HARMONY™

Financial Report 2013

ABOUT THIS REPORT

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

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

Go to **www.harmony/integratedreport2013.esg.co.za** for a more detailed account of the environmental, socio-economic and governance (ESG) aspects of Harmony's business.

This financial report forms part of our integrated annual report suite for the year ended 30 June 2013. The report includes the consolidated annual financial statements for Harmony Gold Mining Company Limited (Harmony) and its subsidiaries (collectively the group) as well as Harmony's separate company annual financial statements. We have included summarised consolidated financial statements that have been extracted from the consolidated annual financial statements in the integrated annual report.

The consolidated and company annual financial statements in this report and the summarised consolidated financial statements on our website have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board, the South African 2008 Companies Act and the listings requirements of the Johannesburg stock exchange (JSE Limited).

Our integrated annual report and other supplemental information is available on our website. The integrated annual report covers our story for the financial year from 1 July 2012 to 30 June 2013 (FY13) with comparative data for information and follows a similar report for the prior financial year. In line with our commitment to the principle of integrated reporting, Harmony incorporates our broader social, environmental and economic performance throughout the integrated annual report in line with the requirements of the King Report on Governance for South Africa (King III).

Our FY13 report is structured against the latest guidelines of the International Integrated Reporting Committee and stakeholder feedback on our previous reports. The integrated report presents a concise view of the company, its progress and strategy, with readers directed to relevant sections on our website for full disclosure:

- Supplemental information details the environmental, socio-economic and governance (ESG) aspects of Harmony's business. This data 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. The full GRI index is on our website
- Harmony also produces an annual report prepared on a Form 20-F, filed with the US SEC, in compliance with the listings regulations of the NYSE. Electronic copies of this will be available from end-October 2013 free of charge on EDGAR at www.sec.gov and on our corporate website

The aim of these reports and supporting data 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.

The integrated annual report and supplemental information cover all Harmony's wholly owned operations in South Africa as well as its joint venture and own exploration activities in Papua New Guinea (PNG). They exclude discontinued operations unless otherwise stated.

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DIRECTORS' RESPONSIBILITY STATEMENT

FINANCIAL STATEMENTS

The directors have pleasure in presenting the consolidated and company annual financial statements for the year ended 30 June 2013 and the summarised consolidated financial statements for the same period (included in the integrated annual report), (collectively the financial statements). The consolidated and company annual financial statements were audited by PricewaterhouseCoopers Inc, and their report is presented on page 15 of this report. The summarised consolidated financial statements are extracted from audited information, but are not themselves audited.

The financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Financial Reporting Standards Board, and IFRIC Interpretations (collectively IFRS), the SAICA Financial Reporting Guidelines as issued by the Accounting Practices Committee and the Companies Act of South Africa, Act 71 of 2008, as amended.

The directors are responsible for the preparation, integrity and fair presentation of the financial statements of the company and its subsidiaries. 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. The directors take full responsibility for the preparation of the abridged report and the financial information has been correctly extracted from the underlying consolidated annual financial statements.

The directors are also responsible for the maintenance of effective systems of internal control which are based on established organisational structure and procedures. These systems are designed to provide reasonable assurance as to the reliability of the consolidated and company annual financial statements, and to prevent and detect material misstatements and loss.

Nothing has come to the attention of the board that caused it to believe that the system of internal controls and risk management are not effective and that the internal financial controls do not form a sound basis for the preparation of reliable financial statements. The board's opinion is underpinned by the audit and risk committee's statement.

The consolidated and company annual financial statements have been prepared on a going concern basis and the directors believe that the company and group will continue to be in operation in the foreseeable future.

APPROVAL

The annual financial statements were approved by the board of directors and signed on its behalf by:

GP Briggs
Chief executive officer

Randfontein
South Africa

F Abbott
Financial director

Randfontein
South Africa

25 October 2013

COMPANY SECRETARY CERTIFICATION

I certify, in accordance with the Companies Act No 71 of 2008, as amended, that for the year ended 30 June 2013 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 2013

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 26 to 33 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.

2013 INTEGRATED ANNUAL REPORT

As required by the King Report on Governance for South Africa, 2009 (King III), the board has reviewed and approved the 2013 integrated annual report and consolidated and company annual financial statements on recommendation from the audit and risk committee.

STATEMENT BY THE BOARD

The board of directors is of the opinion that the 2013 integrated annual report and consolidated and company annual financial statements fairly reflect the true financial position of the group and company at 30 June 2013 and their 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 2 of this report.

BOARD OF DIRECTORS

For details on the board and board changes during the year, please refer to the corporate governance report on page 54 of the integrated annual report.

DIRECTORS' SHAREHOLDINGS

At 30 June 2013, André Wilkens held 101 303 shares, the chief executive officer, Graham Briggs held 14 347 shares, the financial director, Frank Abbott held 73 900 shares and Ken Dicks, a non-executive director held 20 000 shares in Harmony. None of the directors' immediate families and associates held any direct shareholding in the company's issued share capital. No other executive director held or acquired any shares in the company, other than through share incentive schemes, for the year to 30 June 2013. Post-year-end the financial director, Frank Abbott, bought 65 600 shares in the company.

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 following 30 June 2013.

FINANCIAL RESULTS

Details of the group's financial performance are discussed in the financial director's review on pages 22 to 25 of the integrated annual report.

SHARE CAPITAL

Full details of the authorised, issued and unissued share capital of the company as at 30 June 2013 are set out in the statements of changes in shareholders' equity on page 19 of this report.

SHAREHOLDERS

Information on shareholder spread, range of shareholdings and public shareholders, as well as major shareholders, is presented on page 134 of this report.

INVESTMENTS

A schedule of investments in subsidiaries, associates and joint ventures appears on pages 130 to 133 of this 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 35 of the consolidated annual financial statements for further discussion.

BORROWINGS

(i) Movement in borrowings: see note 29 to the consolidated annual financial statements.

(ii) Borrowing powers
Borrowing powers are detailed in the company's memorandum of incorporation.

SPECIAL RESOLUTIONS BY SUBSIDIARY COMPANIES

The following special resolutions were passed:

- By Harmony Pharmacies (Proprietary) Limited (registration number 2007/03315/07) for the disposal of the Sir Albert Pharmacy business was passed on 17 September 2012.
- By Randfontein Estates Limited (registration number 1889/000251/06) on the disposal of the Sir Albert Medical Centre on 30 August 2012.
- By Business Venture Investments No 1692 (Proprietary) Limited (registration number 2012/041001/07) for the adoption of the new Memorandum of Incorporation on 20 March 2013.

DISPOSALS

The Evander Gold Mines Limited disposal transaction was finalised and completed on 28 February 2013.

Randfontein Estates Limited, a wholly owned subsidiary of Harmony entered into an agreement with Tecuflash Proprietary Limited on 17 September 2012 to dispose of its 100% interest in the Sir Albert Medical Centre (SAMC) for a total consideration of R40 million. The sale of the SAMC was finalised and completed on 25 January 2013.

Harmony Pharmacies (Proprietary) Limited entered into an agreement to dispose of its 100% interest in the Sir Albert Pharmacy business to Tecuflash Proprietary Limited on 17 September 2012, which was finalised and completed on 25 January 2013.

To further enhance our BEE credentials, Harmony entered into agreements to give effect to an empowerment transaction to dispose of 30% of its shareholding in its Free State-based Phoenix tailings operation (Phoenix) to BEE shareholders on 20 March 2013. The BEE shareholders include Sikhuliso Resources Proprietary Limited, Kopano Resources Proprietary Limited, Mazincazelane Investments Proprietary Limited and the Malibongwe Women Development Trust, as well as a community trust that has been created by Harmony.

RELATED PARTY TRANSACTIONS

None of the directors or major shareholders of Harmony or, to the knowledge of Harmony, their families, had an interest, directly 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 14.62% 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 34 of the consolidated annual financial statements for details on transactions conducted during the period under review.

RECENT DEVELOPMENTS

There were no post-year-end developments.

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, it is known as the audit and risk committee.

PURPOSE

- Assist the board in discharging its duties on safeguarding assets
- Monitor the operation of an adequate system of internal control and control processes
- Monitor the preparation of accurate financial reporting and statements in compliance with all applicable legal and corporate governance requirements and accounting standards
- Ensure that significant risks facing Harmony are adequately addressed and support the board in its responsibility for the governance of risk.

In terms of the Act, the following members, serving on the committee at 30 June 2013, will be recommended to shareholders for appointment as audit and risk committee members for the ensuing financial year at the company's annual general meeting:

Name	Status	Date appointed
John Wetton (chairman)	Independent non-executive director	1 July 2011, appointed chairman from 30 November 2011
Fikile De Buck	Lead independent non-executive director	30 March 2006
Simo Lushaba	Independent non-executive director	24 January 2003
Modise Motloba	Independent non-executive director	30 July 2004
Karabo Nondumo	Independent non-executive director	3 May 2013

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 the committee has 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 résumés on pages 56 to 59 of the integrated annual report.

In terms of the audit and risk committee's formal, approved terms of reference 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
- Evaluated and considered Harmony's risks and measures taken to mitigate those 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 the Hidden Valley impairment. These were found to be appropriate
- Considered the appointment of the external auditor, PricewaterhouseCoopers Inc. (PwC), as the registered independent auditor for the ensuing year. The committee noted that the current designated partner, Faan Lombard, will oversee the Harmony external audit process for another two years
- Satisfied itself through enquiry that the external audit firm, PwC, was independent from the company
- 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
- Considered whether IT risks are adequately addressed and that appropriate controls are in place to address these risks.

The committee is confident that it complied with its legal, regulatory and other responsibilities assigned by the board under its terms of reference.

The internal audit function reports directly to the audit and risk committee but on administrative matters will in future report to the executive: risk management and services improvement. The internal and external auditors attend the committee's quarterly meetings and have unrestricted access to the chairman of the audit and risk committee.

On recommendation from the audit and risk committee, the board approved:

- The annual financial statements for the year ended 30 June 2013. The audit and risk committee reviewed these to ensure they present a true, balanced and understandable assessment of the financial position and performance of Harmony
- The integrated annual report for the year ended 30 June 2013 in accordance with King III and the JSE Listings Requirements
- The annual report filed on Form 20-F for subsequent submission to the United States Securities and Exchange Commission (SEC)
- The notice of annual general meeting to be held on 5 December 2013.

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. The IT governance report is included in the supplemental corporate governance report.

In 2012, the committee reported on the comprehensive review of Harmony's compliance with King III completed in consultation with the auditing firm KPMG in July 2012 and highlighted projects under way to further enhance compliance with King III. Below is a detailed progress report:

Reported in 2012:	Progress:
A formal stakeholder policy and stakeholder management plan are being reviewed	Finalised
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	Finalised
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	In process
Although combined assurance was applied throughout the year, the process will be formalised into a combined assurance framework and plan	In process. To be presented for approval in November 2013
The job specification for the head of internal audit and associated key performance indicators will be developed and submitted to the committee for review and approval. This framework will serve as input into the annual assessment of the internal audit function	Finalised. A new head of internal audit has recently been appointed.
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	Finalised
A formalised and functional IT risk register will be enhanced and used by the committee to adequately monitor the company's IT risks, in line with the revised risk management roll-out plan	In process
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.	In process. As part of our approved planned internal audit coverage, a review to identify Harmony's regulatory universe is under way. In addition, Harmony's regulatory compliance strategy will be reviewed to consider the adequacy and effectiveness of the strategy and approach and, if appropriate, identify gaps and provide guidance and recommendations for improvement. Feedback on the outcome will be provided in the FY14 integrated annual report.
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.	In process. The internal audit charter has been updated and approved.

For further compliance with the requirements of King III, refer to page 64 of the integrated annual report.

John Wetton
Audit and risk committee chairman

25 October 2013

Harmony understands that enhanced organisational performance depends on a competitive and balanced remuneration strategy, fairly and impartially applied. This benefits all stakeholders.

REMUNERATION COMMITTEE

PURPOSE

- Ensure directors and executive managers are fairly rewarded for their individual contributions to Harmony's performance.
- Assist the board in monitoring, reviewing and approving Harmony's compensation policies and practices, and administering its share incentive schemes.
- Operate as an independent overseer and make recommendations to the board for final approval. Management functions remain the responsibility of executive directors, officers and members of senior management.

At 30 June 2013, the members of this committee were:

Name	Status	Date appointed
Cathie Markus (chairman)	Independent non-executive director	30 November 2011
Simo Lushaba	Independent non-executive director	5 August 2005
André Wilkens	Non-executive director	7 August 2007
Fikile De Buck	Independent non-executive director	29 October 2010
John Wetton	Independent non-executive director	12 August 2011
Karabo Nondumo	Independent non-executive director	3 May 2013

In remunerating executive managers, the committee considers the interests of shareholders and the financial and commercial health of the company. No committee member has any personal interest in the outcome of these decisions, and the majority of members are independent non-executive directors.

Harmony's formal remuneration and incentive awards strategy, including changes to the Tlhakanelo employee share trust, was adopted by the board and presented to shareholders for approval at the annual general meeting in 2012. This strategy will again be presented to shareholders for their consideration at the 2013 annual general meeting.

The committee regularly reviews the executive management salaries, which were reviewed and adjusted in August 2012 to align with industry benchmarks after board approval.

REMUNERATION POLICY

This policy is aligned to Harmony's strategic direction, business-specific value drivers and operational results. It is designed to enable us to:

- Recruit high-performing skilled people 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.

Harmony manages the total cost of employment based on principles that ensure our remuneration structures are:
- **Competitive:** relative to the target labour market
- **Performance-based:** we reward high-performing employees for their contribution
- **Fair:** any differentiation in remuneration between employees is based on fair and objective criteria
- **Dynamic:** we review our reward strategy and policies regularly to ensure we keep pace with both our objectives and market practices
- **Understood:** a multi-pronged campaign ensures employees at all levels understand our reward strategy
- **Holistic:** we have an integrated, balanced approach to reward based on:

All-inclusive guaranteed pay	Short-term incentive	Long-term incentive (share-based)	Non-financial rewards and recognition, employee growth and development	Total remuneration

← Performance management →

The remuneration committee ensures that the mix of guaranteed and variable pay meets the company's needs and that incentives are based on targets that are challenging, verifiable and relevant.

Key elements of Harmony's remuneration structure	
All-inclusive guaranteed pay	In reviewing and approving levels of guaranteed pay, the committee ensures these reflect the market sector in which we operate and the contribution of employees, particularly senior executives (including executive directors and prescribed officers). To compete effectively for skills in a challenging employment market, we identify 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. 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 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 incentives	The short-term incentive scheme provides for bonus payments: • Twice a year for all management employees in corporate, central services, medical services and central operations; and • Quarterly for designated shaft management team members and regional operations management teams. Bonuses are based on performance against annual targets that are reviewed annually each year. For the period under review period, the targets were based on: • Safety • Gold produced (kg) • Underground grade • Cost and • Capital expenditure.

Key elements of Harmony's remuneration structure continued

Short-term incentives continued

As a pre-requisite for participants to qualify for any bonus, Harmony must:
- Achieve more than 90% of set targets and
- Have an improvement on safety for the period.

On-target incentive bonus percentages applied to total cost to company, based on achieving strategy plan targets, are as follows shown below:

	On-target incentive reward %	Maximum incentive reward %
CEO	50	100
Executives and prescribed officers	50	100
General managers	30/50*	50/70

*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.

Occasionally, when external factors outside the control of participants affect performance or when changes are made to the business plans, we may reconsider criteria and targets for short-term incentives.

The remuneration committee has risk-based oversight of bonuses payable to eliminate behaviours contrary to our risk management strategy.

With regard to executive management bonuses, achievement against set targets for the year ending June 2013 was as follows:

1 July 2012 to 31 December 2012 = 25% of 6- month cost to company
1 January 2013 to 30 June 2013 = 25% of 6- month cost to company

Long-term (share-based) incentives

The Harmony 2006 share plan
- Share appreciation rights (SARs)
- Performance shares
- Restricted shares.

Executives and senior managers are awarded rights to receive shares in Harmony, when time and performance conditions have been met (below), awards have vested and, in the case of share appreciation rights, rights have been exercised.

Annual allocations, awards and grants are governed by our reward strategy with the 'expected value' of long-term incentives set for defined categories of executive and senior management. Participation is restricted to full-time employees and executive directors, with appropriate limits for individual participation.

The expected value of the total share reward as a percentage of total cost to company is:
- 70% for the CEO
- 50% for the executives and prescribed officers
- 35% for the general managers.

There is no repricing or surrender and regrant of any offers. Share awards are not granted in a closed period and no backdating of awards is allowed. Rewards are settled in shares, although participants may receive, via our share scheme administrators, cash from the sale of these shares, less tax payable.

Performance conditions are challenging but achievable. They are linked to Harmony's medium-term business plan over three-year performance periods and include:
- Growth in earnings above inflation
- Targeted operational performance
- Comparative financial/share performance against a peer group or index.

Key elements of Harmony's remuneration structure continued	
Long-term (share-based) incentives continued	The main elements of the share plan and performance conditions are summarised below. **Share appreciation rights** Share appreciation rights are rights to receive shares equal to the value of the difference between the exercise and allocation prices, less tax on the difference. Eligible employees receive annual allocations, which vest in phases subject to specified performance conditions based on Harmony's headline earnings per share (HEPS) above inflation. Vesting occurs in equal thirds on the third, fourth and fifth anniversary of allocation. **Performance shares** Eligible employees receive annual conditional awards of a maximum number of performance shares. These vest after three years if performance conditions have been met. Performance criteria for senior management, with criteria for management in brackets: • 50% (70%) of the number awarded linked to Harmony's annual gold production against targets set each year • 50% (30%) linked to the South African gold index. Performance is assessed annually and locked in for three discrete and equal segments of each award. Awards that do not vest at the end of the three-year period lapse. At the end of 2012, 37.5% of the performance shares vested. **Restricted shares** Periodically, eligible employees may be granted restricted shares and matching performance shares at the discretion of the board, based on individual performance in the prior year or future value to Harmony. The board determines the quantum and balance between restricted shares and matching performance shares. Restricted shares vest three years from the grant date. If the grant is not exercised, partially or fully, at that time 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.

Tlhakanelo Employee Share Trust	Administered in terms of the Tlhakanelo trust, this share-based incentive scheme ensures that current and future qualifying employees participate in Harmony's growth:
	• Each award is split in the ratio of 2 SARs for each ordinary share, and
	• These vest annually in equal tranches on each anniversary of the allocation date
	• When SARs vest, participants receive ordinary Harmony shares (entitlement shares) and/or a cash bonus. The number of entitlement shares is determined by the appreciation in the share price between offer and vesting dates, subject to a maximum appreciation value of R32. To accommodate market fluctuations between offer and vesting dates, if the share price:
	  – Appreciates between zero and R18: participants receive entitlement shares and a cash bonus equal to the difference between R18 and the appreciation of each vested SAR
	  – Depreciates: participants receive no entitlement shares but do receive a cash bonus of R18 per vested SAR
	
	Prior to vesting, participants can elect to receive their shares or have these sold on their behalf.

CONTRACTS, SEVERANCE, TERMINATION

Contracts do not commit Harmony to pay on termination due to an executive's failure to meet agreed performance standards. There are no balloon payments on termination, or automatic entitlement to bonuses or share-based payments. If an executive is dismissed after a disciplinary procedure, a shorter notice period applies.

Contracts do not compensate executives for severance after 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, unvested share-based awards lapse.

In other cases when employment ends, early vesting of long-term incentives is apportioned subject to the rules of the plan.

NON-EXECUTIVE DIRECTORS' FEES

Harmony's remuneration committee ensures directors are fairly rewarded for their individual contributions to overall performance. The board annually considers increasing non-executive directors' fees to ensure these remain competitive.

Non-executive director fees are paid monthly, and vary according to the number of committees of which non-executive director is a member. The chairman and other non-executive directors do not receive options or other incentive awards geared to share price or group performance, as these may 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 by paying a structured annual retainer and additional fees for ad hoc meetings and attending to company business. We consider this fair and transparent and in the best interests of the company.

EXECUTIVE DIRECTORS AND MANAGEMENT SHARE INCENTIVES

As at 30 June 2013

	Executive directors					
	Graham Briggs		Frank Abbott		Mashego Mashego	
	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 2012	91 938	48.55	–	–	–	–
Options exercised	–	n/a	–	n/a	–	n/a
– Average sales price	–	n/a	–	n/a	–	n/a
Options forfeited and lapsed	–	–	–	–	–	–
Closing balance at 30 June 2013	91 938	48.55	–	–	–	–
Performance shares						
Opening balance at 1 July 2012	220 879	n/a	23 072	n/a	61 776	n/a
Options granted	143 435	n/a	57 067	n/a	40 471	n/a
Options exercised	27 950	n/a	–	n/a	6 514	n/a
– Average sales price	–	68.84	–	n/a	–	68.84
Options forfeited and lapsed	46 584	n/a	–	n/a	10 858	n/a
Closing balance at 30 June 2013	289 780	n/a	80 139	n/a	84 875	n/a
Restricted shares						
Opening balance at 1 July 2012	63 485	n/a	8 000	n/a	30 262	n/a
Options granted	63 486	n/a	21 136	n/a	11 694	n/a
Options exercised	–	n/a	–	n/a	–	n/a
Options forfeited and lapsed	–	n/a	–	n/a	–	n/a
Closing balance at 30 June 2013	126 971	n/a	29 136	n/a	41 956	n/a
Share appreciation rights						
Opening balance at 1 July 2012	277 389	78.00	6 585	104.79	42 040	82.80
Options granted	25 058	68.84	16 204	68.84	11 694	68.84
Options exercised	–	n/a	–	n/a	–	n/a
– Average sales price	–	n/a	–	n/a	–	n/a
Options forfeited and lapsed	3 473	112.64	–	n/a	3 645	112.64
Closing balance at 30 June 2013	298 974	78.27	22 789	79.23	50 089	77.37
Grant date						
Share options	91 938		–		–	
10 August 2004	32 340	66.15	–	66.15	–	66.15
26 April 2005	59 598	39.00	–	39.00	–	39.00
Performance shares	289 780		80 139		84 875	
16 November 2009	–	n/a	–	n/a	–	n/a
15 November 2010	82 424	n/a	–	n/a	25 322	n/a
15 November 2011	63 921	n/a	23 072	n/a	19 082	n/a
27 September 2012	6 160	n/a	–	n/a	–	n/a
16 November 2012	137 275	n/a	57 067	n/a	40 471	n/a
Restricted shares	126 971		29 136		41 956	
15 November 2010	48 485	n/a	–	n/a	22 262	n/a
15 November 2011	15 000	n/a	8 000	n/a	8 000	n/a
27 September 2012	30 802	n/a	–	n/a	–	n/a
16 November 2012	32 684	n/a	21 136	n/a	11 694	n/a
Share appreciation rights	298 974		22 789		50 089	
15 November 2006	–	112.64	–	112.64	–	112.64
15 November 2007	159 484	70.54	–	70.54	14 252	70.54
7 March 2008	46 154	102.00	–	102.00	–	102.00
5 December 2008	28 377	77.81	–	77.81	7 055	77.81
16 November 2009	14 286	77.28	–	77.28	5 327	77.28
15 November 2010	13 939	84.81	–	84.81	6 400	84.81
15 November 2011	11 676	104.79	6 585	104.79	5 361	104.79
16 November 2012	25 058	68.84	16 204	68.84	11 694	68.84
Closing balance as at 30 June 2013	**807 663**		**132 064**		**176 920**	

Prescribed officers						Other					
Jaco Boshoff		Tom Smith		Johannes Van Heerden		Executive management		Other management		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)
–	–	124 138	52.12	34 325	44.69	12 000	91.60	567 158	48.38	829 559	49.43
–	n/a	–	n/a	–	n/a	–	n/a	2 728	39.00	2 728	39.00
–	n/a	–	n/a	–	n/a	–	n/a	–	65.47	–	65.47
–	–	–	–	–	–	12 000	91.60	69 485	79.73	81 485	81.48
–	–	124 138	52.12	34 325	44.69	–	–	494 945	44.03	745 346	45.97
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
34 689	n/a	52 034	n/a	40 471	n/a	190 792	n/a	1 625 736	n/a	2 184 695	n/a
5 968	n/a	8 006	n/a	8 006	n/a	37 244	n/a	89 510	n/a	183 198	n/a
–	68.84	–	68.84	–	68.84	–	68.84	–	68.84	–	68.84
9 948	n/a	13 345	n/a	13 345	n/a	62 081	n/a	512 039	n/a	668 200	n/a
65 951	n/a	96 438	n/a	84 875	n/a	379 892	n/a	2 952 348	n/a	4 034 298	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
10 023	n/a	15 035	n/a	11 694	n/a	55 127	n/a	108 643	n/a	296 838	n/a
–	n/a	–	n/a	–	n/a	–	n/a	–	n/a	–	n/a
–	n/a	–	n/a	–	n/a	–	n/a	40 251	n/a	40 251	n/a
23 324	n/a	45 297	n/a	41 956	n/a	143 311	n/a	216 322	n/a	668 273	n/a
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
10 023	68.84	15 035	68.84	11 694	68.84	55 127	68.84	2 043 224	68.84	2 188 059	68.84
–	n/a	–	n/a	–	n/a	–	n/a	7	70.54	7	70.54
–	n/a	–	n/a	–	n/a	–	n/a	–	71.67	–	71.67
2 031	112.64	2 328	112.64	2 618	112.64	8 950	112.64	1 253 832	88.20	1 276 877	88.03
73 914	74.48	125 284	73.64	121 943	73.77	304 695	76.07	6 247 113	79.13	7 244 801	78.72
–		124 138		34 325		–		494 945		745 346	
–	66.15	60 000	66.15	7 200	66.15	–	66.15	91 788	66.15	191 328	66.15
–	39.00	64 138	39.00	27 125	39.00	–	39.00	403 157	39.00	554 018	39.00
65 951		96 438		84 875		379 892		2 952 348		4 034 298	
–	n/a	–	n/a	–	n/a	–	n/a	–	n/a	–	n/a
17 224	n/a	25 322	n/a	25 322	n/a	99 796	n/a	699 982	n/a	975 392	n/a
14 038	n/a	19 082	n/a	19 082	n/a	89 304	n/a	768 380	n/a	1 015 961	n/a
–	n/a	–	n/a	–	n/a	–	n/a	–	n/a	6 160	n/a
34 689	n/a	52 034	n/a	40 471	n/a	190 792	n/a	1 483 986	n/a	2 036 785	n/a
23 324		45 297		41 956		143 311		216 322		668 273	
8 301	n/a	22 262	n/a	22 262	n/a	55 184	n/a	69 121	n/a	247 877	n/a
5 000	n/a	8 000	n/a	8 000	n/a	33 000	n/a	44 000	n/a	129 000	n/a
–	n/a	–	n/a	–	n/a	–	n/a	–	n/a	30 802	n/a
10 023	n/a	15 035	n/a	11 694	n/a	55 127	n/a	103 201	n/a	260 594	n/a
73 914		125 284		121 943		304 695		6 247 113		7 244 801	
–	112.64	–	112.64	–	112.64	–	112.64	–	112.64	–	112.64
40 544	70.54	78 934	70.54	78 934	70.54	124 064	70.54	386 937	70.54	883 149	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	943 113	77.81	1 054 155	77.81
4 881	77.28	6 548	77.28	6 548	77.28	31 757	77.28	1 514 782	77.28	1 584 129	77.28
4 773	84.81	6 400	84.81	6 400	84.81	28 480	84.81	781 953	84.81	848 345	84.81
3 998	104.79	5 361	104.79	5 361	104.79	25 364	104.79	831 027	104.79	894 733	104.79
10 023	68.84	15 035	68.84	11 694	68.84	55 127	68.84	1 789 301	68.84	1 934 136	68.84
163 189		**391 157**		**283 099**		**827 898**		**9 910 728**		**12 692 718**	

DIRECTORS' REMUNERATION

Name	Directors' fees (R000) FY13	Salaries and benefits (R000) FY13	Retirement contributions during the year (R000) FY13	Bonuses paid (R000) FY13	Total (R000) FY13	Total (R000) FY12
Non-executive directors						
Patrice Motsepe	947	–	–	–	947	883
Joaquim Chissano	343	–	–	–	343	432
Fikile De Buck	742	–	–	–	742	696
Ken Dicks	367	–	–	–	367	372
Dr Simo Lushaba	539	–	–	–	539	491
Cathie Markus	610	–	–	–	610	568
Modise Motloba	721	–	–	–	721	557
Mavuso Msimang	375	–	–	–	375	328
Karabo Nondumo[1]	53	–	–	–	53	–
Vishnu Pillay[2]	45	–	–	–	45	–
John Wetton	657	–	–	–	657	571
André Wilkens	529	–	–	–	529	500
Executive						
Frank Abbott	–	4 846	–	1 161	6 007	3 546
Graham Briggs	–	7 438	–	1 802	9 240	7 296
Mashego Mashego	–	3 132	333	746	4 211	3 192
Prescribed officers						
Jaco Boshoff[3]	–	2 636	305	618	3 559	2 452
Tom Smith	–	3 876	463	850	5 189	3 183
Johannes van Heerden[4]	–	4 596	145	763	5 504	4 170
Executive management	–	15 054	1 284	3 466	19 804	16 561
Total	5 928	41 578	2 530	9 406	59 442	45 798

[1] Appointed 3 May 2013
[2] Appointed 8 May 2013
[3] Acting chief operating officer for Evander (July 2012 to February 2013)
[4] Salary is paid in AUS$ and is influenced by the movement in the exchange rate

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HARMONY GOLD MINING COMPANY LIMITED

We have audited the consolidated and separate financial statements of Harmony Gold Mining Company Limited set out on pages 16 to 133, which comprise the group and company balance sheets as at 30 June 2013, and the group and company income statements and group and company statements of comprehensive income, statements of changes in shareholder's equity and cash flow statements 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 consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated and separate 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 consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Harmony Gold Mining Company Limited as at 30 June 2013, 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 2013, we have read the directors' report, the audit and risk committee's 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

Sunninghill

25 October 2013

GROUP INCOME STATEMENTS

for the years ended 30 June 2013

SA rand				US dollar	
2012	**2013**	*Figures in million*	Note	**2013**	2012
		Continuing operations			
15 169	**15 902**	Revenue		**1 803**	1 953
(12 137)	**(16 468)**	Cost of sales	5	**(1 831)**	(1 561)
(9 911)	**(11 400)**	Production costs		**(1 292)**	(1 276)
(1 921)	**(1 942)**	Amortisation and depreciation		**(220)**	(247)
60	**(2 733)**	(Impairment)/reversal of impairment of assets		**(274)**	7
(365)	**(393)**	Other items		**(45)**	(45)
3 032	**(566)**	**Gross (loss)/profit**		**(28)**	392
(352)	**(465)**	Corporate, administration and other expenditure		**(53)**	(45)
(72)	**(127)**	Social investment expenditure		**(14)**	(9)
(500)	**(673)**	Exploration expenditure		**(76)**	(64)
63	**139**	Profit on sale of property, plant and equipment	6	**16**	8
(50)	**(350)**	Other expenses – net	7	**(40)**	(6)
2 121	**(2 042)**	**Operating (loss)/profit**	8	**(195)**	276
56	**–**	Reversal of impairment of investment in associate	9	**–**	7
(144)	**(88)**	Impairment of investments	19	**(10)**	(19)
86	**173**	Net gain on financial instruments	18	**20**	11
97	**185**	Investment income	10	**21**	12
(286)	**(256)**	Finance cost	11	**(29)**	(37)
1 930	**(2 028)**	**(Loss)/profit before taxation**		**(193)**	250
123	**(655)**	Taxation	12	**(69)**	16
2 053	**(2 683)**	**Net (loss)/profit from continuing operations**		**(262)**	266
		Discontinued operations			
592	**314**	Profit from discontinued operations	13	**36**	75
2 645	**(2 369)**	**Net (loss)/profit for the year**		**(226)**	341
		Attributable to:			
2 645	**(2 369)**	Owners of the parent		**(226)**	341
–	**–**	Non-controlling interest		**–**	–
		(Loss)/earnings per ordinary share (cents)	14		
477	**(621)**	(Loss)/earnings from continuing operations		**(61)**	61
137	**73**	Earnings from discontinued operations		**8**	18
614	**(548)**	**Total (loss)/earnings**		**(53)**	79
		Diluted (loss)/earnings per ordinary share (cents)	14		
476	**(621)**	(Loss)/earnings from continuing operations		**(61)**	61
136	**73**	Earnings from discontinued operations		**8**	18
612	**(548)**	**Total diluted (loss)/earnings**		**(53)**	79

These are the consolidated financial statements of Harmony Gold Mining Company Limited and its subsidiaries. For the separate financial statements of the company refer to pages 94 to 129.

The accompanying notes are an integral part of these consolidated financial statements.

GROUP STATEMENTS OF COMPREHENSIVE INCOME

for the years ended 30 June 2013

SA rand				US dollar	
2012	**2013**	*Figures in million*	Note	**2013**	2012
2 645	**(2 369)**	Net (loss)/profit for the year		**(226)**	341
1 587	**744**	Other comprehensive income/(loss) for the year, net of income tax		**(668)**	(595)
1 485	**749**	Foreign exchange translation gain/(loss)	25	**(667)**	(607)
(42)	**(79)**	Loss on fair value movement of available-for-sale investments	25	**(9)**	(7)
144	**88**	Impairment of available-for-sale investments recognised in profit or loss	25	**10**	19
–	**(14)**	Reversal of fair value movement on acquisition of associate	25	**(2)**	–
4 232	**(1 625)**	**Total comprehensive (loss)/income for the year**		**(894)**	(254)
		Attributable to:			
4 232	**(1 625)**	Owners of the parent		**(894)**	(254)
–	**–**	Non-controlling interest		**–**	–

The accompanying notes are an integral part of these consolidated financial statements.

All items in other comprehensive income/(loss) will be reclassified to profit or loss when specific conditions are met.

GROUP BALANCE SHEETS

as at 30 June 2013

SA rand				US dollar	
2012	**2013**	*Figures in million*	Note	**2013**	2012
		ASSETS			
		Non-current assets			
32 853	**32 820**	Property, plant and equipment	15	**3 287**	4 003
2 196	**2 191**	Intangible assets	16	**220**	268
36	**37**	Restricted cash	17	**4**	4
1 842	**2 054**	Restricted investments	18	**206**	224
486	**104**	Deferred tax assets	12	**10**	59
–	**109**	Investments in associates	21	**11**	–
146	**49**	Investments in financial assets	19	**5**	18
58	**57**	Inventories	23	**6**	7
28	**–**	Trade and other receivables	20	**–**	3
37 645	**37 421**	**Total non-current assets**		**3 749**	4 586
		Current assets			
996	**1 425**	Inventories	23	**143**	121
1 245	**1 162**	Trade and other receivables	20	**116**	152
118	**132**	Income and mining taxes		**13**	14
1 773	**2 089**	Cash and cash equivalents		**209**	216
4 132	**4 808**			**481**	503
1 423	**–**	Assets of disposal groups classified as held for sale	13	**–**	174
5 555	**4 808**	**Total current assets**		**481**	677
43 200	**42 229**	**Total assets**		**4 230**	5 263
		EQUITY AND LIABILITIES			
		Share capital and reserves			
28 331	**28 325**	Share capital	24	**4 035**	4 036
2 444	**3 464**	Other reserves	25	**(702)**	(64)
3 307	**522**	Retained earnings/(accumulated loss)		**(95)**	180
34 082	**32 311**	**Total equity**		**3 238**	4 152
		Non-current liabilities			
3 106	**3 021**	Deferred tax liabilities	12	**303**	378
1 865	**1 997**	Provision for environmental rehabilitation	26	**200**	227
177	**194**	Retirement benefit obligation	28	**19**	22
30	**55**	Other non-current liabilities	27	**5**	4
1 503	**2 252**	Borrowings	29	**226**	183
6 681	**7 519**	**Total non-current liabilities**		**753**	814
		Current liabilities			
313	**286**	Borrowings	29	**28**	38
1	**4**	Income and mining taxes		**–**	–
1 747	**2 109**	Trade and other payables	30	**211**	213
2 061	**2 399**			**239**	251
376	**–**	Liabilities of disposal groups classified as held for sale	13	**–**	46
2 437	**2 399**	**Total current liabilities**		**239**	297
43 200	**42 229**	**Total equity and liabilities**		**4 230**	5 263

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 2013

Figures in million (SA rand)	Number of ordinary shares issued	Share capital	Share premium	Retained earnings/ (accumulated loss)	Other reserves	Total
Note	24	24			25	
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
Issue of shares						
– Exercise of employee share options	**225 654**	**–**	**1**	**–**	**–**	**1**
– Shares issued to the Tlhakanelo Employee Share Trust	**3 500 000**	**–**	**–**	**–**	**–**	**–**
Share-based payments	**–**	**–**	**(7)**	**–**	**274**	**267**
Net loss for the year	**–**	**–**	**–**	**(2 369)**	**–**	**(2 369)**
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**744**	**744**
Option premium on BEE transaction[2]	**–**	**–**	**–**	**–**	**2**	**2**
Share of retained earnings on acquisition of associate	**–**	**–**	**–**	**19**	**–**	**19**
Dividends paid[1]	**–**	**–**	**–**	**(435)**	**–**	**(435)**
Balance – 30 June 2013	**435 289 890**	**216**	**28 109**	**522**	**3 464**	**32 311**
Figures in million (US dollar)						
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
Issue of shares						
– Exercise of employee share options	**225 654**	**–**	**–**	**–**	**–**	**–**
– Shares issued to the Tlhakanelo Employee Share Trust	**3 500 000**	**–**	**–**	**–**	**–**	**–**
Share-based payments	**–**	**–**	**(1)**	**–**	**30**	**29**
Net loss for the year	**–**	**–**	**–**	**(226)**	**–**	**(226)**
Other comprehensive loss for the year	**–**	**–**	**–**	**–**	**(668)**	**(668)**
Share of retained earnings on acquisition of associate	**–**	**–**	**–**	**2**	**–**	**2**
Dividends paid[1]	**–**	**–**	**–**	**(51)**	**–**	**(51)**
Balance – 30 June 2013	**435 289 890**	**33**	**4 002**	**(95)**	**(702)**	**3 238**

[1] Dividends per share is disclosed under the earnings per share note. Refer to note 14.
[2] Refer to note 33 for detail on the BEE transaction.

The accompanying notes are an integral part of these consolidated financial statements.

GROUP CASH FLOW STATEMENTS

for the years ended 30 June 2013

SA rand				US dollar	
2012	**2013**	*Figures in million*	Note	**2013**	2012
		CASH FLOW FROM OPERATING ACTIVITIES			
4 551	**3 154**	Cash generated by operations	31	**359**	586
80	**138**	Interest received		**16**	10
(141)	**(125)**	Interest paid		**(14)**	(18)
(277)	**(312)**	Income and mining taxes paid		**(33)**	(33)
4 213	**2 855**	**Cash generated by operating activities**		**328**	545
		CASH FLOW FROM INVESTING ACTIVITIES			
(48)	**–**	Increase in amounts invested in environmental trusts		**–**	(6)
–	**1 264**	Proceeds on disposal of Evander net of cash disposed	31	**139**	–
(3)	**–**	Proceeds on sale of available-for-sale financial assets		**–**	–
(3)	**(4)**	Increase in amounts invested in social trust fund		**(1)**	–
–	**(86)**	Purchase of investment in associate		**(9)**	–
(31)	**(5)**	Additions to intangible assets		**(1)**	(4)
222	**–**	Proceeds on disposal of investment in associate		**–**	28
179	**137**	Proceeds on disposal of property, plant and equipment		**16**	22
(3 194)	**(3 784)**	Additions to property, plant and equipment		**(429)**	(411)
(2 878)	**(2 478)**	**Cash utilised by investing activities**		**(285)**	(371)
		CASH FLOW FROM FINANCING ACTIVITIES			
1 443	**678**	Borrowings raised		**80**	188
(1 248)	**(333)**	Borrowings repaid		**(35)**	(159)
26	**1**	Ordinary shares issued		**–**	3
–	**2**	Option premium on BEE transaction		**–**	–
(431)	**(435)**	Dividends paid		**(50)**	(57)
(210)	**(87)**	**Cash utilised by financing activities**		**(5)**	(25)
(45)	**26**	**Foreign currency translation adjustments**		**(45)**	(35)
1 080	**316**	Net increase/(decrease) in cash and cash equivalents		**(7)**	114
693	**1 773**	Cash and cash equivalents – beginning of year		**216**	102
1 773	**2 089**	**Cash and cash equivalents – end of year**		**209**	216

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the years ended 30 June 2013

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 2013.

2 ACCOUNTING POLICIES

Basis of preparation

The principal accounting policies applied in the preparation of the consolidated and company financial statements have been consistently applied in all years presented, except as stated under the heading 'Recent accounting developments'.

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) and IFRIC Interpretations (collectively IFRS), the SAICA Financial Reporting Guidelines as issued by the Accounting Practices Committee and the Companies Act of South Africa applicable to companies reporting under IFRS.

Recent accounting developments

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:

Pronouncement	Title	Effective date
IAS 1 (Amendment)	*Presentation of Financial Statements* – presentation of items on Other Comprehensive Income	1 July 2012
IAS 12 (Amendment)	*Income Taxes* – deferred tax on investment property	1 January 2012

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 but will affect the disclosure in the financial statements:

Pronouncement	Title	Effective date
IFRS 7 (Amendment)	*Financial Instruments: Disclosure* – asset and liability offsetting	1 January 2013
IAS 19	*Employee Benefits*	1 January 2013
IAS 32 (Amendment)	*Financial Instruments: Presentation* – asset and liability offsetting	1 January 2014

The following standards or amendments to standards are not relevant to the group:

Pronouncement	Title	Effective date
IFRS 1 (Amendment)	*First-time Adoption of IFRS* – government loans	1 January 2013
IFRS 10, IFRS 12 and IAS 27 (Amendments)	*Amendments to Consolidated Financial Statements, Disclosures of Interests in Other Entities and Separate Financial Statements* – investment entities	1 January 2014

2 ACCOUNTING POLICIES continued

Recent accounting developments continued

The following standards, amendments to standards and interpretations to existing standards may possibly have an impact on the group:

Pronouncement	Title	Effective date
IFRS 10	*Consolidated Financial Statements* This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess. This new standard might impact the entities that a group consolidates as its subsidiaries. Based on management's preliminary assessment, management does not expect there to be significant differences in entities controlled by the group.	1 January 2013
IFRS 11	*Joint Arrangements* This 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. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The group only has joint operations in PNG, through its 50% interest in mining and exploration assets located in the Morobe province. The joint operations are currently accounted for by proportional consolidation. Going forward, the group will account for its interest in assets, liabilities, revenue and expenses of these unincorporated joint operations.	1 January 2013
IFRS 12	*Disclosures of Interests in Other Entities* 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. The group's financial statements will include additional disclosure as a result of the new standard.	1 January 2013
IFRS 13	*Fair Value* This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. The group is currently assessing the impact of IFRS 13 but, based on a preliminary analysis, it is not expected to be material.	1 January 2013
IAS 27 (Revised)	*Separate Financial Statements* 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. The revised standard is not applicable to Harmony. As there have been no changes to accounting in the separate financial statements, there will be no impact on Harmony's separate financial statements as a result of the revised standard.	1 January 2013

2 ACCOUNTING POLICIES continued

Recent accounting developments continued

Pronouncement	Title	Effective date
IAS 28 (Revised)	*Investments in Associates and Joint Ventures* This standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11. There will be no impact on the group's financial statements as a result of the revised standard as the principles of equity accounting remain unchanged.	1 January 2013
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine* The Interpretation clarifies that two types of benefits may accrue to an entity from stripping activity: 1) usable ore that can be used to produce inventory and 2) improved access to further quantities of material that will be mined in future periods. The Interpretation considers when and how to account separately for these two benefits arising from the stripping activity, as well as how to measure these benefits both initially and subsequently. Management expects that the interpretation will result in transfers in and out of production cost to cease, with an increase in the depreciation charge. The initial transition will result in a restatement of the opening retained earnings where there is an adjustment related to the derecognition of current deferred stripping assets in excess of those to be recognised under IFRIC 20.	1 January 2013
IFRS 9	*Financial Instruments* This standard on classification and measurement of financial assets and financial liabilities will replace IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 has two measurement categories: amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortised-cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The impact of the standard is currently being assessed by management.	1 January 2015

Measurement basis

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and financial liabilities at fair value through profit or loss and cash-settled share-based payments.

Accounting policies

Accounting policies are included in the relevant notes to the consolidated financial statements and have been highlighted in grey shading in the notes to the group financial statements. The accounting policies below are applied throughout the financial statements:

2 ACCOUNTING POLICIES continued

2.1 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

Subsidiaries are entities over which the group has power to govern the financial and operating policies. This is normally when the group has a shareholding of more than one-half of the voting rights, which allows it to obtain benefits from the entity's activities. Subsidiaries are fully consolidated from the date on which control is transferred to the group up until when that control ceases.

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 group.

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 the sum of the 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.

Investments in subsidiaries in the company's separate financial statements are accounted for at cost less impairment.

(ii) Associates

Associates are entities in which the group has significant influence, but not control, over operational and financial policies. This may be when there is a shareholding of between 20% and 50% of the voting rights or when influence can be otherwise demonstrated, for example where the group has the right of representation on the board of directors of the entity.

Investments in associates are accounted for by using the equity method of accounting, and are initially recognised at cost. The group's investment in associates includes goodwill identified on acquisition. Cumulative post-acquisition movements are adjusted against the carrying amount of the investment. 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. When the group's share of losses in an associate equals or exceeds its interest in the associate, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

If an associate is acquired in stages, the cost of the associate is measured as the sum of the consideration paid for each purchase plus a share of investee's profits and other equity movements. Any acquisition-related costs are treated as part of the investment in associate. Any related goodwill is calculated at each stage of the acquisition based on the consideration paid and the share of fair value of net assets acquired at the date of each acquisition.

Where the previously held interest was classified as an available-for-sale financial instrument, any existing gains or losses recognised in the available-for-sale revaluation reserve are reversed through other comprehensive income. The cost basis of the investment is then further adjusted by including the group's share of profits after dividends, other comprehensive income and other equity movements relating to the previously held interest is accounted for in equity.

The carrying value of an associate is reviewed on a regular basis and, if 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.

2 ACCOUNTING POLICIES continued

2.1 Consolidation continued

(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 venturers 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 venturers. 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.

In respect of jointly controlled operations, the company accounts for the assets it controls, the liabilities and expenses it incurs and its share of income it earns.

(iv) Special purpose entities (SPEs)

SPEs are those undertakings that are created to satisfy the 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.

2.2 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 dollar for the benefit of local and international users. The company's separate 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 R8.82 (2012: R7.77) 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 R9.98 (2012: R8.21) per US$1 for asset and liability items. Equity items were translated at historic rates. The profit from discontinued operations was translated at the average rate for the eight months (being the period that Evander was part of the group during 2013) of R8.55 per US$1.

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 exchange gains and losses resulting from the settlement of foreign currency 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. Gains and losses recognised in the income statement are included in the determination of "other expenses – net".

(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:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet while equity items are translated at historic rates;
- Income and expenses for each income statement are translated at average exchange rates (the rate on the date of the transaction is used if the average is not a reasonable rate for the translation of the transaction);
- All resulting exchange differences are recognised as a separate component of other comprehensive income.

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 of the disposal or change in control.

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 ACCOUNTING POLICIES continued

2.3 Revenue recognition

Revenue arising from metal sales is only recognised when the significant risks and rewards of ownership have been transferred, neither continuing managerial involvement nor effective control over the metals sold has been retained, the amount of revenue and costs incurred can be measured reliably and it is probable that the economic benefits associated with the sale will flow to the group.

Revenue further excludes value-added tax. Revenues from silver and other by-product sales are credited to production costs as a by-product credit.

2.4 Exploration expenditure

The group has elected to expense 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 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, allows the directors to conclude that the project is technically feasible and commercially viable.

2.5 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 15 for detail.

2 ACCOUNTING POLICIES continued

2.5 Impairment of non-financial assets continued

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.

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.

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.

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 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:
- Gold mineral reserves and resources – note 15;
- Production start date – note 15;
- Impairment of mining assets – note 15;
- Estimate of taxation – note 12;
- Impairment of goodwill – note 16;
- Estimate of exposure and liabilities with regard to rehabilitation costs – note 26;
- Estimate of employee benefit liabilities – note 28;
- Fair value of share-based payments – note 33;
- Assessment of contingencies – note 35.

Please refer to the specific notes for further information on the key accounting estimates and assumptions applied.

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 invest-ments	Fair value through profit or loss	Financial liabilities at amortised cost
At 30 June 2013					
Restricted cash	**37**	**–**	**–**	**–**	**–**
Restricted investments	**–**	**–**	**1 013**	**1 041**	**–**
Investments in financial assets	**–**	**49**	**–**	**–**	**–**
Trade and other receivables	**944**	**–**	**–**	**–**	**–**
Cash and cash equivalents	**2 089**	**–**	**–**	**–**	**–**
Borrowings	**–**	**–**	**–**	**–**	**2 538**
Trade and other payables	**–**	**–**	**–**	**–**	**655**
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

Figures in million (US dollar)	Loans and receivables	Available-for-sale financial assets	Held-to-maturity invest-ments	Fair value through profit or loss	Financial liabilities at amortised cost
At 30 June 2013					
Restricted cash	**4**	**–**	**–**	**–**	**–**
Restricted investments	**–**	**–**	**101**	**105**	**–**
Investments in financial assets	**–**	**5**	**–**	**–**	**–**
Trade and other receivables	**94**	**–**	**–**	**–**	**–**
Cash and cash equivalents	**209**	**–**	**–**	**–**	**–**
Borrowings	**–**	**–**	**–**	**–**	**254**
Trade and other payables	**–**	**–**	**–**	**–**	**65**
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

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.

4 FINANCIAL RISK MANAGEMENT continued

(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$). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. Harmony's revenues are sensitive to the R/US$ 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 cash 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.

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 that would affect profit or loss.

SA rand			US dollar	
2012	**2013**	*Figures in million*	**2013**	2012
		Sensitivity analysis – borrowings		
		A$ against US$		
3	**–**	Increase by 10%	**–**	–
(3)	**–**	Decrease by 10%	**–**	–
1.02	**0.92**	**Closing rate**	**0.92**	1.02
		Rand against US$		
103	**208**	Increase by 10%	**21**	13
(103)	**(208)**	Decrease by 10%	**(21)**	(13)
8.21	**9.98**	**Closing rate**	**9.98**	8.21
		Sensitivity analysis – financial assets		
		Kina against A$		
8	**5**	Increase by 10%	**1**	1
(8)	**(5)**	Decrease by 10%	**(1)**	(1)
2.06	**2.04**	**Closing rate**	**2.04**	2.06
		US$ against A$		
15	**7**	Increase by 10%	**1**	2
(15)	**(7)**	Decrease by 10%	**(1)**	(2)
1.02	**0.92**	**Closing rate**	**0.92**	1.02

(ii) Other price risk

The group is exposed to the risk of fluctuations in the fair value of the available-for-sale financial assets and fair value through profit or loss 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 available-for-sale investments at the reporting date, with all other variables held constant, would have increased other comprehensive income by R0.5 million (US$0.1 million) (2012: R1.5 million (US$0.2 million)); an equal change in the opposite direction would have decreased other comprehensive income by R0.5 million (US$0.1 million) (2012: R1.5 million (US$0.2 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 index at the reporting date, with all other variables held constant, would have increased profit or loss by R7.3 million (US$0.8 million) (2012: R4.3 million (US$0.6 million)); an equal change in the opposite direction would have decreased profit or loss by R4.6 million (US$0.5 million) (2012: R4.3 million (US$0.6 million)).

4 FINANCIAL RISK MANAGEMENT continued

(a) Market risk continued

(ii) Other price risk continued

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.

(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 – borrowings

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 2012.

SA rand			US dollar	
2012	**2013**	*Figures in million*	**2013**	2012
(18)	**(25)**	Increase by 100 basis points	**(3)**	(2)
18	**25**	Decrease by 100 basis points	**3**	2

Interest rate risk arising from long-term borrowings is offset by cash, restricted cash and restricted investments held at variable rates.

Sensitivity analysis – financial assets

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 2012.

SA rand			US dollar	
2012	**2013**	*Figures in million*	**2013**	2012
20	**31**	Increase by 100 basis points	**4**	3
(20)	**(31)**	Decrease by 100 basis points	**(4)**	(3)

(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 20 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.

4 FINANCIAL RISK MANAGEMENT continued

(b) Credit risk continued

Cash and cash equivalents and restricted cash

Financial institutions' credit rating by exposure:

SA rand			US dollar	
2012	**2013**	*Figures in million*	**2013**	2012
		Credit rating		
2	**151**	AAA	**15**	–
363	**359**	AA+[1]	**36**	44
445	**685**	AA[1]	**69**	54
646	**455**	AA-[1]	**46**	79
353	**476**	A+	**47**	43
1 809	**2 126**	**Cash and cash equivalents and restricted cash**	**213**	220
4	**5**	AA+	**1**	–
32	**22**	AA	**2**	4
–	**10**	AA-	**1**	–
36	**37**	**Total restricted cash**	**4**	4

[1] Includes restricted cash.

Restricted investments are held with financial institutions who have the following credit ratings: AAA R107 million (US$10.7 million) (2012: nil), AA R1 879 million (US$188.3 million) (2012: R1 804 million (US$219.7 million)), and A+ R23 million (US$2.3 million) (2012: nil).

The social trust fund has been invested in unit trusts comprising shares in listed companies.

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 R5 124 million (US$513.4 million) as at 30 June 2013 (2012: R4 670 million (US$569.0 million)). The previous credit risk concentration from the Nedbank equity-linked deposits has been diversified during 2013, resulting in a decrease in the balance of financial assets at fair value through profit or loss and a corresponding increase in the balance of the held-to-maturity investments. Refer to note 18.

(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**
		2013		
		Borrowings		
–	204	Due between 0 to six months	21	–
–	193	Due between six to 12 months	20	–
214	–	Due between one to two years	–	22
2 110	–	Due between two to five years	–	212
–	655	Trade and other payables (excluding non-financial liabilities)	65	–
2 324	**1 052**		**106**	**234**

4 FINANCIAL RISK MANAGEMENT continued

(c) Liquidity risk continued

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

(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.

The following table presents the group's assets and liabilities that are measured at fair value by level (see list below) at 30 June 2013.

(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]	**44**	**–**	**5**
Fair value through profit and loss[2]	**–**	**1 041**	**–**
Figures in million (US dollar)			
Available-for-sale financial assets[1]	**4**	**–**	**1**
Fair value through profit and loss[2]	**–**	**105**	**–**

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.

Assets	Level 1	Level 2	Level 3
Figures in million (SA rand)			
Available-for-sale financial assets[1]	131	–	15
Fair value through profit and loss[2]	–	1 625	–
Figures in million (US dollar)			
Available-for-sale financial assets[1]	16	–	2
Fair value through profit and loss[2]	–	198	–

[1] Refer to note 19. 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. The fair value of R45 million (US$4.5 million) of the balance in 2013 is derived by reference to quoted prices of the shares held within the unit trust portfolio.

5 COST OF SALES

SA rand			US dollar	
2012	**2013**	*Figures in million*	**2013**	2012
9 911	**11 400**	Production costs (a)	**1 292**	1 276
1 881	**1 897**	Amortisation and depreciation of mining assets	**215**	242
40	**45**	Amortisation and depreciation of assets other than mining assets (b)	**5**	5
(17)	**(24)**	Rehabilitation credit (c)	**(2)**	(2)
88	**68**	Care and maintenance cost of restructured shafts	**8**	11
81	**46**	Employment termination and restructuring costs (d)	**5**	10
87	**266**	Share-based payments (e)	**30**	11
(60)	**2 733**	Impairment/(reversal of impairment) of assets (f)	**274**	(7)
126	**37**	Other (g)	**4**	15
12 137	**16 468**	**Total cost of sales**	**1 831**	1 561

(a) Production costs include mine production, transport and refinery costs, applicable general administrative costs, movement in inventories and ore 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 separately disclosed. Production costs, analysed by nature, consist of the following:

SA rand			US dollar	
2012	**2013**	*Figures in million*	**2013**	2012
6 456	**7 312**	Labour costs, including contractors	**829**	831
2 748	**3 281**	Consumables	**372**	354
1 518	**1 711**	Water and electricity	**194**	195
128	**114**	Insurance	**13**	16
163	**207**	Transportation	**23**	21
(157)	**(209)**	Changes in inventory	**(24)**	(20)
(1 217)	**(1 350)**	Capitalisation of mine development costs	**(153)**	(157)
(143)	**(238)**	Deferred stripping	**(27)**	(18)
(249)	**(253)**	By-product sales	**(29)**	(32)
120	**217**	Royalty expense	**25**	15
544	**608**	Other	**69**	71
9 911	**11 400**	**Production costs from continuing operations**	**1 292**	1 276

5 COST OF SALES continued

(b) Amortisation and depreciation of assets other than mining assets includes the amortisation of intangible assets.

(c) For the assumptions used to calculate the rehabilitation costs, refer to note 26. This expense includes the change in estimate for the rehabilitation provision where an asset no longer exists as well as ongoing rehabilitation cost. For 2013, R65 million (US$7.3 million) (2012: R26 million (US$3.3 million)) was spent on rehabilitation.

(d) During 2013, the group's South African operations embarked on a programme whereby voluntary severance packages were offered to all employees while Hidden Valley underwent a significant restructuring process.

During 2012, it was decided to halt mining in the sub-shaft at Bambanani and restructure the operation to accelerate the development of the shaft pillar.

(e) Refer to note 33 for details on the share-based payment schemes implemented by the group.

(f) Impairment/(reversal of impairment) of assets consists of the following:

SA rand			US dollar	
2012	**2013**	*Figures in million*	**2013**	2012
–	**2 675**	Hidden Valley	**268**	–
6	**–**	Kalgold	**–**	1
126	**27**	Steyn 2 (Bambanani)	**3**	15
2	**–**	Other	**–**	–
–	**31**	St Helena (Other – underground)	**3**	–
(194)	**–**	Target 1	**–**	(23)
(60)	**2 733**	**Total impairment/(reversal of impairment) of assets**	**274**	(7)

During the 2013 financial year, an impairment to the value of R2.675 billion (US$268.0 million) was recognised for Hidden Valley. This is due to the operation's recent poor performance and the reduction in the US dollar gold and silver prices. Additional impairments of R27 million (US$2.7 million) (2012: R126 million (US$15.4 million)) were recognised on Steyn 2 as a result as of the revised business (life-of-mine) plans, which are completed in June of each year. Contributing factors to this write-down included increases in electricity and labour costs. Impairments of R31 million (US$3.1 million) (2012: R8 million (US$1.0 million)) were recognised during the year relating to operations where a decision was made not to mine in future.

An impairment of R194 million (US$23.6 million) was reversed in 2012 due to the revised life-of-mine plans at Target 1.

For assumptions used to calculate the recoverable amounts, refer to note 15.

(g) Included in Other for the 2012 and 2013 financial years are amounts relating to inventory adjustments. Refer to note 23.

6 PROFIT ON SALE OF PROPERTY, PLANT AND EQUIPMENT

Accounting policy
Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds of the sale with the carrying amount and are recognised in the income statement.

SA rand			US dollar	
2012	**2013**	*Figures in million*	**2013**	2012
63	**139**	Profit on sale of property, plant and equipment	**16**	8

For the 2013 financial year, R60 million (US$6.8 million) profit relates to the sale of the Merriespruit South mining right to Witwatersrand Consolidated Gold Resources Limited (Wits Gold). Also included is a profit of R15 million (US$1.7 million) for the sale of the Sir Albert Medical Centre and its pharmacy. The remaining profit and the total for 2012 are the sale of scrap material (including steel) from sites that are closed and being rehabilitated in the Free State.

7 OTHER EXPENSES – NET

SA rand			US dollar	
2012	2013	*Figures in million*	2013	2012
32	330	Foreign exchange losses – net (a)	38	4
(89)	1	Bad debts provision expense/(credit) (b)	–	(11)
93	2	Bad debts written off (b)	–	12
14	17	Other expenses – net (c)	2	1
50	350	**Total other expenses – net**	40	6

(a) Included in the total for 2013 is a loss of R351 million (US$39.8 million) (2012: loss of R45 million (US$5.8 million)) related to the translation of the US dollar dominated loan into SA rand. Offsetting these losses were foreign exchange gains relating to the Australasian intercompany loans not designated as forming part of the net investment of the group's international operations.

(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) and its subsidiary companies. Pamodzi is an associate (refer to note 21) and has been placed into liquidation.

(c) Included in other expenses – net for 2013 is an amount of R16 million (US$1.8 million) (2012: 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 27 in this regard. Also included is an amount of R23 million (US$2.3 million) for the share-based cost on the Phoenix transaction. Refer to note 33 for further detail.

8 OPERATING (LOSS)/PROFIT

The following have been included in operating (loss)/profit:

SA rand			US dollar	
2012	2013	*Figures in million*	2013	2012
23	23	**Auditors' remuneration**	2	3
		Made up as follows:		
		External		
20	19	Fees – current year	2	3
3	4	Fees – other services	–	–

9 REVERSAL OF IMPAIRMENT OF INVESTMENT IN ASSOCIATE

During 2011 Harmony accepted an offer for the purchase of its investment in Rand Uranium (Proprietary) Limited (Rand Uranium). 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.

10 INVESTMENT INCOME

Accounting policy

Interest income 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.

Dividend income is recognised when the shareholder's right to receive payment is established. This is recognised at the last date of registration.

Cash flows from dividends and interest received are classified under operating activities in the cash flow statement.

SA rand			US dollar	
2012	**2013**	*Figures in million*	**2013**	2012
97	**185**	Interest received	**21**	12
13	**15**	Loans and receivables	**2**	2
9	**37**	Held-to-maturity investments	**4**	1
63	**120**	Cash and cash equivalents	**14**	7
12	**13**	South African Revenue Services (SARS)	**1**	2
97	**185**	**Total investment income**	**21**	12

11 FINANCE COSTS

SA rand			US dollar	
2012	**2013**	*Figures in million*	**2013**	2012
		Financial liabilities		
151	**135**	Borrowings	**15**	19
6	**–**	Other creditors	**–**	1
157	**135**	Total finance costs from financial liabilities	**15**	20
		Non-financial liabilities		
16	**17**	Post-retirement benefits	**2**	2
122	**118**	Time value of money and inflation component of rehabilitation costs	**14**	16
1	**11**	South African Revenue Services (SARS)	**1**	–
139	**146**	Total finance costs from non-financial liabilities	**17**	18
296	**281**	Total finance costs before interest capitalised	**32**	38
(10)	**(25)**	Interest capitalised	**(3)**	(1)
286	**256**	**Total finance costs**	**29**	37

The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation in 2013 was 4.4% (2012: 9.1%).

12 TAXATION

Accounting policy

Taxation is made up of 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 are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred taxation is recognised on temporary differences existing at each reporting date between the tax base of all assets and liabilities and their carrying amounts. Substantively enacted tax rates are used to determine future anticipated effective tax rates which in turn are used in the determination of deferred taxation, 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, 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. The recoverability of these assets is reviewed at each reporting date and adjusted if recovery is no longer probable.

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 tax 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 investment income and finance cost on the income statement.

Critical accounting estimates and judgements

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 regard 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. 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 15, which may differ from one year to the next and ultimately result in the deferred tax rate changing from one year to the next.

12 TAXATION continued

The taxation expense for the year is as follows:

SA rand			US dollar	
2012	**2013**	*Figures in million*	**2013**	2012
		SA taxation		
26	**324**	Mining tax (a)	**37**	4
77	**324**	– current year	**37**	10
(51)	**–**	– prior year	**–**	(6)
147	**(53)**	Non-mining tax (b)	**(6)**	19
44	**4**	– current year	**–**	6
103	**(57)**	– prior year	**(6)**	13
(143)	**(81)**	Deferred tax (c)	**(9)**	(19)
(143)	**(81)**	– current year	**(9)**	(19)
26	**–**	Secondary Tax on Companies (STC)	**–**	3
56	**190**		**22**	7
		Foreign taxation		
		Deferred tax		
(179)	**(83)**	– current year (d)	**(9)**	(23)
–	**548**	– derecognition of deferred tax asset (e)	**56**	–
(123)	**655**	**Total taxation expense/(credit)**	**69**	(16)
		Taxation by type		
26	**324**	Mining tax	**37**	4
147	**(53)**	Non-mining tax	**(6)**	19
(322)	**384**	Deferred tax	**38**	(42)
26	**–**	STC	**–**	3
(123)	**655**		**69**	(16)

(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 mining formula. 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 had 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.

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 ring-fencing application, each ring-fenced mine is treated separately and deductions can normally only be utilised against mining income generated from the relevant ring-fenced mine.

(b) Non-mining income of mining companies and the income for non-mining companies are taxed at the statutory corporate rate of 28% (2012: 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 the 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%.

(e) The recovery of the deferred tax asset previously recognised for the Hidden Valley operation was deemed unlikely as there are insufficient estimated future taxable profits against which it could be utilised. As a result, it was derecognised.

12 TAXATION continued

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 applicable as of that date were 34% for mining income and 28% for non-mining income. There have been no subsequent changes.

Major items causing the group's income tax provision to differ from the South African maximum mining statutory tax rate of 34% (2012: 34%) for continuing operations were:

SA rand			US dollar	
2012	**2013**	*Figures in million*	**2013**	2012
656	**(690)**	Tax on net (loss)/profit from continuing operations at the maximum mining statutory tax rate	**(66)**	85
180	**291**	Non-allowable deductions	**33**	23
(96)	**(73)**	Difference between effective mining tax rate and statutory mining rate on mining income[1]	**(8)**	(13)
(9)	**(1)**	Difference between non-mining tax rate and statutory mining rate on non-mining income	**–**	(1)
(467)	**(59)**	Effect on temporary differences due to changes in effective tax rates[2]	**(4)**	(60)
52	**(57)**	Prior year adjustment	**(6)**	7
(465)	**(461)**	Capital allowance, sale of business and other rate differences[3]	**(52)**	(60)
–	**548**	Derecognition of deferred tax asset[4]	**56**	–
–	**1 157**	Deferred tax asset not recognised[5]	**116**	–
26	**–**	STC	**–**	3
(123)	**655**	**Income and mining taxation**	**69**	(16)
(6)	**32**	**Effective income and mining tax rate (%)**	**30**	(6)

[1] Includes the effect of the change in the Freegold mining ring-fencing application in 2012.
[2] The significant decreases in the deferred tax rates of ARMGold/Harmony Freegold Joint Venture Company (Proprietary) Limited (Freegold) (24.3% to 22.9%) and Randfontein Estates Limited (Randfontein) (18.6% to 17.4%) is mainly due to the lower estimated profitability.
[3] This relates to the additional capital allowance that may be deducted from taxable income from mining operations in South Africa. A significant portion relates to Avgold Limited (Avgold), which has a 0% effective tax rate.
[4] Represents the derecognition of the previously recognised deferred tax asset in respect of tax losses for the Hidden Valley operation for which future taxable profits are no longer considered probable.
[5] This relates primarily to the Hidden Valley operation and represents tax losses and deductible temporary differences arising in the current year for which future taxable profits are not considered probable.

Deferred tax

The analysis of deferred tax assets and liabilities is as follows:

SA rand			US dollar	
2012	**2013**	*Figures in million*	**2013**	2012
(3 049)	**(1 116)**	Deferred tax assets	**(111)**	(371)
(2 902)	**(986)**	Deferred tax asset to be recovered after more than 12 months	**(98)**	(353)
(147)	**(130)**	Deferred tax asset to be recovered within 12 months	**(13)**	(18)
5 807	**(4 033)**	Deferred tax liabilities	**404**	707
5 266	**1 692**	Deferred tax liability to be recovered after more than 12 months	**169**	641
541	**2 341**	Deferred tax liability to be recovered within 12 months	**235**	66
(138)	**–**	Reclassification to held for sale	**–**	(17)
2 620	**2 917**	**Net deferred tax liability**	**293**	319

12 TAXATION continued

Deferred tax continued

Deferred tax liabilities and assets on the balance sheet as of 30 June 2013 and 30 June 2012 relate to the following:

SA rand			US dollar	
2012	**2013**	*Figures in million*	**2013**	2012
5 807	**4 033**	Gross deferred tax liability	**404**	707
5 679	**3 875**	Amortisation and depreciation	**389**	692
99	**124**	Unrealised foreign exchange movements	**12**	12
29	**34**	Other	**3**	3
(3 049)	**(1 116)**	Gross deferred tax asset	**(111)**	(371)
(2 572)	**(797)**	Unredeemed capital expenditure	**(79)**	(313)
(244)	**(158)**	Provisions, including non-current provisions	**(16)**	(30)
(233)	**(161)**	Tax losses	**(16)**	(28)
(138)	**–**	Reclassification held for sale	**–**	(17)
2 620	**2 917**	**Net deferred tax liability**	**293**	319
		Comprises:		
3 106	**3 021**	Net deferred tax liability	**303**	378
(486)	**(104)**	Net deferred tax asset	**(10)**	(59)

Movement in the net deferred tax liability recognised in the balance sheet is as follows:

SA rand			US dollar	
2012	**2013**	*Figures in million*	**2013**	2012
3 067	**2 620**	Balance at beginning of year	**319**	453
(322)	**384**	Credit per income statement – continuing operations	**38**	(42)
64	**–**	Charge/(credit) per income statement – discontinued operations	**–**	8
96	**(13)**	Tax directly charged to other comprehensive income	**(2)**	12
(147)	**(74)**	Foreign currency translation	**(62)**	(95)
(138)	**–**	Reclassification to held for sale	**–**	(17)
2 620	**2 917**	**Balance at end of year**	**293**	319

As at 30 June, the group had the following potential future tax deductions:

SA rand			US dollar	
2012	**2013**	*Figures in million*	**2013**	2012
19 228	**21 261**	Unredeemed capital expenditure available for utilisation against future mining taxable income[1]	**2 130**	2 343
774	**2 118**	Tax losses carried forward utilisable against mining taxable income[2]	**212**	94
2 166	**2 396**	Capital Gains Tax (CGT) losses available to be utilised against future CGT gains[4]	**240**	264
3 655	**6 709**	As at 30 June, the group has not recognised the following deferred tax asset amounts relating to the above	**672**	445
		The unrecognised temporary differences are:		
9 853	**18 063**	Unredeemed capital expenditure[3]	**1 810**	1 200
8	**1 430**	Tax losses	**143**	1
2 166	**2 396**	CGT losses[4]	**240**	264

[1] Includes Avgold R10 379 million (US$1 039.6 million) (2012: R9 805 million (US$1 194.6 million)), Freegold R1 657 million (US$166.0 million) (2012: R1 594 million (US$194.2 million)), Randfontein R1 534 million (US$153.7 million) (2012: R1 280 million (US$155.9 million)) and Hidden Valley R7 684 million (US$769.9 million (2012: R6 455 million (US$786.2 million). These have an unlimited carry-forward period.
[2] These have an unlimited carry-forward period.
[3] Relates to Avgold and Hidden Valley.
[4] The CGT losses relate to the gross CGT losses available to be utilised against future CGT gains. Previously, the net amount after applying the inclusion rate of 50% was disclosed.

12 TAXATION continued

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 take 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	
2012	**2013**	*Figures in million*	**2013**	2012
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 is 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. The withholding tax is a tax on the shareholder and if applicable will be withheld by the company and will reduce the amount paid to the shareholder.

All STC credits were utilised in 2012, DT was withheld at a rate of 15% in respect of those shareholders that do not qualify for either a reduction or an exemption.

13 DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

Accounting policy

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 are 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.

(a) 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).

All conditions precedent to the sale were fulfilled and the transaction was completed on 28 February 2013. The purchase consideration of R1.5 billion (US$170.0 million) was adjusted for distributions received prior to the effective date of R210 million (US$23.4 million). A group profit of R102 million (US$11.4 million) was recorded.

(b) 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 transaction concluded in May 2012 and a profit on sale of property, plant and equipment of R230 million (US$26.9 million) was recognised and included in discontinued operations. 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 and the final amount of R156.5 million (US$30.1 million) (including R20 million (US$2.3 million) held in escrow) on 30 May 2012.

13 DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS continued

The assets and liabilities of the operations classified as held for sale at the reporting dates are as follows:

SA rand			US dollar	
2012	**2013**	*Figures in million*	**2013**	2012
		Balance sheet		
		Assets of disposal groups classified as held for sale		
1 124	–	Property, plant and equipment	–	137
196	–	Restricted investments	–	24
67	–	Inventories	–	9
12	–	Mining and income tax	–	1
24	–	Trade and other receivables	–	3
1 423	–	**Total assets of disposal group classified as held for sale**	–	174
		Liabilities of disposal groups classified as held for sale		
138	–	Deferred income tax	–	17
170	–	Provision for environmental rehabilitation	–	21
1	–	Retirement benefits obligation	–	–
67	–	Trade and other payables	–	8
376	–	**Total liabilities of disposal groups classified as held for sale**	–	46

The analysis of the results and cash flows of discontinued operations are disclosed in the tables below:

SA rand			US dollar	
2012	**2013**	*Figures in million*	**2013**	2012
		Income statement		
1 404	**874**	Revenue	**102**	181
(866)	**(585)**	Cost of sales	**(68)**	(111)
(14)	**(7)**	Expenses – net	**(1)**	(2)
–	**102**	Profit on sale of investment in subsidiary	**11**	–
232	–	Profit on sale of property, plant and equipment	–	28
756	**384**	Profit from discontinued operations before tax	**44**	96
(164)	**(70)**	Taxation	**(8)**	(21)
592	**314**	**Profit for the year from discontinued operations**	**36**	75
		Cash flows		
502	**274**	Operating cash flows	**32**	65
(71)	**1 124**	Investing cash flows	**123**	(10)
431	**1 398**	**Total cash flows**	**155**	55

14 (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share

Basic (loss)/earnings per share is calculated by dividing the net income attributable to shareholders by the weighted number of ordinary shares in issue during the year.

2012	2013		2013	2012
431 564	**435 290**	Ordinary shares in issue ('000)	**435 290**	431 564
(687)	**(733)**	Adjustment for weighted number of ordinary shares in issue ('000)	**(733)**	(687)
430 877	**434 557**	Weighted number of ordinary shares in issue ('000)	**434 557**	430 877
(59)	**(2 676)**	Treasury shares ('000)	**(2 676)**	(59)
430 818	**431 881**	**Basic weighted average number of shares in issue ('000)**	**431 881**	430 818

SA rand			US dollar	
2012	**2013**	*Figures in million*	**2013**	2012
2 053	**(2 683)**	Net (loss)/profit from continuing operations	**(262)**	266
592	**314**	Net profit from discontinued operations	**36**	75
2 645	**(2 369)**	**Total net (loss)/profit attributable to shareholders**	**(226)**	341
477	**(621)**	Basic (loss)/earnings per share from continuing operations (cents)	**(61)**	61
137	**73**	Basic earnings/(loss) per share from discontinued operations (cents)	**8**	18
614	**(548)**	**Total basic (loss)/earnings per share (cents)**	**(53)**	79

Fully diluted (loss)/earnings per share

For diluted (loss)/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.

2012	2013		2013	2012
430 818	**431 881**	Weighted average number of ordinary shares in issue ('000)	**431 881**	430 818
1 205	**836**	Potential ordinary shares ('000)	**836**	1 205
432 023	**432 717**	**Weighted average number of ordinary shares for fully diluted earnings per share ('000)**	**432 717**	432 023

SA rand			US dollar	
2012	**2013**		**2013**	2012
476	**(621)**	Fully diluted (loss)/earnings per share from continuing operations (cents)	**(61)**	61
136	**73**	Fully diluted earnings per share from discontinued operations (cents)	**8**	18
612	**(548)**	**Total fully diluted (loss)/earnings per share**	**(53)**	79

The inclusion of share options issued to employees, as potential ordinary shares, has a dilutive effect on the (loss)/earnings 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.

14 (LOSS)/EARNINGS PER SHARE continued

Headline earnings per share

The calculation of headline earnings, net of tax, per share is based on the basic (loss)/earnings per share calculation adjusted for the following items:

SA rand 2012	SA rand 2013	*Figures in million*	US dollar 2013	US dollar 2012
		Continuing operations		
2 053	**(2 683)**	Net (loss)/profit	**(262)**	266
		Adjusted for:		
(63)	**(139)**	Profit on sale of property, plant and equipment	**(16)**	(8)
16	**31**	Taxation effect of profit on sale of property, plant and equipment	**4**	2
144	**88**	Impairment of investments[1]	**10**	19
(56)	**–**	(Reversal of impairment) of investment in associate[1]	**–**	(7)
(60)	**2 733**	Impairment/(reversal of impairment) of assets	**274**	(7)
(34)	**(38)**	Taxation effect of impairment of assets	**(4)**	(4)
2 000	**(8)**	**Headline (loss)/profit from continuing operations[2]**	**6**	261
		Discontinued operations		
592	**314**	Net profit	**36**	75
		Adjusted for:		
(232)	**–**	Profit on sale of property, plant and equipment	**–**	(28)
72	**–**	Taxation effect of profit on sale of property, plant and equipment	**–**	9
–	**(102)**	Profit on sale of investment in subsidiary[3]	**(11)**	–
432	**212**	**Headline profit from discontinued operations**	**25**	56
2 432	**204**	**Total headline profit**	**31**	317

[1]There is no taxation effect on these items.
[2]Write-off of the Hidden Valley deferred tax of R548 million (US$54.9 million) is not added back as it is not permitted per the South African Institute of Chartered Accountants Circular on Headline Earnings.
[3]There is no taxation effect on the 2013 amount.

SA rand 2012	SA rand 2013		US dollar 2013	US dollar 2012
465	**(2)**	Basic headline (loss)/earnings per share from continuing operations (cents)	**1**	61
100	**49**	Basic headline earnings/(loss) per share from discontinued operations (cents)	**6**	13
565	**47**	**Total basic headline earnings per share (cents)**	**7**	74
463	**(2)**	Fully diluted headline (loss)/earnings per share from continuing operations (cents)	**1**	61
100	**49**	Fully diluted headline earnings/(loss) per share from discontinued operations (cents)	**6**	13
563	**47**	**Total fully diluted headline earnings per share (cents)**	**7**	74

Dividends

Accounting policy

Dividends declared are recognised in the period in which they are approved by the board of directors. Dividends are payable in South African rand.

Cash flows from dividends paid are classified under financing activities in the cash flow statement.

On 13 August 2012, the board declared a dividend of 50 SA cents (US$6.2 cents) per share related to the year ended 30 June 2012. An interim dividend of 50 SA cents (US$5.7 cents) was declared on 1 February 2013.

SA rand 2012	SA rand 2013	*Figures in million*	US dollar 2013	US dollar 2012
431	**435**	Dividend declared	**51**	59
100	**100**	Dividend per share (cents)	**11.9**	13.6

15 PROPERTY, PLANT AND EQUIPMENT

SA rand			US dollar	
2012	**2013**	*Figures in million*	**2013**	2012
25 353	**24 311**	Mining assets (a)	**2 435**	3 089
1 028	**2 029**	Mining assets under construction (b)	**203**	125
6 094	**5 804**	Undeveloped properties (c)	**581**	743
357	**635**	Deferred stripping (d)	**64**	43
21	**41**	Other non-mining assets (e)	**4**	3
32 853	**32 820**	**Total property, plant and equipment**	**3 287**	4 003

(a) Mining assets

Accounting policy

Mining assets including mine development costs and mine plant facilities are initially recorded at cost, whereafter 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.

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. 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 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.

Depreciation

Depreciation of mining assets is 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 inferred resources will be converted into measured and indicated resources and if they are economically recoverable, they can also be classified as proved and probable reserves. Management is approaching economic decisions affecting the mine on this basis, but has chosen to delay the work required to designate them formally as reserves.

In assessing which resources to include so as to best reflect the useful life of the mine, management considers resources that have been included in the life-of-mine plan. To be included in the life-of-mine plan, resources need to be above the cut-off grade set by management, which means that the resource can be economically mined and is therefore commercially viable. This consistent systematic method for inclusion in the life-of-mine plan takes management's view of the gold price, exchange rates as well as cost inflation into account. In declaring the resource, management would have had to obtain a specified level of confidence of the existence of the resource through drilling as required by the South African Code for Reporting Exploration Results, Mineral Resources and Mineral Reserves (SAMREC).

Additional confidence in the existence, commercial viability and economical recovery of such resources may be based on historical experience and available geological information, such as geological information obtained from other operations that are contiguous to the group's as well as where the group mines continuations of these other operations' orebodies and reefs. This is in addition to the drilling results obtained by the group and management's knowledge of the geological setting of the surrounding areas, which would enable simulations and extrapolations to be done with a reasonable degree of accuracy.

In instances where management is able to demonstrate the economic recovery of such resources with a high level of confidence, such additional resources, which may also include certain, but not all, of the inferred resources, as well as the associated future development costs of accessing those resources, are included in the calculation of depreciation. The future development costs are those costs that need to be incurred to access these inferred resources, for example the costs to complete a decline or level, which may include infrastructure and equipping costs. These amounts have been extracted from the cash flow projections for the life-of-mine plans.

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.

Impairment

Testing for impairment is done in terms of the group policy as discussed in note 2.5.

15 PROPERTY, PLANT AND EQUIPMENT continued

(a) Mining assets continued

Critical accounting estimates and judgements – 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.

Sensitivity analysis – gold mineral reserves and resources effect on depreciation
The group includes certain inferred resources in the denominator and future development costs in the numerator when performing the depreciation calculation for certain of its operations, where proved and probable reserves alone do not provide a realistic indication of the useful life of mine (and related assets). During the periods presented, this related to the Doornkop South Reef and Masimong shafts. Had the group only used proved and probable reserves in its calculations, depreciation for 2013 would have amounted to R2 068 million (US$234.5 million) (2012: R2 120 million (US$272.8 million)), compared with the reported totals of R1 942 million (US$220.2 million) (2012: R1 921 million (US$247.2 million)) .

Critical accounting estimates and judgements – 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.

Critical accounting estimates and judgements – impairment of 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 assesses the long-term views of several reputable institutions on the gold price and based on this, derives the gold price. Due to the sudden, significant drop in the gold price during the last quarter of 2013, management also considered these institutions' short-term and medium-term views and incorporated these into their determination. 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.

15 PROPERTY, PLANT AND EQUIPMENT continued

(a) Mining assets continued

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 and the following gold price and exchange rate assumptions:

	2013			2012
	Short term Year 1	**Medium term Year 2**	**Long term Year 3+**	
US$ gold price per ounce	**1 250**	**1 300**	**1 400**	1 524
Exchange rate (R/US$)	**9.95**	**9.57**	**8.89**	8.21
Rand gold price (R/kg)	**400 000**	**400 000**	**400 000**	370 000

For Hidden Valley, we used the US$ gold price assumptions as per the table and a post-tax real discount rate of 8.52% (2012: 4.49%). For the South Africa operations, we used the rand gold price assumptions as per the table and a post-tax real discount rate ranging between 6.21% and 10.20%, depending on the asset (2012: range of 5.04% and 8.70%). 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 rate and foreign exchange rates; and
- Changes in capital, operating mining, processing and reclamation costs.

Sensitivity analysis – impairment of assets

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 assumption at the reporting date would have resulted in an additional impairment at Hidden Valley of R1 963 million (US$196.6 million) and at Steyn 2 Shaft (included in the Bambanani segment) of R17 million (US$1.7 million) as well as an impairment at Target 1 of R350 million (US$35.1 million). This analysis assumes that all other variables remain constant.

The movement in the mining assets balance is as follows:

SA rand			US dollar	
2012	**2013**	*Figures in million*	**2013**	2012
		Cost		
38 653	**36 152**	Balance at beginning of year	**4 405**	5 704
(4 025)	**–**	Elimination of fully depreciated and impaired assets no longer in use	**–**	(594)
2 408	**2 333**	Additions	**264**	310
(25)	**(51)**	Disposals	**(5)**	(3)
(90)	**82**	Adjustment to rehabilitation asset	**8**	(11)
638	**743**	Transfers and other movements	**84**	94
1 367	**587**	Translation	**(765)**	(757)
38 926	**39 846**		**3 991**	4 743
(2 774)	**–**	Reclassification to held for sale	**–**	(338)
36 152	**39 846**	**Balance at end of year**	**3 991**	4 405

15 PROPERTY, PLANT AND EQUIPMENT continued

(a) Mining assets continued

SA rand 2012	SA rand 2013	*Figures in million*	US dollar 2013	US dollar 2012
		Accumulated depreciation and impairments		
14 550	**10 799**	Balance at beginning of year	**1 316**	2 148
(4 025)	**–**	Elimination of fully depreciated and impaired assets no longer in use	**–**	(594)
(60)	**2 720**	Impairment of assets	**273**	(7)
(24)	**(2)**	Disposals	**–**	(3)
1 985	**1 904**	Depreciation[1]	**216**	256
42	**–**	Transfers and other movements	**–**	6
178	**114**	Translation	**(249)**	(265)
12 646	**15 535**		**1 556**	1 541
(1 847)	**–**	Reclassification to held for sale	**–**	(225)
10 799	**15 535**	Balance at end of year	**1 556**	1 316
25 353	**24 311**	Net carrying value	**2 435**	3 089

[1] For the 2012 financial year, the amount includes both continuing and discontinued operations.

(b) Mining assets under construction

Accounting policy

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 orebody and remove overburden to initially expose the orebody. 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.

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.

Where a depreciable asset is used in the construction or extension of a mine, the depreciation is capitalised against the mine's cost.

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.

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.

Capitalisation of pre-production cost ceases when commercial levels of production are reached. Commercial levels of production are discussed under "production start date" above.

15 PROPERTY, PLANT AND EQUIPMENT continued

(b) Mining assets under construction continued

The movement in the mining assets under construction balance is as follows:

SA rand			US dollar	
2012	**2013**	*Figures in million*	**2013**	2012
		Cost		
663	**1 028**	Balance at beginning of year	**125**	98
797	**1 496**	Additions	**170**	103
10	**25**	Finance costs capitalised[1]	**3**	1
(3)	**(161)**	Disposals	**(18)**	–
(393)	**(458)**	Transfers and other movements	**(52)**	(58)
132	**99**	Translation	**(25)**	3
(178)	**–**	Reclassification to held for sale	**–**	(22)
1 028	**2 029**	**Carrying value**	**203**	125

[1] The average capitalisation rate applied was 4.4% (2012: 9.1%).

(c) Undeveloped properties

Accounting policy

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.

The movement in the undeveloped properties balance is as follows:

SA rand			US dollar	
2012	**2013**	*Figures in million*	**2013**	2012
		Cost		
6 310	**6 094**	Balance at beginning of year	**743**	931
(251)	**(297)**	Transfers and other movements	**(36)**	(37)
35	**20**	Translation	**(125)**	(151)
6 094	**5 817**	**Balance at end of year**	**582**	743
		Accumulated depreciation and impairments		
34	**–**	Balance at beginning of year	**–**	5
–	**13**	Impairment	**1**	–
(35)	**–**	Transfers and other movements	**–**	(5)
1	**–**	Translation	**–**	–
–	**13**	**Balance at end of year**	**1**	–
6 094	**5 804**	**Net carrying value**	**581**	743

(d) Deferred stripping

Accounting policy

Stripping costs incurred during the production phase to remove waste material 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.

15 PROPERTY, PLANT AND EQUIPMENT continued

(d) Deferred stripping continued

The movement in the deferred stripping balance is as follows:

SA rand			US dollar	
2012	**2013**	*Figures in million*	**2013**	2012
		Cost		
121	**357**	Balance at beginning of year	**43**	18
36	**293**	Additions	**33**	5
143	**(58)**	Transferred from/(to) production cost	**(6)**	18
57	**43**	Translation	**(6)**	2
357	**635**	**Carrying value**	**64**	43

(e) Other non-mining assets

Accounting policy

Land is shown at cost and not depreciated. Other non-mining fixed assets are shown at cost less accumulated depreciation and accumulated impairment losses.

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.

The movement in the non-mining assets balance is as follows:

SA rand			US dollar	
2012	**2013**	*Figures in million*	**2013**	2012
		Cost		
418	**365**	Balance at beginning of year	**45**	62
(37)	**–**	Elimination of fully depreciated and impaired assets no longer in use	**–**	(5)
3	**33**	Additions	**4**	–
–	**(13)**	Disposals	**(1)**	–
–	**2**	Transfers and other movements	**–**	–
–	**–**	Translation	**(9)**	(10)
(19)	**–**	Reclassification to held for sale	**–**	(2)
365	**387**	**Balance at end of year**	**39**	45
		Accumulated depreciation and impairments		
360	**344**	Balance at beginning of year	**42**	53
(37)	**–**	Elimination of fully depreciated and impaired assets no longer in use	**–**	(5)
21	**12**	Depreciation	**1**	3
–	**(10)**	Disposals	**(1)**	–
–	**–**	Translation	**(7)**	(9)
344	**346**	**Balance at end of year**	**35**	42
21	**41**	**Net carrying value**	**4**	3

15 PROPERTY, PLANT AND EQUIPMENT continued

(f) Additional disclosures for leased assets

Accounting policy

The group leases certain property, plant and equipment. Leases of property, plant and equipment, where the group has substantially transferred 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.

SA rand			US dollar	
2012	**2013**	*Figures in million*	**2013**	2012
		Carrying value of capitalised leased assets (included in mining assets and mining assets under construction)		
99	**18**		**2**	12
237	**36**	Cost	**4**	29
(138)	**(18)**	Accumulated depreciation	**(2)**	(17)
–	**–**	**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.

16 INTANGIBLE ASSETS

Accounting policy

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:

Goodwill

Goodwill is an intangible asset with an indefinite useful life which is not amortised but tested for impairment on an annual basis, or when there is an indication of impairment. The excess of consideration transferred over 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 is 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. 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.

Technology-based assets

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. These technology-based assets are classified as intangible assets with a finite useful life. These assets are amortised on a straight-line basis over their estimated useful lives, which are reviewed annually, as follows:

- Computer software at 20% per year.

Critical accounting estimates and judgements – 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 2.5. These calculations use the estimates as per note 15.

16 INTANGIBLE ASSETS continued

SA rand			US dollar	
2012	**2013**	*Figures in million*	**2013**	2012
2 153	**2 153**	Goodwill (a)	**216**	263
43	**38**	Technology-based assets (b)	**4**	5
2 196	**2 191**	**Total intangible assets**	**220**	268

(a) Goodwill

SA rand			US dollar	
2012	**2013**	*Figures in million*	**2013**	2012
		Cost		
2 373	**2 373**	Balance at beginning of year	**290**	350
–	**–**	Translation	**(52)**	(60)
2 373	**2 373**	**Balance at end of year**	**238**	290
		Accumulated amortisation and impairments		
220	**220**	Balance at beginning of year	**27**	33
–	**–**	Translation	**(5)**	(6)
220	**220**	**Balance at end of year**	**22**	27
2 153	**2 153**	**Net book value**	**216**	263
		The net book value of goodwill has been allocated to the following cash-generating units:		
224	**224**	Bambanani	**23**	27
558	**558**	Tshepong	**56**	68
1 330	**1 330**	Phakisa	**133**	163
41	**41**	Joel	**4**	5
2 153	**2 153**		**216**	263

(b) Technology-based assets

SA rand			US dollar	
2012	**2013**	*Figures in million*	**2013**	2012
		Cost		
133	**164**	Balance at beginning of year	**20**	20
31	**5**	Additions	**1**	4
–	**–**	Translation	**(4)**	(4)
164	**169**	**Balance at end of year**	**17**	20
		Accumulated amortisation and impairments		
116	**121**	Balance at beginning of year	**15**	17
5	**10**	Amortisation charge for the year	**1**	1
–	**–**	Translation	**(3)**	(3)
121	**131**	**Balance at end of year**	**13**	15
43	**38**	**Net book value**	**4**	5

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.

16 INTANGIBLE ASSETS continued

Accounting policy – Financial assets (applicable to notes 17, 18, 19 and 20)
Financial assets are initially measured at fair value when the group becomes a party to their contractual arrangements, with the exception of loans and receivables which are recognised on origination date. 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 assets is discussed below.

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.

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.

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.

The group classifies financial assets as follows:
- **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. Loans and receivables include trade and other receivables (excluding VAT and prepayments), restricted cash and 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** are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. 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. 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.

- **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. 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.

  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 is removed from other reserves and recognised in the income statement. Subsequent increases in the fair value are recognised in equity as impairment losses recognised in the income statement are not reversed through the income statement.

- **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. 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.

  A portion of restricted investments held by the trust funds (refer note 18) are classified as held-to-maturity investments.

- **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. 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.

17 RESTRICTED CASH

SA rand			US dollar	
2012	**2013**	*Figures in million*	**2013**	2012
26	**26**	Environmental guarantees (a)	**3**	3
8	**9**	Lease security deposits	**1**	1
2	**2**	Cash management account	**–**	–
36	**37**	**Total restricted cash**	**4**	4

(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 is held on call account and the rest is invested in money market funds.

18 RESTRICTED INVESTMENTS

SA rand			US dollar	
2012	**2013**	*Figures in million*	**2013**	2012
1 804	**2 009**	Investments held by environmental trust funds (a)	**201**	219
38	**45**	Investments held by social trust fund (b)	**5**	5
1 842	**2 054**	**Total restricted investments**	**206**	224

(a) Environmental trust funds consist of:

SA rand			US dollar	
2012	**2013**	*Figures in million*	**2013**	2012
179	**1 013**	Held-to-maturity financial assets	**101**	21
1 625	**996**	Fair value through profit or loss financial assets	**100**	198
1 804	**2 009**	**Total environmental trust funds**	**201**	219

Accounting policy

Contributions are made to the group's environmental 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 control of the trusts. 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.

The environmental trust funds are irrevocable trusts under the group's control. Contributions to the trusts are invested in interest-bearing short-term and medium-term cash investments and 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 Top40 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.

During 2013, a decision was made to diversify the credit risk concentration of the Nedbank equity-linked deposits. These funds were moved into short-term and medium-term fixed deposits with other banking institutions of good credit quality. These investments have been classified as held-to-maturity investments.

18 RESTRICTED INVESTMENTS continued

(a) Environmental trust funds continued

Reconciliation of the movement in the investments held by environmental trust funds:

SA rand			US dollar	
2012	**2013**	*Figures in million*	**2013**	2012
1 862	**1 804**	Balance at beginning of year	**219**	275
9	**35**	Interest income[1]	**4**	1
93	**170**	Fair value gain[1]	**19**	12
–	**(798)**	Disposal of equity-linked deposits	**(91)**	–
–	**798**	Acquisition of held-to-maturity investments	**91**	–
48	**–**	Contributions made	**–**	6
(12)	**–**	Disposal of Evander 6 and Twistdraai	**–**	(2)
–	**–**	Translation	**(41)**	(49)
2 000	**2 009**		**201**	243
(196)	**–**	Reclassification to held for sale	**–**	(24)
1 804	**2 009**	**Balance at end of year**	**201**	219

[1] Amounts for 2012 include 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 was made during the 2004 year. Thereafter instalments of R3.5 million per annum were made with the final instalment 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.

During 2013, the funds were moved into an investment that is exposed to the fair value changes in the market and the investment has been classified as fair value through profit or loss.

Reconciliation of the movement in the investments held by the social trust fund:

SA rand			US dollar	
2012	**2013**	*Figures in million*	**2013**	2012
34	**38**	Balance at beginning of year	**5**	5
5	**4**	Contributions made	**1**	1
1	**3**	Interest income	**–**	–
–	**3**	Fair value gain	**1**	–
(2)	**(3)**	Claims paid	**–**	–
–	**–**	Translation	**(2)**	(1)
38	**45**	**Balance at end of year**	**5**	5

19 INVESTMENT IN FINANCIAL ASSETS

SA rand			US dollar	
2012	**2013**	*Figures in million*	**2013**	2012
185	**146**	Balance at beginning of year	**18**	27
3	**86**	Additions (a)	**9**	–
(42)	**(79)**	Fair value movement of available-for-sale investments (a) (b)	**(9)**	(5)
–	**(14)**	Reversal of fair value movement on acquisition of associates (a)	**(2)**	
–	**(90)**	Reclassification to investment in associates (a)	**(9)**	–
–	**–**	Translation	**(2)**	(4)
146	**49**	**Balance at end of year**	**5**	18
		The carrying amount consists of the following:		
		Available-for-sale financial assets:		
131	**44**	Investment in listed shares – Wits Gold (b)	**4**	16
15	**5**	Investment in unlisted shares (c)	**1**	2
146	**49**	**Total available-for-sale financial assets**	**5**	18

(a) At 30 June 2012, the group held a 1.8% interest in Rand Refinery (Proprietary) Limited (Rand Refinery) of R9 million (US$1.1 million), which was classified as an available-for-sale financial asset. The group purchased additional shares in three tranches in 2013, taking the group's interest to just more than 10% and allowing for the appointment of a director to the Rand Refinery board. This resulted in the group being able to exercise a significant influence over the operations of Rand Refinery and as such the investment has been classified as an investment in associates.

During 2013, an amount of R9 million (US$1.1 million) was recorded in the fair value reserve for the investment. On the acquisition of the associate, the cumulative fair value gains were reversed from the fair value reserve and the cost of the investment reclassified to investments in associates. Refer to note 21.

(b) At 30 June 2012, management determined that the investment in Wits Gold was impaired in terms of our accounting policy and the cumulative losses in the fair value reserves were reclassified to the income statement (refer to note 25). Subsequent losses of R88 million (US$9.9 million) have also been recorded in the income statement.

(c) 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.

20 TRADE AND OTHER RECEIVABLES

SA rand			US dollar	
2012	**2013**	*Figures in million*	**2013**	2012
		Current		
		Financial assets:		
386	**164**	Trade receivables (gold)	**16**	47
144	**170**	Other trade receivables	**17**	18
(35)	**(35)**	Provision for impairment	**(3)**	(4)
495	**299**	Trade receivables – net	**30**	61
19	**14**	Loans to associates and joint ventures (a)	**1**	2
450	**603**	Interest and other receivables (b)	**60**	55
27	**28**	Employee receivables	**3**	3
		Non-financial assets:		
62	**60**	Prepayments	**6**	8
215	**158**	Value added tax	**16**	26
1 268	**1 162**		**116**	155
(23)	**–**	Reclassification to held for sale	**–**	(3)
1 245	**1 162**	**Total current trade and other receivables**	**116**	152
		Non-current		
		Financial assets:		
116	**116**	Loans to associates (c)	**12**	14
29	**–**	Other loans receivable	**–**	3
(116)	**(116)**	Provision for impairment (c)	**(12)**	(14)
29	**–**		**–**	3
(1)	**–**	Reclassification to held for sale	**–**	–
28	**–**	**Total non-current trade and other receivables**	**–**	3

(a) The 2013 and 2012 balance is due from the Morobe Mining Joint Ventures (MMJV) companies in PNG, for services and goods supplied in terms of the service level agreements entered into between the group and the joint venture companies.

(b) Included in the balance for the 2013 financial year is the self-insurance fund of R323 million (US$32.4 million) (2012: R222 million (US$27.1 million)) and an amount of R69 million (US$6.9 million) due from Evander.

Also included in interest and other receivables for the 2013 financial year is an amount of R17 million (US$1.7 million) (2012: R17 million (US$2.1 million)) owing by Pamodzi in terms of the asset purchase agreement, for rehabilitation trust funds to be released to the group.

No impairment allowance is necessary in respect of any balances included in interest and other receivables as all amounts are classified as fully performing.

(c) The balance in 2013 comprises R116 million (US$11.6 million) (2012: R116 million (US$14.1 million)) owed by Pamodzi. Pamodzi was placed into liquidation during 2009 and the loan was provided in full. Harmony is a concurrent creditor in the Pamodzi Orkney liquidation.

20 TRADE AND OTHER RECEIVABLES continued

The movement in the provision for impairment of trade receivables during the year was as follows:

SA rand			US dollar	
2012	**2013**	*Figures in million*	**2013**	2012
120	**35**	Balance at beginning of year	**4**	18
14	**8**	Impairment loss recognised	**1**	2
(101)	**(6)**	Reversal of impairment loss	**(1)**	(13)
2	**(2)**	Translation	**(1)**	(3)
35	**35**	**Balance at end of year**	**3**	4

The movement in the provision of loans receivables during the year was as follows:

SA rand			US dollar	
2012	**2013**	*Figures in million*	**2013**	2012
116	**116**	Balance at beginning of year	**14**	17
–	**–**	Translation	**(2)**	(3)
116	**116**	**Balance at end of year**	**12**	14

The ageing of trade receivables at the reporting date was:

SA rand			US dollar	
Impairment	**Gross**	*Figures in million*	**Gross**	**Impairment**
		30 June 2013		
–	**249**	Fully performing	**25**	**–**
–	**20**	Past due by 1 to 30 days	**2**	**–**
–	**16**	Past due by 31 to 60 days	**1**	**–**
–	**6**	Past due by 61 to 90 days	**1**	**–**
14	**20**	Past due by more than 90 days	**2**	**1**
21	**23**	Past due by more than 361 days	**2**	**2**
35	**334**		**33**	**3**
		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

20 TRADE AND OTHER RECEIVABLES continued

The ageing of loans receivable at the reporting date was:

SA rand			US dollar	
Impairment	**Gross**	*Figures in million*	**Gross**	**Impairment**
		30 June 2013		
–	–	Fully performing	–	–
–	–	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	**12**	**12**
116	**116**		**12**	**12**
		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

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 2013 and 2012 there was no renegotiation of the terms of any receivable.

As at 30 June 2013 and 30 June 2012 financial years, there was no collateral pledged or held for any of the receivables.

21 INVESTMENT IN ASSOCIATES

(a) Harmony acquired a 32.4% interest in Pamodzi on 27 February 2008, 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. As at 30 June 2013, the liquidation process has not been concluded. No financial information subsequent to 31 March 2009 is available and therefore no information has been disclosed.

(b) At 30 June 2012, the group held 1.8% of the shares of Rand Refinery. An additional 8.5% interest was purchased in three tranches during 2013, resulting in a total shareholding of 10.38% on 31 May 2013. Although the group holds less than 20% of the equity shares of Rand Refinery, the group is able to exercise significant influence by virtue of having a right to appoint a director on the board. The investment was previously accounted for as available-for-sale (refer to note 19 for further detail), but since the 10% shareholding was attained and with the right to appoint a director on the board, the investment has been accounted for as an associate. As part of the accounting for the acquisition, the group elected the cost method for step acquisitions (refer to note 2.1) and has reversed the cumulative fair value gains recognised in other reserves prior to the acquisition of the investment in associate (refer to note 19). Offsetting this the group has recognised its share of Rand Refinery's retained earnings for the previously held interest, which amounted to R19 million (US$2.1 million).

21 INVESTMENT IN ASSOCIATES continued

The movement during the year is as follows:

SA rand			US dollar	
2012	**2013**	*Figures in million*	**2013**	2012
–	**–**	Balance at beginning of year	**–**	–
–	**90**	Reclassified from investment in financial assets	**9**	–
–	**19**	Share of retained earnings on acquisition of an associate	**2**	–
–	**109**	**Balance at end of year**	**11**	–

The results of Rand Refinery for the year ended and its aggregated assets (including goodwill) and liabilities as at 30 June 2013 are as follows:

SA rand		US dollar
2013	*Figures in million*	**2013**
975	Assets	**98**
138	Liabilities	**14**
893	Revenue	**101**
240	Profit	**27**
10%	Percentage interest held	**10%**

Rand Refinery's year end is 30 September.

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 2013 consolidated financial statements:

SA rand			US dollar	
2012	**2013**	*Figures in million*	**2013**	2012
50%	**50%**		**50%**	50%
1 163	**1 189**	Revenue	**135**	150
(851)	**(1 204)**	Production costs	**(137)**	(110)
312	**(15)**	Production (loss)/profit	**(2)**	40
–	**(2 675)**	Impairment	**(268)**	–
(384)	**(514)**	Exploration expenditure	**(58)**	(49)
(229)	**(387)**	Other costs	**(46)**	(29)
90	**(387)**	Taxation (expense)/credit	**(36)**	11
(211)	**(3 978)**	**Net loss**	**(410)**	(27)
5 759	**4 971**	Non-current assets	**498**	702
739	**1 050**	Current assets	**105**	90
6 498	**6 021**	**Total assets**	**603**	792
209	**247**	Non-current liabilities	**25**	25
416	**578**	Current liabilities	**58**	51
625	**825**	**Total liabilities**	**83**	76

23 INVENTORIES

Accounting policy

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. Net realisable value is assessed at each reporting date and is determined with reference to relevant market prices.

The 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 non-current assets 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. 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 or stockpile 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 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. At the group's open pit operations, gold in process represents production in broken ore form.

Consumable stores are valued at weighted average cost value after appropriate allowances for redundant and slow moving items.

SA rand			US dollar	
2012	**2013**	*Figures in million*	**2013**	2012
102	**57**	Gold in lock-up	**6**	12
509	**704**	Gold in process, ore stockpiles and bullion on hand	**71**	62
510	**721**	Stores and materials at weighted average cost	**72**	63
1 121	**1 482**	Total inventories	**149**	137
(58)	**(57)**	Non-current portion of gold in lock-up and gold in process	**(6)**	(7)
1 063	**1 425**		**143**	130
(67)	**–**	Reclassification to held for sale	**–**	(9)
996	**1 425**	**Total current portion of inventories**	**143**	121
		Included in the balance above is:		
102	**151**	Inventory valued at net realisable value	**15**	12

During the 2013 financial year, a write-down of R10 million (US$1.0 million) (2012: R81 million (US$9.9 million)) was made for the net realisable value adjustment for gold in lock-up, as well as R19 million (US$1.9 million) (2012: R32 million (US$3.9 million)) relating to certain stockpiles.

During 2012 write-downs were made of R16 million (US$1.9 million) and R17 million (US$2.1 million) for the Steyn plant and Freddies rock dump demolishment projects, respectively. The write-downs were as a result of changes to the life-of-mine plans.

During the year, a reversal of R9 million (US$0.9 million) (2012: Rnil) to the provision for slow moving stock was made. This was primarily the result of a process of improving stock management. The total provision at 30 June 2013 was R53 million (US$5.3 million) (2012: R62 million (US$7.6 million)).

24 SHARE CAPITAL

Accounting policy

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.

The cost of treasury shares is eliminated against the share capital balance.

Authorised

1 200 000 000 (2012: 1 200 000 000) ordinary shares of 50 SA cents each.

Issued

435 289 890 (2012: 431 564 236) ordinary shares of 50 SA cents each. All issued shares are fully paid.

The directors have been authorised to allot and issue up to 21 578 212 authorised but unissued ordinary shares of the company, being 5% of the total issued share capital of the company as at 30 June 2012, subject to the provisions of the Companies Act and the JSE Limited Listings Requirements.

The remuneration report and note 33 set out details in respect of the share option scheme and shares held in trust for the employees of the group.

Share issues

Shares issued in the 2012 and 2013 financial years relate to the exercise of share options by employees. During August 2012, 3.5 million shares were issued to the Tlhakanelo Trust, the vehicle used for the employee share ownership plan.

Treasury shares

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.

During August 2012, 3.5 million shares were issued to the Tlhakanelo Trust. As the trust is controlled by the group, the shares are treated as treasury shares. During 2013, 937 548 shares were exercised by employees and the remaining 2 562 452 shares are still held as treasury shares.

25 OTHER RESERVES

SA rand			US dollar	
2012	**2013**	*Figures in million*	**2013**	2012
1 906	**2 655**	Foreign exchange translation reserve (a)	**(805)**	(138)
4	**(1)**	Fair value movement of available-for-sale financial assets (b)	**–**	1
277	**277**	Equity component of convertible bond (c)	**41**	41
(381)	**(381)**	Acquisition of non-controlling interest in subsidiary (d)	**(57)**	(57)
767	**1 041**	Share-based payments (e)	**136**	106
(98)	**(98)**	Repurchase of equity interest (f)	**(13)**	(13)
(31)	**(29)**	Other	**(4)**	(4)
2 444	**3 464**	**Total other reserves**	**(702)**	(64)

(a) 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.

SA rand			US dollar	
2012	**2013**	*Figures in million*	**2013**	2012
421	**1 906**	Balance at beginning of year	**(138)**	469
1 581	**736**	Current year's foreign exchange movement	**(669)**	(595)
(96)	**13**	Tax on foreign exchange movement	**2**	(12)
1 906	**2 655**	**Balance at end of year**	**(805)**	(138)

25 OTHER RESERVES continued

(b) 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 19.

SA rand			US dollar	
2012	**2013**	*Figures in million*	**2013**	2012
(98)	**4**	Balance at beginning of year	**1**	(11)
(42)	**(79)**	Fair value movement – unrealised	**(9)**	(5)
144	**88**	Impairment recognised in profit or loss	**10**	19
–	**(14)**	Reversal of fair value movement on acquisition of associate	**(2)**	–
–	**–**	Translation	**–**	(2)
4	**(1)**	**Balance at end of year**	**–**	1

(c) 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) 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 Limited, 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	
2012	**2013**	*Figures in million*	**2013**	2012
672	**767**	Balance at beginning of year	**106**	94
95	**251**	Share-based payments expensed (i)	**28**	12
–	**23**	PhoenixCo option (ii)	**2**	–
767	**1 041**	**Balance at end of year**	**136**	106

(i) The group issues equity-settled instruments to certain qualifying employees under an employee share option scheme and employee share ownership plan (ESOP) 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 2013 financial year, the equity-settled share-based payment expense of R251 million (US$28.4 million) (2012: R95 million (US$12.2 million)) was charged to the income statement (refer to note 33 for more detail).

(ii) On 20 March 2013 Harmony signed transaction and funding agreements to give effect to an empowerment transaction to dispose of 30% of its Free State based Phoenix tailings operation (Phoenix) to BEE shareholders (refer to note 33 for more detail).

(f) On 19 March 2010, Harmony Gold Mining Company Limited concluded an agreement with African Vanguard Resources (Proprietary) Limited (AVRD) for the purchase of its 26% share of the mining titles of the Doornkop South Reef. The original sale of the 26% share in the mining titles was accounted for as an in-substance call option by AVRD over the 26% 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 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. The difference between the value of the shares issued of R152 million (US$20.5 million), the liability to the AVRD and transaction costs, have been taken directly to equity.

25 OTHER RESERVES continued

Accounting policy – Provisions (applicable to note 26 and 27)
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 benefit 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 net 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. The 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.

26 PROVISION FOR ENVIRONMENTAL REHABILITATION

Accounting policy
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 is 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 the 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, 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 ongoing 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.

Critical accounting estimates and judgements
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 6.00% (2012: 6.30%) 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 – 5.3% (2012: 5.5%); for one to five years – 6.2% (2012: 5.75%); for six to nine years – 6.4% (2012: 7.75%) and for ten years or more – 7.25% (2012: 8.25%). These estimates were based on recent yields determined on government bonds.

In calculating the rehabilitation liability in PNG for 2013, an inflation rate of 2.5% (2012: 2.95%) was used, together with a discount rate of 6.8% (2012: 7.50%).

The group's mining and exploration activities are subject to extensive environmental laws and regulations. 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.

26 PROVISION FOR ENVIRONMENTAL REHABILITATION continued

The following is a reconciliation of the total liability for environmental rehabilitation:

SA rand			US dollar	
2012	**2013**	*Figures in million*	**2013**	2012
		Provision raised for future rehabilitation		
1 987	**1 865**	Balance at beginning of year	**227**	293
(16)	**–**	Disposal of assets	**–**	(2)
(95)	**82**	Change in estimate – Balance sheet	**8**	(12)
(45)	**(89)**	Change in estimate – Income statement	**(9)**	(5)
134	**118**	Time value of money and inflation component of rehabilitation costs[1]	**14**	17
70	**21**	Translation	**(40)**	(43)
2 035	**1 997**	**Balance at end of year**	**200**	248
(170)	**–**	Reclassification to held for sale	**–**	(21)
1 865	**1 997**	**Total provision for environmental rehabilitation**	**200**	227

[1]Amounts for 2012 include both continuing and discontinued operations.

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 undiscounted cost for the mines is approximately R2 612 million (US$261.7 million) (2012: R2 823 million (US$343.9 million). Kalgold is working closely with the DMR to endorse the conversion of the D-zone pit into a strategic water resource and not to backfill.

SA rand			US dollar	
2012	**2013**	*Figures in million*	**2013**	2012
		Future net undiscounted obligation		
2 823	**2 612**	Ultimate estimated rehabilitation cost	**262**	344
(2 000)	**(2 009)**	Amounts invested in environmental trust funds (refer to note 18)	**(201)**	(243)
823	**603**	**Total future net undiscounted obligation**	**61**	101

The group intends to finance the ultimate rehabilitation costs from the money invested in environmental trust funds 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 some of the environmental liabilities. Refer to note 35.

During 2012 and 2013, 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.

27 OTHER NON-CURRENT LIABILITIES

Accounting policy
Refer to note 33 for the accounting policy on share-based payments and the accounting policy on provisions.

SA rand			US dollar	
2012	**2013**	*Figures in million*	**2013**	2012
–	**13**	ESOP share-based payment liability (a)	**1**	–
30	**42**	Other (b)	**4**	4
30	**55**	**Total other non-current liabilities**	**5**	4

(a) The liability relates to the cash-settled share-based payment transaction following the award of ESOP share appreciation rights (SARs) to qualifying employees through the Tlhakanelo Employee Share Trust during the 2013 financial year. Refer to note 33 for more details.

(b) Included in Other is a provision of R42 million (US$4.2 million) (2012: 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 and the appeal will be heard in November 2013.

28 RETIREMENT BENEFIT OBLIGATION

Accounting policy

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 corporate 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.

Critical accounting estimates and judgements

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 9.3%, 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 7.3% (2012: discount rate of 9.60%, 60 years and 7.45% inflation rate).

Management determined the discount rate by assessing corporate bonds 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.

(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 defined contribution industry plans. The group's liability is therefore limited to its monthly 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 2013 year (2012: 9%). The fund is a defined contribution plan.

The PNG Superannuation Act 2002 requires a compulsory employer contribution of 8.4% (2012: 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 2013 financial year amounted to R508 million (US$57.6 million) (2012: R550 million (US$70.8 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 (Minemed) options. Effective 1 September 2013, Minemed was amalgamated with Bestmed medical scheme and the rates have been updated accordingly. 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 2013, using the projected unit credit method. The next actuarial valuation will be performed on 30 June 2014.

The principal actuarial assumptions used to determine the present value of unfunded obligations are discussed above. 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.

28 RETIREMENT BENEFIT OBLIGATION continued

(b) Post-retirement benefits other than pensions continued

SA rand			US dollar	
2012	**2013**	*Figures in million*	**2013**	2012
177	**194**	Present value of unfunded obligations	**19**	22
106	**114**	Current employees	**11**	13
71	**80**	Retired employees	**8**	9
		Movement in the liability recognised in the balance sheet:		
167	**177**	Balance at beginning of year	**22**	25
(5)	**(6)**	Contributions paid	**(1)**	(1)
4	**4**	Other expenses included in staff costs/current service cost	**–**	1
16	**17**	Interest cost	**2**	2
(5)	**2**	Net actuarial loss/(gain) recognised during the year	**–**	(1)
–	**–**	Translation	**(4)**	(4)
177	**194**	**Balance at end of year**	**19**	22

Net actuarial gains/losses are included in cost of sales in the income statement. The net actuarial loss recognised during the 2011 year was R1 million (US$0.1 million), the 2010 year was R7 million (US$0.9 million), and the 2009 year was Rnil (US$nil).

SA rand			US dollar	
2012	**2013**	*Figures in million*	**2013**	2012
		The net liability of the defined benefit plan is as follows:		
177	**194**	Present value of defined benefit obligation	**19**	22
–	**–**	Fair value of plan assets	**–**	–
177	**194**	**Net retirement benefit obligation liability**	**19**	22

The present value of the defined benefit obligation was R167 million (US$24.6 million) in 2011, R153 million (US$20.1 million) in 2010 and R152 million (US$19.7 million) in 2009.

The effect of a percentage point increase and decrease in the assumed medical cost trend rates is as follows:

SA rand			US dollar	
2012	**2013**	*Figures in million*	**2013**	2012
		Effect of a 1% increase on:		
3	**3**	Aggregate of service cost and interest cost	**–**	–
27	**29**	Defined benefit obligation	**3**	3
		Effect of a 1% decrease on:		
3	**3**	Aggregate of service cost and interest cost	**–**	–
22	**24**	Defined benefit obligation	**2**	3

The group expects to contribute approximately R6 million (US$0.6 million) to the benefit plan in 2014.

28 RETIREMENT BENEFIT OBLIGATION continued

Accounting policy – Financial liabilities (applicable to notes 29 and 30)
Financial liabilities 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 liabilities, with the exception of financial liabilities classified as at fair value through profit or loss. The subsequent measurement of financial liabilities is discussed below.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

The group classifies financial liabilities as follows:
- 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 the 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 it 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.

- Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. If not, they are presented as non-current liabilities.

29 BORROWINGS

Westpac Bank
In July 2007, Morobe Consolidated Goldfields 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 PNG. The facility attracts interest at LIBOR plus 260 basis points, which is payable quarterly.

29 BORROWINGS continued

Terms and debt repayment schedule at 30 June 2013:

	Interest charge	Repayment terms	Repayment date	Security
Westpac Bank (Secured finance lease)	US – LIBOR plus 1.25%	Quarterly	30 December 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$9.0 million)	31 December 2014	
Nedbank Limited (Secured loan – term facility 2)	3 month JIBAR plus 3.5%, payable quarterly	Bi-annual equal instalments of R62.5 million (US$6.3 million)	31 December 2014	Cession and pledge of operating subsidiaries' shares
Nedbank Limited (Secured loan – revolving credit facility)	1 or 3 month JIBAR plus 3.5%, payable after interest interval	Repayable on maturity	30 November 2013	
Syndicated (Secured loan – US$ revolving credit facility)	LIBOR plus 260 basis points, payable quarterly	Repayable on maturity	15 September 2015	Cession and pledge of operating subsidiaries' shares

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[1]/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 net debt ratio shall not be less than six times.

[1] EBIT as defined in the agreement excludes unusual items such as impairment

The debt covenant tests are performed on a quarterly basis. No breaches of the covenants were identified during the tests in the 2013 financial year.

29 BORROWINGS continued

Interest-bearing borrowings

SA rand			US dollar	
2012	2013	*Figures in million*	2013	2012
		Non-current borrowings		
3	–	Westpac Bank (secured finance lease)	–	–
23	3	Balance at beginning of year	–	3
(33)	(18)	Repayments	(2)	(4)
4	20	Net adjustments to current portion	2	(1)
9	(5)	Translation	–	2
458	155	Nedbank Limited (secured loan – term facilities)	16	56
759	458	Balance at beginning of year	56	112
(305)	(305)	Repayments	(33)	(37)
3	4	Amortisation of issue costs	1	–
1	(2)	Net adjustments to current portion	–	–
–	–	Translation	(8)	(19)
–	–	Nedbank Limited (secured loan – revolving credit facilities)	–	–
447	–	Balance at beginning of year	–	66
400	–	Draw down	–	58
(850)	–	Repayments	–	(106)
(20)	–	Issue costs	–	(2)
23	–	Amortisation of issue costs	–	3
–	–	Translation	–	(19)
1 042	2 097	Syndicated (secured loan – US$ revolving credit facility)	210	127
–	1 042	Balance at beginning of year	127	–
1 043	678	Draw down	80	130
(47)	–	Issue cost	–	(6)
9	17	Amortisation of issue costs	2	1
12	9	Net adjustments to current portion	1	2
25	351	Translation	–	–
1 503	2 252	**Total non-current borrowings**	226	183
		Current borrowings		
24	4	Current portion of the finance lease from Westpac Bank	–	3
301	303	Current portion of the loans from Nedbank Limited	30	37
(12)	(21)	Current portion of the loans from syndicate	(2)	(2)
313	286	**Total current borrowings**	28	38
1 816	2 538	**Total interest-bearing borrowings**	254	221
		The future minimum lease payments for Westpac Bank finance leases are:		
24	4	Due within one year	–	3
3	–	Due within one and two years	–	–
–	–	Due between two and five years	–	–
27	4		–	3
–	–	Future finance charges	–	–
27	4		–	3

29 BORROWINGS continued

SA rand			US dollar	
2012	**2013**	*Figures in million*	**2013**	2012
		The maturity of borrowings is as follows:		
313	**286**	Current	**28**	38
294	**155**	Between one and two years	**16**	36
1 209	**2 097**	Between two and five years	**210**	147
–	**–**	Over five years	**–**	–
1 816	**2 538**		**254**	221
		Undrawn committed borrowing facilities:		
–	**850**	Expiring within one year	**85**	–
2 245	**899**	Expiring after one year	**90**	274
2 245	**1 749**		**175**	274

	Effective rate	
	2013 %	2012 %
Westpac Bank	**1.7**	1.6
Nedbank Limited	**8.7**	9.1
Syndicated	**2.7**	3.0

30 TRADE AND OTHER PAYABLES

Accounting policy
The group accrues for the cost of the leave days granted to employees during the period in which the leave days accumulate.

SA rand			US dollar	
2012	**2013**	*Figures in million*	**2013**	2012
		Financial liabilities:		
280	**580**	Trade payables	**58**	34
58	**62**	Other liabilities	**6**	7
–	**13**	ESOP share-based payment liability (a)	**1**	–
		Non-financial liabilities:		
343	**345**	Payroll accruals	**35**	42
322	**323**	Leave liabilities (b)	**32**	39
569	**529**	Shaft related accruals	**53**	69
194	**210**	Other accruals	**21**	24
48	**47**	Value added tax	**5**	6
1 814	**2 109**		**211**	221
(67)	**–**	Reclassification to held for sale	**–**	(8)
1 747	**2 109**	**Total trade and other payables**	**211**	213

(a) ESOP share-based payment liability
The liability relates to the cash-settled share-based payment transaction following the award of ESOP SARs to qualifying employees through the Tlhakanelo Employee Share Trust during the 2013 financial year. Refer to note 33 for more details.

30 TRADE AND OTHER PAYABLES continued

(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	
2012	**2013**	*Figures in million*	**2013**	2012
280	**303**	Balance at beginning of year	**37**	41
(306)	**(341)**	Benefits paid	**(39)**	(39)
341	**355**	Total expense per income statement	**40**	44
7	**6**	Translation	**(6)**	(7)
322	**323**		**32**	39
(19)	**–**	Reclassification to held for sale	**–**	(2)
303	**323**	**Balance at end of year**	**32**	37

31 CASH GENERATED BY OPERATIONS

SA rand			US dollar	
2012	**2013**	*Figures in million*	**2013**	2012
		All amounts disclosed include discontinued operations		
		Reconciliation of (loss)/profit before taxation to cash generated by operations:		
2 686	**(1 645)**	(Loss)/profit before taxation	**(149)**	346
		Adjustments for:		
1 991	**1 942**	Amortisation and depreciation	**220**	256
(60)	**2 733**	Impairment/(reversal of impairment) of assets	**274**	(7)
95	**310**	Share-based payments	**35**	12
(6)	**(4)**	Net decrease in provision for post-retirement benefits	**–**	(1)
(43)	**(79)**	Net decrease in provision for environmental rehabilitation	**(9)**	(5)
(295)	**(139)**	Profit on sale of property, plant and equipment	**(16)**	(36)
(56)	**–**	(Reversal of impairment)/impairment of investment in associate	**–**	(7)
144	**88**	Impairment of investments	**10**	19
(94)	**(192)**	Net gain on financial instruments	**(22)**	(12)
–	**(102)**	Profit on sale of investment in subsidiary	**(11)**	–
(103)	**(191)**	Interest received	**(22)**	(13)
302	**264**	Finance cost	**30**	39
(17)	**(177)**	Inventory adjustments	**(20)**	(3)
–	**(238)**	Deferred stripping allocations	**(27)**	–
9	**347**	Foreign exchange translation difference	**39**	1
29	**4**	Other non-cash adjustments	**1**	4
		Effect of changes in operating working capital items		
(86)	**174**	Receivables	**20**	(12)
(64)	**(209)**	Inventories	**(24)**	(9)
119	**268**	Payables	**30**	14
4 551	**3 154**	**Cash generated by operations**	**359**	586

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 2013, R1 749 million (US$175.1 million) (2012: R2 245 million (US$273.6 million)) of borrowing facilities had not been drawn down and is therefore available for future operating activities and future capital commitments. Refer to note 29.

31 CASH GENERATED BY OPERATIONS continued

For the financial year ended 30 June 2013

(a) Acquisitions and disposal of investments/business

Disposal of Evander

The conditions precedent for the sale of Evander Gold Mine Limited were fulfilled and the transaction was completed on 28 February 2013. The purchase consideration of R1.5 billion (US$170.0 million) was adjusted for distribution received prior to the effective date of R210 million (US$23.4 million). Refer to note 13.

The aggregate fair values of assets and liabilities sold were:

SA rand			US dollar	
2012	**2013**	*Figures in million*	**2013**	2012
–	**1 265**	Property, plant and equipment	**141**	–
–	**218**	Funds set aside for environmental rehabilitation	**24**	–
–	**95**	Inventories	**11**	–
–	**15**	Trade and other receivables	**2**	–
–	**30**	Cash and cash equivalents	**3**	–
–	**102**	Profit on disposal	**11**	–
–	**(178)**	Environmental liability	**(20)**	–
–	**(1)**	Retirement benefit obligation	**–**	–
–	**(93)**	Trade and other payables	**(10)**	–
–	**(159)**	Deferred tax liability	**(18)**	–
–	**1 294**	**Purchase consideration**	**144**	–
–	**(30)**	Cash and cash equivalents	**(3)**	–
–	**–**	Translation	**(2)**	–
–	**1 264**	**Total proceeds received in cash**	**139**	–

(b) Principal non-cash transactions

Share-based payments (refer to note 33).

For the financial year ended 30 June 2012

(a) Acquisitions and disposal of investments/business

Disposal of investment in Rand Uranium

On 6 January 2012, the transaction with Gold One International Limited 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 of R61 million (US$6.8 million).

(b) Principal non-cash transactions

Share-based payments (refer to note 33).

32 EMPLOYEE BENEFITS

Accounting policy

- **Pension, provident and medical benefit plans** are funded through annual contributions. The group pays fixed contributions into a separate entity in terms of the defined contribution pension, provident and medical plans which are charged to the income statement in the year to which they relate. The group's liability is limited to its monthly determined contributions and it has no further liability, legal 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. Refer to note 28 for details of the post-retirement medical benefit plan.
- **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.

32 EMPLOYEE BENEFITS continued

	2013	2012
Number of permanent employees as at 30 June:		
South African operations[1]	**30 673**	33 935
International operations[2]	**1 729**	1 905
Total number of permanent employees	**32 402**	35 840

SA rand			US dollar	
2012	**2013**	*Figures in million*	**2013**	2012
		Aggregate earnings		
		The aggregate earnings of employees including directors were:		
6 152	**6 574**	Salaries and wages and other benefits	**745**	791
464	**508**	Retirement benefit costs	**58**	60
167	**181**	Medical aid contributions	**21**	22
6 783	**7 263**	**Total aggregated earnings[3]**	**824**	873

Remuneration for directors and executive management is fully disclosed in the remuneration report on pages 7 to 14.

[1] 2 521 employees were attributable to the discontinued operations at 30 June 2012
[2] The total number of employees in Australia, including the Brisbane office, at 30 June 2013 was 101 (2012: 107). The total for the international operations includes the joint-venture employees
[3] These amounts have been included in cost of sales, corporate expenditure and capital expenditure

The amounts include Evander for the eight months it was part of the group.

During the 2013 financial year R100 million (US$11.4 million) (2012: R61 million (US$7.9 million)) was included in the payroll cost for termination costs. Termination costs include the cost relating to the voluntary retrenchment and restructuring process as well as retrenchments due to the shaft closures (refer to note 5).

33 SHARE-BASED PAYMENTS

Accounting policy

The group operates the following employee share incentive plans:

- Equity-settled share-based payments plan where the group grants share options to certain employees in exchange for services received;
- Equity-settled and cash-settled employee share ownership plan.

Equity-settled share-based payments are measured at fair value that includes market performance conditions but excludes 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.

Cash-settled share-based payments are measured at fair value. The liability is remeasured at each balance sheet date until the date of settlement.

Critical accounting estimates and judgements

The fair value of options granted is being determined using either a binomial, 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 of grant and dividend yield.

33 SHARE-BASED PAYMENTS continued

The total cost relating to share-based payments is made up as follows:

SA rand			US dollar	
2012	**2013**	*Figures in million*	**2013**	2012
87	**266**	Employee share-based payments	**30**	11
–	**23**	Other share-based payments	**2**	–
87	**289**	**Total share-based payments**	**32**	11

Employee share-based payments
During the year Harmony issued new awards under its 2012 employee share ownership plan to all employees other than management at the group's South African operations. The group also has the 2003 scheme 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 total cost relating to employee share-based payments is made up as follows:

SA rand			US dollar	
2012	**2013**	*Figures in million*	**2013**	2012
–	**210**	2012 employee share ownership plan (a)	**24**	–
95	**100**	2006 share plan (b)	**11**	12
(8)	**(44)**	Discontinued operations	**(5)**	(1)
87	**266**	**Total employee share-based payments included in cost of sales**	**30**	11

There was no cost for the 2003 scheme for the 2012 and 2013 years. Refer to (c) below for detail on the scheme.

The directors are authorised to issue up to 60 011 669 ordinary shares to participants who have received awards in accordance with Harmony's employee share incentive schemes.

Subsequent to the annual general meeting held on 1 December 2010, 1 039 794 ordinary shares have been issued in terms of the 2003 scheme and 7 563 837 share option awards have been granted in terms of the 2006 share plan. The Tlhakanelo Employee Share Trust is authorised to allocate 12 864 000 ordinary shares to the employee share ownership plan.

(a) 2012 employee share ownership plan

During August 2012, Harmony issued awards under its employee share ownership plan (ESOP). The ESOP will see approximately 33 000 employees participating in a direct ownership of the company. The ESOP recognises the importance of the employees who sustain our business, promotes a shared common interest in delivering returns to all stakeholders and further enhances Harmony's black economic empowerment (BEE) status. The ESOP is overseen by the Tlhakanelo Employee Share Trust.

In terms of the ESOP rules, qualifying employees are offered one scheme share for every two share appreciation rights (SARs). In August 2012, all qualifying employees were awarded a minimum of 100 scheme shares and 200 SARs with employees with service longer than 10 years receiving an additional 10%. Both the scheme shares and SARs will vest in five equal portions on each anniversary of the award. At the annual general meeting on 28 November 2012, the shareholders authorised the acceleration of the vesting from August to March each year.

Future offers will be made to new qualifying employees, who have not previously received an offer during each year following the first allocation date. The number of scheme shares and SARs offered to new qualifying employees will reduce by one-fifth on each anniversary of the first allocation date. During March 2013, new qualifying employees were awarded 80 scheme shares and 160 SARs which will vest in four equal portions on each anniversary of the award.

On the fifth anniversary of the first allocation date, any unallocated scheme shares and SARs will be distributed to all employees who participated in the ESOP and who are still employed with the company pro rata in accordance with the number of scheme shares previously allocated to the employees.

The scheme shares are accounted for as equity-settled.

33 SHARE-BASED PAYMENTS continued

(a) 2012 employee share ownership plan continued

The SARs incorporate a cash bonus with a minimum payout guarantee of R18 and a maximum payout ceiling of R32 per SAR over the vesting period. The SARs include an equity-settled portion as well as a cash-settled portion related to the cash bonus. The cash-settled portion has been recognised in the balance sheet in Trade and other payables (note 30) and Non-current liabilities (note 27), the fair value of which will be remeasured at each reporting date.

The total cost relating to the 2012 ESOP is made up as follows:

SA rand			US dollar	
2012	**2013**	*Figures in million*	**2013**	2012
		2012 employee share ownership plan		
–	**150**	Equity-settled	**17**	–
–	**60**	Cash-settled	**7**	–
–	**210**		**24**	–

Activity on awards

Activity on awards outstanding	Scheme shares **Number of awards**	SARs **Number of awards**	**Weighted average award price (SA rand)**
For the year ended 30 June 2013			
Balance at beginning of year	–	–	–
Awards granted	**3 517 560**	**7 035 120**	**79.35**
Awards exercised	**(971 112)**	**(1 942 224)**	**80.03**
Awards forfeited	**(53 580)**	**(107 160)**	**79.54**
Balance at end of year	**2 492 868**	**4 985 736**	**79.08**

List of awards granted but not yet exercised (listed by grant date)	**Number of awards**	**Award price (SA rand)**	**Remaining life (years)**
As at 30 June 2013			
Scheme shares			
8 August 2012 allocation	**2 392 548**	**n/a**	**3.7**
8 March 2013 allocation	**100 320**	**n/a**	**3.7**
	2 492 868		
Share appreciation rights			
8 August 2012 allocation	**4 785 096**	**80.03**	**3.7**
8 March 2013 allocation	**200 640**	**56.35**	**3.7**
	4 985 736		
Total awards granted but not yet exercised	**7 478 604**		

SA rand			US dollar	
2012	**2013**	*Figures in million*	**2013**	2012
–	**85**	Gain realised by participants on awards traded during the year	**9**	–
–	**85**	Fair value of awards vested during the year	**9**	–

33 SHARE-BASED PAYMENTS continued

(a) 2012 employee share ownership plan continued

Measurement

The fair value of equity instruments granted during the year was valued using the Cox-Ross-Rubinstein binomial tree on the equity-settled portion of the SARs. The minimum payout guarantee is valued at net present value and the spot share price on grant date was used for the scheme shares.

(i) Assumptions applied at grant date for awards granted during the year

	Scheme shares	SARs
Price at date of grant (SA rand per share)		
8 August 2012 allocation	**80.03**	**80.03**
8 March 2013 allocation	**56.35**	**56.35**
Risk-free interest rate:		
8 August 2012 allocation	**n/a**	**5.38%**
8 March 2013 allocation	**n/a**	**5.35%**
Expected volatility:*		
8 August 2012 allocation	**n/a**	**32.40%**
8 March 2013 allocation	**n/a**	**37.33%**
Expected dividend yield:		
for all allocations	**n/a**	**1%**
Minimum payout guarantee (SA rand per SAR)		
for all allocations	**n/a**	**18.00 to 32.00**
Vesting period (from grant date):		
8 August 2012 allocation	**5 years**	**5 years**
8 March 2013 allocation	**4 years**	**4 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 lamda of 0.99. The volatility is calculated on the grant date, and takes into account the previous three years of historical data.

(ii) Fair values used as a basis to recognise share-based cost

	SA rand per award		
	Scheme shares	SARs	Minimum payout guarantee
8 August 2012 allocation	79.53	3.30	15.72
8 March 2013 allocation	55.85	2.63	15.75

33 SHARE-BASED PAYMENTS continued

(a) 2012 employee share ownership plan continued

(iii) Cash-settled liability

SA rand			US dollar	
2012	**2013**	*Figures in million*	**2013**	2012
–	**13**	Non-current	**1**	–
–	**13**	Current	**1**	–
–	**26**	**Total cash-settled liability**	**2**	–

(b) 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 share plan is equity-settled.

Award	Vesting	Performance criteria
SARs	SARs will vest in equal thirds in year three, four and five, subject to the performance conditions having been satisfied. The SARs will 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 group's headline earnings per share must have grown since the allocation date by more than the South African Consumer Price Index (CPI).
PS	The PS will vest after three years from the grant date, if and to the extent that the performance conditions have been satisfied.	• 50% (senior management)/70% (management) of the number of the shares awarded are linked to the annual gold production of the group in relation to the targets set annually. • 50% (senior management) or 30% (management) of the number of shares awarded are linked to the group's performance in comparison to the South African Gold Index.
RS	The RS will vest after three years from grant date.	The participant is still employed within the group.

Termination of employees' participation in the share plan is based on "no fault" and "fault" definitions.

Fault	All unvested and unexercised SARs and all PS and RS not yet vested are lapsed and cancelled.
No fault	Accelerated vesting occurs and all unvested and unexercised share options are settled in accordance with the rules of the plan.

33 SHARE-BASED PAYMENTS continued

(b) Options granted under the 2006 share plan continued

Activity on share options

Activity on options and rights granted but not yet exercised	SARs Number of options and rights	SARs Weighted average option price (SA rand)	PS Number of rights	RS Number of rights
For the year ended 30 June 2013				
Balance at beginning of year	**6 333 626**	**83.91**	**2 701 001**	**411 686**
Options granted	**2 165 186**	**69.46**	**2 184 695**	**296 838**
Options exercised	**(449)**	**70.54**	**(183 198)**	**–**
Options forfeited and lapsed	**(1 253 562)**	**88.85**	**(668 200)**	**(40 251)**
Balance at end of year	**7 244 801**	**78.72**	**4 034 298**	**668 273**
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

Options and rights vested but not exercised at year end	SARs 2013	SARs 2012	PS 2013	PS 2012	RS 2013	RS 2012
Options and rights vested but not exercised	**2 160 116**	1 404 987	**–**	–	**–**	–
Weighted average option price (SA rand)	**75.23**	83.36	**n/a**	n/a	**n/a**	n/a

33 SHARE-BASED PAYMENTS continued

(b) Options granted under the 2006 share plan continued

List of options and rights granted but not yet exercised (listed by grant date)	Number of options and rights	Option price (SA rand)	Remaining life (years)
As at 30 June 2013			
Share appreciation rights			
15 November 2007	883 149	70.54	0.4
7 March 2008	46 154	102.00	0.7
5 December 2008	1 054 155	77.81	1.4
16 November 2009	1 584 129	77.28	2.4
15 November 2010	848 345	84.81	3.4
15 November 2011	894 733	104.79	4.4
16 November 2012	1 934 136	68.84	5.4
	7 244 801		
Performance shares			
15 November 2010	975 392	n/a	0.4
15 November 2011	1 015 961	n/a	1.4
27 September 2012	6 160	n/a	2.2
16 November 2012	2 036 785	n/a	2.4
	4 034 298		
Restricted shares			
15 November 2010	247 877	n/a	0.4
15 November 2011	129 000	n/a	1.4
27 September 2012	30 802	n/a	2.2
16 November 2012	260 594	n/a	2.4
	668 273		
Total options and rights granted but not yet exercised	11 947 372		

SA rand			US dollar	
2012	**2013**	*Figures in million*	**2013**	2012
102	**13**	Gain realised by participants on options and rights traded during the year	**1**	13
116	**13**	Fair value of options and rights exercised during the year	**1**	15

Measurement

The fair value of equity instruments granted during the year was valued using the Monte Carlo simulation on the market-linked PS, Cox-Ross-Rubinstein binomial tree on the SARs and spot share price on grant date for the RS.

33 SHARE-BASED PAYMENTS continued

(b) Options granted under the 2006 share plan continued

(i) Assumptions applied at grant date for options and rights granted during 2012 and 2013

	SARs	Performance shares	Restricted shares
Price at date of grant (SA rand per share):			
15 November 2011 share allocation	113.80	n/a	113.80
27 September 2012 share allocation	n/a	n/a	68.51
16 November 2012 share allocation	67.60	n/a	67.60
Risk-free interest rate:			
15 November 2011 share allocation	6.89%	6.30%	n/a
27 September 2012 share allocation	n/a	5.30%	n/a
16 November 2012 share allocation	5.97%	5.47%	n/a
Expected volatility:*			
15 November 2011 share allocation	39.13%	39.13%	n/a
27 September 2012 share allocation	n/a	39.90%	n/a
16 November 2012 share allocation	37.22%	37.22%	n/a
Expected dividend yield:			
15 November 2011 share allocation	0.00%	0.00%	0.00%
27 September 2012 share allocation	n/a	0.00%	0.00%
16 November 2012 share allocation	1%	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 lamda of 0.99. The volatility is calculated on the grant date, and takes into account the previous three years of historical data.

In all cases, valuation date is the same as the allocation date.

(ii) Fair values used as a basis to recognise share-based cost

	SARs	Performance shares	Restricted shares
2013			
27 September 2012 share allocation	**n/a**	**56.31**	**68.51**
16 November 2012 share allocation	**25.48**	**58.04**	**67.60**
2012			
15 November 2011 share allocation	53.92	72.71	113.80

33 SHARE-BASED PAYMENTS continued

(c) Options granted under the 2003 scheme

A fifth of the options granted under the 2003 scheme 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 options. The options are equity-settled.

On resignation and retirement, share options which have vested may be taken up at the employee's election before the last day of service. On death, the deceased estate has a period of twelve months to exercise these options.

Following the introduction of the 2006 share plan, no further options were granted for the 2003 option scheme and all options are vested.

Activity on share options

	2013		2012	
Activity on share options granted but not yet exercised	**Number of options**	**Weighted average option price (SA rand)**	Number of options	Weighted average option price (SA rand)
For the year ended 30 June				
Balance at beginning of year	**829 559**	**49.43**	1 347 203	50.12
Options exercised	**(2 728)**	**39.00**	(517 644)	51.25
Options forfeited and lapsed	**(81 485)**	**81.48**	–	–
Balance at end of year	**745 346**	**45.97**	829 559	49.43

List of options vested but not yet exercised (listed by grant date)	**At 30 June 2013**	Option price (SA rand)	Remaining life (years)
10 August 2004	**191 328**	66.15	1.1
26 April 2005	**554 018**	39.00	1.8
Total options vested but not yet exercised	**745 346**		

SA rand			US dollar	
2012	**2013**	*Figures in million*	**2013**	2012
55	–	Average market value of options traded during the year	–	7
27	–	Gain realised by participants on options traded during the year	–	3

Other share-based payments

On 20 March 2013 Harmony signed transaction and funding agreements to give effect to an empowerment transaction to dispose of 30% of its Free State based Phoenix operation (Phoenix) to BEE shareholders, which includes a free-carry allocation of 5% to a community trust that has been created and is currently controlled by Harmony. The transaction closed on 25 June 2013, following the fulfilment of the last condition precedent. In terms of the agreements Phoenix was transferred to a newly incorporated subsidiary (PhoenixCo).

The awards to the BEE partners have been accounted for as in-substance options as the BEE partners will only share in the upside, and not the downside of their equity interest in PhoenixCo until the date the financing provided by Harmony is fully repaid. On this date the options will be exercised. The award of the options to the BEE partners is accounted for by the group as an equity-settled share-based payment arrangement. The in-substance options carry no vesting conditions and the fair value of the options of R23 million (US$2.3 million) has been expensed on the grant date, 25 June 2013 (included in Other expenses-net).

A subscription price paid by the BEE shareholders of R2 million was received and has been recorded in other reserves as an option premium.

33 SHARE-BASED PAYMENTS continued

Other share-based payments continued

Measurement

The share-based cost was calculated using the Monte Carlo simulation. The fair value of the option is the difference between the expected future enterprise value of PhoenixCo and the expected loan balances at redemption date, and the present value of the trickle dividend determined in accordance with the cash flow waterfall per the signed transaction and funding arrangements.

The following assumptions were applied at grant date:

	2013
Business value (R'million)	450
Exercise price (R'million)	2
Risk-free interest rate	6.08%
Expected volatility*	37.33%
Expected dividend yield	8.04%
Vesting period (from grant date)	0 years
Equity value attributable to the BEE partners	25.00%
Expected redemption date	31 December 2020

*The volatility is measured in relation to a comparable listed company's share price volatility.

34 RELATED PARTIES

None of the directors or major shareholders of Harmony or, to the knowledge of Harmony, their families, had an interest, directly or indirectly, in any transaction from 1 July 2011 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. The remuneration of directors, prescribed officers and executive management is fully disclosed in the remuneration report.

The following directors and prescribed officers own shares in Harmony at year-end:

	Number of shares	
Name of director/prescribed officer	**2013**	2012
Graham Briggs[1]	14 347	–
Frank Abbott[1]	73 900	–
Ken Dicks[2]	20 000	–
Andre Wilkens	101 303	101 303
Jaco Boshoff[3]	7 000	–
Johannes van Heerden[4]	6 500	–

[1] Purchased 3 September 2012.
[2] Purchased in two tranches on 5 September 2012 and 6 May 2013.
[3] Purchased 17 October 2012.
[4] Purchased in two tranches on 17 September 2012 and 27 September 2012.

Subsequent to year end, Frank Abbott purchased 65 600 shares on 23 August 2013.

African Rainbow Minerals Limited (ARM) currently holds 14.6% of Harmony's shares. Patrice Motsepe, André Wilkens, Joaquim Chissano and Frank Abbott are directors of ARM.

All the production of the group's South African operations is sent to Rand Refinery in which Harmony holds a 10.38% interest. Refer to note 21.

During the 2013 financial year, Harmony sold its 100% interest in Evander. Refer to note 13.

A list of the major shareholders can be found on page 134.

A list of the group's subsidiaries, associates and joint ventures has been included in Annexure A.

34 RELATED PARTIES continued

SA rand			US dollar	
2012	2013	*Figures in million*	2013	2012
		Sales and services rendered to related parties		
311	–	Associates	–	40
18	19	Joint ventures	2	2
329	19	**Total**	2	42
		Purchases and services acquired from related parties		
14	1	Associates	–	2
		Outstanding balances due by related parties[1]		
17	17	Associates	2	2
29	14	Joint ventures	1	4
46	31	**Total**	3	6
		Outstanding balances due to related parties[1]		
17	17	Associates[2]	2	2

[1] Included under current receivables and current payables.
[2] Retained from the consideration for the Pamodzi FS acquisition pending the transfer of rehabilitation trust funds.

Refer to note 20 for detail on the items relating to the loans to associates and provisions raised against these loans.

The outstanding balances from the related parties are not secured and there are no special terms and conditions that apply.

35 COMMITMENTS AND CONTINGENCIES

Commitments and guarantees

SA rand			US dollar	
2012	2013	*Figures in million*	2013	2012
		Capital expenditure commitments		
318	184	Contracts for capital expenditure	18	39
201	232	Share of joint venture's contract for capital expenditure	23	24
2 257	1 545	Authorised by the directors but not contracted for	155	275
2 776	1 961	**Total capital commitments**	196	338

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 for land and buildings:

SA rand			US dollar	
2012	2013	*Figures in million*	2013	2012
4	12	Within one year	1	–
2	–	Between one year and five years	–	–
6	12	**Total commitments for operating leases**	1	–

Contractual obligations in respect of mineral tenement leases amount to R326 million (US$32.6 million) (2012: R141 million (US$17.2 million)). This includes R308 million (US$30.8 million) (2012: R135 million (US$16.5 million) for the MMJV. For details on the group's finance leases, refer to note 15.

SA rand			US dollar	
2012	2013	*Figures in million*	2013	2012
		Guarantees[1]		
32	19	Guarantees and suretyships	2	4
386	345	Environmental guarantees[2]	35	47
418	364		37	51

[1] Guarantees and suretyships of R12.6 million (US$1.3 million) and environmental guarantees of R40.5 million (US$4.1 million) relating to the Evander group, which are in the process of being replaced by Pan African or cancelled, have been excluded.
[2] At 30 June 2013, R26 million (US$2.6 million) (2012: R26 million (US$3.2 million)) has been pledged as collateral for environmental guarantees in favour of certain financial institutions. Refer to note 17.

35 COMMITMENTS AND CONTINGENCIES continued

Contingent liabilities

Critical accounting estimates and judgements
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.

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 Depositary 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 resulted in the United States Court of Appeals for the Second Circuit affirming the decision of the District Court. The objecting plaintiff has asked the United Stated Supreme Court to review the case and this is pending. 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) On 3 March 2011, judgment was handed down in the Constitutional Court, in 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). 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 prove 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 were 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.

On 8 January 2013, Harmony and its subsidiaries, alongside other mining companies operating in South Africa (collectively the respondents) were served with another application to certify a class on behalf of classes of mine workers, former mine workers and their dependants who were previously employed by, or who are currently employed by the respondents and who allegedly contracted silicosis and/or other occupational lung diseases. Harmony has filed notices of its intention to oppose both applications and has instructed its attorneys to defend the claims. Following the receipt of the aforesaid application, Harmony was advised that there was a potential overlap between the application of 23 August 2012 and the application of 8 January 2013. After deliberation between the respondents' attorneys and the applicants' attorneys, it was resolved that the applicants' attorneys will consolidate the two applications and serve an amended application, which will be considered by the respondents. The respondents are awaiting a consolidated application of the two separate applications to be served.

On 3 May 2013, Harmony received a summons from Richard Spoor Attorneys on behalf of an employee. The plaintiff is claiming R25 million (US$2.5 million) in damages plus interest from Harmony and another mining company. The plaintiff alleges to have contracted silicosis with progressive massive fibrosis during the course of his employment. Harmony's attorneys are still awaiting certain medical records in the preparation of the case.

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.

35 COMMITMENTS AND CONTINGENCIES continued

Contingent liabilities continued

(c) On 1 December 2008, Harmony issued 3 364 675 Harmony 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.

(d) 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 under way 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 requires them being recorded and accounted for as liabilities, that is where they become estimable and probable, it could have a material impact on the financial statements of the group.

(e) 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 Resources 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 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.

(f) 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$7.5 million) of potential claims. Rand Uranium is therefore liable for all claims up to R75 million (US$7.5 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.

36 SUBSEQUENT EVENTS

There are no material transactions subsequent to year-end.

37 SEGMENT REPORT

Accounting policy

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (CODM). The chief operating decision-maker has been identified as the executive committee.

The group has one main economic 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 or open pit mine managed by a single general manager and management team.

After applying the quantitative thresholds from IFRS 8, the reportable segments were determined as:
Kusasalethu, Doornkop, Phakisa, Tshepong, Masimong, Target 1, Bambanani, Joel, Unisel, Target 3, Hidden Valley and Evander (the operation including its surface sources have been classified as held for sale and discontinued operation).
All other operating segments have been grouped together under all other surface operations.

When assessing profitability, the 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 as the measure of profit or loss. The CODM also considers capital expenditure when assessing the overall economic sustainability of each segment. The CODM, however, does not consider depreciation or impairment and therefore these amounts have not been disclosed in the segment report.

Segment assets consist of mining assets, mining assets under construction and deferred stripping included under property, plant and equipment which can be attributed to the segment. Current and non-current group assets that are not allocated at a segment level form part of the reconciliation to total assets.

A reconciliation of the segment totals to the group financial statements has been included in note 38.

37 SEGMENT REPORT continued

(SA rand)	Revenue 30 June		Production cost 30 June		Production profit/(loss) 30 June	
	2013	2012	2013	2012	2013	2012
	R million		R million		R million	
Continuing operations						
South Africa						
Underground						
Kusasalethu	1 213	2 320	1 484	1 439	(271)	881
Doornkop	1 615	1 284	1 042	862	573	422
Phakisa	1 103	1 064	982	803	121	261
Tshepong	1 887	2 219	1 427	1 275	460	944
Masimong	1 640	1 349	975	843	665	506
Target 1	1 794	1 525	937	855	857	670
Bambanani	932	549	591	597	341	(48)
Joel	1 452	1 124	654	565	798	559
Unisel	825	672	567	494	258	178
Target 3	737	472	508	428	229	44
Surface						
All other surface operations	1 515	1 428	1 029	899	486	529
Total South Africa	14 713	14 006	10 196	9 060	4 517	4 946
International						
Hidden Valley	1 189	1 163	1 204	851	(15)	312
Total international	1 189	1 163	1 204	851	(15)	312
Total continuing operations	15 902	15 169	11 400	9 911	4 502	5 258
Discontinued operations						
Evander	874	1 405	533	767	341	638
Total discontinued operations	874	1 405	533	767	341	638
Total operations	16 776	16 574	11 933	10 678	4 843	5 896
Reconciliation of the segment information to the consolidated income statements and balance sheets (refer to note 38)	(874)	(1 405)	(533)	(767)		
	15 902	15 169	11 400	9 911		

Capital expenditure for international operations excludes expenditure spent on Wafi-Golpu of R537 million (2012: R314 million).
* Production statistics are unaudited.

Mining assets 30 June		Capital expenditure# 30 June		Kilograms produced* 30 June		Tonnes milled* 30 June	
2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
R million		R million		kg		t'000	
3 435	3 260	**420**	415	**2 740**	5 633	**711**	1 197
3 378	3 235	**285**	294	**3 631**	3 075	**1 008**	928
4 547	4 448	**337**	302	**2 434**	2 541	**512**	521
3 877	3 693	**310**	288	**4 154**	5 287	**1 040**	1 233
989	980	**171**	208	**3 616**	3 220	**868**	933
2 704	2 644	**331**	259	**3 967**	3 630	**717**	788
882	944	**119**	266	**2 083**	1 374	**211**	197
290	216	**160**	84	**3 228**	2 663	**611**	557
656	364	**78**	71	**1 813**	1 593	**446**	394
457	345	**145**	90	**1 626**	1 123	**323**	316
264	233	**250**	162	**3 438**	3 372	**10 082**	9 324
21 479	20 362	**2 606**	2 439	**32 730**	33 511	**16 529**	16 388
3 932	5 595	**506**	296	**2 644**	2 762	**1 844**	1 766
3 932	5 595	**506**	296	**2 644**	2 762	**1 844**	1 766
25 411	25 957	**3 112**	2 735	**35 374**	36 273	**18 373**	18 154
–	992	**140**	177	**1 955**	3 369	**390**	638
–	992	**140**	177	**1 955**	3 369	**390**	638
25 411	26 949	**3 252**	2 912	**37 329**	39 642	**18 763**	18 792
16 818	16 251						
42 229	43 200						

37 SEGMENT REPORT continued

(US dollar)	Revenue 30 June		Production cost 30 June		Production profit/(loss) 30 June	
	2013	2012	**2013**	2012	**2013**	2012
	US$ million		US$ million		US$ million	
Continuing operations						
South Africa						
Underground						
Kusasalethu	**137**	299	**168**	185	**(31)**	114
Doornkop	**183**	165	**118**	111	**65**	54
Phakisa	**125**	137	**111**	103	**14**	34
Tshepong	**214**	286	**162**	164	**52**	122
Masimong	**186**	174	**110**	109	**76**	65
Target 1	**203**	196	**106**	110	**97**	86
Bambanani	**106**	71	**67**	77	**39**	(6)
Joel	**165**	145	**74**	73	**91**	72
Unisel	**93**	86	**64**	64	**29**	22
Target 3	**84**	61	**58**	55	**26**	6
Surface						
All other surface operations	**172**	183	**117**	115	**55**	68
Total South Africa	**1 668**	1 803	**1 155**	1 166	**513**	637
International						
Hidden Valley	**135**	150	**137**	110	**(2)**	40
Total international	**135**	150	**137**	110	**(2)**	40
Total continuing operations	**1 803**	1 953	**1 292**	1 276	**511**	677
Discontinued operations						
Evander	**102**	181	**63**	99	**39**	82
Total discontinued operations	**102**	181	**63**	99	**39**	82
Total operations	**1 905**	2 134	**1 355**	1 375	**550**	759
Reconciliation of the segment information to the consolidated income statements and balance sheets (refer to note 38)	**(102)**	(181)	**(63)**	(99)		
	1 803	1 953	**1 292**	1 276		

Capital expenditure for international operations excludes expenditure spent on Wafi-Golpu of US$61 million (2012: US$40 million).
* Production statistics are unaudited.

Mining assets 30 June		Capital expenditure# 30 June		Ounces produced* 30 June		Tons milled* 30 June	
2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
US$ million		US$million		oz		t'000	
344	397	**48**	53	**88 093**	181 105	**784**	1 320
338	394	**32**	38	**116 738**	98 863	**1 112**	1 023
455	542	**38**	39	**78 255**	81 695	**565**	575
388	450	**35**	37	**133 554**	169 980	**1 147**	1 359
99	119	**19**	27	**116 256**	103 526	**958**	1 029
271	322	**38**	33	**127 542**	116 708	**790**	869
88	115	**14**	34	**66 970**	44 174	**231**	217
29	26	**18**	11	**103 782**	85 618	**674**	614
66	44	**9**	9	**58 289**	51 216	**492**	434
46	42	**16**	12	**52 277**	36 106	**355**	348
26	28	**28**	20	**110 534**	108 412	**11 118**	10 281
2 150	2 479	**295**	313	**1 052 290**	1 077 403	**18 226**	18 069
394	682	**57**	38	**85 007**	88 800	**2 033**	1 948
394	682	**57**	38	**85 007**	88 800	**2 033**	1 948
2 544	3 161	**352**	351	**1 137 297**	1 166 203	**20 259**	20 017
–	121	**16**	23	**62 855**	108 317	**430**	704
–	121	**16**	23	**62 855**	108 317	**430**	704
2 544	3 282	**368**	374	**1 200 152**	1 274 520	**20 689**	20 721
1 686	1 981						
4 230	5 263						

38 RECONCILIATION OF SEGMENT INFORMATION TO CONSOLIDATED INCOME STATEMENTS AND BALANCE SHEETS

SA rand			US dollar	
2012	**2013**	*Figures in million*	**2013**	2012
		Revenue from:		
1 405	**874**	Discontinued operations	**102**	181
		Production costs from:		
767	**(533)**	Discontinued operations	**(63)**	99
		Reconciliation of production profit to consolidated (loss)/profit before taxation and discontinued operations		
16 574	**16 776**	Total segment revenue	**1 905**	2 134
(10 678)	**(11 933)**	Total segment production costs	**(1 355)**	(1 375)
5 896	**4 843**	Production profit	**550**	759
(638)	**(341)**	Less discontinued operations	**(39)**	(82)
5 258	**4 502**		**511**	677
(2 226)	**(5 068)**	Cost of sales items other than production costs	**(539)**	(285)
(1 881)	**(1 897)**	Amortisation and depreciation of mining assets	**(215)**	(242)
(40)	**(45)**	Amortisation and depreciation of other than mining assets	**(5)**	(5)
17	**24**	Rehabilitation credit	**2**	2
(88)	**(68)**	Care and maintenance cost of restructured shafts	**(8)**	(11)
(81)	**(46)**	Employment termination and restructuring costs	**(5)**	(10)
(87)	**(266)**	Share-based payments	**(30)**	(11)
60	**(2 733)**	(Impairment)/reversal of impairment of assets	**(274)**	7
(126)	**(37)**	Other	**(4)**	(15)
3 032	**(566)**	Gross (loss)/profit	**(28)**	392
(352)	**(465)**	Corporate, administration and other expenditure	**(53)**	(45)
(72)	**(127)**	Social investment expenditure	**(14)**	(9)
(500)	**(673)**	Exploration expenditure	**(76)**	(64)
63	**139**	Profit on sale of property, plant and equipment	**16**	8
(50)	**(350)**	Other expenses – net	**(40)**	(6)
2 121	**(2 042)**	Operating (loss)/profit	**(195)**	276
56	**–**	Reversal of impairment of investment in associate	**–**	7
(144)	**(88)**	Impairment of investments	**(10)**	(19)
86	**173**	Net gain on financial instruments	**20**	11
97	**185**	Investment income	**21**	12
(286)	**(256)**	Finance costs	**(29)**	(37)
1 930	**(2 028)**	**(Loss)/profit before taxation and discontinued operations**	**(193)**	250

38 RECONCILIATION OF SEGMENT INFORMATION TO CONSOLIDATED INCOME STATEMENTS AND BALANCE SHEETS continued

Reconciliation of total segment assets to consolidated assets includes the following:

SA rand			US dollar	
2012	**2013**	*Figures in million*	**2013**	2012
		Non-current assets		
5 904	**7 409**	Property, plant and equipment	**743**	721
2 196	**2 191**	Intangible assets	**220**	268
36	**37**	Restricted cash	**4**	4
1 842	**2 054**	Restricted investments	**206**	224
–	**109**	Investments in associates	**11**	–
486	**104**	Deferred tax asset	**10**	59
146	**49**	Investments in financial assets	**5**	18
58	**57**	Inventories	**6**	7
28	**–**	Trade and other receivables	**–**	3
		Current assets		
996	**1 425**	Inventories	**143**	121
1 245	**1 162**	Trade and other receivables	**116**	152
118	**132**	Income and mining taxes	**13**	14
1 773	**2 089**	Cash and cash equivalents	**209**	216
1 423	**–**	Assets of disposal groups classified as held for sale	**–**	174
16 251	**16 818**		**1 686**	1 981

COMPANY INCOME STATEMENTS

for the years ended 30 June 2013

		SA rand	
Figures in million	Note	**2013**	2012
Revenue		**3 395**	2 979
Cost of sales	1	**(2 652)**	(2 464)
Production costs		**(2 163)**	(1 971)
Amortisation and depreciation		**(362)**	(267)
Impairment of assets		**(27)**	(126)
Employment termination and restructuring costs		**(6)**	(1)
Other items		**(94)**	(99)
Gross profit		**743**	515
Corporate, administration and other expenditure		**(45)**	(62)
Social investment expenditure		**(43)**	(12)
Exploration expenditure		**(12)**	(12)
Profit on sale of property, plant and equipment	2	**336**	43
Other (expenses)/income – net	3	**(541)**	133
Operating profit	4	**438**	605
Profit on sale of investment in subsidiaries	5	**711**	–
Impairment of investments	14	**(666)**	–
Net gain on financial instruments	6	**29**	13
Investment income	7	**517**	450
Finance costs	8	**(168)**	(188)
Profit before taxation		**861**	880
Taxation	9	**(41)**	(205)
Net profit for the year		**820**	675

These are the separate financial statements of Harmony Gold Mining Company Limited. For the group financial statements refer to pages 16 to 93.

The accompanying notes are an integral part of these financial statements.

COMPANY STATEMENTS OF COMPREHENSIVE INCOME

for the years ended 30 June 2013

	SA rand	
Figures in million	**2013**	2012
Net profit for the year	**820**	675
Other comprehensive income for the year, net of income tax	**–**	–
Total comprehensive income for the year	**820**	675

The accompanying notes are an integral part of these financial statements.

COMPANY BALANCE SHEETS

as at 30 June 2013

		SA rand	
Figures in million	Note	**2013**	2012
ASSETS			
Non-current assets			
Property, plant and equipment	10	**2 552**	2 655
Intangible assets	11	**38**	43
Restricted cash	12	**26**	26
Restricted investments	13	**355**	317
Investments in subsidiaries	14	**24 943**	23 365
Investment in associates	15	**86**	–
Investments in financial assets	16	**5**	5
Inventories	18	**14**	9
Trade and other receivables	19	**–**	3
Total non-current assets		**28 019**	26 423
Current assets			
Loans to subsidiaries	14	**1 826**	1 991
Inventories	18	**169**	156
Trade and other receivables	19	**705**	754
Income and mining taxes		**110**	18
Cash and cash equivalents		**1 811**	1 450
		4 621	4 369
Assets of disposal groups classified as held for sale	20	**–**	545
Total current assets		**4 621**	4 914
Total assets		**32 640**	31 337
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	21	**28 325**	28 331
Other reserves	22	**706**	516
Accumulated loss		**(1 451)**	(1 836)
Total equity		**27 580**	27 011
Non-current liabilities			
Deferred tax liabilities	9	**377**	394
Provision for environmental rehabilitation	23	**455**	461
Retirement benefit obligation	24	**25**	24
Other non-current liabilities	25	**78**	30
Borrowings	26	**2 252**	1 500
Total non-current liabilities		**3 187**	2 409
Current liabilities			
Borrowings	26	**282**	289
Trade and other payables	27	**693**	618
Loans from subsidiaries	14	**898**	674
		1 873	1 581
Liabilities of disposal groups classified as held for sale	20	**–**	336
Total current liabilities		**1 873**	1 917
Total equity and liabilities		**32 640**	31 337

The accompanying notes are an integral part of these financial statements.

COMPANY STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

for the years ended 30 June 2013

Figures in million (SA rand)	Number of ordinary shares issued	Share capital	Share premium	Accumulated loss	Other reserves	Total
Note		21			22	
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**
Issue of shares						
– Exercise of employee share options	**225 654**	**–**	**1**	**–**	**–**	**1**
– Shares issued to Tlhakanelo Employee Share Trust	**3 500 000**	**–**	**–**	**–**	**–**	**–**
Share-based payments	**–**	**–**	**(7)**	**–**	**190**	**183**
Net profit for the year	**–**	**–**	**–**	**820**	**–**	**820**
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**
Dividends paid[1]	**–**	**–**	**–**	**(435)**	**–**	**(435)**
Balance – 30 June 2013	**435 289 890**	**216**	**28 109**	**(1 451)**	**706**	**27 580**

[1] Dividends per share is disclosed under the earnings per share note. Refer to note 14 of 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 2013

		SA rand	
Figures in million	Note	**2013**	2012
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated by operations	28	**1 111**	649
Interest received		**153**	116
Dividends received		**342**	324
Interest paid		**(118)**	(135)
Income and mining taxes paid		**(151)**	(123)
Cash generated by operating activities		**1 337**	831
CASH FLOW FROM INVESTING ACTIVITIES			
Increase in investment in restricted investments		**–**	(23)
Additions to intangible assets		**(5)**	(31)
(Increase)/decrease in loans to subsidiaries		**(1 745)**	817
Acquisition of available-for-sale financial assets		**(86)**	–
Proceeds on disposal of investment in subsidiary	28	**1 294**	–
Proceeds on disposal of property, plant and equipment		**88**	33
Increase in amounts invested in the social trust fund		**(4)**	(3)
Additions to property, plant and equipment		**(447)**	(431)
Cash (utilised)/generated by investing activities		**(905)**	362
CASH FLOW FROM FINANCING ACTIVITIES			
Borrowings raised		**678**	1 443
Borrowings repaid		**(315)**	(1 215)
Ordinary shares issued		**1**	26
Dividends paid		**(435)**	(431)
Cash utilised by financing activities		**(71)**	(177)
Net increase in cash and cash equivalents		**361**	1 016
Cash and cash equivalents – beginning of year		**1 450**	434
Cash and cash equivalents – end of year		**1 811**	1 450

The accompanying notes are an integral part of these financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the years ended 30 June 2013

ACCOUNTING POLICIES

The accounting policies applied in the company financial statements are consistent with the group accounting policies. Refer to note 2 of the group financial statements as well as the relevant notes for the detailed discussions.

1 COST OF SALES

	SA rand	
Figures in million	**2013**	2012
Production costs (a)	**2 163**	1 971
Amortisation and depreciation of mining assets	**330**	246
Amortisation and depreciation of assets other than mining assets (b)	**32**	21
Rehabilitation expenditure/(credit) (c)	**5**	(12)
Care and maintenance cost of restructured shafts	**57**	74
Employment termination and restructuring costs (d)	**6**	1
Share-based payments (e)	**48**	20
Impairment of assets (f)	**27**	126
Other (g)	**(16)**	17
Total cost of sales	**2 652**	2 464

(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 separately disclosed. Production costs, analysed by nature, consist of the following:

	SA rand	
Figures in million	**2013**	2012
Labour costs, including contractors	**1 321**	1 163
Consumables	**498**	447
Water and electricity	**335**	298
Insurance	**17**	18
Transportation	**41**	38
Changes in inventory	**(24)**	3
Capitalisation of mine development costs	**(219)**	(185)
Royalty expense	**74**	39
Other	**120**	150
Total production cost	**2 163**	1 971

(b) Amortisation and depreciation of assets other than mining assets relates to the following:

	SA rand	
Figures in million	**2013**	2012
Other non-mining assets	**1**	3
Intangible assets	**10**	4
Amortisation of issue costs	**21**	14
Total amortisation and depreciation	**32**	21

(c) For the assumptions used to calculate the rehabilitation costs, refer to note 26 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 2013, rehabilitation costs incurred amounted to R45 million (2012: R15 million).

(d) During 2013, the group's South African operations embarked on a programme whereby voluntary severance packages were offered to all employees.

(e) Refer to note 30 for details on the share-based payments schemes implemented by the company.

1 COST OF SALES continued

(f) During the 2013 financial year an impairment of R27 million (2012: R126 million) was recognised on Steyn 2 as a result of the revised business (life-of-mine) plans, which are completed in June of each year. Factors contributing to the impairment included increases in electricity and labour costs.

For assumptions used to calculate the recoverable amount, refer to note 15 of the group financial statements.

(g) Included in Other for the 2012 and 2013 financial years are amounts relating to inventory adjustments. Refer to note 18.

2 PROFIT ON SALE OF PROPERTY, PLANT AND EQUIPMENT

	SA rand	
Figures in million	**2013**	2012
Profit on sale of property plant and equipment	**336**	43

On 20 March 2013 Harmony signed transaction and funding agreements to give effect to an empowerment transaction to dispose of 30% of its Free State based Phoenix operation (Phoenix) to BEE shareholders, which includes a free-carry allocation of 5% to a community trust that has been created and is currently controlled by Harmony. In terms of the transactions, Harmony sold Phoenix to a newly incorporated subsidiary, PhoenixCo for a total purchase consideration of R450 million (on loan account). The sale of Phoenix to PhoenixCo is considered to have commercial substance as Harmony's future cashflows are expected to change as a result of the transaction. As such, the total profit on sale of property, plant and equipment for 2013 includes R240 million profit from the sale of Phoenix. The transaction closed on 25 June 2013, following the fulfilment of the last condition precedent.

The awards to the BEE partners have been accounted for as in-substance options as the BEE partners will only share in the upside, and not the downside, of their equity interest in PhoenixCo until the date the financing provided by Harmony is fully repaid. On this date the options will be exercised. The award of the options to the BEE partners is accounted for by the company as a cash-settled share-based payment arrangement as the company has not granted an option over its own equity instruments. The award is accounted for as an equity-settled share-based payment arrangement in the group financial statements. The in-substance options carry no vesting conditions and the fair value of the options of R23 million has been capitalised to the investment in subsidiary on the grant date, 25 June 2013.

Also included in the total for 2013 is R60 million for the sale of the Merriespruit South mining right to Wits Gold. The remaining profit for the year and the total for 2012 relate to proceeds from the sale of scrap material (including steel) from sites that are closed and being rehabilitated.

3 OTHER (EXPENSES)/INCOME – NET

	SA rand	
Figures in million	**2013**	2012
Foreign exchange losses – net (a)	**(341)**	(46)
Bad debts provision (expense)/credit (b)	**(187)**	197
Bad debts written off (b)	**–**	(14)
Other expenses – net (c)	**(13)**	(4)
Total (expenses)/income – net	**(541)**	133

(a) Included in the total for 2013 is a loss of R351 million (2012: R45 million) related to the translation of the US dollar denominated loan into SA rand.

(b) Included in the total for 2013 is a provision of R201 million for the loan to African Rainbow Minerals Gold Limited following the impairment of the investment in the subsidiary. Offsetting this is a reversal of provision of R19 million for the loan to ARMgold/Harmony Joint Investment Company (Proprietary) Limited (Investment Company) following the receipt of an amount held in escrow account for the sale of Rand Uranium. A reversal of R183 million for the provision for the loan to Investment Company was recorded in 2012, following an increase in the proceeds received by the Investment Company for Rand Uranium.

Included in the provision credit and bad debts written off for 2012 is an amount of R3 million for Pamodzi Gold Limited (Pamodzi) and its subsidiary companies. Pamodzi is an associate (refer to note 15) and has been placed into liquidation.

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.

(c) Included in other expenses – net for 2013 is an amount of R16 million (2012: R26 million) provided for the pumping and treatment costs relating to the KOSH Basin. Refer to note 25 in this regard.

4 OPERATING PROFIT

The following have been included in operating profit:

	SA rand	
Figures in million	**2013**	2012
Auditors' remuneration	**4**	5
Made up as follows:		
External		
Fees – current year	**3**	4
Fees – other services	**1**	1

5 PROFIT ON SALE OF INVESTMENT IN SUBSIDIARIES

	SA rand	
Figures in million	**2013**	2012
Profit on sale of investment in subsidiary	**711**	–

During the 2013 financial year the company realised a R711 million profit on disposal of its investment in Evander Gold Mines Limited. Refer to note 20.

6 NET GAIN ON FINANCIAL INSTRUMENTS

	SA rand	
Figures in million	**2013**	2012
Fair value through profit or loss		
Fair value gain on environmental trust funds	**26**	13
Fair value gain on social trust fund	**3**	–
Total net gain on financial instruments	**29**	13

7 INVESTMENT INCOME

	SA rand	
Figures in million	**2013**	2012
Interest received	**175**	126
Loans and receivables	**46**	75
Held-to-maturity investments	**7**	2
Cash and cash equivalents	**110**	48
South African Revenue Services (SARS)	**12**	1
Dividend income (a)	**342**	324
Total investment income	**517**	450

(a) Dividends were received during the 2012 and 2013 financial years from Evander Gold Mines Limited, a wholly owned subsidiary of the company up until 28 February 2013. Refer to note 20 for details.

8 FINANCE COSTS

	SA rand	
Figures in million	**2013**	2012
Financial liabilities		
Borrowings	**134**	150
Other creditors	**–**	6
Total finance costs from financial liabilities	**134**	156
Non-financial liabilities		
Post-retirement benefits	**3**	3
Time value of money and inflation component of rehabilitation costs	**26**	29
South African Revenue Services (SARS)	**5**	–
Total finance costs from non-financial liabilities	**34**	32
Total finance costs	**168**	188

9 TAXATION

	SA rand	
Figures in million	**2013**	2012
SA taxation		
Mining tax (a)	**125**	74
– current year	**125**	74
Non-mining tax (b)	**(67)**	45
– current year	**–**	27
– prior year	**(67)**	18
Deferred tax (c)	**(17)**	60
STC	**–**	26
Total taxation expense	**41**	205

(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.

(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 based on tax rates and tax laws that have been enacted at the balance sheet date. Depending on the profitability of the operations, the deferred tax rate can consequently be significantly different from year to year.

9 TAXATION continued

Income and mining tax rates

The tax rates remained unchanged for the 2013 and 2012 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	**2013**	2012
Tax on net profit at the maximum mining statutory tax rate	**293**	299
Non-allowable deductions/non-taxable income	**(93)**	(96)
Effect on temporary differences due to changes in effective tax rate[1]	**(49)**	14
Difference between non-mining tax rate and statutory mining rate on non-mining income	**–**	(6)
Difference between effective mining tax rate and statutory mining rate on mining income	**(43)**	(50)
Prior year adjustment	**(67)**	18
STC	**–**	26
Income and mining taxation	**41**	205
Effective income and mining tax rate	**5%**	23%

[1] The deferred tax rate used for the 2013 financial year was 26.4% (2012: 25.7%).

Deferred tax

The analysis of deferred tax assets and liabilities is as follows:

	SA rand	
Figures in million	**2013**	2012
Deferred tax assets	**(74)**	(74)
Deferred tax asset to be recovered after more than 12 months	**(38)**	(47)
Deferred tax asset to be recovered within 12 months	**(36)**	(27)
Deferred tax liabilities	**451**	468
Deferred tax liability to be recovered after more than 12 months	**448**	465
Deferred tax liability to be recovered within 12 months	**3**	3
Net deferred tax liability	**377**	394

The net deferred tax liabilities on the balance sheet as of 30 June 2013 and 30 June 2012, relate to the following:

	SA rand	
Figures in million	**2013**	2012
Gross deferred tax liability	**451**	468
Amortisation and depreciation	**448**	465
Other	**3**	3
Gross deferred tax assets	**(74)**	(74)
Provisions, including non-current provisions	**(74)**	(74)
Net deferred tax liability	**377**	394

9 TAXATION continued

Deferred tax continued

Movement in the net deferred tax liability recognised in the balance sheet is as follows:

	SA rand	
Figures in million	**2013**	2012
Balance at beginning of year	**394**	334
Total charge per income statement	**(17)**	60
Balance at end of year	**377**	394

At 30 June 2013, the company has a capital gains tax (CGT) loss R230 million (2012: Rnil) available for deduction against future mining taxable income and capital gains. CGT losses are only utilisable against future capital gains. The loss amount at 30 June 2013 arose when the uncertainty around the tax position on certain prior-year transactions was resolved.

As at 30 June 2013 and 2012, the company had recognised all deferred tax assets in the determination of the net deferred tax liability, except for the CGT loss.

During the years ended 30 June 2013 and 2012, 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 take 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	**2013**	2012
Available STC credits at end of year	**–**	151

Dividend Tax (DT)

A withholding tax of 15% on dividends and other distributions to the beneficial owners of shares (shareholders) became effective on 1 April 2012. DT is 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.
The withholding tax is a tax on the shareholder and if applicable will be withheld by the company and will reduce the amount to be paid to the shareholder.

All STC credits were utilised in 2012, DT was withheld at a rate of 15% in respect of those shareholders that do not qualify for either a reduction or an exemption.

10 PROPERTY, PLANT AND EQUIPMENT

		SA rand	
Figures in million		**2013**	2012
Mining assets (a)		**2 144**	2 228
Mining assets under construction (b)		**–**	20
Undeveloped properties (c)		**402**	402
Other non-mining assets (d)		**6**	5
Total property, plant and equipment		**2 552**	2 655
(a)	**Mining assets**		
	Cost		
	Balance at beginning of year	**4 601**	5 622
	Elimination of fully depreciated and impaired assets no longer in use	**–**	(1 422)
	Additions[1]	**304**	412
	Disposals[2]	**(51)**	–
	Adjustment to rehabilitation asset	**8**	(11)
	Balance at end of year	**4 862**	4 601
	Accumulated depreciation and impairments		
	Balance at beginning of year	**2 373**	3 423
	Elimination of fully depreciated and impaired assets no longer in use	**–**	(1 422)
	Disposals[2]	**(12)**	–
	Impairment of assets	**27**	126
	Depreciation[3]	**330**	246
	Balance at end of year	**2 718**	2 373
	Net carrying value	**2 144**	2 228
(b)	**Mining assets under construction**		
	Cost		
	Balance at beginning of year	**20**	20
	Additions	**141**	–
	Disposals[2]	**(161)**	–
	Balance at 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	**40**	52
	Elimination of fully depreciated and impaired assets no longer in use	**–**	(12)
	Additions	**2**	–
	Balance at end of year	**42**	40
	Accumulated depreciation and impairments		
	Balance at beginning of year	**35**	44
	Elimination of fully depreciated and impaired assets no longer in use	**–**	(12)
	Depreciation	**1**	3
	Balance at end of year	**36**	35
	Net carrying value	**6**	5

[1] Includes R31 million (2012: R22 million) attributable to Doornkop JV. Refer to note 17.
[2] Relates to the disposal of the Phoenix operation. Refer to note 2.
[3] Includes R15 million (2012: R16 million) attributable to Doornkop joint venture. Refer to note 17.

11 INTANGIBLE ASSETS

	SA rand	
Figures in million	**2013**	2012
Technology-based assets		
Cost		
Balance at beginning of year	**164**	133
Additions	**5**	31
Balance at end of year	**169**	164
Accumulated amortisation and impairments		
Balance at beginning of year	**121**	116
Amortisation	**10**	5
Balance at end of year	**131**	121
Total net book value	**38**	43

Technology-based assets include computer software and intellectual property which has been acquired and developed for the group. These assets are amortised over five years.

12 RESTRICTED CASH

	SA rand	
Figures in million	**2013**	2012
Environmental guarantees	**26**	26

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 is held on call account and the rest is invested in money market funds. Refer to note 23.

13 RESTRICTED INVESTMENTS

	SA rand	
Figures in million	**2013**	2012
Investments held by environmental trust fund (a)	**310**	279
– Held-to-maturity financial assets	**158**	32
– Fair value through profit or loss financial assets	**152**	247
Investments held by social trust fund (b)	**45**	38
Total restricted investments	**355**	317

(a) Environmental trust fund

The environmental trust fund is an irrevocable trust under the company's control. Contributions to the trust are invested in interest-bearing short-term and medium-term cash investments and 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.

13 RESTRICTED INVESTMENTS continued

(a) Environmental trust fund continued

During 2013, a decision was made to diversify the credit risk concentration of the Nedbank equity-linked deposits. These funds were moved into short-term and medium-term fixed deposits with other banking institutions of good credit quantity. These investments were classified as held-to-maturity investments.

Reconciliation of the movement in the investments held by the environmental trust fund:

	SA rand	
Figures in million	**2013**	2012
Balance at beginning of year	**279**	245
Interest income	**5**	1
Fair value gain	**26**	13
Disposal of equity-linked deposits	**(120)**	–
Acquisition of held-to-maturity investments	**120**	–
Contributions made	**–**	20
Balance at end of year	**310**	279

(b) Social trust fund

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 were made with the final instalment 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.

During 2013, the funds were moved into an investment that is exposed to the fair value changes in the market and the investment has been classified as fair value through profit or loss.

Reconciliation of the movement in the investments held by the social trust fund:

	SA rand	
Figures in million	**2013**	2012
Balance at beginning of year	**38**	34
Contributions made	**4**	5
Interest income	**3**	1
Fair value gain	**3**	–
Claims paid	**(3)**	(2)
Balance at end of year	**45**	38

14 INVESTMENTS IN SUBSIDIARIES AND LOANS TO/FROM SUBSIDIARIES

	SA rand	
Figures in million	**2013**	2012
	24 943	23 365
Shares at cost (a)	**24 943**	23 910
Investment in Evander (a)(i)	**–**	(545)
Loans to subsidiaries (b)	**1 826**	1 991
Gross loans to subsidiary companies	**3 461**	3 441
Provision for irrecoverable loans	**(1 635)**	(1 450)
Loans from subsidiaries	**(898)**	(674)
Gross loans from subsidiary companies	**(898)**	(1 010)
Loan from Evander (a)(i)	**–**	336
	25 871	24 682

Refer to Annexure A on page 130 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 has 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.

(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 was 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 was completed and became effective on 28 February 2013.

(ii) The loan to Harmony Gold (Australia) (Proprietary) Limited (Harmony Australia) was capitalised as part of the company's net investment in Harmony Australia through the issue of 313.7 million (2012: 91.2 million) Harmony Australia ordinary shares valued at R2 069 million (2012: R1 115 million).

(iii) At 30 June 2013, Harmony tested the recoverability of its investments in subsidiaries. The carrying value of its investment in African Rainbow Minerals Gold Limited (ARMgold) exceeded ARMgold's net asset value by R666 million. The recoverable amount of the net assets was determined using the fair value less cost to sell method and historical cost. Refer to note 15 of the group financial statements for the assumptions used in the calculation.

(iv) The amounts relating to the share-based payment expense for the subsidiary companies' employees have been recognised as a capital contribution. Refer to note 30. Any amount recharged to the subsidiaries is offset against the capital contribution.

(v) During 2011, management approved the liquidation of various South African subsidiaries in the group. To date, liquidation orders have been granted for eleven group companies, with ten more companies in the process of applying for liquidation. Refer to Annexure A on page 130 for a list of these companies.

(b) (i) During the 2013 financial year, a reversal of R19 million was recorded against the provision for the irrecoverable loan to the ARMgold/Harmony Joint Investment Company (Proprietary) Limited (Investment Company). R183 million was recorded as a reversal against the provision in 2012. The remaining loan balance at 30 June 2012 was Rnil.

(ii) Included in loans to subsidiaries is a loan to PhoenixCo of R450 million. Refer to note 2 for details on the Phoenix transaction.

(iii) R201 million was provided for on the loan to ARMgold following the testing of the recoverability of Harmony's investment.

15 INVESTMENTS IN ASSOCIATES

(a) 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 note 21 of the group financial statements for further detail.

(b) At 30 June 2013, the company held 8.5% of the shares of Rand Refinery (Proprietary) Limited (Rand Refinery). The company indirectly holds a total shareholding of 10.38% (refer to note 21 of the group financial statements). Through its total shareholding the company is able to exercise significant influence by virtue of having a right to appoint a director on the board. The investment was previously accounted for as available-for-sale (refer to note 16 for further detail), but since the 10% shareholding was attained and with the right to appoint a director on the board, the investment has been accounted for as an associate. The investment in associate is to be accounted for at cost.

The movement during the year is as follows:

	SA rand	
Figures in million	**2013**	2012
Balance at beginning of year	**–**	–
Reclassified from investment in financial assets	**86**	–
Total investments in associates	**86**	–

16 INVESTMENTS IN FINANCIAL ASSETS

	SA rand	
Figures in million	**2013**	2012
Available-for-sale financial assets		
Balance at beginning of year	**5**	2
Additions (a)	**86**	3
Reclassification to investments in associate (a)	**(86)**	–
Balance at end of year	**5**	5

These shares are all unlisted and 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.

(a) During December 2012 the company made an investment in Rand Refinery for an amount of R39 million. Additional shares were purchased during March 2013 for an amount of R33 million. A third tranche was purchased during May 2013 for an amount of R14 million resulting in the company holding 8.5% in Rand Refinery. The investment in Rand Refinery has been reclassified as an investment in associate. Refer to note 15.

17 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 2013 financial year, depreciation of R9 million (2012: R11 million) was recorded for this asset. The joint venture agreement entitles the company to a 16% share of the production profit or loss of the Doornkop mine. During the 2013 financial year, this amounted to a profit of R91 million (2012: profit of R68 million). In addition, ongoing capital expenditure (OCD), as defined by the joint venture agreement, amounted to R31 million (2012: R22 million). Depreciation on OCD amounted to R6 million for 2013.

The following are the company's effective share of income, expenses, assets and liabilities, which are included in the 2013 financial statements:

	SA rand	
Figures in million	**2013**	2012
Revenue	**258**	207
Production costs	**(167)**	(139)
Depreciation	**(15)**	(16)
Operating profit	**76**	52
Non-current assets	**451**	435
Total assets	**451**	435

18 INVENTORIES

	SA rand	
Figures in million	**2013**	2012
Gold in lock-up	**14**	9
Gold in-process and bullion on hand	**45**	27
Consumables at weighted average cost	**124**	129
Total inventories	**183**	165
Non-current portion of gold in lock-up and gold in-process	**(14)**	(9)
Total current portion of inventories	**169**	156
Included in the balance above is:		
Inventory valued at net realisable value	**14**	9

During the 2013 financial year, a R13 million write-down (2012: R14 million write-down) was made for the net realisable value adjustment for gold in lock-up.

A write-down of R16 million was made for the Steyn plant during 2012 as a result of changes to the life-of-mine plans.

During the year, a reversal of R8 million (2012: R1 million) to the provision for slow moving stock was made. This was primarily as a result of a process of improving stock management. The total provision at 30 June 2013 was R9 million (2012: R17 million).

19 TRADE AND OTHER RECEIVABLES

	SA rand	
Figures in million	**2013**	2012
Current		
Financial assets:		
Trade receivables (gold)	**141**	382
Other trade receivables	**18**	18
Provision for impairment	**(6)**	(5)
Trade receivables – net	**153**	395
Interest and other receivables (a)	**508**	318
Employee receivables	**28**	28
Non-financial assets:		
Prepayments	**16**	13
Total current trade and other receivables	**705**	754
Non-current		
Financial assets:		
Loans receivable (b)	**116**	119
Provision for impairment (b)	**(116)**	(116)
Total non-current trade and other receivables	**–**	3

(a) Included in the 2013 financial year is the balance of the self-insurance fund of R323 million (2012: R222 million) and an amount of R69 million due from Evander. Also included in the 2013 financial year in interest and other receivables is an amount of R7 million (2012: R7 million) owing by Pamodzi FS in terms of the asset purchase agreements, for rehabilitation trust funds to be released to the company.

(b) Included in the 2013 balance is a loan of R116 million (2012: 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	**2013**	2012
Balance at beginning of year	**5**	19
Impairment loss recognised	**2**	2
Unused amounts reversed	**(1)**	(16)
Balance at end of year	**6**	5

The movement in the provision for impairment of loans during the year was as follows:

	SA rand	
Figures in million	**2013**	2012
Balance at beginning and end of year	**116**	116

19 TRADE AND OTHER RECEIVABLES continued

The ageing of trade receivables (current) at the reporting date was:

	SA rand	
Figures in million	**Gross**	**Impairment**
30 June 2013		
Fully performing	**142**	**–**
Past due by 1 to 30 days	**4**	**–**
Past due by 31 to 60 days	**4**	**–**
Past due by 61 to 90 days	**1**	**–**
Past due by more than 90 days	**5**	**3**
Past due by more than 361 days	**3**	**3**
	159	**6**
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

The ageing of loans receivable (non-current) at the reporting date was:

	SA rand	
Figures in million	**Gross**	**Impairment**
30 June 2013		
Fully performing	**–**	**–**
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**
	116	**116**
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

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 2013 and 2012 years there was no renegotiation of the terms of any receivable.

20 DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

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).

All conditions precedent to the sale were fulfilled and the transaction was completed on 28 February 2013. The purchase consideration of R1.5 billion was adjusted for distributions received prior to the effective date of R210 million. A profit of R711 million was recorded.

21 SHARE CAPITAL

Authorised

1 200 000 000 (2012: 1 200 000 000) ordinary shares of 50 SA cents each.

Issued

435 289 890 (2012: 431 564 236) ordinary shares of 50 SA cents each. All issued shares are fully paid.

The directors have been authorised to allot and issue up to 21 578 212 authorised but unissued ordinary shares of the company, being 5% of the total issued share capital of the company as at 30 June 2012, subject to the provisions of the Companies Act and the JSE Limited Listings Requirements.

The Remuneration Report and note 33 of the group financial statements set out details in respect of the share option scheme and shares held in trust for the employees of the group.

Share issues

Shares issued in the 2012 and 2013 financial years relate to the exercise of share options by employees. During August 2012, 3.5 million shares were issued to the Tlhakanelo Trust, the vehicle used for the employee share ownership plan.

Treasury shares

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.

During August 2012, 3.5 million shares were issued to the Tlhakanelo Trust. As the trust is controlled by the group, the shares are treated as treasury shares. During 2013, 937 548 shares were exercised by employees and the remaining 2 562 452 shares are still held as treasury shares.

22 OTHER RESERVES

	SA rand	
Figures in million	**2013**	2012
Fair value movement of available-for-sale financial assets	**(1)**	(1)
Repurchase of equity interest (a)	**3**	3
Equity component of convertible bond (b)	**277**	277
Share-based payments (c)	**427**	237
Total other reserves	**706**	516

(a) 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 25 of the group financial statements.

(b) Equity component of convertible bond

Refer to note 25 of the group financial statements.

22 OTHER RESERVES continued

(c) Share-based payments

	SA rand	
Figures in million	**2013**	2012
Balance at beginning of year	**237**	217
Share-based payments expensed (i)	**39**	20
Subsidiary employees share-based payments (ii)	**151**	–
Balance at end of year	**427**	237

(i) Refer to note 25 and 33 in the group financial statements as well as note 30 in the company's financial statements. During the year, the equity-settled share-based payment expense of R39 million (2012: R20 million) was charged to the income statement.

(ii) Awards offered to employees providing services related to their employment in the group resulted in an increase in investment in subsidiaries. Refer to note 14.

23 PROVISION FOR ENVIRONMENTAL REHABILITATION

The company's mining and exploration activities are subject to extensive environmental laws and regulations. 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:

	SA rand	
Figures in million	**2013**	2012
Provision for future rehabilitation		
Balance at beginning of year	**461**	471
Change in estimate – Balance sheet	**8**	(12)
Change in estimate – Income statement	**(40)**	(27)
Time value of money and inflation component of rehabilitation costs	**26**	29
Total provision for environmental rehabilitation	**455**	461

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 undiscounted cost for the mines is approximately R560 million (2012: R625 million). Refer to note 26 of the group financial statements for estimations and judgements used in the calculation.

	SA rand	
Figures in million	**2013**	2012
Future net undiscounted obligation		
Ultimate estimated rehabilitation cost	**560**	625
Amounts invested in environmental trust funds (refer to note 13)	**(310)**	(279)
Total future net undiscounted obligation	**250**	346

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 some of the environmental liabilities. Refer to note 32.

24 RETIREMENT BENEFIT OBLIGATION

	SA rand	
Figures in million	**2013**	2012
Non-current		
Retirement benefit obligation	**25**	24

Pension and provident funds: Refer to note 28(a) of the group financial statements. Funds contributed by the company for the 2013 financial year amounted to R122 million (2012: R109 million).

Post-retirement benefits other than pensions: Refer to note 28(b) of 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	**2013**	2012
Present value of unfunded obligations	**25**	24
Current employees	**17**	16
Retired employees	**8**	8
Movement in the liability recognised in the balance sheet:		
Balance at beginning of year	**24**	34
Contributions paid	**(1)**	(1)
Other expenses included in staff costs/service costs	**1**	1
Finance cost	**3**	3
Net actuarial gain recognised during the year	**(2)**	(13)
Balance at end of year	**25**	24

Net actuarial gains/losses are included in cost of sales in the income statement. The net actuarial loss for 2011 was Rnil, 2010 was R2 million and 2009 was R2 million.

	SA rand	
Figures in million	**2013**	2012
The net liability of the defined benefit plan is as follows:		
Present value of defined benefit obligation	**25**	24
Fair value of plan assets	**–**	–
Net retirement benefit obligation liability	**25**	24

The present value of the defined benefit obligation was R34 million in 2011, R7 million in 2010, R5 million in 2009.

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	**2013**	2012
Effect of a 1% increase on:		
Aggregate of service cost and interest cost	**–**	1
Defined benefit obligation	**4**	4
Effect of a 1% decrease on:		
Aggregate of service cost and interest cost	**–**	1
Defined benefit obligation	**3**	3

The company expects to contribute approximately R1.7 million to its benefit plan in 2014.

25 OTHER NON-CURRENT LIABILITIES

	SA rand	
Figures in million	**2013**	2012
PhoenixCo share-based payment liability (a)	**23**	–
ESOP share-based payment liability (b)	**13**	–
Other (c)	**42**	30
Total other non-current liabilities	**78**	30

(a) The liability relates to the disposal of an equity interest of PhoenixCo to BEE shareholders by Harmony on 25 June 2013. The award to the BEE partners has been accounted for as in-substance options, as the BEE partners will only share in the upside, and not the downside, of their equity interest in PhoenixCo until the date the financial assistance provided by Harmony is fully paid. The award of the options to the BEE partners is accounted for as a cash-settled share-based payment arrangement in the company. Refer to note 2 for more details.

(b) The liability relates to the cash-settled share-based payment transaction following the award of ESOP SARs to qualifying employees through the Tlhakanelo Employee Share Trust during the 2013 financial year. Refer to note 30 for more details.

(c) Included in Other is a provision of R42 million (2012: R26 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 and the appeal will be heard in November 2013.

26 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 PNG. 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[1]/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; and
- Market capitalisation to net debt ratio shall not be less than six times.

[1] EBIT as defined in the agreement excludes unusual items such as impairment.

The debt covenant tests are performed on a quarterly basis. No breaches of the covenants were identified during the tests in the 2013 financial year.

26 BORROWINGS continued

Terms and debt repayment schedule at 30 June 2013:

	Interest charge	Repayment terms	Repayment date	Security
Nedbank Limited (secured loan – term facility 1)	3 month JIBAR plus 3.5%, payable quarterly	Bi-annual equal instalments of R90 million	30 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	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

Interest-bearing borrowings

	SA rand	
Figures in million	**2013**	2012
Non-current borrowings		
Nedbank Limited (secured loan – term facilities)	**155**	458
Balance at beginning of year	**458**	759
Repayments	**(305)**	(305)
Amortisation of issue costs	**4**	3
Net adjustments to current portion	**(2)**	1
Nedbank Limited (secured loan – revolving credit facilities)	**–**	–
Balance at beginning of year	**–**	447
Draw down	**–**	400
Repayments	**–**	(850)
Issue costs	**–**	(20)
Amortisation of issue costs	**–**	23
Syndicated (secured loan – US$ revolving credit facility)	**2 097**	1 042
Balance at beginning of year	**1 042**	–
Draw down	**678**	1 043
Issue cost	**–**	(47)
Amortisation of issue costs	**17**	9
Net adjustments to current portion	**9**	12
Translation	**351**	25
Total non-current borrowings	**2 252**	1 500
Current borrowings		
Current portion of the loan from Nedbank Limited	**303**	301
Current portion of the loans from syndicate	**(21)**	(12)
Total current borrowings	**282**	289
Total interest-bearing borrowings	**2 534**	1 789

26 BORROWINGS continued

Interest-bearing borrowings continued

	SA rand	
Figures in million	**2013**	2012
The maturity of borrowings is as follows:		
Current	**282**	289
Between one to two years	**155**	291
Between two to five years	**2 097**	1 209
Over five years	**–**	–
	2 534	1 789
Undrawn committed borrowing facilities:		
Expiring within one year	**850**	–
Expiring after one year	**899**	2 245
	1 749	2 245

	Effective rate	
	2013 %	2012 %
Nedbank Limited	**8.7**	9.1
Syndicated	**2.7**	3.0

27 TRADE AND OTHER PAYABLES

	SA rand	
Figures in million	**2013**	2012
Financial liabilities:		
Trade payables	**116**	75
Other liabilities	**14**	23
ESOP share-based payment liability (a)	**13**	–
Non-financial liabilities:		
Payroll accruals	**204**	200
Leave liabilities (b)	**76**	73
Shaft related accruals	**47**	60
Other accruals	**176**	139
Value added tax	**47**	48
Total trade and other payables	**693**	618

(a) ESOP share-based payment liability

The liability relates to the cash-settled share-based payment transaction following the award of ESOP SARs to qualifying employees through the Tlhakanelo Employee Share Trust during the 2013 financial year. Refer to note 30(a) for more details.

(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	
Figures in million	**2013**	2012
Balance at beginning of year	**73**	68
Benefits paid	**(77)**	(68)
Total expense per income statement	**80**	73
Balance at end of year	**76**	73

28 CASH GENERATED BY OPERATIONS

	SA rand	
Figures in million	**2013**	2012
Reconciliation of profit before taxation to cash generated by operations:		
Profit before taxation	**861**	880
Adjustments for:		
Amortisation and depreciation	**362**	267
Impairment of assets	**27**	126
Share-based payments	**39**	20
Net decrease in provision for post-retirement benefits	**(3)**	(13)
Net decrease in provision for environmental rehabilitation	**(40)**	(27)
Profit on sale of property, plant and equipment	**(336)**	(43)
Impairment of investments in subsidiaries	**666**	–
Net gain on financial instruments	**(29)**	(13)
Profit on sale of investment in subsidiary	**(711)**	–
Dividends received	**(342)**	(324)
Interest received	**(175)**	(126)
Finance cost	**168**	188
Inventory adjustments	**(24)**	33
Other provisions	**16**	26
Provision for doubtful debts expense/(credit)	**185**	(197)
Foreign exchange translation difference	**352**	46
Other non-cash adjustments	**(20)**	(9)
Effect of changes in operating working capital items:		
Receivables	**62**	(220)
Inventories	**13**	(4)
Payables	**40**	39
Cash generated by operations	**1 111**	649

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 2013, R1 749 million (2012: R2 245 million) of borrowing facilities had not been drawn down and is therefore available for future operating activities and future capital commitments. Refer to note 26.

28 CASH GENERATED BY OPERATIONS continued

For the financial year ended 30 June 2013

(a) Acquisitions and disposal of investments/businesses

Disposal of Evander

The conditions precedent for the sale of Evander Gold Mine Limited were fulfilled and the transaction was completed on 28 February 2013. The purchase consideration of R1.5 billion was adjusted for distributions received prior to the effective date of R210 million. Refer to note 20.

The aggregate fair values of assets and liabilities sold were:

	SA rand	
Figures in million	**2013**	2012
Investment in Evander Gold Mine Limited	**583**	–
Profit on sale	**711**	–
Proceeds received in cash	**1 294**	–

(b) Principal non-cash transactions

Share-based payments (refer to note 30).

Capitalisation of the Harmony Australia intercompany loan (refer to note 14).

Investment in subsidiaries arising from share-based payments (refer to note 14).

For the financial year ended 30 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

Share-based payments (refer to note 30).

Capitalisation of the Harmony Australia intercompany loan (refer to note 14).

29 EMPLOYEE BENEFITS

	SA rand	
Figures in million	**2013**	2012
Aggregate earnings		
The aggregate earnings of employees including directors were:		
Salaries and wages and other benefits	**1 447**	1 304
Retirement benefit costs	**122**	109
Medical aid contributions	**43**	39
Total aggregated earnings*	**1 612**	1 452
Number of permanent employees as at 30 June	**7 309**	7 224

Remuneration for directors and executive management is fully disclosed in the remuneration report on pages 7 to 14. During the 2013 financial year R17 million (2012: R15 million) was included in the payroll cost for termination costs. Termination costs include 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 cost of sales, corporate expenditure and capital expenditure.

30 SHARE-BASED PAYMENTS

Share-based payments are made up as follows:

	SA rand	
Figures in million	**2013**	2012
Employee share-based payments	**48**	20
Other share-based payments	**23**	–
Total share-based payments	**71**	20

Employee share-based payments

During the year Harmony issued new awards under its 2012 employee share ownership plan (ESOP) to all employees other than management at the group's South African operations. The company also has the 2003 scheme 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 total cost relating to employee share-based payments is made up as follows:

	SA rand	
Figures in million	**2013**	2012
2012 employee share ownership plan (a)	**33**	–
2006 share plan (b)	**15**	20
Total share-based payments included in cost of sales	**48**	20

There was no cost of the 2003 scheme in the 2012 and 2013 years. Refer to (c) below for detail on the scheme.

(a) 2012 employee share ownership plan

Refer to note 33 of the group financial statements for the information relating to the 2012 ESOP. The following information relates specifically to the company.

The total cost relating to employee share-based payments arising from ESOP is made up as follows:

	SA rand	
Figures in million	**2013**	2012
2012 employee share ownership plan		
Equity-settled	**24**	–
Cash-settled	**9**	–
	33	–

Activity on awards

	Scheme shares	SARs	
Activity on awards outstanding	**Number of awards**	**Number of awards**	**Weighted average award price (SA rand)**
For the year ended 30 June 2013			
Balance at beginning of year	**–**	**–**	**–**
Awards granted	**722 080**	**1 444 160**	**79.23**
Awards exercised	**(154 680)**	**(309 360)**	**80.03**
Awards forfeited	**(9 342)**	**(18 684)**	**79.22**
Balance at end of year	**558 058**	**1 116 116**	**79.00**

30 SHARE-BASED PAYMENTS continued

(a) 2012 employee share ownership plan continued

List of awards granted but not yet exercised (listed by grant date)	Number of awards	Award price (SA rand)	Remaining life (years)
As at 30 June 2013			
Scheme shares			
08 August 2012 allocation	533 898	n/a	3.7
08 March 2013 allocation	24 160	n/a	3.7
	558 058		
Share appreciation rights			
08 August 2012 allocation	1 067 796	80.03	3.7
08 March 2013 allocation	48 320	56.35	3.7
	1 116 116		
Total awards granted but not yet exercised	1 674 174		

	SA rand	
Figures in million	2013	2012
Cash-settled liability		
Non-current	13	–
Current	13	–
Total cash-settled liability	26	–
Gain realised by participants on awards traded during the year	13	–
Fair value of awards vested during the year	13	–

(b) Options granted under the 2006 share plan

Refer to note 33 of the group financial statements for the information relating to the 2006 share plan. The following information relates specifically to the company.

	SARs		PS	RS
Activity on options and rights granted but not yet exercised	Number of options	Weighted average option price (SA rand)	Number of rights	Number of rights
For the year ended 30 June 2013				
Balance at beginning of year	3 383 111	82.75	1 548 720	279 135
Options granted	1 036 140	69.49	1 255 649	203 965
Options exercised	(449)	70.54	(142 508)	–
Options forfeited and lapsed	(351 510)	95.19	(295 638)	–
Intercompany transfer of employees	(14 691)		117 140	(6 733)
Balance at end of year	4 052 601	78.58	2 483 363	476 367
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

30 SHARE-BASED PAYMENTS continued

(b) Options granted under the 2006 share plan continued

	SARs		PS		RS	
Options and rights vested but not exercised at year end	**2013**	2012	**2013**	2012	**2013**	2012
Options and rights vested but not exercised	**1 354 369**	878 723	**–**	–	**–**	–
Weighted average option price (SA rand)	**75.30**	81.51	**n/a**	n/a	**n/a**	n/a

List of options and rights granted but not yet exercised (listed by grant date)	**Number of options and rights**	**Strike price (SA rand)**	**Remaining life (years)**
As at 30 June 2013			
Share appreciation rights			
15 November 2007	**599 710**	**70.54**	**0.4**
7 March 2008	**46 154**	**102.00**	**0.7**
5 December 2008	**633 499**	**77.81**	**1.4**
16 November 2009	**858 516**	**77.28**	**2.4**
15 November 2010	**477 923**	**84.81**	**3.4**
15 November 2011	**455 343**	**104.79**	**4.4**
16 November 2012	**981 456**	**68.84**	**5.4**
	4 052 601		
Performance shares			
15 November 2010	**645 599**	**n/a**	**0.4**
15 November 2011	**607 774**	**n/a**	**1.4**
27 September 2012	**6 160**	**n/a**	**2.2**
16 November 2012	**1 223 830**	**n/a**	**2.4**
	2 483 363		
Restricted shares			
15 November 2010	**179 402**	**n/a**	**0.4**
15 November 2011	**93 000**	**n/a**	**1.4**
27 September 2012	**30 802**	**n/a**	**2.2**
16 November 2012	**173 163**	**n/a**	**2.4**
	476 367		
Total options and rights granted but not yet exercised	**7 012 331**		

	SA rand	
Figures in million	**2013**	2012
Gain realised by participants on options and rights traded during the year	**10**	61
Fair value of options and rights exercised during the year	**10**	71

30 SHARE-BASED PAYMENTS continued

(c) Options granted under the 2003 scheme

Refer to note 33 of the group financial statements for the information relating to the 2003 scheme. The following information relates specifically to the company.

	2013		2012	
Activity on share options granted but not yet exercised	**Number of options**	**Weighted average option price (SA rand)**	Number of options	Weighted average option price (SA rand)
For the year ended 30 June				
Balance at beginning of year	**534 369**	**49.08**	802 991	48.22
Options exercised	**–**	**–**	(268 622)	51.07
Options forfeited and lapsed	**(21 655)**	**75.67**	–	–
Intercompany transfer of employees	**–**		–	
Balance at end of year	**512 714**	**47.96**	534 369	49.08

List of options granted but not yet exercised (listed by grant date)	**At 30 June 2013**	Option price (SA rand)	Remaining life (years)
10 August 2004	**169 220**	66.15	1.1
26 April 2005	**343 494**	39.00	1.8
Total options granted but not yet exercised	**512 714**		

	SA rand	
Figures in million	**2013**	2012
Market value of share options traded during the year	**–**	28
Gain realised by participants on options traded during the year	**–**	14

Other share-based payments

Refer to note 33 of the group financial statements and note 2 for the information relating to the PhoenixCo transaction and the related share-based payment. The following information relates specifically to the company.

The award of the options to the BEE partners is accounted for by the company as a cash-settled share-based payment arrangement, as the company is settling the transaction in PhoenixCo's share and not its own equity instruments.

The cash-settled share-based payment has been recognised as a liability in the balance sheet, the fair value of which will be remeasured at each reporting date. Any changes in fair value are recognised against the company's investment in PhoenixCo.

At 30 June 2013, the carrying value of the liability is R23 million. Refer to note 25.

31 RELATED PARTIES

Refer to note 34 in the group financial statements for a discussion on related parties. The services rendered to the subsidiary companies relate primarily to general administration and financial functions.

	SA rand	
Figures in million	**2013**	2012
Services rendered to related parties		
Indirect associates	**–**	30
Direct subsidiaries	**12 674**	11 939
Indirect subsidiaries	**540**	520
Total	**13 214**	12 489
Outstanding balances due by related parties		
Direct associates (a)	**7**	7
Direct subsidiaries	**1 826**	1 991
Total	**1 833**	1 998
Outstanding balances due to related parties		
Direct associates (b)	**17**	17
Direct subsidiaries	**395**	561
Indirect subsidiaries	**503**	449
Total	**915**	1 027

(a) This amount has been included in trade and other receivables. Refer to note 19.

(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.

All the production of the company is sent to Rand Refinery in which Harmony holds a 10.38% interest. Refer to note 15.

The loans are unsecured and interest-free and there are no special terms and conditions that apply.

Annexure A contains a full list of the loans to and from subsidiaries. Refer to note 14 for details of provisions made against these loans.

32 COMMITMENTS AND CONTINGENCIES

	SA rand	
Figures in million	**2013**	2012
Capital expenditure commitments		
Contracts for capital expenditure	**23**	142
Authorised by the directors but not contracted for	**61**	203
Total capital commitments	**84**	345

This expenditure will be financed from existing resources and where appropriate, borrowings.

	SA rand	
Figures in million	**2013**	2012
Guarantees		
Guarantees and suretyships	**10**	10
Environmental guarantees	**221**	221
	231	231

Refer to note 35 of the group financial statements for a discussion on contingent liabilities.

33 SUBSEQUENT EVENTS

There were no material transactions subsequent to year-end.

34 FINANCIAL RISK MANAGEMENT

The company'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 company may use derivative financial instruments to hedge certain risk exposures.

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 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 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 2013					
Restricted cash	**26**	**–**	**–**	**–**	**–**
Restricted investments	**–**	**–**	**158**	**197**	**–**
Investments in financial assets	**–**	**5**	**–**	**–**	**–**
Loans to subsidiaries	**1 826**	**–**	**–**	**–**	**–**
Trade and other receivables	**689**	**–**	**–**	**–**	**–**
Cash and cash equivalents	**1 811**	**–**	**–**	**–**	**–**
Borrowings	**–**	**–**	**–**	**–**	**2 534**
Loans from subsidiaries	**–**	**–**	**–**	**–**	**898**
Trade and other payables	**–**	**–**	**–**	**–**	**143**
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

(a) Market risk

(i) Foreign exchange risk

The company has certain investments in foreign operations, where net assets are exposed to foreign currency translation risk. There is also foreign exchange risk arising from borrowings denominated in a currency other than the functional currency of that entity. In addition, foreign exchange risk arises from various currency exposures, primarily with respect to the US dollar (US$). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. Harmony's revenues are sensitive to the R/US$ 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.

34 FINANCIAL RISK MANAGEMENT continued

(a) Market risk continued

(i) Foreign exchange risk continued

The company has reviewed its foreign currency exposure on financial assets and financial liabilities as at 30 June 2013 and 2012 and has identified the following sensitivities for a change of 10% in the exchange rate that would affect profit or loss.

	SA rand	
Figures in million	**2013**	2012
Sensitivity analysis – borrowings		
Rand against US$		
Increase by 10%	**208**	103
Decrease by 10%	**(208)**	(103)
Closing rate	**9.98**	8.21

(ii) Other price risk

The company is exposed to the risk of fluctuations in the fair value of the available-for-sale financial assets and fair value through profit or loss 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

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 index at the reporting date, with all other variables held constant, would have increased profit or loss by R1.5 million (2012: R1.2 million); an equal change in the opposite direction would have decreased profit or loss by R1.1 million (2012: R1.2 million).

A 1% increase in the share price of the available-for-sale investments at the reporting date, with all other variables held constant, would not have had a material impact on other comprehensive income for 2012 and 2013.

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 – borrowings

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 2012.

	SA rand	
Figures in million	**2013**	2012
Increase by 100 basis points	**(25)**	(18)
Decrease by 100 basis points	**25**	18

Interest rate risk arising from long-term borrowings is offset by cash, restricted cash and restricted investments held at variable rates.

34 FINANCIAL RISK MANAGEMENT continued

(a) Market risk continued

Sensitivity analysis – financial assets

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 2012.

	SA rand	
Figures in million	**2013**	2012
Increase by 100 basis points	**20**	15
Decrease by 100 basis points	**(20)**	(15)

(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.

Cash and cash equivalents and restricted cash
Financial institutions' credit rating by exposure:

	SA rand	
Figures in million	**2013**	2012
Credit rating		
AAA	**151**	2
AA+[1]	**359**	363
AA[1]	**639**	445
AA-	**218**	313
A+	**470**	353
Cash and cash equivalents and restricted cash	**1 837**	1 476
AA+	**4**	4
AA	**22**	22
Total restricted cash	**26**	26

[1] Includes restricted cash.

Restricted investments are held with financial institutions who have the following credit ratings: AAA R61 million (2012: nil) and AA R249 million (2012: R279 million).

The social trust fund has been invested in unit trusts comprising shares in listed companies.

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 881 million as at 30 June 2013 (2012: R2 537 million). The previous credit risk concentration from the Nedbank equity linked deposits has been diversified during 2013, resulting in a decrease in the balance of financial assets at fair value through profit or loss and a corresponding increase in the balance of the held-to-maturity investments. Refer to note 13.

(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 company 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 company is able to actively source financing at competitive rates.

34 FINANCIAL RISK MANAGEMENT continued

(c) Liquidity risk continued

The following are the contractual maturities of financial liabilities (including principal and interest payments):

Figures in million (SA rand)	Current	More than 1 year
2013		
Borrowings		
Due between 0 to six months	**200**	**–**
Due between six to 12 months	**193**	**–**
Due between one to two years	**–**	**214**
Due between two to five years	**–**	**2 110**
Trade and other payables (excluding non-financial liabilities)	**143**	**–**
	536	**2 324**
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

(d) Capital risk management

The primary objective of managing the company's capital is to ensure that there is sufficient capital available to support the funding requirements of the company, in a way that optimises the cost of capital and matches the current strategic business plan.

The company 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 company 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 company'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.

34 FINANCIAL RISK MANAGEMENT continued

(e) Fair value determination continued

The following table presents the company's assets and liabilities that are measured at fair value by level (see list below) at 30 June 2013.

(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]	–	–	**4**
Fair value through profit or loss[2]	–	**197**	–

The following table presents the company's assets and liabilities that are measured at fair value by level at 30 June 2012:

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]	–	247	–

[1] Refer to note 16. Determined by directors' valuation.
[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. The fair value of R45 million of the balance in 2013 is derived by reference to quoted prices of the shares held within the unit trust portfolio.

Statement of group companies at 30 June 3013

Company	Country of incor-poration	Status	Issued share capital R'000	Effective group interest 2013 %	Effective group interest 2012 %	Cost of investment by holding company 2013 Rm	Cost of investment by holding company 2012 Rm	Loans from/(to) holding company 2013 Rm	Loans from/(to) holding company 2012 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**	2	**(4)**	(4)
Harmony Gold (Management Services) (Proprietary) Limited	(a)	@	#	**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 Benefication Systems (Proprietary) Limited	(a)	@	#	**100**	100	**–**	–	**–**	–
Unisel Gold Mines Limited	(a)	@	23 136	**100**	100	**89**	89	**(89)**	(89)
Virginia Salvage (Proprietary) Limited	(a)	@	#	**90**	90	**–**	–	**–**	–
Exploration									
Lydenburg Exploration Limited	(a)		42 792	**100**	100	**103**	103	**(106)**	(106)
Gold mining									
African Rainbow Minerals Gold Limited	(a)		96	**100**	100	**6 416**	7 081	**–**	202
ARMGold/Harmony Freegold Joint Venture Company (Proprietary) Limited	(a)		20	**100**	100	**86**	17	**(16)**	472
Avgold Limited	(a)		6 827	**100**	100	**6 955**	6 935	**(134)**	434
Randfontein Estates Limited	(a)		19 882	**100**	100	**1 363**	1 311	**1 367**	876
Business Venture Investments No 1692 (Proprietary) Limited (PhoenixCo)[1]	(a)		5 996	**100**	–	**27**	–	**430**	–
Evander Gold Mines Limited	(a)	*	39 272	**–**	100	**–**	545	**–**	(336)
Investment holding									
ARMgold/Harmony Joint Investment Company (Proprietary) Limited	(a)		#	**100**	100	**–**	–	**–**	–
Harmony Gold Australia (Proprietary) Limited	(c)		9 576 120	**100**	100	**9 579**	7 506	**–**	–
West Rand Consolidated Mines Limited	(a)		17 967	**100**	100	**321**	321	**(26)**	(26)
Mining-related services									
Harmony Pharmacies (Proprietary) Limited	(a)		#	**100**	99	**–**	–	**9**	7

ANNEXURE A CONTINUED

Statement of group companies at 30 June 3013

Company	Country of incorporation	Status	Issued share capital R'000	Effective group interest 2013 %	Effective group interest 2012 %	Cost of investment by holding company 2013 Rm	Cost of investment by holding company 2012 Rm	Loans from/(to) holding company 2013 Rm	Loans from/(to) holding company 2012 Rm
Property holding and development									
La Riviera (Proprietary) Limited	(a)		#	**100**	100	–	–	–	–
Indirect subsidiaries:									
Dormant									
Harmony Gold 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 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)	*	#	–	100	–	–	–	–
Carr Boyd Minerals (Proprietary) Limited	(c)		402 414	**100**	100	–	–	–	–
Clidet No. 790 (Proprietary) Limited	(a)	*	#	–	100	–	–	–	–
Clidet No. 791 (Proprietary) Limited	(a)	*	#	–	100	–	–	–	–
Clidet No. 804 (Proprietary) Limited	(a)		#	**100**	100	–	–	–	–
Cogent (Proprietary) Limited	(a)	Ω	#	**100**	100	–	–	–	–
Evander Stone Holdings (Proprietary) Limited	(a)	*	#	–	100	–	–	–	–
Evander Township Development Limited	(a)	*	3	–	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	–	–	–	–
KwaZulu Gold Mining Company (Proprietary) Limited	(a)	Ω	#	**100**	100	–	–	–	–
Leslie Gold Mines Limited	(a)	*	#	–	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 3013

Company	Country of incor-poration	Status	Issued share capital R'000	Effective group interest 2013 %	Effective group interest 2012 %	Cost of investment by holding company 2013 Rm	Cost of investment by holding company 2012 Rm	Loans from/(to) holding company 2013 Rm	Loans from/(to) holding company 2012 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)	*	#	**–**	100	**–**	–	**–**	–
Exploration									
Harmony Gold (Exploration) (Proprietary) Limited	(a)		10	**100**	100	**–**	–	**(3)**	(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	**2**	–	**(500)**	(445)
Investment									
Abelle Limited	(c)		488 062	**100**	100	**–**	–	**–**	–
Aurora Gold (Wafi) (Proprietary) Limited	(c)		#	**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	**–**	–	**–**	–
Quarrytown Limited	(a)	@	#	**100**	100	**–**	–	**–**	–
Salt Holdings Limited	(a)	*	60	**–**	100	**–**	–	**–**	–
Mining-related services									
Harmony Gold (PNG Services) (Proprietary) Limited	(c)		#	**100**	100	**–**	–	**–**	–
Total						**24 943**	23 910	**928**	981
Total investments								**25 871**	24 891
Less reclassification to held for sale								**–**	(209)
								25 871	24 682

ANNEXURE A CONTINUED

Statement of group companies at 30 June 3013

Company	Country of incor-poration	Status	Issued share capital R'000	Effective group interest 2013 %	Effective group interest 2012 %	Cost of investment by holding company 2013 Rm	Cost of investment by holding company 2012 Rm	Loans from/(to) holding company 2013 Rm	Loans from/(to) holding company 2012 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 incor-poration	Status	Issued share capital R'000	Effective group interest 2013 %	Effective group interest 2012 %	Cost of investment by holding company 2013 Rm	Cost of investment by holding company 2012 Rm	Loans from/(to) holding company 2013 Rm	Loans from/(to) holding company 2012 Rm
Associate company – direct:									
Gold mining company:									
Pamodzi Gold Limited	(a)	Ω	30	**32**	32	–	–	–	–
Associate company – indirect:									
Gold refining									
Rand Refinery	(a)		786	**10**	–	**86**	–	–	–

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 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.

[1] The balance of the loan of R430 million comprises a loan from holding company of R450 million and a loan to holding company of R20 million. These loans have not been offset in the company's financial statements and the gross amounts have been included in loans to subsidiaries and loans from subsidiaries, respectively.

# Indicates issued share capital of R1 000 or less
* Disposed of to Pan African on 28 February 2013
Ω In final stages of liquidation order
@ Liquidation process commenced
$ Indicates a share in the joint venture's capital assets
(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.

SHAREHOLDER INFORMATION

SHARE INFORMATION

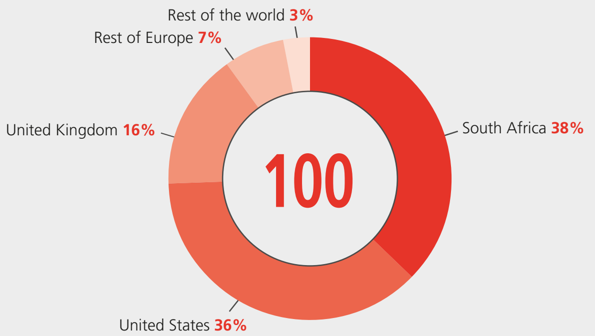
Sector	Resources
Sub-sector	Gold
Nature of business	Harmony Gold Mining Company Limited and its subsidiaries are engaged in underground and open-pit gold mining, exploration and related activities in South Africa and Papua New Guinea.
Issued share capital as at 30 June 2013	435 289 890 shares in issue
Market capitalisation	
at 30 June 2013	R15.56 billion or US$ 1.57 billion
at 30 June 2012	R33.02 billion or US$ 4.04 billion
Share price statistics – FY13	
JSE: 12 month high	R85.71
12 month low	R33.47
Closing price as at 30 June 2013	R35.75
NYSE: 12 month high	US$6.38
12 month low	US$3.30
Closing price as at 30 June 2013	US$3.81
Free float	100%
ADR ratio	1:1

SHAREHOLDER SPREAD AS AT 30 JUNE 2013

Shareholder spread	Number of shareholders	% of shareholders	Number of shares	% of issued share capital
Public	**9 678**	**99.95**	**368 868 248**	**84.74**
Non-public	**5**	**0.05**	**66 421 642**	**15.26**
Share option scheme	3	0.03	2 579 170	0.59
Holding 10% +	1	0.01	63 632 922	14.62
Directors*	1	0.01	209 550	0.05
Totals	**9 683**	**100.00**	**435 289 890**	**100.00**

* Held by Frank Abbott, Graham Briggs, Ken Dicks and André Wilkens

GEOGRAPHIC DISTRIBUTION OF SHAREHOLDERS AS AT 30 JUNE 2013



Ownership summary as at 30 June 2013

Rank	Investor	Current combined position	% shares in issue
1	ARM Ltd	63 632 922	14.62
2	Blackrock Investment Management (UK) Ltd	40 477 780	9.30
3	Allan Gray Unit Trust Management Ltd	39 813 907	9.15
4	Van Eck Global	33 586 849	7.72
5	Public Investment Corporation of South Africa	27 446 018	6.31

DIVIDEND POLICY AND DIVIDEND PAID DURING FY13

Dividend policy

In considering the payment of dividends, the board will, with the assistance of the audit and risk and investment committees, take the following into account:

- The current financial status of the company and the payment of a proposed dividend subject to the successful application of the solvency and liquidity test as set out in section 4 of the Companies Act of 2008;
- The future funding and capital requirements of the company; and
- The intention to pay a dividend.

Dividends paid during FY13

Final dividend paid for FY12 (paid on 13 August 2012) was 50 SA cents.
Interim dividend declared (paid on 11 March 2013) was 50 SA cents.

SHAREHOLDERS' DIARY

Financial year-end	30 June
Annual financial statements issued	25 October 2013
Form 20-F issued	25 October 2013
Annual general meeting	5 December 2013
Quarterly results presentations FY14:	
Quarter 1	8 November 2013
Quarter 2	3 February 2014
Quarter 3	9 May 2014
Quarter 4	14 August 2014

GLOSSARY OF TERMS AND ACRONYMS

$	United States dollar
A$	Australian dollar
ADR	American depositary receipts
BEE	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
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 onto 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. Depreciation, 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
Cut-off grade	Minimum grade at which a unit of ore will be mined to achieve the desired economic outcome
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, South Africa
EBIT	Earnings before interest and tax
Effective tax rate	Current and deferred taxation as a percentage of profit before taxation
Equity	Shareholders' equity adjusted for other comprehensive income and deferred taxation
ESOP	Employee share ownership scheme
Financial asset	Cash or cash equivalents, an equity instrument of another entity, a contractual right to receive cash, or a contractual right to exchange a financial instrument under favourable conditions
Financial liability	A contractual obligation to deliver cash or another financial asset or a contractual obligation to exchange a financial instrument under unfavourable conditions. This includes debt
Grade	Quantity of gold contained in a unit weight of gold-bearing material, generally expressed in ounces per short tonne of ore (oz/t), or grams per metric tonne (g/t)
HIV	Human immuno deficiency virus
IFRS	International Financial Reporting Standards
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	EBIT divided by finance costs and unwinding of obligations
JIBAR	Johannesburg interbank agreed rate
JORC	Australian code for reporting exploration results, mineral resources and mineral reserves
JSE	JSE Limited (Johannesburg Securities Exchange)
Kina	Papua New Guinea currency
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
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
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
MMJV	Morobe Mining Joint Ventures
NYSE	New York Stock Exchange
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
Operating margin	Revenue less production costs expressed as a percentage of revenue
PNG	Papua New Guinea
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.
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
Proven 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
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
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
Tonne/ton (t)	Metric = 1 000kg/Imperial = 2 000 pounds (1 016kg)
US	United States
Waste	Material with insufficient mineralisation for future treatment and discarded
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

DIRECTORATE AND ADMINISTRATION

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M Motloba*^ (deputy chairman)
GP Briggs (chief executive officer)
F Abbott (financial director)
HE Mashego (executive director)
FFT De Buck*^ (lead independent director)
JA Chissano*[1]^
KV Dicks*^
Dr DS Lushaba*^
KT Nondumo*^
UP Pillay*^
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M Msimang*^
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AJ Wilkens*

* Non-executive
^ Independent
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TRADING SYMBOLS

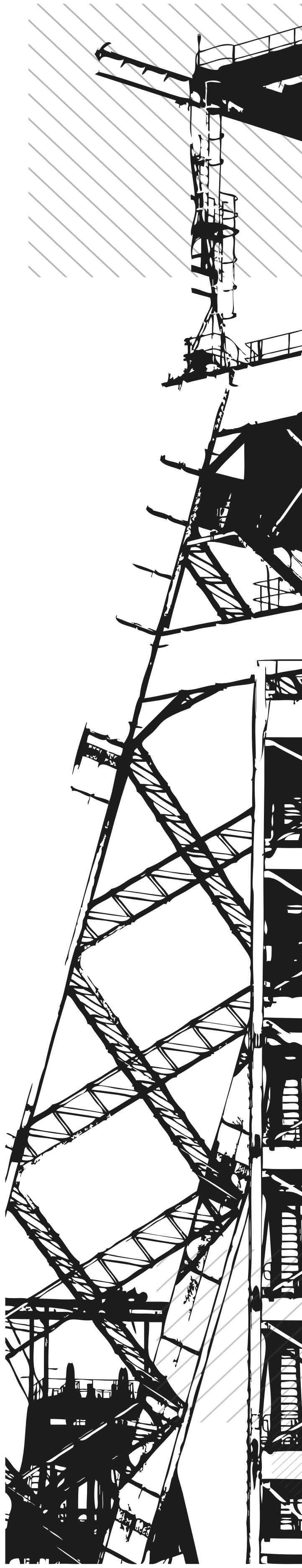
JSE Limited: HAR
New York Stock Exchange, Inc: HMY
Euronext, Brussels: HMY
Berlin Stock Exchange: HAM1
Registration number: 1950/038232/06
Incorporated in the Republic of South Africa
ISIN: ZAE 000015228

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 Exchange 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 expenditures; and (vii) estimates of reserves, and statements regarding future exploration results and the replacement of reserves. Where the Company 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. For a more detailed discussion of such risks and other factors (such as availability of credit or other sources of financing), see the Company's latest Annual Report on Form 20-F which is on file with the Securities and Exchange Commission, as well as the Company's other SEC filings. The Company 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 report, or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.



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