602/07)
- Randfontein Estates Limited (Reg No 1889/000251/06)

Disposals

Harmony entered into an agreement with Pan African Resources plc (Pan African Resources) on 30 May 2012 to dispose of its 100% interest in Evander Gold Mines Limited (Evander) for a total consideration of R1.5 billion. The main conditions precedent are expected to be fulfilled before 31 December 2012.

Related-party transactions

None of the directors or major shareholders of Harmony or, to the knowledge of Harmony, their families, had interest, direct or indirectly, in any transaction during the period under review or in any proposed transaction that has affected or will materially affect Harmony or its subsidiaries, other than as stated below.

African Rainbow Minerals Limited (ARM) currently holds 14.7% of Harmony's shares. Patrice Motsepe, André Wilkens, Frank Abbott and Joaquim Chissano are directors of ARM.

Material transactions with associates, joint ventures and special-purpose entities (SPEs)

All transactions with related parties are conducted at arm's length. Refer to note 35 of the group financial statements for details on transactions conducted during the period under review.

Recent developments

Dividend

On 13 August 2012, the board approved a final dividend for FY12 of 50 SA cents per ordinary share. As the August dividend was declared after the reporting date, it has not been reflected in the financial statements for the year ended 30 June 2012.

Freegold court case

The Supreme Court of Appeals' decision on Freegold's appeal regarding the South African Revenue Service's (SARS) application of mining tax ringfencing was received on 1 October 2012 and the court found in favour of SARS. This is an adjusting event and the impact of the decision has been recorded in the financial statements. Refer to note 37 of the group financial statements for further detail.

Silicosis

On 23 August 2012, Harmony and all its subsidiaries were served with court papers entailing an application by three former employees requesting the South Gauteng High Court to certify a class action. In essence, the applicants want the court to declare them as representing a class of people for purposes of instituting an action for relief and to obtain directions as to what procedure to follow in pursuing the relief required against Harmony. Harmony has subsequently retained legal counsel in this regard and, on 5 September 2012, Harmony served and filed its notice of intention to oppose the application. At this stage and in the absence of a court decision on this matter, it is uncertain whether the company will incur any costs related to silicosis claims. Due to the limited information available on any claims and potential claims and the uncertainty of the outcome of these claims, no estimation can be made for the possible obligation.

Employee Share Ownership Plan (ESOP)

On 31 August 2012, Harmony issued 3.5 million shares to the Tlhakanelo Trust of which 3 409 150 shares have been allocated to participants.

Approval

The annual financial statements were approved by the board of directors on 25 October 2012 and signed on its behalf by:

Mr GP Briggs *Chief executive officer*	**Mr F Abbott** *Financial director*
Randfontein South Africa	Randfontein South Africa

25 October 2012

Audit and risk committee report

The Companies Act 71 of 2008 (the Act) requires companies to establish an audit committee and prescribes the composition and functions of such a committee. As the mandate of Harmony's audit committee includes monitoring risk management, its name changed to the audit and risk committee.

The committee has been established by the board of directors to attend to its statutory duties as set out in the Act, assist the board in discharging its duties on safeguarding assets, monitor the operation of an adequate system of internal control and control processes, and monitor the preparation of accurate financial reporting and statements in compliance with all applicable legal requirements, corporate governance and accounting standards. The committee is also required to ensure that significant risks facing Harmony are adequately addressed and supports the board in its responsibility for the governance of risk.

In terms of the Act, the following members, serving as members of the committee as at 30 June 2012, will again be recommended to shareholders for appointment as audit and risk committee members for the ensuing financial year at the company's annual general meeting:

- John Wetton (chairman and independent non-executive director) – member since 1 July 2011, appointed chairman from 30 November 2011
- Fikile De Buck (lead independent non-executive director) – member since 30 March 2006
- Simo Lushaba (independent non-executive director) – member since 24 January 2003
- Modise Motloba (independent non-executive director) – member since 30 July 2004.

The proposed individuals satisfy the requirements to serve as members of an audit and risk committee as provided for in section 94 of the Act and ensure that the committee comprises people with adequate and relevant knowledge and experience for the committee to perform its functions. For a detailed account of the qualifications and expertise of the members of the audit and risk committee, please refer to their resumés on pages 26 to 28 of the report.

In terms of the audit and risk committee's formal, approved charter **www.harmony.co.za** and as part of its function in assisting the board to discharge its duties during the period under review, the committee:

- Met five times during the past financial year
- Reviewed the company's quarterly results
- Reviewed the annual financial statements for the year ended 30 June 2012 to ensure these present a true, balanced and understandable assessment of the financial position and performance of Harmony. On recommendation from the committee, the board subsequently approved the financial statements
- Evaluated and considered Harmony's risks, measures taken to mitigate those risks and treatment of the residual risks
- Monitored the internal control environment in Harmony and found it to be effective
- Discussed the appropriateness of accounting principles, critical accounting policies, management judgements, estimates and impairments. These were found to be appropriate and satisfactory
- Considered the appointment of the external auditor, PricewaterhouseCoopers Inc (PwC), as the registered independent auditor for the ensuing year
- Evaluated the independence and effectiveness of the internal audit function and external auditors
- Evaluated and coordinated internal and external audit processes
- Received and considered reports from the external and internal auditors
- Reviewed and approved internal and external audit plans, terms of engagement and fees as well as the nature and extent of non-audit services rendered by the external auditors
- Held separate meetings with management and the external auditors
- Considered the appropriateness and expertise of the financial director, Frank Abbott, as well as that of the finance function and found all to be adequate and appropriate

Please note that this page does not form part of the audited information.

- Considered whether IT risks are adequately addressed and that appropriate controls are in place to address these risks
- Satisfied itself through enquiry that the external audit firm, PwC, was independent from the company.

The committee is confident that it complied with its legal, regulatory and other responsibilities assigned by the board in terms of the committee's charter.

The internal audit function reports to the financial director on day-to-day administrative matters. The internal and external auditors attend the committee's quarterly committee meetings and have unrestricted access to the chairman of the audit and risk committee.

The audit and risk committee reviewed and recommended the integrated annual report for the year ended 30 June 2012 to the board for approval in accordance with King III and the JSE Listings Requirements. This was subsequently approved by the board.

In addition to the integrated report, the committee reviewed the annual report filed on Form 20-F for recommendation to the board and subsequent submission to the United States Securities and Exchange Commission (SEC). The board approved the Form 20-F for submission to the SEC.

The audit and risk committee oversees and monitors the governance of information technology (IT) on behalf of the board in accordance with King III and views this as an important aspect of risk management. For a report on IT governance, refer to page 175.

A comprehensive review of Harmony's compliance with King III was completed in consultation with the auditing firm KPMG, in July 2012. As a result, to further enhance compliance with King III:

- A formal stakeholder policy and stakeholder management plan are being reviewed
- As part of the culture alignment programme, the code of ethics will be reviewed and updated to align with Harmony's revised value statements. Once reviewed, the revised code will be submitted to the board for approval
- Management is revising the roles and responsibilities for various facets of ethics management (eg board committee responsibilities, fraud risk management). This will include a review and potential redesign of the ethics management programme to address integration and further improve levels of proactive ethical risk management
- Although combined assurance was applied throughout the year, the process will be formalised into a combined assurance framework and plan
- A more detailed overview of the appraisal process, results and action plans following the evaluation of the board, its committees and individual directors is disclosed on page 170
- Reasons for the current non-executive directors' fee structure are more fully explained on page 180
- The job specification for the head of internal audit and associated key performance indicators will be developed and submitted to the audit and risk committee for review and approval. This framework will serve as input into the annual assessment of the internal audit function
- The onset and frequency of independent quality reviews were considered and approved by the committee in August 2012
- A non-audit service policy was developed and approved by the committee in August 2012
- The risk management strategy and associated framework were revised. The amended framework and roll-out plan will be submitted to the committee for consideration and approval

- A management technology (IT) steering committee was constituted in addition to various technology-focused project steering committees currently in place for Harmony. The steering committee charter will be finalised and submitted to the audit and risk committee for consideration and approval
- A formalised and functional IT risk register will be enhanced and used by the audit and risk committee to adequately monitor the company's IT risks, in line with the revised risk management roll-out plan
- We will review the current decentralised application of legislative compliance and consider centralising this and/or integrating it into the risk management function to formally address critical regulatory non-compliance risk. The relevant disclosures appear on pages 24 to 25
- The internal audit strategy and associated approach will be revised to align more closely with a risk-based approach and to address enhanced compliance with the Institute of Internal Auditors (IIA) standards. An updated internal audit charter will be presented to the audit and risk committee for its consideration and approval. More information on Harmony's risk management appears on page 24 to 25.

John Wetton
Audit and risk committee chairman

25 October 2012

Independent auditor's report to the members of Harmony Gold Mining Company Limited

We have audited the consolidated financial statements and separate financial statements of Harmony Gold Mining Company Limited set out on pages 194 to 274 and 276 to 307, which comprise the group and company balance sheets as at 30 June 2012 , and the group and company income statements and group and company statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of group and company financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the consolidated and separate financial position of Harmony Gold Mining Company Limited as at 30 June 2012, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 30 June 2012, we have read the Directors' report, the Audit and risk committee report and the Company secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

PricewaterhouseCoopers Inc.
Director: FJ Lombard
Registered Auditor

2 Eglin Road, Sunninghill, 2157
Johannesburg

25 October 2012

Group income statements

for the years ended 30 June 2012

SA rand				US dollar	
2011*	2012	Figures in million	Note	2012	2011*
		Continuing operations			
11 596	**15 169**	Revenue		**1 953**	1 659
(10 699)	**(12 137)**	Cost of sales	5	**(1 561)**	(1 533)
(8 504)	**(9 911)**	Production costs		**(1 276)**	(1 218)
(1 609)	**(1 921)**	Amortisation and depreciation		**(247)**	(230)
(264)	**60**	Reversal of impairment/(impairment) of assets		**7**	(39)
(136)	**(81)**	Employment termination and restructuring costs		**(10)**	(20)
(186)	**(284)**	Other items		**(35)**	(26)
897	**3 032**	**Gross profit**		**392**	126
(322)	**(352)**	Corporate, administration and other expenditure		**(45)**	(46)
(82)	**(72)**	Social investment expenditure		**(9)**	(12)
(324)	**(500)**	Exploration expenditure		**(64)**	(46)
27	**63**	Profit on sale of property, plant and equipment	6	**8**	4
(21)	**(50)**	Other expenses – net	7	**(6)**	(3)
175	**2 121**	**Operating profit**	8	**276**	23
(51)	**–**	Loss from associates	20	**–**	(7)
(142)	**56**	Reversal of impairment/(impairment) of investment in associate	20	**7**	(20)
–	**(144)**	Impairment of investments	21	**(19)**	–
129	**86**	Net gain on financial instruments	9	**11**	18
273	**–**	Gain on farm-in option	10	**–**	38
133	**97**	Investment income	11	**12**	19
(271)	**(286)**	Finance costs	12	**(37)**	(38)
246	**1 930**	**Profit before taxation**		**250**	33
387	**123**	Taxation	13	**16**	55
633	**2 053**	**Net profit from continuing operations**		**266**	88
		Discontinued operations			
(16)	**592**	Profit/(loss) from discontinued operations	14	**75**	(2)
617	**2 645**	**Net profit for the year**		**341**	86
		Attributable to:			
617	**2 645**	Owners of the parent		**341**	86
–	**–**	Non-controlling interest		**–**	–
		Earnings/(loss) per ordinary share (cents)	15		
148	**477**	Earnings from continuing operations		**61**	21
(4)	**137**	Earnings/(loss) from discontinued operations		**18**	(1)
144	**614**	**Total earnings**		**79**	20
		Diluted earnings/(loss) per ordinary share (cents)	15		
148	**476**	Earnings from continuing operations		**61**	21
(4)	**136**	Earnings/(loss) from discontinued operations		**18**	(1)
144	**612**	**Total diluted earnings**		**79**	20

** The prior year amounts have been re-presented due to Evander being classified as a discontinued operation during 2012. Refer to note 14.*

These are the consolidated financial statements of Harmony Gold Mining Company Limited and its subsidiaries. For the separate financial statements refer to pages 276 to 307.

The accompanying notes are an integral part of these consolidated financial statements.

Group statements of comprehensive income

for the years ended 30 June 2012

SA rand				US dollar	
2011	**2012**	Figures in million	Note	**2012**	2011
617	**2 645**	Net profit for the year		**341**	86
368	**1 587**	Other comprehensive income/(loss) for the year, net of income tax		**(595)**	540
470	**1 485**	Foreign exchange translation	26	**(607)**	555
(102)	**(42)**	Loss on fair value movement of available-for-sale investments	26	**(7)**	(15)
–	**144**	Impairment of available-for-sale investments recognised in profit or loss	26	**19**	–
985	**4 232**	**Total comprehensive income/(loss) for the year**		**(254)**	626
		Attributable to:			
985	**4 232**	Owners of the parent		**(254)**	626
–	**–**	Non-controlling interest		**–**	–

The accompanying notes are an integral part of these consolidated financial statements.

Group balance sheets

as at 30 June 2012

SA rand				US dollar	
2011	**2012**	Figures in million	Note	**2012**	2011
		Assets			
		Non-current assets			
31 221	**32 853**	Property, plant and equipment	16	**4 003**	4 607
2 170	**2 196**	Intangible assets	17	**268**	320
31	**36**	Restricted cash	18	**4**	5
1 883	**1 842**	Restricted investments	19	**224**	278
1 149	**486**	Deferred tax assets	13	**59**	170
185	**146**	Investments in financial assets	21	**18**	27
172	**58**	Inventories	23	**7**	25
23	**28**	Trade and other receivables	24	**3**	3
36 834	**37 645**	**Total non-current assets**		**4 586**	5 435
		Current assets			
837	**996**	Inventories	23	**121**	124
1 073	**1 245**	Trade and other receivables	24	**152**	158
139	**118**	Income and mining taxes		**14**	21
693	**1 773**	Cash and cash equivalents		**216**	102
2 742	**4 132**			**503**	405
268	**1 423**	Assets of disposal groups classified as held for sale	14	**174**	40
3 010	**5 555**	**Total current assets**		**677**	445
39 844	**43 200**	**Total assets**		**5 263**	5 880
		Equity and liabilities			
		Share capital and reserves			
28 305	**28 331**	Share capital	25	**4 036**	4 033
762	**2 444**	Other reserves	26	**(64)**	519
1 093	**3 307**	Retained earnings/(accumulated loss)		**180**	(102)
30 160	**34 082**	**Total equity**		**4 152**	4 450
		Non-current liabilities			
4 216	**3 106**	Deferred tax liabilities	13	**378**	623
1 971	**1 865**	Provision for environmental rehabilitation	27	**227**	291
167	**177**	Retirement benefit obligation	28	**22**	25
7	**30**	Other provisions	29	**4**	1
1 229	**1 503**	Borrowings	30	**183**	181
7 590	**6 681**	**Total non-current liabilities**		**814**	1 121
		Current liabilities			
330	**313**	Borrowings	30	**38**	49
2	**1**	Income and mining taxes		**–**	–
1 746	**1 747**	Trade and other payables	31	**213**	258
2 078	**2 061**			**251**	307
16	**376**	Liabilities of disposal groups classified as held for sale	14	**46**	2
2 094	**2 437**	**Total current liabilities**		**297**	309
39 844	**43 200**	**Total equity and liabilities**		**5 263**	5 880

The accompanying notes are an integral part of these consolidated financial statements.

Group statements of changes in shareholders' equity

for the years ended 30 June 2012

	Number of ordinary shares issued	Share capital	Share premium	Retained earnings/ (accumulated loss)	Other reserves	Total
Figures in million (SA rand)						
Note		25			26	
Balance – 30 June 2010	428 654 779	214	28 047	690	258	29 209
Issue of shares						
– Exercise of employee share options	1 429 849	1	40	–	–	41
Share–based payments	–	–	3	–	136	139
Net profit for the year	–	–	–	617	–	617
Other comprehensive income for the year	–	–	–	–	368	368
Dividends paid[1]	–	–	–	(214)	–	(214)
Balance – 30 June 2011	**430 084 628**	**215**	**28 090**	**1 093**	**762**	**30 160**
Issue of shares						
– Exercise of employee share options	**1 479 608**	**1**	**25**	**–**	**–**	**26**
Share-based payments	**–**	**–**	**–**	**–**	**95**	**95**
Net profit for the year	**–**	**–**	**–**	**2 645**	**–**	**2 645**
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**1 587**	**1 587**
Dividends paid[1]	**–**	**–**	**–**	**(431)**	**–**	**(431)**
Balance – 30 June 2012	**431 564 236**	**216**	**28 115**	**3 307**	**2 444**	**34 082**
Figures in million (US dollar)						
Note		25			26	
Balance – 30 June 2010	428 654 779	33	3 994	(159)	(40)	3 828
Issue of shares						
– Exercise of employee share options	1 429 849	–	6	–	–	6
Share-based payments	–	–	–	–	19	19
Net profit for the year	–	–	–	86	–	86
Other comprehensive income for the year	–	–	–	–	540	540
Dividends paid[1]	–	–	–	(29)	–	(29)
Balance – 30 June 2011	**430 084 628**	**33**	**4 000**	**(102)**	**519**	**4 450**
Issue of shares						
– Exercise of employee share options	**1 479 608**	**–**	**3**	**–**	**–**	**3**
Share-based payments	**–**	**–**	**–**	**–**	**12**	**12**
Net profit for the year	**–**	**–**	**–**	**341**	**–**	**341**
Other comprehensive loss for the year	**–**	**–**	**–**	**–**	**(595)**	**(595)**
Dividends paid[1]	**–**	**–**	**–**	**(59)**	**–**	**(59)**
Balance – 30 June 2012	**431 564 236**	**33**	**4 003**	**180**	**(64)**	**4 152**

[1] *Dividends per share is disclosed under the earnings per share note. Refer to note 15.*

The accompanying notes are an integral part of these consolidated financial statements.

Group cash flow statements

for the years ended 30 June 2012

SA rand				US dollar	
2011	**2012**	Figures in million	Note	**2012**	2011
		Cash flow from operating activities			
2 418	**4 551**	Cash generated by operations	32	**586**	346
138	**80**	Interest received		**10**	20
2	**–**	Dividends received		**–**	–
(134)	**(141)**	Interest paid		**(18)**	(19)
(45)	**(277)**	Income and mining taxes paid		**(33)**	(7)
2 379	**4 213**	**Cash generated by operating activities**		**545**	340
		Cash flow from investing activities			
(10)	**(48)**	Increase in amounts invested in environmental trusts		**(6)**	(1)
116	**–**	Decrease in restricted cash		**–**	17
229	**–**	Proceeds on disposal of Mount Magnet	32	**–**	30
16	**(3)**	Proceeds on disposal of available-for-sale financial assets		**–**	2
100	**125**	Proceeds on disposal of Evander 6 and Twistdraai	32	**15**	15
12	**–**	Disposal of investments		**–**	2
9	**(3)**	(Increase)/decrease in amounts invested in Social Trust Fund		**–**	1
(16)	**(31)**	Additions to intangible assets		**(4)**	(2)
–	**222**	Proceeds on disposal of investment in associate	32	**28**	–
18	**54**	Proceeds on disposal of property, plant and equipment		**7**	3
(3 128)	**(3 194)**	Additions to property, plant and equipment		**(411)**	(448)
(2 654)	**(2 878)**	**Cash utilised by investing activities**		**(371)**	(381)
		Cash flow from financing activities			
925	**1 443**	Borrowings raised		**188**	134
(546)	**(1 248)**	Borrowings repaid		**(159)**	(81)
44	**26**	Ordinary shares issued		**3**	6
(214)	**(431)**	Dividends paid		**(57)**	(30)
209	**(210)**	**Cash (utilised)/generated by financing activities**		**(25)**	29
(11)	**(45)**	**Foreign currency translation adjustments**		**(35)**	13
(77)	**1 080**	Net increase/(decrease) in cash and cash equivalents		**114**	1
770	**693**	Cash and cash equivalents – beginning of year		**102**	101
693	**1 773**	**Cash and cash equivalents – end of year**		**216**	102

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the group financial statements

for the years ended 30 June 2012

1 General information

Harmony Gold Mining Company Limited (the company) and its subsidiaries (collectively Harmony or the group) are engaged in gold mining and related activities, including exploration, extraction and processing. Gold bullion, the group's principal product, is currently produced at its operations in South Africa and Papua New Guinea.

The company is a public company, incorporated and domiciled in South Africa. The address of its registered office is Randfontein Office Park, Corner Main Reef Road and Ward Avenue, Randfontein, 1759.

The consolidated and company financial statements were authorised for issue by the board of directors on 25 October 2012.

2 Accounting policies

The principal accounting policies applied in the preparation of the consolidated and company financial statements are set out below. These policies have been consistently applied in all years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements of the group and company have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB), IFRIC Interpretations and the Companies Act of South Africa applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets and financial liabilities at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the group and company financial statements are disclosed in note 3.

New standards, amendments to standards and interpretations to existing standards adopted by the group

The effective dates below are for financial periods beginning on or after the given date.

The following standards or amendments to standards have become effective but had no impact on the results of the group:

- IFRS 7 (Amendment) Financial Instruments: Disclosures – Transfer of Financial Assets (effective 1 July 2011).
- IAS 24 (Revised) Related-party Disclosures (effective 1 January 2011).
- Amendments arising from the annual improvements issued in April 2010:
  - IAS 1 (Amendment) Presentation of Financial Statements (effective 1 January 2011).
  - IAS 27 (Amendment) Consolidated and Separate Financial Statements (effective 1 January 2011).
  - IAS 34 (Amendment) Interim Financial Reporting (effective 1 January 2011).

The following standards or amendments to standards have become effective but were not relevant to the group:

- IFRS 1 (Amendment) First-time Adoption of International Financial Reporting Standards – Removal of Fixed Dates for First-time Adopters (effective 1 July 2011).
- IFRS 1 (Amendment) First-time Adoption of International Financial Reporting Standards – Guidance on Severe Hyperinflation (effective 1 July 2011).
- IFRIC 14 (Amendment) The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – Prepayment of Minimum Funding Requirements (effective 1 January 2011).
- Amendments arising from the annual improvements issued in April 2010:
  - IFRS 1 (Amendment) First-time Adoption (effective 1 January 2011).
  - IFRIC 13 (Amendment) Customer Loyalty Programmes (effective 1 January 2011).

Notes to the group financial statements continued

for the years ended 30 June 2012

2 Accounting policies continued

2.1 Basis of preparation continued

New standards, amendments to standards and interpretations to existing standards that are not yet effective and have not been early adopted

At the date of authorisation of these financial statements, the standards, amendments to standards and interpretations listed below were in issue but not yet effective. These new standards and interpretations have not been early adopted by the group and the group plans on adopting these standards, amendments to standards and interpretations on the dates when they become effective.

The following standards or amendments to standards are not expected to impact on the results of the group:

- IFRS 1 (Amendment) First-time Adoption of International Financial Reporting Standards – Guidance on Government Loans (effective 1 January 2013).
- IAS 1 (Amendment) Presentation of Financial Statements (effective 1 July 2012).
- IAS 12 (Revised) Income Taxes: Deferred Tax Recovery of Underlying Assets (effective 1 January 2012).
- IAS 19 (Amendment) Employee Benefits – Recognition and Measurement of Defined Benefit Pension Expense (effective 1 January 2013).
- Improvements to IFRS 2011 (effective 1 January 2013).

The following standards, amendments to standards and interpretations to existing standards may possibly have an impact on the group but have not yet been assessed by management:

- IAS 27 (Revised) Separate Financial Statements (effective 1 January 2013). This standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in IFRS 10.
- IAS 28 (Revised) Investments in Associates and Joint Ventures (effective 1 January 2013). This standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.
- IAS 32 (Amendment) Offsetting of Financial Assets and Financial Liabilities (effective 1 January 2014). The application guidance of IAS 32 has been amended to clarify some of the requirements for offsetting financial assets and financial liabilities on the statement of financial position.
- IFRS 7 (Amendment) Financial Instruments: Disclosures – IFRS 9 Transitional Disclosures (effective 1 January 2015). The amendment requires additional disclosure on the transition from IAS 39 to IFRS 9.
- IFRS 7 (Amendment) Financial Instruments: Disclosures – Offsetting of Financial Assets and Financial Liabilities (effective 1 January 2013). The amended disclosures will require more extensive disclosures than are currently required under IFRS.
- IFRS 9 (Amendment) Financial Instruments (effective 1 January 2015). This IFRS is part of the IASB's project to replace IAS 39. The standard addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. The standard also includes guidance on accounting for and the presentation of financial liabilities and derecognising financial liabilities which have been relocated from IAS 39 without change, except for financial liabilities that are designated at fair value through profit or loss.
- IFRS 10 Consolidated Financial Statements (effective 1 January 2013). This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included in the consolidated financial statements.
- IFRS 11 Joint Arrangements (effective 1 January 2013). The standard provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. Proportional consolidation of joint ventures is no longer allowed under this standard. Harmony only has joint arrangements in PNG, through its investment in Morobe Exploration Services Limited, Hidden Valley Services Limited and Wafi-Goipu Services Limited. The joint arrangements are currently accounted for by proportional consolidation. Management is still assessing the potential impact of the application of IFRS II and has not yet quantified the potential impact.

- IFRS 12 Disclosure of Interest in Other Entities (effective 1 January 2013). This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special-purpose vehicles and other off-balance sheet vehicles.
- IFRS 13 Fair Value Measurement (effective 1 January 2013). The standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value and disclosure requirements across all IFRS. Management expects application IFRS 13 to mainly impact on fair value disclosures but has not yet quantified the potential impact.
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (effective 1 January 2013). The Interpretations Committee was asked to clarify when and how to account for stripping costs (the process of removing waste from a surface mine in order to gain access to mineral ore deposits) to address diversity in practice. The Interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. Management expects IFRIC 20 to be applicable to Harmony and the interpretation may result in Harmony recognising deferred stripping assets in excess of the deferred stripping assets currently recognised. Management has not yet quantified the potential impact of the application of IFRIC 20.

2.2 Consolidation

The consolidated financial information includes the financial statements of the company, its subsidiaries, its proportionate interest in joint ventures, special purpose entities (SPEs) and its interests in associates.

(i) **Subsidiaries** are all entities (including special purpose entities) over which the group has power to govern the financial and operating policies generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group and are deconsolidated when that control ceases. The group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interests in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the company.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration arrangements. Cost also includes directly attributable costs of investment.

for the years ended 30 June 2012

2 Accounting policies continued

2.2 Consolidation continued

(ii) **Associates** are those entities in which the group has significant influence, but not control over operational and financial policies, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in associates are accounted for by using the equity method of accounting, and are initially recognised at cost. The cost of an acquisition is measured as the fair value of the assets given, shares issued or liabilities assumed at the date of exchange plus costs directly attributable to the acquisition. The group's investment in associates includes goodwill identified on acquisition.

The group's share of the associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movement in reserves is recognised in other reserves. Cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's shares of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The carrying value of an associate is reviewed on a regular basis and, if an impairment in the carrying value has occurred, it is written off in the period in which such impairment is identified.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment that should be recognised.

Accounting policies of associates have been reviewed to ensure consistency with the policies adopted by the group.

Investments in associates are accounted for at cost and are adjusted for impairments where appropriate in the company's separate financial statements.

(iii) **Joint arrangements.** Joint venture entities are those entities in which the group holds an interest and shares joint control over strategic, financial and operating decisions with one or more other ventures under a contractual arrangement. The group's interest in jointly controlled entities is accounted for by proportionate consolidation. Under this method, the group includes its share of the joint venture's individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the group's financial statements.

The group recognises the portion of gains or losses on the sale of assets by the group to the joint venture that is attributable to the other ventures. The group does not recognise its share of profits or losses from the joint venture that result from the purchase of assets by the group from the joint venture until it resells the assets to an independent party. However, if a loss on the transaction provides evidence of a reduction in the net realisable value of current assets or an impairment loss, the loss is recognised immediately.

Where the group has contractual arrangements with other participants to engage in joint activities or invest in joint assets other than through a separate entity, the group includes its assets, liabilities and share of income and expenditure in such joint venture operations with similar items in its financial statements.

(iv) **Special purpose entities** (SPEs) are those undertakings that are created to satisfy specific business needs of the group, These are consolidated where the group has the right to the majority of the benefits of the SPE and/or is exposed to the majority of the risk thereof. SPEs are consolidated in the same manner as subsidiaries when the substance of the relationship indicates that the SPE is controlled by the group.

(v) **Transactions with non-controlling interests.** The group treats transactions with non-controlling interests as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of the entity are accounted for as if the group directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified in profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a portion of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2.3 Foreign currency translation

(i) **Functional and presentation currency.** Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in South African rand and US dollars for the benefit of local and international users. The company's financial statements are presented in its functional currency, being South African rand.

For translation of the rand financial statement items to US dollar, the average of R7.77 (2011: R6.99) per US$1 was used for income statement items (unless this average was not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case these items were translated at the rate on the date of the transactions) and the closing rate of R8.21 (2011: R6.78) per US$1 for asset and liability items. Equity items were translated at historic rates.

The translation effect from rand to US dollar is included in other comprehensive income in the US$ financial statements.

References to "A$" refers to Australian currency, "R" to South African currency, "$" or "US$" to United States currency and "K" or "kina" to Papua New Guinean currency.

(ii) **Transactions and balances.** Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation to year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except where deferred in equity as qualifying cash flow hedges and qualifying investment hedges. Gains and losses recognised in the income statement are included in the determination of "other expenses – net".

Changes in the fair value of monetary securities denominated in a foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences related to the changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in other comprehensive income.

for the years ended 30 June 2012

2 Accounting policies continued

2.3 Foreign currency translation continued

(iii) Group companies. The results and financial position of all group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the date of the transactions);
c) all resulting exchange differences are recognised as a separate component of other comprehensive income; and
d) equity items are translated at historic rates.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is sold or control is otherwise lost, exchange differences that were recorded in other comprehensive income are recognised in profit or loss in the period in which the foreign operation is sold or control is otherwise lost.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.4 Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the executive committee. Refer to note 38 for detailed guidance on the identification of an operating and reportable segment.

2.5 Property, plant and equipment

(i) Mining assets including mine development costs and mine plant facilities are initially recorded at cost, where after they are measured at cost less accumulated depreciation and impairment. Costs include expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably.

At the group's surface mines, when it has been determined that a mineral property can be economically developed as a result of establishing proved and probable reserves, costs incurred to develop the property are capitalised as incurred until the mine is considered to have moved into the production phase. These costs include costs to further delineate the ore body and remove overburden to initially expose the ore body. Stripping costs incurred during the production phase to remove waste ore are deferred and charged to production costs on the basis of the average life-of-mine stripping ratio. The average stripping ratio is calculated as the number of tonnes of waste material removed per tonne of ore mined. The average life-of-mine ratio is revised annually in the light of additional knowledge and change in estimates. The cost of "excess stripping" is capitalised as mine development costs when the actual stripping ratio exceeds the average life-of-mine stripping ratio. Where the average life-of-mine stripping ratio exceeds the actual stripping ratio, the cost is charged to the income statement.

At the group's underground mines, all costs incurred to develop the property, including costs to access specific ore blocks or other areas of the underground mine, are capitalised to the extent that such costs will provide future economic benefits. These costs include the cost of shaft sinking and access, the costs of building access ways, lateral development, drift development, ramps, box cuts and other infrastructure development.

During the development stage, the group may enter into arrangements whereby it agrees to transfer a part of its mineral interest in consideration for an agreement by another party (the farmee) to meet certain expenditure which would otherwise have to be undertaken by the group. Such arrangements, referred to as farm-in transactions, are accounted for as executory contracts – particularly when the expenditures to be incurred by the farmee are discretionary in nature, and the mineral interest to be transferred may vary depending upon such discretionary spend. At the date of completion of each party's obligations under the farm-in arrangement, the group derecognises the proportion of the mining assets and liabilities associated with the joint venture that it has sold to the farmee, and recognises its interest in the capital expenditure (consideration received) at fair value within operating assets. The difference between the net disposal proceeds and the carrying amount of the asset disposed of is recognised in profit or loss.

Borrowing costs are capitalised to the extent that they are directly attributable to the acquisition and construction of qualifying assets. Qualifying assets are assets that take a substantial time to get ready for their intended use. These costs are capitalised until the asset moves into the production phase. Other borrowing costs are expensed.

The net assets of operations placed on care and maintenance are impaired to their recoverable amount. Expenditure on the care and maintenance of these operations is charged against income, as incurred.

Where a depreciable asset is used in the construction or extension of a mine, the depreciation is capitalised against the mine's cost.

(ii) **Non-mining assets.** Land is shown at cost and not depreciated. Other non-mining fixed assets are shown at cost less accumulated depreciation and accumulated impairment losses.

(iii) **Undeveloped properties** are initially valued at the fair value of resources obtained through acquisitions. The carrying values of these properties are annually tested for impairment. Once development commences, these properties are transferred to mining properties and accounted for in accordance with the related accounting policy.

(iv) **Mineral and surface use rights** represent mineral and surface use rights for parcels of land both owned and not owned by the group. Mineral and surface rights include acquired mineral use rights in production, development and exploration phase properties. The amount capitalised related to a mineral and surface right represents its fair value at the time it was acquired, either as an individual asset purchase or as part of a business combination, and is recorded at cost of acquisition.

The group's mineral use rights are enforceable regardless of whether proved or probable reserves have been established. In certain limited situations, the nature of a use changes from an exploration right to a mining right upon the establishment of proved and probable reserves. The group has the ability and intent to renew mineral use rights where the existing term is not sufficient to recover all identified and valued proved and probable reserves and/or undeveloped mineral interests.

(v) **Leased assets.** The group leases certain property, plant and equipment. Leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. The assets are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Finance lease payments are allocated using the rate implicit in the lease, which is included in finance costs, and the capital repayment, which reduces the liability to the lessor. The corresponding rental obligations, net of finance charges, are included in non-current borrowings, with the current portion included under current liabilities.

Capitalised lease assets are depreciated over the shorter of their estimated useful lives and the lease terms.

for the years ended 30 June 2012

2 Accounting policies continued

2.5 Property, plant and equipment continued

(vi) Depreciation and amortisation of mining assets, computed principally by the units of production method over life-of-mine based on estimated quantities of economically recoverable proved and probable reserves, which can be recovered in future from known mineral deposits.

In most instances, proved and probable reserves provide the best indication of the useful life of the group's mines (and related assets). However, in some instances, proved and probable reserves may not provide a realistic indication of the useful life of the mine (and related assets). This may be the case, for example, where management is confident that further resources will be converted into reserves and are approaching economic decisions affecting the mine on this basis, but has chosen to delay the work required to designate them formally as reserves. Management's confidence in the economical recovery of such resources may be based on historical experience and available geological information. In instances where management is able to demonstrate the economic recovery of such resources with a high level of confidence, such additional resources, as well as the associated future development costs of accessing those resources, are included in the calculation of depreciation and amortisation.

(vii) Depreciation and amortisation of non-mining fixed assets. Other non-mining fixed assets are depreciated on a straight-line basis over their estimated useful lives as follows:

- Vehicles at 20% per year;
- Computer equipment at 33.3% per year;
- Furniture and equipment at 16.67% per year.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised in the income statement.

(viii) Depreciation and amortisation of mineral and surface use rights. Mineral rights associated with production phase mineral interests are amortised over the life-of-mine using the units-of-production method in order to match the amortisation with the expected underlying future cash flows. Mineral interests associated with development and exploration phase mineral interests are not amortised until such time as the underlying property is converted to the production stage.

For details on the group's accounting policy on impairments, refer to note 2.8.

2.6 Exploration costs

The group expenses all exploration and evaluation expenditures until it is concluded that the project is technically feasible and commercially viable, and that future economic benefits are therefore probable. The information used to make that determination depends on the level of exploration as well as the degree of confidence in the orebody as set out below.

Exploration and evaluation expenditure on greenfield sites, being those where the group does not have any mineral deposits which are already being mined or developed, is expensed as incurred until the technical and commercial viability of the project has been demonstrated, usually through the completion of a final feasibility study. However, in certain instances, the technical and commercial viability of the deposit may be demonstrated at an earlier stage, for example where an extended feasibility study is being conducted and the underlying feasibility study in respect of specific components of the mineral deposit has advanced to such a stage that significant commercially viable reserves has been established, and the other criteria for the recognition of an asset have been met.

Exploration and evaluation expenditure on brownfield sites, being those adjacent to mineral deposits which are already being mined or developed, is expensed as incurred until the group is able to demonstrate that future economic benefits are probable through the completion of a feasibility study, after which the expenditure is capitalised as mine development cost. A 'feasibility study' consists of a comprehensive study of the viability of a mineral project that has advanced to a stage where the mining method has been established, and which, if an effective method of mineral processing has been determined, includes a financial analysis based on reasonable assumptions of technical, engineering, operating economic factors and the evaluation of other relevant factors. The feasibility study, when combined with existing knowledge of the mineral property that is adjacent to mineral deposits that are already being mined or developed, allows the group to conclude that the project is technically feasible and commercially viable.

Exploration and evaluation expenditure relating to extensions of mineral deposits which are already being mined or developed, including expenditure on the definition of mineralisation of such mineral deposits, is capitalised as a mine development cost following the completion of an economic evaluation equivalent to a feasibility study. This economic evaluation is distinguished from a feasibility study in that some of the information that would normally be determined in a feasibility study is instead obtained from the existing mine or development. This information when combined with existing knowledge of the mineral property already being mined or developed allow the directors to conclude that the project is technically feasible and commercially viable.

Exploration properties acquired are recognised in the balance sheet within development cost and are shown at cost less provisions for impairment determined in accordance with the group's accounting policy on impairment of non-financial assets (note 2.8).

Capitalisation of pre-production cost ceases when commercial levels of production are reached. Commercial levels of production are discussed under "production start date" in note 3.12.

2.7 Intangible assets

Intangible assets consist of all identifiable non-monetary assets without physical substance. They are stated at cost less accumulated amortisation and accumulated impairment losses, if any. The following are the main categories of intangible assets:

(i) Intangible assets with an indefinite useful life

Intangible assets with an indefinite useful life are not amortised but tested for impairment on an annual basis, or where there is an indication of impairment. The excess of consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. Goodwill on acquisition of subsidiaries, joint ventures and businesses are included in intangible assets. Goodwill on acquisition of associates is included in investments in associates and tested for impairment as part of the overall balance.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are recognised immediately in the income statement and are not reversed. The impairment testing is performed annually on 30 June or when events or changes in circumstances indicate that it may be impaired.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. If the composition of one or more cash-generating units to which goodwill has been allocated changes due to a re-organisation, the goodwill is re-allocated to the units affected.

The gain or loss on disposal of an entity includes the carrying amount of goodwill relating to the entity sold.

(ii) Intangible assets with a finite useful life

Acquired computer software licences that require further internal development are capitalised on the basis of costs incurred to acquire and bring to use the specific software. Cost to bring to use the specific software, includes software development employee costs and attributable overheads. Development expenditure incurred that will not likely generate probable future economic benefits and cannot be reliability measured are recognised as an expense as incurred. Intangible assets with a finite useful life are amortised on a straight-line basis of over their estimated useful lives, which are reviewed annually, as follows:

- Computer software at 20% per year.

for the years ended 30 June 2012

2 Accounting policies continued

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or when there is an indication of impairment.

Assets that are subject to amortisation are reviewed annually on 30 June for impairment or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised in the income statement for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Each operating shaft, along with allocated common assets such as plants and administrative offices, is considered to be a cash-generating unit as each shaft is largely independent from the cash flows of other shafts and assets belonging to the group.

Fair value less cost to sell is generally determined by using discounted estimated after-tax future cash flows. Future cash flows are estimated based on quantities of recoverable minerals, expected gold prices (considering current and historical prices, price trends and related factors), production levels and cash costs of production, all based on life-of-mine plans. Future cash flows are discounted to their present value using a post tax discount rate that reflects current market assessments of the time value of money and risk specific to the asset. Refer to note 3.1 for detail.

The term "recoverable minerals" refers to the estimated amount of gold that will be obtained from reserves and resources and all related exploration stage mineral interests (except for other mine-related exploration potential and greenfields exploration potential discussed separately below) after taking into account losses during ore processing and treatment. Estimates of recoverable minerals from such related exploration stage mineral interests will be risk adjusted based on management's relative confidence in such materials. In estimating future cash flows, assets are grouped at the lowest level for which there are identifiable cash flows that are largely independent of cash flows from other asset groups. With the exception of other mine-related exploration potential and greenfields exploration potential, estimates of future undiscounted cash flows are included on an area of interest basis, which generally represents an individual operating mine, even if the mines are included in a larger mine complex.

In the case of mineral interests associated with other mine-related exploration potential and greenfields exploration potential, cash flows and fair values are individually evaluated based primarily on recent exploration results and recent transactions involving sales of similar properties, if any. Assumptions underlying future cash flow estimates are subject to significant risks and uncertainties.

Non-financial assets other than goodwill that suffered an impairment are reviewed annually for possible reversal of the impairment at 30 June. Reversal of impairments is also considered when there is objective evidence to indicate that the asset is no longer impaired. Where an impairment subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but not higher than the carrying value that would have been determined had no impairment been recognised in prior years.

2.9 Financial instruments

Financial instruments are initially measured at fair value when the group becomes a party to their contractual arrangements. Transaction costs are included in the initial measurement of financial instruments, with the exception of financial instruments classified as at fair value through profit or loss. The subsequent measurement of financial instruments is discussed on the following page.

A financial asset is derecognised when the right to receive cash flows from the asset has expired or the group has transferred its rights to receive cash and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the assets.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss recognised in equity is recognised in profit or loss.

On derecognition of a financial liability, the difference between the carrying amount of the liability extinguished or transferred to another party and the amount paid is recognised in profit or loss.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Financial assets

The group classifies its financial assets in the following categories: loans and receivables, available-for-sale, held-to-maturity and at fair value through profit or loss. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset.

(i) **Loans and receivables** are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the group provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans and receivables are subsequently measured at amortised cost using the effective interest method. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables include trade and other receivables (excluding VAT and prepayments), restricted cash and cash and cash equivalents.

Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand, deposits held at call with banks and short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents exclude restricted cash.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. A provision for impairment of receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced through the use of a provision for impairment (allowance account) and the amount of the loss is recognised in the income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the income statement.

for the years ended 30 June 2012

2 Accounting policies continued

2.9 Financial instruments continued

Financial assets continued

(ii) **Available-for-sale financial assets** are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the balance sheet date.

Available-for-sale financial assets are subsequently carried at fair value. Changes in the fair value of monetary securities denominated in a foreign currency are accounted for as described in note 2.3 (ii).

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are reclassified in the income statement as profit or loss from investment securities.

The fair values of quoted investments are based on current bid prices. If the value for a financial instrument cannot be obtained from an active market, the group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances. The valuation techniques make maximum use of market inputs and rely as little as possible on entity-specific inputs.

The group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If considered impaired, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from other reserves and recognised in the income statement. Subsequent increases in the fair value are recognised in equity – impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

(iii) **Held-to-maturity investments** are non-derivative financial assets with fixed or determinable payments and fixed maturities that the group's management has the positive intention and ability to hold to maturity. The group's held-to-maturity investments are subsequently measured at amortised cost using the effective interest method.

A portion of restricted investments held by the trust funds (refer note 19) are classified as held-to-maturity investments.

The group assesses at the end of each reporting period whether there is objective evidence that a held-to-maturity investment is impaired as a result of an event. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the held-to-maturity investment's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

(iv) **Financial assets at fair value through profit or loss** have two sub-categories: financial assets held-for-trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management in terms of specified criteria. Derivatives are also categorised as held-for-trading unless they are designated as hedges. Assets in this category are classified as current assets if they are expected to be realised within 12 months of the balance sheet date. These assets are subsequently measured at fair value with gains or losses arising from changes in fair value recognised in the income statement in the period in which they arise.

Financial liabilities

(i) **Borrowings** are initially recognised at fair value net of transaction costs incurred and subsequently measured at amortised cost, comprising original debt less principal payments and amortisation, using the effective yield method. Any difference between proceeds (net of transaction cost) and the redemption value is recognised in the income statement over the period of the borrowing using the effective interest rate method.

Fees paid on establishment of loan facilities are capitalised as a pre-payment and amortised over the period of the facility to which it relates, to the extent its is probable that some or all of the facility will be drawn down. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is expensed.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(ii) **Trade and other payables** are recognised initially at fair value and subsequently measured at amortised cost less. If not, they are presented as non-current liabilities.

2.10 Inventories

Inventories which include bullion on hand, gold in process, gold in lock-up, ore stockpiles and stores and materials, are measured at the lower of cost and net realisable value after appropriate allowances for redundant and slow moving items. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to perform the sale.

Cost of bullion, gold in process and gold in lock-up is determined by reference to production cost, including amortisation and depreciation at the relevant stage of production. Ore stockpiles are valued at average production cost. Stockpiles and gold in lock-up are classified as a non-current asset where the stockpile exceeds current processing capacity and where a portion of static gold in lock-up is expected to be recovered more than 12 months after balance sheet date.

Gold in process inventories represent materials that are currently in the process of being converted to a saleable product. Conversion processes vary depending on the nature of the ore and the specific mining operation, but include mill in-circuit, leach in-circuit, flotation and column cells, and carbon in-pulp inventories. In-process material is measured based on assays of the material fed to process and the projected recoveries at the respective plants. In-process inventories are valued at the average cost of the material fed to process attributable to the source material coming from the mine, stockpile or leach pad plus the in-process conversion costs, including the applicable depreciation relating to the process facility, incurred to that point in the process. Gold in process includes gold in lock-up which is generally measured from the plants onwards. Gold in lock-up is estimated as described under the section dealing with critical accounting estimates and judgements (refer to note 3.9). It is expected to be extracted when plants are demolished at the end of their useful lives, which is largely dependent on the estimated useful life of the operations feeding the plants. Where mechanised mining is used in underground operations, in-progress material is accounted for at the earliest stage of production when reliable estimates of quantities and costs are capable of being made. Given the varying nature of the group's open pit operations, gold in process represents either production in broken ore form or production from the time of placement on heap leach pads.

Consumables are valued at weighted average cost.

for the years ended 30 June 2012

2 Accounting policies continued

2.11 Non-current assets or disposal groups held for sale and discontinued operations

A non-current asset or disposal group (a business grouping of assets and their related liabilities) is designated as held for sale and stated at lower of carrying value and fair value less cost to sell, when its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The classification as held for sale of a non-current asset or disposal group occurs when it is available for immediate sale in its present condition and the sale is highly probable. A sale is considered highly probable if management is committed to a plan to sell the non-current asset or disposal group an active divestiture programme has been initiated, the non-current assets or disposal group is marketed at a price reasonable to its fair value and the disposal will be completed within one year from classification.

Upon classification of a non-current asset or disposal group as held for sale it is reviewed for impairment. The impairment charged to the income statement is the excess of the carrying value of the non-current asset or disposal group over its expected net selling price (fair value less costs to sell). At each subsequent reporting date,the carrying values are remeasured for possible impairment. A reversal of impairment is recognised for any subsequent increase in net selling price but not in excess of the cumulative impairment loss already recognised.

No depreciation is provided on non-current assets from the date they are classified as held for sale. Where an investment in associate is classified as held for sale, the group will no longer equity account for the investment.

When a disposal group is classified as held for sale it is also necessary to assess whether or not the criteria for discontinued operations are met. If the criteria are met, the results of the disposal group are classified as discontinued operations in the income statement and the comparative amounts restated for all periods presented. No restatement of balance sheet comparative amounts is done.

If a non-current asset or disposal group is classified as held for sale but the criteria for classification as held for sale are no longer met, the disclosure of such non-current asset or disposal group as held for sale is ceased.

On ceasing such classification, the non-current assets are reflected at the lower of:

- The carrying amount before classification as held for sale adjusted for any depreciation or amortisation that would have been recognised had the assets not been classified as held for sale or
- The recoverable amount at the date the classification as held for sale ceases. The recoverable amount is the amount at which the asset would have been recognised after the allocation of any impairment loss arising on the cash-generating unit as determined in accordance with the group's policy on impairment of non-financial assets.

Any adjustment required to be made on reclassification is charged to the income statement on reclassification, and included in income from continuing operations.

Where the disposal group was also classified as a discontinued operation, the subsequent classification from held for sale also requires that the discontinued operation be included in continuing operations. Comparative information in the income statement and cash flow note disclosures relating to the classification as a discontinued operation is represented accordingly. Comparative information in the balance sheet is not re-presented for this change.

2.12 Environmental obligations

Estimated long-term environmental obligations, comprising pollution control, rehabilitation and mine closure, are based on the group's environmental management plans in compliance with current technological, environmental and regulatory requirements.

Based on disturbances to date, the net present value of expected rehabilitation cost estimates are recognised and provided for in full in the financial statements. The estimates are reviewed annually and are discounted using a pre-tax risk-free rate that is adjusted to reflect the current market assessments of the time value of money and the risks specific to the obligation.

Annual changes in the provision consist of finance costs relating to the change in the present value of the provision and inflationary increases in the provision estimate, as well as changes in estimates. The present value of environmental disturbances created are capitalised to mining assets against an increase in the rehabilitation provision. If a decrease in liability exceeds the carrying amount of the asset, the excess is recognised immediately in the income statement. If the asset value is increased and there is an indication that the revised carrying value is not recoverable, an impairment is performed in accordance with the accounting policy dealing with impairments of non-financial assets. Rehabilitation projects undertaken, included in the estimates are charged to the provision as incurred. The cost of on-going current programmes to prevent and control pollution is charged against income as incurred. Over time, the liability is increased to reflect an interest element, and the capitalised cost is depreciated over the life of the related asset.

2.13 Environmental trust funds

Contributions are made to the group's trust funds, created in accordance with statutory requirements, to fund the estimated cost of pollution control, rehabilitation and mine closure at the end of the life of the group's mines. The trusts are consolidated into the group as the group exercises full control of the trust. The measurement of the investments held by the trust funds is dependent on their classification under financial assets. Income received and gains are treated in accordance with these classifications.

2.14 Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognised as a provision is the present value of the best estimate of the expenditure required to settle the present obligation at balance sheet date using a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the obligation. This estimate takes into account the associated risks and uncertainties. The increase in the provision due to the passage of time is recognised as interest expense.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic benefits will be required, the provision is reversed.

2.15 Current and deferred taxation

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The group follows the comprehensive liability method of accounting for deferred tax using the balance sheet approach. Under this method deferred income taxes are recognised for the tax consequences of temporary differences by applying expected tax rates to the differences between the tax base of all assets or liabilities and its balance sheet carrying amount, except to the extent that deferred tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and does not affect the accounting or taxable profit or loss at the time of the transaction. Deferred tax is charged to profit or loss, except where the tax relates to items recognised in other comprehensive income or directly in equity in which case the tax is also recognised in other comprehensive income or directly in equity. The effect on deferred tax of any changes in tax rates is recognised in the income statement, except to the extent that it relates to items previously charged or credited directly to equity.

The principal temporary differences arise from amortisation and depreciation on property, plant and equipment, provisions, post-retirement benefits, unutilised tax losses and unutilised capital allowances carried forward. Deferred tax assets relating to the carry forward of unutilised tax losses and unutilised capital allowances are recognised to the extent that it is probable that future taxable profit will be available against which the unutilised tax losses and unutilised capital allowances can be utilised.

Deferred income tax is provided on temporary differences arising from investments in subsidiaries, joint ventures and associates, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Interest received from and paid to the tax authorities is classified as interest income and expense.

for the years ended 30 June 2012

2 Accounting policies continued

2.16 Employee benefits

(i) **Pension and provident plans** are funded through annual contributions. The group pays fixed contributions into a separate entity in terms of the defined contribution pension and provident plans which is charged to the income statement in the year to which they relate. The group's liability is limited to its annually determined contributions and has no further liability, legally or constructive if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

(ii) **Medical plans:** The group provides medical cover to current employees and certain retirees through certain funds. The medical accounting costs for the defined benefit plan are assessed using the projected unit credit method. The health care obligation is measured as the present value of the estimated future cash outflows using high quality government bond interest rates consistent with the term and risks of the obligation together with adjustments for unrecognised past service cost. Actuarial gains and losses as a result of these valuations are recognised in the income statement at revaluation date. The future liability for current and retired employees and their dependants is accrued in full based on actuarial valuations obtained annually.

(iii) **Equity compensation benefits:** The group operates an equity-settled, share-based payments plan, where the group grants share options to certain employees in exchange for services received. Equity share-based payments are measured at fair value that includes market performance conditions but excluded the impact of any service and non-market performance conditions of the equity instruments at the date of the grant. The share-based payments are expensed over the vesting period, based on the group's estimate of the shares that are expected to eventually vest. The group used an appropriate option pricing model in determining the fair value of the options granted. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the estimates of the number of options that are expected to become exercisable are revised. The impact of the revision of original estimates, if any, is recognised in the income statement, with a corresponding adjustment to equity. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(iv) **Termination benefits** are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

(v) **Leave pay:** The group accrues for the cost of the leave days granted to employees during the period in which the leave days accumulate.

2.17 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.18 Leases

Leases in which a significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

For the group's policy on finance leases, refer to note 2.5 (v).

2.19 Revenue recognition

(i) **Revenue** arising from gold sales is recognised when the price is determinable, the product has been delivered in accordance with the terms of the contract, the significant risks and rewards of ownership have been transferred to the customer and collection of the sales price is reasonably assured. These criteria are typically met when the gold delivered to the refinery.

Revenue further excludes value-added tax. Revenues from silver and other by-products sales are credited to production costs as a by-product credit.

(ii) **Interest income:** Interest is recognised on a time proportion basis, taking into account the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the group.

(iii) **Dividend income** is recognised when the shareholder's right to receive payment is established. This is recognised at the last date of registration.

2.20 Dividends declared

Dividends declared are recognised in the period in which they are approved by the board of directors. Dividends are payable in South African rand.

3 Critical accounting estimates and judgements

The preparation of the financial statements in conformity with IFRS requires the group's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The resulting accounting estimates may differ from actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

3.1 Impairment of mining assets

The recoverable amount of mining assets is generally determined utilising discounted future cash flows. Management also considers such factors as the quality of the individual orebody, market risk, asset specific risks and country risk in determining the fair value.

Key assumptions for the calculations of the mining assets' recoverable amounts are the gold price, marketable discount rates (cost-to-sell), exchange rates and the annual life-of-mine plans. In determining the gold price to be used, management assess the long-term views of several reputable institutions on the gold price and based on this, derive the gold price. The life-of-mine plans are based on the proved and probable reserves as included in the Reserve Declaration, which are determined in terms of SAMREC and JORC, as well as resources where management has high confidence in the orebody and economical recovery of gold, based on historic and similar geological experience.

During the year under review, the group calculated the recoverable amounts (generally fair value less costs to sell) based on updated life of mine plans, a gold price of R370 000 per kilogram (US$1 524 per ounce) and a post tax real discount rate, which ranges between 5.04% and 8.70%, depending on the asset (2011: R310 000 per kilogram (US$1 274 per ounce) and a post tax real discount rate ranging between 5.09% and 8.47% depending on the asset). Cash flows used in the impairment calculations are based on life-of-mine plans which exceed five years for the majority of the mines. Refer to note 5 for details of impairments and reversals of impairments recorded.

Should management's estimate of the future not reflect actual events, further impairments may be identified. Factors affecting the estimates include:

- changes to proved and probable ore reserves;
- economical recovery of resources;
- the grade of the ore reserves may vary significantly from time to time;
- review of strategy;
- unforeseen operational issues at the mines;
- differences between actual commodity prices and commodity price assumptions;
- changes in the discount rates and foreign exchange rates; and
- changes in capital, operating mining, processing and reclamation costs.

Sensitivity analysis

One of the most significant assumptions that influence the life-of-mine plans and therefore impairments is the expected gold price. A 10% decrease in the gold price at the reporting date would have resulted in an additional impairment at Steyn 2 Shaft (included in the Bambanani segment) of R29 million (US$3.6 million).This analysis assumes that all other variables remain constant.

3.2 Impairment of investment in associates

The investments in associates are evaluated annually for impairment by comparing the entire carrying value of the investment to the recoverable amount, which is the higher of value in use or fair value less costs to sell. In 2011, the investment in Rand Uranium was classified as held for sale and an impairment recognised based on fair value less cost to sell (US$ denominated purchase consideration). Refer to note 20.

for the years ended 30 June 2012

3 Critical accounting estimates and judgements continued

3.3 Valuation and impairment of available-for-sale financial assets

If the value of financial instruments cannot be obtained from an active market, the group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models refined to reflect the issuer's specific circumstances. When considering indications of an impairment, management considers a prolonged decline to be longer than 12 months. The significance of the decline is assessed for each security individually.

During the current year the investment in Wits Gold was considered to be impaired as the fair value of the equity instrument at 30 June 2012 (R131 million (US$16 million)) was significantly lower than its original cost at initial recognition (R275 million (US$41 million)). This was assessed by management to be a significant decline. In addition, the Wits Gold equity instruments traded below their original cost for more than 12 months.

3.4 Estimate of exposure and liabilities with regard to rehabilitation costs

Estimated long-term environmental obligations, comprising pollution control, rehabilitation and mine closure, are based on the group's environmental management plans in compliance with current technological, environmental and regulatory requirements.

Significant judgement is applied in estimating ultimate rehabilitation cost that will be required in future to rehabilitate the group's mines. Ultimate cost may significantly differ from current estimates.

For the South African operations, management used an inflation rate of 6.30% (2011: 6.60%) and the expected life of the mines according to the life-of-mine plans in the calculation of the estimated net present value of the rehabilitation liability. The discount rates used for the calculation are dependent on the shaft's life of mine and are as follows: for 12 months – 5.5% (2011: 5.75%); for one to five years – 5.75% (2011: 7.25%); for six to nine years – 7.75% (2011: 8.50%) and for 10 years or more – 8.25% (2011: 8.75%). These estimates were based on recent yields determined on government bonds.

In calculating the rehabilitation liability in PNG for 2012, an inflation rate of 2.95% (2011: 3.30%) was used, together with a discount rate of 7.50% (2011: 7.00%).

3.5 Estimate of employee benefit liabilities

An updated actuarial valuation is carried out at the end of each financial year. Assumptions used to determine the liability included a discount rate of 9.60%, no increases in employer subsidies (in terms of the agreement) and mortality rates according to the SA 1956/62 mortality table (SA "a mf" tables) (60 years) and a medical inflation rate of 7.45% (2011: discount rate of 9.80%, 60 years and 7.65% inflation rate).

Management determined the discount rate by assessing financial instruments with similar terms to the liability. The changes to the discount rate and medical inflation rate are similar to changes in interest and inflation rates in South Africa.

3.6 Estimate of taxation

The group is subject to income tax in several jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Management has to exercise judgement with regards to deferred tax assets. Where the possibility exists that no future taxable income may flow against which these assets can be offset, the deferred tax assets are not recognised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. When different tax rates apply to different levels of taxable income, deferred tax assets and liabilities are measured using the average tax rates that are expected to apply to the taxable profit (tax loss) of the periods in which the temporary differences are expected to reverse. At the group's South African operations, such average tax rates are directly impacted by the profitability of the relevant mine. The deferred tax rate is therefore based on the current estimate of future profitability of an operation when temporary differences will reverse, based on tax rates and tax laws that have been enacted at the balance sheet date. Refer to note 13 for further detail.

The future profitability of each mine, in turn, is determined by reference to the life-of-mine (LoM) plan for that operation. The LoM plan is influenced by factors as disclosed in note 3.1, which may differ from one year to the next and ultimately result in the deferred tax rate changing from one year to the next.

3.7 Fair value of share-based payments

The fair value of options granted is being determined using either a binominal, Black-Scholes or a Monte Carlo valuation model. The significant inputs into the model are: vesting period, risk free interest rate, volatility, price on date.

3.8 Impairment of goodwill

Due to the wasting nature of mining assets and the finite life of a mine's reserves, the allocation of goodwill to a shaft will eventually result in an impairment charge for the goodwill. The group tests annually whether separately identifiable goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2.8. These calculations require the use of estimates as stated in note 3.1.

3.9 Gold in lock-up

Gold in lock-up is carried at the lower of cost or net realisable value. Gold in lock-up is estimated based on the expected volumes treated and calculated plant call factor. Plant call factor is the efficiency measurement of the percentage of gold extracted from the ore. Management need to exercise judgement with regard to lock-up volumes, life of mine plans, gold prices, exchange rates and post tax real discount rates. Net realisable values are performed at least annually.

3.10 Assessment of contingencies

Contingencies will only realise when one or more future events occur or fail to occur. The exercise of significant judgement and estimates of the outcome of future events are required during the assessment of the impact of such contingencies.

Litigation and other judicial proceedings as a rule raise difficult and complex legal issues and are subject to uncertainties and complexities including, but not limited to, the facts and circumstances of each particular case, issues regarding the jurisdiction in which the suit is brought and differences in applicable law. Upon resolution of any pending legal matter, the group may be forced to incur charges in excess of the presently established provisions and related insurance coverage. It is possible that the financial position, results of operations or cash flows of the group could be materially affected by the outcome of the litigation.

3.11 Gold mineral reserves and resources

Gold mineral reserves and resources are estimates of the amount of ounces that can be economically and legally extracted from the group's properties. In order to calculate the gold mineral reserves and resources, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, commodity prices and exchange rates.

Estimating the quantities and/or grade of the reserves and resources requires the size, shape and depth of the orebodies to be determined by analysing geological data such as the logging and assaying of drill samples. This process may require complex and difficult geological judgements and calculations to interpret the data.

Because the economic assumptions used to estimate the gold mineral reserves and resources change from year to year, and because additional geological data is generated during the course of operations, estimates of the mineral reserves and resources may change from year to year. Changes in the reserves and resources may affect the group's financial results and financial position in a number of ways, including:

- Asset carrying values may be affected due to changes in estimated cash flows;
- Depreciation and amortisation charged in the income statement may change as they are calculated on the units-of-production method; and
- Environmental provisions may change as the timing and/or cost of these activities may be affected by the change in mineral reserves.

At the end of each financial year, the estimate of proved and probable gold mineral reserves and resources is updated. Depreciation of mining assets is prospectively adjusted, based on these changes.

3.12 Production start date

Various relevant criteria are considered in order to assess when the mine is substantially complete and ready for its intended use and moves into the production phase. Some of the criteria would include but are not limited to the following:

- The level of capital expenditure compared to the total project cost estimates;
- The ability to produce gold in a saleable form (where more than an insignificant amount of gold has been produced); and
- The ability to sustain the ongoing production of gold.

for the years ended 30 June 2012

4 Financial risk management

The group's financial instruments expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and other price risk), credit risk and liquidity risk. The group may use derivative financial instruments to hedge certain risk exposures.

The group's financial assets and liabilities are set out below:

Figures in million (SA rand)	Loans and receivables	Available-for-sale financial assets	Held-to-maturity investments	Fair value through profit or loss	Financial liabilities at amortised cost
At 30 June 2012					
Restricted cash	**36**	–	–	–	–
Restricted investments	–	–	**217**	**1 625**	–
Investments in financial assets	–	**146**	–	–	–
Trade and other receivables	**1 019**	–	–	–	–
Cash and cash equivalents	**1 773**	–	–	–	–
Borrowings	–	–	–	–	**1 816**
Trade and other payables	–	–	–	–	**338**
At 30 June 2011					
Restricted cash	31	–	–	–	–
Restricted investments	–	–	201	1 682	–
Investments in financial assets	–	185	–	–	–
Trade and other receivables	844	–	–	–	–
Cash and cash equivalents	693	–	–	–	–
Borrowings	–	–	–	–	1 559
Trade and other payables	–	–	–	–	499

Figures in million (US dollar)	Loans and receivables	Available-for-sale financial assets	Held-to-maturity investments	Fair value through profit or loss	Financial liabilities at amortised cost
At 30 June 2012					
Restricted cash	**4**	–	–	–	–
Restricted investments	–	–	**26**	**198**	–
Investments in financial assets	–	**18**	–	–	–
Trade and other receivables	**124**	–	–	–	–
Cash and cash equivalents	**216**	–	–	–	–
Borrowings	–	–	–	–	**221**
Trade and other payables	–	–	–	–	**41**
At 30 June 2011					
Restricted cash	5	–	–	–	–
Restricted investments	–	–	30	248	–
Investments in financial assets	–	27	–	–	–
Trade and other receivables	124	–	–	–	–
Cash and cash equivalents	102	–	–	–	–
Borrowings	–	–	–	–	230
Trade and other payables	–	–	–	–	73

Risk management is carried out by a central treasury department (group treasury) under policies approved by the board of directors. Group treasury identifies, evaluates and hedges certain selected financial risks in close cooperation with the group's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and the investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar (US$). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. Harmony's revenues are sensitive to the ZAR/US$ exchange rate as all revenues are generated by gold sales denominated in US$. Harmony generally does not enter into forward sales, derivatives or other hedging arrangements to establish an exchange rate in advance for the sale of its future gold production.

The group is exposed to foreign exchange risk arising from borrowings and intercompany loans denominated in a currency other than the functional currency of that entity. Harmony generally does not enter into forward sales, derivatives or other hedging arrangements to manage this risk.

Sensitivity analysis

The group has reviewed its foreign currency exposure on financial assets and financial liabilities and has identified the following sensitivities for a 10% change in the exchange rate.

SA rand			US dollar	
2011	**2012**	Figures in million	**2012**	2011
		A$ against US$		
5	**3**	Increase by 10%	**–**	1
(5)	**(3)**	Decrease by 10%	**–**	(1)
1.07	**1.02**	**Closing rate**	**1.02**	1.07
		Kina against A$		
319	**491**	Increase by 10%	**60**	47
(319)	**(491)**	Decrease by 10%	**(60)**	(47)
2.41	**2.06**	**Closing rate**	**2.06**	2.41
		US$ against Rand		
n/a	**103**	Increase by 10%	**13**	n/a
n/a	**(103)**	Decrease by 10%	**(13)**	n/a
	8.21	**Closing rate**	**8.21**	

(ii) Other price risk

The group is exposed to the risk of fluctuations in the fair value of the available-for-sale and fair value through profit or loss financial assets as a result of changes in market prices (other than changes in interest rates and foreign currencies). Harmony generally does not use any derivative instruments to manage this risk.

Sensitivity analysis

A 1% increase in the share prices of the underlying available-for-sale investments at the reporting date, with all other variables held constant, would have increased other comprehensive income by R1.5 million (US$0.2 million) (2011: R1.9 million; US$0.3 million); an equal change in the opposite direction would have decreased other comprehensive income by R1.5 million (US$0.2 million) (2011: R1.9 million; US$0.3 million).

Certain of the restricted investments are linked to the Shareholder Weighted Top 40 Index (SWIX 40) on the JSE. A 1% increase in the SWIX 40 at the reporting date, with all other variables held constant, would have increased profit or loss by R4.3 million (US$0.6 million); (2011: R8.0 million (US$1.1 million)); an equal change in the opposite direction would have decreased profit or loss by R4.3 million (US$0.6 million); (2011: R8.0 million (US$1.1 million)).

Commodity price sensitivity

The profitability of the group's operations, and the cash flows generated by those operations, are affected by changes in the market price of gold. Harmony generally does not enter into forward sales, derivatives or other hedging arrangements to establish a price in advance for the sale of future gold production.

for the years ended 30 June 2012

4 Financial risk management continued

(a) Market risk continued

(iii) Interest rate risk

The group's interest rate risk arises mainly from long-term borrowings. The group has variable interest rate borrowings. Variable rate borrowings expose the group to cash flow interest rate risk. The group has not entered into interest rate swap agreements.

Sensitivity analysis

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit or loss before tax by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2011.

SA rand			US dollar	
2011	**2012**	Figures in million	**2012**	2011
16	**18**	Increase by 100 basis points	**2**	2
(16)	**(18)**	Decrease by 100 basis points	**(2)**	(2)

(b) Credit risk

Credit risk is the risk that a counterparty may default or not meet its obligations timeously. Financial instruments, which subject the group to concentrations of credit risk, consist predominantly of restricted cash, restricted investments, trade and other receivables (excluding non-financial instruments) and cash and cash equivalents.

Exposure to credit risk on trade and other receivables is monitored on a regular basis. Refer to note 24 for management's assessment. The credit risk arising from restricted cash, cash and cash equivalents and restricted investments is managed by ensuring amounts are only invested with financial institutions of good credit quality. The group has policies that limit the amount of credit exposure to any one financial institution.

Cash and cash equivalents and restricted cash

Financial institutions' credit rating by exposure:

SA rand			US dollar	
2011	**2012**	Figures in million	**2012**	2011
		Credit rating		
258	**2**	AAA[1]	**–**	38
–	**363**	AA+[1]	**44**	–
276	**445**	AA[1]	**54**	41
166	**646**	AA-	**79**	24
24	**353**	A+	**43**	4
724	**1 809**	**Cash and cash equivalents and restricted cash**	**220**	107
		[1] Includes restricted cash		
26	**–**	AAA	**–**	4
–	**4**	AA+	**–**	–
5	**32**	AA	**4**	1
31	**36**	**Total restricted cash**	**4**	5

The group's maximum exposure to credit risk is represented by the carrying amount of all financial assets determined to be exposed to credit risk, amounting to R4 670 million (US$569.0 million) as at 30 June 2012 (2011: R3 451 million (US$509.0 million)). R2 048 million (US$249.5 million) of this amount, which includes the equity-linked notes and interest-bearing short-term investments (refer to note 19) are held with Nedbank Limited which has an AA- rating.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities.

In the ordinary course of business, the group receives cash from its operations and is required to fund working capital and capital expenditure requirements. The cash is managed to ensure that surplus funds are invested in a manner to achieve market-related returns and to provide sufficient liquidity at the minimum risk. The group is able to actively source financing at competitive rates.

The following are the contractual maturities of financial liabilities (including principal and interest payments):

SA rand			US dollar	
More than 1 year	Current	Figures in million	Current	More than 1 year
		2012		
		Borrowings		
–	**226**	Due between 0 to six months	**28**	**–**
–	**198**	Due between six to 12 months	**24**	**–**
377	**–**	Due between one to two years	**–**	**46**
1 268	**–**	Due between two to five years	**–**	**154**
–	**338**	Trade and other payables (excluding non-financial liabilities)	**41**	**–**
1 645	**762**		**93**	**200**
		2011		
		Borrowings		
–	237	Due between 0 to six months	35	–
–	227	Due between six to 12 months	34	–
412	–	Due between one to two years	–	61
800	–	Due between two to five years	–	118
–	499	Trade and other payables (excluding non-financial liabilities)	73	–
1 212	963		142	179

(d) Capital risk management

The primary objective of managing the group's capital is to ensure that there is sufficient capital available to support the funding requirements of the group, in a way that optimises the cost of capital and matches the current strategic business plan.

The group manages and makes adjustments to the capital structure, which consists of debt and equity, as and when borrowings mature or when funding is required. This may take the form of raising equity, market or bank debt or hybrids thereof. The group may also adjust the amount of dividends paid, sell assets to reduce debt or schedule projects to manage the capital structure.

There were no changes to the group's approach to capital management during the year.

(e) Fair value determination

The carrying values (less any impairment allowance) of short-term financial instruments are assumed to approximate their fair values.

The fair values of the available-for-sale financial assets are determined by reference to quoted market prices. The fair value of other non-current financial instruments is determined using a discounted cash flow model with market observable inputs, such as market interest rates.

The carrying values of financial assets and liabilities are assumed to approximate their fair values.

for the years ended 30 June 2012

4 Financial risk management continued

(e) Fair value determination continued

The following table presents the group's assets and liabilities that are measured at fair value by level at 30 June 2012.

This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

1) Quoted prices (unadjusted) in active markets for identical assets (level 1).
2) Inputs other than quoted prices included within level 1 that are observable for the asset, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
3) Inputs for the asset that are not based on observable market data (that is, unobservable inputs) (level 3).

Assets	**Level 1**	**Level 2**	**Level 3**
Figures in million (SA rand)			
Available-for-sale financial assets[1]	**131**	**–**	**15**
Fair value through profit or loss[2]	**–**	**1 625**	**–**
Figures in million (US dollar)			
Available-for-sale financial assets[1]	**16**	**–**	**2**
Fair value through profit or loss[2]	**–**	**198**	**–**

The following table presents the group's assets and liabilities that are measured at fair value by level at 30 June 2011.

Assets	Level 1	Level 2	Level 3
Figures in million (SA rand)			
Available-for-sale financial assets[1]	175	1	9
Fair value through profit or loss[2]	–	1 682	–
Figures in million (US dollar)			
Available-for-sale financial assets[1]	26	–	1
Fair value through profit or loss[2]	–	248	–

[1] Refer to note 21. Level 1 and 2 fair values are either directly or indirectly derived from actively trading shares on the JSE.
[2] Level 2 fair values are directly derived from the Shareholders Weighted Top 40 index (SWIX 40) on the JSE, and are discounted at market interest rate.

5 Cost of sales

SA rand			US dollar	
2011	**2012**	Figures in million	**2012**	2011
8 504	**9 911**	Production costs (a)	**1 276**	1 218
1 537	**1 881**	Amortisation and depreciation of mining assets	**242**	220
72	**40**	Amortisation and depreciation of assets other than mining and mining related assets (b)	**5**	10
43	**(17)**	Rehabilitation (credit)/expenditure (c)	**(2)**	6
117	**88**	Care and maintenance cost of restructured shafts	**11**	17
136	**81**	Employment termination and restructuring costs (d)	**10**	20
125	**87**	Share-based payments (e)	**11**	18
264	**(60)**	(Reversal of impairment)/impairment of assets (f)	**(7)**	39
(99)	**126**	Other (g)	**15**	(15)
10 699	**12 137**	**Total cost of sales**	**1 561**	1 533

(a) **Production costs** include mine production, transport and refinery costs, applicable general and administrative costs, movement in inventories, stockpiles, ongoing environmental rehabilitation costs and transfers to and from deferred stripping. Employee termination costs are included, except for employee termination costs associated with major restructuring and shaft closures, which are excluded. Production costs, analysed by nature, consist of the following:

SA rand			US dollar	
2011	**2012**	Figures in million	**2012**	2011
5 358	**6 456**	Labour costs, including contractors	**831**	767
2 378	**2 748**	Consumables	**354**	340
1 253	**1 518**	Water and electricity	**195**	179
102	**128**	Insurance	**16**	15
131	**163**	Transportation	**21**	19
232	**(157)**	Changes in inventory	**(20)**	33
(1 129)	**(1 217)**	Capitalisation of mine development costs	**(157)**	(161)
(41)	**(143)**	Deferred stripping	**(18)**	(6)
(160)	**(249)**	By-products sales	**(32)**	(23)
92	**120**	Royalty expense	**15**	13
288	**544**	Other	**71**	42
8 504	**9 911**	**Production costs from continuing operations**	**1 276**	1 218

(b) **Amortisation and depreciation of assets other than mining and mining related assets** includes the amortisation of intangible assets.

(c) **Rehabilitation credit/expenditure**

For the assumptions used to calculate the rehabilitation costs, refer to note 3.4. This expense includes the change in estimate for the rehabilitation provision where an asset no longer exists as well as ongoing rehabilitation cost. During 2012, the cost of rehabilitation work done at closed shafts in the Free State was lower than provided for and resulted in a reduction in the liability and a credit of R43 million (US$5.6 million) was recorded.

(d) **Employment termination and restructuring costs**

During the 2012 financial year and in line with the group's stated strategy to restructure for safe, profitable and quality ounces, it was decided to halt mining in the sub-shaft after Bambanani had struggled to meet production targets and curb costs for a number of quarters. As such, mining activities moved from deeper operating areas to accelerated development of the shaft pillar. The effect of this restructuring on jobs was mitigated by redeploying the majority of employees (97%) to other operations in build-up.

During the 2011 financial year Merriespruit 1 shaft was closed and placed on care and maintenance due to mining no longer being economically viable. The voluntary retrenchment process, which the group commenced in the 2010 financial year was finalised during the latter part of the 2011 financial year.

(e) **Share-based payments**

Refer to note 34 for details on the share-based payments schemes operated by the group.

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5 Cost of sales continued

(f) **(Reversal of impairment)/impairment of assets** consist of the following:

SA rand			US dollar	
2011	**2012**	Figures in million	**2012**	2011
–	**6**	Kalgold	**1**	–
99	**–**	Steyn 1 (Bambanani)	**–**	15
104	**126**	Steyn 2 (Bambanani)	**15**	15
–	**2**	Other	**–**	–
61	**–**	St Helena (Other – underground)	**–**	9
–	**(194)**	Target 1	**(23)**	–
264	**(60)**	**Total (reversal of impairment)/impairment of assets**	**(7)**	39

During the 2012 financial year impairments to the value of R126 million (US$15.4 million (2011: R104 million (US$15.3 million)) were recognised as a result of the revised business (life-of-mine) plans, which are completed in June of each year, and included increases in electricity and labour costs and a decrease in reserves declared as a result of revised cut-off grades. An impairment of R194 million (US$23.6 million) was reversed during the year due to the revised life-of-mine plans at Target 1 principally due to the higher gold price. The remaining R8 million (US$1.0 million) (2011: R160 million (US$23.6 million)) impairment in 2012 relates to operations where a decision was made not to mine in future.

These adjustments impacted negatively on the recoverable amount of property, plant and equipment and contributed to the recognition of the impairments at the shafts. Impairments were performed as required by IAS 36, Impairment of Assets, and as a result these impairments were recorded. For assumptions used to calculate the recoverable amount, refer to note 3.1.

(g) Included in **Other** for the 2011 and 2012 financial years are amounts relating to gold inventory adjustments. Refer to note 23.

6 Profit on sale of property, plant and equipment

SA rand			US dollar	
2011	**2012**	Figures in million	**2012**	2011
27	**63**	Profit on sale of property, plant and equipment	**8**	4

The totals in 2011 and 2012 are the sales of properties and scrap material (including steel) from sites that are closed and being rehabilitated in the Free State.

7 Other expenses – net

SA rand			US dollar	
2011	**2012**	Figures in million	**2012**	2011
30	**32**	Foreign exchange losses – net (a)	**4**	4
24	**(89)**	Bad debts provision (credit)/expense (b)	**(11)**	3
1	**93**	Bad debts written off (b)	**12**	–
(34)	**14**	Other expenses/(income) – net (c)	**1**	(4)
21	**50**	**Total other expenses – net**	**6**	3

(a) (i) During the 2012 financial year foreign exchange gains relating to the Australasia intercompany loans not designated as forming part of the net investment of the group's international operations, amounting to R19 million (US$2.7 million) (2011: gain of R4 million (US$0.7 million)) were recognised in the consolidated income statement.

(ii) Included in the total for 2012 is a loss of R45 million (US$5.8 million) related to the translation of the US$ syndicated revolving credit facility into SA rand.

(iii) During the 2011 financial year foreign exchange losses amounting to R44 million (US$6.2 million) were realised on the liquidation of certain Australian dormant subsidiaries.

(b) Included in the provision credit and bad debts written off for 2012 is an amount of R46 million (US$5.9 million) for Pamodzi Gold Limited (Pamodzi Gold) and its subsidiary companies. Pamodzi Gold is an associate (refer to note 20) and has been placed into liquidation.

(c) Included in other expenses/(income) – net for 2012 is an amount of R26 million (US$3.2 million) provided for the pumping and treatment costs relating to the Klerksdorp, Orkney, Stilfontein and Hartbeesfontein (KOSH) Basin. Refer to note 29 in this regard.

8 Operating profit

The following have been included in operating profit:

SA rand			US dollar	
2011	**2012**	Figures in million	**2012**	2011
29	**31**	**Auditors' remuneration**	**4**	4
		Made up as follows:		
		External		
18	**20**	Fees – current year	**3**	3
2	**3**	Fees – other services	**–**	–
		Internal		
9	**8**	Fees – current year	**1**	1

9 Net gain on financial instruments

SA rand			US dollar	
2011	**2012**	Figures in million	**2012**	2011
		Available-for-sale		
(1)	**–**	Loss on sale of investments	**–**	–
6	**–**	Realised portion of fair value movement (a)	**–**	1
5	**–**		**–**	1
		Fair value through profit or loss		
124	**86**	Fair value gain on environmental trust funds	**11**	17
124	**86**		**11**	17
129	**86**	**Total net gain on financial instruments**	**11**	18

(a) During the 2011 financial year the group acquired and disposed of an investment in Kingsrose. The fair value gains of R3 million (US$0.4 million) relating to this investment were reclassified from other reserves to the income statement. The remaining realised portion of fair value gains related to the disposal of other listed investments.

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10 Gain on farm-in option

SA rand			US dollar	
2011	**2012**	Figures in million	**2012**	2011
273	–	Gain on farm-in option	–	38

During 2011, a gain of R273 million (US$38.0 million) was recognised on the cancellation of the Freegold farm-in option. The Freegold option allowed the group to acquire a beneficial interest of up to 40% in any future mines established by Witwatersrand Consolidated Gold Resources Limited (Wits Gold) on certain properties in the Southern Free State. On 5 November 2010 the group received 4 376 194 shares in Wits Gold as consideration for the cancellation of the option.

11 Investment income

SA rand			US dollar	
2011	**2012**	Figures in million	**2012**	2011
131	**97**	Interest received	**12**	19
16	**13**	Loans and receivables	**2**	2
14	**9**	Held-to-maturity investments	**1**	2
51	**63**	Cash and cash equivalents	**7**	8
50	**12**	South African Revenue Services (SARS)	**2**	7
2	–	Dividend income on available-for-sale investments	–	–
133	**97**	**Total investment income**	**12**	19

12 Finance costs

SA rand			US dollar	
2011	**2012**	Figures in million	**2012**	2011
		Financial liabilities		
1	–	Bank and short-term facilities	–	–
138	**151**	Borrowings	**19**	20
3	**6**	Other creditors	**1**	1
142	**157**	Total finance costs from financial liabilities	**20**	21
		Non-financial liabilities		
16	**16**	Post-retirement benefits	**2**	2
115	**122**	Time value of money and inflation component of rehabilitation costs	**16**	16
1	**1**	South African Revenue Services (SARS)	–	–
132	**139**	Total finance costs from non-financial liabilities	**18**	18
274	**296**	Total finance costs before interest capitalised	**38**	39
(3)	**(10)**	Interest capitalised	**(1)**	(1)
271	**286**	**Total finance costs**	**37**	38

The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation in 2012 was 9.1% (2011: 9.7%).

13 Taxation

SA rand			US dollar	
2011	**2012**	Figures in million	**2012**	2011
		Taxation by region		
		SA normal taxation		
(10)	**26**	Mining tax (a)	**4**	(2)
9	**77**	– current year	**10**	1
(19)	**(51)**	– adjustment in respect of prior year	**(6)**	(3)
20	**147**	Non-mining tax (b)	**19**	3
28	**44**	– current year	**6**	4
(8)	**103**	– adjustment in respect of prior year	**13**	(1)
(194)	**(143)**	Deferred tax (c)	**(19)**	(27)
173	**(143)**	– deferred tax estimate	**(19)**	25
(367)	**–**	– previously unrecognised temporary differences	**–**	(52)
7	**26**	Secondary Tax on Companies (STC)	**3**	1
(177)	**56**		**7**	(25)
		Foreign normal taxation		
(210)	**(179)**	– deferred tax (d)	**(23)**	(30)
(387)	**(123)**	**Total taxation**	**(16)**	(55)

SA rand			US dollar	
2011	**2012**	Figures in million	**2012**	2011
		Taxation by type		
(10)	**26**	Mining tax	**4**	(2)
20	**147**	Non-mining tax	**19**	3
(404)	**(322)**	Deferred tax	**(42)**	(57)
7	**26**	STC	**3**	1
(387)	**(123)**		**(16)**	(55)

for the years ended 30 June 2012

13 Taxation continued

(a) Mining tax on gold mining income in South Africa is determined according to a formula, based on the taxable income from mining operations. 5% of total revenue is exempt from taxation while the remainder is taxable at a higher rate than non-mining income as a result of applying the gold mine formula. All qualifying mining capital expenditure is deducted from taxable mining income to the extent that it does not result in an assessed loss. Accounting depreciation is eliminated when calculating the South African mining tax income. Excess capital expenditure is carried forward as unredeemed capital to be claimed from future mining taxable income. The group has several tax paying entities in South Africa. In terms of the mining ringfencing application, each ringfenced mine is treated separately and deductions can normally only be utilised against mining income generated from the relevant ringfenced mine.

Gold mining companies within the group that had elected to be exempt from Secondary Tax on Companies (STC) were taxed at higher rates than those that have not made the election. Dividend Tax (DT) was introduced on 1 April 2012 and replaced STC. Simultaneously with the introduction of DT only one formula is applicable for mining tax on gold mining income.

(b) Non-mining income of mining companies is taxed at 28% (2011: 35% (exempt from STC) and 28% (no election made)). Non-mining companies are taxed at the statutory corporate rate of 28% (2011: 28%).

(c) The deferred tax rate used to calculate deferred tax is based on the current estimate of future profitability when temporary differences will reverse, based on tax rates and tax laws that have been enacted at balance sheet date. Depending on the profitability of the operations, the deferred tax rate can consequently be significantly different from year to year.

(d) Mining and non-mining income of Australian and PNG operations are taxed at a standard tax rate of 30%.

Income and mining tax rates

During March 2012, The National Treasury of South Africa repealed the higher gold mining tax formula due to the introduction of Dividend Tax. As a result, the rates that are applicable for the 2012 year are 34% for mining income and 28% for non-mining income.

Major items causing the group's income tax provision to differ from the maximum mining statutory tax rate of 34% (2011: 43%) for continuing operations were:

SA rand			US dollar	
2011	**2012**	Figures in million	**2012**	2011
(106)	**(656)**	Tax on net profit from continuing operations at the maximum mining statutory tax rate	**(85)**	(15)
(28)	**(180)**	Non-allowable deductions	**(23)**	(4)
(22)	**–**	Profit/(loss) from associates	**–**	(3)
20	**96**	Difference between effective mining tax rate and statutory mining rate on mining income[1]	**13**	3
15	**9**	Difference between non-mining tax rate and statutory mining rate on non-mining income	**1**	2
(306)	**467**	Effect on temporary differences due to changes in effective tax rates[2]	**60**	(44)
367	**–**	Previously unrecognised temporary differences[3]	**–**	52
27	**(52)**	Prior year (under)/overprovision – mining and non-mining tax[1]	**(7)**	4
427	**465**	Capital allowance, sale of business and other rate differences	**60**	61
(7)	**(26)**	STC	**(3)**	(1)
387	**123**	**Income and mining taxation**	**16**	55
(157)%	**(6)%**	**Effective income and mining tax rate**	**(6)%**	(167)%

[1] Includes the effect of the change in the Freegold mining ringfencing application. Refer to note 37 for developments after year-end.
[2] The significant decreases in the deferred tax rates of ARMGold/Harmony Freegold Joint Venture Company (Proprietary) Limited (28.5% to 24.3%) and Randfontein Estates Limited (21.2% to 18.6%) is as a result of the repeal of the higher tax rate formula for gold mining companies in March 2012.
[3] The credit in 2011 of R367 million (US$52 million) is for the Freegold unredeemed capital allowance. The South African Revenue Service (SARS) previously disallowed Freegold's "post 1973 gold mine" additional capital allowance claim. SARS withdrew the additional capital allowance claim on 10 March 2011, conceding that the Freegold operations are entitled to claim this capital allowance caused an increase in the deferred tax asset in the balance sheet and the resulting credit in the income statement.

Deferred tax

The analysis of deferred tax assets and liabilities is as follows:

SA rand			US dollar	
2011	**2012**	Figures in million	**2012**	**2011**
(1 149)	**(3 049)**	Deferred tax assets	**(371)**	(170)
(1 003)	**(2 902)**	Deferred tax asset to be recovered after more than 12 months	**(353)**	(148)
(146)	**(147)**	Deferred tax asset to be recovered within 12 months	**(18)**	(22)
4 216	**5 807**	Deferred tax liabilities	**707**	623
3 916	**5 266**	Deferred tax liability to be recovered after more than 12 months	**641**	578
300	**541**	Deferred tax liability to be recovered within 12 months	**66**	45
–	**(138)**	Reclassification to held for sale	**(17)**	–
3 067	**2 620**	**Net deferred tax liability**	**319**	453

Deferred tax liabilities and assets on the balance sheet as of 30 June 2012 and 30 June 2011 relate to the following:

SA rand			US dollar	
2011	**2012**	Figures in million	**2012**	**2011**
5 589	**5 807**	Gross deferred tax liability	**707**	825
5 576	**5 679**	Amortisation and depreciation	**692**	823
4	**99**	Unrealised foreign exchange movements	**12**	1
9	**29**	Other	**3**	1
(2 522)	**(3 049)**	Gross deferred tax asset	**(371)**	(372)
(2 175)	**(2 572)**	Unredeemed capital expenditure	**(313)**	(321)
(268)	**(244)**	Provisions, including non-current provisions	**(30)**	(39)
(79)	**(233)**	Tax losses	**(28)**	(12)
–	**(138)**	Reclassification held for sale	**(17)**	–
3 067	**2 620**	**Net deferred tax liability**	**319**	453

Notes to the group financial statements continued

for the years ended 30 June 2012

13 Taxation continued

Movement in the net deferred tax liability recognised in the balance sheet is as follows:

SA rand			US dollar	
2011	**2012**	Figures in million	**2012**	2011
3 534	**3 067**	Balance at beginning of year	**453**	463
(404)	**(322)**	Credit per income statement – continuing operations	**(42)**	(57)
(54)	**64**	Charge/(credit) per income statement – discontinued operations	**8**	(8)
(9)	**(147)**	Foreign currency translation	**(95)**	55
–	**96**	Tax directly charged to other comprehensive income	**12**	–
–	**(138)**	Reclassification to held for sale	**(17)**	–
3 067	**2 620**	**Balance at end of year**	**319**	453

As at 30 June, certain subsidiaries in the group had the following tax credits:

SA rand			US dollar	
2011	**2012**	Figures in million	**2012**	2011
16 812	**19 228**	Unredeemed capital expenditure available for utilisation against future mining taxable income[1]	**2 343**	2 481
409	**774**	Tax losses carried forward utilisable against taxable income	**94**	60
470	**1 083**	Capital Gains Tax (CGT) losses available to be utilised against future CGT gains	**132**	69
3 225	**3 655**	As at 30 June, the group has not recognised the following deferred tax asset amounts	**445**	476
		The unrecognised temporary differences are:		
8 977	**9 853**	Unredeemed capital expenditure[2]	**1 200**	1 325
113	**8**	Tax losses	**1**	17
469	**1 083**	CGT losses[3]	**132**	69
1 190	**–**	Temporary differences relating to investments in associates	**–**	176

[1] *Includes Avgold R9 805 million (US$1 194.6 million), Freegold R1 594 million (US$194.2 million) and Randfontein R1 280 million (US$155.9 million).*
[2] *Relates mostly to Avgold*
[3] *The increase in CGT losses is due to capital losses recognised on the sale of Rand Uranium during the 2012 financial year. Refer to note 14 for further details on the sale.*

Secondary Taxation on Companies (STC)

STC was a tax levied on South African companies at a rate of 10% with effect from I October 2007 to 31 March 2012 on dividends distributed.

Current and deferred tax are measured at the tax rate applicable to undistributed income and therefore only took STC into account to the extent that dividends had been received or paid.

On declaration of a dividend, the company included the STC on this dividend in its computation of the income tax expense in the period of such declaration.

SA rand			US dollar	
2011	**2012**	Figures in million	**2012**	2011
–	**151**	Available STC credits at end of year	**18**	–

Dividend Tax (DT)

A withholding tax of 15% on dividends (excluding a return of capital) and other distributions to the beneficial owners of shares (shareholders) became effective on 1 April 2012. DT will be withheld by the company declaring the dividend or the withholding agent, unless specifically exempt. Foreign residents could qualify for an exemption or a reduced DT rate in terms of their relevant tax treaty.

On 13 August 2012, the board of directors approved a final dividend for the 2012 financial year of 50 SA cents per share (6.2 US cents) (2011:60 SA cents per share (8.3 US cents)). The total dividend paid amounted to R218 million (US$26.4 million) (2011: R258 million (US$35.9 million)). As the dividends declared exceed the STC credits available, dividend tax has been withheld at a rate of 15% on the portion of the dividend that is in excess of the STC credit carried forward in respect of those shareholders that do not qualify for either a reduction or an exemption.

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14 Disposal groups classified as held for sale and discontinued operations

(i) The assets and liabilities of Evander Gold Mines Limited (Evander), a wholly-owned subsidiary of Harmony Gold Mining Company Limited (Harmony), have been classified as held for sale following the signing of a sale of shares and claims agreement on 30 January 2012. On 30 May 2012, Harmony announced the signing of a new sale of shares and claims agreement with Pan African Resources plc (Pan African).The disposal will be for an aggregate purchase consideration of R1.5 billion (US$182.7 million), excluding the proceeds of the Taung Gold Limited transaction and less certain distributions made by Evander to Harmony between 1 April 2012 and the close of the transaction.

The transaction is subject to, among others, Pan African obtaining the requisite shareholder approval for the acquisition. The transaction is expected to be completed by 31 December 2012.

The operation also meets the requirements to be classified as a discontinued operation. The comparative figures in the income statement have been re-presented as a result.

(ii) Following a decision by the shareholders of Rand Uranium (Proprietary) Limited (Rand Uranium) to commence with a process to sell the company and the criteria for IFRS 5 being met subsequently, the investment in Rand Uranium and the subordinated shareholder's loan were classified as held for sale. An offer to purchase the investment was received from Gold One International Limited (Gold One) and was accepted by shareholders on 21 April 2011. The group's attributable portion of the sale proceeds, which includes the subordinated shareholder's loan, amounted to R304 million (US$37.25 million).

The investment did not meet the criteria to be classified as a discontinued operation. An impairment of R142 million (US$20.3 million) was recorded during the 2011 financial year to bring the investment in associate in line with its fair value less cost to sell. During 2012 an impairment reversal of R56 million (US$6.8 million) was recognised as a result of fluctuations in the exchange rate.

On 6 January 2012, the transaction with Gold One was concluded and the first payment of R193 million (US$23.8 million) was received. On 5 April 2012 and 24 April 2012 amounts of R73.5 million (US$9.4 million) and R37 million (US$4.8 million) were received, respectively, from Gold One as final payment on the sale of Rand Uranium shares. Of this R25 million (US$3.2 million) is being held in an escrow account for a period of 12 months.

(iii) On 10 September 2010, Harmony concluded a sale of assets agreement with Taung Gold Limited (Taung) in which Taung acquired the Evander 6 Shaft, the related infrastructure and surface rights permits as well as a mining right over the Evander 6 and Twistdraai areas. The assets and liabilities were presented as held for sale. The Evander 6 operation is on care and maintenance with a book value of Rnil (US$nil). The total purchase consideration of R225 million (US$33.2 million) was settled in cash with an initial payment of R100 million (US$15.2 million) received on 29 April 2011.

All conditions precedent to the sale were fulfilled on 28 May 2012 and on 30 May 2012 the group received an amount of R156.5 million (US$30.1 million) of which R20 million (US$2.3 million) had been held in escrow. A profit on sale of property, plant and equipment of R230 million (US$26.9 million) was recognised and included in discontinued operations.

(iv) On 20 July 2010, the conditions precedent for the sale of the Mount Magnet operations (operation in Western Australia) were fulfilled, this following approval of the group's management on 17 May 2010 to sell this operation. The assets and liabilities were presented as held for sale from this date and the operations also met the criteria to be classified as discontinued operation.

A total purchase consideration of R238 million (US$31.6 million) was received from Ramelius Resources Limited in exchange for 100% of the issued shares of Mount Magnet. The group recognised as total profit of R104 million (US$13.8 million) net of tax before the realisation of accumulated foreign exchange losses of R84 million (US$11.2 million) from other comprehensive income to the income statement.

The assets and liabilities of the operations classified as held for sale at the reporting dates are as follows:

SA rand			US dollar	
2011	**2012**	Figures in million	**2012**	2011
		Balance sheet		
		Assets of disposal groups classified as held for sale		
–	**1 124**	Property, plant and equipment	**137**	–
13	**196**	Restricted investments	**24**	2
192	**–**	Investment in associates	**–**	28
–	**67**	Inventories	**9**	–
–	**12**	Mining and income tax	**1**	–
63	**24**	Trade and other receivables	**3**	10
268	**1 423**	**Total assets of disposal group classified as held for sale**	**174**	40
		Liabilities of disposal groups classified as held for sale		
–	**138**	Deferred income tax	**17**	–
16	**170**	Provision for environmental rehabilitation	**21**	2
–	**1**	Retirement benefits obligation and other provisions	**–**	–
–	**67**	Trade and other payables	**8**	–
16	**376**	**Total liabilities of disposal groups classified as held for sale**	**46**	2

The analysis of the results and cash flows of discontinued operations are disclosed in the tables below:

SA rand			US dollar	
2011	**2012**	Figures in million	**2012**	2011
		Income statement		
849	**1 404**	Revenue	**181**	122
(916)	**(866)**	Cost of sales	**(111)**	(131)
(64)	**(14)**	Expenses – net	**(2)**	(8)
54	**–**	Profit on sale of investment in subsidiary	**–**	7
2	**232**	Profit on sale of property, plant and equipment	**28**	–
(75)	**756**	Profit/(loss) from discontinued operations before tax	**96**	(10)
59	**(164)**	Taxation	**(21)**	8
(16)	**592**	**Profit/(loss) for the year from discontinued operations**	**75**	(2)
		Cash flows		
114	**502**	Operating cash flows	**65**	16
136	**(71)**	Investing cash flows	**(10)**	18
250	**431**	**Total cash flows from discontinued operations**	**55**	34

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15 Earnings/(loss) per share

Basic earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing the net income attributable to shareholders by the weighted number of ordinary shares in issue during the year.

2011	2012		2012	2011
429 310	**430 818**	Weighted average number of ordinary shares in issue ('000)	**430 818**	429 310

SA rand			US dollar	
2011	**2012**	Figures in million	**2012**	2011
633	**2 053**	Net profit from continuing operations	**266**	88
(16)	**592**	Net profit/(loss) from discontinued operations	**75**	(2)
617	**2 645**	**Total net profit/(loss) attributable to shareholders**	**341**	86
148	**477**	Basic earnings per share from continuing operations (cents)	**61**	21
(4)	**137**	Basic earnings/(loss) per share from discontinued operations (cents)	**18**	(1)
144	**614**	**Total basic earnings/(loss) per share (cents)**	**79**	20

Fully diluted earnings/(loss) per share

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potential dilutive ordinary shares as a result of share options granted to employees under the share option schemes in issue. A calculation is performed to determine the number of shares that could have been acquired at fair value, determined as the average annual market share price of the company's shares, based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

2011	2012		2012	2011
429 310	**430 818**	Weighted average number of ordinary shares in issue ('000)	**430 818**	429 310
1 110	**1 205**	Potential ordinary shares ('000)	**1 205**	1 110
430 420	**432 023**	**Weighted average number of ordinary shares for fully diluted earnings per share ('000)**	**432 023**	430 420

SA rand			US dollar	
2011	**2012**	Figures in million	**2012**	2011
148	**476**	Fully diluted earnings per share from continuing operations (cents)	**61**	21
(4)	**136**	Fully diluted earnings/(loss) per share from discontinued operations (cents)	**18**	(1)
144	**612**	**Total fully diluted earnings/(loss) per share (cents)**	**79**	20

The inclusion of share options issued to employees, as potential ordinary shares, has a dilutive effect on the earnings/(loss) per share. The issue price and the exercise price include the fair value of any service to be supplied to the entity in the future under the share option or other share-based payment arrangement.

Headline earnings/(loss) per share

The calculation of headline earnings, net of tax, per share is based on the basic earnings per share calculation adjusted for the following items:

SA rand			US dollar	
2011	**2012**	Figures in million	**2012**	2011
		Continuing operations		
633	**2 053**	Net profit	**266**	88
		Adjusted for:		
(27)	**(63)**	Profit on sale of property, plant and equipment	**(8)**	(4)
6	**16**	Taxation effect of profit on sale of property, plant and equipment	**2**	1
47	**–**	Foreign exchange loss/(gain) reclassified from other comprehensive income	**–**	7
–	**144**	Impairment of investments*	**19**	–
142	**(56)**	(Reversal of impairment)/impairment of investment in associate*	**(7)**	20
264	**(60)**	(Reversal of impairment)/impairment of assets	**(7)**	39
(66)	**(34)**	Taxation effect of impairment of assets	**(4)**	(10)
(7)	**–**	Net loss/(gain) on financial instruments	**–**	(1)
2	**–**	Tax on net loss/(gain) on financial instruments	**–**	–
994	**2 000**	**Headline profit from continuing operations**	**261**	140
		Discontinued operations		
(16)	**592**	Net profit/(loss)	**75**	(2)
		Adjusted for:		
(2)	**(232)**	Profit on sale of property, plant and equipment	**(28)**	–
1	**72**	Taxation effect of profit on sale of property, plant and equipment	**9**	–
(54)	**–**	Profit on sale of investment in subsidiary	**–**	(7)
34	**–**	Taxation effect of loss on sale of investment in subsidiary	**–**	4
(37)	**432**	**Headline profit/(loss) from discontinued operations**	**56**	(5)
957	**2 432**	**Total headline profit/(loss)**	**317**	135

** There is no taxation effect on these items.*

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15 Earnings/(loss) per share continued

SA rand			US dollar	
2011	**2012**		**2012**	2011
232	**465**	Basic headline earnings per share from continuing operations (cents)	**61**	32
(9)	**100**	Basic headline earnings/(loss) per share from discontinued operations (cents)	**13**	(1)
223	**565**	**Total basic headline earnings/(loss) per share (cents)**	**74**	31
231	**463**	Fully diluted headline earnings per share from continuing operations (cents)	**61**	32
(9)	**100**	Fully diluted headline earnings/(loss) per share from discontinued operations (cents)	**13**	(1)
222	**563**	**Total fully diluted headline earnings/(loss) per share (cents)**	**74**	31

Dividends

On 12 August 2011, the board declared a dividend of 60 SA cents (US$8.4 cents) per share related to the year ended 30 June 2011. An interim dividend of 40 SA cents (US$5.2 cents) was declared on 2 February 2012.

SA rand			US dollar	
2011	**2012**	Figures in million	**2012**	2011
214	**431**	Dividend declared	**59**	29
50	**100**	Dividend per share (cents)	**13.6**	6.8

On 13 August 2012, the board declared a dividend of 50 SA cents (US$6.2 cents) per share amounting to R216 million (US$26.5 million) relating to the year ended 30 June 2012. This dividend is not reflected on the financial statements as it was declared after the reporting date.

16 Property, plant and equipment

SA rand			US dollar	
2011	**2012**	Figures in million	**2012**	2011
24 103	**25 353**	Mining assets (a)	**3 089**	3 556
663	**1 028**	Mining assets under construction (b)	**125**	98
6 276	**6 094**	Undeveloped properties (c)	**743**	926
121	**357**	Deferred stripping (d)	**43**	18
58	**21**	Other non-mining assets (e)	**3**	9
31 221	**32 853**	**Total property, plant and equipment**	**4 003**	4 607

(a) Mining assets

SA rand 2011	SA rand 2012	Figures in million	US dollar 2012	US dollar 2011
		Cost		
36 359	**38 653**	Balance at beginning of year	**5 704**	4 766
–	**(4 025)**	Elimination of fully depreciated and impaired assets no longer in issue	**(594)**	–
2 488	**2 408**	Additions	**310**	356
(1 742)	**(25)**	Disposals[1]	**(3)**	(228)
101	**(90)**	Adjustment to rehabilitation asset	**(11)**	15
974	**638**	Transfers and other movements	**94**	128
473	**1 367**	Translation	**(757)**	667
38 653	**38 926**		**4 743**	5 704
–	**(2 774)**	Reclassification to held for sale	**(338)**	–
38 653	**36 152**	**Balance at end of year**	**4 405**	5 704
		Accumulated depreciation and impairments		
14 116	**14 550**	Balance at beginning of year	**2 148**	1 850
–	**(4 025)**	Elimination of fully depreciated and impaired assets no longer in use	**(594)**	–
254	**(60)**	Impairment of assets	**(7)**	37
(1 720)	**(24)**	Disposals[1]	**(3)**	(226)
1 704	**1 985**	Depreciation[2]	**256**	244
1	**42**	Transfers and other movements	**6**	–
195	**178**	Translation	**(265)**	243
14 550	**12 646**		**1 541**	2 148
–	**(1 847)**	Reclassification to held for sale	**(225)**	–
14 550	**10 799**	**Balance at end of year**	**1 316**	2 148
24 103	**25 353**	**Net carrying value**	**3 089**	3 556

[1] *Included in the movement for 2011 is the group's disposal of its Mount Magnet operations to Ramelius Resources Limited, on 20 July 2010. Refer to note 14.*

[2] *For the 2011 and 2012 financial years, the amounts include both continuing and discontinued operations.*

(b) Mining assets under construction

SA rand 2011	SA rand 2012	Figures in million	US dollar 2012	US dollar 2011
		Cost		
824	**663**	Balance at beginning of year	**98**	108
645	**797**	Additions	**103**	92
3	**10**	Finance costs capitalised[1]	**1**	–
(4)	**(3)**	Disposals	**–**	(1)
(824)	**(393)**	Transfers and other movements	**(58)**	(108)
19	**132**	Translation	**3**	7
–	**(178)**	Reclassification to held for sale	**(22)**	–
663	**1 028**	**Carrying value**	**125**	98

[1] *The average capitalisation rate applied was 9.1% (2011: 9.7%).*

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16 Property, plant and equipment continued

(c) Undeveloped property

SA rand			US dollar	
2011	2012	Figures in million	2012	2011
		Cost		
7 118	6 310	Balance at beginning of year	931	933
(208)	–	Disposals[1]	–	(27)
(626)	(251)	Transfers and other movements	(37)	(82)
26	35	Translation	(151)	107
6 310	6 094		743	931
–	–	Reclassification to held for sale	–	–
6 310	6 094	**Balance at end of year**	743	931
		Accumulated impairments		
533	34	Balance at beginning of year	5	70
(24)	–	Disposals[1]	–	(3)
(475)	(35)	Transfers and other movements	(5)	(62)
–	1	Translation	–	–
34	–		–	5
–	–	Reclassification to held for sale	–	–
34	–	**Balance at end of year**	–	5
6 276	6 094	**Net carrying value**	743	926

[1] *Included in the movement for 2011 is the group's disposal of its Mount Magnet operations to Ramelius Resources Limited, on 29 July 2010. Refer to note 14.*

(d) Deferred stripping

SA rand			US dollar	
2011	2012	Figures in million	2012	2011
		Cost		
71	121	Balance at beginning of year	18	9
64	36	Additions	5	9
(23)	143	Transferred from/(to) production cost	18	(3)
9	57	Translation	2	3
121	357	**Carrying value**	43	18

(e) Other non-mining assets

SA rand			US dollar	
2011	2012	Figures in million	2012	2011
		Cost		
399	**418**	Balance at beginning of year	**62**	52
–	**(37)**	Elimination of fully depreciated and impaired assets no longer in use	**(5)**	–
19	**3**	Additions	**–**	3
(2)	**–**	Disposals	**–**	–
2	**–**	Transfers and other movements	**–**	–
–	**–**	Translation	**(10)**	7
–	**(19)**	Reclassification to held for sale	**(2)**	–
418	**365**	**Balance at end of year**	**45**	62
		Accumulated depreciation and impairments		
339	**360**	Balance at beginning of year	**53**	44
–	**(37)**	Elimination of fully depreciated and impaired assets no longer in use	**(5)**	–
21	**21**	Depreciation	**3**	3
–	**–**	Translation	**(9)**	6
–	**–**	Reclassification to held for sale	**–**	–
360	**344**	**Balance at end of year**	**42**	53
58	**21**	**Net carrying value**	**3**	9

On 3 September 2010, Harmony entered into an agreement with Wits Gold for prospecting rights over Harmony's Merriespruit South area, which will be settled in cash or a combination of cash and shares in Wits Gold, when all remaining conditions precedent have been fulfilled. At 30 June 2011 and 2012, the prospecting rights had a carrying value of Rnil.

(f) Additional disclosures for leased assets

SA rand			US dollar	
2011	2012	Figures in million	2012	2011
96	**99**	Carrying value of capitalised leased assets (included in mining assets and mining assets under construction)	**12**	14
175	**237**	Cost	**29**	26
(79)	**(138)**	Accumulated depreciation	**(17)**	(12)
–	**–**	Finance lease additions	**–**	–

Except for the leased assets mentioned above, none of the assets listed above have been pledged or otherwise committed as security for any liabilities.

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17 Intangible assets

SA rand			US dollar	
2011	**2012**	Figures in million	**2012**	2011
2 153	**2 153**	Goodwill (a)	**263**	317
17	**43**	Technology-based assets (b)	**5**	3
2 170	**2 196**	**Total intangible assets**	**268**	320

(a) Goodwill

SA rand			US dollar	
2011	**2012**	Figures in million	**2012**	2011
		Cost		
2 373	**2 373**	Balance at beginning of year	**350**	311
–	**–**	Translation	**(60)**	39
2 373	**2 373**	**Balance at end of year**	**290**	350
		Accumulated amortisation and impairments		
210	**220**	Balance at beginning of year	**33**	28
10	**–**	Impairments recognised[1]	**–**	2
–	**–**	Translation	**(6)**	3
220	**220**	**Balance at end of year**	**27**	33
2 153	**2 153**	**Net book value**	**263**	317
		The net book value of goodwill has been allocated to the following cash-generating units:		
224	**224**	Bambanani	**27**	33
558	**558**	Tshepong	**68**	83
1 330	**1 330**	Phakisa	**163**	195
41	**41**	Joel	**5**	6
2 153	**2 153**		**263**	317

[1] *During the 2011 financial year, goodwill amounting to R10 million (US$1.5 million) relating to St. Helena was impaired. This was due to a revised life-of-mine plan. Refer to note 5 for details.*

(b) Technology-based assets

SA rand			US dollar	
2011	**2012**	Figures in million	**2012**	2011
		Cost		
117	**133**	Balance at beginning of year	**20**	16
16	**31**	Additions	**4**	2
–	**–**	Translation	**(4)**	2
133	**164**	**Balance at end of year**	**20**	20
		Accumulated amortisation and impairments		
70	**116**	Balance at beginning of year	**17**	9
46	**5**	Amortisation charge for the year	**1**	6
–	**–**	Translation	**(3)**	2
116	**121**	**Balance at end of year**	**15**	17
17	**43**	**Net book value**	**5**	3

Technology-based assets includes computer software and intellectual property which has been acquired and developed for the group. These assets are amortised over five years.

18 Restricted cash

SA rand			US dollar	
2011	**2012**	Figures in million	**2012**	2011
26	**26**	Environmental guarantees (a)	**3**	4
3	**8**	Lease security deposits	**1**	–
2	**2**	Cash management account	**–**	–
–	**–**	Translation	**–**	1
31	**36**	**Total restricted cash**	**4**	5

(a) The amount relates to funds set aside to serve as collateral against guarantees made to the Department of Mineral Resources (DMR) in South Africa for environmental and rehabilitation obligations. A portion of the funds are held on call account and the rest are invested in money market funds.

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19 Restricted investments

SA rand			US dollar	
2011	**2012**	Figures in million	**2012**	**2011**
1 849	**1 804**	Investments held by Environmental Trust Funds (a)	**219**	273
34	**38**	Investments held by Social Trust Fund (b)	**5**	5
1 883	**1 842**	**Total restricted investments**	**224**	278

(a) Environmental Trust Funds consists of:

SA rand			US dollar	
2011	**2012**	Figures in million	**2012**	2011
167	**179**	Held-to-maturity financial assets	**21**	25
1 682	**1 625**	Fair value through profit or loss financial assets	**198**	248
1 849	**1 804**	**Total Environmental Trust Funds**	**219**	273

The Environmental Trust Funds are irrevocable trusts under the group's control. Contributions to the trusts are invested in interest-bearing short-term or medium-term equity-linked notes issued by commercial banks that provide guaranteed interest and additional interest or growth linked to the growth of the Shareholder Weighted Top 40 index (SWIX 40) of the JSE. The equity-linked notes are designated fair value through profit or loss investments and recorded at fair value whilst the interest-bearing short-term investments are classified as held-to-maturity and recorded at amortised cost. These investments provide for the estimated cost of rehabilitation at the end of the life of the group's mines. Income earned on the investments is retained in the funds and reinvested.

Reconciliation of the movement in the investments held by Environmental Trust Funds:

SA rand			US dollar	
2011	**2012**	Figures in million	**2012**	2011
1 702	**1 862**	Balance at beginning of year	**275**	223
14	**9**	Interest income[1]	**1**	2
136	**93**	Fair value gain[1]	**12**	19
10	**48**	Contributions made	**6**	1
–	**(12)**	Disposal of Evander 6 and Twistdraai	**(2)**	–
–	**–**	Translation	**(49)**	30
1 862	**2 000**		**243**	275
(13)	**(196)**	Reclassification to held for sale	**(24)**	(2)
1 849	**1 804**	**Balance at end of year**	**219**	273

[1] *Includes discontinued operations.*

(b) The Social Trust Fund

The Social Trust Fund is an irrevocable trust under the group's control. The group has undertaken to donate over a period of 10 years to The Harmony Gold Mining Group Social Plan Trust in terms of an agreement signed on 3 November 2003. An initial donation of R18.5 million (US$2.7 million) was made during the 2004 year. Thereafter instalments of R3.5 million per annum were and will be made with the final instalment to be made in 2013. The purpose of the Trust is to fund the social plan to reduce the negative effects of restructuring on the group's workforce, to put measures in place to ensure that the technical and life skills of the group's workforce are developed and to develop the group's workforce in such a manner as to avoid or minimise the effect of job losses and a decline in employment through turnaround or redeployment strategies.

Reconciliation of the movement in the investments held by the Social Trust Fund:

SA rand			US dollar	
2011	**2012**	Figures in million	**2012**	2011
40	**34**	Balance at beginning of year	**5**	5
4	**5**	Contributions made	**1**	1
2	**1**	Interest accrued	**–**	–
(12)	**(2)**	Claims paid	**–**	(2)
–	**–**	Translation	**(1)**	1
34	**38**	**Balance at end of year**	**5**	5

20 Investment in associates

SA rand			US dollar	
2011	**2012**	Figures in million	**2012**	2011
385	**–**	Balance at beginning of year	**–**	50
(51)	**–**	Share of (losses)/profits after tax	**–**	(7)
(142)	**–**	Impairment of investment in associate	**–**	(20)
–	**–**	Translation	**–**	5
192	**–**		**–**	28
(192)	**–**	Reclassification to held for sale	**–**	(28)
–	**–**	**Balance at end of year**	**–**	–
		Carrying amount before reclassification to held for sale consist of:		
–	**–**	Pamodzi Gold Limited (a)	**–**	–
192	**–**	Rand Uranium (Proprietary) Limited (b)	**–**	28
192	**–**	**Total investment in associates**	**–**	28

(a) Harmony acquired 32.4% of Pamodzi Gold Limited (Pamodzi) on 27 February 2008 when it sold its Orkney operations to Pamodzi in exchange for a consideration of 30 million Pamodzi shares, initially valued at R345 million (US$46.5 million). Pamodzi was listed on the JSE and had interests in operating gold mines in South Africa.

Pamodzi was placed in liquidation in March 2009 and the trading of its shares on the JSE was suspended. At 31 December 2008 the group had already reduced the net investment in Pamodzi to Rnil, following the recording of its cumulative share in losses of R110 million (US$14.3 million) and cumulative impairment losses of R207 million (US$25.8 million). Subsequently the group has not recognised any losses. During 2012, the group wrote off loans and receivables of R46 million (US$5.9 million). Refer to note 7 and 35.

As at 30 June 2012, the liquidation process has not been concluded. No financial information subsequent to 31 March 2009 is available and therefore no information has been disclosed for the years ended 31 December 2010 and 2011.

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20 Investment in associates continued

(b) During 2012, the group disposed of the 40% share it held in Rand Uranium. This investment was acquired when the company's wholly-owned subsidiary Randfontein Estates Limited disposed of its Randfontein Cooke and Old Randfontein assets to a newly formed wholly-owned subsidiary, Rand Uranium, in exchange for Rand Uranium shares, initially valued at US$139 million (R1 478 million). Rand Uranium is an unlisted company registered in South Africa, with gold mining operations in the Gauteng province of South Africa.

The investment in Rand Uranium was classified as held for sale on 31 March 2011 following a decision by the shareholders to sell the company. The group ceased equity accounting the associate from 31 March 2011 in line with the requirements of IFRS 5. At that time, the group had recognised losses of R51 million (US$7.3 million) as its share of post-acquisition losses for the 2011 year. A binding offer was accepted by shareholders on 21 April 2011, and as a result an impairment of R142 million (US$20 million) was recognised in the income statement. During 2012, a reversal of impairment of R56 million (US$6.8 million) was recognised as a result of fluctuations in the exchange rate. On 6 January 2012 the sale of Rand Uranium to Gold One International Limited (Gold One) was concluded. Refer to note 14 for detail.

21 Investment in financial assets

SA rand			US dollar	
2011	**2012**	Figures in million	**2012**	2011
12	**185**	Balance at beginning of year	**27**	2
287	**3**	Additions	**–**	42
(17)	**–**	Disposals	**–**	(2)
(97)	**(42)**	Fair value movement of available-for-sale investments	**(5)**	(14)
–	**–**	Translation	**(4)**	(1)
185	**146**	**Balance at end of year**	**18**	27
		The carrying amount consists of the following:		
		Available-for-sale financial assets:		
175	**131**	Investment in Wits Gold (a)	**16**	26
10	**15**	Investment in unlisted shares (b)	**2**	1
185	**146**	**Total available-for-sale financial assets**	**18**	27

(a) On 5 November 2010, the group received 4 376 194 shares in Wits Gold, as consideration for the cancellation of the option held by Freegold.

The value of the shares on acquisition date was R275 million (US$41 million) and represents 13% investment in Wits Gold. The group classifies the investment in Wits Gold as an available-for-sale financial asset. During the 2012 year, a loss of R44 million (US$5.6 million) (2011: a loss of R100 million (US$14.3 million) was recorded in the fair value reserve. Refer to note 26 (b).

At 30 June 2012, management determined that the investment was impaired in terms of our accounting policy (refer to note 2.9 (ii) for detail) and the cumulative losses in the fair value reserves were reclassified to the income statement.

(b) These investments have been valued by the directors by performing independent valuations on an annual basis to ensure that no significant prolonged decline in the value of the investments has occurred.

22 Investment in joint venture

Morobe Mining Joint Ventures (MMJV) partnership agreement (50%)

The group has a 50% interest in mining and exploration assets located in the Morobe province, PNG. Newcrest owns the remaining 50% interest in these assets. The assets include the Hidden Valley mine and the Wafi-Golpu projects. This partnership was formed during the 2009 financial year through a range of transactions, which included Newcrest's purchase of a 30.01% participating interest and a further farm-in of an additional 19.99% participating interest in the assets. The total value of the transaction was estimated at US$530 million (R3 609 million) and was completed by 30 June 2009.

The following are the group's effective share of income, expenses, assets and liabilities, which are included in the 2012 consolidated financial statements:

SA rand			US dollar	
2011	**2012**	Figures in million	**2012**	2011
50%	**50%**		**50%**	50%
976	**1 163**	Revenue	**150**	140
(715)	**(851)**	Production costs	**(110)**	(103)
261	**312**	Production profit	**40**	37
(356)	**(523)**	Other costs	**(67)**	(51)
(95)	**(211)**	**Net loss**	**(27)**	(14)
4 998	**5 759**	Non-current assets	**702**	737
426	**739**	Current assets	**90**	63
5 424	**6 498**	**Total assets**	**792**	800
1 234	**209**	Non-current liabilities	**25**	182
302	**416**	Current liabilities	**51**	45
1 536	**625**	**Total liabilities**	**76**	227

23 Inventories

SA rand			US dollar	
2011	**2012**	Figures in million	**2012**	2011
206	**102**	Gold in lock-up	**12**	30
363	**509**	Gold in process, ore stockpiles and bullion on hand	**62**	54
440	**510**	Stores and materials at weighted average cost	**63**	65
1 009	**1 121**	Total inventories	**137**	149
(172)	**(58)**	Non-current portion of gold in lock-up and gold in-process	**(7)**	(25)
837	**1 063**		**130**	124
–	**(67)**	Reclassification to held for sale	**(9)**	–
837	**996**	**Total current portion of inventories**	**121**	124
		Included in the balance above is:		
245	**102**	**Inventory valued at net realisable value**	**12**	36

During the 2012 financial year, write-downs of

- R16 million (US$1.9 million) (2011: R41 million (US$6.1 million)) and R17 million (US$2.1 million) (2011: Rnil) for the Steyn plant and Freddies rock dump demolishment projects, respectively, as a result of changes to the life-of-mine plans.
- R81 million (US$9.9 million) (2011: R21 million (US$3.1 million)) for the net realisable value adjustment for other gold in lock-up.
- R32 million (US$3.9 million) (2011: R30 million (US$4.3 million)) relating to certain stockpiles.

During the year, no adjustment was made (2011: increase of R5 million (US$0.7 million)) to the provision for slow moving stock, other than the effect of translation for the US dollar amounts. The total provision at 30 June 2012 was R62 million (US$7.6 million) (2011: R62 million (US$9.2 million)).

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24 Trade and other receivables

SA rand			US dollar	
2011	2012	Figures in million	2012	2011
		Current		
		Financial assets:		
355	**386**	Trade receivables (gold)	**47**	52
234	**144**	Other trade receivables (a)	**18**	35
(120)	**(35)**	Provision for impairment	**(4)**	(18)
469	**495**	Trade receivables – net	**61**	69
27	**19**	Loans to associates and joint ventures (b)	**2**	4
308	**402**	Interest and other receivables (c)	**49**	45
–	**48**	Other loans and receivables (d)	**6**	–
17	**27**	Employee receivables	**3**	3
		Non-financial assets:		
39	**62**	Prepayments	**8**	6
213	**215**	Value added tax	**26**	31
1 073	**1 268**		**155**	158
–	**(23)**	Reclassification to held for sale	**(3)**	–
1 073	**1 245**	**Total current trade and other receivables**	**152**	158
		Non-current		
		Financial assets:		
178	**116**	Loans to associates (e)	**14**	26
24	**29**	Other loans receivable (d)	**3**	4
(116)	**(116)**	Provision for impairment (e)	**(14)**	(17)
86	**29**		**3**	13
(63)	**(1)**	Reclassification to held for sale	**–**	(10)
23	**28**	**Total non-current trade and other receivables**	**3**	3

(a) Included in other trade receivables for 2011 is an amount of R43 million (US$6.3 million) owed by Rand Uranium.

(b) The 2012 and 2011 balance is due from the MMJV companies and Rand Uranium, respectively, for services and goods supplied in terms of the service level agreements entered into between the group and the joint venture companies and Rand Uranium.

(c) Included in interest and other receivables for the 2012 financial year is an amount of R17 million (US$2.1 million) (2011: R17 million (US$2.5 million)) owing by Pamodzi FS in terms of the asset purchase agreement, for rehabilitation trust funds to be released to the group.

Also included in the balance for the 2012 financial year is the self-insurance fund of R222 million (US$27.1 million) (2011: R90 million (US$13.2 million) while the 2011 balance includes insurance claims receivable of R35 million (US$5.2 million) for the conveyor belt at Hidden Valley.

No impairment allowance is necessary in respect of any balances included in interest and other receivables as all amounts are classified as fully performing.

(d) Included in the balance is an amount of R31 million (US$3.8 million) due from Rand Uranium. Also included is an amount of R43 million (US$5.2 million) due by PNG Power Limited of which R16 million (US$1.9 million) is due within 12 months.

(e) The balance in 2012 comprises R116 million (US$14.1 million) (2011: R116 million (US$17.1 million)) owed by Pamodzi. Pamodzi was placed into liquidation during 2009 and the loan was provided for in full. Harmony is a concurrent creditor in the Pamodzi Orkney liquidation.

Included in the balance for 2011 is a loan of R63 million (US$9.2 million) to Rand Uranium. The loan was subordinated. Following the acceptance of a binding offer on 21 April 2011, the investment in Rand Uranium and the capital portion of the subordinated shareholder's loan were presented as held for sale. The loan was settled on 6 January 2012 following the conclusion of the sale of Rand Uranium. Refer to note 14 for further detail.

The movement in the provision for impairment of trade receivables during the year was as follows:

SA rand			US dollar	
2011	**2012**	Figures in million	**2012**	2011
96	**120**	Balance at beginning of year	**18**	13
27	**14**	Impairment loss recognised	**2**	4
(3)	**(101)**	Reversal of impairment loss	**(13)**	(1)
–	**2**	Translation	**(3)**	2
120	**35**	**Balance at end of year**	**4**	18

The movement in the provision for impairment of loans receivables during the year was as follows:

SA rand			US dollar	
2011	**2012**	Figures in million	**2012**	2011
116	**116**	Balance at beginning of year	**17**	15
–	**–**	Translation	**(3)**	2
116	**116**	**Balance at end of year**	**14**	17

The ageing of trade receivables at the reporting date was:

SA rand			US dollar	
Impairment	**Gross**	Figures in million	**Gross**	**Impairment**
		30 June 2012		
–	**424**	Fully performing	**52**	**–**
–	**46**	Past due by 1 to 30 days	**6**	**–**
–	**16**	Past due by 31 to 60 days	**2**	**–**
–	**3**	Past due by 61 to 90 days	**–**	**–**
9	**15**	Past due by more than 90 days	**2**	**1**
26	**26**	Past due by more than 361 days	**3**	**3**
35	**530**		**65**	**4**
		30 June 2011		
–	373	Fully performing	55	–
–	51	Past due by 1 to 30 days	7	–
–	7	Past due by 31 to 60 days	1	–
–	12	Past due by 61 to 90 days	2	–
19	27	Past due by more than 90 days	4	3
101	119	Past due by more than 361 days	18	15
120	589		87	18

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24 Trade and other receivables continued

SA rand			US dollar	
Impairment	Gross	Figures in million	Gross	Impairment
		30 June 2012		
–	**61**	Fully performing	**7**	**–**
–	**–**	Past due by 1 to 30 days	**–**	**–**
–	**–**	Past due by 31 to 60 days	**–**	**–**
–	**–**	Past due by 61 to 90 days	**–**	**–**
116	**132**	Past due by more than 361 days	**16**	**14**
116	**193**		**23**	**14**
		30 June 2011		
–	86	Fully performing	13	–
–	–	Past due by 1 to 30 days	–	–
–	–	Past due by 31 to 60 days	–	–
–	–	Past due by 61 to 90 days	–	–
116	116	Past due by more than 361 days	17	17
116	202		30	17

Based on past experience, the group believes that no impairment allowance is necessary in respect of fully performing receivables as the amount relates to customers that have a good track record with the group. Similarly, the other loans and receivables noted above, other than those provided for, are fully performing and considered to be a low credit risk.

During the year 2012 and 2011 there was no renegotiation of the terms of any receivable.

As at 30 June 2012 and 30 June 2011 financial years, there was no collateral pledged or held for any of the receivables.

25 Share capital

Authorised

1 200 000 000 (2011: 1 200 000 000) ordinary shares of 50 SA cents each.

Issued

431 564 236 (2011: 430 084 628) ordinary shares of 50 SA cents each. All issued shares are fully paid.

Included in the total of issued shares is an amount of 335 shares held by Lydenburg Exploration Limited, a wholly owned subsidiary of the company.

The directors have been authorised to allot and issue 43 008 462 authorised but unissued ordinary shares of the company, being 10% of the total issued share capital of the company as at 30 June 2011, subject to the provisions of the Companies Act and the JSE Limited Listings Requirements. The Remuneration Report and note 34 set out details in respect of the share option scheme and shares held in trust for employees of the group.

Share issues

Shares issued in the 2011 and 2012 financial years relate to the exercise of share options by employees.

26 Other reserves

SA rand			US dollar	
2011	**2012**	Figures in million	**2012**	2011
421	**1 906**	Foreign exchange translation reserve (a)	**(138)**	469
(98)	**4**	Fair value movement of available-for-sale financial assets (b)	**1**	(11)
277	**277**	Equity component of convertible bond (c)	**41**	41
(381)	**(381)**	Acquisition of non-controlling interest in subsidiary (d)	**(57)**	(57)
672	**767**	Share-based payments (e)	**106**	94
(98)	**(98)**	Repurchase of equity interest (f)	**(13)**	(13)
(31)	**(31)**	Other	**(4)**	(4)
762	**2 444**	**Total other reserves**	**(64)**	519

(a) Foreign exchange translation reserve

SA rand			US dollar	
2011	**2012**	Figures in million	**2012**	2011
(49)	**421**	Balance at beginning of year	**469**	(86)
128	**–**	Realised portion reclassified through profit or loss	**–**	18
342	**1 581**	Current year's foreign exchange movement	**(595)**	537
–	**(96)**	Tax on foreign exchange movement	**(12)**	–
421	**1 906**	**Balance at end of year**	**(138)**	469

The balance of the foreign exchange translation reserve movement represents the cumulative translation effect of the group's off-shore operations. The US dollar amount includes the translation effect from rand to US dollar.

The realised portion reclassified through profit or loss in 2011 relates to the sale of Mount Magnet and the deregistration of dormant Australian subsidiaries. Refer to note 14 and 7, respectively, for further detail.

(b) Fair value movement of available-for-sale financial assets

SA rand			US dollar	
2011	**2012**	Figures in million	**2012**	2011
4	**(98)**	Balance at beginning of year	**(11)**	4
(6)	**–**	Realised portion reclassified through profit or loss	**–**	(1)
–	**–**	Tax on realised portion	**–**	–
(97)	**(42)**	Fair value movement – unrealised	**(5)**	(14)
–	**144**	Impairment recognised in profit or loss	**19**	–
1	**–**	Translation	**(2)**	–
(98)	**4**	**Balance at end of year**	**1**	(11)

The balance of the fair value movement reserve represents the movement in the fair value of the available-for-sale financial assets. For details on the movement, refer to note 21.

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26 Other reserves continued

(c) Equity component of convertible bond

On 24 May 2004, the group issued a convertible bond. The amount representing the value of the equity conversion component is included in other reserves, net of deferred income taxes. The equity conversion component is determined on the issue of the bonds and is not changed in subsequent periods. The convertible bonds were repaid in 2009.

(d) Acquisition of non-controlling interest in subsidiary

On 15 March 2004 Harmony announced that it had made an off market cash offer to acquire all the ordinary shares, listed and unlisted options of Abelle, held by non-controlling interests. The excess of the purchase price of R579 million (US$86.5 million) (A$123 million) over the carrying amount of non-controlling interest acquired, amounting to R381 million (US$57 million), has been accounted for under other reserves.

(e) Share-based payments

SA rand			US dollar	
2011	**2012**	Figures in million	**2012**	2011
536	**672**	Balance at beginning of year	**94**	75
136	**95**	Share-based payments expensed	**12**	19
672	**767**	**Balance at end of year**	**106**	94

The group issues equity-settled instruments to certain qualifying employees under an Employee Share Option Scheme to purchase shares in the company's authorised but unissued ordinary shares. Equity share-based payments are measured at the fair value of the equity instruments at the date of the grant. Share-based payments are expensed over the vesting period, based on the group's estimate of the shares that are expected to eventually vest. During the 2012 financial year, a share-based payment expense of R95 million (US$12.2 million) (2011: R136 million (US$19.5 million)) was charged to the income statement. (Refer to note 34 for more detail.)

(f) Repurchase of equity interest

On 19 March 2010, Harmony Gold Mining Company Limited concluded an agreement with AVRD, for the purchase of its 26% share of the mining titles of the Doornkop South Reef. From an accounting perspective, the sale of the 26% share in the mining titles was never recognised and accounted for as an in-substance call option by AVRD over the 26% mineral right. This was due to AVRD not being exposed to any losses relating to the Doornkop mineral right, and entitled at any point in time to repay the Nedbank loan guaranteed by Harmony – thereby becoming unconditionally entitled to the 'upside' in the mineral right. The agreement to purchase AVRD's 26% interest during the 2010 financial year is therefore considered to be a repurchase of the option (equity interest). The difference between the value of the shares issued of R152 million (US$20.5 million), the liability to African Vanguard Resources (Proprietary) Limited and transaction costs, have been taken directly to equity. The 26% interest was transferred from AVRD to Harmony in exchange for Harmony repaying the AVRD Nedbank loan and the issue of 2 162 359 Harmony shares.

27 Provision for environmental rehabilitation

The group's mining and exploration activities are subject to extensive environmental laws and regulations. These laws and regulations are continually changing and are generally becoming more restrictive. The group has made, and expects to make in the future, expenditures to comply with such laws and regulations, but cannot predict the full amount of such future expenditures. Estimated future reclamation costs are based principally on legal and regulatory requirements. The following is a reconciliation of the total liability for environmental rehabilitation:

SA rand			US dollar	
2011	**2012**	Figures in million	**2012**	2011
		Provision raised for future rehabilitation		
1 811	**1 987**	Balance at beginning of year	**293**	238
(119)	**(16)**	Disposal of assets	**(2)**	(16)
101	**(95)**	Change in estimate – balance sheet	**(12)**	15
56	**(45)**	Change in estimate – income statement	**(5)**	8
127	**134**	Time value of money and inflation component of rehabilitation costs[1]	**17**	18
11	**70**	Translation	**(43)**	30
1 987	**2 035**	Balance at end of year	**248**	293
(16)	**(170)**	Reclassification to held for sale	**(21)**	(2)
1 971	**1 865**	**Total provision for environmental rehabilitation**	**227**	291

[1]*Includes costs for both continuing and discontinued operations.*

Refer to note 3.4 for the estimations and judgements used in the calculations. While the ultimate amount of rehabilitation costs to be incurred in the future is uncertain, the group has estimated that, based on current environmental and regulatory requirements, the total cost for the mines, in the current monetary terms, is approximately R2 823 million (US$343.9 million) (2011: R2 747 million (US$405.4 million)).

SA rand			US dollar	
2011	**2012**	Figures in million	**2012**	2011
		Future net undiscounted obligation		
2 747	**2 823**	Ultimate estimated rehabilitation cost	**344**	405
(1 862)	**(2 000)**	Amounts invested in environmental trust funds (Refer to note 20)	**(243)**	(275)
885	**823**	**Total future net undiscounted obligation**	**101**	130

The group intends to finance the ultimate rehabilitation costs from the money invested in environmental trust funds, ongoing contributions, as well as the proceeds on sale of assets and gold from plant clean-up at the time of mine closure. The group has guarantees in place relating to the environmental liabilities. Refer to notes 19 and 36.

During 2012, the group rehabilitated certain decommissioned operations in the Free State as part of its overall strategy of eliminating safety and health exposures and reducing environmental liability.

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28 Retirement benefit obligation

SA rand			US dollar	
2011	**2012**	Figures in million	**2012**	2011
		Non-current		
167	**177**	Retirement benefit obligation (b)	**22**	25
–	**(1)**	Reclassification to held for sale	**–**	–
167	**176**	**Total retirement benefit obligation**	**22**	25

(a) Pension and provident funds:

The group contributes to several pension and provident funds governed by the Pension Funds Act, 1956 for the employees of its South African subsidiaries. The pension funds are multi-employer industry plans. The group's liability is limited to its annually determined contributions.

The provident funds are funded on a "money accumulative basis" with the member's and employer's contributions having been fixed in the constitution of the funds.

The Australian group companies make contributions to each employee's superannuation (pension) funds in accordance with the Superannuation Guarantee Scheme (SGS). The SGS is a Federal Government initiative enforced by law which compels employers to make regular payments to regulated funds providing for each employee on their retirement. The SGS were set at a minimum of 9% of gross salary and wages for the 2012 year (2011: 9%). The fund is a defined contribution plan.

The PNG Superannuation Act 2002 requires a compulsory employer contribution of 8.4% (2011: 8.4%) into an approved superannuation (pension) fund if an employee is appointed for a period of three months or more. The approved superannuation funds are defined contribution plans.

Substantially all the group's employees are covered by the above mentioned retirement benefit plans. Funds contributed by the group for the 2012 financial year amounted to R550 million (US$70.8 million) (2011: R436 million (US$62.4 million)).

(b) Post-retirement benefits other than pensions:

Harmony inherited a post-retirement medical benefit obligation, which existed at the time of the Freegold acquisition in 2002. The group's obligation in this regard is to pay a subsidy of 2% for every completed year of employment up to a maximum of 50% of total medical aid contributions, commencing on date of retirement. Should the employee die, either in service or after retirement, this benefit will transfer to his/her dependants. The medical aid tariffs are based on the Minemed medical scheme options. Except for the pre-mentioned employees, Harmony has no other post-retirement obligation for the other group employees.

The liability is unfunded and will be settled out of cash and cash equivalents when it becomes due. The liability is based on an actuarial valuation conducted during the year ended 30 June 2012, using the projected unit credit method. The next actuarial valuation will be performed on 30 June 2013.

The principal actuarial assumptions used to determine the present value of unfunded obligations are discussed in note 3.5. In addition the following was also considered:

- It is assumed that all Continuation and Widow Members (CAWMs) will remain on the current benefit option and income band. For employed members, post-employment contributions were assumed to be equal to the average payable for the current CAWMs membership
- It is assumed that not all employed members will remain employed until retirement therefore estimated resignation and ill-health retirement rates are also taken into account
- It is assumed that 90% of employed members will be married at retirement or earlier death and that wives are four years younger than their husbands. It is assumed that the only dependants will be spouses.

SA rand			US dollar	
2011	**2012**	Figures in million	**2012**	2011
167	**177**	**Present value of unfunded obligations**	**22**	25
103	**106**	Current employees	**13**	15
64	**71**	Retired employees	**9**	10
		Movement in the liability recognised in the balance sheet		
153	**167**	Balance at beginning of year	**25**	20
(5)	**(5)**	Contributions paid	**(1)**	(1)
4	**4**	Other expenses included in staff costs/current service cost	**1**	1
16	**16**	Interest cost	**2**	2
(1)	**(5)**	Net actuarial (gain)/loss recognised during the year	**(1)**	–
–	**–**	Translation	**(4)**	3
167	**177**	Balance at end of year	**22**	25
–	**(1)**	Reclassification to held for sale	**–**	–
167	**176**		**22**	25

Net actuarial gains/losses are included in cost of sales in the income statement. The net actuarial loss recognised during the 2010 year was R7 million (US$0.9 million), the 2009 year was Rnil (US$nil), and the 2008 year was R12 million (US$1.5 million).

SA rand			US dollar	
2011	**2012**	Figures in million	**2012**	2011
		The net liability of the defined benefit plan is as follows:		
167	**176**	Present value of defined benefit obligation	**22**	25
–	**–**	Fair value of plan assets	**–**	–
167	**176**	**Net retirement benefit obligation liability**	**22**	25

The present value of the defined benefit obligation was R153 million (US$20.1 million) in 2010, R152 million (US$19.7 million) in 2009 and R130 million (US$16.7 million) in 2008.

The effect of a one percentage point increase and decrease in the assumed medical cost trend rates is as follows:

SA rand			US dollar	
2011	**2012**	Figures in million	**2012**	2011
1% Increase	**1% Increase**		**1% Increase**	1% Increase
		Effect on:		
3	**3**	Aggregate of service cost and interest cost	**–**	–
26	**27**	Defined benefit obligation	**3**	4
1% Decrease	**1% Decrease**		**1% Decrease**	1% Decrease
		Effect on:		
3	**3**	Aggregate of service cost and interest cost	**–**	–
22	**22**	Defined benefit obligation	**3**	3

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29 Other provisions

SA rand			US dollar	
2011	**2012**	Figures in million	**2012**	2011
7	**30**	Other	**4**	1

Included in Other is a provision of R26 million (US$3.2 million) relating to the pumping and treatment costs of fissure water in the KOSH Basin. This provision was raised following the High Court's dismissal of Harmony's application to have a directive issued by the Department of Water Affairs (DWAF) in November 2005 set aside, as it relates to the Orkney operations, which were sold in 2008. Harmony filed an application to appeal the judgment on 20 July 2012.

30 Borrowings

Pacific Premium Funding (Proprietary) Limited

During October 2010 and December 2010, Morobe Consolidated Goldfields (MCG) entered into two US dollar loans with Pacific Premium Funding (Proprietary) Limited to finance insurance payments. The loans, totalling R25 million (US$3.6 million), were repaid during May 2011, at an average interest rate of 3.55%.

Westpac Bank

In July 2007, MCG entered into US dollar finance lease agreements with Westpac Bank for the purchase of mining fleet to be used on the Hidden Valley project. There is no debt covenant clause in the agreements.

Nedbank Limited

On 11 December 2009, the company entered into a loan facility with Nedbank Limited, comprising a term facility of R900 million (US$119.4 million) and a revolving credit facility of R600 million (US$79.6 million). The facility was utilised to fund the acquisition of the Pamodzi Free State assets as well as the group's major capital projects and working capital requirements. Interest accrues on a day-to-day basis over the term of the loan at a variable interest.

On 30 November 2010, the Company entered into an additional loan facility with Nedbank Limited, comprising a term facility of R500 million (US$70.1 million) and a revolving credit facility of R250 million (US$35.0 million). Interest terms are identical to the original facility. The repayment terms of the original revolving credit facility were amended to coincide with the repayment on the new facility.

Syndicated revolving credit facility

On 11 August 2011, the company entered into a loan facility which was jointly arranged by Nedbank Limited and FirstRand Bank Limited (acting through its Rand Merchant Bank division) (syndicate), comprising a US$300 million (R2 156 million) syndicated revolving credit facility. The facility is utilised to fund exploration projects in Hidden Valley and Wafi-Golpu. The facility attracts interest at LIBOR plus 260 basis points, which is payable quarterly.

Debt covenants

The debt covenant tests for the group for both the Nedbank Limited facilities and syndicated revolving credit facility are as follows:

- The group's interest cover shall not be less than two (EBIT/Total interest)
- Current ratio shall not be less than one (Current assets/current liabilities)
- Cash flow from operating activities shall be above R100 million for the six months prior to the evaluation date
- Total net debt shall not exceed R3 billion plus the rand equivalent of US$300 million
- Market capitalisation to facilities outstanding ratio shall not be less than six times.

The debt covenant tests are performed on a quarterly basis. No breaches of the covenants were identified during the tests in the 2012 financial year.

Terms and debt repayment schedule at 30 June 2012

	Interest charge	Repayment terms	Repayment date	Security
Westpac Bank (secured finance lease)	US – LIBOR plus 1.25%	Quarterly	30 June 2013	Mining fleet
Nedbank Limited (secured loan – term facility 1)	3 month JIBAR plus 3.5%, payable quarterly	Bi-annual equal instalments of R90 million (US$10.9 million)	31 December 2014	Cession and pledge of operating subsidiaries' shares
Nedbank Limited (secured loan – term facility 2)	3 month JIBAR plus 3.5%, payable quarterly	Bi-annual equal instalments of R62.5 million (US$7.6 million)	31 December 2014	
Nedbank Limited (secured loan – revolving credit facility)	1 or 3 month JIBAR plus 3.5%, payable after interest interval	Repayable on maturity	30 November 2013	
Syndicated (secured loan – US$ revolving credit facility)	LIBOR plus 260 basis points, payable quarterly	Repayable on maturity	15 September 2015	Cession and pledge of operating subsidiaries' shares and Joint venture interest

Interest-bearing borrowings

SA rand			US dollar	
2011	**2012**	Figures in million	**2012**	2011
		Non-current borrowings		
23	**3**	Westpac Bank (secured finance lease)	**–**	3
59	**23**	Balance at beginning of year	**3**	8
(29)	**(33)**	Repayments	**(4)**	(4)
4	**4**	Net adjustments to current portion	**(1)**	–
(11)	**9**	Translation	**2**	(1)

Notes to the group financial statements continued

for the years ended 30 June 2012

30 Borrowings continued

SA rand			US dollar	
2011	2012	Figures in million	2012	2011
759	458	Nedbank Limited (secured loan – term facilities)	56	112
627	759	Balance at beginning of year	112	82
500	–	Draw down	–	73
(242)	(305)	Repayments	(37)	(36)
(4)	–	Issue cost	–	(1)
3	3	Amortisation of issue costs	–	–
(125)	1	Net adjustments to current portion	–	(22)
–	–	Translation	(19)	16
447	–	Nedbank Limited (secured loan – revolving credit facilities)	–	66
295	447	Balance at beginning of year	66	39
400	400	Draw down	58	57
(250)	(850)	Repayments	(106)	(37)
–	(20)	Issue costs	(2)	–
2	23	Amortisation of issue costs	3	–
–	–	Translation	(19)	7
–	1 042	Syndicated (secured loan – US$ revolving credit facility)	127	–
–	–	Balance at beginning of year	–	–
–	1 043	Draw down	130	–
–	(47)	Issue cost	(6)	–
–	9	Amortisation of issue costs	1	–
–	12	Net adjustments to current portion	2	–
–	25	Translation	–	–
1 229	1 503	**Total non-current borrowings**	183	181
		Current borrowings		
28	24	Current portion of the finance lease from Westpac Bank	3	4
302	301	Current portion of the loans from Nedbank Limited	37	45
–	(12)	Current portion of the loans from syndicate	(2)	–
330	313	**Total current borrowings**	38	49
1 559	1 816	**Total interest-bearing borrowings**	221	230
		The future minimum lease payments for Wespac Bank finance leases are:		
29	24	Due within one year	3	4
21	3	Due within one and two years	–	3
2	–	Due between two and five years	–	–
52	27		3	7
(1)	–	Future finance charges	–	–
51	27		3	7

SA rand			US dollar	
2011	2012	Figures in million	2012	2011
		The maturity of borrowings is as follows:		
330	**313**	Current	**38**	49
323	**294**	Between one to two years	**36**	48
906	**1 209**	Between two to five years	**147**	133
–	**–**	Over five years	**–**	–
1 559	**1 816**		**221**	230
		Undrawn committed borrowing facilities:		
–	**–**	Expiring within one year	**–**	–
400	**2 245**	Expiring after one year	**274**	59
400	**2 245**		**274**	59

	Effective rate	
	2012	2011
Westpac Bank	**1.6%**	2.0%
Nedbank Limited	**9.1%**	9.1%
Syndicate	**3.0%**	n/a

The level of Harmony's borrowing powers, as determined by its Articles of Association, shall not, except with the consent of the Harmony's general meeting, exceed R40 million or the aggregate from time to time of the issued and paid-up share capital of the company, together with the aggregate of the amounts standing to the credit of all distributable and non-distributable reserves (including minority interests in subsidiary companies and provisions for deferred taxation) and any share premium accounts of the company. In 2012, the borrowing powers were not exceeded.

31 Trade and other payables

SA rand			US dollar	
2011	2012	Figures in million	2012	2011
		Financial liabilities:		
355	**280**	Trade payables	**34**	52
144	**58**	Other liabilities (a)	**7**	21
		Non-financial liabilities:		
335	**343**	Payroll accruals	**42**	50
280	**322**	Leave liabilities (b)	**39**	41
308	**569**	Shaft related accruals	**69**	46
276	**194**	Other accruals	**24**	41
48	**48**	Value added tax	**6**	7
1 746	**1 814**		**221**	258
–	**(67)**	Reclassification to held for sale	**(8)**	–
1 746	**1 747**	**Total trade and other payables**	**213**	258

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31 Trade and other payables continued

(a) Other liabilities

Included in the balance for 2011 is an amount of R100 million (US$15.2 million) relating to the sale of assets agreement with Taung. Refer to note 14.

(b) Leave liabilities

Employee entitlements to annual leave are recognised on an ongoing basis. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. The movement in the liability recognised in the balance sheet is as follows:

SA rand			US dollar	
2011	**2012**	Figures in million	**2012**	2011
260	**280**	Balance at beginning of year	**41**	34
(281)	**(306)**	Benefits paid	**(39)**	(40)
299	**341**	Total expense per income statement	**44**	43
2	**7**	Translation	**(7)**	4
280	**322**		**39**	41
–	**(19)**	Reclassification to held for sale	**(2)**	–
280	**303**	**Balance at end of year**	**37**	41

32 Cash generated by operations

SA rand			US dollar	
2011	**2012**	Figures in million	**2012**	2011
		All amounts disclosed include discontinued operations		
		Reconciliation of profit before taxation to cash generated by operations:		
171	**2 686**	Profit before taxation	**346**	21
		Adjustments for:		
1 776	**1 991**	Amortisation and depreciation	**256**	254
264	**(60)**	(Reversal of impairment)/impairment of assets	**(7)**	39
136	**95**	Share-based payments	**12**	19
(1)	**(6)**	Net increase/(decrease) in provision for post-retirement benefits	**(1)**	–
56	**(43)**	Net (decrease)/increase in provision for environmental rehabilitation	**(5)**	8
(29)	**(295)**	Profit on sale of property, plant and equipment	**(36)**	(4)
51	**–**	Loss/(profit) from associates	**–**	7
142	**(56)**	(Reversal of impairment)/impairment of investment in associate	**(7)**	20
–	**144**	Impairment of investments	**19**	–
(141)	**(94)**	Net gain on financial instruments	**(12)**	(20)
(273)	**–**	Gain on farm-in option	**–**	(38)
(54)	**–**	(Profit)/loss on sale of investment in subsidiary	**–**	(7)
(2)	**–**	Dividends received	**–**	–
(138)	**(103)**	Interest received	**(13)**	(20)
288	**302**	Finance cost	**39**	41
332	**(17)**	Inventory adjustments	**(3)**	48
(63)	**38**	Other non-cash adjustments	**5**	(8)
		Effect of changes in operating working capital items		
(103)	**(86)**	Receivables	**(12)**	(15)
(140)	**(64)**	Inventories	**(9)**	(20)
146	**119**	Payables	**14**	21
2 418	**4 551**	**Cash generated by operations**	**586**	346

Additional cash flow information

(i) The income and mining taxes paid in the statement of cash flow represents actual cash paid less refunds received.

(ii) At 30 June 2012, R2 245 million (US$273.6 million) (2011: R400 million (US$59.0 million)) of borrowing facilities had not been drawn down and is therefore available for future operating activities and future capital commitments. Refer to note 30.

For the financial year ended 30 June 2012

(a) Acquisitions and disposal of investments/businesses

Disposal of investment in Rand Uranium

On 6 January 2012, the transaction with Gold One was concluded and the first payment of R193 million (US$23.8 million) was received. Further payments were made during April 2012 totalling R86 million (US$11.0 million). These amounts were for the sale of the group's 40% investment in Rand Uranium as well as for the outstanding balance of the subordinated shareholder's loan. Refer to note 14.

Disposal of Evander 6 and Twistdraai

The conditions precedent for the sale of Evander 6 and Twistdraai were fulfilled and the transaction became effective on 30 May 2012. A total purchase consideration of R225 million (US$33.2 million) was received from Taung Gold Limited, including the deposit of R100 million (US$15.2 million) received in April 2011. Refer to note 14.

The aggregate fair values of assets and liabilities sold were:

SA rand			US dollar	
2011	**2012**	Figures in million	**2012**	2011
–	**12**	Funds set aside for environmental rehabilitation	**1**	–
–	**(17)**	Environmental liability	**(2)**	–
–	**230**	Profit on disposal	**27**	–
100	**(100)**	Trade and other payables	**(15)**	15
–	–	Translation	**4**	–
100	**125**	**Proceeds received in cash**	**15**	15

(b) Principal non-cash transactions

Share-based payments (refer to note 34)

For the financial year ended 30 June 2011

(a) Acquisitions and disposal of investments/businesses

Disposal of Mount Magnet

On 20 July 2010, the conditions precedent for the sale of Mount Magnet were fulfilled and the transaction became effective. A total purchase consideration of R238 million (US$31.6 million) was received from Ramelius Resources Limited in exchange for the entire issued share capital of Mount Magnet. The entire purchase consideration was settled in cash. At the date of disposal, Mount Magnet had no cash and cash equivalent balances included in its net asset value. Also refer to note 14.

The aggregate fair values of assets and liabilities sold were:

SA rand			US dollar	
2011	**2012**	Figures in million	**2012**	2011
206	–	Property, plant and equipment	–	27
5	–	Inventory	–	1
(119)	–	Rehabilitation liability	–	(16)
(1)	–	Other liabilities	–	–
138	–	Profit on disposal	–	18
229	–	**Proceeds received in cash**	–	30

(b) Principal non-cash transactions

Disposal of Freegold farm-in option (refer note 10).
Share-based payments (refer to note 34).

for the years ended 30 June 2012

33 Employee benefits

	2012	2011
Number of permanent employees as at 30 June:		
South African operations*	**33 935**	34 345
International operations**	**1 905**	1 476
Total number of permanent employees	**35 840**	35 821

SA rand			US dollar	
2011	**2012**	Figures in million	**2012**	2011
		Aggregate earnings		
		The aggregate earnings of employees including directors were:		
5 785	**6 071**	Salaries and wages and other benefits	**781**	828
428	**464**	Retirement benefit costs	**60**	61
124	**167**	Medical aid contributions	**22**	18
6 337	**6 702**	**Total aggregated earnings*** **	**863**	907

Remuneration for directors and management is fully disclosed in the remuneration report on pages 181 to 183.

* *2 521 employees were attributable to the discontinued operations at 30 June 2012 (2011: 2 576).*
** *The total number of employees in Australia, including the Brisbane office, at 30 June 2012 was 107 (2011: 127). The total for the international operations includes the joint venture employees.*
*** *These amounts have been included in production cost, corporate expenditure and capital expenditure.*

During the 2012 year, R61 million (US$7.9 million) (2011: R29 million (US$4.1 million)) was included in the payroll cost for termination costs. Termination costs exclude the cost relating to the voluntary retrenchment process as well as retrenchment due to the shaft closures (refer to note 5).

34 Share option scheme

The group currently has the 2001, 2003 schemes and the 2006 share plan that are active. The objective of these schemes is to recognise the contributions of employees to the group's financial position and performance and to retain key employees.

The details pertaining to share options issued and exercised by directors and management during the year are disclosed in the remuneration report on pages 182 and 183.

Options granted under the 2001 and 2003 schemes

A fifth of the options granted under the 2001 and 2003 schemes are exercisable annually from the grant date with an expiry date of 10 years from the grant date. The offer price of these options equalled the closing market price of the underlying shares on the trading date immediately preceding the granting of the options. The options are equity settled.

On resignation and retirement, share options which have not yet vested will lapse and share options which have vested may be taken up at the employee's election before the last day of service. Payment of shares forfeited will therefore not be required. On death, all options vest immediately and the deceased estate has a period of twelve months to exercise these options.

Share-based payments are measured at the fair value of the equity instruments at the date of the grant. The cost is expensed over the vesting period, based on the group's estimate of the options that are expected to eventually vest.

The only vesting conditions for the 2001 and 2003 schemes were that the employees should be in the employment of the group, on vesting date.

The volatility measured at the standard deviation of expected share price returns was based on statistical analysis of daily share prices over the last three years before grant date.

Following the introduction of the 2006 share plan, no further options were granted in the 2012 and 2011 year for the 2001 and 2003 option schemes, and all options are vested.

Number of share options relating to the 2001 and 2003 option schemes	2012	2011
Share options granted	28 442 420	28 442 420
Exercised	20 484 937	19 967 293
Vested but not exercised	829 559	1 347 203
Forfeited and lapsed	7 127 924	7 127 924

	2012		2011	
Activity on share options granted but not yet exercised	Number of shares	Weighted average option price (SA rand)	Number of shares	Weighted average option price (SA rand)
For the year ended 30 June				
Balance at beginning of year	1 347 203	50.12	2 264 585	48.47
Options exercised	(517 644)	51.25	(833 406)	45.29
Options forfeited and lapsed	–	–	(83 976)	53.87
Balance at end of year	829 559	49.43	1 347 203	50.12

List of options granted but not yet exercised (listed by grant date)	At 30 June 2012	Option price (SA rand)	Remaining life (years)
27 March 2003	62 400	91.60	0.7
10 August 2004	197 928	66.15	2.1
26 April 2005	569 231	39.00	2.8
Total option granted but not yet exercised	829 559		

SA rand			US dollar	
2011	2012	Figures in million	2012	2011
72	55	Average market value of options traded during the year	7	5
34	27	Gain realised by participants on options traded during the year	3	5

The number of shares held by the Harmony Share Trust at year end amounted to nil (2011: 5 400). This trust is considered to be an SPE and is therefore consolidated in accordance with the group's accounting policies.

Options granted under the 2006 share plan

The 2006 share plan consists of share appreciation rights (SARs), performance shares (PS) and restricted shares (RS). The SARs will vest in equal thirds in year three, four and five after grant date, subject to the performance conditions having been satisfied. The SARs have an expiry date of six years from the grant date and the offer price equals the closing market price of the underlying shares on the trading date immediately preceding the grant. The PS will vest after three years from the grant date, if and to the extent that the performance conditions have been satisfied. The RS will vest after three years from grant date if the participant is still employed within the group. The share plan is equity-settled.

The aggregate number of shares which may be allocated to the share plan on any day, when added to the total number of unexercised SARs, unvested performance shares, and restricted shares which have been allocated for PS, SARs and RS, and any other employee share scheme operating by the company, shall not exceed 14% of the number of issued ordinary shares of the company from time to time. On 30 June 2012, a total of 10 286 726 SARs, 6 909 829 PS and 518 528 RS had been allocated to participating employees.

Termination of employees' participation in the share plan is based on "no fault" and "fault" definitions.

for the years ended 30 June 2012

34 Share option scheme continued

In the case of SARs, if employment is terminated for no fault reasons, then the value of the appreciation in all unvested and unexercised SARs is settled in shares or cash, at the option of Harmony, as at the date of termination of employment, after the deduction of any tax payable. The employer has no past practice of settling in cash.

In the case of PS, if employment is terminated for no fault reasons, then:

- First the maximum number conditionally awarded is pro-rated for the period from grand date until the termination date;
- Then this adjusted number is reduced to a third on the assumption that Harmony's performance was a median one with one third vesting, after taking into account any portion of shares that have banked already (applicable from 2009 issue onwards);
- And then settled in shares sold on the market for cash, and paid to the participant after the deduction of any tax payable.

In the case of RS, if employment is terminated for no fault reasons, then accelerated vesting occurs and all unvested and unexercised RS are settled.

In all three cases, if employment is terminated for fault reasons, all unvested and unexercised SARs and all PS and RS not yet vested are lapsed and cancelled.

	SARs		PS		RS	
Number of share options relating to	**2012**	2011	**2012**	2011	**2012**	2011
Share options granted	**10 286 726**	9 208 502	**6 909 829**	5 707 308	**518 528**	355 528
Exercised	**876 103**	186 598	**1 168 255**	473 002	**–**	–
Vested but not exercised	**1 142 581**	651 628	**–**	–	**–**	–
Unvested	**5 191 045**	6 131 192	**2 701 001**	3 693 583	**411 686**	347 883
Forfeited and lapsed	**3 076 997**	2 239 084	**3 040 573**	1 540 723	**106 842**	7 645
Vesting periods of unvested shares						
Within one year	**1 523 173**	1 240 764	**518 004**	1 818 716	**–**	–
One to two years	**1 415 294**	1 803 284	**1 068 236**	613 352	**270 686**	–
Two to three years	**1 264 446**	1 635 420	**1 114 761**	1 261 515	**141 000**	347 883
Three to four years	**653 460**	1 078 463	**–**	–	**–**	–
Four to five years	**334 672**	373 261	**–**	–	**–**	–
Total number of unvested shares	**5 191 045**	6 131 192	**2 701 001**	3 693 583	**411 686**	347 883

	SARs		PS	RS
Activity on options granted but not yet exercised	**Number of shares**	**Weighted average option price (SA rand)**	**Number of shares**	**Number of shares**
For the year ended 30 June 2012				
Balance at beginning of year	**6 782 820**	**79.66**	**3 693 583**	**347 883**
Options granted	**1 078 224**	**104.79**	**1 202 521**	**163 000**
Options exercised	**(689 505)**	**76.72**	**(695 253)**	**–**
Options forfeited and lapsed	**(837 913)**	**81.61**	**(1 499 850)**	**(99 197)**
Balance at end of year	**6 333 626**	**83.91**	**2 701 001**	**411 686**
For the year ended 30 June 2011				
Balance at beginning of year	6 775 583	78.47	3 492 402	–
Options granted	1 216 480	84.81	1 345 370	355 528
Options exercised	(186 598)	70.54	(473 002)	–
Options forfeited and lapsed	(1 022 645)	79.55	(671 187)	(7 645)
Balance at end of year	6 782 820	79.66	3 693 583	347 883

List of shares granted but not yet exercised (listed by grant date)	Number of shares	Option price (SA rand)	Remaining life (years)
As at 30 June 2012			
Share appreciation rights			
15 November 2006	**335 787**	**112.64**	**0.4**
15 November 2007	**956 945**	**70.54**	**1.4**
7 March 2008	**46 154**	**102.00**	**1.7**
5 December 2008	**1 201 402**	**77.81**	**2.4**
16 November 2009	**1 832 958**	**77.28**	**3.4**
15 November 2010	**956 364**	**84.81**	**4.4**
15 November 2011	**1 004 016**	**104.79**	**5.4**
	6 333 626		
Performance shares			
16 November 2009	**518 004**	**n/a**	**0.4**
15 November 2010	**1 068 236**	**n/a**	**1.4**
15 November 2011	**1 114 761**	**n/a**	**2.4**
	2 701 001		
Restricted shares			
15 November 2010	**270 686**	**n/a**	**1.4**
15 November 2011	**141 000**	**n/a**	**2.4**
	411 686		
Total option granted but not yet exercised	**9 446 313**		

SA rand			US dollar	
2011	**2012**	Figures in million	**2012**	2011
31	**102**	Gain realised by participants on options traded during the year	**13**	4
35	**116**	Fair value of share options vested during the year	**15**	5
136	**95**	Share-based cost recognised	**12**	19

for the years ended 30 June 2012

34 Share option scheme continued

The share-based cost is calculated using the Monte Carlo simulation on the market-linked PS, Black-Scholes on the SARs and spot share on grant date for the RS. The following assumptions were applied at grant date:

	SARs	Performance shares	Restricted shares
Price at date of grant (SA rand per share)			
15 November 2006 share allocation	112.64	n/a	n/a
15 November 2007 share allocation (valuation date 21 December 2007)	68.44	n/a	n/a
15 November 2007 share allocation (valuation date 21 April 2008)	92.25	n/a	n/a
7 March 2008 share allocation	102.00	n/a	n/a
5 December 2008 share allocation (valuation date 5 December 2008)	77.81	n/a	n/a
5 December 2008 share allocation (valuation date 16 February 2009)	116.90	n/a	n/a
16 November 2009 share allocation (valuation date 27 November 2009)	81.50	n/a	n/a
16 November 2009 share allocation (valuation date 23 December 2009)	75.60	n/a	n/a
16 November 2009 share allocation (valuation date 3 May 2010)	72.14	n/a	n/a
15 November 2010 share allocation (valuation date 15 November 2010)	83.98	n/a	n/a
15 November 2011 share allocation (valuation date 15 November 2011)	113.80	n/a	n/a
Risk-free interest rate			
15 November 2006 share allocation	8.79%	9.58%	n/a
15 November 2007 share allocation (valuation date 21 December 2007)	9.84%	10.81%	n/a
15 November 2007 share allocation (valuation date 21 April 2008)	10.68%	11.71%	n/a
7 March 2008 share allocation	10.44%	11.04%	n/a
5 December 2008 share allocation (valuation date 5 December 2008)	8.43%	8.55%	n/a
5 December 2008 share allocation (valuation date 16 February 2009)	8.30%	8.18%	n/a
16 November 2009 share allocation (valuation date 27 November 2009)	8.63%	n/a	n/a
16 November 2009 share allocation (valuation date 23 December 2009)	8.57%	n/a	n/a
16 November 2009 share allocation (valuation date 3 May 2010)	n/a	7.29%	n/a
15 November 2010 share allocation (valuation date 15 November 2010)	6.70%	6.14%	n/a
15 November 2011 share allocation (valuation date 15 November 2011)	6.89%	6.30%	n/a
Expected volatility*			
15 November 2006 share allocation	26.37%	34.71%	n/a
15 November 2007 share allocation (valuation date 21 December 2007)	35.10%	46.32%	n/a
15 November 2007 share allocation (valuation date 21 April 2008)	41.72%	49.52%	n/a
7 March 2008 share allocation	54.50%	50.49%	n/a
5 December 2008 share allocation (valuation date 5 December 2008)	48.61%	56.62%	n/a
5 December 2008 share allocation (valuation date 16 February 2009)	49.03%	70.86%	n/a
16 November 2009 share allocation (valuation date 27 November 2009)	49.29%	n/a	n/a
16 November 2009 share allocation (valuation date 23 December 2009)	49.21%	n/a	n/a
16 November 2009 share allocation (valuation date 3 May 2010)	n/a	37.34%	n/a
15 November 2010 share allocation (valuation date 15 November 2010)	31.16%	31.16%	n/a
15 November 2011 share allocation (valuation date 15 November 2011)	39.13%	39.13%	n/a
Expected dividend yield			
for all allocations	0.00%	0.00%	0.00%
Vesting period (from grant date)			
for all allocations	5 years	3 years	3 years

** The volatility is measured as an annualised standard deviation of historical share price returns, using an exponentially weighted moving average (EWMA) model, with a lambda of 0.99. The volatility is calculated on the grant date, and takes into account the previous three years of historical data.*

Share-based costs are measured at the fair value of the equity instruments at the date of the grant as defined in IFRS 2. The grant date is the date of which the entity and counterparty have a shared understanding of the terms and conditions of the share-based payment arrangement. The cost is expensed over the vesting period, based on the group's estimate of the options that are expected to eventually vest within the rules of IFRS2.

For 16 November 2009 issue

The performance criteria imposed by the board, and which must be satisfied before the settlement of any PS under this award, are as follows:

- 50% of the number of shares awarded are to be linked to the annual gold production of the group in relation to the targets set annually.
- 50% of the number of shares awarded are linked to the group's total shareholder return (TSR) in comparison to the South African Gold Index.

The performance criteria imposed per the Harmony 2006 Share Plan which must be satisfied before the settlement of the SARs allocation is that the group's headline earnings per share must have grown since the allocation date by more than the CPI.

For options granted on 16 November 2009, the following fair values were used as a basis to recognise share-based payment cost:

- For options measured on 27 November 2009, the value is R44.52 per share for SARs.
- For options measured on 23 December 2009, the value is R39.26 for SARs.
- For options measured on 3 May 2010, the value is R38.49 for PS.

For 15 November 2010 issue

The performance criteria imposed by the board, and which must be satisfied before the settlement of any PS under this award, are as follows:

- 50% (senior management)/70% (management) of the number of shares awarded are to be linked to the annual gold production of the group in relation to the targets set annually.
- 50% (senior management)/30% (management) of the number of shares awarded are linked to the group's TSR in comparison to the South African Gold Index.

The performance criteria imposed per the Harmony 2006 Share Plan which must be satisfied before the settlement of the SARs allocation is that the group's headline earnings per share must have grown since the allocation date by more than the CPI.

For options granted during the year, the following fair values were used as a basis to recognise share-based payment cost:

- For options measured on 15 November 2010, the value is R32.63 per share for SARs.
- For options measured on 15 November 2010, the value is R45.20 for PS.
- For options measured on 15 November 2010, the value is R83.98 for RS.

For 15 November 2011 issue

The performance criteria imposed by the board, and which must be satisfied before the settlement of any PS under this award, are as follows:

- 50% (senior management)/70% (management) of the number of shares awarded are to be linked to the annual gold production of the group in relation to the targets set annually.
- 50% (senior management)/30% (management) of the number of shares awarded are linked to the group's TSR in comparison to the South African Gold Index.

The performance criteria imposed per the Harmony 2006 Share Plan which must be satisfied before the settlement of the SARs allocation is that the group's headline earnings per share must have grown since the allocation date by more than the CPI.

For options granted during the year, the following fair values were used as a basis to recognise share-based payment cost:

- For options measured on 15 November 2011, the value is R53.92 per share for SARs.
- For options measured on 15 November 2011, the value is R72.71 for PS.
- For options measured on 15 November 2011, the value is R113.80 for RS.

for the years ended 30 June 2012

35 Related parties

None of the directors or major shareholders of Harmony or, to the knowledge of Harmony, their families, had interest, direct or indirectly, in any transaction from 1 July 2010 or in any proposed transaction that has affected or will materially affect Harmony or its subsidiaries, other than as stated below.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the group, directly or indirectly, including any director (whether executive or otherwise) of the group. Directors', prescribed officers' and executive management's remuneration is fully disclosed in the remuneration report.

André Wilkens holds 101 303 shares in Harmony. Subsequent to year-end, Harmony shares were purchased by several of the directors:

Graham Briggs	14 347 shares
Frank Abbott	73 900 shares
Ken Dicks	12 500 shares

African Rainbow Minerals Limited (ARM) currently holds 14.7% of Harmony's shares. Patrice Motsepe, André Wilkens, Joaquim Chissano and Frank Abbott are directors of ARM.

During the financial year ended 30 June 2012 Harmony sold its 40% interest in Rand Uranium. Refer to note 14.

A list of the major shareholders can be found on page 314.

A list of the group's subsidiaries, associates and joint ventures has been included in Annexure A.

SA rand			US dollar	
2011	**2012**	Figures in million	**2012**	2011
		Sales and services rendered to related parties		
387	**311**	Associates	**40**	55
9	**18**	Joint ventures	**2**	1
396	**329**		**42**	56
		Purchases and services acquired from related parties		
21	**14**	Associates	**2**	3
		Outstanding balances due by related parties		
149	**17**	Associates	**2**	22
–	**29**	Joint ventures	**4**	–
		Outstanding balances due to related parties		
17	**17**	Associates[1]	**2**	3

[1] *Retained from the consideration for the Pamodzi FS acquisition pending the transfer of rehabilitation trust funds.*

Interest amounting to R3 million (US$0.3 million) was accrued on the subordinated loan to Rand Uranium during 2012 (2011: R5 million (US$0.7 million)). Refer to note 24 for detail on the items relating to the loans to associates and provisions raised against these loans.

36 Commitments and contingencies

(i) Commitments and guarantees

SA rand			US dollar	
2011	**2012**	Figures in million	**2012**	2011
		Capital expenditure commitments		
151	**318**	Contracts for capital expenditure	**39**	22
43	**201**	Share of joint venture's contract for capital expenditure	**24**	6
1 504	**2 257**	Authorised by the directors but not contracted for	**275**	222
1 698	**2 776**	**Total capital commitments**	**338**	250

This expenditure will be financed from existing resources and where appropriate, borrowings.

The group is contractually obliged to make the following payments in respect of operating leases, including for land and buildings, and for mineral tenement leases:

SA rand			US dollar	
2011	**2012**	Figures in million	**2012**	2011
56	**100**	Within one year	**12**	8
53	**47**	Between one year and five years	**6**	8
109	**147**	**Total commitments for operating leases**	**18**	16

This includes R135 million (US$16.5 million) (2011: R98 million (US$14.4 million)) for the MMJV. For details on the group's finance leases, refer to note 30.

SA rand			US dollar	
2011	**2012**	Figures in million	**2012**	2011
		Guarantees		
25	**32**	Guarantees and suretyships	**4**	4
371	**386**	Environmental guarantees[1]	**47**	55
396	**418**		**51**	59

[1] *At 30 June 2012, R26 million (US$3.8 million) (2011: R26 million (US$3.8 million)) has been pledged as collateral for environmental guarantees in favour of certain financial institutions. Refer to note 18.*

(ii) Contingent liabilities

The following contingent liabilities have been identified:

(a) On 18 April 2008, Harmony Gold Mining Company Limited was made aware that it had been named as a defendant in a lawsuit filed in the US District Court in the Southern District of New York on behalf of certain purchasers and sellers of Harmony's American Depository Receipts (ADRs) and options with regard to certain of its business practices. Harmony retained legal counsel.

The company reached a mutually acceptable settlement with the plaintiff class and this settlement was found to be fair and reasonable and was approved by the United States District Court in November 2011. A single class member has filed an appeal of the District Court's order approving the settlement. That appeal is currently pending in the United States Court of Appeals for the Second Circuit. The settlement amount has been paid into escrow by the company's insurers and will be distributed to the plaintiffs once the appeal has been finalised.

(b) The Supreme Court of Appeals' decision on Freegold's appeal regarding the South African Revenue Service's (SARS) application of mining tax ringfencing was received on 1 October 2012 and the Court found in favour of SARS. The judgment on 1 October 2012, an adjusting post-balance sheet event, resulted in additional income taxes payable of R94 million (US$12.1 million). This was offset by the impact of additional allowances on unredeemed capital which resulted in deferred tax credits of R154 million (US$19.8 million).

for the years ended 30 June 2012

36 Commitments and contingencies continued

(c) The case of Mr Thembekile Mankayi v AngloGold Ashanti Limited (AGA) regarding litigation in terms of the Occupational Diseases in Mines and Works Act (ODIMWA) was heard in the High Court of South Africa in June 2008, and an appeal heard in the Supreme Court of Appeals in 2010. In both instances judgment was awarded in favour of AGA. A further appeal that was lodged by Mr Mankayi was heard in the Constitutional Court in 2010. Judgement in the Constitutional Court was handed down on 3 March 2011. The judgement allows Mr Mankayi's executor to proceed with the case in the High Court of South Africa. Should anyone bring similar claims against Harmony in future, those claimants would need to provide that silicosis was contracted while in the employment of the company and that it was contracted due to negligence on the company's part. The link between the cause (negligence by the company while in its employ) and the effect (the silicosis) will be an essential part of any case.

On 23 August 2012, Harmony and all its subsidiaries have been served with court papers entailing an application by three of its former employees requesting the South Gauteng High Court to certify a class action. In essence, the applicants want the court to declare them as representing a class of people for purposes of instituting an action for relief and to obtain directions as to what procedure to follow in pursuing the relief required against Harmony. Harmony has subsequently retained legal counsel in this regard and on 5 September 2012, Harmony served and filed its notice of intention to oppose the application. At this stage and in the absence of a Court decision on this matter it is uncertain as to whether the company will incur any costs related to silicosis claims in the near future. Due to the limited information available on any claims and potential claims and the uncertainty of the outcome of these claims, no estimation can be made for the possible obligation.

(d) On 1 December 2008, Harmony issued 3 364 675 shares to Rio Tinto Limited (Rio Tinto) for the purchase of Rio Tinto's rights to the royalty agreement entered into prior to our acquisition of the Wafi deposits in PNG. The shares were valued at R242 million (US$23 million) on the transaction date. An additional US$10 million in cash will be payable when the decision to mine is made. Of this amount, Harmony is responsible for paying the first US$6 million, with the balance of US$4 million being borne equally by the joint venture partners.

(e) The group may have a potential exposure to rehabilitate groundwater and radiation that may exist where the group has and/or continues to operate. The group has initiated analytical assessments to identify, quantify and mitigate impacts if and when (or as and where) they arise. Numerous scientific, technical and legal studies are underway to assist in determining the magnitude of the contamination and to find sustainable remediation solutions. The group has instituted processes to reduce future potential seepage and it has been demonstrated that Monitored Natural Attenuation (MNA) by the existing environment will contribute to improvement in some instances. The ultimate outcome of the matter cannot presently be determined and no provision for any liability that may result has been made in the financial statements. Should the group determine that any part of these contingencies require them being recorded and accounted for as liabilities, that is where they become estimable and probable it could have material impact on the financial statements of the group.

(f) Due to the interconnected nature of mining operations in South Africa, any proposed solution for potential flooding and potential decant risk posed by deep groundwater needs to be a combined one, supported by all the mines located in these goldfields. As a result, the Department of Mineral Resource and affected mining companies are involved in the development of a Regional Mine Closure Strategy. Harmony operations have conducted a number of specialist studies and the risk of surface decant due to rising groundwater levels has been obviated at Evander, the entire Free State region and Kalgold. Therefore there is no contingency arising from these operations. Additional studies have been commissioned at Doornkop and Kusasalethu. In view of the limitation of current information for accurate estimation of a liability, no reliable estimate can be made for these operations.

(g) In terms of the sale agreements entered into with Rand Uranium, Harmony retained financial exposure relating to environmental disturbances and degradation caused by it before the effective date, in excess of R75 million (US$9.1 million) of potential claims. Rand Uranium is therefore liable of all claims up to R75 million (US$9.1 million) and retains legal liability. The likelihood of potential claims cannot be determined presently and no provision for any liability has been made in the financial statements.

37 Subsequent events

(a) On 13 August 2012 the board approved a payment of dividend of 50 SA cents per share for the year ended 30 June 2012. Payment of the dividend took place on 17 September 2012.

(b) Refer to note 36 (c) for developments in the contingent liability for silicosis.

(c) The company issued 3.5 million shares to the Tlhakanelo Share Trust in August 2012 of which 3 409 150 shares has been allocated to participants. In terms of the awards all employees other than management received 100 Entitlement Shares and 200 Share Appreciation Rights (SARs). For employees with service in excess of 10 years the allocation was increased by 10 percent. Both the Entitlement Shares and SARs vest in five equal portions on each anniversary of the award. In addition these employees qualify for an additional cash bonus under the SARs in the event that the share price growth is less than R18 per share. The effect of the bonus puts the employees in the position they would have been in had the share price increased by R18 per share since issue date. As the awards were only made after year-end, no share-based cost is reflected in the 2012 financial year.

(d) Refer to note 36 (b) for details on the post-balance sheet date event relating to the Freegold court case.

38 Segment report

The group has only one product, being gold. In order to determine operating and reportable segments, management reviewed various factors, including geographical location as well as managerial structure. It was determined that an operating segment consists of a shaft or a group of shafts managed by a single general manager and management team.

Previously Target was assessed as a single reportable segment because it had one general manager. In August 2012 a general manager was appointed for each of the Target 1 and Target 3 operations. The comparatives for the two shafts have been re-presented as a result.

The Virginia segment comprised several shafts, which were placed on care and maintenance during 2010 and 2011, with the exception of Unisel. The comparative information includes the results of these shafts until October 2010, which was when Merriespruit 1 was placed on care and maintenance.

After applying the quantitative thresholds from IFRS 8, the reportable segments were determined as:

Bambanani, Doornkop, Joel, Kusasalethu, Masimong, Phakisa, Target 1, Target 3, Tshepong, Virginia, Hidden Valley and Evander (classified as held for sale and discontinued operation). All other operating segments have been grouped together under *all other surface operations*, under their classification as either continuing or discontinued.

When assessing profitability, the chief operating decision-maker (CODM) considers the revenue and production costs of each segment. The net of these amounts is the operating profit or loss. Therefore, operating profit has been disclosed in the segment report, however the CODM as the measure of profit or loss.

The CODM does not consider depreciation or impairment and therefore these amounts have not been disclosed in the segment report. However the CODM does consider capital expenditure, which has been disclosed.

The CODM does not review the segment assets and therefore no disclosure is made in this regard.

A reconciliation of the segment totals to the group financial statements has been included in note 39.

for the years ended 30 June 2012

38 Segment report continued

(SA rand/metric)

	Revenue R million		Production cost R million	
	30 June 2012	30 June 2011	**30 June 2012**	30 June 2011
Continuing operations				
South Africa				
Underground				
Bambanani	**549**	921	**597**	828
Doornkop	**1 284**	781	**862**	601
Joel	**1 124**	454	**565**	417
Kusasalethu	**2 320**	1 774	**1 439**	1 321
Masimong	**1 349**	1 326	**843**	756
Phakisa	**1 064**	551	**803**	473
Target 1	**1 525**	981	**855**	717
Target 3	**472**	99	**428**	98
Tshepong	**2 219**	2 007	**1 275**	1 172
Virginia	**672**	682	**494**	562
Surface				
All other surface operations	**1 428**	1 044	**899**	844
Total South Africa	**14 006**	10 620	**9 060**	7 789
International				
Hidden Valley	**1 163**	976	**851**	715
Other	**–**	–	**–**	–
Total international	**1 163**	976	**851**	715
Total continuing operations	**15 169**	11 596	**9 911**	8 504
Discontinued operations				
Evander	**1 405**	849	**767**	666
Total discontinued operations	**1 405**	849	**767**	666
Total operations	**16 574**	12 445	**10 678**	9 170
Reconciliation of the segment information to the consolidated income statements (refer to note 39)	**(1 405)**	(849)	**(767)**	(666)
	15 169	11 596	**9 911**	8 504

[1] *Excludes non-operational capital expenditure for 2011 relating to PNG of R63 million and exploration capitalised of R45 million.*

* *Production statistics are unaudited.*

Production profit/(loss) R million		Capital expenditure[1] R million		Kilograms produced* kg		Tonnes milled* t'000	
30 June 2012	30 June 2011	**30 June 2012**	30 June 2011	**30 June 2012**	30 June 2011	**30 June 2012**	30 June 2011
(48)	93	**266**	321	**1 374**	3 051	**197**	426
422	180	**294**	292	**3 075**	2 512	**928**	718
559	37	**84**	73	**2 663**	1 449	**557**	407
881	453	**415**	380	**5 633**	5 609	**1 197**	1 099
506	570	**208**	178	**3 220**	4 280	**933**	868
261	78	**302**	369	**2 541**	1 762	**521**	387
670	264	**259**	294	**3 630**	3 176	**788**	730
44	1	**90**	145	**1 123**	805	**316**	75
944	835	**288**	273	**5 287**	6 468	**1 233**	1 343
178	120	**71**	79	**1 593**	2 213	**394**	576
529	200	**162**	147	**3 372**	3 358	**9 324**	10 141
4 946	2 831	**2 439**	2 551	**33 511**	34 683	**16 388**	16 770
312	261	**296**	289	**2 762**	3 118	**1 766**	1 679
–	–	**314**	–	**–**	–	**–**	–
312	261	**610**	289	**2 762**	3 118	**1 766**	1 679
5 258	3 092	**3 049**	2 840	**36 273**	37 801	**18 154**	18 449
638	183	**177**	196	**3 369**	2 734	**638**	831
638	183	**177**	196	**3 369**	2 734	**638**	831
5 896	3 275	**3 226**	3 036	**39 642**	40 535	**18 792**	19 280

for the years ended 30 June 2012

38 Segment report continued

(US dollar/Imperial)

	Revenue US$ million		Production cost US$ million	
	30 June 2012	30 June 2011	**30 June 2012**	30 June 2011
Continuing operations				
South Africa				
Underground				
Bambanani	**71**	132	**77**	118
Doornkop	**165**	112	**111**	86
Joel	**145**	65	**73**	60
Kusasalethu	**299**	254	**185**	189
Masimong	**174**	190	**109**	108
Phakisa	**137**	79	**103**	68
Target 1	**196**	140	**110**	103
Target 3	**61**	14	**55**	14
Tshepong	**286**	287	**164**	168
Virginia	**86**	98	**64**	80
Surface				
All other surface operations	**183**	148	**115**	121
Total South Africa	**1 803**	1 519	**1 166**	1 115
International				
Hidden Valley	**150**	140	**110**	103
Other	**–**	–	**–**	–
Total international	**150**	140	**110**	103
Total continuing operations	**1 953**	1 659	**1 276**	1 218
Discontinued operations				
Evander	**181**	122	**99**	95
Total discontinued operations	**181**	122	**99**	95
Total operations	**2 134**	1 781	**1 375**	1 313
Reconciliation of the segment information to the consolidated income statements (refer to note 39)	**(181)**	(122)	**(99)**	(95)
	1 953	1 659	**1 276**	1 218

[1] *Excludes non-operational capital expenditure for 2011 relating to PNG of US$8 million and exploration capitalised of US$6 million.*

* *Production statistics are unaudited.*

	Production profit/(loss) US$ million		Capital expenditure[1] US$ million		Ounces produced* oz		Tons milled* t'000	
	30 June 2012	30 June 2011	**30 June 2012**	30 June 2011	**30 June 2012**	30 June 2011	**30 June 2012**	30 June 2011
	(6)	14	**34**	46	**44 174**	98 092	**217**	470
	54	26	**38**	42	**98 863**	80 763	**1 023**	792
	72	5	**11**	11	**85 618**	46 586	**614**	448
	114	65	**53**	54	**181 105**	180 334	**1 320**	1 212
	65	82	**27**	26	**103 526**	137 605	**1 029**	957
	34	11	**39**	53	**81 695**	56 649	**575**	427
	86	37	**33**	42	**116 708**	102 111	**869**	805
	6	–	**12**	21	**36 106**	25 881	**348**	83
	122	119	**37**	39	**169 980**	207 950	**1 359**	1 481
	22	18	**9**	11	**51 216**	71 149	**434**	636
	68	27	**20**	21	**108 412**	107 962	**10 281**	11 181
	637	404	**313**	366	**1 077 403**	1 115 082	**18 069**	18 492
	40	37	**38**	42	**88 800**	100 246	**1 948**	1 852
	–	–	**40**	–	**–**	–	**–**	–
	40	37	**78**	42	**88 800**	100 246	**1 948**	1 852
	677	441	**391**	408	**1 166 203**	1 215 328	**20 017**	20 344
	82	27	**23**	28	**108 317**	87 900	**704**	916
	82	27	**23**	28	**108 317**	87 900	**704**	916
	759	468	**414**	436	**1 274 520**	1 303 228	**20 721**	21 260

for the years ended 30 June 2012

39 Reconciliation of segment information to consolidated income statements

SA rand			US dollar	
2011	2012	Figures in million	2012	2011
		Revenue from:		
849	**1 405**	Discontinued operations	**181**	122
		Production costs from:		
666	**767**	Discontinued operations	**99**	95
		Reconciliation of production profit to consolidated profit before taxation and discontinued operations		
12 445	**16 574**	Total segment revenue	**2 134**	1 781
(9 170)	**(10 678)**	Total segment production costs	**(1 375)**	(1 313)
3 275	**5 896**	Production profit	**759**	468
(183)	**(638)**	*Less:* Discontinued operations	**(82)**	(27)
3 092	**5 258**		**677**	441
(2 195)	**(2 226)**	Cost of sales items other than production costs	**(285)**	(315)
(1 537)	**(1 881)**	Amortisation and depreciation of mining assets	**(242)**	(220)
(72)	**(40)**	Amortisation and depreciation of other than mining and mining related assets	**(5)**	(10)
(43)	**17**	Rehabilitation credit/(expenditure)	**2**	(6)
(117)	**(88)**	Care and maintenance cost of restructured shafts	**(11)**	(17)
(136)	**(81)**	Employment termination and restructuring costs	**(10)**	(20)
(125)	**(87)**	Share-based payments	**(11)**	(18)
(264)	**60**	Reversal of impairment/(impairment) of assets	**7**	(39)
99	**(126)**	Other	**(15)**	15
897	**3 032**	Gross profit	**392**	126
(322)	**(352)**	Corporate, administration and other expenditure	**(45)**	(46)
(82)	**(72)**	Social investment expenditure	**(9)**	(12)
(324)	**(500)**	Exploration expenditure	**(64)**	(46)
27	**63**	Profit on sale of property, plant and equipment	**8**	4
(21)	**(50)**	Other expenses – net	**(6)**	(3)
175	**2 121**	Operating profit	**276**	23
(51)	**–**	Loss from associate	**–**	(7)
(142)	**56**	Reversal of impairment/(impairment) of investment in associate	**7**	(20)
–	**(144)**	Impairment of investments	**(19)**	–
129	**86**	Net gain on financial instruments	**11**	18
273	**–**	Gain on farm-in option	**–**	38
133	**97**	Investment income	**12**	19
(271)	**(286)**	Finance costs	**(37)**	(38)
246	**1 930**	**Profit before taxation and discontinued operations**	**250**	33

At present Harmony is South Africa's third largest gold producer with Kusasalethu the largest contributor

Company income statements

for the years ended 30 June 2012

		SA rand	
Figures in million	Note	**2012**	2011
Revenue		**2 979**	2 644
Cost of sales	1	**(2 464)**	(2 446)
Production costs		**(1 971)**	(1 819)
Amortisation and depreciation		**(267)**	(222)
Impairment of assets		**(126)**	(203)
Employment termination and restructuring costs		**(1)**	(82)
Other items		**(99)**	(120)
Gross profit		**515**	198
Corporate, administration and other expenditure		**(62)**	(6)
Social investment expenditure		**(12)**	(40)
Exploration expenditure		**(12)**	(4)
Profit on sale of property, plant and equipment	2	**43**	7
Other income/(expenses) - net	3	**133**	(1 066)
Operating profit/(loss)	4	**605**	(911)
Impairment of investment in subsidiaries	13	**–**	(102)
Net gain on financial instruments	5	**13**	17
Investment income	6	**450**	140
Finance costs	7	**(188)**	(174)
Profit/(loss) before taxation		**880**	(1 030)
Taxation	8	**(205)**	(65)
Net profit/(loss) for the year		**675**	(1 095)
Attributable to:			
Owners of the parent		**675**	(1 095)
Non-controlling interest		**–**	–

These are the separate financial statements of Harmony Gold Mining Company Limited. For the group financial statements refer to pages 194 to 274.

The accompanying notes are an integral part of these financial statements.

Company statements of comprehensive income

for the years ended 30 June 2012

		SA rand	
Figures in million	Note	**2012**	2011
Net profit/(loss) for the year		**675**	(1 095)
Other comprehensive loss for the year, net of income tax		**–**	(5)
Loss on fair value movement of available-for-sale investments	21	**–**	(5)
Total comprehensive income/(loss) for the year		**675**	(1 100)
Attributable to:			
Owners of the parent		**675**	(1 100)
Non-controlling interest		**–**	–

The accompanying notes are an integral part of these financial statements.

Company balance sheets

as at 30 June 2012

Figures in million	Note	SA rand 2012	2011
Assets			
Non-current assets			
Property, plant and equipment	9	**2 655**	2 609
Intangible assets	10	**43**	17
Restricted cash	11	**26**	26
Restricted investments	12	**317**	279
Investment in subsidiaries	13	**23 365**	22 796
Loans to subsidiaries	13	**–**	3 532
Investments in financial assets	14	**5**	2
Inventories	17	**9**	27
Trade and other receivables	18	**3**	3
Total non-current assets		**26 423**	29 291
Current assets			
Loans to subsidiaries	13	**1 991**	–
Inventories	17	**156**	165
Trade and other receivables	18	**754**	521
Income and mining taxes		**18**	37
Cash and cash equivalents		**1 450**	434
		4 369	1 157
Assets of disposal groups classified as held for sale	19	**545**	–
Total current assets		**4 914**	1 157
Total assets		**31 337**	30 448
Equity and liabilities			
Share capital and reserves			
Share capital	20	**28 331**	28 305
Other reserves	21	**516**	496
Accumulated loss		**(1 836)**	(2 080)
Total equity		**27 011**	26 721
Non-current liabilities			
Deferred tax liabilities	8	**394**	334
Provision for environmental rehabilitation	22	**461**	471
Retirement benefit obligation	23	**24**	34
Other provisions	24	**30**	6
Borrowings	25	**1 500**	1 206
Total non-current liabilities		**2 409**	2 051
Current liabilities			
Borrowings	25	**289**	302
Trade and other payables	26	**618**	573
Loans from subsidiaries	13	**674**	801
		1 581	1 676
Liabilities of disposal groups classified as held for sale	19	**336**	–
Total current liabilities		**1 917**	1 676
Total equity and liabilities		**31 337**	30 448

The accompanying notes are an integral part of these financial statements.

Company statements of changes in shareholders' equity

for the year ended 30 June 2012

Figures in million (SA rand)	Number of ordinary shares issued	Share capital	Share premium	Accumulated loss	Other reserves	Total
Note		20			21	
Balance – 30 June 2010	428 654 779	214	28 051	(771)	470	27 964
Issue of shares						
– Exercise of employee share options	1 429 849	1	39	–	–	40
Share-based payments		–	–	–	31	31
Net loss for the year		–	–	(1 095)	–	(1 095)
Other comprehensive income for the year		–	–	–	(5)	(5)
Dividends paid[1]		–	–	(214)	–	(214)
Balance – 30 June 2011	**430 084 628**	**215**	**28 090**	**(2 080)**	**496**	**26 721**
Issue of shares						
– Exercise of employee share options	**1 479 608**	**1**	**25**	**–**	**–**	**26**
Share-based payments		**–**	**–**	**–**	**20**	**20**
Net profit for the year		**–**	**–**	**675**	**–**	**675**
Other comprehensive income for the year		**–**	**–**	**–**	**–**	**–**
Dividends paid[1]		**–**	**–**	**(431)**	**–**	**(431)**
Balance – 30 June 2012	**431 564 236**	**216**	**28 115**	**(1 836)**	**516**	**27 011**

[1] *Dividends per share is disclosed under the earnings per share note (note 15) in the group financial statements.*

The accompanying notes are an integral part of these financial statements.

Company cash flow statements

for the years ended 30 June 2012

		SA rand	
Figures in million	Note	**2012**	2011
Cash flow from operating activities			
Cash generated by operations	27	**649**	481
Interest received		**116**	140
Dividends received		**324**	–
Interest paid		**(135)**	(132)
Income and mining taxes paid		**(123)**	(32)
Cash generated by operating activities		**831**	457
Cash flow from investing activities			
Decrease in restricted cash		**–**	86
Increase in investment in restricted investments		**(23)**	–
Additions to intangible assets		**(31)**	(16)
Decrease/(increase) in loans to subsidiaries		**817**	(375)
Proceeds on disposal of available-for-sale financial assets		**–**	1
Acquisition of available-for-sale financial assets		**(3)**	–
Disposal of investments		**–**	19
Proceeds on disposal of property, plant and equipment		**33**	8
Additions to property, plant and equipment		**(431)**	(505)
Cash generated/(utilised) by investing activities		**362**	(782)
Cash flow from financing activities			
Borrowings raised		**1 443**	900
Borrowings repaid		**(1 215)**	(500)
Ordinary shares issued		**26**	40
Dividends paid		**(431)**	(214)
Cash (utilised)/generated by financing activities		**(177)**	226
Net increase/(decrease) in cash and cash equivalents		**1 016**	(99)
Cash and cash equivalents – beginning of year		**434**	533
Cash and cash equivalents – end of year		**1 450**	434

The accompanying notes are an integral part of these financial statements.

Notes to the company financial statements

for the years ended 30 June 2012

1 Cost of sales

	SA rand	
Figures in million	**2012**	2011
Production costs (a)	**1 971**	1 819
Amortisation and depreciation of mining assets	**246**	169
Amortisation and depreciation of assets other than mining and mining related assets (b)	**21**	53
Rehabilitation credit (c)	**(12)**	(38)
Care and maintenance cost of restructured shafts	**74**	96
Employment termination and restructuring costs (d)	**1**	82
Share-based payments (e)	**20**	31
Impairment of assets (f)	**126**	203
Other (g)	**17**	31
Total cost of sales	**2 464**	2 446

(a) Production costs include mine production, transport and refinery costs, applicable general and administrative costs, movement in inventories and ore stockpiles and ongoing environmental rehabilitation costs. Employee termination costs are included, however employee termination costs associated with major restructuring and shaft closures are excluded. Production costs, analysed by nature, consist of the following:

	SA rand	
Figures in million	**2012**	2011
Labour costs, including contractors	**1 163**	1 097
Consumables	**447**	402
Water and electricity	**298**	265
Insurance	**18**	21
Transportation	**38**	58
Changes in inventory	**3**	20
Capitalisation of mine development costs	**(185)**	(172)
Royalty expense	**39**	25
Other	**150**	103
Total production cost	**1 971**	1 819

(b) Amortisation and depreciation of assets other than mining and mining related assets, relates to the following:

	SA rand	
Figures in million	**2012**	2011
Other non-mining assets	**3**	2
Intangible assets	**4**	46
Amortisation of issue costs	**14**	5
Total amortisation and depreciation	**21**	53

(c) For the assumptions used to calculate the rehabilitation costs, refer to note 3.4 of the group financial statements. This expense includes the change in estimate for the rehabilitation provision where an asset no longer exists as well as ongoing rehabilitation cost. During 2012, the cost of rehabilitation work done at closed shafts in the Free State was lower than provided for and resulted in a reduction in the liability and a credit of R27 million was recorded.

(d) During the 2011 financial year Merriespruit 1 shaft was closed and placed on care and maintenance due to mining no longer being economically viable. The voluntary retrenchment process which the group commenced in the 2010 financial year was finalised during the latter part of the 2011 financial year.

(e) Refer to note 29 for details on the share-based payments schemes operated by the company.

(f) During the 2012 financial year an impairment of R126 million (2011: R104 million) was recognised as a result of the revised business (life-of-mine) plan at Steyn 2, which is completed in June of each year, and included increases in electricity and labour costs and a decrease in reserves declared as a result of revised cut-off grades. The remaining R99 million impairment in 2011 related to Steyn 1, where a decision was made not to mine in future.

These adjustments impacted negatively on the recoverable amount of property, plant and equipment and contributed to the recognition of impairments at the shafts. Impairment tests were performed as required by IAS 36, *Impairment of Assets*, and as a result these impairments were recorded. For assumptions used to calculate the recoverable amount, refer to note 3.1 of the group financial statements.

(g) Included in Other for the 2011 and 2012 financial years are amounts relating to gold inventory adjustments. Refer to note 17.

2 Profit on sale of property, plant and equipment

	SA rand	
Figures in million	**2012**	2011
Profit on sale of property, plant and equipment	**43**	7

The total for 2012 includes proceeds from the sale of scrap material (including steel) from sites that are closed and being rehabilitated.

3 Other income/(expenses) – net

	SA rand	
Figures in million	**2012**	2011
Foreign exchange (losses)/gains – net (a)	**(46)**	1
Bad debts provision credit/(expense) (b)	**197**	(1 067)
Bad debts written off (c)	**(14)**	–
Other expenses – net (d)	**(4)**	–
Total income/(expenses) – net	**133**	(1 066)

(a) Included in the total for 2012 is a loss of R45 million related to the translation of the US$ syndicated revolving credit facility into SA rand.

(b) The bad debts provision mainly relates to the provision for irrecoverable loans to subsidiaries. During the 2011 financial year, a provision of R1 068 million was raised for the loan to ARMGold/Harmony Joint Investment Company (Proprietary) Limited (Investment Company). The loan was impaired to its recoverable amount following the offer from Gold One to acquire Rand Uranium. Refer to note 20 of the group notes. A reversal of R183 million for the provision for the Investment Company was recorded in 2012, following an increase in the proceeds received by the Investment Company for Rand Uranium.

(c) (i) Included in the provision credit and bad debts written off for 2012 is an amount of R3 million for Pamodzi Gold Limited (Pamodzi Gold) and its subsidiary companies. Pamodzi Gold is an associate (refer to note 15) and has been placed into liquidation.

(ii) During the 2012 year trade debts of R11 million were written off as the company considered the debt irrecoverable. A further R3 million was written off related to Rand Mutual insurance claims which had expired.

(d) Included in other expenses – net for 2012 is an amount of R26 million provided for the pumping and treatment costs relating to the KOSH Basin. Refer to note 24 in this regard.

for the years ended 30 June 2012

4 Operating profit/(loss)

The following have been included in operating profit/(loss):

	SA rand	
Figures in million	**2012**	2011
Auditors' remuneration	**7**	8
Made up as follows:		
External		
Fees – current year	**4**	5
Fees – other services	**1**	1
Internal		
Fees – current year	**2**	2

5 Net gain on financial instruments

	SA rand	
Figures in million	**2012**	2011
Available-for-sale		
Realised portion of fair value movement (a)	**–**	(1)
	–	(1)
Fair value through profit or loss		
Fair value gain on environmental trust funds	**13**	18
Total net gain on financial instruments	**13**	17

(a) The company disposed of a number of listed investments it held through New Africa Mining Fund during the 2011 financial year, for a total consideration of R1.2 million. The total fair value loss of R1 million relating to these investments was reclassified from other reserves to the income statement.

6 Investment income

	SA rand	
Figures in million	**2012**	2011
Interest received	**126**	140
Loans and receivables	**75**	77
Held-to-maturity investments	**2**	4
Cash and cash equivalents	**48**	45
South African Revenue Services (SARS)	**1**	14
Dividend income (a)	**324**	–
Total investment income	**450**	140

(a) Dividends were received during the 2012 financial year from Evander Gold Mines Limited, a wholly owned subsidiary of the company.

7 Finance costs

	SA rand	
Figures in million	**2012**	2011
Financial liabilities		
Bank and short-term facilities	**–**	–
Borrowings	**150**	137
Other creditors	**6**	5
Total finance costs from financial liabilities	**156**	142
Non-financial liabilities		
Post-retirement benefits	**3**	1
Time value of money and inflation component of rehabilitation costs	**29**	31
South African Revenue Services (SARS)	**–**	–
Total finance costs from non-financial liabilities	**32**	32
Total finance costs	**188**	174

8 Taxation

	SA rand	
Figures in million	**2012**	2011
SA normal taxation		
Mining tax (a)	**74**	(5)
– current year	**74**	–
– adjustment in respect of prior year	**–**	(5)
Non-mining tax (b)	**45**	23
– current year	**27**	23
– adjustment in respect of prior year	**18**	–
Deferred tax (c)	**60**	40
STC	**26**	7
Total normal taxation	**205**	65

(a) Mining tax on gold mining income in South Africa is determined according to a formula, based on the taxable income from mining operations, net of any qualifying capital expenditure from mining operations. 5% of total mining revenue is exempt from taxation as a result of applying the gold mine formula while the balance is taxed at 34%. All qualifying mining capital expenditure is deducted from taxable mining income to the extent that it does not result in an assessed loss and accounting depreciation is eliminated when calculating the company's mining taxable income. Excess capital expenditure is carried forward as unredeemed capital to be claimed from future mining taxable income.

The company had made no election to be exempt from Secondary Tax on Companies (STC) and therefore taxed at a lower rate, prior to the introduction of Dividend Tax on 1 April 2012. Refer to note 13 in the group note for further detail.

(b) Non-mining income is taxed at 28%.

(c) The deferred tax rate used to calculate deferred tax is based on the current estimate of future profitability when temporary differences will reverse. Depending on the profitability of the operations, the deferred tax rate can consequently be significantly different from year to year.

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8 Taxation continued

Income and mining taxes

The tax rates remained unchanged for the 2012 and 2011 years.

Major items causing the income tax provision to differ from the maximum mining statutory tax rate of 34% were:

	SA rand	
Figures in million	**2012**	2011
Tax on net (profit)/loss at the maximum mining statutory tax rate	**(278)**	359
Non-allowable deductions	**74**	(438)
Effect on temporary differences due to changes in effective tax rate[1]	**(14)**	3
Difference between non-mining tax rate and statutory mining rate on non-mining income	**6**	5
Difference between effective mining tax rate and statutory mining rate on mining income	**51**	9
Prior year adjustment – mining and non-mining tax	**(18)**	4
STC	**(26)**	(7)
Income and mining taxation	**(205)**	(65)
Effective income and mining tax rate	**23%**	6%

[1] *The deferred tax rate used for the 2012 financial year was 25.7% (2011: 23.9%).*

Deferred tax

The analysis of deferred tax assets and liabilities is as follows:

	SA rand	
Figures in million	**2012**	2011
Deferred tax assets	**(74)**	(83)
Deferred tax asset to be recovered after more than 12 months	**(47)**	(54)
Deferred tax asset to be recovered within 12 months	**(27)**	(29)
Deferred tax liabilities	**468**	417
Deferred tax liability to be recovered after more than 12 months	**465**	340
Deferred tax liability to be recovered within 12 months	**3**	77
Net deferred tax liability	**394**	334

The net deferred tax liabilities on the balance sheet as of 30 June 2012 and 30 June 2011, relate to the following:

	SA rand	
Figures in million	**2012**	2011
Gross deferred tax liability	**468**	420
Amortisation and depreciation	**465**	417
Other	**3**	3
Gross deferred income and mining tax assets	**(74)**	(86)
Unredeemed capital expenditure	**–**	(3)
Provisions, including non-current provisions	**(74)**	(83)
Net deferred tax liability	**394**	334

Movement in the net deferred tax liability recognised in the balance sheet is as follows:

	SA rand	
Figures in million	**2012**	2011
Balance at beginning of year	**334**	294
Total charge per income statement	**60**	40
Balance at end of year	**394**	334

At 30 June 2012, the company has no unredeemed capital expenditure (2011: R11 million) and no CGT loss (2011: R1 million) available for deduction against future mining taxable income and capital gains. These future deductions are utilisable against mining taxable income generated only from the company's current mining operations and does not expire unless the company ceases to trade for a period longer than one year. CGT losses are utilisable against future capital gains.

As at 30 June 2012 and 2011, the company had recognised all deferred tax assets in the determination of the net deferred tax liability.

During the years ended 30 June 2012 and 2011, there was no tax charged directly to equity.

Secondary Taxation on Companies (STC)

STC was a tax levied on South African companies at a rate of 10% with effect from 1 October 2007 to 31 March 2012 on dividends distributed.

Current and deferred taxes are measured at the tax rate applicable to undistributed income and therefore only took STC into account to the extent that dividends had been received or paid.

On declaration of a dividend, the company included the STC on this dividend in its computation of the income tax expense in the period of such declaration.

	SA rand	
Figures in million	**2012**	2011
Available STC credits at end of year	**151**	–

Dividend Tax (DT)

A withholding tax of 15% on dividends (excluding a return of capital) and other distributions to the beneficial owners of shares (shareholders) became effective on 1 April 2012. DT will be withheld by the company declaring the dividend or the withholding agent, unless specifically exempt. Foreign residents could qualify for an exemption or a reduced DT rate in terms of their relevant tax treaty.

On 13 August 2012, the board of directors approved a final dividend for the 2012 financial year of 50 SA cents per share (2011: 60 SA cents per share). The total dividend amounts to R218 million (2011: R258 million). As the dividends declared exceed the STC credits available, dividend tax was withheld at a rate of 15%, on the portion of the dividend that is in excess of the STC credit, in respect of those shareholders that do not qualify for either a reduction or an exemption.

9 Property, plant and equipment

	SA rand	
Figures in million	**2012**	2011
Mining assets (a)	**2 228**	2 199
Mining assets under construction (b)	**20**	–
Undeveloped properties (c)	**402**	402
Other non-mining assets (d)	**5**	8
Total property, plant and equipment	**2 655**	2 609

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9 Property, plant and equipment continued

(a)	**Mining assets**		
	Cost		
	Balance at beginning of year	**5 622**	5 099
	Elimination of fully depreciated and impaired assets no longer in use	**(1 422)**	–
	Additions[1]	**412**	525
	Adjustment to rehabilitation asset	**(11)**	–
	Transfers and other movements	**–**	(2)
	Balance at end of year	**4 601**	5 622
	Accumulated depreciation and impairments		
	Balance at beginning of year	**3 423**	3 051
	Elimination of fully depreciated and impaired assets no longer in use	**(1 422)**	–
	Impairment of assets	**126**	203
	Depreciation	**246**	169
	Balance at end of year	**2 373**	3 423
	Net carrying value	**2 228**	2 199
(b)	**Mining assets under construction**		
	Cost		
	Carrying value at beginning and end of year	**20**	–
(c)	**Undeveloped property**		
	Carrying value at beginning and end of year	**402**	402
(d)	**Other non-mining assets**		
	Cost		
	Balance at beginning of year	**52**	48
	Elimination of fully depreciated and impaired assets no longer in use	**(12)**	–
	Additions	**–**	2
	Transfers and other movements	**–**	2
	Balance at end of year	**40**	52
	Accumulated depreciation and impairments		
	Balance at beginning of year	**44**	42
	Elimination of fully depreciated and impaired assets no longer in use	**(12)**	–
	Depreciation	**3**	2
	Balance at end of year	**35**	44
	Net carrying value	**5**	8

[1] *Includes R22 million (2011: R22 million) attributable to Doornkop JV. Refer to note 16.*

10 Intangible assets

Figures in million	SA rand 2012	SA rand 2011
Technology-based assets		
Cost		
Balance at beginning of year	**133**	117
Additions	**31**	16
Balance at end of year	**164**	133
Accumulated amortisation and impairments		
Balance at beginning of year	**116**	70
Amortisation	**5**	46
Balance at end of year	**121**	116
Total net book value	**43**	17

Technology-based assets includes computer software and intellectual property which has been acquired and developed for the group. These assets are amortised over five years.

11 Restricted cash

Figures in million	SA rand 2012	SA rand 2011
Environmental guarantees	**26**	26

The amount relates to funds set aside for guarantees made to the Department of Mineral Resources (DMR) in South Africa for environmental and rehabilitation obligations. A portion of the funds are held on call account and the rest are invested in money market funds. Refer to note 22.

12 Restricted investments

Figures in million	SA rand 2012	SA rand 2011
Investments held by Environmental Trust Fund (a)	**279**	245
– Held-to-maturity financial assets	**32**	12
– Fair value through profit or loss financial assets	**247**	233
Investments held by Social Trust Fund (b)	**38**	34
Total restricted investments	**317**	279

(a) The Environmental Trust Fund is an irrevocable trust under the company's control. Contributions to the trust are invested in interest-bearing short-term or medium-term equity-linked notes issued by commercial banks that provide guaranteed interest and additional interest or growth linked to the growth of the Shareholder Weighted Top 40 index (SWIX 40) of the JSE. The equity-linked notes are designated fair value through profit or loss investments and recorded at fair value whilst the interest-bearing short-term investments are classified as held-to-maturity and recorded at amortised cost. These investments provide for the estimated cost of rehabilitation at the end of the life of the company's mines. Income earned on the investments is retained in the funds and reinvested.

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12 Restricted investments continued

	SA rand	
Figures in million	**2012**	2011
Reconciliation of the movement in the investments held by the Environmental Trust Fund:		
Balance at beginning of year	**245**	225
Interest income	**1**	2
Fair value gain	**13**	18
Contributions made	**20**	–
Balance at end of year	**279**	245

(b) The Social Trust Fund is an irrevocable trust under the company's control. The company has undertaken to donate over a period of 10 years to The Harmony Gold Mining Company Social Plan Trust in terms of an agreement signed on 3 November 2003. An initial donation of R18.5 million was made during the 2004 year. Thereafter instalments of R3.5 million per annum was and will be made with the final instalment to be made in 2013. The purpose of the trust is to fund the social plan to reduce the negative effects of restructuring on the company's workforce, to put measures in place to ensure that the technical and life skills of the company's workforce are developed and to develop the company's workforce in such a manner to avoid or minimise the effect of job losses and a decline in employment through turnaround or redeployment strategies.

	SA rand	
Figures in million	**2012**	2011
Reconciliation of the movement in the investments held by the Social Trust Fund:		
Balance at beginning of year	**34**	40
Contributions made	**5**	4
Interest income	**1**	2
Claims paid	**(2)**	(12)
Balance at end of year	**38**	34

13 Investments in subsidiaries

	SA rand	
Figures in million	**2012**	2011
Shares at cost (a)	**23 910**	22 796
Loans to subsidiary companies (b)	**1 991**	3 532
Loans from subsidiary companies	**(1 010)**	(801)
	24 891	25 527
Reclassification to held for sale (a)(i)	**(209)**	–
Investment in Evander	**(545)**	–
Loan from Evander	**336**	–
	24 682	25 527

Refer to Annexure A on page 308 for a detailed listing of the company's investments in subsidiaries and the loans to and from these companies. The recoverable amount of investments in subsidiaries have been determined on the fair value less cost to sell model, by comparing the future expected cash flows from subsidiaries, represented by the net investment, with the subsidiaries' net asset value. Loans to subsidiaries were classified as current during 2012, following the increase in the gold price received and the resulting reduction in the loan balances.

(a) (i) On 30 January 2012, the company signed a sale of shares and claims agreement for its investment in Evander Gold Mines Limited. On 30 May 2012, Harmony announced the signing of a new sale of shares and claims agreement with Pan African Resources plc (Pan African). The disposal will be for an aggregate purchase consideration of R1.5 billion, excluding the proceeds of Taung Gold Limited transaction and less certain distributions made by Evander to Harmony between 1 April 2012 and the close of the transaction.

The transaction is subject to certain conditions precedent, among others, Pan African obtaining the requisite shareholder approval for the acquisition.

The investment in Evander (R545 million) and the loan from Evander (R336 million) have been classified as held for sale.

(ii) During the 2012 financial year, Harmony Gold (Australia) (Proprietary) Limited (Harmony Australia) issued 91.2 million (2011: 35.9 million) ordinary shares, valued at R1 115 million (2011: R373 million), when the loan to Harmony Australia was capitalised as part of the company's net investment in Harmony Australia.

(iii) During 2011, management approved the liquidation of various South African subsidiaries in the group. To date, liquidation orders have been granted for 14 group companies, with 11 more companies in the process of applying for liquidation. Refer to Annexure A on page 308 for a list of these companies. During 2011, the cost of the investment in Lydenburg Exploration was provided for as irrecoverable as the carrying value of the investments exceeded Lydenburg Exploration's net asset value by R101 million.

(b) During the 2012 financial year, a reversal of R183 million was recorded for the provision for the irrecoverability of the loan to the ARMGold/Harmony Joint Investment Company (Proprietary) Limited (Investment company). R1 068 million was provided as irrecoverable in 2011 (refer to note 3). The remaining loan balance at 30 June 2012 is Rnil (2011: R127 million).

14 Investments in financial assets

	SA rand	
Figures in million	**2012**	2011
Available-for-sale financial assets		
Balance at beginning of year	**2**	4
Additions	**3**	1
Disposals	**–**	(2)
Fair value movement of available-for-sale investments	**–**	(1)
Balance at end of year	**5**	2
The carrying amount consists of the following:		
Available-for-sale financial assets		
Investment in unlisted shares	**5**	2

These investments have been valued by the directors by performing independent valuations on an annual basis to ensure that no permanent impairment in the value of the investments has occurred. During 2011 the company, through its investment in New Africa Mining Fund (NAMF), disposed of certain listed investments for a net loss of R1 million. Fair value gains recognised in other comprehensive income for the 2012 financial year totalled Rnil (2011: R1 million with R1 million reclassified to the income statement on disposal of the investment). During the 2012 financial year the company received Rnil (2011: R1 million) in income from these investments.

15 Investments in associates

Harmony acquired 32.4% of Pamodzi when the group sold the Orkney operation on 27 February 2008 in exchange for a consideration of 30 million Pamodzi shares, initially valued at R345 million. Pamodzi was placed in liquidation in March 2009 and the trading of its shares on the JSE was suspended. The company had historically recognised accumulated impairments of R345 million reducing the carrying value of the investment to Rnil. Refer to the group financial statements note 20 for further detail.

Refer to note 3 for detail of loans and receivables written off by the company.

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16 Investment in joint venture

Doornkop JV agreement

During the 2010 financial year, Harmony and Randfontein Estates Limited, a subsidiary of Harmony, entered into a joint venture agreement for the operation of the Doornkop mine following Harmony's purchase of a 26% interest in the Doornkop mining right from African Vanguard Resources (Proprietary) Limited (AVRD) for a purchase consideration of R398 million. As consideration the company repaid the outstanding balance of R244 million of the AVRD Nedbank loan, as well as issued shares to AVRD valued at R151 million. In terms of the sales agreement, 975 419 consideration shares are to be held in escrow until 1 May 2014. The agreement to purchase AVRD's 26% interest is considered to be a repurchase of a call option (equity interest). The difference between the value of the shares issued, the settlement of the AVRD Nedbank loan and transaction costs, has been taken directly to equity.

Harmony recognised the cost of the mineral rights as part of property, plant and equipment. During the 2012 financial year, depreciation of R11 million (2011: R2 million) was recorded for this asset. The joint venture agreement entitles the company to a 16% share of the operating profit or loss of the Doornkop mine. During the 2012 financial year, this amounted to a profit of R68 million (2011: profit of R26 million). In addition, ongoing capital expenditure (OCD), as defined by the joint venture agreement, amounted to R22 million (2011: R22 million). Depreciation on OCD amounted to R5 million for 2012.

The following are the company's effective share of income, expenses, assets and liabilities, which are included in the 2012 financial statements:

	SA rand	
Figures in million	**2012**	2011
Revenue	**207**	125
Operating costs	**(139)**	(99)
Operating profit	**68**	26
Non-current assets	**435**	418
Total assets	**435**	418

17 Inventories

	SA rand	
Figures in million	**2012**	2011
Gold in lock-up	**9**	30
Gold in process and bullion on hand	**27**	40
Consumables at weighted average cost	**129**	122
Total inventories	**165**	192
Non-current portion of gold in lock-up and gold in process	**(9)**	(27)
Total current portion of inventories	**156**	165
Included in the balance above is:		
Inventory valued at net realisable value	**9**	55

During the 2012 financial year, the following write downs were recorded:

- R16 million (2011: R41 million) for the Steyn plant demolishment projects as a result of changes to the life-of-mine plan
- R14 million (2011: R3 million) for the net realisable value adjustment for other gold in lock-up.

During the 2012 financial year, R1 million was reversed for slow moving stock, whilst R8 million was provided against the slow moving stock provision during the 2011 financial year. The total provision at 30 June 2012 was R17 million (2011: R18 million).

18 Trade and other receivables

	SA rand	
Figures in million	**2012**	2011
Current		
Financial assets:		
Trade receivables (gold)	**382**	301
Other trade receivables (a)	**18**	41
Provision for impairment	**(5)**	(19)
Trade receivables – net	**395**	323
Interest and other receivables (b)	**318**	165
Employee receivables	**28**	17
Non-financial instruments:		
Prepayments	**13**	16
Total current trade and other receivables	**754**	521
Non-current		
Financial assets:		
Loans receivable (c)	**119**	119
Provision for impairment (c)	**(116)**	(116)
Total non-current trade and other receivables	**3**	3

(a) Included in the balance for other trade receivables in 2011 is an amount of R3 million owed by Rand Uranium, who was at that time a related party.

(b) Included in the 2012 financial year in interest and other receivables an amount of R7 million (2011: R7 million) owing by Pamodzi FS in terms of the asset purchase agreements, for rehabilitation trust funds to be released to the company. Also included in the 2012 financial year is the balance of the self-insurance fund of R222 million (2011: R90 million).

(c) Loans comprise various loans, which have been valued by the directors. The balance in 2012 comprises a loan of R116 million (2011: R116 million) owed by Pamodzi. Pamodzi was placed into liquidation during March 2009 and the loan was provided for in full. The company is a concurrent creditor in the Pamodzi Orkney liquidation.

The movement in the provision for impairment of trade receivables during the year was as follows:

	SA rand	
Figures in million	**2012**	2011
Balance at beginning of year	**19**	19
Impairment loss recognised	**2**	–
Unused amounts reversed	**(16)**	–
Balance at end of year	**5**	19

The movement in the provision for impairment of loans during the year was as follows:

	SA rand	
Figures in million	**2012**	2011
Balance at beginning and end of year	**116**	116

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18 Trade and other receivables continued

The ageing of trade receivables at the reporting date was:

	SA rand	
Figures in million	**Gross**	**Impairment**
30 June 2012		
Fully performing	**387**	–
Past due by 1 to 30 days	**4**	–
Past due by 31 to 60 days	**1**	–
Past due by 61 to 90 days	–	–
Past due by more than 90 days	**6**	**3**
Past due by more than 361 days	**2**	**2**
	400	**5**

Figures in million	Gross	Impairment
30 June 2011		
Fully performing	303	–
Past due by 1 to 30 days	11	–
Past due by 31 to 60 days	2	–
Past due by 61 to 90 days	–	–
Past due by more than 90 days	8	5
Past due by more than 361 days	18	14
	342	19

The ageing of loans receivable at the reporting date was:

Figures in million	**Gross**	**Impairment**
30 June 2012		
Fully performing	**3**	–
Past due by 1 to 30 days	–	–
Past due by 31 to 60 days	–	–
Past due by 61 to 90 days	–	–
Past due by more than 90 days	–	–
Past due by more than 361 days	**116**	**116**
	119	**116**

Figures in million	Gross	Impairment
30 June 2011		
Fully performing	3	–
Past due by 1 to 30 days	–	–
Past due by 31 to 60 days	–	–
Past due by 61 to 90 days	–	–
Past due by more than 90 days	–	–
Past due by more than 361 days	116	116
	119	116

Based on past experience, the company believes that no impairment allowance is necessary in respect of fully performing receivables as the amount relates to customers that have a good track record with the company. Similarly, the loans and receivables noted above, other than those that have been provided for, are fully performing and considered to be a low risk.

The company does not hold any collateral in respect of these receivables.

During the year 2012 and 2011 there was no renegotiation of the terms of any receivable.

19 Disposal groups classified as held for sale

Following the signing of the sale of shares and claims agreement for the disposal of the investment in Evander, the investment in and loan from Evander have been classified as held for sale. Refer to note 13.

20 Share capital

Authorised

1 200 000 000 (2011: 1 200 000 000) ordinary shares of 50 SA cents each

Issued

431 564 236 (2011: 430 084 628) ordinary shares of 50 SA cents each. All issued shares are fully paid.
Included in the total of issued shares is an amount of 335 shares held by Lydenburg Exploration Limited, a wholly owned subsidiary of the company.

The directors have been authorised to allot and issue 43 008 462 authorised but unissued ordinary shares of the company, being 10% of the total issued share capital of the company as at 30 June 2011, subject to the provisions of the Companies Act and the JSE Limited Listings Requirements. The remuneration report and note 34 of the group financial statements set out details in respect of the share option scheme and shares held in trust for employees of the group.

Share issues

Shares issued in the 2011 and 2012 financial years relate to the exercise of share options by employees.

21 Other reserves

	SA rand	
Figures in million	**2012**	2011
Fair value movement of available-for-sale financial assets (a)	**(1)**	(1)
Repurchase of equity interest (b)	**3**	3
Equity component of convertible bond (c)	**277**	277
Share-based payments (d)	**237**	217
Total other reserves	**516**	496

(a) Fair value movement of available-for-sale financial assets

	SA rand	
Figures in million	**2012**	2011
Balance at beginning of year	**(1)**	4
Fair value movement – unrealised	**–**	(6)
Realised portion reclassified through profit or loss	**–**	1
Balance at end of year	**(1)**	(1)

The balance of the fair value movement reserve represents the movement in the fair value of the available-for-sale financial assets. Refer to note 5 for details regarding the realised portion reclassified to profit or loss and note 14 for details on the movement.

(b) Repurchase of equity interest

The sale of 26% of the AVRD mining titles resulted in a R3 million repurchase of a call option (equity interest) by the company. Refer to note 26 of the group financial statements.

(c) Equity component of convertible bond

Refer to note 26 in the group financial statements.

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21 Other reserves continued

(d) Share-based payments

Figures in million	SA rand 2012	2011
Balance at beginning of year	**217**	186
Share-based payments expensed	**20**	31
Balance at end of year	**237**	217

Refer to note 26 and 34 in the group financial statements as well as note 29 in the company's financial statements. During the year a share-based payment expense of R20 million (2011: R31 million) was charged to the income statement.

22 Provision for environmental rehabilitation

The company's mining and exploration activities are subject to extensive environmental laws and regulations. These laws and regulations are continually changing and are generally becoming more restrictive. The company has made, and expects to make in future, expenditures to comply with such laws and regulations, but cannot predict the full amount of such future expenditures. Estimated future reclamation costs are based principally on legal and regulatory requirements. The following is a reconciliation of the total liability for environmental rehabilitation:

Figures in million	SA rand 2012	2011
Provision for future rehabilitation		
Balance at beginning of year	**471**	478
Change in estimate – Balance sheet	**(12)**	–
Change in estimate – Income statement	**(27)**	(38)
Time value of money and inflation component of rehabilitation costs	**29**	31
Total provision for environmental rehabilitation	**461**	471

While the ultimate amount of rehabilitation costs to be incurred in the future is uncertain, the company has estimated that, based on current environmental and regulatory requirements, the total cost for the mines, in the current monetary terms, is approximately R625 million (2011: R650 million). Refer to note 3.4 of the group financial statements for estimations and judgements used in the calculation.

Figures in million	SA rand 2012	2011
Future net undiscounted obligation		
Ultimate estimated rehabilitation cost	**625**	650
Amounts invested in environmental trust funds (Refer to note 12)	**(279)**	(245)
Total future net undiscounted obligation	**346**	405

The company intends to finance the ultimate rehabilitation costs from the money invested with environmental trust funds, ongoing contributions, as well as the proceeds on sale of assets and gold in lock-up from plant clean-up at the time of mine closure. The company has guarantees in place relating to the environmental liabilities. Refer to note 12 and 31.

23 Retirement benefit obligation

	SA rand	
Figures in million	2012	2011
Non-current		
Retirement benefit obligation	**24**	34

Pension and provident funds: Refer to note 28(a) of the notes to the group financial statements. Funds contributed by the company for the 2012 financial year amounted to R68 million (2011: R83 million).

Post-retirement benefits other than pensions: Refer to note 28(b) of the notes to the group financial statements for a discussion of the obligation and assumptions used. The disclosure below relates to the company only.

	SA rand	
Figures in million	2012	2011
Present value of unfunded obligations	**24**	34
Current employees	**16**	27
Retired employees	**8**	7
Movement in the liability recognised in the balance sheet:		
Balance at beginning of year	**34**	7
Contributions paid	**(1)**	(1)
Other expenses included in staff costs/service costs	**1**	–
Finance cost	**3**	1
Net actuarial loss recognised during the year[1]	**(13)**	–
Transfer of employees[2]	**–**	27
Balance at end of year	**24**	34

[1] *Net actuarial gains/losses are included in cost of sales in the income statement. The net actuarial loss for 2010 was R2 million, 2009 was R2 million and 2008 was Rnil.*

[2] *Transfers are included in cost of sales in the income statement. Certain employees were transferred from ARMGold/Harmony Freegold Joint Venture Company (Pty) Ltd to Harmony resulting in the increase of the liability.*

	SA rand	
Figures in million	2012	2011
The net liability of the defined benefit plan is as follows:		
Present value of defined benefit obligation	**24**	34
Fair value of plan assets	**–**	–
Net retirement benefit obligation liability	**24**	34

The present value of the defined benefit obligation was R7 million in 2010, R5 million in 2009, R3 million in 2008.

for the years ended 30 June 2012

23 Retirement benefit obligation continued

The effect of a one percentage point increase and decrease in the assumed medical cost trend rates is as follows:

	SA rand	
Figures in million	**2012**	2011
	1% Increase	1% Increase
Effect on:		
Aggregate of service cost and interest cost	**1**	–
Defined benefit obligation	**4**	5
	1% Decrease	1% Decrease
Effect on:		
Aggregate of service cost and interest cost	**1**	–
Defined benefit obligation	**3**	4

The company expects to contribute approximately R1.2 million to its benefit plan in 2013.

24 Other provisions

Refer to note 29 of the group financial statements for further detail

25 Borrowings

Nedbank Limited

On 11 December 2009, the company entered into a loan facility with Nedbank Limited, comprising a term facility of R900 million and a revolving credit facility of R600 million. The facility was utilised to fund the acquisition of the Pamodzi Free State assets as well as the group's major capital projects and working capital requirements. Interest accrues on a day-to-day basis over the term of the loan at a variable interest.

On 30 November 2010, the company entered into an additional loan facility with Nedbank Limited, comprising a term facility of R500 million and a revolving credit facility of R250 million. Interest terms are identical to the original facility. The repayment terms of the original revolving credit facility were amended to coincide with the repayment on the new facility.

Syndicated revolving credit facility

On 11 August 2011, the company entered into a loan facility which was jointly arranged by Nedbank Limited and FirstRand Bank Limited (acting through its Rand Merchant Bank division) (syndicate), comprising a US$300 million (R2 156 million) syndicated revolving credit facility. The facility is utilised to fund exploration projects in Hidden Valley and Wafi-Golpu. The facility attracts interest at LIBOR plus 260 basis points, which is payable quarterly.

Debt covenants

The debt covenant tests for the group for both the Nedbank facilities and the syndicated revolving credit facility are as follows:

- The group's interest cover shall not be less than two (EBIT/Total interest).
- Current ratio shall not be less than one (Current assets/current liabilities).
- Cash flow from operating activities shall be above R100 million for the six months prior to the evaluation date.
- Total net debt shall not exceed R3 billion plus the Rand equivalent of US$300 million.
- Market capitalisation to facilities outstanding ratio shall not be less than six times.

The debt covenant tests are performed on a quarterly basis. No breaches of the covenants were identified during the tests in the 2012 financial year.

Terms and debt repayment schedule at 30 June 2012

	Interest charge	Repayment terms	Repayment date	Security
Nedbank Limited (secured loan – term facility 1)	3 month JIBAR plus 3.5%, quarterly payable	Bi-annually equal instalments of R90 million	31 December 2014	Cession and pledge of operating subsidiaries shares
Nedbank Limited (secured loan – term facility 2)	3 month JIBAR plus 3.5%, quarterly payable	Bi-annually equal instalments of R62.5 million	31 December 2014	
Nedbank Limited (secured loan – revolving credit facility)	1 or 3 month JIBAR plus 3.5%, payable after interest interval	Repayable on the repayment date	30 November 2013	
Syndicated (secured loan – US$ revolving credit facility)	LIBOR plus 260 basis points, payable quarterly	Repayable on maturity	15 September 2015	Cession and pledge of operating subsidiaries shares and joint venture interest

Interest-bearing borrowings carried at amortised cost

	SA rand	
Figures in million	**2012**	2011
Non-current borrowings		
Nedbank Limited (secured loan – term facilities)	**458**	759
Balance at beginning of year	**759**	627
Draw down	**–**	500
Repayments	**(305)**	(242)
Issue cost	**–**	(4)
Amortisation of issue costs	**3**	3
Net adjustments to current portion	**1**	(125)
Nedbank Limited (secured loan – revolving credit facilities)	**–**	447
Balance at beginning of year	**447**	295
Draw down	**400**	400
Repayments	**(850)**	(250)
Issue costs	**(20)**	–
Amortisation of issue costs	**23**	2
Syndicate (secured loan – US$ revolving credit facility)	**1 042**	–
Balance at beginning of year	**–**	–
Draw down	**1 043**	–
Issue cost	**(47)**	–
Amortisation of issue costs	**9**	–
Net adjustments to current portion	**12**	–
Translation	**25**	–
Total non-current borrowings	**1 500**	1 206

for the years ended 30 June 2012

25 Borrowings continued

	SA rand	
Figures in million	**2012**	2011
Current borrowings		
Current portion of the loan from Nedbank Limited	**301**	302
Current portion of the loans from syndicate	**(12)**	–
Total current borrowings	**289**	302
Total interest-bearing borrowings	**1 789**	1 508
The maturity of borrowings is as follows:		
Current	**289**	302
Between one to two years	**291**	302
Between two to five years	**1 209**	904
Over five years	**–**	–
	1 789	1 508
Undrawn committed borrowing facilities:		
Expiring within one year	**–**	–
Expiring after one year	**2 245**	400
	2 245	400

	Effective rate	
	2012	2011
Nedbank Limited	**9.1%**	9.1%
Syndicate	**3.0%**	n/a

The level of Harmony's borrowing powers, as determined by its Articles of Association, shall not except with the consent of Harmony's general meeting, exceed R40 million or the aggregate from time to time of the issued and paid-up share capital of the company, together with the aggregate of the amounts standing to the credit of all distributable and non-distributable reserves (including minority interests in subsidiary companies and provisions for deferred taxation) and any share premium accounts of the company. During 2012, the borrowing powers were not exceeded.

26 Trade and other payables

	SA rand	
Figures in million	**2012**	2011
Financial liabilities:		
Trade payables	**75**	81
Other liabilities	**23**	12
Non-financial liabilities:		
Payroll accruals	**200**	188
Leave liabilities (a)	**73**	68
Shaft related accruals	**60**	33
Other accruals	**139**	143
Value added tax	**48**	48
Total trade and other payables	**618**	573

(a) Leave liability

Employee entitlements to annual leave are recognised on an ongoing basis. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. The movement in the liability recognised in the balance sheet is as follows:

	SA rand	
Figures in million	**2012**	2011
Balance at beginning of year	**68**	77
Benefits paid	**(68)**	(71)
Total expense per income statement	**73**	62
Balance at end of year	**73**	68

27 Cash generated by operations

	SA rand	
Figures in million	**2012**	2011
Reconciliation of profit/(loss) before taxation to cash generated by operations:		
Profit/(loss) before taxation	**880**	(1 030)
Adjustments for:		
Amortisation and depreciation	**267**	222
Impairment of assets	**126**	203
Share-based payments	**20**	31
Net (decrease)/increase in provision for post-retirement benefits	**(13)**	26
Net decrease in provision for environmental rehabilitation	**(27)**	(38)
Profit on sale of property, plant and equipment	**(43)**	(7)
Impairment of investments in subsidiaries	**–**	102
Net gain on financial instruments	**(13)**	(17)
Dividends received	**(324)**	–
Interest received	**(126)**	(140)
Finance costs	**188**	174
Other provisions	**26**	–
Provision for doubtful debts (credit)/expense	**(197)**	1 058
Inventory adjustments	**33**	64
Other non-cash adjustments	**37**	(31)
Effect of change in operating working capital items		
Receivables	**(220)**	(112)
Inventories	**(4)**	17
Payables	**39**	(41)
Cash generated by operations	**649**	481

Additional cash flow information

(i) The income and mining taxes paid in the statement of cash flow represents actual cash paid less refunds received.

(ii) At 30 June 2012, R2 245 million (30 June 2011: R400 million) of borrowing facilities had not been drawn down, and is therefore available for future operating activities and future capital commitments. Refer to note 25.

For the financial year ended June 2012

(a) Acquisitions and disposal of investments/businesses

No acquisitions or disposals of subsidiaries/businesses or material assets occurred in the 2012 financial year.

(b) Principal non-cash transactions

Capitalisation of the Harmony Australia intercompany loan (refer to note 13).

Share-based payments (refer to note 29).

for the years ended 30 June 2012

27 Cash generated by operations continued

For the financial year ended June 2011

(a) Acquisitions and disposal of investments/businesses

No acquisitions or disposals of subsidiaries/businesses or material assets occurred in the 2011 financial year.

(b) Principal non-cash transactions

Capitalisation of the Harmony Australia intercompany loan (refer to note 13).

Share-based payments (refer to note 29).

28 Employee benefits

	SA rand	
Figures in million	**2012**	2011
Number of permanent employees as at 30 June	**7 224**	7 454
Aggregate earnings:		
The aggregate earnings of employees including directors were:		
Salaries and wages and other benefits	**1 303**	1 317
Retirement benefit costs	**109**	113
Medical aid contributions	**39**	32
Total aggregated earnings *	**1 451**	1 462

Remuneration for directors and management is fully disclosed in the remuneration report on pages 176 to 183.

During the 2012 financial year R15 million (2011: R9 million) was included in the payroll cost for termination costs. Termination costs excludes the costs relating to the voluntary retrenchment process as well as retrenchments due to shaft closures (refer to note 1).

** These amounts have been included in production cost, corporate expenditure and capital expenditure*

29 Share option scheme

The group currently has the 2001, 2003 schemes and the 2006 share plan that are still active. The objective of these schemes is to recognise the contributions of employees to the company's financial position and performance and to retain key employees.

The details pertaining to share options issued and exercised by the directors and management during the year are disclosed in the remuneration report on pages 176 to 183.

Options granted under the 2001 and 2003 schemes

Refer to note 34 of the group notes for the information relating to the 2001 and 2003 schemes, the following information relates specifically to the company.

	SA rand	
Number of share options relating to the 2001 and 2003 option schemes	**2012**	2011
Share options granted	**19 225 420**	19 230 420
Exercised	**14 222 789**	13 959 167
Vested but not exercised	**534 369**	802 991
Forfeited and lapsed	**4 468 262**	4 468 262

Activity on share options granted but not yet exercised	2012 Number of shares	2012 Weighted average option price (SA rand)	2011 Number of shares	2011 Weighted average option price (SA rand)
For the year ended 30 June				
Balance at beginning of year	**802 991**	**48.22**	1 498 666	48.22
Options exercised	**(268 622)**	**51.07**	(545 775)	45.58
Options forfeited and lapsed	–	**0.00**	(81 601)	53.87
Intercompany transfer of employees	–		(68 299)	
Balance at end of year	**534 369**	**49.08**	802 991	49.74

List of options granted but not yet exercised (listed by grant date)	At 30 June 2012	Option price (SA rand)	Remaining life (years)
27 March 2003	**12 000**	91.60	0.7
10 August 2004	**175 220**	66.15	2.1
26 April 2005	**347 149**	39.00	2.8
Total options granted but not yet exercised	**534 369**		

	SA rand	
Figures in million	**2012**	2011
Market value of share options traded during the year	**28**	47
Gain realised by participants on options traded during the year	**14**	22

Options granted under the 2006 share plan

Refer to note 34 of the group notes for the information relating to the 2006 share plan. The following information relates specifically to the company.

	SARs		PS		RS	
Number of share options relating to	**2012**	2011	**2012**	2011	**2012**	2011
Share options granted	**5 041 923**	4 610 526	**3 918 074**	3 476 204	**343 922**	240 922
Exercised	**502 476**	138 531	**724 712**	302 885	–	–
Vested but not exercised	**737 941**	381 176	–	–	–	–
Unvested	**2 645 170**	3 271 804	**1 548 720**	2 369 065	**279 135**	240 922
Forfeited and lapsed	**1 156 336**	819 015	**1 644 642**	804 254	**64 787**	–
Vesting periods of unvested shares						
Within one year	**859 097**	744 020	**373 627**	1 163 089	–	–
One to two years	**726 662**	1 009 993	**618 345**	447 938	**194 135**	–
Two to three years	**604 740**	816 034	**556 748**	758 038	**85 000**	240 922
Three to four years	**308 936**	518 007	–	–	–	–
Four to five years	**145 735**	183 750	–	–	–	–
Total number of unvested shares	**2 645 170**	3 271 804	**1 548 720**	2 369 065	**279 135**	240 922

for the years ended 30 June 2012

29 Share option scheme continued

Activity on options granted but not yet exercised	SARs Number of shares	SARs Weighted average option price (SA rand)	PS Number of shares	RS Number of shares
For the year ended 30 June 2012				
Balance at beginning of year	**3 652 980**	**79.08**	**2 369 065**	**240 922**
Options granted	**481 078**	**104.79**	**608 514**	**103 000**
Options exercised	**(363 945)**	**75.49**	**(421 827)**	**–**
Options forfeited and lapsed	**(337 321)**	**81.20**	**(840 388)**	**(64 787)**
Intercompany transfer of employees	**(49 681)**		**(166 644)**	
Balance at end of year	**3 383 111**	**82.75**	**1 548 720**	**279 135**
For the year ended 30 June 2011				
Balance at beginning of year	3 631 883	77.32	2 231 202	–
Options granted	593 069	84.81	794 897	240 922
Options exercised	(138 531)	70.54	(302 885)	–
Options forfeited and lapsed	(433 441)	81.98	(354 149)	–
Balance at end of year	3 652 980	79.08	2 369 065	240 922

List of shares granted but not yet exercised (listed by grant date)	Number of shares	Strike price (SA rand)	Remaining life (years)
As at 30 June 2012			
Share appreciation rights			
15 November 2006	**167 487**	**112.64**	**0.4**
15 November 2007	**686 148**	**70.54**	**1.4**
7 March 2008	**46 154**	**102.00**	**1.7**
5 December 2008	**669 103**	**77.81**	**2.4**
16 November 2009	**887 410**	**77.28**	**3.4**
15 November 2010	**489 604**	**84.81**	**4.4**
15 November 2011	**437 205**	**104.79**	**5.4**
	3 383 111		
Performance shares			
16 November 2009	**373 627**	**n/a**	**0.4**
15 November 2010	**618 345**	**n/a**	**1.4**
15 November 2011	**556 748**	**n/a**	**2.4**
	1 548 720		
Restricted shares			
15 November 2010	**194 135**	**n/a**	**1.4**
15 November 2011	**85 000**	**n/a**	**2.4**
	279 135		
Total options granted but not yet exercised	**5 210 966**		

	SA rand	
Figures in million	**2012**	2011
Gain realised by participants on options traded during the year	**61**	24
Fair value of share options vested during the year	**71**	26
Share-based cost recognised	**20**	31

30 Related parties

Refer to note 35 in the group financial statements for a discussion on related parties.

	SA rand	
Figures in million	**2012**	2011
Sales and services rendered to related parties		
Direct associates	**–**	–
Indirect associates	**30**	37
Direct subsidiaries	**11 939**	8 876
Indirect subsidiaries	**520**	407
	12 489	9 320
Purchases and services acquired from related parties		
Indirect associates	**–**	3
Outstanding balances due by related parties		
Direct associates (a)	**7**	7
Indirect associates	**–**	3
Direct subsidiaries	**1 991**	3 532
	1 998	3 542
Outstanding balances due to related parties		
Direct associates (b)	**17**	17
Direct subsidiaries	**561**	338
Indirect subsidiaries	**449**	463
	1 027	818

(a) This amount has been included in trade and other receivables. Refer note 18.

(b) This amount, which has been included in trade and other payables, relates to the acquisition of the President Steyn assets from Pamodzi FS and is payable when certain conditions are fulfilled. The balance has been classified as current as there is no fixed payment date.

The loans are unsecured and interest-free, with the exception of the loan to Pamodzi.

Annexure A contains a full list of the loans to and from subsidiaries. Refer to note 13 for details of provisions made against these loans.

31 Commitments and contingencies

	SA rand	
Figures in million	**2012**	2011
Capital expenditure commitments		
Contracts for capital expenditure	**142**	32
Authorised by the directors but not contracted for	**203**	120
	345	152

This expenditure will be financed from existing resources and where appropriate, borrowings.

Guarantees		
Guarantees and suretyships	**10**	–
Environmental guarantees	**221**	221

Refer to note 36 of the group financial statements for a discussion on contingent liabilities.

for the years ended 30 June 2012

32 Subsequent events

Refer to note 37 of the group financial statements for details.

33 Financial risk management

The company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and other price risk), credit risk and liquidity risk. The company may use derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a central group treasury department under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the company's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and the investment of excess liquidity.

The company's financial instruments are set out below:

Figures in million (SA rand)	Loans and receivables	Available-for-sale financial assets	Held-to-maturity investments	Fair value through profit or loss	Financial liabilities at amortised cost
At 30 June 2012					
Restricted cash	**26**	–	–	–	–
Restricted investments	–	–	**70**	**247**	–
Investments in financial assets	–	**5**	–	–	–
Loans to subsidiaries	**1 991**	–	–	–	–
Trade and other receivables	**744**	–	–	–	–
Cash and cash equivalents	**1 450**	–	–	–	–
Borrowings	–	–	–	–	**1 789**
Loans from subsidiaries	–	–	–	–	**1 010**
Trade and other payables	–	–	–	–	**98**
At 30 June 2011					
Restricted cash	26	–	–	–	–
Restricted investments	–	–	46	233	–
Investments in financial assets	–	2	–	–	–
Loans to subsidiaries	3 532	–	–	–	–
Trade and other receivables	508	–	–	–	–
Cash and cash equivalents	434	–	–	–	–
Borrowings	–	–	–	–	1 508
Loans from subsidiaries	–	–	–	–	801
Trade and other payables	–	–	–	–	93

(a) Market risk

(i) Foreign exchange risk

The company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar (US$). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. Harmony's revenues are sensitive to the ZAR/US$ exchange rate as all revenues are generated by gold sales denominated in US$. Harmony generally, does not enter into forward sales, derivatives or other hedging arrangements to establish exchange rates in advance for the sale of its future gold production.

The company has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Harmony generally does not enter into forward sales, derivatives or other hedging arrangements to manage this risk.

Sensitivity analysis

The company has reviewed its foreign currency exposure on financial assets and financial liabilities as at 30 June 2012 and 2011 and has identified the following sensitivities for a change of 10% in the exchange rate. The company is exposed to foreign exchange risk arising from borrowings denominated in a currency other than the functional currency of the company. Harmony generally does not enter into forward sales, derivatives or other hedging arrangements to manage this risk.

	SA rand	
Figures in million	**2012**	2011
US$ against rand		
Increase by ten percent	**103**	n/a
Decrease by ten percent	**(103)**	n/a
Closing rate	**8.21**	

(ii) Other price risk

The company is exposed to the risk of fluctuations in the fair value of the available-for-sale and fair value through profit or loss financial assets as a result of changes in market prices (other than changes in interest rates and foreign currencies). Harmony generally does not use any derivative instruments to manage this risk.

Sensitivity analysis

A 1% increase in the share price of available-for-sale financial assets at the reporting date, with all other variables held constant, would not have had a material impact on other comprehensive income for 2011 and 2012.

Certain of the restricted investments are linked to the SWIX 40 index on the JSE. A 1% increase in the SWIX 40 index at the reporting date, with all other variables held constant, would have increased profit or loss by R1.2 million (2011: R1.1 million); an equal change in the opposite direction would have decreased profit or loss by R1.2 million (2011: R1.1 million).

Commodity price sensitivity

The profitability of the company's operations, and the cash flows generated by those operations, are affected by changes in the market price of gold. Harmony generally does not enter into forward sales, derivatives or other hedging arrangements to establish a price in advance for the sale of future gold production.

(iii) Interest rate risk

The company's interest rate risk arises mainly from long-term borrowings. The company has variable interest rate borrowings. Variable rate borrowings expose the company to cash flow interest rate risk. The company has not entered into interest rate swap agreements.

Sensitivity analysis

A change of 100 basis points in interest rates during the reporting period would have increased/(decreased) profit or loss before tax by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2011.

	SA rand	
Figures in million	**2012**	2011
Increase by 100 basis points	**18**	15
Decrease by 100 basis points	**(18)**	(15)

for the years ended 30 June 2012

33 Financial risk management continued

(b) Credit risk

Credit risk is the risk that a counterparty may default or not meet its obligations timeously. Financial instruments, which subject the company to concentrations of credit risk, consist predominantly of restricted cash, restricted investments, trade and other receivables (excluding non-financial instruments) and cash and cash equivalents.

Exposure to credit risk on trade and other receivables is monitored on a regular basis. The credit risk arising from restricted cash, cash and cash equivalents and restricted investments is managed by ensuring amounts are only invested with financial institutions of good credit quality. The company has policies that limit the amount of credit exposure to any one financial institution.

It is the policy of the company to renegotiate credit terms with long-standing customers who have a good credit history with the company. These customers are monitored on an ongoing basis to ensure that the customer remains within the renegotiated terms.

	SA rand	
Figures in million	**2012**	2011
Credit rating		
AAA[1]	**2**	258
AA+[1]	**363**	–
AA[1]	**445**	12
AA-	**313**	166
A+	**353**	24
Cash and cash equivalents and restricted cash	**1 476**	460
[1]Includes restricted cash		
AAA	**–**	26
AA+	**4**	–
AA	**22**	–
Total restricted cash	**26**	26

The company's maximum exposure to credit risk is represented by the carrying amount of all financial assets determined to be exposed to credit risk, amounting to R2 537 million as at 30 June 2012 (2011: R1 247 million). Of this amount R560 million, which includes the equity-linked notes and interest-bearing short-term investment (refer to note 12), is held with Nedbank Limited which has an AA- rating.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities.

In the ordinary course of business, the company receives cash from its operations and is required to fund working cost and capital expenditure requirements. The cash is managed to ensure that surplus funds are invested in a manner to achieve market-related returns and to provide sufficient liquidity at the minimum risk. The company is able to actively source financing at competitive rates.

The following are the contractual maturities of financial liabilities (including principle and interest payments):

Figures in million (SA rand)	Current	More than 1 year
2012		
Borrowings		
Due between 0 to six months	**204**	**–**
Due between six to 12 months	**196**	**–**
Due between one to two years	**–**	**373**
Due between two to five years	**–**	**1 268**
Trade and other payables (excluding non-financial liabilities)	**98**	**–**
	498	**1 641**
2011		
Borrowings		
Due between 0 to six months	220	–
Due between six to 12 months	215	–
Due between one to two years	–	389
Due between two to five years	–	800
Trade and other payables (excluding non-financial liabilities)	93	–
	528	1 189

(d) Fair value determination

The carrying values (less any impairment allowance) of short-term financial instruments are assumed to approximate their fair values.

The fair value of the available-for-sale financial assets are determined by reference to quoted market prices. The fair value of other non-current financial instruments are determined using a discounted cash flow model with market observable inputs, such as market interest rates.

The carrying values of financial assets and liabilities are assumed to approximate their fair values.

The following table presents the company's assets that are measured at fair value by level at 30 June 2012. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

1) Quoted prices (unadjusted) in active markets for identical assets (level 1).
2) Inputs other than quoted prices included within level 1 that are observable for the asset, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
3) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Assets	Level 1	Level 2	Level 3
Figures in million (SA rand)			
Available-for-sale financial assets[1]	**–**	**–**	**5**
Fair value through profit or loss[2]	**–**	**70**	**–**
The following table presents the group's assets and liabilities that are measured at fair value by level at 30 June 2011.			
Figures in million (SA rand)			
Available-for-sale financial assets[1]	–	1	1
Fair value through profit or loss[2]	–	233	–

[1] *Refer to note 14. Level 1 and 2 fair values are either directly or indirectly derived from actively trading shares on the JSE.*

[2] *Level 2 fair values are indirectly derived from the Shareholder Weighted Top 40 Index (SWIX 40) on the JSE and are discounted at market interest rates.*

Annexure A

Statement of group companies at 30 June 2012

Company	Country of incor-poration	Status	Issued share capital R'000	Effective group interest 2012 %	Effective group interest 2011 %	Cost of investment by holding company 2012 Rm	Cost of investment by holding company 2011 Rm	Loans from/(to) holding company 2012 Rm	Loans from/(to) holding company 2011 Rm
Direct subsidiaries:									
Dormant									
Authentic Beverage (Proprietary) Limited	(a)	Ω	#	**100**	100	–	–	–	–
Coreland Property Development Company (Proprietary) Limited	(a)		#	**100**	100	–	–	–	–
Coreland Property Investment (Proprietary) Limited	(a)		#	**100**	100	–	–	–	–
Coreland Property Management (Proprietary) Limited	(a)		#	**100**	100	–	–	–	–
Harmony Engineering (Proprietary) Limited	(a)	@	#	**100**	100	**2**	3	**(4)**	(3)
Harmony Gold (Management Services) (Proprietary) Limited	(a)	@	1	**100**	100	–	–	–	–
Harmony Gold (Marketing) (Proprietary) Limited	(a)	Ω	#	**100**	100	–	–	–	–
Harmony Gold Limited	(d)		#	**100**	100	–	–	–	–
Harmony HIV-Aids Company (Proprietary) Limited	(a)	Ω	#	**100**	100	–	–	–	–
Musuku Beneficiation Systems (Proprietary) Limited	(a)	@	#	**100**	100	–	–	–	–
Unisel Gold Mines Limited	(a)	@	23 136	**100**	100	**89**	89	**(89)**	(89)
Virginia Salvage (Proprietary) Limited	(a)	@	2	**90**	90	–	–	–	–
Exploration									
Lydenburg Exploration Limited	(a)		42 792	**100**	100	**103**	103	**(106)**	4
Gold mining									
African Rainbow Minerals Gold Limited	(a)		96	**100**	100	**7 081**	7 081	**202**	208
ARMGold/Harmony Freegold Joint Venture Company (Proprietary) Limited	(a)		20	**100**	100	**17**	17	**472**	1 063
Avgold Limited	(a)		6 827	**100**	100	**6 935**	6 935	**434**	762
Evander Gold Mines Limited	(a)	*	39 272	**100**	100	**545**	545	**(336)**	(220)
Randfontein Estates Limited	(a)		19 882	**100**	100	**1 311**	1 311	**876**	1 202
Investment holding									
ARMgold/Harmony Joint Investment Company (Proprietary) Limited	(a)		#	**100**	100	–	–	–	127
Harmony Gold Australia (Proprietary) Limited	(c)		7 506 228	**100**	100	**7 506**	6 391	–	–
West Rand Consolidated Mines Limited	(a)		17 967	**100**	100	**321**	321	**(26)**	(26)
Mining related services									
Harmony Pharmacies (Proprietary) Limited	(a)		#	**99**	99	–	–	**7**	166

Company	Country of incorporation	Status	Issued share capital R'000	Effective group interest 2012 %	Effective group interest 2011 %	Cost of investment by holding company 2012 Rm	Cost of investment by holding company 2011 Rm	Loans from/(to) holding company 2012 Rm	Loans from/(to) holding company 2011 Rm
Property holding and development									
La Riviera (Proprietary) Limited	(a)		#	**100**	100	–	–	–	–
Indirect subsidiaries:									
Dormant									
Arai Liki Offshore (Proprietary) Limited	(c)		293	**100**	100	–	–	–	–
Aurora Custodians (Proprietary) Limited	(c)		#	**100**	100	–	–	–	–
Aurora Gold (WA) (Proprietary) Limited	(c)		163 115	**100**	100	–	–	–	–
Aurora Gold (Wafi) (Proprietary) Limited	(c)		#	**100**	100	–	–	–	–
Aurora Gold Administration (Proprietary) Limited	(c)		293	**100**	100	–	–	–	–
Aurora Gold Australia (Proprietary) Limited	(c)		58	**100**	100	–	–	–	–
Aurora Gold Finance (Proprietary) Limited	(c)		#	**100**	100	–	–	–	–
Aurora Gold Limited	(c)		685 006	**100**	100	–	–	–	–
Aurora Gold Services (Proprietary) Limited	(c)		#	**100**	100	–	–	–	–
Australian Ores & Minerals (Proprietary) Limited	(c)		8 766	**100**	100	–	–	–	–
Bracken Mines Limited	(a)	Ω	#	**100**	100	–	–	–	–
Carr Boyd Minerals (Proprietary) Limited	(c)		402 414	**100**	100	–	–	–	–
Clidet No. 790 (Proprietary) Limited	(a)		#	**100**	100	–	–	–	–
Clidet No. 791 (Proprietary) Limited	(a)		#	**100**	100	–	–	–	–
Clidet No. 804 (Proprietary) Limited	(a)		#	**100**	100	–	–	–	–
Cogent (Proprietary) Limited	(a)	Ω	#	**100**	100	–	–	–	–
Evander Stone Holdings (Proprietary) Limited	(a)	@	1	**100**	100	–	–	–	–
Evander Township Development Limited	(a)	*	3	**100**	100	–	–	–	–
Harmony Gold Securities (Proprietary) Limited	(c)		#	**100**	100	–	–	–	–
Harmony Gold WA (Proprietary) Limited	(c)		#	**100**	100	–	–	–	–
Harmony Precision Casting Company (Proprietary) Limited	(a)	@	358	**100**	100	–	–	–	(1)
KwaZulu Gold Mining Company (Proprietary) Limited	(a)	Ω	#	**100**	100	–	–	–	–
Leslie Gold Mines Limited	(a)	Ω	#	**100**	100	–	–	–	–
Loraine Gold Mines Limited	(a)	Ω	#	**100**	100	–	–	–	–
Middelvlei Development Company (Proprietary) Limited	(a)		#	**100**	100	–	–	–	–
New Hampton Goldfields Limited	(c)		196 248	**100**	100	–	–	–	–
Portions 1 and 3 Wildebeestfontein (Proprietary) Limited	(a)	Ω	#	**100**	100	–	–	–	–

Annexure A continued

Statement of group companies at 30 June 2012 continued

Company	Country of incor-poration	Status	Issued share capital R'000	Effective group interest 2012 %	Effective group interest 2011 %	Cost of investment by holding company 2012 Rm	Cost of investment by holding company 2011 Rm	Loans from/(to) holding company 2012 Rm	Loans from/(to) holding company 2011 Rm
Potchefstroom Gold Areas Limited	(a)	@	8 407	**100**	100	–	–	–	–
Potchefstroom Gold Holdings (Proprietary) Limited	(a)	@	2	**100**	100	–	–	–	–
Remaining Extent and Portion 15 Wildebeestfontein (Proprietary) Limited	(a)	@	#	**90**	90	–	–	–	–
South Kal Mines (Proprietary) Limited	(c)		6	**100**	100	–	–	–	–
Swaziland Gold (Proprietary) Limited	(b)		#	**100**	100	–	–	–	–
The Kunana Mining Company (Proprietary) Limited	(a)	Ω	#	**100**	100	–	–	–	–
Trodex Platinum (Proprietary) Limited	(a)	Ω	4	**100**	100	–	–	–	–
Vadessa (Proprietary) Limited	(c)		#	**100**	100	–	–	–	–
Venda Gold Mining Company (Proprietary) Limited	(a)	Ω	#	**100**	100	–	–	–	–
Winkelhaak Mines Limited	(a)	Ω	#	**100**	100	–	–	–	–
Exploration						–			
Harmony Gold (Exploration) (Proprietary) Limited	(a)		10	**100**	100	–	–	**(4)**	(4)
Harmony Gold (PNG) Exploration Limited	(e)		#	**100**	100	–	–	–	–
Morobe Exploration Limited	(e)		1 104	**100**	100	–	–	–	–
Gold mining						–			
Harmony Gold PNG Limited	(e)		#	**100**	100	–	–	–	–
Kalahari Goldridge Mining Company Limited	(a)		1 275	**100**	100	–	–	**(445)**	(456)
Investment						–			
Abelle Limited	(c)		488 062	**100**	100	–	–	–	–
Harmony Gold Operations Limited	(c)		405 054	**100**	100	–	–	–	–
Mineral right investment						–		–	
Morobe Consolidated Goldfields Limited	(e)		#	**100**	100	–	–	–	–
Wafi Mining Limited	(e)		#	**100**	100	–	–	–	–
Property and development						–			
Evander Township Limited	(a)	*	1 340	**100**	100	–	–	–	(2)
Quarrytown Limited	(a)	@	#	**100**	100	–	–	–	–
Salt Holdings Limited	(a)	Ω	60	**100**	100	–	–	–	–
Mining related services						–			
Harmony Gold (PNG Services) (Proprietary) Limited	(c)		#	**100**	100	–	–	–	–
Total						**23 910**	22 796	**981**	2 731
Total investments								**24 891**	25 527
Less reclassification to held for sale								**(209)**	–
								24 682	25 527

Company	Country of incorporation	Status	Issued share capital R'000	Effective group interest 2012 %	Effective group interest 2011 %	Cost of investment by holding company 2012 Rm	Cost of investment by holding company 2011 Rm	Loans from/(to) holding company 2012 Rm	Loans from/(to) holding company 2011 Rm
Joint venture operations – indirect:									
Morobe Exploration Services Limited	(e)		$	**50**	50	–	–	–	–
Hidden Valley Services Limited	(e)		$	**50**	50	–	–	–	–
Wafi Golpu Services Limited	(e)		$	**50**	50	–	–	–	–

The group's interest in jointly controlled operations is accounted for by proportionate consolidation. Under this method the group includes its share of the joint venture's individual income and expenses, assets and liabilities in the relevant components of the financial statements on a line by line basis.

Company	Country of incorporation	Status	Issued share capital R'000	Effective group interest 2012 %	Effective group interest 2011 %	Cost of investment by holding company 2012 Rm	Cost of investment by holding company 2011 Rm	Loans from/(to) holding company 2012 Rm	Loans from/(to) holding company 2011 Rm
Associate company – direct:									
Gold mining company:									
Pamodzi Gold Limited	(a)	Ω	30	**32**	32	–	–	–	–
Associate company – indirect:									
Gold and uranium mining									
Rand Uranium	(a)	Δ	#	**0**	40	–	–	–	25

Investments in associates are accounted for by using the equity method of accounting. Equity accounting involves recognising in the income statement the group's share of the associates' profit or loss for the period. The group's interest in the associate is carried on the balance sheet at an amount that reflects the cost of the investment, the share of post acquisition earnings and other movement in the reserves.

- # Indicates issued share capital of R1 000 or less
- * Agreement to sell investment to PAR plc entered on 30 May 2012
- Ω In final stages of liquidation order
- @ Liquidation process commenced
- $ Indicates a share in the joint venture's capital assets
- Δ Investment sold during the 2012 year
- (a) Incorporated in the Republic of South Africa
- (b) Incorporated in Swaziland
- (c) Incorporated in Australia
- (d) Incorporated in the Isle of Man
- (e) Incorporated in Papua New Guinea

The above investments are valued by the directors at book value.

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The integrated annual report for 2012 and sustainable development report 2012 are available in electronic format at **www.harmony.co.za** and may also be requested in printed format from Harmony's investor relations contacts above.

In addition, Harmony has produced the Form 20-F, an annual report which it is required to file with the United States' Securities and Exchange Commission in accordance with its listing on the NYSE. Electronic copies will be available towards the end of October 2012 free of charge on EDGAR at www.sec.gov and on our corporate website: **www.harmony.co.za.**

Stock exchange listings and ticker codes

Harmony's primary listing is on the JSE Limited. The company's shares are also quoted in the form of American Depositary Receipts (ADRs) on the New York Stock Exchange and as International Depositary Receipts (IDRs) on the Berlin and Brussels exchanges.

Harmony's quoted share codes on these exchanges are:

JSE Limited	HAR
NYSE Euronext	HMY
Berlin Stock Exchange	HAM1
Brussels Stock Exchange	HMY

Share information

Sector		Resources
Sub-sector		Gold
Nature of business		Harmony Gold Mining Company Limited and its subsidiaries are engaged in underground and open-pit gold mining, exploration and related activities in South Africa and Papua New Guinea
Issued share capital as at 30 June 2012		431 564 236 shares in issue
Market capitalisation		
	at 30 June 2012	R33.0 billion or US$4.0 billion
	at 30 June 2011	R38.7 billion or US$5.7 billion
Share price statistics – FY 2012		
JSE:	12-month high	R115.75
	12-month low	R72.84
	Closing price	R76.50
NYSE:	12-month high	US$14.87
	12-month low	US$8.70
	Closing price	US$9.40
Free float		100%
ADR ratio		1:1
Performance on JSE in FY12		
Number of shares traded		381 million
Total issued shares		431 564 236
Value of shares traded		R35.4 billion
ADR performance in FY12		
Number of ADRs traded		585 million
Total number of ADRs outstanding		128 million
Value of ADRs traded		US$7.1 billion

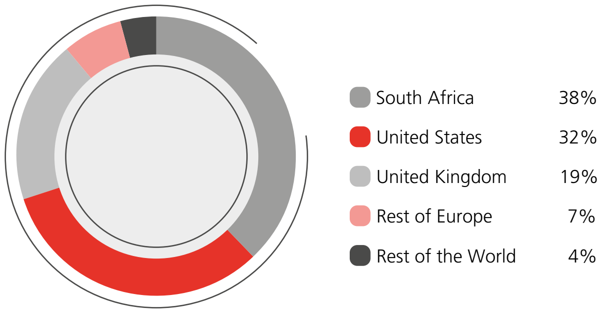
Shareholder spread as at 30 June 2012

	Number of shareholders	% of shareholders	Number of shares	% of issued share capital
Public	12 624	99.97	431 443 962	99.98
Non-public	4	0.03	120 274	0.02
Share option scheme	3	0.02	18 971	0.00
Directors*	1	0.01	101 303	0.02
Totals	12 628	100.00	431 564 236	100.00

** Held by AJ Wilkens*

Investor relations continued

Geographic distribution of shareholders
as at 30 June 2012



Ownership summary as at 30 June 2012

Rank	Institution	Current combined position	% shares in issue
1	ARM Limited	63 632 922	14.74
2	Blackrock Investment Management (UK) Limited	46 159 758	10.70
3	Public Investment Corporation of South Africa	28 137 663	6.52
4	Allan Gray Unit Trust Management Limited	24 608 847	5.70
5	First Eagle Investment Management LLC	20 976 648	4.86
6	Van Eck Global	19 772 533	4.58
7	FIL Investments International	12 988 085	3.01
8	Dimensional Fund Advisors, Inc	11 521 591	2.67
9	Investec Asset Management Pty Limited (South Africa)	10 134 504	2.35
10	The Vanguard Group, Inc	10 117 468	2.34
11	Capital International Research & Management	9 182 815	2.13
12	Fidelity Management & Research Co	9 116 194	2.11
13	BlackRock Fund Advisors	8 224 577	1.91
14	Domestic Broker Dealers	7 305 702	1.69
15	Government of Singapore Investment Corp Pte Limited (Investment Management)	6 739 127	1.56
16	Old Mutual Investment Group South Africa (Pty) Limited	5 165 040	1.20
17	Soges Fiducem (IDRs)	4 643 806	1.08
18	Baker Steel Capital Managers LLP	4 386 603	1.02
19	Regarding Capital Management (Pty) Limited	4 377 788	1.01
20	Retail Brokers (ADR)	4 299 030	1.00

Analysis of ordinary shares (Strate) as at 30 June 2012

	Number of shareholders	% of shareholders	Number of shares held	% of issued shared held
1 to 10 000	11 988	94.94	5 266 467	1.22
10 001 to 100 000	441	3.49	16 047 290	3.72
100 001 to 1 000 000	158	1.25	47 853 796	11.09
1 000 001 and more	41	0.32	362 396 683	83.97
Total	12 628	100.00	431 564 236	100.00

Historical performance of shares on the JSE

	FY12	FY11	FY10
As at 30 June: (R/share)	**76.50**	89.95	81.40
Year high (R/share)	**115.75**	103.25	87.51
Year low (R/share)	**72.84**	71.90	68.65
Number of ordinary shares issued (000)	**431 564**	430 085	428 655
Volume of shares traded (000)	**381 047**	392 035	463 826
Volume of shares traded as % of total issued shares	**88**	91	108

Historical performance of shares on the ADR programme

	FY12	FY11	FY10
As at 30 June (US$/share)	**9.40**	13.22	10.57
Year high (US$/share)	**14.87**	15.73	12.96
Year low (US$/share)	**8.70**	10.26	8.73
Number of ADRs outstanding	**128 011 912**	131 048 775	120 922 003
Volume of ADRs traded (000)	**585 089**	647 222	850 096

Shareholders' diary

Financial year-end	30 June
Annual financial statements issued	25 October 2012
Form 20-F issued	25 October 2012
Annual general meeting	28 November 2012

Dividend dates

Interim dividend declared	2 February 2012
Final dividend declared	13 August 2012

Quarterly results presentations FY13

Quarter 1	7 November 2012
Quarter 2	4 February 2013
Quarter 3	8 May 2013
Quarter 4	14 August 2013

Glossary of terms and acronyms

$	United States dollar
A$	Australian dollar
Available-for-sale financial asset	A financial asset designated as available-for-sale or one other than those classified as loans and receivables, held-to-maturity investments or derivative instruments
BEE/BBBEE	Black economic empowerment/broad-based black economic empowerment
By-products	Any products emanating from the core process of producing gold, including silver and uranium in South Africa and copper, silver and molybdenum in Papua New Guinea
Calc-silicate rock	A metamorphic rock consisting mainly of calcium-bearing silicates such as diopside and wollastonite, and formed by metamorphism of impure limestone or dolomite
Capital expenditure (capex)	Expenditure on tangible assets – includes ongoing and project capital. In particular, capex includes spending on ongoing development, abnormal expenditure, shaft projects and major projects, and covers both sustaining and growing operations
Carbon-in-leach (CIL)	Gold is leached from a slurry of gold ore with cyanide in agitated tanks and adsorbed on to carbon granules in the same circuit. Granules are separated from the slurry and treated to remove gold
Carbon-in-pulp (CIP)	Gold is leached conventionally from a slurry of gold ore with cyanide in agitated tanks. The leached slurry passes into the CIP circuit where carbon granules are mixed with the slurry and gold is adsorbed on to the carbon. Granules are separated from the slurry and treated to remove gold
Cash costs	Total cash costs include site costs for all mining, processing and administration, reduced by contributions from by-products and include royalties and production taxes. Amortisation, rehabilitation, corporate administration, retrenchment, capital and exploration costs are excluded. Total cash costs per ounce are attributable total cash costs divided by attributable ounces of gold produced.
CDP	Carbon Disclosure Project – an independent not-for-profit organisation that acts as an intermediary between shareholders and corporations on all climate change-related issues, providing primary climate change data from the world's largest corporations to the global marketplace
CLR	Carbon leader reef
CSR	Corporate social responsibility
CO_2 emissions	Total CO_2 emissions calculated from direct emissions generated from petrol and diesel consumption and indirect emissions generated from electricity consumption (expressed in tonnes)
Critical skills training – number of people trained in 2011/2012	The following disciplines are defined as core skills: • Mining • Engineering • Ore Reserves • Metallurgy The critical skills within these disciplines are: • Mining – General Manager; Mine Manager; Mining Manager • Engineering – Engineers; Junior Engineers • Ore Reserves – ORM; HOD – Geology, Survey & Planning; Section Geologist/Senior Geologist; Section Surveyor/Mine Surveyor/Senior Shaft Surveyor; Section Geostatistician/Senior Geostatistician (Geological Technician); Section Planner/Senior Planner; Surveyors/Geotechs • Metallurgy – Plant Manager; Senior Metallurgist
Cyanide Code	International management code for manufacture, transport and use of cyanide in producing gold. The aim is to promote responsible management of cyanide used in gold mining; to protect human health and reduce potential for environmental impacts
Cut-off grade	Minimum grade at which a unit of ore will be mined to achieve the desired economic outcome
Depletion	Decrease in quantity of ore in a deposit or property due to extraction or production
Development	Process of accessing an orebody through shafts or tunnelling in underground mining

Discontinued operation	A component of an entity that has been disposed of or abandoned or classified as held-for-sale until conditions precedent to the sale have been fulfilled
DMR	Department of Mineral Resources
EBITDA	Earnings before interest, tax, depreciation and amortisation
Effective tax rate	Current and deferred taxation as a percentage of profit before taxation
Electricity purchased (kWh)	Electricity purchased from the supplier during the reporting period. This should include all electricity purchased by source (fossil fuel, nuclear, hydroelectric, wind, solar, etc). It should exclude electricity generated by the operation itself and electricity supplied to the third parties such as communities and businesses
Energy consumption	Energy use calculated from electricity purchased and diesel and petrol consumed during the reporting period
Employment equity in management in South Africa	For HDSA we refer to the following: black people males and females; and white women EE is measured in the bands D, E and F, where: • Top management (F band) • Senior management (E band) • Middle management (D4-D5) • Junior management (D3-D1) • Core and critical (E-D1 management levels in under core disciplines) EE is reported as a percentage of the total employed per band
Equity	Shareholders' equity adjusted for other comprehensive income and deferred taxation
ESOP	Employee share ownership scheme
FIFR	Fatal injury frequency rate, the number of fatalities per million hours worked
Financial asset	Cash or cash equivalents, an equity instrument, a contractual right to receive cash, or a contractual right to exchange a financial instrument under favourable conditions
Financial liability	A contractual obligation to pay cash or transfer other benefits or a contractual obligation to exchange a financial instrument under unfavourable conditions. This includes debt
GDP	Gross domestic profit
GHG	Greenhouse gas – a gas that contributes to the greenhouse effect by absorbing infrared radiation, such as carbon dioxide and chlorofluorocarbons (CFCs)
Gold produced	Refined gold derived from the mining process, measured in ounces or kilograms in saleable form
Grade	Quantity of gold contained in a unit weight of gold-bearing material, generally expressed in ounces per short ton of ore (oz/t), or grams per metric tonne (g/t)
g/TEC	Grams per total employee costed
HAART	Highly active antiretroviral treatment
HDSAs	Historically disadvantaged South Africans – all people and groups discriminated against on the basis of race, gender and disability as per the MPRDA definition
HIV	Human immuno deficiency virus
Housing and living conditions – conversion from sharing to single occupancy rooms	The number of employees that share a room in Harmony's company accommodation, and the number of employees that have single rooms in Harmony's company accommodation. This is calculated by comparing the total physical hostel design capacity (room numbers) versus the total number of hostel occupants. This gives the total average occupancy rate per hostel. An average of greater than one person confirms that the occupant is sharing accommodation

Glossary of terms and acronyms continued

Indicated mineral resource	Part of a mineral resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information using appropriate techniques from outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but close enough for continuity to be assumed
Inferred mineral resource	Part of a mineral resource for which tonnage, grade resource and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from outcrops, trenches, pits, workings and drill holes that may be limited or of uncertain quality and reliability
Interest cover	EBITDA divided by finance costs and unwinding of obligations
ISO 14001	Published in 1996 by the International Organisation for Environmental Standardisation, it specifies actual requirements for an environmental management system
JIBAR	Johannesburg interbank agreed rate
JORC	Australian code for reporting exploration results, mineral resources and mineral reserves
JSE	JSE Limited
Kina	Papua New Guinea currency
King III	King report on governance for South Africa, published in 2009
Land disturbed and land available for rehabilitation (km^2)	Total land footprint disturbed and the land footprint used for ongoing or future mining activities
Leaching	Dissolution of gold from crushed or milled material, including reclaimed slime, prior to adsorption on to activated carbon
LIBOR	London interbank offer rate
Life-of-mine (LOM)	Number of years an operation is scheduled to mine and treat ore, based on current mine plan
Loans and receivables	A financial asset with fixed or determinable repayments that are not quoted in an active market, other than a derivative instrument or a financial asset classified as available-for-sale
Local Economic Development (LED) spend/Community spend in PNG	Local economic development project spend that is linked to the licence of each mine. All costs relating to community development initiatives and housing projects qualify as LED spend
Lost Time Injury Frequency Rate (LTIFR)	An LTI is a work-related injury that calls for medication, treatment, medical checks, reviews and subsequent days off work. This injury or illness incapacitates the injured employee from performing his/her normal occupation on the next scheduled work day or shift. Where logistic/administration issues resulted in a dressing case becoming a lost-time injury, all relevant documentation, evidence and statements must be obtained, recorded and filed. The calculation for the lost-time injury frequency rate (LTIFR): • Actual lost-time injuries x 1 000 000/hours worked The calculation for hours: • Actual shifts worked x 9 (this is throughout Harmony for consistency to assume every person works nine hours)
m^2/TEC	Square metres per total employee costed
Measured mineral resource	Part of a mineral resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from outcrops, trenches, pits, workings and drill holes. Locations are spaced closely enough to confirm geological and grade continuity

Mine call factor	The ratio, expressed as a percentage, of the total quantity of recovered and unrecovered mineral product after processing with the amount estimated in the ore based on sampling
Mineral resource	A concentration or occurrence of material of intrinsic economic interest in/on the earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral resources are sub-divided, in order of increasing geological confidence, into inferred, indicated and measured categories
Mining Charter	Broad-based social-economic empowerment charter for the South African mining industry. The goal of the charter is to create an industry that reflects the promise of a non-racial South Africa
MMJV	Morobe Mining Joint Ventures, the 50:50 partnership between Harmony and Newcrest Mining Company Limited
MOSH	Mining industry occupational safety and health
MPRDA	Mineral and Petroleum Resources Development Act No 28 of 2002
Ongoing capital	Capital expenditure to maintain existing production assets. This includes replacement of vehicles, plant and machinery, ore reserve development and capital expenditure related to safety, health and the environment
Pay limit	The grade of a unit of ore at which revenue from the recovered mineral content of the ore is equal to the total cash cost, including ore reserve development and stay-in-business capital. This grade is expressed as an in-situ value in grams per tonne or ounces per short ton (before dilution and mineral losses)
PNG	Papua New Guinea
Preferential procurement – BEE total spend (ZAR)	Procurement spend collected from the Harmony ERP system's payment register, which is only the spend value spent with suppliers that hold a valid BEE certificate, and comply with the minimum HDSA ownership of 25%, or more. Reporting is aligned with the requirement of the revised Mining Charter of September 2010, and only the portion of the spend value that is defined as discretionary is included
Probable mineral reserve	Economically mineable part of an indicated, and in some cases, a measured mineral resource. It includes diluting materials and allowances for losses that may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified.
Productivity	An expression of labour productivity based on the ratio of grams of gold produced per month to the total number of employees in underground mining operations
Proved reserve	Economically mineable part of a measured mineral resource. It includes diluting materials and allowances for losses that may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified
Project capital	Capital expenditure to either bring a new operation into production; to materially increase production capacity; or to materially extend the productive life of an asset
Reclamation	In South Africa, reclamation describes the process of reclaiming slimes (tailings) dumps using high-pressure water cannons to form a slurry that is pumped back to metallurgical plants for processing
Reef	A gold-bearing sedimentary horizon, normally a conglomerate band that may contain economic levels of gold
SAMREC	South African code for reporting exploration results, mineral resources and mineral reserves

Glossary of terms and acronyms continued

Silicosis – number of new cases identified in 2011/2012	The number of new cases of pure silicosis submitted by the doctor in the 2011/2012 financial year. Cases where other conditions are present, specifically Tuberculosis (TB), are not included in this number
Stripping ratio	Ratio of waste tonnes to ore tonnes mined, calculated as total tonnes mined less ore tonnes mined divided by ore tonnes mined
Tailings	Finely ground rock of low residual value from which valuable minerals have been extracted. Discarded tailings stored in dam facilities
TB	Tuberculosis
Tonne (t)	Metric = 1 000 kilograms
Ton	Imperial = 2 000 pounds (1 016kg). Referred to as a short ton
Tpa(d/m)	Tonnes/tons per annum (day/month)
US	United States
Volumes of mineral waste disposed (tonnes)	Rock and tailings waste generated and removed to landfill and tailings dams
VCT	Voluntary counselling and testing
Waste	Material with insufficient mineralisation for future treatment and discarded
Water used for primary activity (kilolitres)	The total make-up or new water that is drawn into the boundaries of the reporting organisation from all sources (including surface water, groundwater, rainwater and municipal water supply) for use for mining and processing-related activities including use by contractors. This definition excludes: internally recycled water, water discharged to receiving environment and supply to third parties such as communities and businesses
Weighted average number of ordinary shares	Number of ordinary shares in issue at the beginning of the year, increased by shares issued during the year, weighted on a time basis for the period in which they have participated in the income of the company, and increased by share options that are virtually certain to be exercised
Yield	Amount of valuable mineral or metal recovered from each unit mass of ore expressed as ounces per short ton or grams per metric tonne

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Euronext, Brussels: HMY
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Forward-looking statements

Private Securities Litigation Reform Act

Safe Harbour Statement

This report contains ‘forward-looking statements’ within the meaning of section 27A of the Securities Act of 1933, as amended, and 21E of the Securities Act of 1934, as amended, that are intended to be covered by the safe harbour created by such sections. These statements may be identified by words such as ‘expects’, ‘looks forward to’, ‘anticipates’, ‘intends’, ‘believes’, ‘seeks’, ‘estimates’, ‘will’, ‘project’ or words of similar meaning. All statements other than those of historical facts included in this report are forward looking statements, including, without limitation, (i) estimates of future earnings, and the sensitivity of earnings to the gold and other metals prices; (ii) estimates of future gold and other metals production and sales; (iii) estimates of future cash costs; (iv) estimates of future cash flows, and the sensitivity of cash flows to the gold and other metals prices; (v) statements regarding future debt repayments; (vi) estimates of future capital expenditure; and (vii) estimates of reserves, and statements regarding future exploration results and the replacement of reserves. Where the group expresses or implies an expectation or belief as to future events or results, such expectation or belief is expressed in good faith and believed to have a reasonable basis. However, forward looking statements are subject to risks, uncertainties and other factors, which could cause actual results to differ materially from future results expressed, projected or implied by such forward looking statements. Such risks include, but are not limited to, gold and other metals price volatility, currency fluctuations, increased production costs and variances in ore grade or recovery rates from those assumed in mining plans, project cost overruns, as well as political, economic and operational risks in the countries in which we operate and governmental regulation and judicial outcomes. The group does not undertake any obligation to release publicly any revisions to any forward looking statement to reflect events or circumstances after the date of this presentation, or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.

BASTION GRAPHICS

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