

HARMONY GOLD MINING CO LTD

Form 20-F

October 25, 2018

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As filed with the Securities and Exchange Commission on October 25, 2018

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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FORM 20-F

..REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended June 30, 2018

OR

..TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

..SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report

For the transition period from \_\_\_ to \_\_\_

Commission file number: 001 — 31545

HARMONY GOLD MINING COMPANY LIMITED

(Exact name of registrant as specified in its charter)

REPUBLIC OF SOUTH AFRICA

(Jurisdiction of incorporation or organization)

RANDFONTEIN OFFICE PARK, CNR WARD AVENUE AND MAIN REEF ROAD,

RANDFONTEIN, SOUTH AFRICA, 1759

(Address of principal executive offices)

Riana Bisschoff, Group Company Secretary

Tel: +27 11 411 6020, riana.bisschoff@harmony.co.za, fax: +27 (0) 11 696 9734,

Randfontein Office Park, CNR Ward Avenue and Main Reef Road, Randfontein, South Africa, 1759

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Ordinary shares, with no par value per share\*

(Title of Class)

American Depositary Shares (as evidenced by American Depositary Receipts),

each representing one ordinary share

(Title of Class)

\* Not for trading, but only in connection with the registration of American Depositary Shares, pursuant to the requirements of the Securities and Exchange Commission.

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

The number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the last full fiscal year covered by this Annual Report was 500,251,751 ordinary shares, with no par value per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  
YES  NO

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. YES  NO

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES  NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files)\*. YES  NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of "accelerated filer and large accelerated filer" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

US GAAP  International Financial Reporting Standards as issued by the International Accounting Standards Board  Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow:

Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES  NO

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

YES  NO

\*This requirement does not apply to the registration.

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SIGNATURE

This document comprises the annual report on Form 20-F for the year ended June 30, 2018 (“Harmony 2018 Form 20-F”) of Harmony Gold Mining Company Limited (“Harmony” or the “Company”). Certain of the information in the Harmony Integrated Annual Report 2018 included in Exhibit 15.1 (“Integrated Annual Report for the 20-F 2018”) is incorporated by reference into the Harmony 2018 Form 20-F, as specified elsewhere in this report, in accordance with Rule 12b-23(a) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). With the exception of the items so specified, the Integrated Annual Report for the 20-F 2018 is not deemed to be filed as part of the Harmony 2018 Form 20-F.

Only (i) the information included in the Harmony 2018 Form 20-F, (ii) the information in the Integrated Annual Report for the 20-F 2018 that is expressly incorporated by reference in the Harmony 2018 Form 20-F and (iii) the exhibits to the Harmony 2018 Form 20-F that are required to be filed pursuant to the Form 20-F (the “Exhibits”), shall be deemed to be filed with the Securities and Exchange Commission (“SEC”) for any purpose. Any information in the

Integrated Annual Report for the 20-F 2018 which is not referenced in the Harmony 2018 Form 20-F or filed as an Exhibit, shall not be deemed to be so incorporated by reference.

Financial and other material information regarding Harmony is routinely posted on and accessible at the Harmony website, [www.harmony.co.za](http://www.harmony.co.za). References in the Harmony 2018 Form 20-F and the Exhibits to the Harmony website, unless otherwise expressly stated, are not incorporated by reference into this document.

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USE OF TERMS AND CONVENTIONS IN THIS ANNUAL REPORT

Harmony Gold Mining Company Limited is a corporation organized under the laws of the Republic of South Africa. As used in this Harmony 2018 Form 20-F, unless the context otherwise requires, the terms “Harmony” and “Company” refer to Harmony Gold Mining Company Limited; the term “South Africa” refers to the Republic of South Africa; the terms “we”, “us” and “our” refer to Harmony and, as applicable, its direct and indirect subsidiaries as a “Group”. In this annual report, references to “R”, “Rand” and “c”, “cents” are to the South African Rand, the lawful currency of South Africa, “A\$” and “Australian dollars” refers to Australian dollars, “K” or “Kina” refers to Papua New Guinean Kina and references to “\$”, “US\$” and “US dollars” are to United States dollars.

This annual report contains information concerning our gold reserves. While this annual report has been prepared in accordance with the regulations contained in the SEC’s Industry Guide 7, it is based on assumptions which may prove to be incorrect. See Item 3: “Key Information - Risk Factors - Estimations of Harmony’s reserves are based on a number of assumptions, including mining and recovery factors, future cash costs of production, exchange rates and relevant commodity prices. As a result, metals produced may differ from current estimates.”

This annual report contains descriptions of gold mining and the gold mining industry, including descriptions of geological formations and mining processes. We have explained some of these terms in the Glossary of Mining Terms included in this annual report. This glossary may assist you in understanding these terms.

PRESENTATION OF FINANCIAL INFORMATION

We are a South African company and the majority of our operations are located in our home country. Accordingly, our books of account are maintained in South African Rand and our annual and interim financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). This annual report includes our consolidated financial statements prepared in accordance with IFRS, translated into US dollars. All financial information, except as otherwise noted, is stated in accordance with IFRS.

In this annual report, we also present “cash costs”, “cash costs per ounce”, “all-in sustaining costs” and “all-in sustaining costs per ounce”, which are non-GAAP measures. An investor should not consider these items in isolation or as alternatives to production costs, cost of sales or any other measure of financial performance presented in accordance with IFRS. The calculation of cash costs, cash costs per ounce, all-in sustaining costs and all-in sustaining costs per ounce may vary significantly among gold mining companies and, by themselves, do not necessarily provide a basis for comparison with other gold mining companies. For further information, see Item 5: “Operating and Financial Review and Prospects - Costs - Reconciliation of Non-GAAP Measures”.

We have included the US dollar equivalent amounts of certain information and transactions in Rand, Kina and A\$. Unless otherwise stated, we have translated: (i) assets and liabilities at the closing rate as reported by Reuters on the last business day of the period (R13.81 per US\$1.00 as at June 30, 2018, R13.11 per US\$1.00 as at June 30, 2017 and R14.72 per US\$1.00 as at June 30, 2016), (ii) acquisitions, disposals and specific items such as impairments at the rate prevailing at the dates applicable to such transactions (iii) income statement items at the average rate for the year (R12.85 per US\$1.00 for fiscal 2018, R13.60 per US\$1.00 for fiscal 2017 and R14.50 per US\$1.00 for fiscal 2016) and (iv) equity items are translated at historic rates. Capital expenditures for fiscal 2019 have been translated at an exchange rate of R13.81 per US\$1.00. By including these US dollar equivalents in this annual report, we are not representing that the Rand, Kina and A\$ amounts actually represent the US dollar amounts, as the case may be, or that these amounts could be converted at the rates indicated. For further information, see Item 3: “Key Information - Selected Financial Data - Exchange Rates”.

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CAUTIONARY STATEMENT ABOUT FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements within the meaning of the safe harbor provided by Section 21E of the Exchange Act and Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), with respect to our financial condition, results of operations, business strategies, operating efficiencies, competitive positions, growth opportunities for existing services, plans and objectives of management, markets for stock and other matters.

These forward-looking statements, including, among others, those relating to our future business prospects, revenues, and the potential benefit of acquisitions (including statements regarding growth and cost savings) wherever they may occur in this annual report and the exhibits to this annual report, are necessarily estimates reflecting the best judgment of our senior management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. As a consequence, these forward-looking statements should be considered in light of various important factors, including those set forth in this annual report. Important factors that could cause actual results to differ materially from estimates or projections contained in the forward-looking statements include, without limitation:

- overall economic and business conditions in South Africa, Papua New Guinea, Australia and elsewhere;
- estimates of future earnings, and the sensitivity of earnings to gold and other metals prices;
- estimates of future gold and other metals production and sales;
- estimates of future cash costs;
- estimates of future cash flows, and the sensitivity of cash flows to the gold and other metals prices;
- estimates of provision for silicosis settlement;
- statements regarding future debt repayments;
- estimates of future capital expenditures;
- the success of our business strategy, development activities and other initiatives;
- future financial position, plans, strategies, objectives, capital expenditures, projected costs and anticipated cost savings and financing plans;
- estimates of reserves statements regarding future exploration results and the replacement of reserves;
- the ability to achieve anticipated efficiencies and other cost savings in connection with past and future acquisitions, as well as at existing operations;
- fluctuations in the market price of gold;
- the occurrence of hazards associated with underground and surface gold mining;
- the occurrence of labor disruptions;
- power cost increases as well as power stoppages, fluctuations and usage constraints;
- supply chain shortages and increases in the prices of production imports and the availability, terms and deployment of capital;
- changes in government regulation and the political environment, particularly tax, mining rights, environmental regulation and business ownership including any interpretation thereof ;
- fluctuations in exchange rates and currency devaluations and other macroeconomic monetary policies;
- the adequacy of the Group’s insurance coverage; and
- socio-economic or political instability in South Africa, Papua New Guinea, Australia and other countries in which we operate.

The foregoing factors and others described under “Risk Factors” should not be construed as exhaustive.

We undertake no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this annual report or to reflect the occurrence of unanticipated events, except as required by law. All subsequent written or oral forward-looking statements attributable to Harmony or any person acting on its behalf are qualified by the cautionary statements herein.

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PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. SELECTED FINANCIAL DATA

The selected consolidated financial data below should be read in conjunction with, and are qualified in their entirety by reference to, our consolidated financial statements, and the notes thereto, set forth beginning on page F-1, and with Item 3: “Key Information-Risk Factors” and Item 5: “Operating and Financial Review and Prospects”. Historical results are not necessarily indicative of results to be expected for any future period.

Selected Historical Consolidated Financial Data

We are a South African company and the majority of our operations are located in our home country. Accordingly, our books of account are maintained in South African Rand and our annual and interim financial statements are prepared in accordance with IFRS. This annual report includes our consolidated financial statements prepared in accordance with IFRS, translated into US dollars. The selected historical consolidated income statement and balance sheet data for the last five fiscal years are, unless otherwise noted, stated in accordance with IFRS, and have been extracted from the more detailed information and financial statements prepared in accordance with IFRS. The financial data as at June 30, 2018 and 2017 and for each of the years in the three-year period ended June 30, 2018 should be read in conjunction with, and is qualified in its entirety by reference to our audited consolidated financial statements set forth beginning on page F-1. Financial data as at June 30, 2016, 2015 and 2014 and for the years ended June 30, 2015 and 2014 have been derived from our previously published consolidated financial statements, which are not included in this document.

The acquisition of Moab Khotsong was effective March 1, 2018 (see Item 5: "Operating and Financial Review and Prospects-B Liquidity and Capital Resources-Investing"). The results of the operations have been consolidated in the financial statements from the effective date.

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	Fiscal year ended June 30,				
	2018	2017	2016	2015	2014
	(\$ in millions, except per share amounts, cash costs per ounce and all-in sustaining costs per				
<b>Income Statement Data</b>					
Revenue	1,584	1,416	1,264	1,348	1,515
(Impairment)/reversal of impairment of assets	(386)	) (131	) 3	(285	) (135
Operating profit/(loss)	(335	) (81	) 111	(433	) (146
Gain on bargain purchase	—	60	—	—	—
Profit/(loss) from associates	3	(1	) —	(2	) (10
Profit/(loss) from continuing operations before taxation	(339	) (20	) 109	(436	) (145
Taxation	18	37	(43	) 62	27
Profit/(loss) from continuing operations	(321	) 17	66	(374	) (118
Profit/(loss) from discontinued operations	—	—	—	—	—
Net profit/(loss)	(321	) 17	66	(374	) (118
Basic (loss)/earnings per share from continuing operations (US cents)	(72	) 4	15	(86	) (27
Diluted earnings/(loss) per share from continuing operations (US cents)	(72	) 4	15	(86	) (27
Basic earnings/(loss) per share (US cents)	(72	) 4	15	(86	) (27
Diluted earnings/(loss) per share (US cents)	(72	) 4	15	(86	) (27
Weighted average number of shares used in the computation of basic earnings/(loss) per share	445,896,346	438,401,156	435,738,577	434,423,747	433,212,423
Weighted average number of shares used in the computation of diluted earnings/(loss) per share	465,319,405	459,220,318	446,398,380	438,091,109	434,715,373
Dividends per share (US cents) <sup>1</sup>	3	8	—	—	—
Dividends per share (SA cents) <sup>1</sup>	35	100	—	—	—
<b>Other Financial Data</b>					
Cash costs per ounce of gold from continuing operations (\$/oz) <sup>2</sup>	1,018	1,000	841	1,003	988
Total cash costs per ounce of gold (\$/oz) <sup>2</sup>	1,018	1,000	841	1,003	988
All-in sustaining costs per ounce of gold from continuing operations (\$/oz) <sup>2</sup>	1,231	1,182	1,003	1,232	1,223
<b>Balance Sheet Data</b>					
<b>Assets</b>					
Property, plant and equipment	2,245	2,292	2,033	2,430	3,116
Total assets	2,862	2,966	2,515	2,972	3,852
Net assets	1,835	2,234	1,914	2,200	2,925



Equity and liabilities					
Share capital	4,115	4,036	4,036	4,035	4,035
Total equity	1,835	2,234	1,914	2,200	2,925
Borrowings (current and non-current)	407	163	159	280	270
Other liabilities	620	569	442	492	657
Total equity and liabilities	2,862	2,966	2,515	2,972	3,852

<sup>1</sup> Dividends per share relates to the dividends recorded and paid during the fiscal year.

Cash costs per ounce and all-in sustaining costs per ounce are non-GAAP measures. Cash costs per ounce and all-in sustaining cost per ounce have been calculated on a consistent basis for all periods presented. The all-in sustaining costs per ounce for fiscal 2013 to 2015 have been restated to exclude share-based payments charge and include capitalized stripping costs for Kalgold. Changes in cash costs per ounce and all-in sustaining costs per ounce are affected by operational performance, as well as changes in the currency exchange rate between the Rand and the US dollar. Because cash cost per ounce and all-in sustaining costs per ounce are non-GAAP measures, these measures should therefore not be considered by investors in isolation or as an alternative to production costs, cost of sales, or any other measure of financial performance calculated in accordance with IFRS. The calculation of cash costs, cash costs per ounce, all-in sustaining costs and all-in sustaining costs per ounce may vary from company to company and may not be comparable to other similarly titled measures of other companies. For further information, see Item 5: "Operating and Financial Review and Prospects-Costs-Reconciliation of Non-GAAP measures".

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## Exchange Rates

Unless otherwise stated, balance sheet item amounts are translated from Rand to US dollars at the exchange rate prevailing on the last business day of the period (R13.81 per US\$1.00 as at June 30, 2018, R13.11 per US\$1.00 as at June 30, 2017 and R14.72 per US\$1.00 as at June 30, 2016), except for acquisitions, disposals and specific items such as impairments that are converted at the exchange rate prevailing on the dates of the transactions. Income statement item amounts that are translated from Rand to US dollars at the average exchange rate for the period (R12.85 per US\$1.00 for fiscal 2018, R13.60 per US\$1.00 for fiscal 2017 and R14.50 per US\$1.00 for fiscal 2016). During fiscal 2018, the Rand/dollar closing exchange rate ranged between R11.54 and R14.46 per US\$1.00.

The following table sets forth, for the past five fiscal years, the average and period end rates for Rand expressed in Rand per US\$1.00. The exchange rates are sourced from Reuters, being the closing rate at period end.

As of October 18, 2018, the exchange rate per US\$1.00 was R 14.43<sup>(1)</sup>.

Fiscal Year Ended June 30,	Average <sup>2</sup>	Period End <sup>1</sup>
2014	10.35	10.61
2015	11.45	12.16
2016	14.50	14.72
2017	13.60	13.11
2018	12.85	13.81

Month of	High	Low
May 2018	12.76	12.25
June 2018	13.81	12.55
July 2018	13.82	13.10
August 2018	14.10	14.70
September 2018	14.76	14.17
October 2018 (through October 18, 2018)	14.51	14.39

<sup>1</sup> Based on the interbank rate as reported by Reuters.

<sup>2</sup> The daily average of the closing rate during the relevant period as reported by Reuters.

Fluctuations in the exchange rate between Rand and the US dollar will affect the dollar equivalent of the price of ordinary shares on the Johannesburg Stock Exchange (“JSE”), which may affect the market price of the American Depositary Shares (“ADSs”) evidenced by American Depositary Receipts (“ADRs”) on the New York Stock Exchange Inc. (“NYSE”). These fluctuations will also affect the dollar amounts received by owners of ADSs on the conversion of any dividends on ordinary shares paid in Rand.

**B. CAPITALIZATION AND INDEBTEDNESS**

Not applicable.

**C. REASONS FOR THE OFFER AND USE OF PROCEEDS**

Not applicable.

**D. RISK FACTORS**

In addition to the other information included in this annual report and the exhibits, you should also carefully consider the following factors related to our ordinary shares and ADSs. There may be additional risks that we do not currently know of or that we currently deem immaterial based on information currently available to us. Although Harmony has a formal risk policy framework in place, the maintenance and development of which is undertaken on an ongoing basis so as to help management address systematic categories of risk associated with its business operations, any of these risks could have a material adverse effect on our business, financial condition or results of operations, leading to a decline in the trading price of our ordinary shares or our ADSs. The risks described below may, in retrospect, turn out to be incomplete and therefore may not be the only risks to which we are exposed. Additional risks and uncertainties not presently known to us or that we now believe are immaterial (and have therefore not been included), could also adversely affect our business, results of operations or financial condition. The order of presentation of the risk factors below does not indicate the likelihood of their occurrence or the magnitude or the significance of the individual risks.

Risks Relating to Our Business and the Gold Mining Industry

The profitability of our operations, and cash flows generated by those operations, are affected by changes in the price of gold. A fall in the gold price below our cash cost of production and capital expenditure required to sustain production for any sustained period may lead to losses and require Harmony to curtail or suspend certain operations. Substantially all of Harmony's revenues come from the sale of gold. Historically, the market price for gold has fluctuated widely and been affected by numerous factors, over which Harmony has no control, including:

- demand for gold for industrial uses, jewelry and investment;

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- international or regional political and economic events and trends;
- strength or weakness of the US dollar (the currency in which gold prices generally are quoted) and of other currencies;
- monetary policies announced or implemented by central banks, including the US Federal Reserve;
- financial market expectations on the rate of inflation;
- changes in the supply of gold from production, divestment, scrap and hedging;
- interest rates;
- speculative activities;
- gold hedging or de-hedging by gold producers;
- actual or expected purchases and sales of gold bullion held by central banks or other large gold bullion holders or dealers; and
- production and cost levels for gold in major gold-producing nations, such as South Africa, China, the United States and Australia.

In addition, current demand and supply affects the price of gold, but not necessarily in the same manner as current demand and supply affect the prices of other commodities. Historically, gold has retained its value in relative terms against basic goods in times of inflation and monetary crisis. As a result, central banks, financial institutions and individuals hold large amounts of gold as a store of value and production in any given year constitutes a very small portion of the total potential supply of gold. Since the potential supply of gold is large relative to mine production in any given year, normal variations in current production will not necessarily have a significant effect on the supply of gold or its price. Uncertainty on global economic conditions has impacted the price of gold significantly since fiscal 2013 and continued to do so in fiscal 2018, and is still relevant as is evidenced by the strategic risk profile of Harmony.

The volatility of gold prices is illustrated in the table, which shows the annual high, low and average of the afternoon London bullion market fixing price of gold in US dollars for each of the past ten years:

Annual gold price: 2008 - 2018

Calendar year	Price per ounce (US\$)		
	High	Low	Average
2008	1,011	713	872
2009	1,213	810	972
2010	1,421	1,058	1,225
2011	1,895	1,319	1,572
2012	1,792	1,540	1,669
2013	1,694	1,192	1,411
2014	1,385	1,142	1,266
2015	1,296	1,049	1,160
2016	1,366	1,077	1,251
2017	1,346	1,151	1,253
2018	1,355	1,178	1,277

On October 18, 2018, the afternoon fixing price of gold on the London bullion market was US\$1,223.00/oz.

While the price volatility is difficult to predict, if gold prices should fall below Harmony's cash cost of production and capital expenditure required to sustain production and remain at these levels for any sustained period, Harmony may record losses and be forced to curtail or suspend some or all of its operations, which could materially adversely affect Harmony's business, operating results and financial condition.

In addition, Harmony would also have to assess the economic impact of low gold prices on its ability to recover any losses that may be incurred during that period and on its ability to maintain adequate reserves.

Foreign exchange fluctuations could have a material adverse effect on Harmony's operational results and financial condition.

Gold is priced throughout the world in US dollars and, as a result, Harmony's revenue is realized in US dollars, but most of our operating costs are incurred in Rand and other non-US currencies, including the Australian dollar and Kina. The strengthening of the US dollar against the Rand, Australian dollar and Kina lowers operating costs in US dollar terms. From time to time, Harmony may implement currency hedges intended to reduce exposure to changes in the foreign currency exchange, which it started doing in fiscal 2016 and will continue as long as it is strategically viable. Such hedging strategies may not however be successful, and any of Harmony's unhedged exchange payments will continue to be subject to market fluctuations. Any significant and sustained appreciation of the Rand and other non-US currencies against the dollar will

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materially reduce Harmony's Rand revenues and overall net income, which could materially adversely affect Harmony's operating results and financial condition.

Harmony Gold's inability to maintain an effective system of internal control over financial reporting may have an adverse effect on investors' confidence in the reliability of its financial statements.

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the company's financial statements for external purposes in accordance with IFRS as issued by the IASB. Disclosure controls and procedures are designed to ensure that information required to be disclosed by a company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. Harmony has invested in resources to facilitate the documentation and assessment of its system of disclosure controls and its internal control over financial reporting. However, a control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance with respect to the reliability of financial reporting and financial statement preparation. If Harmony were unable to maintain an effective system of internal control over financial reporting, investors may lose confidence in the reliability of its financial statements and this may have an adverse impact on investors' abilities to make decisions about their investment in Harmony. See Item 15: "Controls and Procedures".

Harmony is exposed to the impact of any significant decreases in the commodity prices on its production. This is mitigated by commodity derivatives and hedging arrangements, but as Harmony has limitations for the volume of forward sales, commodity derivatives or hedging arrangements it may enter into for its future production, it is exposed to the impact of decreases in the commodity prices on the remainder of its unhedged production.

As a rule, Harmony sells its gold and silver at the prevailing market price. In fiscal 2017, however, Harmony started a commodity hedging program. These contracts manage variability of cash flows for approximately 20% of the Group's total production over a two-year period for gold and 25% for silver.

Harmony's remaining unhedged future production may realize the benefit of any short-term increase in the commodity prices, but is not protected against decreases; if the gold or silver price should decrease significantly, Harmony's revenues may be materially adversely affected, which could materially adversely affect Harmony's operating results and financial condition.

Global economic conditions could adversely affect the profitability of Harmony's operations.

Harmony's operations and performance depend on global economic conditions. Despite signs of economic recovery in certain geographical markets, global economic conditions remain fragile with significant uncertainty regarding recovery prospects, level of recovery and long-term economic growth effects. A global economic downturn may have follow-on effects on our business. These could include:

- key suppliers or contractors becoming insolvent, resulting in a break-down in the supply chain;
- a reduction in the availability of credit which may make it more difficult for Harmony to obtain financing for its operations and capital expenditures or make that financing more costly;
- exposure to the liquidity and insolvency risks of Harmony's lenders and customers; or
- the availability of credit being reduced-this may make it more difficult for Harmony to obtain financing for its operations and capital expenditure or make financing more expensive.

Coupled with the volatility of commodity prices as well as the rising trend of input costs, such factors could result in initiatives relating to strategic alignment, portfolio review, restructuring and cost-cutting, temporary or permanent shutdowns and divestments. Further, sudden changes in a life-of-mine plan or the accelerated closure of a mine may result in the recognition of impairments and give rise to the recognition of liabilities that are not anticipated.

In addition to the potentially adverse impact on the profitability of Harmony's operations, any uncertainty on global economic conditions may also increase volatility or negatively impact the market value of Harmony's securities. Any of these events could materially adversely affect Harmony's business, operating results and financial condition.

A further downgrade of South Africa's credit rating may have an adverse effect on Harmony's ability to secure financing.

The slowing economy, rising debt, escalating labor disputes and the structural challenges facing the mining industry and other sectors have resulted in the downgrading of South Africa's sovereign credit ratings. At the beginning of fiscal 2018, two of the three international ratings agencies, Standard & Poor's and Fitch Ratings, rated South Africa's

long-term sovereign credit rating as speculative investment grade, or junk. In November 2017, Standard & Poor's further downgraded South Africa's sovereign rating to BB with a stable outlook, due to among other things, declining consumption on a per capital basis, economic growth performance that is among the weakest of emerging market sovereigns and income inequality. In November 2017, Fitch Ratings affirmed South Africa's sovereign credit rating of BB+ with a negative outlook. In March 2018, Moody's affirmed its Baa3 sovereign credit rating for South Africa and upgraded its outlook to stable. Further downgrading of South Africa's credit ratings by any of these agencies may adversely affect the South African mining industry and Harmony's business, operating results and financial condition by making it more difficult to obtain external financing or could result in any such financing being available only at greater cost or on more restrictive terms than might otherwise be available.

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Estimations of Harmony's reserves are based on a number of assumptions, including mining and recovery factors, future cash costs of production, exchange rates, and the relevant commodity prices. As a result, metals produced in future may differ from current estimates.

The mineral reserve estimates in this annual report are estimates of the mill-delivered quantity and grade of metals in Harmony's deposits and stockpiles. They represent the amount of metals that Harmony believes can be mined, processed and sold at prices sufficient to recover its estimated future cash costs of production, remaining investment and anticipated additional capital expenditures. Harmony's mineral reserves are estimated based on a number of factors, which have been stated in accordance with the South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves ("SAMREC Code"), the Australian Code for the Reporting of Mineral Resources and Mineral Reserves ("JORC") and the SEC's Industry Guide 7. Calculations of Harmony's mineral reserves are based on estimates of:

- future cash costs;
- future commodity prices; and
- future currency exchange rates.

These factors, which significantly impact mineral reserve estimates, are beyond Harmony's control. As a result, reserve estimates in this annual report should not be interpreted as assurances of the economic life of Harmony's gold and other precious metal deposits or the future profitability of operations.

Since these mineral reserves are estimates based on assumptions related to factors detailed above, should there be changes to any of these assumptions, we may in future need to revise these estimates. In particular, if Harmony's cash operating and production costs increase or the gold price decreases, recovering a portion of Harmony's mineral reserves may become uneconomical. This will lead, in turn, to a reduction in estimated reserves. Any reduction in our mineral reserves estimate could materially adversely affect Harmony's business, operating results and financial condition.

Harmony's operations have limited proved and probable reserves. Exploration for additional reserves is speculative in nature, may be unsuccessful and involves many risks.

Harmony's operations have limited proved and probable reserves, and exploration and discovery are necessary to maintain current gold production levels at these operations. Exploration for gold and other precious metals is speculative in nature, may be unsuccessful and involves risks including those related to:

- locating orebodies;
- geological nature of the orebodies;
- identifying the metallurgical properties of orebodies;
- estimating the economic feasibility of mining orebodies;
- developing appropriate metallurgical processes;
- obtaining necessary governmental permits; and
- constructing mining and processing facilities at any site chosen for mining.

Harmony's exploration efforts might not result in the discovery of mineralization, and any mineralization discovered might not result in an increase in proved and probable reserves. To access additional reserves, Harmony will need to complete development projects successfully, including extensions to existing mines and, possibly, new mines.

Development projects would also be required to access any new mineralization discovered by exploration activities around the world. Harmony typically uses feasibility studies to determine whether to undertake significant development projects. These studies often require substantial expenditure. Feasibility studies include estimates of expected or anticipated economic returns, which are based on assumptions about:

- future gold and other metal prices;
- anticipated tonnage, grades and metallurgical characteristics of ore to be mined and processed;
- anticipated recovery rates of gold and other metals from the ore; and
- anticipated total costs of the project, including capital expenditure and cash costs.

All projects are subject to project study risk. There is no certainty or guarantee that a feasibility study, if undertaken, will be successfully concluded or that the project the subject of the study will satisfy Harmony's economic, technical, risk and other criteria in order to progress that project to development.



A failure in our ability to discover new reserves, enhance existing reserves or develop new operations in sufficient quantities to maintain or grow the current level of our reserves could negatively affect our results, financial condition and prospects.

The risk of unforeseen difficulties, delays or costs in implementing Harmony's business strategy and projects may lead to Harmony not delivering the anticipated benefits of our strategy and projects. In addition, actual cash costs, capital expenditure, production and economic returns may differ significantly from those anticipated by feasibility studies for new development projects.

The successful implementation of Harmony's business strategy and projects depends upon many factors, including those outside our control. For example, the successful management of costs will depend on prevailing market prices for

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input costs. The ability to grow our business will depend on the successful implementation of the our existing and proposed projects and continued exploration success, as well as on the availability of attractive acquisition opportunities, all of which are subject to the relevant mining and company specific risks as outlined in these risk factors.

It can take a number of years from the initial feasibility study until development of a project is completed and, during that time, the economic feasibility of production may change. In addition, there are a number of inherent uncertainties in developing and constructing an extension to an existing mine or a new mine, including:

- availability and timing of necessary environmental and governmental permits;
- timing and cost of constructing mining and processing facilities, which can be considerable;
- availability and cost of skilled labor, power, water, fuel, mining equipment and other materials;
- accessibility of transportation and other infrastructure, particularly in remote locations;
- availability and cost of smelting and refining arrangements;
- availability of funds to finance construction and development activities; and
- spot and expected future commodity prices of metals including gold, silver, copper, uranium and molybdenum.

All of these factors, and others, could result in our actual cash costs, capital expenditures, production and economic returns differing materially from those anticipated by feasibility studies.

Competition with other mining companies and individuals for specialized equipment, components and supplies necessary for exploration and development, for mining claims and leases on exploration properties and for the acquisition of mining assets also impact existing operations and potential new developments. Competitors may have greater financial resources, operational experience and technical capabilities - all which could negatively affect the anticipated costs, which in turn could have a material adverse effect on our operating results and financial condition. Harmony currently maintains a range of focused exploration programs, concentrating mainly on a number of prospective known gold and copper mineralized areas in the Independent State of Papua New Guinea ("PNG") and the Kalgold open pit operation in South Africa. During fiscal 2016, the bulk of our exploration expenditure was allocated to activities in PNG. During fiscal 2017, an exploration program in South Africa was also started in addition to the projects in PNG. In order to maintain or expand our operations and reserve base, Harmony has sought, and may continue to seek to enter into joint ventures or to make acquisitions of selected precious metal producing companies or assets. For example, in 2017 Harmony agreed to acquire AngloGold Ashanti Limited's Moab Khotsong and Great Nologwa mines together with other assets and related infrastructure (the "Moab Acquisition"). See below under "--We may experience problems in identifying, financing and managing new acquisitions and integrating them with our existing operations. We may not have full management control over future joint venture partners.". However, there is no assurance that any future development projects will extend the life of our existing mining operations or result in any new commercial mining operations. Unforeseen difficulties, delays or costs may adversely affect the successful implementation of our business strategy and projects, and such strategy and projects may not result in the anticipated benefits, which could have a material adverse effect on our results of operations, financial condition and prospects. Risks associated with pumping water inflows from closed mines adjacent to our operations could adversely affect Harmony's operational results.

Certain of our mining operations are adjacent to the mining operations of other companies. A mine closure can affect continued operations at an adjacent mine if appropriate preventative steps are not taken. In particular, this could include the ingress of underground water when pumping operations at the closed mine are suspended. This can result in damage to property, operational disruptions and additional pumping costs, which could adversely affect any one of our adjacent mining operations and, in turn could adversely affect our business, operating results and financial condition.

With the recent Moab Acquisition, Harmony inherited a two-thirds interest in the Margaret Water Company for all pumping and water related infrastructure at its Margaret Water Shaft. The shaft operates for the purpose of de-watering the KOSH basin groundwater in order for Moab Khotsong operations and the mine operated by Heaven-Sent (the only other mining company continuing operating) to remain dry and to prevent flooding of operational areas. Therefore it remains imperative for the shaft to continue pumping water. Flooding in the future

resulting from a failure in pumping and water related infrastructure could pose an unpredicted "force majeure" type event, which could result in financial liability for us, and could have an adverse impact on our results of operations and financial condition.

Infrastructure constraints and aging infrastructure could adversely affect Harmony's operations

Mining, processing, development and exploration activities depend on adequate infrastructure. Reliable rail, ports, roads, bridges, power sources, power transmission facilities and water supply are critical to the Company's business operations and affect capital and operating costs. The infrastructure and services are often provided by third parties whose operational activities are outside the control of the Company.

Interference to the maintenance or provision of infrastructure, including by extreme weather conditions, sabotage or social unrest, could impede our ability to deliver products on time and adversely affect our business, results of operations and financial condition.

Once a shaft or a processing plant has reached the end of its intended lifespan, higher than normal maintenance and care is required. Maintaining this infrastructure requires skilled human resources, capital allocation, management and planned maintenance. Although Harmony has implemented a comprehensive maintenance strategy, incidents resulting in

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production delays, increased costs or industrial accidents may occur. Such incidents may have an adverse effect on Harmony's operating results and financial condition.

Fluctuations in input production prices linked to commodities may adversely affect Harmony's operational results and financial condition.

Fuel, energy and consumables, including diesel, heavy fuel oil, chemical reagents, explosives, tires, steel and mining equipment consumed in mining operations form a relatively large part of the operating costs and capital expenditure of a mining company. Harmony has no control over the costs of these consumables, many of which are linked to some degree to the price of oil and steel.

Fluctuations in oil and steel prices have a significant impact on operating cost and capital expenditure estimates and, in the absence of other economic fluctuations, could result in significant changes in the total expenditure estimates for new mining projects or render certain projects non-viable, either of which could have a material adverse effect on our business, operating results and financial condition.

Disruptions to the supply of electricity and increases in the cost of power may adversely affect the results of our operations and our financial condition.

In South Africa, each of our mining operations depends on electrical power generated by the South African state utility, Eskom Limited ("Eskom"), which holds a monopoly in the South African market. Electricity supply in South Africa has been constrained over the past decade and there have been multiple power disruptions. There is uncertainty as to whether Eskom will be able to meet demand for power supply in the future. In June 2016, Eskom made an assurance that it had adequate capacity to supply projected national electricity demands for the next six years. Such statements have, however, historically proven to be unreliable and accordingly there is a lack of confidence in Eskom's assurance of supply.

As a result of the planned capital expansion program of Eskom to deal with power constraints, an average annual tariff increase of 8% for the five-year multi-year price determination period has been approved by the National Energy Regulator of South Africa ("NERSA"). The first increase was implemented on April 1, 2013. On March 1, 2016, NERSA granted Eskom a tariff increase of 9.4% in respect of the average tariff for standard tariff customers for the 2016/2017 financial year. On August 16, 2016, however, the Gauteng Division, Pretoria, of the High Court set aside NERSA's decision to grant Eskom the tariff increase of 9.4% for the 2016/2017 financial year on the grounds that NERSA's multi-year price determination methodology had not been properly applied. A lower increase of 2.2% was approved in February 2017, effective April 1, 2017. Although Eskom applied for a 19.9% increase for the 2018/19 fiscal year, on December 18, 2017, NERSA granted Eskom an increase of only 5.23%, stating that Eskom needed to change its operating model and reduce costs. Should Harmony experience further power tariff increases, its business, operating results and financial condition may be adversely impacted. Nersa approved the liquidation of Eskom's Regulatory Clearing Account balances of R32.69 billion will be recoverable from the standard tariff customers, local Special Pricing Agreements (SPAs) and international customers. This could increase electricity prices by an additional 4.4% per year for the next 4 years. The cost of electricity may rise by double digits in the next four years - burden on the economics and viability of some of the marginal operations in Harmony.

In addition to supply constraints, labor unrest in South Africa has before, and may in future, disrupt the supply of coal to power stations operated by Eskom and result in curtailed supply. For example, in August 2016, Eskom failed to reach a wage agreement with the National Union of Mines ("NUM"), which led to a two-day strike. Despite the fact that Eskom has adopted a policy of asking households to reduce usage before asking industrial users to do so in order to reduce the economic impact of such disruptions, Eskom has warned that power constraints will continue. In November 2015, a draft Carbon Tax Bill was published for public consultation. At the time of its publication, it was believed to take effect by January 2017, however this time line has since been moved to January 2019. At this time it is not possible to determine the ultimate impact of the proposed carbon tax on the company. Energy is a significant input to our mining and processing operations, with our principal energy sources being electricity and it is likely that the proposed carbon tax will affect our operations. In order both to facilitate the carbon tax legal regime and to provide for greater regulation of greenhouse gas ("GHG") emissions outside of the carbon tax, the Department of Environmental Affairs has initiated the implementation of a mandatory GHG reporting system, for certain identified data providers. In addition, the Department of Environmental Affairs has published the Climate Change Bill, dated

June 8, 2018 for public consultation in response to the international commitments made under the 2016 Paris Agreement on Climate Change (the "Paris Agreement"). It aims to address climate change in the long-term by aiming for a climate resilient and low carbon economy in South Africa. Harmony remains concerned with the lack of synergy between the Carbon Tax Bill and Climate Change Bill. These or future measures could require Harmony to reduce its direct GHG emissions or energy use or to incur significant costs for GHG emissions permits or taxes or have these costs or taxes passed on by electricity utilities which supply the company's operations. Harmony also could incur significant costs associated with capital equipment, GHG monitoring and reporting and other obligations to comply with applicable requirements.

PNG has limited power generation and distribution capacity, supplied by the state utility, PNG Power. This capacity is increasing but it is subject to disruptions in electrical power supply. Currently, Harmony mines and projects still partially or entirely rely on our own diesel-generated power. The cost of this power will fluctuate with changes in the oil price. Disruptions in electrical power supply or substantial increases in the cost of oil could have a material adverse effect on our business, operating results and financial condition.

Also, see Item 5: "Operating and Financial Review and Prospects-Electricity in South Africa." and "Integrated Annual Report for the 20-F 2018-Managing our Social and Environmental Impacts- Environmental management and stewardship" on pages 68 to 87.

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We may experience problems in identifying, financing and managing new acquisitions and integrating them with our existing operations. We may not have full management control over future joint venture partners.

In order to maintain or expand our operations and reserve base, Harmony has sought, and may continue to seek to enter into joint ventures or to make acquisitions of selected precious metal producing companies or assets. For example, in 2017 Harmony acquired AngloGold Ashanti Limited's Moab Khotsong and Great Noligwa mines together with other assets and related infrastructure in the Moab Acquisition.

Acquiring new gold mining operations involves a number of risks including:

- our ability to identify appropriate assets for acquisition and/or to negotiate acquisitions on favorable terms;
- obtaining the financing necessary to complete future acquisitions;
- difficulties in assimilating the operations of the acquired business;
- the changing regulatory environment as it relates to the Mining Charter (as defined below) and the general policy uncertainty in South Africa;
- difficulties in maintaining our financial and strategic focus while integrating the acquired business;
- problems in implementing uniform quality, standards, controls, procedures and policies;
- management capacity, and skills to supplement that capacity, to integrate new assets and operations;
- increasing pressures on existing management to oversee an expanding company; and
- to the extent we acquire mining operations outside South Africa, Australia or PNG, encountering difficulties relating to operating in countries in which we have not previously operated.

Any such acquisition or joint venture may change the scale of our business and operations and may expose us to new geographic, geological, political, social, operating, financial, legal, regulatory and contractual risks. Our ability to make successful acquisitions and any difficulties or time delays in achieving successful integration of any of such acquisitions could have a material adverse effect on our business, operating results and financial condition.

In addition, to the extent that Harmony participates in the development of a project through a joint venture or other multi-party commercial structure, there could be disagreements, legal or otherwise or divergent interests or goals among the parties, which could jeopardize the success of the project, particularly if Harmony does not have full management control over the joint venture. There can be no assurance that any joint venture will achieve the results intended and, as such, any joint venture could have a material adverse effect on our revenues, cash and other operating costs. See Item 5. "Operating and Financial Review and Prospects -- B. Liquidity and Capital Resources -- Investing." Certain factors may affect our ability to support the carrying value of our property, plant and equipment, goodwill and other assets on our balance sheet, resulting in impairments.

Harmony reviews and tests the carrying value of its assets when events or changes in circumstances suggest that this amount may not be recoverable and impairments may be recorded as a result of testing performed.

Our market capitalization on any reporting date is calculated on the basis of the price of our shares and ADSs on that date. Our shares and ADSs may trade in a wide range through the fiscal year depending on the changes in the market, including trader sentiment on various factors including gold price. Therefore, there may be times where our market capitalization is greater than the value of our net assets, or "book value", and other times when our market capitalization is less than our book value. Where our market capitalization is less than our net asset or book value, this could indicate a potential impairment and we may be required to record an impairment charge in the relevant period.

At least on an annual basis for goodwill, and when there are indications that impairment of property, plant and equipment and other assets may have occurred, estimates of expected future cash flows for each group of assets are prepared in order to determine the recoverable amounts of each group of assets. These estimates are prepared at the lowest level at which identifiable cash flows are considered as being independent of the cash flows of other mining assets and liabilities. Expected future cash flows are inherently uncertain, and could materially change over time. Such cash flows are significantly affected by reserve and production estimates, together with economic factors such as spot and forward gold prices, discount rates, currency exchange rates, estimates of costs to produce reserves and future capital expenditures.

As at June 30, 2018, Harmony had substantial amounts of property, plant and equipment, goodwill and other assets on its consolidated balance sheets. Impairment charges relating to property, plant and equipment and other assets were recorded in fiscal 2018. If management is required to recognize further impairment charges, this could affect

Harmony's results of operations and financial condition. See Item 5: "Operating and Financial Review and Prospects-Critical Accounting Estimates-Impairment of Property, Plant and Equipment" and "-Carrying Value of Goodwill."

Given the nature of mining and the type of gold mines we operate, we face a material risk of liability, delays and increased cash costs of production from environmental and industrial accidents and pollution compliance breaches. The business of gold mining involves significant risks and hazards, including environmental hazards and industrial accidents. In particular, hazards associated with underground mining include:

- rock bursts;
- seismic events;

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• underground fires;  
• cave-ins or fall-of-ground;  
• discharges of gases and toxic chemicals;  
• release of radioactive hazards;  
• flooding;  
• mining of pillars (integrity of shaft support structures may be compromised and cause increased seismicity);  
• processing plant fire and explosion;  
• critical equipment failures;  
• accidents and fatalities; and  
• other conditions resulting from drilling, blasting and the removal and processing of material from a deep-level mine.

Hazards associated with opencast mining (also known as open-pit mining) include:

• flooding of the open-pit;  
• collapse of open-pit walls or slope failures;  
• processing plant fire and explosion;  
• accidents associated with operating large open-pit and rock transportation equipment;  
• accidents associated with preparing and igniting of large-scale open-pit blasting operations; and  
• major equipment failures.

Hazards associated with construction and operation of waste rock dumps and tailings storage facilities include:

• accidents associated with operating a waste dump and rock transportation;  
• production disruptions caused by natural phenomena, such as floods and droughts and weather conditions, potentially exacerbated by climate change;  
• wall or slope failures; and  
• contamination of ground or surface water.

We are at risk from any or all of these environmental and industrial hazards. In addition, the nature of our mining operations presents safety risks. Harmony's operations are subject to health and safety regulations, which could impose additional costs and compliance requirements. Harmony may face claims and liability for breaches, or alleged breaches, of such regulations and other applicable laws. The occurrence of any of these events could delay production, increase cash costs and result in financial liability to Harmony, which, in turn, may adversely affect our results of operations and our financial condition.

The nature of our mining operations presents safety risks.

The environmental and industrial risks identified above also present safety risks for Harmony's operations and our employees and could lead to the suspension and potential closure of operations for indeterminate periods. Safety risks, even in situations where no injuries occur, can have a material adverse effect on Harmony's results of operations and financial condition. See Item 4: "Information on the Company-Business Overview-Regulation-Health and Safety - South Africa" and "Integrated Annual Report for the 20-F 2018 - Ensuring employee well-being - maintaining stability in our workforce-Safety and health" on pages 34 to 50.

Illegal mining, or criminal mining, as well as theft of gold and copper bearing material at our operations could pose a threat to the safety of employees, result in damage to property and could expose the Company to liability.

Civil disturbances and criminal activities such as trespass, illegal mining, sabotage, theft and vandalism could lead to disruptions at certain of Harmony's operations.

The activities of illegal and artisanal miners, which include theft and shrinkage, could cause damage to Harmony's properties, including by way of pollution, underground fires, operational disruption, project delays or personal injury or death, for which Harmony could potentially be held responsible. Illegal mining could result in the depletion of mineral deposits, potentially making the future mining of such deposits uneconomic.

Rising gold and copper prices may result in an increase in gold and copper thefts. The occurrence of any of these events could have a material adverse effect on Harmony's financial condition on results of its operations.

Harmony's insurance coverage may prove inadequate to satisfy future claims against it.

Harmony has third-party liability coverage for most potential liabilities, including environmental liabilities. Harmony may be subject to liability for pollution (excluding sudden and accidental pollution) or other hazards against which we



have not insured or cannot insure, including those for past mining activities. Harmony also maintains property and liability insurance consistent with industry practice, but this insurance contains exclusions and limitations on coverage. In addition, there can be no assurance that insurance will be available at economically acceptable premiums. As a result, Harmony's insurance

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coverage may not cover the claims against it, including for environmental or industrial accidents or pollution, which could have a material adverse effect on Harmony's financial condition.

Harmony's operations may be negatively impacted by inflation.

Harmony's operations have been materially affected by inflation. Inflation in South Africa has fluctuated in a narrow band in recent years, remaining within or just outside the inflation range of 3% - 6% set by the South African Reserve Bank. At the end of fiscal 2016, 2017 and fiscal 2018, inflation was 6.3%, 5.1% and 4.6%, respectively. However, working costs, in particular electricity costs and wages have increased at a rate higher than inflation in recent years, resulting in significant cost pressures for the mining industry. See "Operating and Financial Review and Prospects - Operating Results - Electricity in South Africa - Tariffs" [cross reference to be confirmed]. Should Harmony experience further electricity or wage increases, its business, operating results and financial condition may be adversely impacted.

The inflation rate in PNG ended fiscal 2016 at 6.4% and 2017 at 6.6%, while the annualized inflation stood at 6% at the end of fiscal 2018.

Harmony's profits and financial condition could be adversely affected when cost inflation is not offset by devaluation in operating currencies or an increase in the price of gold.

The occurrence of any of these events could adversely affect our results of operations and our financial condition.

The socio-economic framework in the regions in which Harmony operates may have an adverse effect on its operations and profits.

Harmony has operations in South Africa and PNG. As a result, changes to or instability in the economic or political environment in either of these countries or in neighboring countries could affect an investment in Harmony. These risks could include terrorism, civil unrest, nationalization, political instability, change in legislative, regulatory or fiscal frameworks, renegotiation or nullification of existing contracts, leases, permits or other agreements, restrictions on repatriation of earnings or capital and changes in laws and policy, as well as other unforeseeable risks.

In PNG, a mining legislative and tax regime review has been commissioned whereby various PNG government agencies are involved in the process. The legislation being reviewed includes the PNG Mining Act 1992, PNG Mining (Safety) Act 1977 and PNG Income Tax Act 1959, and applicable regulations. Mineral Policy and mining-specific sector policies including offshore mining policy, sustainable development policy, involuntary relocation policy and mine closure policy, and the PNG government's right to acquire an interest in a mine discovery, the percentage extent of such right and the consideration payable for it, are also being reviewed. The Chamber of Mines and Petroleum of PNG, as the representative industry body, has been collating information from industry participants regarding the review of current legislation and policy and engaging with the PNG government as part of the response to the governments mining legislation review.

Pursuant to the tax regime review, certain adverse changes to the fiscal regime were introduced with effect from January 1, 2017, with the main changes being the introduction of an Additional Profit Tax, the cessation of the double deduction allowance for exploration expenditure, and an increase in the rates of interest withholding and dividend withholding taxes. It is difficult to predict the future political, social and economic environment in these countries, or any other country in which Harmony operates, and the impact government decisions may have on its business.

Actual and potential shortages of production inputs and supply chain disruptions may affect Harmony's operations and profits.

Harmony's operational results may be affected by the availability and pricing of consumables such as fuel, chemical reagents, explosives, tires, steel and other essential production inputs. Issues with regards to availability of consumables may result from shortages, long lead times to deliver and supply chain disruptions, which could result in production delays and production shortfalls.

These shortages and delayed deliveries may also be experienced where industrial action affects Harmony's suppliers. These issues could also affect the pricing of the consumables, especially if shortages are experienced. The price of consumables may be substantially affected by changes in global supply and demand, along with natural disasters such as earthquakes, climate change, extreme weather conditions, governmental controls, industrial action and other factors. A sustained interruption to the supply of any of these consumables would require Harmony to find acceptable substitute suppliers and could require it to pay higher prices for such materials. A sustained interruption might also

adversely affect Harmony's ability to pursue its development projects. Any significant increase in the prices of these consumables would increase operating costs and adversely affect profitability, which could adversely affect our results of operations and our financial condition.

Harmony's ability to service its debt will depend on its future financial performance and other factors.

Harmony's ability to service its debt depends on its financial performance, which in turn will be affected by its operating performance as well as by financial and other factors, and in particular the gold price, certain of which are beyond the control of the Company. Various financial and other factors may result in an increase in Harmony's indebtedness, which could adversely affect the Company in several respects, including:

- limiting its ability to access the capital markets;
- hindering its flexibility to plan for or react to changing market, industry or economic conditions;
- limiting the amount of cash flow available for future operations, acquisitions, dividends, or other uses, making it more vulnerable to economic or industry downturns, including interest rate increases;

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increasing the risk that it will need to sell assets, possibly on unfavorable terms, to meet payment obligations; or increasing the risk that it may not meet the financial covenants contained in its debt agreements or timely make all required debt payments.

The occurrence of any of these events could adversely affect our results of operations and our financial condition. Harmony's ability to service its debt also depends on the amount of its indebtedness. In order to conclude the Moab Acquisition, Harmony increased its indebtedness. Harmony entered into a US\$350 million three-year syndicated term and revolving facility in July 2017, of which US\$325 million was drawn down and outstanding as of June 30, 2018. US\$100 million of this amount was used to finance the Moab Acquisition. Harmony also entered into a US\$200 million one-year syndicated bridge facility in October 2017, of which US\$50 million was drawn down and outstanding as at the end of fiscal 2018, all of which was used to finance the Moab Acquisition. See Liquidity and Capital Resources - Outstanding Credit Facilities and Other Borrowings.

In the near-term, Harmony expects to manage its liquidity needs from cash generated by its operations, cash on hand, committed and underutilized facilities, as well as additional funding opportunities. However, if Harmony's cost of debt were to increase or if it were to encounter difficulties in obtaining financing in the future, its sources of funding may not match its financing needs, which could have a material adverse effect on its business, operating results and financial condition.

Mining companies face strong competition.

The mining industry is competitive in all of its phases. Harmony competes with other mining companies and individual for specialized equipment, components and supplies necessary for exploration and development, for mining claims and leases on exploration properties and for the acquisition of mining assets. These competitors may have greater financial resources, operational experience and technical capabilities than Harmony. Competition may increase Harmony's cost of acquiring suitable claims, properties and assets, which could have a material adverse effect on its financial condition.

We also compete with mining and other companies for key human resources.

The risk of losing senior management or being unable to hire and retain sufficient technically skilled employees or sufficient historically disadvantage South African ("HDSA") representation in management positions, may materially impact on Harmony's ability to achieve their objectives.

Harmony competes with mining and other companies globally to attract and retain key human resources at all levels with the appropriate technical skills and operating and managerial experience necessary to continue operating its business. The need to recruit, develop and retain skilled employees is particularly critical with HDSA's, women in mining in South Africa, and recruiting and training local landowners in PNG. The global shortage of key mining specialists, including geologists, mining engineers, mechanical and electrical engineers, metallurgists and skilled artisans has been exacerbated by increased mining activity across the globe. There can be no assurance that Harmony will attract and retain skilled and experienced employees. Should Harmony lose any of its key personnel, its business may be harmed and its operational results and financial condition could be adversely affected. See Item 4: "Information on the Company-Business Overview-Regulation-Labor Relations" and "Integrated Annual Report for the 20-F 2018 - Ensuring employee well-being - maintaining stability in our workforce-employee engagement" on pages 51 to 58. Since Harmony's labor force has substantial trade union participation, Harmony faces the risk of disruption from labor disputes and non-procedural industrial action resulting in loss of production and increased labor costs impacting negatively on production and financial results.

Despite a history of constructive engagement with labor unions, there are periods when various stakeholders are unable to agree on dispute resolution processes. Disruptive activities on the part of labor, which normally differ in intensity, then become unavoidable. Due to the high level of union membership among our employees, we are at risk of production stoppages for indefinite periods due to strikes and other disputes, especially wildcat strikes. Inter-union rivalry may increase the risk of labor relations instability. In October 2015, Harmony concluded a three year wage agreement with unions representing the majority of the Company's employees. This agreement was extended to all employees irrespective of union affiliation. We are not able to predict whether we will experience significant labor disputes in future, or what the financial impact of any such disputes may be. See Item 4: "Information on the Company-Business Overview-Regulation-Labor Relations", "Integrated Annual Report for the 20-F 2018-Ensuring

employee well-being - maintaining stability in our workforce-employee engagement” on pages 51 to 58. South African employment law sets out minimum terms and conditions of employment for employees. Although these may be improved by agreements between us and the trade unions, prescribed minimum terms and conditions form the benchmark for all employment contracts. See “Integrated Annual Report for the 20-F 2018 - Operating context-Stakeholder engagement and material issues” on pages 22 to 27.

We are required to submit a report under South African employment law detailing the progress made towards achieving employment equity in the workplace. If this report is not submitted, we could incur substantial penalties. Developments in South African employment law may increase our cash costs of production or alter our relationship with our employees and trade unions, which may have an adverse effect on our business, operating results and financial condition.

In the event that Harmony experiences industrial relations related interruptions at any of its operations or in other industries that impact its operations, or increased employment-related costs due to union or employee activity, these may have a material adverse effect on our business, production levels, operating costs, production targets, operating results, financial condition, reputation and future prospects. In addition, mining conditions can deteriorate during extended periods without production, such as during and after strikes; lower levels of mining activity can have a longer term impact on production levels and operating costs, which may affect operating life.

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HIV/AIDS, tuberculosis and other contagious diseases pose risks to us in terms of productivity and costs. The prevalence of HIV/AIDS, and other contagious diseases in South Africa and PNG poses risks to us in terms of potentially reduced productivity, and increased medical and other costs. Compounding this are concomitant infections, such as tuberculosis, that can accompany HIV illness and cause additional health care-related costs. If there is a significant increase in the incidence of HIV/AIDS infection and related diseases among the workforce over the next several years, this may have an adverse impact on our results of operations and financial condition. See “Integrated Annual Report for the 20-F 2018 - Ensuring employee well-being - maintaining stability in our workforce-Safety and health” on pages 34 to 50.

The cost of occupational health care services and the potential liabilities related to occupational health diseases may increase in future and may be substantial.

Harmony’s operations are subject to health and safety regulations which could impose significant cost burdens. In South Africa, the present Mine Health and Safety Act 29 of 1996 imposes various duties on mines and grants the authorities broad powers to, among others, close mines which are unsafe or hazardous to the health of persons and order corrective action on health and safety matters. Operations in PNG are subject to similar duties and powers, including under the following laws and regulations: PNG Mining Act 1992, PNG Mining (Safety) Act 1977, PNG Mining Safety Regulation 1935 (updated 2006) and PNG Environment Act 2000.

There is a risk that the cost of providing health services, complying with applicable regulations, including the Compensation for Occupational Injuries and Diseases Act 130 of 1993 (“COIDA”) and the Occupational Diseases in Mines and Works Act 78 of 1973 (“ODMWA”), and implementing various programs could increase in future, depending on changes to underlying legislation, legal claims and the profile of our employees. This increased cost, should it transpire, could be substantial, but is currently indeterminate.

In addition, on May 13, 2016, the South Gauteng High Court certified a class action by current and former mineworkers against gold mining companies in South Africa, including Harmony. The action consists of two classes: the silicosis class and the tuberculosis “TB” class. Each class also includes dependents whose parents died after contracting silicosis and/or TB while working at the mines. While issues, such as negligence and causation, need to be proved by the claimant on a case- by-case basis, such a ruling could expose Harmony to claims related to occupational hazards and diseases (including silicosis and TB, which may be in the form of an individual claim, a class action or a similar group claim). The Supreme Court of Appeal granted the mining companies leave to appeal against all aspects of the class May 2016 judgment. The appeal hearing before the Supreme Court of Appeal was scheduled to be heard in March 2018. However, the parties agreed to postpone the matter to conclude settlement negotiations. The matter was subsequently settled on May 3, 2018. The terms of the settlement agreement are confidential. The settlement agreement must be made an order of court before it can be given effect to. Such an application to court will be brought within the near future. See Item 8: “Financial Information-Consolidated Statements and Other Financial Information-Legal Proceedings” and “Integrated Annual Report for the 20-F 2018-Ensuring employee well-being - maintaining stability in our workforce-Safety and health” on pages 34 to 50 for further information. See note 27 “Provision for silicosis settlement” to our consolidated financial statements set forth beginning on page F-1.

The Occupational Lung Disease Working Group (“Working Group”), was formed in fiscal 2014 to address issues relating to compensation and medical care for occupational lung disease in the South African gold mining industry. The Working Group, made up of ARM Limited, Anglo American SA, AngloGold Ashanti Limited, Gold Fields Limited, Harmony and Sibanye Gold Limited, has had extensive engagements with a wide range of stakeholders since its formation, including government, organized labor, other mining companies and the legal representatives of claimants who have filed legal actions against the companies.

The members of the Working Group are among respondent companies in a number of legal proceedings related to occupational lung disease, including the class action referred to above. The Working Group is however of the view that achieving a comprehensive settlement which is both fair to past, present and future employees and sustainable for the sector, is preferable to protracted litigation. The Working Group will continue with its efforts to find common ground with all stakeholders, including government, labor and the claimants’ legal representatives.

As at June 30, 2018, as a result of the ongoing work of the Working Group and engagements with affected stakeholders since December 31, 2016, Harmony provided an amount of US\$70 million in the statement of financial

position for its share of the estimated cost in relation to the Working Group of a settlement of the class action claims and related costs. At June 30, 2018 the provision decreased by US\$3 million as a result of changes in estimates, time value of money and the translation of Rand to US dollars. Harmony believes that this remains a reasonable estimate of its share of the estimated cost in relation to the Working Group of a possible settlement of the class action claims and related costs.

If Harmony or any of its subsidiaries were to face a significant number of such claims and the claims were suitably established against it, the payments of compensation to the claimants could have a material adverse effect on Harmony's results of operations and financial condition. In addition, Harmony may incur significant additional costs, including costs relating to the payment of fees, levies or other contributions in respect of compensatory or other funds established (if any), and expenditures arising out of its efforts to resolve any such claims or other potential action. Harmony is subject to the imposition of various regulatory costs, such as mining taxes and royalties, changes to which may have a material adverse effect on Harmony's operations and profits.

In recent years, governments, communities, non-government organizations and trade unions in several jurisdictions have sought and, in some cases, have implemented greater cost imposts on the mining industry, including through the imposition of additional taxes and royalties. Such resource nationalism, whether in the form of cost imposts, interference in project management, mandatory social investment requirements, local content requirements or creeping expropriation could impact the global mining industry and Harmony's business, operating results and financial condition.

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In December 2017, during its national conference, the African National Congress ("ANC") resolved that as a matter of policy, the ANC should pursue the expropriation of land without compensation, provided that such expropriation is carried out without destabilizing the agricultural sector, endangering food security or undermining economic growth and job creation. In February 2018, the National Assembly assigned the Constitutional Review Committee ("CRC"), to review section 25 of South Africa's Constitution and other relevant clauses to make it possible for the state to expropriate land in the public interest without compensation. The CRC had a deadline of August 30, 2018 to report their findings to the National Assembly. At this stage, it is not clear what recommendations the CRC may make. In the event that the CRC recommends a Constitutional amendment in favor of expropriation, various procedural milestones would need to occur, including a bill amending section 25 of the Constitution approved by a majority of the National Assembly as well as six of the nine provinces of the National Council of Provinces ("NCOP") and signed by the President, among others.

While the South African government has stated that it does not intend to nationalize mining assets or mining companies, certain political parties have stated publicly and in the media that the government should embark on a program of nationalization. For instance, the ANC has adopted two recommended approaches to interacting with the mining industry. While the ANC has rejected the possibility of mine nationalization for now, the first approach contemplates, among other things, greater state intervention in the mining industry, including the revision of existing royalties, the imposition of new taxes and an increase in the South African government's holdings in mining companies. The second approach contemplates the South African government taking a more active role in the mining sector, including through the introduction of a state mining company to be involved in new projects either through partnerships or individually.

The adopted policies may impose additional restrictions, obligations, operational costs, taxes or royalty payments on gold mining companies, including Harmony, any of which could have a material adverse effect on our business, operating results and financial condition.

The former President, Jacob Zuma, appointed the Davis Tax Committee to look into and review the current mining tax regime. The committee's first interim report on mining, which was released for public comment on August 13, 2015, proposed no changes to the royalty regime but recommended the discontinuation of the upfront capital expenditure write-off regime in favor of an accelerated capital expenditure depreciation regime. In addition, the report recommended retaining the so called "gold formula" for existing gold mines only, as new gold mines would be unlikely to be established in circumstances where profits are marginal or where gold mines would conduct mining of the type intended to be encouraged by the formula. The committee also recommended the phasing out of additional capital allowances available to gold mines in order to bring the gold mining corporate income tax regime in line with the tax system applicable to all taxpayers. In December 2016, following a period of public comment, the committee issued its second and final report to the Minister of Finance, which largely reaffirmed the committee's initial recommendations. The final reports were published in November 2017. The South African National Treasury will continue to consider the committee's final recommendations. It is not clear at this stage which, if any, of the recommendations will be adopted as legislation. Such legislation could, however, have a material adverse effect on our results of operations.

Laws governing mineral rights affect our business and could impose significant costs and burdens. Mineral rights in the countries in which we operate could be altered, suspended or canceled for a variety of reasons, including breaches in its obligations in respect of such mining rights.

Our operations in South Africa and PNG are subject to legislation regulating mineral rights. Certain of the Company's properties may be subject to the rights or the asserted rights of various community stakeholders, including indigenous people. The presence of those stakeholders may therefore have an impact on Harmony's ability to develop or operate its mining interests.

In South Africa, we are governed by the South African Mineral and Petroleum Resources Development Act, 2002 (Act 28 of 2002) ("MPRDA"). See Item 4: "Information on the Company -Business Overview-Regulation-Mineral Rights - South Africa - MPRDA" for a description of the principal objectives set out in the MPRDA.

The MPRDA was promulgated as effective legislation on May 1, 2004 and sought to transfer ownership of mineral resources to the South African people, with the South African government acting as custodian in order to, among



other things, promote equitable access to the nation's mineral resources by South Africans, expand opportunities to HSDAs who wish to participate in the South African mining industry and advance socio-economic development. We currently continue to comply with the requirements of the MPRDA. Any failure to comply with the conditions of our mining rights, whether intentional or unintentional, could have a material adverse effect on our operations and financial condition and could result in the cancellation or suspension of our mining rights.

On June 21, 2013, the Minister introduced the Mineral and Petroleum Resources Development Amendment Bill, 2013 (the "MPRDA Bill") into Parliament. The South African Department of Mineral Resources ("DMR") briefed the National Assembly's Portfolio Committee on Mineral Resources in July 2013. The MPRDA Bill was passed by both the National Assembly and the NCOP on March 27, 2014. In January 2015, the former President, Jacob Zuma, referred the MPRDA Bill back to Parliament for reconsideration and on November 1, 2016, the Portfolio Committee on Mineral Resources tabled non-substantial revisions to the MPRDA Bill in the National Assembly and a slightly revised version of the MPRDA Bill was passed by the National Assembly and referred to the NCOP. On March 3, 2017, the National Assembly passed certain minor amendments to the MPRDA Bill. The National Assembly has referred the MPRDA Bill to the NCOP where the Select Committee has received comments on the draft legislation. The chairperson of the Select Committee had targeted January or February of 2018 to pass the legislation. On February 16, 2018, the President of South Africa, Cyril Ramaphosa, announced that the MPRDA Bill was at an advanced stage in Parliament. However, in August 2018, the Minister announced that, given the issues with the MPRDA Bill, his recommendation would be to withdraw it entirely. Cabinet has subsequently supported its withdrawal but Parliament has yet to formally withdraw it.

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There is a large degree of uncertainty regarding the changes that will be brought about should the MPRDA Bill not be withdrawn and if it is made law. Among other things, the MPRDA Bill provides that applicants will no longer be able to rely on the 'first come, first served' principle when submitting an application for a right, it seeks to require the consent of the Minister for the transfer of any interest in an unlisted company or any controlling interest in a listed company where such companies hold a prospecting right or mining right and to give the Minister broad discretionary powers to prescribe the levels of minerals required to be offered to domestic beneficiaries for beneficiation. We cannot yet determine the full impact that the MPRDA Bill may have on our business and there can be no assurance that such changes will not have a material adverse effect on our operations and financial condition.

On September 27, 2018, the Minister published the Broad-Based Socio-Economic Empowerment Charter for the Mining and Minerals Industry, 2018 ("Mining Charter III"), on which date it also become effective. It replaces, in their entirety, the original Mining Charter negotiated in 2002 and gazetted in 2004 (the "Original Charter") and the "amended" Charter gazetted in September 2010 (the "Amended Charter"). Mining Charter III imposes new obligations and increased participation by Historically Disadvantaged South Africans ("HDSAs") in relation to a mining company's ownership, procurement of goods and services, enterprise and supplier development, human resource development and employment equity requirements.

While the HDSA ownership requirement in relation to existing mining rights has not increased (provided that Harmony met the 26 percent requirement under the Amended Charter), Harmony may be required to comply with new HDSA ownership requirements in relation to any renewals, consolidations and transfers of its existing rights and any applications for new mining rights. The increased HDSA requirements in relation to employment equity, procurement of goods and services and enterprise and supplier development may result in additional costs being incurred by Harmony, which could have a material adverse effect on our results of operations and financial condition.

Mining Charter III has only recently been published and many of its provisions are vague and untested. Furthermore, the Minister must still publish guidelines in relation to the implementation of its provisions. See Item 4: "Information on the Company - Business Overview -Regulation - Mineral Rights - South Africa - The Mining Charter".

Should Harmony breach its obligations in complying with the MPRDA or Mining Charter III, its existing mining rights in South Africa could be suspended or canceled by the Minister in accordance with the provisions of the MPRDA. It may also influence the Company's ability to obtain any new mining rights. Any such suspension or cancellation could have a material adverse effect on the results of operations as well as the Company's financial condition.

In PNG, we are governed by the PNG Mining Act of 1992. Minerals in PNG are owned by the PNG government. PNG initially awards exploration licenses, but retains a right under the conditions of each exploration license, at any time prior to the commencement of mining, to acquire a participating interest of up to 30% in any mineral discovery at historical exploration cost. The PNG government administers mining tenements through the offices of the PNG Mineral Resources Authority. The types of tenements issued include: exploration license; mining lease; special mining lease; alluvial mining lease; lease for mining purpose; and mining easement. Mining companies must pay royalties to the PNG government based on production (currently 2%).

The PNG permitting process for new mining operations can be very time consuming (approximately 18 to 24 months), and (subject to the applicable legislation) there is no assurance that a mining tenement will be granted.

The PNG government has commissioned a review of the mining regime, including the PNG government's right to acquire an interest in a mine discovery, the percentage extent of such right and the consideration payable for it. The Chamber of Mines and Petroleum of PNG, as the representative industry body, has been collating information from industry participants and engaging with the PNG government as part of the industry's response to the review proposals. Any change to the PNG mining regime may result in the imposition of additional restrictions, obligations, operational costs, taxes or royalty payments could have a material adverse effect on Harmony's business, operating results and financial condition.

Laws governing health and safety affect our business and could impose significant costs and burdens.

In South Africa, the Mine Health and Safety Act 29 of 1996 ("MHSA") requires that employers take and implement various measures to ensure the safety and health of persons working at a mine. This obligation is extended to any contractor employees that may be working at a mine. These obligations include the identification and assessment of

risk, implementation of codes of practice and standards setting out safe work procedures, proper and appropriate training, supervision, medical surveillance and the provision of safe equipment and personal protective equipment. Further, Harmony must ensure compliance with various licenses, permissions or consents that have been issued to it in terms of the various pieces of applicable legislation.

An employer may be subjected to significant penalties and/or administrative fines for non-compliance under the MSHA and other health and safety legislation. Depending on the particular circumstances, litigation (criminal and/or civil) may be instituted against the employer in respect of an accident or incident which has resulted in the injury, death or occupational disease contracted by an employee (or contractor employee). In addition, in some of the jurisdictions in which Harmony operates, the government enforces compulsory shutdowns of operations to enable investigations into the cause of accidents. Certain of our operations have been temporarily suspended for safety reasons in the past. Such shutdowns or suspensions, if of sufficient magnitude, could have a material adverse effect on our business, operating results or financial condition.

Any further changes to the health and safety laws which increase the burden of compliance on the employer and impose higher penalties for non-compliance may result in incurring further significant costs, which could have a material adverse effect on our business, operating results and financial condition. In addition, our reputation could be damaged by

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any significant governmental investigation or enforcement of health and safety laws, regulations or standards, which could also have a material adverse effect on our business, operating results and financial condition.

In PNG, the safety of employees and contractors at Harmony's mining operations is regulated by the PNG Mining (Safety) Act 1977 and the Regulations issued thereunder. In terms of section 6(1)(e)(i) of the Act, the inspector has the power to order the cessation of any part of the operations for such (unlimited) time as he or she considers may be necessary to satisfy the safety provisions of the Act. Such order for cessation can often result in lower or a total stoppage of production resulting in significant financial losses during the cessation.

We are subject to extensive environmental regulations.

As a gold mining company, Harmony is subject to extensive environmental regulation. We expect the trend of rising production costs due to compliance with South African and PNG environmental laws and regulations to continue. In South Africa, the MPRDA, certain other environmental legislation and the administrative policies of the South African government regulate the impact of the Company's prospecting and mining operations on the environment. On the suspension, cancellation, termination or lapsing of a prospecting or mining right, Harmony will remain liable for compliance with the provisions of various relevant regulations, including any latent significant environmental impacts manifesting post-closure, notwithstanding the issuance of a closure certificate is issued by the DMR. This liability will continue until the appropriate authorities have (i) certified that the Company has complied with such provisions or (ii) authorized the transfer of liability to a competent party.

Estimates of ultimate closure and rehabilitation costs are significant and are based principally on current legal and regulatory requirements that may change materially. Environmental provisions are accrued when they become known, probable and can be reasonably estimated based on current contractor rates and in some instances based on industry good practice. In future, Harmony may incur significant costs for compliance with increasingly stringent requirements being imposed under new legislation. Harmony may also face increased environmental costs should other mines in the vicinity fail to meet their obligations on the pumping or treatment of water.

The South African government has reviewed requirements imposed on mining companies to ensure environmental restitution. For example, following the introduction of an environmental rights clause in South Africa's constitution, a number of environmental legislative reform processes have been initiated. Legislation passed as a result of these initiatives has tended to be materially more onerous than previous laws in South Africa. Examples of such legislation include the MPRDA, the National Nuclear Regulator Act 1999, the National Water Act 1998 ("NWA") and the National Environmental Management Act 1998 ("NEMA"), which include stringent 'polluter pays' provisions. The adoption of these or additional or more comprehensive and stringent requirements, particularly for the management of hazardous waste, pollution of ground and groundwater systems and duty to rehabilitate closed mines, may result in additional costs and liabilities. The "financial provision" regulations under NEMA, which were originally published in November 2015, have subsequently been updated with a new set of draft regulations published in November 2017 for public comment ("2017 draft regulations"). These regulations place an emphasis on post-closure water pumping and treatment and the need for upfront provision to be set aside for the management of these types of impacts. Under the 2017 draft regulations, Harmony estimates that it may be subject to an increase in the financial provision set aside for mine rehabilitation anywhere between 18% – 43%. Harmony believes that it will realize an additional liability of \$1.37 million for the final closure solution to close the KOSH basin safely and sustainably. Existing mines are also required to comply with the financial provision requirement, and are required to substantively review and align their financial provision in accordance with these regulations during the relevant transitional period, the long-stop date of which currently expires on February 20, 2019, after negotiations with the regulator, the implementation date has been deferred to February, 2020.

Harmony's PNG operations are subject to the PNG Environment Act 2000, which governs the environmental permitting and regulatory aspects of mining projects. An environmental impact statement is required when projects are likely to have a significant adverse impact on the environment. This statement must be lodged with the PNG Conservation and Environment Protection Authority where, for large projects, it may be forwarded to the PNG Environment Council for review. Public consultation is an integral part of this review.

Compliance with existing or new environmental legislation, which increases the burden of compliance or the penalties for non-compliance may cause Harmony to incur further significant costs and could have a material adverse effect on

our business, operating results and financial condition.

See “Integrated Annual Report for the 20-F 2018-Managing our Social and Environmental Impacts-Environmental management and stewardship” on pages 68 to 87 for further discussion on the applicable legislation and our policies on environmental matters.

We face public scrutiny and are under pressure to demonstrate that we pursue sustainable development that benefits the communities and countries in which they operate.

As a result of public concern about the perceived ill effects of economic globalization, businesses in general and large international companies such as Harmony, in particular, face increasing public scrutiny of their activities.

Like other mining companies, Harmony is under pressure to demonstrate that while it seeks a satisfactory return on investment for shareholders, other stakeholders including employees, communities surrounding the operations and the countries in which they operate, also benefit from their commercial activities. Such pressures tend to be particularly focused on companies whose activities are perceived to have a high impact on their social and physical environment. The potential consequences of these pressures include reputational damage, legal suits and social spending obligations.

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Existing and proposed mining operations are often located at or near existing towns and villages, natural water courses and other infrastructure. Mining operations must therefore be designed to mitigate and/or manage their impact on such communities and the environment.

At our PNG operations, we are required under the PNG Mining Act of 1992 to pay landowners regulated levels of compensation for any adverse impact the mining operation may have. In addition, under a negotiated memorandum of agreement, the government of PNG distributes to landowner groups an agreed share of the royalties paid to the PNG government in respect of our mining operation.

All new mining leases are subject to agreed national content and social performance plans addressing various aspects of employment and other community support.

The cost of implementing these and other measures to support sustainable development could increase capital expenditure and operating costs and therefore impact Harmony's operational results and financial condition.

Compliance with emerging climate change regulations could result in significant costs for Harmony, and climate change may present physical risks to our operations.

GHGs are emitted directly by Harmony's operations and indirectly as a result of consuming electricity generated by external utilities. Emissions from electricity consumption are indirectly attributable to Harmony's operations. There are currently a number of international and national measures to address or limit GHG emissions, including the Kyoto Protocol, the Copenhagen Accord and the Paris Agreement in various phases of discussion or implementation.

As of October 5, 2016, enough contracting parties to the Paris Agreement ratified the agreement for it to take legal effect. South Africa ratified the Paris Agreement on April 22, 2016. PNG ratified the Paris Agreement on September 21, 2016.

In line with this aim, the country's key carbon-emitting sectors, including energy and transport, had until end 2015 to finalize 'carbon budgets' and appropriate strategies to support these targets. Adopting a carbon budget model reflects government's acceptance of the relative energy and carbon intensity of the economy and the need to create the setting required for industries to make the transition to a more carbon-constrained environment.

In November 2015, the draft Carbon Tax Bill was published for public consultation - the draft bill anticipated that the carbon tax will be implemented on January 1, 2017. At the time of its publication, it was believed the draft Carbon Tax Bill would take effect by January 2017, however this timeline has since been moved to January 2019. In addition, the Department of Environmental Affairs published the Climate Change Bill, dated June 8, 2018, for public consultation in response to the international commitments made under the Paris Agreement. It aims to address climate change in the long-term by aiming for a climate resilient and low carbon economy in South Africa. At this time it is not possible to determine the ultimate impact of the proposed carbon tax on the Company. Nevertheless, Harmony has set its internal carbon price (for the South African operations) to match that of the proposed carbon tax. Harmony is at risk due to potential pass through costs from its suppliers in the short term from increased fuel prices. As the draft bill stands, carbon tax on liquid fuels will be imposed at the source. It is estimated that the increased fuel price would be R0.13/liter. This will have an impact on Harmony's operational expenses.

The Minister of Environmental Affairs noted that government would actively consult with industry on developing carbon budgets to identify an "optimal combination" of mitigation actions to strike a balance between South Africa's socio-economic imperatives, especially creating and preserving jobs, as well as the need to manage climate change impacts and contribute to global efforts to stabilize GHG concentrations.

From a medium and long-term perspective, we are likely to see an increase in costs relating to our energy-intensive assets and assets that emit significant amounts of GHG as a result of regulatory initiatives in South Africa. These regulatory initiatives will be either voluntary or mandatory and may impact our operations directly or by affecting our suppliers or customers. These costs may include, among others, emission measurement and reduction, audit processes and human resource costs. Non-compliance with statutory initiatives may result in monetary liabilities. Insurance premiums may increase and our position relative to industry competitors may change. Assessments of the potential impact of future climate change regulation are still uncertain, given the wide scope of potential regulatory change in South Africa.

PNG's national office of climate change and environmental sustainability is studying the potential for future economic growth to be driven by renewable energy. PNG has adopted a climate change policy but implementation actions to

date are very limited. The implications of the climate change policy on Harmony's operations in PNG have not yet been established but are not expected to have significant impacts.

The largest portion of GHG emissions is predominantly electricity-related, with electricity expenditure amounting to approximately 15% of Harmony's cash costs in South Africa. While cost management is clearly a strategic issue for Harmony, of even greater importance is that energy supply be constant and reliable, given the implications of loss of energy on both production and health and safety. GHG emissions regulations, which would increase the price of energy, will affect Harmony significantly, as will regulation that stipulates emission thresholds, or sets technology standards that may result in insecure energy supply. Already certain compliance costs from power suppliers are being passed on to the Group in the form of price increases. For instance, in South Africa since 2009, Harmony has paid a levy of R0.02 - R0.035 per kilowatt hour for electricity generated by fossil fuels. In the 2015 budget speech the Minister of Finance proposed an increase in the electricity levy by an additional R0.02 per kilowatt hour. There has not been any further proposal since. The implementation of the proposed increase in the electricity levy is still to be determined. These levies may increase over time and additional levies may be introduced in future in South Africa or PNG, which could result in a significant increase in our costs.

In addition, Harmony's operations could be exposed to a number of physical risks from climate change, such as changes in rainfall rates, rising sea levels, reduced water availability, higher temperatures and extreme weather events.

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Events or conditions such as flooding or inadequate water supplies could disrupt our mining and transport operations, mineral processing and rehabilitation efforts, create resource or energy shortages or damage our property or equipment and increase health and safety risks on site. Such events or conditions could have other adverse effects on our workforce and on the communities around our mines, such as an increased risk of food insecurity, water scarcity and prevalence of disease, all of which could have a material adverse effect on our results of operations and financial condition.

See “Integrated Annual Report for the 20-F 2018 -Managing our Social and Environmental Impacts- Environmental management and stewardship” on pages 68 to 87 for disclosure regarding our GHG emissions.

Our operations in South Africa are subject to water use licenses, which could impose significant costs.

Under South African law, Harmony’s local operations are subject to water use licenses that govern each operation’s water use. These licenses require, among other things, that mining operations achieve and maintain certain water quality limits for all water discharges, where these apply. Our South African operations are lawful users with existing water permits in terms of the Water Act of 1954 with some having been issued new order water use licenses.

Nevertheless, the South African operations have applied to the relevant regional directors for water use licenses in terms of the NWA. Submissions were made as early as 2003 and Harmony has been working closely with the regional directors in the review process. A few operations have been issued with draft licenses for review and iteration.

Kusasaletu and Kalgold received their water use licenses, subject to certain onerous conditions, which we have applied to be amended and are hopeful will be amended in our favor. For the remaining licenses we anticipate that the conditions of the licenses may require Harmony to consider and implement alternate water management measures that may have a significant cost implication for our business. We intend to work collaboratively with the regional departments to reach an amicable outcome that is in the best interest of the licensee and the national water resource, as any failure on Harmony’s part to achieve or maintain compliance with the requirements of these licenses for any of its operations may result in Harmony being subject to penalties, fees and expenses or business interruption due to revoked water licenses. Any of these could have a material effect on our business, operating results and financial condition.

There is a possibility of the South African National Treasury and Department of Water and Sanitation instituting an environmental levy for the management of acid mine drainage (“AMD”) in future. AMD is a common occurrence on the gold mines of the Witwatersrand Basin. AMD is caused by the exposure of sulfide-rich ore to oxygen and water during the processes of mining, crushing, mineral recovery, and storage of the various waste streams. Any such environmental levy could have a material effect on our business, operating results and financial condition. In addition, the occurrence of AMD at any of Harmony’s mines could affect its ability to comply with its water use license requirements.

See “Integrated Annual Report for the 20-F 2018 -Managing our Social and Environmental Impacts- Environmental management and stewardship” on pages 68 to 87.

We may have exposure to rehabilitate potential groundwater pollution, which may include salination, and radiation contamination that may exist where we have operated or continue to operate.

Due to the interconnected nature of mining operations at Doornkop and Kusasaletu, any proposed solution for potential flooding and decant risk posed by deep groundwater needs to comprise a regional solution supported by all mines located in the goldfields and the government in the event of legacy issues. As a result, the DMR and affected mining companies are involved in developing a regional mine closure strategy. In view of limited current information, no reliable estimate can be made for any possible obligations or liabilities for the Company, which could be material and have an adverse impact on Harmony’s financial condition. The "financial provision" regulations under NEMA published in November 2015 and the 2017 draft regulations are also likely to affect the amount of financial provision which is set aside for rehabilitation of the mine. These regulations place an emphasis on post-closure water pumping and treatment and the need for upfront provision to be set aside for the management of these types of impacts. No provision for any potential liability has been made in the financial statements. If substantial costs are required to be incurred, this could have a material adverse effect on our results of operations and financial condition.

See “Integrated Annual Report for the 20-F 2018 -Managing our Social and Environmental Impacts- Environmental management and stewardship” on pages 68 to 87.



The use of contractors at certain of the Company's operations may expose Harmony to delays or suspensions in mining activities and increases in mining costs.

Harmony uses contractors at certain of its operations to mine and deliver ore to processing plants as well as for other purposes. At mines employing mining contractors, contracting costs represent a significant proportion of the total operating costs of these operations and the Company does not own all of the mining equipment.

Harmony's operations could be disrupted, resulting in additional costs and liabilities, if the mining contractors at affected mines have financial difficulties, if a dispute arises in renegotiating a contract, or if there is a delay in replacing an existing contractor and its operating equipment to meet business needs at expected cost levels. Increases in contract mining rates, in the absence of associated productivity increases, will also have an adverse impact on the Company's results of operations and financial condition.

In addition, Harmony's reduced control over those aspects of operations which are the responsibility of contractors, their failure to comply with applicable legal, human rights and regulatory requirements, or their inability to manage their workforce or provide high quality services or a high level of productivity could adversely affect Harmony's reputation, results of operations and financial condition, and may result in the Company incurring liability to third parties due to the actions of contractors, which could have a material adverse effect on Harmony's business, operating results and financial condition.

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Our jointly-controlled assets may not comply with our standards.

Harmony does not have full management control over some of its assets, which are controlled and managed by joint venture participants in accordance with the provisions of their joint venture arrangements. The control environment of these assets may not align with our management and operating standards, controls and procedures. Failure to adopt equivalent standards, controls and procedures could lead to higher costs and reduced production, which could adversely affect our results of operations and reputation.

Harmony is subject to the risk of litigation, the causes and costs of which are not always known.

Harmony is subject to litigation, arbitration and other legal proceedings arising in the normal course of business and may be involved in disputes that may result in litigation. The causes of potential future litigation cannot be known and may arise from, among other things, business activities, environmental and health and safety concerns, share price volatility or failure to comply with disclosure obligations. The results of litigation cannot be predicted with certainty but could include costly damage awards or settlements, fines, and the loss of licenses, concessions, or rights, among other things.

In the event of a dispute, Harmony may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in South Africa. An adverse or arbitrary decision of a foreign court could have a material adverse impact on Harmony's financial performance, cash flow and results of operations.

Harmony is subject to numerous claims, including class actions or similar group claims relating to silicosis and other occupational health diseases, and could be subject to similar claims in the future. Settlement negotiations in the silicosis class action claims have reached an advanced stage and a provision for silicosis has been made. A provision of US\$70 million was recognized during fiscal 2017 for Harmony's potential cost to settle the silicosis and tuberculosis class actions that have been instituted against it in South Africa. During fiscal 2018 the provision decreased by US\$3 million as a result of changes in estimates, time value of money and the translation from Rand to US dollars.

Significant judgment was applied in estimating the costs that will be incurred to settle the silicosis class action claims and related expenditure and the final costs may differ from current cost estimates. Management believes the assumptions are appropriate, however changes in the assumptions may materially affect the provision and final costs of settlement. There can be no assurance that the ultimate resolution of this matter will not result in losses in excess of the recorded provision and the ultimate settlement may have a material adverse effect on Harmony's financial position. For further information, see Item 8: "Financial Information-Consolidated Statements and Other Financial Information-Legal Proceedings" and "Integrated Annual Report for the 20-F 2018-Ensuring employee safety and well-being-maintaining stability in our workplace-Safety and health" on pages 34 to 50 for further information. See note 27"Provision for silicosis settlement" to our consolidated financial statements set forth beginning on page F-1. It is possible that additional class actions and/or individual claims relating to silicosis and/or other occupational health diseases will be filed against Harmony in the future. Harmony will defend all and any subsequent claims as filed on their merits. Should Harmony be unsuccessful in defending any such claims, or in otherwise favorably resolving perceived deficiencies in the national occupational disease compensation framework that were identified in the earlier decision by the Constitutional Court, such matters would have an adverse effect on its financial position, which could be material.

Should Harmony be unable to resolve disputes favorably or to enforce its rights, this may have a material adverse impact on our financial performance, cash flow and results of operations.

Breaches in our information technology security processes and violations of data protection laws may adversely impact the conduct of our business activities (national and international).

Harmony maintains global information technology ("IT") and communication networks and applications to support our business activities. Our extensive IT infrastructure and network may experience service outages that may adversely impact the conduct of our business activities. This includes potential cyber-attacks and disruptive technologies. The information security management system ("ISMS") protecting Harmony's IT infrastructure and network may not prevent future malicious action, including denial-of-service attacks, or fraud by individuals, groups or organizations resulting in the corruption of operating systems, theft of commercially sensitive data, including commercial price outlooks, mergers and acquisitions and divestment transactions, misappropriation of funds and disruptions to our business

operations, the occurrence of any of which could have a material adverse effect on our business and results of operations.

The interpretation and application of consumer and data protection laws in South Africa, the United States and elsewhere are uncertain and evolving. It is possible that these laws may be interpreted and applied in a manner that is inconsistent with Harmony's data practices. Complying with these various laws is difficult and could cause the company to incur substantial costs or require it to change its business practices in a manner adverse to its business. For example, on May 25, 2018 the General Data Protection Regulation ("GDPR") came into force. The GDPR is an EU-wide framework for the protection of personal data of EU based individuals. The GDPR enhances existing legal requirements through several new rules, including stronger rights for data subjects and mandatory data breach notification requirements, and increases penalties for non-compliance. Failure to comply with the GDPR may lead to a fine of up to four percent of a company's worldwide turnover or up to Euro 20 million.

Investors in the United States may have difficulty bringing actions, and enforcing judgments, against us, our directors and our executive officers based on the civil liabilities provisions of the federal securities laws or other laws of the United States or any state thereof.

We are incorporated in South Africa. Each of our directors and executive officers (and our independent registered public accounting firm) resides outside the United States. Substantially all of the assets of these persons and substantially all our assets are located outside the United States. As a result, it may not be possible for investors to enforce a judgment against these persons or ourselves obtained in a court of the United States predicated upon the civil liability provisions of the

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federal securities or other laws of the United States or any state thereof. A foreign judgment is not directly enforceable in South Africa, but constitutes a cause of action which may be enforced by South African courts provided that:

• the court that pronounced the judgment had jurisdiction to entertain the case according to the principles recognized by South African law with reference to the jurisdiction of foreign courts;

• the judgment is final and conclusive;

• the judgment has not lapsed;

• the recognition and enforcement of the judgment by South African courts would not be contrary to public policy, including observance of the rules of natural justice which require that the documents initiating the United States proceeding were properly served on the defendant and that the defendant was given the right to be heard and represented by counsel in a free and fair trial before an impartial tribunal;

• the judgment does not involve the enforcement of a penal or revenue law; and

• the enforcement of the judgment is not otherwise precluded by the provisions of the Protection of Business Act 99 of 1978, as amended, of the Republic of South Africa.

Compliance with new and changing corporate governance and public disclosure requirements adds uncertainty to our compliance policies and increases our costs of compliance.

Laws, regulations and standards relating to accounting, corporate governance and public disclosure, “conflict minerals” and “responsible” gold, new SEC regulations and other listing regulations applicable to us are subject to change and can create uncertainty for companies like us. New or changed laws, regulations and standards could lack specificity or be subject to varying interpretations. Their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty on compliance matters and higher costs of compliance as a result of ongoing revisions to such governance standards.

In terms of Section 404 of the Sarbanes-Oxley Act of 2002 (the “Sarbanes-Oxley Act”), we are required to furnish a report by our management on our internal control over financial reporting. The report in this annual report contains, among other matters, an assessment of the effectiveness of our internal control over financial reporting as of the end of the fiscal year, including a statement as to whether or not our internal controls over financial reporting are effective. If we fail to maintain the adequacy of our internal controls, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with the Sarbanes-Oxley Act. The requirement to evaluate and report on our internal controls also applies to companies that we may acquire and therefore, this assessment may be complicated by any future acquisitions. While we continue to dedicate resources and management time to ensuring that we have effective controls over financial reporting, failure to achieve and maintain an effective internal control environment could have a material adverse effect on the market’s perception of our business and our stock price. See Item 15: “Controls and Procedures” for management’s assessment as of June 30, 2018. In addition to management’s assessment of internal controls over financial reporting, we are required to have our independent registered public accounting firm publicly disclose their conclusions regarding the effectiveness of Harmony’s internal controls over financial reporting.

We are committed to maintaining high standards of corporate governance and public disclosure, and our efforts to comply with evolving laws, regulations and standards in this regard have resulted in, and are likely to continue to result in, increased general and administrative expenses.

Failure to comply with laws, regulations, standards, contractual obligations whether following a breach or breaches in governance processes or fraud, bribery and corruption may lead to regulatory penalties, loss of licenses or permits, negative effects on our reported financial results, and adversely affect our reputation.

Harmony operates in multiple jurisdictions, including those with less developed political and regulatory environments, and within numerous and complex frameworks. Our governance and compliance processes may not prevent potential breaches of law, accounting principles or other governance practices.

Harmony’s Code of Conduct and Behavioral Code, among other policies, standards and guidance, and training thereon may not prevent instances of unethical or unlawful behavior, including bribery or corruption, nor do they guarantee compliance with legal and regulatory requirements, and breaches may not be detected by management.

Sanctions for failure by the Company or others acting on its behalf to comply with these laws, regulations, standards and contractual obligations could include fines, penalties, imprisonment of officers, litigation, and loss of operating

licenses or permits, suspensions of operations, negative effects on Harmony's reported financial results and may damage the Company's reputation. Such sanctions could have a material adverse impact on the Company's financial condition and results of operations.

Compliance with "conflict minerals" and "responsible" legislation and standards could result in significant costs. Stringent standards relating to "conflict minerals" and "responsible" gold that include the US Dodd-Frank Act of 2010, the European proposal for self-certification for importers of gold, the Organization for Economic Cooperation and Development Due Diligence Guidelines for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, the World Gold Council Conflict Free Gold Standard and the London Bullion Market Association Responsible Gold Guidance have been introduced.

Any such legislation and standards may result in significant costs to ensure and demonstrate compliance (particularly where standards change rapidly or lack certainty due to court challenges), and may complicate the sale of gold emanating from certain areas. The complexities of the gold supply chain, especially as they relate to "scrap" or recycled gold, and the

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fragmented and often unregulated supply of artisanal and small-scale mined gold are such that there may be significant uncertainties at each stage in the chain as to the provenance of the gold. As a result of the uncertainties in the process, the costs of due diligence and audit, or the reputational risks of defining their product or a constituent part as containing a "conflict mineral" may be too burdensome for the company's customers. Accordingly, manufacturers may decide to switch supply sources or to substitute gold with other minerals not covered by the initiatives. This could have a material negative impact on the gold industry, including on our results of operations and financial condition. Investors may face liquidity risk in trading our ordinary shares on the JSE Limited.

The primary listing of our ordinary shares is on the JSE Limited. Historically, the trading volumes and liquidity of shares listed on the JSE have been low relative to other major markets. The ability of a holder to sell a substantial number of our ordinary shares on the JSE in a timely manner, especially in a large block trade, may be restricted by this limited liquidity. See Item 9: "The Offer and Listing-Listing Details-The Securities Exchange in South Africa." Sales of large quantities of our ordinary shares and ADSs, or the perception that these sales may occur, could adversely affect the prevailing market price of such securities.

The market price of our ordinary shares or ADSs could fall if large quantities of ordinary shares or ADSs are sold in the public market, or there is a perception in the marketplace that such sales could occur. Subject to applicable securities laws, holders of our ordinary shares or ADSs may decide to sell them at any time. The market price of our ordinary shares or ADSs could also fall as a result of any future offerings it makes of ordinary shares, ADSs or securities exchangeable or exercisable for its ordinary shares or ADSs, or the perception in the marketplace that these sales might occur. We may make such offerings of additional ADS rights, letters of allocation or similar securities from time to time in the future.

Shareholders outside South Africa may not be able to participate in future issues of securities (including ordinary shares) carried out by or on behalf of Harmony.

Securities laws of certain jurisdictions may restrict Harmony's ability to allow participation by certain shareholders in future issues of securities (including ordinary shares) carried out by or on behalf of Harmony. In particular, holders of Harmony securities who are located in the United States (including those who hold ordinary shares or ADSs) may not be able to participate in securities offerings by or on behalf of Harmony unless a registration statement under the Securities Act is effective with respect to such securities or an exemption from the registration requirements of the Securities Act is available. Securities laws of certain other jurisdictions may also restrict Harmony's ability to allow the participation of all holders in such jurisdictions in future issues of securities carried out by Harmony. Holders who have a registered address or are resident in, or who are citizens of, countries other than South Africa should consult their professional advisors as to whether they require any governmental or other consents or approvals or need to observe any other formalities to enable them to participate in any offering of Harmony securities.

US securities laws do not require Harmony to disclose as much information to investors as a US issuer is required to disclose, and investors may receive less information about the company than they might otherwise receive from a comparable US company.

Harmony is subject to the periodic reporting requirements of the SEC and the NYSE that apply to "foreign private issuers". The periodic disclosure required of foreign private issuers under applicable rules is more limited than the periodic disclosure required of US issuers. Investors may receive less timely financial reports than they otherwise might receive from a comparable US company or from certain of the Company's peers in the industry. This may have an adverse impact on investors' abilities to make decisions about their investment in Harmony.

The liquidity and price of our ADSs, and our ability to raise capital, may be negatively impacted if our ADSs are delisted from the NYSE and by the measures that we take to address non-compliance with the NYSE continued listing standards.

Our ADSs are currently listed for trading on the NYSE. There are a number of continuing requirements that must be met in order for our ADSs to remain listed on the NYSE and the failure to meet these listing standards could result in the delisting of our ADSs from the NYSE. In 2015, we failed to comply with the NYSE's continued listing standard requiring a listed security to maintain a minimum average closing price of \$1.00 per ADS over a consecutive 30-trading-day period. However, the trading price of our ADSs complied again with the NYSE's continued listing standard within the specified six months' notice period and therefore no action to delist our ADSs was taken. In the

event we are not able to meet the minimum average closing price requirement or other any other requirements necessary for continued listing on the NYSE in the future, our ADSs could be subject to delisting from the NYSE. See Item 9: “The Offer and Listing-A. Offer and Listing Details”.

If in the future our ADSs cease to be listed for trading on the NYSE for any reason, the liquidity of our ADSs may be materially reduced and result in a corresponding material reduction in the price of our ADSs. Furthermore, any such delisting could harm our ability to raise capital on terms acceptable to us, or at all, and may result in the potential loss of confidence by investors, suppliers, business partners, licensees, customers and employees. Such consequences may materially and adversely affect our business, financial condition and results of operations.

As we have a significant number of outstanding share options, our ordinary shares are subject to dilution.

We have an active employee share plan that came into effect in 2006. Our shareholders have authorized up to 60,011,669 of the issued share capital to be used for this plan, together with any other plan. As a result, shareholders’ equity interests in us are subject to dilution to the extent of the potential future exercises of the options through share plan.

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We may not pay dividends or make similar payments to our shareholders in the future.

Harmony's dividend policy is to pay cash dividends only if funds are available for that purpose. Whether funds are available depends on a variety of factors, including the amount of cash available, our capital expenditures and other current or future anticipated cash requirements existing at the time. Under South African law, we are only entitled to pay a dividend or similar payment to shareholders if we meet the solvency and liquidity tests set out in the Companies Act 71 of 2008 (as amended) including its Regulations (the "Companies Act") and our current Memorandum of Incorporation. Cash dividends or other similar payments may not be paid in the future.

On April 1, 2012, a dividends tax ("Dividends Tax") was introduced at a rate of 15% (increased to 20% effective from February 22, 2017) on dividends declared by South African companies to beneficial shareholders borne by the shareholder receiving the dividend. This replaced Secondary Tax on Companies. Although the substitution of Secondary Tax on Companies with Dividends Tax may reduce the tax payable on our South African operations, thereby increasing distributable earnings, the withholding tax will generally reduce the amount of dividends or other distributions received by shareholders.

In addition, Harmony's foreign shareholders face investment risk from currency exchange rate fluctuations affecting the market value of any dividends or distributions paid by the Company.

### ITEM 4. INFORMATION ON THE COMPANY

#### A. HISTORY AND DEVELOPMENT OF THE COMPANY

The information set forth under the headings:

• "-About this report" on pages 4;

• "-Corporate profile" on pages 5;

• "-Creating value-our business model" on page 8;

• "-Our strategy" on page 11;

• "-Operating context-Our business context" on page 18;

• "-Delivering profitable ounces in line with business objectives-Operating performance" on pages 88 to 126; and

• "-Delivering profitable ounces in line with business objectives-Projects and exploration" on pages 127 to 130; of the Integrated Annual Report for the 20-F 2018 is incorporated herein by reference. Also see note 19 "Investments in Associates" and note 20 "Investments in Joint Operations" of our consolidated financial statements, set forth beginning on page F-1.

In the 2018 fiscal year, we did not receive any public takeover offers by third parties or make any public takeover offers in respect of other companies' shares.

#### Recent Developments

##### Developments since June 30, 2018

Since the end of fiscal 2018, the following significant events have occurred:

In addition to the placing of 55,055,050 new ordinary shares on June 6, 2018, raising US\$83million, which we used to pay down a portion of the US\$200 million syndicated bridge facility raised for the Moab Acquisition, Harmony completed a placing (the "ARM Placing") of 11,032,623 new ordinary shares to ARM Limited in July 2018, raising approximately US\$16 million, which it used to pay down a portion of the US\$200 million syndicated bridge facility. See Item 5: "Operating and Financial Review and Prospects - B. Liquidity and Capital Resources - Financing" and "Outstanding Credit Facilities and Other Borrowings."

On 4 October 2018, Harmony reached a mutually acceptable settlement with the Financial Sector Conduct Authority of South Africa. The dispute related to incorrect financial results reported for the March 2007 quarter. Harmony informed shareholders and the authorities of the error in August 2007. Subsequently Harmony reviewed all financial accounting procedures and systems to ensure that a similar error would not occur. Following various discussions with the authorities, an administrative penalty of R30 million (US\$2.2 million) was imposed and paid by Harmony.

#### B. BUSINESS OVERVIEW

The information set forth under the headings:

• "-About this report" on pages 5;



- "-Creating value-our business model" on page 8;
- "-Our strategy" on page 11;
- "-Operating context-Our business context" on page 18;
- "-Operating context-Stakeholder engagement and material issues" on page 22;
- "-Ensuring employee well-being - maintaining stability in our workforce-Safety and health" on pages 34 to 50;
- "-Ensuring employee well-being - maintaining stability in our workforce-Employee engagement" on pages 51 to 58;

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- “-Managing our Social and Environmental Impacts- Environmental management and stewardship” on pages 68 to 87;
- “-Delivering profitable ounces in line with business objective-Operating performance” on pages 88 to 126; and
- “-Delivering profitable ounces in line with business objectives-Exploration and project” on pages 127 to 130;

of the Integrated Annual Report for the 20-F 2018 is incorporated herein by reference.

**Capital Expenditures**

Capital expenditures for all operations and capitalized exploration incurred for fiscal 2018 amounted to US\$356 million, compared with US\$286 million in fiscal 2017 and US\$164 million in fiscal 2016. During fiscal 2018, capital at PNG accounted for 50% of the total, with Tshepong operations accounting for 27%, Target 1 and Kusasaletu each accounting for 8% whilst Doornkop and Joel each accounting for 7% of the total. During fiscal 2017, capital expenditure at PNG accounted for 40% of the total, with Tshepong accounting for 10%, Phakisa and Target 1 each accounting for 8% and Kusasaletu accounting for 7% of the total.

Capital expenditures for previous years excluded capitalized deferred stripping, for fiscal 2017 this was changed and is now included in capital. Deferred stripping cost for fiscal 2016 amounted to US\$3 million.

The focus of our capital expenditures in recent years has been underground development and plant improvement and upgrades. During fiscal 2018, the capital expenditure was funded from the Company’s cash generated by operation.

See Item 5: “Operating and Financial Review and Prospects-Liquidity and Capital Resources”.

We have budgeted approximately US\$373 million for capital expenditures in fiscal 2019. We currently expect that our planned operating capital expenditures will be financed from operations and new borrowings as needed. Details regarding the capital expenditure for each operation is included in the table below.

Capital expenditure budgeted for fiscal 2019  
(US\$’ million)

South Africa	
Kusasaletu	23
Doornkop	26
Tshepong operations	78
Moab Khotsong	45
Masimong	8
Target 1	23
Bambanani	5
Joel	11
Unisel	3
Other - surface	9
International	
Hidden Valley <sup>2</sup>	112
Total operational capital expenditure	343
Golpu	30
Total capital expenditure	373

<sup>1</sup> Converted at an exchange rate of R13.30/US\$

<sup>2</sup> Includes US\$60m related to capitalized deferred stripping

**Reserves**

As at June 30, 2018, we have declared attributable gold equivalent proved and probable reserves of 36.9 million ounces: 16.9 million ounces gold in South Africa and 19.9 million gold and gold equivalent ounces in PNG. In instances where individual deposits may contain multiple valuable commodities with a reasonable expectation of being recovered (for example gold and copper in a single deposit) Harmony computes a gold equivalent to more easily assess the value of the deposit against gold-only mines. Harmony does this by calculating the value of each of the commodity, then dividing the product by the price of gold. For example, the gold equivalent of a gold and copper deposit would be calculated as follows: ((gold ounces x gold price per ounce) + (copper pounds x copper price per pound)) / gold price per ounce. All calculations are done using metal prices as stipulated in the discussion below.

Harmony assumes a 100% metallurgical recovery in its calculations unless otherwise stated. The year-on-year negative variance in mineral reserves is due to the following reasons:

• normal depletion of 1.3 million ounces; and

• a net increase of 0.2 million ounces in reserves due to life of mine extensions and acquisition of Moab Khotsong.

We use the SAMREC Code, which sets out the internationally recognized procedures and standards for reporting of mineral resources and mineral reserves. We use the term “mineral reserves” herein, which has the same meaning as “ore

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reserves”, as defined in the SAMREC Code. Our reporting of the PNG Mineral Reserves complies with the 2012 JORC code. This code is materially the same as the SAMREC Code. In reporting of reserves, we have complied with the SEC's Industry Guide 7.

For the reporting of Mineral Reserves the following parameters were applied:

- a gold price of US\$1,275 per ounce;
- an exchange rate of R13.42 per US dollar;
- the above parameters resulting in a gold price of R550,000/kg for the South African assets;
- the Hidden Valley Operation and Wafi-Golpu project in the Wafi Golpu Joint Venture used prices of US\$1275/oz gold (“Au”), US\$17.00/oz silver (“Ag”), US\$7.00/lb molybdenum (“Mo”) and US\$3.00/lb copper (“Cu”) at an exchange rate of US\$0.76 per A\$;

gold equivalent ounces are calculated assuming a US\$1,275/oz Au, US\$ 3.00/lb Cu and US\$17.00/oz Ag with 100% recovery for all metals. These assumptions are based on those used in the 2016 feasibility study; and “gold equivalent” is computed as the value of the Company’s gold, silver and copper from all mineral resources/reserves classifications divided by the price of gold. All calculations are done using metal prices as stipulated.

In order to define the proved and probable mineral reserve at our underground operations, we apply the concept of a cut-off grade. At our underground operations in South Africa, this is done by defining the optimal cut-off grade as the lowest grade at which an orebody can be mined such that the total profits, under a specified set of mining parameters, are maximized. The cut-off grade is determined using our Optimizer computer program which requires the following as input:

- the database of measured and indicated resource blocks (per operation);
- an assumed gold price which, for this mineral reserve statement, was taken as R550,000 per kilogram (gold price of US\$1,275 per ounce and an exchange rate of R13.42per US dollar);
- planned production rates;
- the mine recovery factor which is equivalent to the mine call factor (“MCF”) multiplied by the plant recovery factor; and
- planned cash costs (cost per tonne).

Rand per tonne cash costs of the mines are historically based, but take into account distinct changes in the cost environment, such as the future production profile, restructuring, right-sizing, and cost reduction initiatives.

For the block cave reserve at Golpu (PNG), we used our consultants’ proprietary tool called “Block Cave mine optimizing software computer program” to define the optimal mine plan and sequencing.

The open pit reserve at Hidden Valley (PNG) is defined by a pit design based on the optimal output from Whittle open pit optimization software.

See the table below in this section for the cut-off grades and cost per tonne for each operation.

The mineral reserves represent that portion of the measured and indicated resources above cut-off in the life-of-mine plan and have been estimated after consideration of the factors affecting extraction, including mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. A range of disciplines which includes geology, survey, planning, mining engineering, rock engineering, metallurgy, financial management, human resources management and environmental management have been involved at each mine in the life-of-mine planning process and the conversion of resources into reserves. The oreflow-related modifying factors used to convert the mineral resources to mineral reserves through the life-of-mine planning process are stated for each individual operation. For these factors, historical information is used, except if there is a valid reason to do otherwise. Owing to depth and rock engineering requirements at our underground mines, some mines design stope support pillars into their mining layouts which accounts for approximately 7% to 10% discounting. Further discounting relates to the life-of-mine extraction to provide for geological losses.

Our standard for narrow reef sampling with respect to both proved and probable reserve calculations for underground mining operations in South Africa is generally applied on a 6 meter by 6 meter grid. Average sample spacing on development ends is at 2 meter intervals in development areas. For the massive mining at the Target 1 operation, our standard for sampling with respect to both proved and probable reserves are fan drilling with “B” sized diamond drill holes (43mm core) sited at 50 meter spaced sections along twin access drives. The Kalgold opencast operations are

sampled on diamond drill and reverse circulation drill spacing of no more than 25 meters on average. Surface mining at South African operations other than Kalgold involves recovering gold from areas previously involved in mining and processing, such as metallurgical plants, waste rock dumps and tailing dams (slimes and sand) for which random sampling is used.

The PNG resources are hosted in large porphyry or related mesothermal geological systems. Data is gained through diamond drilling using PQ (85.0 mm diameter) down to NQ (47.6 mm diameter) sized core. The core is cut in half, one half sampled at a maximum of 2 meter intervals and the other half stored in designated core storage facilities. Drill spacing at our Hidden Valley operations is typically on less than 20 meter centers for measured category, 20 to 40 meter centers for the indicated category and greater than 40 meters for inferred category material. Due to the nature of the Golpu porphyry mineralization, drill spacing is increased to 100 to 200 meters for indicated and greater for inferred. Assaying for gold is by fire assay and various methods are used for copper and other elements. All assays informing the resource calculation are analyzed at a National Association of Testing Authorities (“NATA”) accredited commercial laboratory. Extensive quality assurance/quality control work is undertaken and data is stored in an electronic database.

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Our mining operations' reported total proved and probable reserves as of June 30, 2018 are set out below:

Operations Gold	Mineral Reserves statement (Imperial) as at June 30, 2018								
	PROVED RESERVES			PROBABLE RESERVES			TOTAL RESERVES		
	Tons (millions)	Grade (oz/ton)	Gold <sup>1</sup> (000 oz)	Tons (millions)	Grade (oz/ton)	Gold <sup>1</sup> (000 oz)	Tons (millions)	Grade (oz/ton)	Gold <sup>1</sup> (000 oz)
South Africa Underground									
Bambanani	1.1	0.352	386	—	—	—	1.1	0.352	386
Joel	2.8	0.136	381	2.0	0.156	304	4.8	0.144	685
Masimong	1.9	0.125	233	0.1	0.100	13	2.0	0.123	246
Unisel	0.3	0.143	43	0.0	0.166	10	0.3	0.146	53
Target 1	3.5	0.126	442	2.3	0.125	282	5.8	0.126	724
Tshepong Operations	21.7	0.173	3,762	4.2	0.142	581	25.9	0.168	4,343
Doornkop	3.3	0.146	480	4.4	0.148	648	7.7	0.147	1,128
Kusasaletu	4.0	0.212	858	0.6	0.156	101	4.6	0.204	959
Moab Khotsonq	2.7	0.301	815	2.9	0.277	800	5.6	0.289	1,615
Total South Africa Underground	41.3	0.179	7,400	16.5	0.179	2,739	57.8	0.179	10,139
Mineral Reserves statement (Imperial) as at June 30, 2018									
Operations Gold	PROVED RESERVES			PROBABLE RESERVES			TOTAL RESERVES		
	Tons (millions)	Grade (oz/ton)	Gold <sup>1</sup> (000 oz)	Tons (millions)	Grade (oz/ton)	Gold <sup>1</sup> (000 oz)	Tons (millions)	Grade (oz/ton)	Gold <sup>1</sup> (000 oz)
South Africa Surface									
Kalgold	10.3	0.028	287	13.0	0.031	397	23.3	0.029	684
Free State Surface-Phoenix	69.1	0.008	575	—	—	—	69.1	0.008	575
St Helena	119.6	0.008	933	—	—	—	119.6	0.008	933
Central Plant	—	—	—	71.2	0.008	552	71.2	0.008	552
Other	—	—	—	614.2	0.007	4,035	614.2	0.007	4,035
Total South Africa Surface	199.0	0.009	1,795	698.4	0.007	4,984	897.4	0.008	6,779
Total South Africa	240.3		9,195	714.9		7,723	955.2		16,918
Papua New Guinea <sup>2</sup>									
Hidden Valley	2.1	0.027	56	25.7	0.047	1,215	27.8	0.046	1,271
Hamata	—	0.03	1	0.6	0.062	34	0.6	0.060	35
Golpu	—	—	—	223.0	0.025	5,573	223.0	0.025	5,573
Total Papua New Guinea	2.1	0.027	57	249.3	0.027	6,822	251.4	0.027	6,879
Total	242.4		9,252	964.2		14,545	1,206.6		23,797

<sup>1</sup> Metal figures are fully inclusive of all mining dilutions and gold losses, and are reported as mill delivered tons and head grades. Metallurgical recovery factors have not been applied to the reserve figures.

<sup>2</sup> Represents Harmony's attributable interest of 50%.

Note: 1 ton = 907 kg = 2,000 lbs.

In addition to the gold reserves, we also report our gold equivalents for reserves for silver and copper from our PNG operations. Gold equivalent ounces are calculated assuming a US\$1,275/oz for gold, US\$3.00/lb copper and US\$17,00/oz for silver with 100% recovery for all metals.

Table of contentsGold Equivalents <sup>2</sup>

Silver	Proved reserves		Probable reserves		Total reserves	
	Tons (millions)	Gold Equivalents (oz) <sup>1</sup> (000)	Tons (millions)	Gold Equivalents (oz) <sup>1</sup> (000)	Tons (millions)	Gold Equivalents (oz) <sup>1</sup> (000)
Hidden Valley	2.1	17	25.7	340	27.8	357
Copper	Proved reserves		Probable reserves		Total reserves	
	Tons (millions)	Gold Equivalents (oz) <sup>1</sup> (000)	Tons (millions)	Gold Equivalents (oz) <sup>1</sup> (000)	Tons (millions)	Gold Equivalents (oz) <sup>1</sup> (000)
Golpu	—	—	—	—	223.0	12,686
Total Gold Equivalents	2.1	17	248.7	13,026	250.8	13,043
Total Harmony including gold equivalents	242.4	9,269	964.2	27,571	1,206.6	36,840

In addition to the gold reserves, we also report our attributable reserves for silver and copper from our PNG operations. Metal prices are assumed at US\$17.00/oz for silver, US\$3.00/lb for copper, and molybdenum at US\$7.00/lb.

Papua New Guinea: Other<sup>2</sup>

Silver	Proved Reserves			Probable Reserves			Total Reserves		
	Tons (millions)	Grade (oz/ton)	Silver <sup>1</sup> (000 oz)	Tons (millions)	Grade (oz/ton)	Silver <sup>1</sup> (000 oz)	Tons (millions)	Grade (oz/ton)	Silver <sup>1</sup> (000 oz)
Hidden Valley	2.1	0.572	1,193	25.7	0.937	24,083	27.8	0.909	25,276
Copper	Proved Reserves			Probable Reserves			Total Reserves		
	Tons (millions)	Grade (%)	Cu lb <sup>1</sup> (millions)	Tons (millions)	Grade (%)	Cu lb <sup>1</sup> (millions)	Tons (millions)	Grade (%)	Cu lb <sup>1</sup> (millions)
Golpu <sup>2</sup>	—	—	—	223.0	1,097	5,393	223.0	1,097	5,393
Silver	Proved Reserves			Probable Reserves			Total Reserves		
	Tons (millions)	Grade (lb/t)	U308 <sup>2</sup> (Mlb)	Tons (millions)	Grade (lb/t)	U308 <sup>2</sup> (Mlb)	Tons (millions)	Grade (lb/t)	U308 <sup>2</sup> (Mlb)
Moab Khotsonq Underground	2.7	0.697	2	2.9	0.804	2	5.6	7.52	4

<sup>1</sup> Metal figures are fully inclusive of all mining dilutions and gold losses, and are reported as mill delivered tons and head grades. Metallurgical recovery factors have not been applied to the reserve figures.

<sup>2</sup> Represents Harmony's attributable interest of 50%.

Note: 1 ton = 907 kg = 2,000 lbs

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Our methodology for determining our reserves is subject to change and is based upon estimates and assumptions made by management regarding a number of factors as noted above in this section. Cost per tonne and cut-off grade per operation are as follows.

Operations gold	Underground Operations		Surface and Massive Mining	
	Cut-off grade (cmg/t)	Cut-off cost (R/Tonne)	Cut-off grade (g/t)	Cut-off cost (R/Tonne)
South Africa Underground				
Bambanani	1,952	4,254	—	—
Joel	792	2,012	—	—
Masimong	883	2,016	—	—
Phakisa	792	2,572	—	—
Target 1	—	—	3.73	1,969
Tshepong	650	2,221	—	—
Unisel	974	2,173	—	—
Doornkop	735	2,129	—	—
Kusasaletu	1,100	3,087	—	—
Moab Khotsong	1,197	2,850	—	—
South Africa Surface				
Kalgold	—	—	0.60	421
Free State Surface	—	—	0.14	43
	Cut-off grade (%Cu)	Cut-off cost (A\$/Tonne)	Cut-off grade (g/t)	Cut-off cost (A\$/Tonne)
Papua New Guinea				
Hidden Valley	—	—	0.85	33.24
Hamata	—	—	0.85	33.24
Golpu	0.3	26	—	—
Operations silver and copper	Underground Operations		Surface and Massive Mining	
	Cut-off grade (%Cu)	Cut-off cost (A\$/Tonne)	Cut-off grade (g/t)	Cut-off cost (A\$/Tonne)
SILVER				
Papua New Guinea				
Hidden Valley	—	—	0.85	33.24
COPPER				
Papua New Guinea				
Golpu	0.3	26	—	—

Notes on Cut-off:

- 1) Surface and massive mining are stated in g/t (g/t is grams of metal per tonne of ore).
- 2) All SA underground operations are stated in cmg/t (cmg/t is the Reef Channel width multiplied by the g/t which indicates the gold content within the Reef Channel).

Notes on Cut-off cost:

Cut-off cost refers to the cost in R/Tonne or A\$/Tonne to mine and process a tonne of ore.

Notes on Copper:

Cut-off is stated in % Cu.

Notes on Golpu:

Cut-off is based on 0.2% copper; molybdenum and gold mined as by-product.





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Worldwide Operations

The following is a map of our worldwide operations

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Geology

The major portion of our South African gold production is derived from mines located in the Witwatersrand Basin in South Africa. The Witwatersrand Basin is an elongated structure that extends approximately 300 kilometers in a northeast-southwest direction and approximately 100 kilometers in a northwest-southeast direction. It is an Archean sedimentary basin containing a six kilometer thick stratigraphic sequence consisting mainly of quartzites and shales with minor volcanic units. The majority of production is derived from auriferous placer reefs situated at different stratigraphic positions and at varying depths below the surface in three of the seven defined goldfields of the Witwatersrand Basin.

Our Papua New Guinean gold production is derived exclusively from our Hidden Valley Operation in the Morobe Province of PNG. The Hidden Valley deposit comprises low sulphidation carbonate-base metal-gold epithermal deposits within the Morobe Goldfield. In the mine area, a batholith of Morobe Granodiorite (locally a coarse grained monzogranite) is flanked by fine metasediments of the Owen Stanley Metamorphics. Both are cut by dykes of Pliocene porphyry ranging from hornblende-biotite to feldspar-quartz porphyries. A number of commonly argillic altered and gold anomalous breccias are known, including both hydrothermal and over printing structural breccias. The Hidden Valley deposit is hosted in the Moribe Granodiorite, dominated by a series of post-Miocene faults, both north and north-west trending, control the gold mineralization.

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Our Wafi-Golpu project (also in the Morobe Province of PNG) encompasses the Wafi and Golpu deposits. The Wafi deposit comprises sedimentary/volcaniclastic rocks of the Owen Stanley Formation that surround the Wafi Diatreme and host the gold mineralization. Gold mineralization occurs associated with an extensive zone of high-sulphidation epithermal alteration overprinting porphyry mineralization and epithermal style vein-hosted and replacement gold mineralization with associated wall-rock alteration. The Golpu deposit is located about one kilometer northeast of the Wafi deposit, and is a porphyry (diorite) copper-gold deposit. The host lithology is a diorite that exhibits a typical zoned porphyry copper alteration halo together with mineralization in the surrounding metasediment. The mineralized body can be described as a porphyry copper-gold “pipe”. The Wafi gold mineralization and alteration partially overprints the upper levels of the Golpu porphyry copper-gold mineralization.

Our Kili Teke deposit is an advanced exploration play located in the Hela Province of PNG. The Kili Teke deposit comprises porphyry style copper-gold mineralization hosted in a multiphase calc-alkaline dioritic to monzonitic intrusive complex. Host rocks comprise interbedded siliciclastics and limestone of the Papuan Fold Belt. Uranium-lead zircon age dating highlight Pliocene age dates in the range of  $3.5 \pm 0.04$  Ma (million year) to  $3.59 \pm 0.07$  Ma for emplacement of the mineralized porphyry phases. Late-mineral porphyry phases have been identified in the drilling and impact grade continuity within the deposit, where they intrude and stope out the earlier more mineralized phases. Overall the geometry of the deposit reflects a relatively steeply plunging, pipe like body, with mineralization decreasing away from the central high grade stockwork zones of copper gold mineralization. Intense marbleization and copper-gold skarn mineralization is developed around the peripheral contact with the host sequence, and variably developed skarn mineralization also occurs along internal structural and contact zones within the complex.

During fiscal 2018 a feasibility study was completed for Target 3. The study will be used in conjunction with our other projects for future decision making on capital allocation and prioritization in Harmony.

Mining and Exploration - Papua New Guinea

Harmony has acquired 100% ownership of the Hidden Valley mining lease. With effect from July 1, 2017, all rights and interests to the mine and its operations have been amalgamated in Harmony’s wholly-owned subsidiary, Morobe Consolidated Goldfields Limited and the previously existing Hidden Valley Joint Venture with Newcrest PNG 1 Limited (subsequently Harmony PNG 20 Limited) has terminated. The company has obligations under compensation agreements with landowners and the Training and Localisation Policy appended to a Memorandum of Agreement (“MOA”) with the PNG government, Provincial and local government and the landowner association.

With regard to the Wafi-Golpu Project, Harmony’s wholly-owned subsidiary, Wafi Mining Limited holds a 50% share in various exploration licenses, together with its participant in the Wafi-Golpu Joint Venture, Newcrest PNG 2 Limited, which holds the other 50% share. Both companies have entered into compensation agreements with landowners on its exploration licenses. On August 25, 2016, the joint venture participants submitted an application for a Special Mining Lease under section 35 of the PNG Mining Act 1992, and various other associated mining tenements. The application (SML 10) was registered on that date.

On March 20, 2018, the joint venture participants submitted a feasibility study update and revised proposals for development to the PNG Mineral Resources Authority under the PNG Mining Act 1992. The feasibility study update provides greater clarity around the infrastructure which will be associated with development of the Wafi-Golpu Project, including the recommended use of deep sea tailings placement as the preferred tailings management solution and the construction of a modular designed power plant. The participants continue to engage with the PNG government to take forward the SML 10 permitting and approvals process in accordance with PNG law and on June 25, 2018 submitted an Environment Impact Study to the Conservation and Protection Authority under the PNG Environment Act 2000.

With regard to our Kili Teke Project, all exploration licenses are 100% owned by Harmony’s wholly-owned subsidiary, Harmony Gold (PNG) Exploration Limited. The company has entered into compensation agreements with landowners on its exploration licenses.

There has been a significant rationalization of Harmony’s exploration tenement holding in PNG since fiscal 2014. As at June 30, 2018, Harmony’s exploration tenement holding in PNG totaled 1,760 square kilometers (all titles excluding mining easements and ancillary mining purpose leases). The tenements form four main project areas: the Kili Teke in

the Hela Province (Harmony 100% owned), the Poru project in the Southern Highlands Province (Harmony 100% owned), the Hidden Valley District in the Morobe Province (Harmony 100% owned) and Morobe Exploration Joint Venture tenement (Harmony 50% owned) over the area surrounding the Wafi-Golpu Deposit.

Harmony, through its wholly-owned subsidiary Harmony Gold (PNG) Exploration Limited, manages the exploration on all of these project areas. Prior to commencement of exploration work programs, the company enters into compensation agreements with landowners on its exploration licenses, in accordance with the PNG Mining Act 1992.

#### Regulation

##### Mineral Rights -- South Africa

##### MPRDA

The MPRDA is the primary legislation used to regulate the mining industry since it came into effect on May 1, 2004. The DMR is the national department tasked with implementing the MPRDA and regulating the mining industry. The MPRDA extinguished private ownership of minerals. The South African government's role as custodian of South Africa's mineral and petroleum resources was entrenched in system where the right to prospect and mine is granted by government through the Minister.

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The principal objectives of the MPRDA are:

- to recognize the internationally accepted right of the South African government to exercise full and permanent sovereignty over all the mineral and petroleum resources within South Africa;
- to give effect to the principle of South Africa's custodianship of its mineral and petroleum resources;
- to promote equitable access to South Africa's mineral and petroleum resources to all the people of South Africa;
- to substantially and meaningfully expand opportunities for HDSA, including women, to enter the mineral and petroleum industry and to benefit from the to promote economic growth and mineral and petroleum resources development in South Africa;
- to promote employment and advance the social and economic welfare of all South Africans;
- to provide security of tenure in respect of prospecting, exploration, mining and production operations;
- to give effect to Section 24 of the South African Constitution by ensuring that South Africa's mineral and petroleum resources are developed in an orderly and ecologically sustainable manner while promoting justifiable social and economic development; and
- to ensure that holders of mining and production rights contribute towards socio-economic development of the areas in which they are operating.

Owing to the change brought about by the MPRDA, provision for a transition from the old regime (in which the role of the South African government was regulatory in nature and in which the right to mine vested in the holder of the common law mineral rights) to the new regime (which provides for the South African government, acting through the Minister, to grant mining rights) has been made in the Transitional Provisions contained in Schedule II of the MPRDA (the "Transitional Provisions"). The Transitional Provisions provide for, among other things, the holders of then-existing "old order" mining rights to apply for the conversion of those old order rights into "new order" mining rights in accordance with the MPRDA within five years of May 1, 2004, or before the old order right expired, whichever was earlier.

Old order mining rights were converted into new order mining rights in accordance with the MPRDA provided that the holder of the old order right fulfilled the requirements specified in the MPRDA, its Regulations and the Mining Charter or the Revised Mining Charter, as the case may have been at the relevant juncture. Upon conversion, or failure to convert within the specified time periods, the old order rights cease to exist. In the event that the old order right was converted, the new order mining right could have been converted for a period up to 30 years which period may be renewed for further periods, each of which may not exceed 30 years at a time. A mining right for which an application for renewal has been lodged shall, despite its stated expiry date, remain in force until such time as such application has been granted or refused.

In accordance with the MPRDA, the holder of a mining right must comply with the terms of the right, the provisions of the MPRDA, the environmental authorization (issued under NEMA), the mining work program and the social and labor plan (the "SLP") approved as part of the right. The SLP relates to the obligations placed on the mining right holder to, among other things, train employees of the mine in accordance with prescribed training methodologies, achieve employment equity and human resource development in the mining company, improve housing and living conditions of employees and set up local economic development projects. Compliance with the provisions of the MPRDA, environmental authorization, mining work program and SLP is monitored by submission of monthly, bi-annual and annual returns and reports by the holder of the right to the DMR in accordance with the provisions of the MPRDA and the right.

We have been working on our program of licensing since 2004, which involved the compilation of a mineral assets register and the identification of all of our economic, mineral and mining rights. We actively carry out mining and exploration activities in all of our material mineral rights areas. Accordingly, the change in regime to that contained in the MPRDA has not had a significant impact on our mining and exploration activities as we applied for and were granted conversion of all of our old-order mining rights into new order mining rights in terms of the MPRDA. Our strategy has been to secure all strategic mining rights on a region-by-region basis, which we have achieved as we have secured all "old mining rights" and validated existing mining authorizations. We now have to continue complying with the required monthly, annual and bi-annual reporting obligation to the DMR.

On June 21, 2013, the Minister introduced the MPRDA Bill into Parliament. The DMR briefed the National Assembly's Portfolio Committee on Mineral Resources in July 2013. The MPRDA Bill was passed by both the National Assembly and the NCOP on March 27, 2014. In January 2015, the former President referred the MPRDA Bill back to Parliament for reconsideration and on November 1, 2016, the Portfolio Committee on Mineral Resources tabled non-substantial revisions to the MPRDA Bill in the National Assembly and a slightly revised version of the MPRDA Bill was passed by the National Assembly and referred to the NCOP. On March 3, 2017, the National Assembly passed certain minor amendments to the MPRDA Bill. The National Assembly has referred the MPRDA Bill to the NCOP where the Select Committee has received comments on the draft legislation. The chairperson of the Select Committee had targeted January or February of 2018 to pass the legislation. On February 16, 2018, the President of South Africa announced that the MPRDA Bill was at an advanced stage in Parliament. There has been no update since.

There is a degree of uncertainty regarding the changes that will be brought about should the MPRDA Bill be made law and the MPRDA Bill raises some concerns as it relates to Harmony's business:

● Concentration of rights

The MPRDA Bill seeks to introduce a system whereby the Minister invites applications for prospecting rights, exploration rights, mining rights, technical co-operation permit, production rights and mining permits in respect of

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any area of land. Applicants for rights will no longer be able to rely on the first come, first served principle when submitting an application.

Ownership of tailings created before May 1, 2004

The MPRDA provides that historic tailings are not regulated in terms of the MPRDA; however, the MPRDA Bill purports to amend the MPRDA so as to render historic tailings subject to regulation under the MPRDA, resulting in the South African government gaining custodianship of historic tailings.

Mineral beneficiation

A key change is that the MPRDA Bill now makes it mandatory for the Minister to “initiate or promote the beneficiation of minerals and petroleum resources in the Republic of South Africa”. The MPRDA Bill affords the Minister broad discretion over beneficiation, without providing any criteria under which such discretion should be exercised.

Issue of a closure certificate

The MPRDA Bill envisages that a rights holder will remain liable for any latent or residual environmental and associated damage caused by prospecting and mining operations, even after (and notwithstanding) the issue of a closure certificate by the Minister. This means that a rights holder will no longer be indemnified from liability after the issue of a closure certificate.

Harmony is, through the Minerals Council of South Africa, working closely with government to ensure that the MPRDA Bill is drafted to support continued investment in mining in South Africa.

The Mining Charter

The South African government has identified the South African mining industry as a sector in which significant participation by Historically Disadvantaged South Africans ("HDSAs") is required. One of the objects of the Mineral and Petroleum Resources Development Act, 2002 ("MPRDA") is to substantially and meaningfully encourage HDSAs to enter the mineral and petroleum industries and to benefit from the exploitation of the nation's mineral and petroleum resources. In terms of section 100 of the MPRDA, the South African Minister of Mineral Resources ("Minister") is required to develop a broad-based socio-economic charter in order to set the framework for targets and time periods for giving effect to these objectives.

On 27 September 2018, the Minister published the Broad-Based Socio-Economic Empowerment Charter for the Mining and Minerals Industry, 2018 ("Mining Charter III"), on which date it also became effective. It replaces, in their entirety, the original Mining Charter negotiated in 2002 and gazetted in 2004 ("the Original Charter") and the "amended" Charter gazetted in September 2010 ("the Amended Charter").

The Original Charter set the initial framework, targets and timelines and it was subsequently amended by the Amended Charter which included targets and timelines for HDSA participation in procurement and enterprise development, beneficiation, employment equity, human resources development, mine community development, housing and living conditions, sustainable development and growth of the mining industry and reporting (monitoring and evaluation). It required mining companies to achieve the following, amongst others, by no later than 31 December 2014:

- a minimum effective HDSA ownership of 26 per cent;
- procure a minimum of 40 per cent of capital goods, 70 per cent of services and 50 per cent of consumer goods from HDSA suppliers (i.e. suppliers in which a minimum of 25 per cent + 1 vote of their share capital must be owned by HDSAs) by 2014 (exclusive of non-discretionary procurement expenditure);
- ensure that multinational suppliers of capital goods contribute a minimum of 0.5 per cent of their annual income generated from South African mining companies into a social development fund from 2010 towards the socio-economic development of South African communities;
- achieve a minimum of 40 per cent HDSA demographic representation at executive management (board) level, senior management (executive committee) level, core and critical skills, middle management level and junior management level;
- invest up to 5 per cent of annual payroll in essential skills development activities; and
- implement measures to improve the standards of housing and living conditions for mineworkers by converting or upgrading mineworkers' hostels into family units, attaining an occupancy rate of one person per room and facilitating home ownership options for all mineworkers in consultation with organized labour.



In addition, mining companies were required to monitor and evaluate their compliance with the Amended Charter and submit annual compliance reports to the Department of Mineral Resources ("DMR"). The Scorecard attached to the Amended Charter made provision for a phased-in approach for compliance with the above targets over the five year period ending on 31 December 2014. For measurement purposes, the Scorecard allocated various weightings to the different elements of the Amended Charter. Failure to comply with the provisions of the Amended Charter would, according to its provisions, ostensibly amount to a breach of the MPRDA and could have resulted in the cancellation or suspension of a mining company's mining rights.

Harmony believes that it had complied with the requirements of the Amended Charter by the December 31, 2014 deadline. See "Integrated Annual Report for the 20-F 2018-Operating context-Mining Charter scorecard" on pages 32-33.

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In March 2015, the DMR prepared an interim report of consolidated results of the self-assessment by reporting companies of compliance with the Amended Charter, reporting relatively broad compliance with the non-ownership requirements of the Amended Charter. However, the DMR did not report the results of compliance with the HDSA ownership guidelines of the Amended Charter and noted that there was no consensus on certain principles applicable to the interpretation of the ownership element.

On 31 March 2015, the Minerals Council South Africa (previously the Chamber of Mines) ("MCSA") and the DMR jointly agreed to approach the North Gauteng High Court to seek a declaratory order that would provide a ruling on the relevant legislation and the status of the Original Charter and the Amended Mining Charter, including clarity on the status of previous empowerment transactions concluded by mining companies and a determination on whether the ownership element of the Original Charter and the Amended Charter should be a continuous compliance requirement for the duration of the mining right as argued by the DMR, or a once-off requirement as argued by the MSCA, on the "once empowered always empowered" principle.

On 4 April 2018, the North Gauteng High Court delivered its judgment in this matter ("the Judgment"). The effect of the Judgment is that mining companies are not required to re-empower themselves after their HDSA shareholders have sold out and that the DMR cannot rely on the provisions of the MPRDA to enforce compliance with the Amended Charter, unless the provisions which the DMR seeks to enforce were made a term or condition of the mining right. The Court also held that the Minister's promulgation of the Amended Charter did not occur in terms of or in compliance with the duty imposed in terms of section 100(2) of the MPRDA and, as such, the terms of the Amended Charter can have legal consequences or significance only insofar as they are, in some way or another, reflected in the terms of conditions subject to which the Minister grants a mining right. It also brings the validity and enforceability of any subsequent Mining Charter into question unless it is legislatively authorized. The Judgment is currently subject to an appeal by the DMR.

On 15 June 2018, the Minister published a new draft Mining Charter and invited interested and affected parties to submit comments on its provisions by 30 August 2018. Following a period of stakeholder engagement the final version of Mining Charter III was published on 27 September 2018, on which date it became effective. Some of the material changes introduced by Mining Charter III include:

in relation to existing mining rights, the continuing consequences of historical black economic empowerment transactions will be recognised and existing right holders will not be required to increase their HDSA shareholding for the duration of their mining right in circumstances where they either achieved and maintained 26 per cent HDSA ownership or where they achieved the 26 per cent HDSA ownership but their HDSA shareholder has since exited;

in relation to the renewal and transfer of existing mining rights, historical BEE credentials will not be recognised and mining companies will be required to comply with the ownership requirements in relation to new mining rights (see below);

in relation to new mining rights (granted after 27 September 2018) mining companies must have a minimum of 30 per cent BEE shareholding distributed as follows: a minimum of 5 per cent non-transferable carried interest to qualifying employees; a minimum of 5 per cent non-transferable carried interest to host communities, or a minimum 5 per cent equity equivalent benefit; and a minimum of 20 per cent to a BEE entrepreneur, 5 per cent of which must preferably be for women;

'carried interest' is defined as "shares issued to qualifying employees and host communities at no cost to them and free of any encumbrances. The cost for the carried interest shall be recovered by a right holder from the development of the asset";

applications for mining rights lodged and accepted prior to 27 September 2018, will be processed in terms of the Amended Charter (ie. with a 26% HDSA ownership requirement) but with a further obligation to increase their HDSA shareholding to 30 per cent within five years of the granting of the right;

BEE shareholding may be concluded at holding company level, mining right level, on units of production, shares or assets and where is concluded at any level other than mining right level, the flow-through principle will apply; the permitted beneficiation off-set of up to 11 per cent against the HDSA ownership requirement contained in the Original Charter and Amended Charter has been reduced to 5 per cent unless it was 'claimed' prior to 27 September 2018;

- a minimum of 70 per cent of total mining goods procurement spend (including non-discretionary expenditure) must be on South African manufactured goods, allocated amongst HDSA owned and controlled companies, women and youth owned and controlled companies and BEE compliant companies;
- A minimum of 80 per cent of the total spend on services (including non-discretionary expenditure) must be sourced from South African companies, allocated amongst HDSA owned and controlled companies, women and youth owned and controlled companies and BEE compliant companies;
- Mining companies must achieve a minimum representation of HDSAs in the following management positions: 50 percent on the Board of directors (20 percent of which must be women), 50 percent in executive (20 percent of which must be women), 60 percent in senior management (25 percent of which must be women); 60 percent in middle level (25 percent of which must be women); 70 percent in junior level (30 percent of which must be women) and 60 percent in core and critical skills. In addition; HDSAs with disabilities must constitute 1.5 percent of all employees.
- the Minister may, by notice in the Government Gazette, review Mining Charter III;

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the ownership and mine community development elements are ring-fenced and require 100% compliance at all times; a mining right holder that has not complied with the ownership element and falls between levels 6 and 8 of the Mining Charter scorecard shall be in breach of the MPRDA and its mining right may be suspended or cancelled in accordance with the provisions of the MPRDA; and

• Mining Charter III is effective from 27 September 2018 but there are transitional arrangements in relation to compliance with the procurement and the employment equity element targets.

Mining Charter III makes reference to "Mining Charter Implementation Guidelines". These guidelines have yet to be published. It is understood from recent public announcements made by the Minister that he intends to publish them before the end of the year. The guidelines may provide clarity on some of the provisions of Mining Charter III which are vague and open to interpretation.

The MCSA released a media statement on 3 October 2018 in which it welcomed the publication of Mining Charter III, broadly supporting its intentions and content, but expressed concern over some key issues including the limited applicability of continuing consequences of past transactions on disposal of BEE shareholding, the treatment of renewals of mining rights as new rights, the practicality of the inclusive procurement provisions relating to local content targets for mining goods and services. The MCSA indicated that it would engage the Minister on these unresolved issues as the guidelines for implementation are developed.

**The Royalty Act**

The Mineral and Petroleum Royalty Act 28 of 2008 and the Mineral and Petroleum Royalty Administration Act 29 of 2008 were assented to on November 21, 2008 with the commencement date set as May 1, 2009. However, the date on which royalties became payable was deferred to March 1, 2010. Royalties are payable by the holders of mining rights to the government according to formula based on a defined earnings before interest and tax. This rate is then applied to a defined gross sales leviable amount to calculate the royalty amount due, with a minimum of 0.5% and a maximum of 5% for gold. For 2018, the average royalty rate for our South African operations was 0.7% of the gross sales leviable amount.

**The BBBEE Act and the BBBEE Amendment Act**

The BBBEE Act, which came into effect on April 21, 2004, established a national policy on broad-based black economic empowerment with the objective to (i) remedy historical racial imbalances in the South Africa economy and (ii) achieve economic transformation, by increasing the number of black people who participate in the mainstream South African economy. The BBBEE Act provides for various measures to promote BEE participation, including empowering the Minister of Trade and Industry to issue the BBBEE Codes, with which organs of state and public entities and parties interacting with them or obtaining rights and licenses from them would be required to comply. The BBBEE Codes were first published in 2007, and were revised in 2013 (although the revisions only came into effect in 2015). The BBBEE Codes sought to provide a standard framework, in the form of a "generic scorecard", for the measurement of BBBEE across all sectors and industries operating within the South African economy and sought to regularize such sectors and industries by providing clear and comprehensive criteria for the measurement of BBBEE. On October 24, 2014, the BBBEE Amendment Act, No. 46 of 2013 (the "BBBEE Amendment Act") came into effect. The BBBEE Amendment Act inserted a new provision in the BBBEE Act, whereby the BBBEE Act would trump the provisions of any other law in South Africa which conflicts with the provisions of the BBBEE Act, provided such conflicting law was in force immediately prior to the effective date of the BBBEE Amendment Act. The BBBEE Amendment Act also stipulates that this provision would only be effective one year after the BBBEE Amendment Act is brought into effect, on October 24, 2015. On October 27, 2015, the Minister for Trade and Industry published a government gazette notice declaring an exemption in favor of the DMR from applying the requirements contained in section 10(1) of the BBBEE Act for a period of 12 months. There has been some debate as to whether or to what extent the mining industry was subject to the BBBEE Act and the policies and codes provided for thereunder. The BBBEE Codes apply in the absence of sector specific codes which have been agreed to by interested and affected parties active within a specific sector. By way of background, various sectors within the South African economy may negotiate and agree Codes of Good Practice which would govern transformation in that specific sector. In addition, certain codes fall outside of the regulatory framework established by the BBBEE Act and Codes promulgated by the Minister of Trade and Industry thereunder. One such sector is the mining industry, where the Mining Charter governs

the implementation of BBBEE, among other things, within the mining industry. For purposes of the BBBEE Act, the Mining Charter is not a Sector Code. It is not clear at this stage how the Mining Charter and Code relate to each other. The government may designate the Mining Charter as a Sector Code, in which case it will be under the auspices of the BBBEE Act. On the other hand, the Mining Charter may remain a stand-alone document under the auspices of the MPRDA and may be subject to the trumping provision, discussed above, to the extent that there is a conflict between the two. This uncertainty may be resolved through either government clarification or judicial attention. The exemption by the Minister for Trade and Industry can be read as confirmation that the Department of Trade and Industry regards the BBBEE Codes as “applicable” to the Mining Industry after the exemption is lifted on October 27, 2016. On February 17, 2016, the Minister of Trade and Industry published a gazette notice which repealed and confirmed the validity of a number of Sector Codes. The omission of the Mining Charter from the notice can be interpreted as confirmation that the Mining Charter is not contemplated as a Sector Code. This supports the interpretation BBBEE Act did not intend to trump the Mining Charter. While it remains to be seen how this will be interpreted, it appears that the BBBEE Act and the BEE Codes will not overrule the Mining Charter in the future and, in any event, our view is that the DMR is likely to continue implementing the Mining Charter and it is unlikely that the DMR will begin applying the BBBEE Act and BBBEE Codes in administering the MPRDA, since in order to do so will potentially require an amendment of the MPRDA.

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### Mineral Rights - Papua New Guinea

Mining in PNG is governed by the PNG Mining Act 1992. The Act stipulates that all mineral rights in PNG belong to the PNG government, and, subject to the Act, all land is available for exploration and mining. The PNG government issues and administers mining tenements under the Mining Act 1992, through the offices of the PNG Mineral Resources Authority, within the PNG Department of Mineral Policy and Geohazards Management.

Mining tenements include:

- exploration licenses, issued for a term not exceeding two years, renewable for further two year terms subject to compliance with expenditure and other conditions. Each license contains a condition conferring on the PNG government the right to make a single purchase up to 30% equitable interest in any mineral discovery under the license at a price pro rata to the accumulated exploration expenditure;
- mining leases, issued for a term not exceeding 20 years, renewable on application subject to compliance with issue conditions;
- special mining leases, issued for a term not exceeding 40 years, renewable on application subject to compliance with issue conditions;
- mining easements; and
- leases for mining purposes.

These tenements generally confer exclusive rights on the holder to exercise their rights thereunder. The key difference in PNG is that citizens have the right to carry out non-mechanized mining of alluvial minerals on land owned by them, provided that an alluvial mining lease is obtained and provided there is not already a mining lease or special mining lease over the subject land

Almost all land in PNG is owned by a person or group of persons under customary ownership, and is not generally overlaid by landowner title. The customary owners of the land have in some instances been formally identified through the work of the Land Titles Commission. However, there is often considerable difficulty in identifying landowners of a particular area of land because land ownership may arise from both contract and inheritance, and because of the absence of a formal written registration system.

Along with standard corporate and other taxes and levies, mining companies must pay royalties to the State based on production. Prior to commencing exploration, compensation for loss or damage must be agreed with the landowners. Prior to commencing mining, written agreements must be entered into with landowners dealing with compensation and, in company with the PNG government as a party, a memorandum of agreement dealing with such other matters as the sharing of royalties and other mining benefits between landowner groups and Provincial and local government entities.

Mineral policy in PNG is administered by the Department of Mineral Policy and Geohazards Management. The legislative and fiscal regime in PNG has been under review since 2012, including the PNG Mining Act 1992, PNG Mining Safety Act 1997, and various sector policies including offshore mining policy, sustainable development policy, involuntary relocation policy and mine closure policy. In its capacity as the representative industry body, the Chamber of Mines and Petroleum of PNG has collated information from industry participants and has lodged formal industry responses to the government's proposals. Harmony is represented on the chamber's sub-committee and is actively participating in its discussions.

### Health and Safety - South Africa

For many years, the safety of persons working in South African mines and quarries was controlled by the Mines and Works Act of 1956 and then by the Minerals Act of 1991 which was replaced by the MHSA. The objectives of the MHSA are:

- to protect the health and safety of persons at mines;
- to require employers and employees to identify hazards and eliminate, control and minimize the risks relating to health and safety at mines;
- to give effect to the public international law obligations of South Africa that concern health and safety at mines;
- to provide for employee participation in matters of health and safety through health and safety representatives and the health and safety committees at mines;
- to provide effective monitoring of health and safety measures at mines;

- to provide for enforcement of health and safety conditions at mines;
- to provide for investigations and inquiries to improve health and safety at mines;
- to promote a culture of health and safety in the mining industry;
- to promote training in health and safety in the mining industry; and
- to promote co-operation and consultation on health and safety matters between the South African, employers, employees and their representatives.

One of the most important objectives of the MHSA is to protect the health and safety of all persons at mines and not merely the health and safety of employees. An employer is obliged, in terms of the MHSA and the regulations binding in terms thereof, to protect, as far as reasonably practicable, the health and safety of non-employees (such as visitors to a mine and

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the public who live in close proximity to the mine) and employees (which includes employees of independent contractors) performing work at a mine. The word “employer” in section 102 of the MHSA is defined as the owner of the mine. In turn, an “owner” of a mine is defined to include: (i) the holder of the prospecting permit or mining authorization issued under the MPRDA; (ii) if a prospecting permit or mining authorization does not exist, the person for whom the activities in connection with the winning of a mineral are undertaken, but excluding an independent contractor; or (iii) the last person who worked the mine or that person’s successor in title.

The aforesaid subsection was amended by section 30(f) of the Mine Health and Safety Amendment Act, No. 74 of 2008 by substituting the term “Mineral and Petroleum Resources Development Act” for the term “Minerals Act.” Under the new system, mining authorizations do not exist. However, taking into account section 12 of the Interpretation Act, No. 33 of 1957, the word “authorisation” must be substituted by the words “mining right or mining permit.” Accordingly, the holder of the “mining right or mining permit” is regarded the employer for the purposes of the MHSA and the regulations binding thereunder. The employer therefore remains responsible to ensure that applicable provisions of the MHSA and the regulations binding in terms thereof are complied with to ensure the health and safety of persons, as far as reasonably practicable and to prevent damage to property.

The MHSA prescribes general and specific duties for employers and others, determines penalties and a system of administrative fines, and provides for employee participation by requiring the appointment of health and safety representatives and the establishment of health and safety committees. It also entrenches the right of employees to refuse to work in dangerous conditions.

See “Integrated Annual Report for the 20-F 2018-Ensuring employee well-being - maintaining stability in our workforce-Safety and health” on pages 34 to 50.

The Mine Health and Safety Inspectorate (“MHSI”) within the DMR is responsible for the enforcement of the MHSA and the regulations binding in terms thereof and it also plays an important role in the promotion of health and safety at mines. The MHSI comprises of a Chief Inspector of Mines, Principal Inspectors of Mines for each region and various Inspectors of Mines for each region. Should employers or employees fail to comply with their obligations under the MHSA the MHSI may take a number of enforcement measures which include the following:

the issuing of statutory instructions (for example notices in terms of section 54 or section 55 of the MHSA) if an Inspector of Mines has reason to believe that any occurrence, practice or condition at a mine endangers the health and safety of any person at a mine, alternatively if an Inspector of Mines has reason to believe that a provision of the MHSA has not been complied with. A notice in terms of section 54 of the MHSA may halt all mining operations undertaken at a mine or part thereof. If a mine receives notices in terms of section 54 of the MHSA regularly, the production stoppages and the additional costs incurred as a result thereof, will not only affect the production results of a mine but also the reputation and business of a mine. If, however, a notice in terms of section 54 of the MHSA has been issued unlawfully, the mine may appeal the said notice to the Chief Inspector of Mines. It must be noted that the aforesaid appeal does not suspend the operation of the notice issued in terms of section 54 of the MHSA. To suspend the operation of the notice in the above instance, a mine may lodge an urgent application to the Labour Court (being the court with jurisdiction) requesting the suspension of the operation of the notice issued in terms of section 54 of the MHSA pending the outcome of the appeal to the Chief Inspector of Mines;

the Chief Inspector of Mines may suspend or cancel certificates of competency issued in terms of the MHSA if the holder of that certificate is guilty of gross negligence or misconduct or has not complied with the MHSA or the regulations binding thereunder;

a Principal Inspector of Mines may recommend prosecution to the National Director of Public Prosecutions if satisfied that there is sufficient admissible evidence that an offence has been committed. Any person convicted of an offense in terms of the MHSA may be sentenced to a fine or imprisonment as may be prescribed; and

a Principal Inspector of Mines may, after considering the recommendation of an Inspector of Mines and the written representations of the employer, impose an administrative fine for the failure to comply with, amongst others, the provisions of the MHSA and the regulations binding thereunder. In terms of Schedule 8 to the MHSA, the maximum administrative fine which may be imposed on an employer is one million ZAR per transgression. The MHSA does not make provision for any internal appeal against an administrative fine which has been issued unlawfully. However, if a mine receives an administrative fine which has been issued unlawfully, the mine may lodge an application in the



Labour Court (being the court with jurisdiction) to review the decision of the Chief Inspector of Mines to impose an administrative fine.

Over and above the aforesaid, investigation and/or inquiry proceedings in terms of the MHSA are instituted by the MHSI following the occurrence of any accident or incident at a mine, which results in the death of any person. In South Africa the COIDA and ODMWA established two statutory systems for the payment of compensation for occupationally related injuries and certain occupationally related diseases. COIDA applies to the compensation of all occupational injuries (including payment of compensation in the event of the death of the injured employee), whether or not it occurs in or outside the mining industry. ODMWA applies to diseases which are defined as “compensatable diseases”, being primarily occupationally related lung diseases like silicosis. COIDA indemnifies the employer against claims by the employee or his/her dependents for damages incurred as a result of occupational injuries and diseases. However, the Constitutional Court held in *Mankayi v AngloGold Ashanti Limited* 2011 (3) SA 237 (CC) that although COIDA applies to occupational diseases in general, COIDA does not apply in instances where the disease in question is a compensatable disease in terms of ODMWA and which was contracted as a result of the performance of “risk work” at a “controlled mine”. The Court further

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held that if an employee contracts a compensatable disease as defined in ODMWA, the employee would still be entitled to claim common law damages from the employer.

Health and Safety - Papua New Guinea

PNG has a significant mining industry, and a developing system of occupational health and safety. The PNG Mining (Safety) Act 1977 is the principal legislation, which addresses a range of issues such as working hours, minimum safety and reporting requirements. Other legislation and regulations also apply.

The PNG Mining (Safety) Act 1977 and the Regulations issued thereunder are currently under review as part of the overall review of mining legislation in PNG.

See “Integrated Annual Report for the 20-F 2018-Ensuring employee well-being - maintaining stability in our workforce-Safety and health” on pages 34 to 50.

Laws and Regulations pertaining to Environmental Protection - South Africa

The following is an overview of the South African environmental laws and regulations which are relevant to our operations in South Africa.

Four major pieces of legislation presently account for the majority of environmental management of mining operations in South Africa and are discussed in turn below. They are:

• NEMA;

• The NWA;

• The National Environmental Management: Air Quality Act, 39 of 2004 ; and

• The National Environmental Management: Waste Act, 59 of 2008 ("Waste Act").

South African environmental legislation commonly requires businesses whose operations may have an impact on the environment to obtain permits, authorizations and other approvals for those operations. The rationale behind this is to ensure that companies with activities that are reasonably expected to have environmental impacts, can initially assess the extent of the environmental impacts from such activities, as well as to put reasonable and practicable mitigation measures in place to manage these impacts.

NEMA

NEMA is the overarching legislation giving effect to the environmental right protected in section 24 of the Constitution of the Republic of South Africa, 1996, and which provides the underlying framework and principles underpinning the coordinated and integrated management of environmental activities. In terms of NEMA, an environmental authorization is required in order to commence a listed activity. These activities are currently listed in GNR 983-985 of December 8, 2014 (“NEMA Listed Activities”), as amended in GNR 324-327 of April 4, 2017. The commencement of a listed activity without an environmental authorization may be rectified via a section 24G application for authorization, however, such application will be subject to payment of an administrative penalty and may attract other liability. The "financial provision" regulations under NEMA, which were originally published in November 2015, have subsequently been updated with the 2017 draft regulations. These regulations place an emphasis on post-closure water pumping and treatment and the need for upfront provision to be set aside for the management of these types of impacts.

Depending on the anticipated severity of the impact of undertaking a listed activity, the application process will require either a basic assessment report (“BAR”) or a scoping and environmental impact assessment report (“S&EIR”) to be prepared as part of the application for an environmental authorization. An activity requiring a mining right is considered to have a more severe environmental impact and requires an S&EIR prior to commencement. This listed activity was previously listed in the listing notices published prior to 2014; however, it was never brought into effect. As a result there was legal debate about the applicability of NEMA Listed Activities to mining and related activities and whether activities which were incidental to mining triggered other related activities under NEMA. Previously the approval of an Environmental Management Programme (“EMPR”) served a relatively similar function under the MPRDA. Clarity has since been brought about by virtue of a number of amendments to NEMA and the MPRDA, as well as the listed activities under NEMA and it is clear that as of December 8, 2014, an environmental authorization is required for the commencement of any activity which requires a mining right or the commencement of any activity which requires a prospecting right. The issue of an environmental authorization is a condition prior to the grant of a prospecting or mining right. The DMR is the responsible authority for the issuing of an environmental authorization;

however, the Department of Environmental Affairs remains the appeal authority in respect of any appeals to the issue of an environmental authorization. Applicants are also required to follow stringent requirements in the public participation process to enable consultation with all interested and affected parties.

As part of its application for an environmental authorization the applicant must demonstrate that it has complied with the prescribed financial provisioning requirements in terms of section 24P of NEMA. This means that the holder must set aside funds in the form of cash, financial guarantees and/or investment policies, to serve as security for the discharge of the statutory obligation to undertake concurrent rehabilitation, rehabilitation upon closure and the costs of managing latent and residual post closure impacts. Moreover every holder of a mining right must assess his or her environmental liability on an annual basis and must increase his or her financial provision to the satisfaction of the Minister for Mineral Resources. The holder must also submit an audit report to the Minister on the adequacy of the financial provision from an independent auditor. The Regulations Pertaining to the Financial Provision for Prospecting, Exploration, Mining or Production Operations ("financial provisions regulations, 2015") were published in the government gazette in November 2015 and now fall under NEMA. The financial provisions regulations, 2015 stipulate procedures for how financial provision is to be made, audited and reviewed and existing mines are also required to comply with the these financial provision requirements, which entails such

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mines undertaking a substantive review and alignment of the quantum of their existing financial provision in accordance with these regulations. These regulations have brought about a number of changes and clarifications to the previous legal regime with the consequent probable and substantial increase in the required quantum of financial provision set aside by existing operations, as well as the corollary increase in the costs associated with adjusting the financial vehicles historically used by mining companies to put up these provisions. This is due to the qualification that latent or residual environmental impacts which may become known in the future now include the pumping and treatment of polluted or extraneous water. The mining industry has raised serious concerns about the intent of, and ability of the DMR to implement the new regulations. The financial provisions regulations, 2015 have subsequently been updated with a new set of draft regulations published in November 2017 for public comment, with a revised compliance deadline of February 20, 2019. The 2017 draft regulations place an emphasis on post-closure water pumping and treatment and the need for upfront provision to be set aside for the management of these types of impacts.

This has resulted in further public participation and will likely result in amendments to the financial provision regulation being published in the near future.

Lastly, NEMA imposes a statutory obligation on every person who has caused or is likely to cause significant contamination to take reasonable measures in relation thereto. This duty applies retrospectively to contamination caused prior to 1998. A failure to comply with this duty, as well as the requirement for an environmental authorization can result in significant fines of up to ZAR10 million and/or 10 years imprisonment being imposed. Directives or compliance notices can also be issued under NEMA for the temporary or permanent shut down of facilities at a mining operation or the entire mining operation. Directors and certain employees can also be held criminally liable for environmental offences in their personal capacity under NEMA if they fail to take reasonable measures to protect the environment.

Waste management

In relation to mining waste specifically, the Waste Act has been amended so as to apply to residue stockpiles and deposits and to prescribe certain management measures in respect thereof. A waste management license is now required for the establishment or reclamation of a residue stockpile or residue deposit resulting from activities which require a prospecting right or mining permit. This requirement only applies to facilities established or reclaimed after July 24, 2015. It does not apply retrospectively to negate the lawfulness of existing stockpiles and deposits as the relevant transitional provisions (albeit drafted ambiguously) appear to suggest that if they were authorized in an EMPR in terms of the MPRDA prior to July 24, 2015, they will be considered lawful or authorized for the purposes of the Waste Act. Other waste management facilities constructed and/or operated by our operations may also be subject to licensing requirements, including hazardous waste disposal sites and central salvage yards.

In addition to licensing, mines must also comply with the management measures prescribed for residue stockpiles and deposits in the Regulations for Residue Stockpiles and Residue Deposits from a Prospecting, Mining, Exploration or Production Operation in GNR 632 of July 24, 2015. These regulations do not retrospectively apply to the management of existing stockpiles and deposits, so long as they are in an approved EMPR. These regulations have notable cost implications for new residue stockpiles and deposits established after this date as they impose certain liner/barrier requirements for them.

The Waste Act also regulates contaminated land, whether or not the contamination occurred before the commencement of the Waste Act or at a different time from the actual activity that caused the contamination.

Consequently, historic, as well as present or future arising, contaminated land which is identified as an investigation area by the environmental authorities or which is notified as being contaminated by the land owner must be assessed and reported on. The direction of taking monitoring and management measures, or of undertaking site remediation, may follow depending on the level of risk associated with the contamination.

Water use and pollution

South Africa's water resources are regulated by the NWA. The NWA has provisions governing the prevention and remediation of pollution, and provides for a liability regime similar to that of NEMA, as well as licensing requirements. Most mining operations require a water use license in order to conduct their operations, particularly for activities relating to water abstraction, storage, effluent discharge, diversions, and facilities which have the potential to

pollute groundwater resources. Water use licenses are difficult to obtain and usually involve a lengthy and delayed application process. Mines are also required to comply with the regulations which were specifically published for the use of water for mining and related activities in GN 704 of June 4, 1999. These regulations provide for limitations on the location of mining infrastructure and requirements for separation of dirty and clean water systems and the design of certain water management infrastructure.

#### Environment - Papua New Guinea

In PNG, there are various laws and regulations relating to protection of the environment which are similar in scope to those of South Africa. The PNG Environment Act 2000 governs the environmental permitting and regulatory aspects of mining projects. An environmental impact statement is required when projects are likely to have a significant adverse impact on the environment. This statement must be lodged with the Conservation and Environment Protection Authority (previously the Department of Environmental Conservation) where, for large projects, it may be forwarded to the Environment Council for review. Public consultation is an integral part of this review.

Other environmental legislation includes the PNG Maritime Zones Act 2015 and the PNG Forestry Act 1991 and Regulations

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### Labor Relations

#### South Africa

Employee relations in South Africa are guided by the Labour Relations Act 66 of 1995 as well as by company and mine-based recognition agreements. In South Africa, Harmony recognizes four labor unions (save for the Moab Khotsong operation where National Union of Metalworkers of South Africa (NUMSA) is also recognized). As at financial year-end, these unions and their corresponding representation were as follows, namely the National Union of Mineworkers (at 58%); the Association of Mineworkers and Construction Union (at 24%); the United Association of South Africa (at 6%) National Union of Metalworkers (4%) and Solidarity (at 2%). About 94% of our South African workforce is unionized, with the balance not belonging to a union. See “Integrated Annual Report for the 20-F 2018-Ensuring employee well-being - maintaining stability in our workforce-employee engagement” on pages 51 to 58.

#### Australia

Employee relations in Australia are regulated by a combination of federal and state statutes that stipulate minimum standards and provide for collective bargaining and action. All employment contracts are based on the Fair Work Act of 2009 and the National Employment Standards. Our Australian workforce is not unionized.

#### Papua New Guinea

Employee relations in PNG are regulated by the PNG Employment Act of 1978 and the PNG Employment of Non-Citizens Act 1978. Individual contracts are entered into, and the workforce is not unionized.

In PNG, wages are guided by independent market research that compares mining, oil and gas companies in the region. Industrial relations at Hidden Valley have been established through regular dialogue between management and employees via the Employee Relations Committee. Employees at PNG are not unionized, however, Hidden Valley Mine employment is guided by the Training and Localisation Policy appended to the Memorandum of Agreement (“MOA”) between the company, the PNG government, provincial and local governments and the Landowner Association. The MOA governance process requires that, when qualifications and experience are equivalent, employment preference is given to local and landowner candidates before individuals from other provinces or countries. Compliance with this agreement is a critical issue in maintaining Hidden Valley Mine’s license to operate.

### C. ORGANIZATIONAL STRUCTURE

The information set forth under the heading:

“-Corporate profile” on page 5

of the Integrated Annual Report for the 20-F 2018 is incorporated herein by reference. Also see note 2.1 “Consolidation” of our consolidated financial statements, set forth beginning on page F-1.

### D. PROPERTY, PLANT AND EQUIPMENT

The information set forth under the headings:

“-Managing our Social and Environmental Impacts- Environmental management and stewardship” on pages 68 to 87;

“-Delivering profitable ounces in line with business objectives-Operating performance” on pages 88 to 126;

of the Integrated Annual Report for the 20-F 2018 is incorporated herein by reference. Also see note 15 “Property, Plant and Equipment” and note 32 “Cash Generated by Operations” of our consolidated financial statements, set forth beginning on page F-1.

Also see Item 4: “Information on the Company-Business Overview--Reserves”, “-Geology” and “-Capital Expenditures” and Item 5: “Operating and Financial Review and Prospects-Tabular Disclosure of Contractual Obligations”.

### ITEM 4A. UNRESOLVED STAFF COMMENTS

Not applicable.

### ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

You should read the following discussion and analysis together with our consolidated financial statements, including the related notes, set forth beginning on page F-1.

#### A. OPERATING RESULT

##### Overview

Harmony is currently the second largest producer of gold in South Africa and is furthermore an important producer in PNG. Our gold sales for fiscal 2018 were 1.15 million ounces of gold excluding capitalised ounces. As at June 30,

2018, our mining operations and projects reported total proved and probable reserves of approximately 36.9 million gold equivalent ounces and in fiscal 2018 we processed approximately 24.7 million tons of ore.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM has been identified as the CEO's office consisting of the chief executive officer, financial director, director corporate affairs, chief operating officer: new business, chief executive officer: South-east Asia and chief operating officer: South Africa.

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For segment purposes, management distinguishes between “Underground” and “Surface”, with each shaft or group of shafts or open-pit mine managed by a team (headed by a single general manager) being considered to be an operating segment.

Our reportable segments are as follows:

Bambanani, Doornkop, Joel, Kusasalethu, Masimong, Moab Khotsong, Target 1, Tshepong Operations, Unisel and Hidden Valley; and

all other shafts and surface operations, including those that treat historic sand dumps, rock dumps and tailings dams, are grouped together under “Other - Underground” and “Other - Surface”.

From July 1, 2017, the Tshepong and Phakisa shafts were integrated into the Tshepong Operations in order to take advantage of the close proximity of the two shafts, which allows for existing infrastructure to be optimized. Due to this change, they now form one segment and the results of fiscal 2016 and 2017 have been re-presented. As of July 1, 2017 the CODM has reviewed the single segment information.

### Recent Accounting Pronouncements

Recently adopted accounting policies, as well as recent accounting pronouncements with the potential for impact on the consolidated financial statements, are described in note 2 “Accounting Policies” to our consolidated financial statements set forth beginning on page F-1.

### Critical Accounting Policies and Estimates

The preparation of our financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported results of our operations. Actual results may differ from those estimates. We have identified the most critical accounting policies upon which our financial results depend. Some of our accounting policies require the application of significant judgment and estimates by management in selecting the appropriate assumptions for calculating financial estimates. By their nature, these judgments are subject to an inherent degree of uncertainty and are based on our historical experience, terms of existing contracts, management’s view on trends in the gold mining industry and information from outside sources.

Our significant accounting policies and critical accounting estimates and judgments are described in more detail in note 2 “Accounting Policies” and note 3 “Critical Accounting Estimates and Judgments”, respectively, to our consolidated financial statements set forth beginning on page F-1. This discussion and analysis should be read in conjunction with such consolidated financial statements and the relevant notes. Management has identified the following as critical accounting policies because estimates used in applying these policies are subject to material risks and uncertainties. Management believes the following critical accounting policies, together with the other significant accounting policies discussed in the notes to our consolidated financial statements, affect its more significant judgments and estimates used in the preparation of our consolidated financial statements and could potentially impact our financial results and future financial performance.

### Gold Mineral Reserves

Gold mineral reserves 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, 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 requires the size, shape and depth of the orebodies to be determined by analyzing geological data such as the logging and assaying of drill samples. This process may require complex and difficult geological judgments and calculations to interpret the data. These reserves are determined in accordance with the SAMREC Code, JORC and SEC Industry Guide 7.

Because the economic assumptions used to estimate the gold mineral reserves change from year to year, and because additional geological data is generated during the course of operations, estimates of the mineral reserves may change from year to year. Changes in the proved and probable reserves may affect the Group’s financial results and financial position in a number of ways, for example depreciation and amortization charged in the income statement may change as they are calculated on the units-of-production method.

The estimate of the total expected future lives of our mines could be materially different from the actual amount of gold mined in the future. See Item 3: “Key Information - Risk Factors - Estimations of Harmony’s reserves are based on



a number of assumptions, including mining and recovery factors, future cash costs of production, exchange rates, and the relevant commodity prices. As a result, metals produced in future may differ from current estimates”.

#### Depreciation of Mining Assets

Depreciation of mining assets is computed principally by the units-of-production method over the life-of-mine, based on estimated quantities of economically recoverable proved and probable reserves, which can be recovered in future from known mineral deposits.

The preparation of consolidated financial statements in compliance with IFRS requires management to assess the useful life of each of its operations separately based on the characteristics of each deposit and select the reserve/resource base that best reflects the useful life of the operation. In most instances, management considers the use of proved and probable reserves for the calculation of depreciation and amortization expense to be the best estimate of the life of the respective mining operation. Therefore, for most of the Company’s operations, we use proved and probable reserves only,

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excluding all inferred resources as well as any indicated and measured resources that have not yet been deemed economically recoverable.

In some instances, proved and probable reserves alone may not provide a realistic indication of the useful life of mine and related assets. In these instances, management may be confident that certain inferred resources will eventually be classified as measured and indicated resources, and if economically recoverable, they will be included in proved and probable reserves. Management is approaching economic decisions affecting the mine on this basis, but has not yet done the necessary development and geological drill work to improve the confidence to the required levels to designate them formally as reserves. In these cases, management, in addition to proved and probable reserves, may also include certain, but not all, of the inferred resources associated with these properties as the best estimate of the pattern in which the asset's future economic benefits are expected to be consumed by the entity.

Management only includes the proved and probable reserves and the inferred 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. The board of directors and management approach economic decisions affecting these operations based on the life-of-mine plans that include such resources. 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 SAMREC Code or JORC. For further discussion on mineral reserves, see "- Gold Mineral Reserves" above.

In fiscal 2018 and 2017, the Company added the inferred resources that were included in the life-of-mine plans at Doornkop (2016: Doornkop and Masimong) to the proved and probable reserves in order to calculate the depreciation expense. The depreciation calculation for all other operations was done using only the proved and probable reserves. In fiscal 2016, exploration at Doornkop proved successful with the inclusion of new mining areas in the updated life-of-mine plan for fiscal 2017. During fiscal 2017 a seismic study was completed with the results finalized during the first half of fiscal 2018 and changes to the model reflected in the current life-of-mine production profile. This, together with the underground exploration that started during fiscal 2017, increased Doornkop's geological and orebody confidence and the updated geological model has been used in the latest life-of-mine plan.

At Doornkop, there has been a steady conversion of the inferred resources included in the life-of-mine plan into measured and indicated resources that are then classified as reserves if economically viable. In addition, there have been no instances during the periods presented where subsequent drilling or underground development indicated instances of inappropriate inclusion of inferred resources in the life-of-mine plan. As such, management is confident that the inclusion of the inferred resources included in the life-of-mine plan in calculating the depreciation charge is a better reflection of the pattern of consumption of the future economic benefits of these assets than would be achieved by excluding them.

Management's confidence in the economical recovery of these inferred resources is based on historical experience and available geological information. The surface drilling spread (surface boreholes) and underground advance drilling at Doornkop South Reef has indicated that the portion of the inferred resources included in the life-of-mine plan exist and can be economically mined with a high level of confidence in the orebodies. The surface boreholes have been used to determine the existence of the orebodies as well as the location of major geological structures and the mineralogy of the orebodies. However, since further drilling and underground development necessary to classify the inferred resources as measured and/or indicated resources and then as reserves, if economically recoverable, has not been done yet, they remain in the inferred resource category. Geological drilling can only be done as and when the underground infrastructure is advanced.

Additional confidence in existence and commercial viability is obtained from the fact that the orebodies surrounding the operation have already been mined over many years in the past. We mine continuations of the same reefs that these mined-out operations exploited. At Doornkop South Reef, the geological setting of the orebody is such that there is an even distribution of the mineralized content, and reliance can be placed on the comparable results of the surrounding mines. As these results are already known, simulations and extrapolations of the expected formations can be done with a reasonable degree of accuracy. Although this information will not allow the classification of inferred

resources to measured and indicated

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resources and then as a reserve if economically viable, it does provide management with valuable information and increases the level of confidence in existence and grade expectation.

Future capital expenditure necessary to access these inferred resources, such as costs to complete a decline or a level, has also been included in the cash flow projections for the life-of-mine plan and have been taken into account when determining the pattern of depreciation charge for these operations.

Due to the fact that the economic assumptions used to estimate the proved and probable reserves and resources change from year to year, and because additional geological data is generated during the course of operations, estimates of the resources and proved and probable reserves may change from year to year. Changes in the proved and probable reserves and the inferred resource base used in the life-of-mine plan may affect the calculation of depreciation and amortization. The change is recognized prospectively.

The relevant statistics for the two operations have been included below.

Applicable to the Fiscal Year Ended June 30,			
Doornkop	2018	2017	2016
A Years (life-of-mine plan)	16	17	15
B Reserves (Tons million)	7.7	4.7	5.6
B Resources (Tons million)	57.9	20.6	36.2
D Total inferred resources (Tons million)	16.9	13.5	24.9
E Inferred resources included in life-of-mine plan (Tons million)	6.2	7.8	4.2
F Future development costs			
•			
Rand million	494.1	358.1	173.3
•			
US\$ million	38.5	26.3	11.9
G Depreciation expense for the fiscal year			
•			
As reported (US\$ million)	14.4	16.6	12.7
•			
Excluding inferred resources (US\$ million)	26.2	28.2	16.9
Applicable to the Fiscal Year Ended June 30,			
Masimong	2018	2017	2016
A Years (life-of-mine plan)	n/a	n/a	3
B Reserves (Tons million)	n/a	n/a	2.1
B Resources (Tons million)	n/a	n/a	15.1
D Total inferred resources (Tons million)	n/a	n/a	5.7
E Inferred resources included in life-of-mine plan (Tons million)	n/a	n/a	0.1
F Future development costs			
•			
Rand million	n/a	n/a	1.5
•			
US\$ million	n/a	n/a	0.1
G Depreciation expense for the fiscal year			
•			
As reported (US\$ million)	n/a	n/a	17.7
•			
Excluding inferred resources (US\$ million)	n/a	n/a	18.6

#### Impairment of Property, Plant and Equipment

We review and evaluate our mining assets for impairment when events or changes in circumstances indicate the related carrying amounts may not be recoverable. An impairment loss is recognized 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 of the cash flows of other shafts and assets. With the integration of Phakisa and Tshepong into the Tshepong Operations the two shafts were treated as a single cash generating unit at June 30, 2018.

Future cash flows are estimated based on estimated quantities of recoverable minerals, expected commodity prices (considering current and historical prices, price trends and related factors), production levels and cash costs of production, capital and reclamation costs, all based on detailed life-of-mine plans. The significant assumptions in determining the future cash flows for each individual operating mine at June 30, 2018, apart from production cost and capitalized expenditure assumptions unique to each operation, included a gold price, silver price and exchange rate assumptions, are as follows:

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Fiscal year ended June 30, 2018

	Long term
US\$ gold price per ounce	1,250.00
US\$ silver price per ounce	17.00
Rand/US\$ exchange rate	13.30
US\$/Kina exchange rate	3.17

The term “recoverable minerals” refers to the estimated amount of gold that will be obtained from proved and probable reserves and 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 exploration stage mineral interests are risk adjusted based on management’s relative confidence in such materials. 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.

As discussed above under “- Gold Mineral Reserves”, various factors could impact our ability to achieve our forecasted production schedules from proved and probable reserves. Additionally, gold prices, capital expenditure requirements and reclamation costs could differ from the assumptions used in the cash flow models used to assess impairment. The ability to achieve the estimated quantities of recoverable minerals from exploration stage mineral interests involves further risks in addition to those factors applicable to mineral interests where proved and probable reserves have been identified, due to the lower level of confidence that the identified mineralized material can ultimately be mined economically. Assets classified as other mine-related exploration potential and greenfields exploration potential have the highest level of risk that the carrying value of the asset can be ultimately realized, due to the still lower level of geological confidence and economic modeling.

During fiscal 2018, we recorded an impairment of property, plant and equipment of US\$361 million. During fiscal 2017 we recorded an impairment of US\$112 million while a net reversal of US\$3 million was recorded in fiscal 2016. Material changes to any of these factors or assumptions discussed above could result in future impairment charges, particularly around future commodity price assumptions. A 10% decrease in commodity price assumptions at June 30, 2018 would have resulted in impairments as follows:

	(\$ in millions)
Tshepong Operations.....	375
Kusasaletu.....	197
Hidden Valley.....	54
Target 1.....	122
Doornkop.....	149
Masimong.....	28
Moab Khotsong*.....	118
Joel.....	64
Target 3.....	10
Other surface operations.....	39
Target North.....	132
Unisel.....	38
Bambanani*.....	16

\*The goodwill balance attributed to this cash generating unit would be reduced to \$nil. See “- Carrying Value of Goodwill” below.

This analysis assumes that all other variables remain constant.

Carrying Value of Goodwill

We evaluate, on at least an annual basis, the carrying amount of goodwill to determine whether current events and circumstances indicate that such carrying amount may no longer be recoverable. 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 of the cash flows of other shafts and assets. To accomplish this, we compare the recoverable amounts of our cash generating units to their carrying amounts. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. If the carrying value of a cash generating unit were to exceed its recoverable amount at the time of the evaluation, an impairment loss is recognized by first reducing goodwill, and then the other assets in the cash generating unit on a pro rata basis. Assumptions underlying fair value estimates are subject to risks and uncertainties. If these assumptions change in the future, we may need to record impairment charges on goodwill not previously recorded.

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As at June 30, 2018 our goodwill related to the Moab Khotsong and Bambanani cash generating units. Goodwill of US\$23 million was recognized on acquisition of the Moab Khotsong operations. Refer to note 14 "Acquisitions and Business Combinations" of our consolidated financial statements for further details. An impairment of US\$27 million on goodwill, US\$24 million relating to the Tshepong Operations and US\$3 million relating to Joel, was recorded in fiscal 2018. Impairment on goodwill of US\$19 million was recorded during fiscal 2017 relating to the Tshepong Operations while no impairment on goodwill was recorded during fiscal 2016.

### Derivatives and Hedging Activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The difference between the fair value of the derivative at initial recognition and expected forward transaction price is deferred and recognized as a day one gain or loss. The day one gain or loss is amortized over the derivative contract period and recognized in profit or loss in gains/losses on derivatives.

The full fair value of a derivative is classified as a non-current asset or liability when the remaining maturity is more than 12 months; it is classified as a current asset or liability when the remaining maturity is less than 12 months.

### Cash flow hedge

The group designates certain derivatives as hedges of a particular risk associated with the cash flows of highly probable forecast transactions (cash flow hedges). The group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in cash flows of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss within gains/losses on derivatives.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the forecast sale that is hedged takes place and affects profit or loss. The gain or loss relating to the effective portion of the rand gold forward sales contracts is recognized in profit or loss within revenue.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction that was hedged is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

### Derivatives not designated for hedge accounting purposes

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value as well as gains and losses on expiry, disposal or termination of any derivative instrument that does not qualify for hedge accounting are recognized immediately in profit or loss and are included in gains/losses on derivatives.

### Share Issues

Harmony conducted a placing (the "Placing") of 55,055,050 new ordinary shares with existing and new institutional investors at a price of R19.12 per share, raising gross proceeds of R1,053 million (US\$83 million), which represented approximately 15 percent of the Company's existing issued ordinary share capital prior to the Placing. The placement was conducted through an accelerated bookbuild. Costs directly attributable to the issue of the shares amounted to R49 million (US\$4 million). The net proceeds of the placement were to be used to pay down part of the outstanding bridge loan raised for the Moab Acquisition.

### Provision for Environmental Rehabilitation

Our mining and exploration activities are subject to various laws and regulations governing the protection of the environment. Estimated long term environmental obligations, comprising pollution control, rehabilitation and mine closure, are based on the Group's environmental management plans. 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 is capitalized to mining assets against an increase in the rehabilitation provision. The rehabilitation asset is depreciated as discussed above. Rehabilitation projects undertaken, included in the estimates are charged to the provision as incurred. The cost of ongoing current programs to prevent and control pollution is charged against income as incurred. See Item 3: "Key Information - Risk Factors - We are subject to extensive environmental regulations".

#### Provision for Silicosis Settlement

The Group's portion of the potential cost of settling the silicosis and tuberculosis class actions that have been instituted against it in South Africa has been provided for. The expected contributions (cash flows) to the vehicle that will manage the settlement process have been discounted over the expected period of time during which contributions will be made. Annual changes in the provision consists of the time value of money (recognized as finance cost) and changes in estimates (recognized as other operating expenses).

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See Item 3: “Key Information - Risk Factors - The cost of occupational healthcare services and the potential liabilities related to occupational health diseases may increase in future and may be substantial”.

### Deferred Taxes

The taxable income from gold mining at our South African operations was subject to a formula to determine the taxation expense. The tax rate calculated using the formula was capped to a maximum mining statutory rate of 34% for fiscal 2018, fiscal 2017 and fiscal 2016. Taxable income is determined after the deduction of qualifying mining capital expenditure to the extent that it does not result in an assessed loss. Excess capital expenditure is carried forward as unredeemed capital expenditure and is eligible for deduction in future periods, taking the assessed loss criteria into account. Further to this, mines are ring-fenced and are treated separately for tax purposes, with deductions only being available to be claimed against the mining income of the relevant ring-fenced mine.

In terms of IAS 12 - Income Taxes, deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, and at our South African operations, such average tax rates are directly impacted by the profitability of the relevant ring-fenced 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 balance sheet date.

The future profitability of each ring-fenced mine, in turn, is determined by reference to the life-of-mine plan for that operation. The life-of-mine plan is based on parameters such as the Group’s long term view of the US\$ gold price and the Rand/US\$ exchange rate, as well as the reserves declared for the operation. As some of these parameters are based on market indicators, they differ from one year to the next. In addition, the reserves may also increase or decrease based on updated or new geological information.

We do not recognize a deferred tax asset when it is more likely than not that the asset will not be utilized. Assessing recoverability of deferred tax assets requires management to make significant estimates related to expectation of future taxable income. Estimates of future taxable income are based on forecasted cash flows from operations, reversals of deferred tax liabilities and the application of existing tax laws in each jurisdiction. To the extent that future taxable income differs significantly from estimates, our ability to realize the net deferred tax assets recorded at the balance sheet date could be impacted. Additionally, future changes in tax laws in the jurisdictions in which we operate could limit our ability to obtain the future tax benefits represented by deferred tax assets recorded at the balance date.

### Revenue

Most of our revenues are derived from the sale of gold. As a result, our operating results are directly related to the price of gold. Historically, the price of gold has fluctuated widely. The gold price is affected by numerous factors over which we do not have control. See Item 3: “Key Information - Risk Factors - The profitability of our operations, and cash flows generated by those operations, are affected by changes in the price of gold. A fall in the gold price below our cash cost of production and capital expenditure required to sustain production for any sustained period may lead to losses and require Harmony to curtail or suspend certain operations”. As a general rule, we sell our gold produced at market prices to obtain the maximum benefit from increases in the prevailing gold price.

During fiscal 2018 and 2017, Harmony entered into derivative contracts to manage the variability in cash flows from the Group’s production, in order to create cash certainty and protect the Group against lower commodity prices. At year end the limits set by the Board were for 20% of the production from gold and 25% from silver over a period of 24 months. Subsequent to year end the permitted level of cover for silver has been increased to 50%. Management continues to top-up these programs as and when opportunities arise to lock in attractive margins for the business, but are not required to maintain hedging at these levels.

A portion of the production of the South African operations is linked to Rand gold forward sale contracts. The majority of the Rand gold forward contracts have been designated as cash flow hedging instruments and hedge accounting is applied on these contracts. US\$ gold forward sale contracts were also entered into for the production of the Hidden Valley operation, but these contracts were not designated as hedging instruments and the gains/losses are accounted for in profit or loss.

Significant changes in the price of gold over a sustained period of time may lead us to increase or decrease our production in the near term.

#### Harmony's Realized Gold Price

In fiscal 2018, the average gold price in US dollars received by us was US\$1,380 per ounce. This average gold price includes the realized gains on the hedging instruments, where hedge accounting was applied. The market price for gold (and, accordingly, the price received by us) is affected by numerous factors over which we have no control. See Item 3: "Key Information - Risk Factors - The profitability of our operations, and cash flows generated by those operations, are affected by changes in the price of gold. A fall in the gold price below our cash cost of production and capital expenditure required to sustain production for any sustained period may lead to losses and require Harmony to curtail or suspend certain operations".

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The following table sets out the average, the high and the low London Bullion Market price of gold and our average US dollar sales price during the past three fiscal years:

	Fiscal Year Ended		
	June 30,		
	2018	2017	2016
	(\$/oz)		
Average	1,297	1,257	1,169
High	1,355	1,366	1,325
Low	1,211	1,125	1,049
Harmony's average sales price	1,380	1,304	1,169

Our average sales price differs from the average gold price due to the timing of our sales of gold within each year. In addition, fiscal 2018 and 2017 include the effect of hedge accounting i.e. realized gains from the cash flow hedges which have been included in revenue.

**Costs**

Our cash costs typically make up between 70% and 80% of our total costs (excluding impairments and disposal/loss on scrapping of assets). The remainder of our total costs consists primarily of exploration costs, employment termination costs, corporate and sundry expenditure, and depreciation and amortization. Our cash costs consist primarily of production costs. Production costs are incurred on labor, equipment, consumables and utilities. Labor costs are the largest component and typically comprise between 60% and 65% of our production costs.

Our all-in sustaining costs increased from US\$1,182 per ounce in fiscal 2017 to US\$1,231 in fiscal 2018. The primary reason for the increase is increased labor and energy costs, as well as inflationary pressures on supply contracts. In US dollar terms, the strengthening of the Rand against the US dollar in fiscal 2018 also contributed to the increase. This strengthening of the Rand resulted in the Rand amounts being translated at a lower rate of R12.85 compared to R13.60 in fiscal 2017.

Our cash costs have increased from US\$1,000 per ounce in fiscal 2017 to US\$1,018 in fiscal 2018, mainly due to the impact of increased labor and energy costs and inflationary pressures on supply contracts as well as the strengthening of the Rand against the US dollar.

Our US dollar translated costs are very sensitive to the exchange rate of the Rand and other non-US currencies to the US dollar. See Item 5: "Operating and Financial Review and Prospects-Exchange Rates". Appreciation of the Rand and other non-US currencies against the US dollar increases working costs at our operations when those costs are translated into US dollars. See Item 3: "Key Information - Risk Factors - Foreign exchange fluctuations could have a material adverse effect on Harmony's operational results and financial condition".

The average exchange rate of the Rand appreciated approximately 5% against the US dollar in fiscal 2018 compared to fiscal 2017. In the case of our International operations, the Australian dollar appreciated by 2% against the US dollar in fiscal 2018, while the Kina depreciated by 2% against the US dollar in fiscal 2018.

Management conducts a thorough review of costs at all operations to ensure that costs are properly managed and within budget. However, it should be noted that there are risks beyond our control such as safety stoppages, which would result in production being negatively affected while certain costs would still be incurred. This is discussed in more detail in Item 3: "Key Information - Risk Factors - Given the nature of mining and the type of gold mines we operate, we face a material risk of liability, delays and increased cash costs of production from environmental and industrial accidents and pollution compliance breaches" and "- The nature of our mining operations presents safety risks".

**Reconciliation of Non-GAAP Measures**

All-in sustaining costs ("AISC"), all-in sustaining costs per ounce, total cash costs and total cash costs per ounce are non-GAAP measures.

The World Gold Council ("WGC") published industry guidance in June 2013 on the calculation of "all-in sustaining costs" and "all in cost" non-GAAP measures, developed to create a better understanding of the overall costs associated with producing gold. Although Harmony is not a member of the WGC, we started disclosing all-in sustaining costs in the 2014 fiscal year (only for continuing operations). The all-in sustaining cost measure is an extension of the existing cash cost measure (refer below) and incorporates costs related to sustaining production.

All-in sustaining costs include mine production costs, transport and refinery costs, applicable general and administrative costs, costs associated with movements in production inventories, ore stockpiles, as well as ongoing environmental rehabilitation costs, transfers for stripping activities and costs associated with royalties. Employee termination costs are included, however employee termination costs associated with major restructuring and shaft closures are excluded. The following costs are also included: local economic development (“LED”) expenditure for continuing operations, corporate costs, sustaining exploration costs and sustaining capital expenditure including ongoing capital development (“OCD”) expenditure and rehabilitation accretion and amortization for continuing operations. Gold ounces sold are used as the denominator in the all-in sustaining costs per ounce calculation. Our cash costs consist primarily of production costs and are expensed as incurred. The cash costs are incurred to access ore to produce current mined reserves. Cash costs do not include capital development costs, which are incurred to allow access to the orebody for future mining operations and are capitalized and amortized when the relevant reserves are mined.

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Total cash costs include mine production costs, transport and refinery costs, applicable general and administrative costs, ore stockpiles, as well as ongoing environmental rehabilitation costs as well as transfers for stripping activities and costs associated with royalties. Employee termination cost is included, however employee termination costs associated with major restructuring and shaft closures are excluded. The costs associated with movements in production inventories are excluded from total cash costs. Gold ounces produced are used as the denominator in the total cash costs per ounce calculation.

Changes in all-in sustaining costs per ounce and cash costs per ounce are affected by operational performance, as well as changes in the currency exchange rate between the Rand and the US dollar and, in the case of the Papua New Guinean operations, the Kina. All-in sustaining costs, all-in sustaining costs per ounce, total cash costs and total cash costs per ounce are non-GAAP measures. All-in sustaining costs, all-in sustaining costs per ounce, total cash costs and total cash costs per ounce should not be considered by investors in isolation or as an alternative to production costs, cost of sales, or any other measure of financial performance calculated in accordance with IFRS. In addition, the calculation of all-in sustaining costs, all-in sustaining costs per ounce, total cash costs and total cash costs per ounce may vary from company to company and may not be comparable to other similarly titled measures of other companies. However, we believe that all-in sustaining costs per ounce and cash costs per ounce are useful indicators to investors and management of a mining company's performance as they provide (1) an indication of the cash generating capacities of our mining operations, (2) the trends in all-in sustaining costs and cash costs as the Company's operations mature, (3) a measure of a company's performance, by comparison of cash costs per ounce to the spot price of gold and (4) an internal benchmark of performance to allow for comparison against other companies.

While recognizing the importance of reducing all-in sustaining costs and cash costs, our chief focus is on controlling and, where possible, reducing total costs, including overhead costs. We aim to control total unit costs per ounce produced by maintaining our low total cost structure at our existing operations. We have been able to reduce total costs by implementing a management structure and philosophy that is focused on reducing management and administrative costs.

The following is a reconciliation of total all-in sustaining costs, as a non-GAAP measure, to the nearest comparable GAAP measure, cost of sales:

	Fiscal year ended June 30,		
	2018	2017	2016
	(in \$ millions, except for ounce amounts)		
Total cost of sales - under IFRS	1,800	1,448	1,088
Depreciation and amortization expense	(192)	(179)	(144)
Rehabilitation (costs)/credit	(5)	(2)	3
Care and maintenance costs of restructured shafts	(10)	(8)	(8)
Employment termination and restructuring costs	(16)	(5)	(1)
Share-based payments	(19)	(29)	(23)
(Impairment)/reversal of impairment of assets	(386)	(131)	3
Other	9	4	1
LED costs	5	5	3
Corporate, administration and other expenditure costs	45	32	23
Exploration (sustaining)	—	—	—
Capital expenditure (OCD)	121	99	96
Capital expenditure (Exploration, abnormal expenditure and shaft capital)	60	50	45
Total all-in sustaining costs	1,412	1,284	1,086
Per ounce calculation:			
Ounces sold <sup>1</sup>	1,146,850	1,086,231	1,081,615
Total all-in sustaining costs per ounce	1,231	1,182	1,003

<sup>1</sup> Excludes 64,976 ounces in fiscal 2018 and 11,713 ounces in fiscal 2017 from Hidden Valley that have been credited against the capitalized costs as part of the pre-stripping of stages 5 and 6.

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The following is a reconciliation of total cash costs, as a non-GAAP measure, to the nearest comparable GAAP measure, cost of sales under IFRS:

	Fiscal year ended June 30,		
	2018	2017	2016
	(in \$ millions, except for ounce amounts)		
Total cost of sales - under IFRS	1,800	1,448	1,088
Depreciation and amortization expense	(200	)(185	)(149
Rehabilitation (costs)/credit	(5	)(2	)3
Care and maintenance costs of restructured shafts	(10	)(8	)(8
Employment termination and restructuring costs	(16	)(5	)(1
Share-based payments	(19	)(29	)(23
(Impairment)/reversal of impairment of assets	(386	)(131	)3
Other	3	1	1
Gold and uranium inventory movement	17	(14	)(4
Total cash costs	1,184	1,075	910
Per ounce calculation:			
Ounces produced <sup>1</sup>	1,161,435	1,076,139	1,082,035
Total cash costs per ounce	1,018	1,000	841

<sup>1</sup>Excludes 66,499 ounces in fiscal 2018 and 11,713 ounces in fiscal 2017 from Hidden Valley that have been credited against the capitalized costs as part of the pre-stripping of stages 5 and 6

Within this report, our discussion and analysis is focused on the all-in sustaining costs and total cash costs measure.

Exchange Rates

Our revenues are very sensitive to the exchange rate of the Rand and other non-US currencies to the US dollar. Currently, the majority of our earnings are generated in South Africa and, as a result, most of our costs are incurred in Rand. Since gold is generally sold in US dollars, most of our revenues are received in US dollars. The average gold price received by us during fiscal 2018 before including the effect of the cash flow hedges increased by US\$45 per ounce to US\$1,300 per ounce from US\$1,255 per ounce during fiscal 2017. Appreciation of the Rand against the US dollar increases our US dollar working costs at our South African operations when those costs are translated into US dollars, which serves to reduce operating margins and net income from our South African operations. Depreciation of the Rand against the US dollar reduces these costs when they are translated into US dollars, which serves to increase operating margins and net income from our South African operations. Accordingly, strengthening of the Rand generally results in poorer earnings for us if there is not a similar increase in the gold price.

The exchange rates obtained when converting US dollars to Rand are determined by foreign exchange markets, over which we have no control. The conversion rate for balance sheet items as at June 30, 2018 is R13.81 per US\$1.00, except for specific items within equity that are converted at the exchange rate prevailing on the date the transaction was entered into. This compares with a conversion rate of R13.11 per US\$1.00 as at June 30, 2017, reflecting a depreciation of 5% of the Rand against the US dollar. Income statement items were converted at the average exchange rate for fiscal 2018 of R12.85 per US\$1.00, reflecting an appreciation of 6% of the Rand against the US dollar when compared with fiscal 2017.

Harmony has entered into foreign exchange hedging contracts in the form of zero cost collars, which establish a minimum (floor) and maximum (cap) Rand/US dollar exchange rate at which to convert US dollars to Rand. At June 30, 2018, the nominal amount of the hedging contracts is US\$252 million and is spread over a 12-month period with a weighted average cap price of US\$1=R14.54 and weighted average floor price of US\$1=R13.69. Additionally at June 30, 2018 Harmony had open forward exchange forward contracts which had a nominal amount of US\$273 million spread over a 24-month period at an average exchange rate of US\$1 = R13.95.

The majority of our working costs are incurred in Rand and, as a result of this, appreciation of the Rand against the US dollar increased our working costs when translated into US dollars. Compounding this increase are increases in



our labor costs as well as inflationary pressures on our consumables and energy costs, which would decrease operating margins and net income reflected in our consolidated income statement. Depreciation of the Rand against the US dollar would cause a decrease in our costs in US dollar terms. Similarly, at our International operations, appreciation of the Australia dollar or Kina against the US dollar would cause an increase in our costs in US dollar terms. See Item 3: “Key Information - Risk Factors - Foreign exchange fluctuations could have a material adverse effect on Harmony’s operational results and financial condition”.

The Bank of Papua New Guinea has weakened the Kina against the US dollar by approximately 40 basis points per month in fiscal 2017 and during fiscal 2018, the Kina has weakened by 2%. Since the introduction of the trading band in June 2014 the Kina has weakened by 25% against the US dollar as at June 30, 2018. Should the trading band continue and depending on the level the exchange rate is set at, it could have a negative impact on the results of the Hidden Valley operation, as well as the cost of development at Golpu and other PNG exploration sites.

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### Inflation

Our operations have been materially affected by inflation. Inflation in South Africa was 4.38% at the end of fiscal 2018, 5.1% at the end of fiscal 2017 and 6.3% at the end of fiscal 2016. Working costs, especially wages, have increased considerably over the past several years resulting in significant cost pressures for the mining industry. In addition, the effect on inflation of the increase in electricity tariffs of 5.2% in fiscal 2018, 2.2% in fiscal 2017 and 9.4% in fiscal 2016, together with an increase that is yet to be determined by the energy regulator in fiscal 2019, will have a negative effect on the profitability of our operations.

The inflation rate in PNG ended fiscal 2016 at 6.4% and 2017 at 6.6%, while the annualized inflation stood at 4.7% at the end of fiscal 2018.

Our profits and financial condition could be adversely affected if the cost inflation is not offset by a concurrent devaluation of the Rand and other non-US currencies and/or an increase in the price of gold. See Item 3: “Key Information - Risk Factors-Harmony’s operations may be negatively impacted by inflation”.

### South African Socio-Economic Environment

We are a South African company and the majority of our operations are in South Africa. As a result, we are subject to various economic, fiscal, monetary and political policies and factors that affect South African companies generally.

See Item 3: “Key Information - Risk Factors - The socio-economic framework in the regions in which Harmony operates may have an adverse effect on its operations and profits”.

South African companies are subject to exchange control limitations. While exchange controls have been relaxed in recent years, South African companies remain subject to restrictions on their ability to deploy capital outside of the Southern African Common Monetary Area. See Item 10: “Additional Information - D. Exchange Controls”.

SLPs have been developed for each of our South African operations. These SLPs are prepared in line with legislation governing the participation of HDSAs in mining assets.

We have been granted all of our mining licenses under the MPRDA. We have therefore already started to incur expenses relating to HDSA participation. We believe the biggest challenge will lie in maintaining these licenses, as we will have a responsibility in respect of human resource development, procurement and local economic development. We are unable, however, to provide a specific amount of what the estimated cost of compliance will be but we will continue to monitor these costs on an ongoing basis.

### Electricity in South Africa

South African state utility, Eskom, generates approximately 90% of the electricity used in South Africa and approximately 40% of the electricity used in Africa. Eskom generates, transmits and distributes electricity to industrial, mining, commercial, agricultural and residential customers and redistributors.

During fiscal 2018 and 2017, the electricity supply in South Africa has seen less pressure than the previous years, with reduced power interruptions (also referred to as load shedding) occurring. South Africa’s electricity supply has improved and since September 2015 only isolated instances of load shedding has occurred.

The supply and demand for electricity is still very tight especially during the evening peak periods between 6:00 p.m. and 8:00 p.m. Harmony participates voluntarily in the Eskom Demand response program to reduce their demand during the said periods. Harmony has renewed its contract agreement with an Energy Service Company (“ESCO”) to ensure that the various load clipping and load shifting projects savings are sustained. They will also assist with the implementation of new energy saving initiatives at the South African operations to reduce the electricity demand during morning and evening peaks. Harmony also benefits financially from this as the Eskom tariffs are more expensive during that period. The risk of having power outages will be mainly limited to the evening peak periods in the current situation.

Government remains committed to ensure energy security for the country, through the roll-out of the independent power producer program as an integral part of the energy mix. Government remains committed to ensuring the provision of reliable and sustainable electricity supply, as part of mitigating the risk of carbon emissions.

### Renewable energy

Energy is the critical component of the country’s future policy mix. The argument around electricity really comes down to the questions: Future supply of electricity will be influenced by the extent to which renewables, primarily wind, are efficient, sustainable and ensure security of electricity supply at a competitive economic prices.

Forecasts predict that renewable energy technologies, predominantly solar- and wind-based systems, will further grow in the coming decades, overcoming coal-based electricity around 2030 (IEA, 2015). South Africa is no exception and renewable energy has entered the country's electricity landscape as a significant trend.

Discussions around other technologies, such as gas-to-power and nuclear energy, are also adding to this dynamic. Significant vested interests are still at play alongside substantial state support to maintain the domination of the coal industry over the electricity supply industry in South Africa.

See "Integrated Annual Report for the 20-F 2018 - Operating context-Social and ethics committee chairman's report" on pages 28 to 31 and "Integrated Annual Report for the 20-F 2018 - Managing our Social and Environmental Impacts-Environmental management and stewardship" on pages 68 to 87.

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Tariffs

Like all mining companies, Harmony is a major user of electricity, mostly supplied by Eskom. Energy is a significant and growing portion of our operating costs, given rising electricity tariffs. Electricity tariffs have more than doubled in the last 8 years. On December 18, 2017, NERSA granted Eskom an increase of 5.23%. Eskom is currently in the process of preparing a three-year revenue application, covering 2019/20 to 2021/22 which is expected to be submitted to NERSA in the second half of the 2018 calendar year.

Energy efficiency

Harmony has worked closely with Eskom to manage electricity use and peak demand, underlining our commitment to reduce energy consumption. This includes demand-side management (“DSM”) strategies to reduce electricity consumption in peak periods; timing our pumping to coincide with cheaper off-peak periods, making more efficient use of Eskom tariffs that reward load-shifting, and improving the efficiency of pumping operations.

We have implemented various energy efficiency projects in recent years, resulting in an average load reduction of 35.8MW and energy savings of 314GWh. Due to capital constraints the projects we have committed to for 2016 were moved to 2017 including a number of other projects identified. With little capital expenditure Harmony has with the assistance of an ESCO achieved a R81 million (US\$6 million) cost saving on new projects and a R56 million (US\$4 million) maintained cost saving from completed projects. The average weekday load reduction will be 9.4MW and the anticipated energy savings will be 6 981MWh per month.

We have implemented various energy efficiency projects in recent years. See “Integrated Annual Report for the 20-F 2018 - Managing our Social and Environmental Impacts- Environmental management and stewardship - ” on pages 68 to 87.

Results of Operations

Years Ended June 30, 2018 and 2017

Revenues

Revenue increased by 12%, from US\$1,416 million in fiscal 2017 to US\$1,584 million in fiscal 2018. This increase can mainly be attributed to a 6% increase in gold sales, from 1,086,231 ounces in fiscal 2017 to 1,146,850 ounces in fiscal 2018. The increase in ounces is largely as a result of the acquisition of the Moab Khotsong operations as well as improvements at Doornkop, Target 1 and Tshepong Operations. In addition to the increase in gold sales the average spot gold price received for fiscal 2018 increased by 4% to US\$1,300 per ounce, from US\$1,255 per ounce in fiscal 2017, further supplemented by the positive impact of the Rand gold hedges of US\$93 million.

The Moab Khotsong operations were acquired in March 2018 and sold 105,872 ounces in the four months to June 2018. See Item 4: “Information on the Company - History and Development of the Company - Recent Developments - Developments since June 30, 2018 - Acquisition”.

At Doornkop, ounces sold increased by 26% from 87,193 in fiscal 2017 to 109,441 in fiscal 2018. The recovery grade increased by 18% to 0.144 ounce per ton in fiscal 2018. The tons milled increased by 9%.

At Target 1, ounces sold increased by 7% from 84,942 in fiscal 2017 to 90,922 in fiscal 2018. The recovery grade increased by 17% to 0.123 ounce per ton.

At Tshepong Operations, ounces sold increased by 6% from 283,439 in fiscal 2017 to 300,223 in fiscal 2018. The recovery grade increased by 5% to 0.160 ounce per ton.

At Joel, ounces sold decreased by 27% from 73,303 in fiscal 2017 to 53,242 in fiscal 2018. The recovery grade and tons milled decreased by 18% and 12% to 0.105 ounce per ton and 501,000 tons respectively in fiscal 2018. The decrease in production is as a result of a lack in flexibility in terms of available mining areas whilst the Joel decline project is in development. The Joel decline project is nearing completion and development in the footwall areas has commenced. Development is expected to continue for 12 to 18 months where after grades are expected to increase to reserve grade.

At Unisel, ounces sold decreased by 20% from 51,120 in fiscal 2017 to 40,896 in fiscal 2018. The recovery grade and tons milled decreased by 16% and 5% to 0.099 ounce per ton and 415,000 tons respectively in fiscal 2018. During fiscal 2018 the Leader Reef was stopped to accelerate mining of the higher grade Basal Reef pillar areas.

Cost of sales

Cost of sales includes production costs, depreciation and amortization, (reversal of impairment)/impairment of assets and share-based payments.

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## a) Production costs (cash costs/all-in sustaining costs)

The following table sets out our total ounces produced and weighted average cash costs per ounce and total ounces sold and weighted average all-in sustaining costs per ounce for fiscal 2018 and fiscal 2017:

	Year Ended June 30, 2018		Year Ended June 30, 2017		Percentage (increase)/decrease	
	Cash costs (oz produced)	All-in sustaining costs (\$/oz)(oz sold)	Cash costs (oz produced)	All-in sustaining costs (\$/oz)(oz sold)	Cash costs per ounce	All-in sustaining costs per ounce
South Africa						
Kusasaletu	142,395	1,143 138,281	1,342 141,270	1,051 144,614	1,238 (9)	(8)
Doornkop	110,245	1,001 109,440	1,230 85,939	1,047 87,193	1,288 4	5
Tshepong Operations	302,026	987 300,223	1,245 283,827	953 283,439	1,161 (4)	(7)
Moab Khotsong	105,969	761 101,757	1,017 n/a	n/a n/a	n/a (100)	(100)
Masimong	84,332	1,071 83,882	1,242 81,599	1,005 81,631	1,146 (7)	(8)
Target 1	91,758	1,131 90,922	1,409 85,809	1,162 84,942	1,491 3	6
Bambanani	90,698	776 90,151	873 88,415	727 88,253	817 (7)	(7)
Joel	52,566	1,347 53,242	1,602 72,211	945 73,303	1,092 (43)	(47)
Unisel	41,152	1,463 40,896	1,642 51,280	1,203 51,120	1,354 (22)	(21)
Other - surface	114,778	1,039 114,199	1,139 102,175	993 103,171	1,090 (5)	(5)
International						
Hidden Valley <sup>(1)</sup>	25,516 <sup>(2)</sup>	669 23,857 <sup>(3)</sup>	1,094 83,614 <sup>(2)</sup>	1,068 88,565 <sup>(3)</sup>	1,241 37	12
Total	1,161,435	1,146,850	1,076,139	1,086,231		
Weighted average		1,018	1,231	1,000	1,182 (2)	(4)

Cash costs and all-in sustaining costs would have been US\$824 per ounce and US\$1,261 per ounce (2017: US\$1,252 per ounce and US\$1,147 per ounce) respectively had silver byproduct credits of US\$4 million (2017: US\$15 million) or US\$155 per ounce produced, US\$168 per ounce sold (2017: US\$184 per ounce produced, US\$176 per ounce sold) not been taken into account.

<sup>2</sup> Excludes 66,499 ounces in fiscal 2018 and 11,713 ounces in fiscal 2017, that have been credited against the capitalized cost as part of the pre-stripping of stages 5 and 6.

<sup>3</sup> Excludes 64,976 ounces in fiscal 2018 and 11,713 ounces in fiscal 2017, that have been credited against the capitalized cost as part of the pre-stripping of stages 5 and 6.

For further information about the use of Non-GAAP measures, refer to Item 5: "Operating and Financial Review and Prospects-Costs-Reconciliation of Non-GAAP Measures".

Our total average all-in sustaining costs per ounce increased from US\$1,182 per ounce in fiscal 2017 to US\$1,231 per ounce in fiscal 2018, mainly due to the strengthening of the Rand against the US dollar in fiscal 2018.

Our average cash costs increased by 2%, or US\$18 per ounce, from US\$1,000 per ounce in fiscal 2017 to US\$1,018 per ounce in fiscal 2018. Cash costs per ounce vary with the working costs per ton (which are, in turn, affected by the number of tons processed) and grade of ore processed. Cash costs expressed in US dollars per ounce also vary with fluctuations in the Rand-US dollar exchange rate, because most of our working costs are incurred in Rand. Operating costs in Rand terms increased by 4%, mainly due to the inclusion of the Moab Khotsong operations during fiscal 2018. The South African Rand appreciated by 6% on average against the US dollar when compared to fiscal 2017. The increase in operating cost was partially offset by a 13% increase in ounces produced which netted a 2% increase in cash cost per ounce for fiscal 2018.

At Joel, cash cost per ounce increased by 43% from US\$945 per ounce in fiscal 2017 to US\$1,347 per ounce in fiscal 2018. The all-in sustaining cost per ounce increased by 47% from US\$1,092 per ounce in fiscal 2017 to US\$1,602 per ounce in fiscal 2018. The increase was mainly due to a 27% decrease in gold produced and ounces sold as a result of a

18% decrease in the recovered grade to 0.105 ounce per ton combined with a 12% decrease in tons milled.

At Unisel, cash cost per ounce increased by 22% from US\$1,203 per ounce to US\$1,463 per ounce in fiscal 2018. The all-in sustaining cost increased by 21% from US\$1,354 per ounce to US\$1,642 per ounce in fiscal 2018. The increase was mainly due to a 20% decrease in gold produced and ounces sold as a result of a 16% decrease in the recovered grade to 0.099 ounce per ton combined with a 5% decrease in tons milled following the cessation of mining in the Leader Reef areas.

At Kusasalethu, cash cost per ounce increased by 9% from US\$1,051 per ounce to US\$1,143 per ounce in fiscal 2018. The all-in sustaining cost increased by 8% from US\$1,238 per ounce to US\$1,342 per ounce in fiscal 2018. The increase was mainly due to a 4% increase in cash operating cost as a result of the increase in labor costs.

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## b) Depreciation and amortization

Depreciation and amortization increased from US\$185 million in fiscal 2017 to US\$200 million, or 8%, in fiscal 2018 due primarily to the reduction in the reserve tons included in various life-of-mine plans. Also contributing to the increase is the appreciation of the Rand against the US\$ dollar in fiscal 2018. In Rand terms, there was an increase in depreciation and amortization expense of 2%.

## c) Impairment/(reversal of impairment) of assets

An impairment charge of US\$386 million was recorded in fiscal 2018 compared to US\$131 million in fiscal 2017. The lower increase in the forecasted gold price relative to the forecasted cost inflation used in the life-of-mine plans impacted negatively on margins.

Assets of US\$47 million and goodwill of US\$24 million was impaired on Tshepong Operations which has a recoverable amount of US\$538 million. Assets of US\$8 million and goodwill of US\$3 million was impaired on Joel which has a recoverable amount of US\$63 million. The updated life-of-mine plans for Tshepong Operations and Joel presented a marginal decrease in recovered grade.

Target 1 recorded an impairment of US\$51 million and has a recoverable amount of US\$88 million. Exploration drilling during the year resulted in lower grade estimates for certain blocks that had previously been included in the life-of-mine plan but have now subsequently been excluded from the life-of-mine plan.

Unisel recorded an impairment of US\$35 million and has a recoverable amount of US\$3 million. Masimong recorded an impairment of US\$24 million and has a recoverable amount of US\$4 million. The impairment at Unisel was driven by a reduced remaining life-of-mine and a focus on the higher grade Basal Reef, whilst the impairment at Masimong was as a result of the depletion of the higher grade B Reef and subsequent reduced life-of-mine plan.

Kusasaletu recorded an impairment of US\$42 million and has a recoverable amount of US\$155 million. The old mine at the operation was excluded in the FY19 life-of-mine plan.

Doornkop recorded an impairment of US\$23 million and has a recoverable amount of US\$198 million. Target North recorded an impairment of US\$106 million and has a recoverable amount of US\$267 million. The impairments of Doornkop and Target North are primarily as a result of a decrease in resource values. During the year, the resource multiples were reassessed in order to be reflective of current market conditions using multiples derived from past transactions with an adjustment for the gold price. The transactions were used to derive US\$/oz multiples for resources. The resource per ounce values have decreased substantially as a result of the decrease in the levels of merger and acquisition activity influencing the marketability of resource companies in South Africa, and more specifically gold mining companies.

Other mining assets recorded an impairment of US\$23 million and have a recoverable amount of US\$26 million. The updated life-of-mine plans for the CGU's in Freegold and Harmony resulted in the impairment of other mining assets. Gains on derivatives

Gains on derivatives amounted to US\$8 million in fiscal 2018, compared to US\$75 million in fiscal 2017. Gains on derivatives include the fair value movements of derivatives which have not been designated as hedging instruments for hedge accounting purposes, the amortization of day one gains and losses for derivatives and the hedging ineffectiveness. The day one adjustment arises from the difference between the contract price and market price on the day of the transaction.

Harmony maintains a foreign exchange hedging program in the form of zero cost collars, which establish a floor and cap US\$/Rand exchange rate at which to convert US dollars to Rands, and foreign exchange forward contracts. As hedge accounting is not applied, the resulting gains and losses have been recorded in gains on derivatives in the income statement. These gains amounted to US\$9 million in fiscal 2018 compared to US\$80 million in fiscal 2017. The fair value of the forex hedging contracts was US\$10 million negative as at June 30, 2018.

Harmony maintains a hedging program for Hidden Valley by entering into commodity hedging contracts. The contracts comprise US\$ gold forward sale derivative contracts as well as silver zero cost collars which establish a minimum (floor) and maximum (cap) silver sales price. Hedge accounting is not applied and the resulting gains and losses are recorded in gains on derivatives in the income statement. The gain amounted to US\$3 million in fiscal 2018 compared to US\$2 million in fiscal 2017.



Harmony has entered into rand gold forward sale derivative contracts to hedge the risk of lower rand/gold prices. Cash flow hedge accounting is applied to the majority of these contracts, resulting in the effective portion of the unrealized gains and losses being recorded in other comprehensive income (other reserves). During fiscal 2018, the contracts that matured realized a gain of US\$93 million which has been included in revenue. There was no ineffective portion in the current year. During fiscal 2017 total gains on these contracts amounted to US\$54 million. The effective portion of US\$53 million was included in revenue while the ineffective portion of US\$1 million was included in gains on derivatives. The unamortized portion of the day one gain or loss amounted to US\$1 million in fiscal 2018 and US\$3 million in fiscal 2017. The gains and losses from non-hedge accounted rand gold forward sale contracts are included in gains on derivatives.

Other operating expenses

(a) Loss on scrapping of property, plant and equipment

A negligible loss on scrapping was recorded during fiscal 2018 compared to a loss of US\$10 million during fiscal 2017. The 2017 loss relates to the abandonment of individual surface assets for which no future economic benefits are expected from their use or disposal.

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## (b) Foreign exchange translation

A foreign exchange translation loss of US\$53 million was recorded during fiscal 2018 compared to gain of US\$14 million in fiscal 2017. The change in fiscal 2018 relates to the translation of the US\$ revolving credit facilities into Rand, which decreased from a gain of US\$16 million in fiscal 2017 to a loss of US\$48 million in fiscal 2018. The Rand weakened against the US dollar by 5% from a closing rate of R13.11 in fiscal 2017 to R13.81 in fiscal 2018.

## (c) Silicosis settlement provision

A provision of US\$70 million was recognized during fiscal 2017 for Harmony's potential cost to settle the silicosis and tuberculosis class actions that have been instituted against it in South Africa. During fiscal 2018 the provision decreased by US\$3 million as a result of changes in estimates.

## Acquisition-related costs

Expenses of US\$8 million were incurred during fiscal 2018 related to direct costs of the Moab Khotsong operations acquisition. These expenses comprise mainly legal and consulting fees.

## Income and mining taxes

In fiscal 2017 and 2018, the tax rates for companies were 34% for mining income and 28% for non-mining income for South African companies and 30% for Australian companies and PNG mining companies.

	Fiscal year ended June 30,
Income and mining tax	2018 2017
Effective income and mining tax rate	5% 18.5%

The effective tax rate for fiscal 2018 was lower than the mining statutory tax rate of 34% for us and our subsidiaries as a whole, mainly due to the impairment processed during the year. The impairment recognized is an outcome of forecast cost inflation, a subdued forecast gold price and the resultant impact on margins at the group's South African operations. Further contributing to the lower effective tax rate is a deferred tax credit following the decrease in the average deferred tax rates at the South African operations due to lower estimated profitability following the completion of the updated life-of-mine plans. The most significant items causing the group's income tax provision to differ from the mining statutory tax rate are:

Harmony company tax losses and deductible temporary differences for which future taxable profits are uncertain and not considered probable. This primarily relates to the impairment of assets and foreign exchange losses on the US\$ loan.

Hidden Valley operation's and the PNG exploration operations' respective tax losses and deductible temporary differences arising in the year for which future taxable profits are not considered probable.

No tax consequences relating to the impairment of assets for various operations.

Rate differences related to the additional capital allowances that may be deducted from mining taxable income in South Africa, which mainly relates to Avgold Limited (which includes the Target 1 operation).

Deferred tax rates for the South African operations are calculated based on estimates of the future profitability of each ring-fenced mine when temporary differences will reverse. The future profitability of each ring-fenced mine, in turn, is determined by reference to the life-of-mine plan for that operation, which is based on parameters such as the Group's long term view of the US\$ gold price and the Rand/US\$ exchange rate, as well as the reserves declared for the operation. As some of these parameters are based on market indicators, they differ from one year to the next. In addition, the reserves may also increase or decrease based on updated or new geological information. Changes in the future profitability of each ring-fenced mine impact the deferred tax rates used to recognize temporary differences at these operations. See "Critical Accounting Policies and Estimates - Deferred taxes" above. The decrease in deferred tax on temporary differences due to changes in estimated effective tax rates results primarily from a decrease in the effective deferred tax rate at Freegold (includes the Bambanani, Joel and Tshepong operations), Randfontein (consists of Doornkop and Kusasaletu) and Harmony (includes the Masimong, Unisel and Free State Surface operations). The deferred tax rate at Freegold decreased from 12.5% in fiscal 2017 to 8.7% in fiscal 2018, Randfontein decreased from 3.8% to 1.8% in fiscal 2018 and Harmony decreased from 19.4% in fiscal 2017 to 10.5% in fiscal 2018. These

decreases are mainly due to lower estimated profitability.

South Africa. Generally, South Africa imposes tax on worldwide income (including capital gains) of all our South African incorporated tax resident entities at a rate of 28% on non-mining income. The South African entities pay taxes separately on mining income and non-mining income. The amount of our South African mining income tax is calculated on the basis of a gold mining formula that takes into account our total revenue and profits from, and capital expenditure for, mining operations in South Africa. 5% of total mining revenue is exempt from taxation in South Africa as a result of the application of the gold mining formula. The amount of revenue subject to taxation is calculated by deducting qualifying capital expenditures from taxable mining income. The amount by which taxable mining income exceeds 5% of mining revenue constitutes taxable mining income. We and our subsidiaries account for taxes separately that is determined in respect of each entity. Hence South Africa does not make use of any group basis of taxation.

South Africa has a Controlled Foreign Company regime which effectively attributes certain types of passive income derived by offshore subsidiaries and imputes that income in taxable income as if it had been derived in South Africa under South African tax rules.

Australia. Generally, Australia also imposes tax on the worldwide income (including capital gains) of all of our Australian incorporated and tax resident entities. The current income tax rate for companies is 30%.

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Harmony Gold (Australia) Proprietary Limited and its wholly-owned Australian subsidiary companies are recognized and taxed as a single entity, called a Consolidated Group. Under the Tax Consolidation rules all of the Australian subsidiary companies are treated as divisions of the Head Company, Harmony Gold Australia. As a result, inter-company transactions between group members are generally ignored for tax purposes. This allows the group to transfer assets between group members without any tax consequences, and deems all tax losses to have been incurred by the Head Company of the group.

PNG. PNG mining projects are taxed on a project basis. Therefore, each project is taxed as a separate entity, even though it may be one of a number of projects carried on by the same company. Capital development and exploration expenditure incurred in PNG is capitalized for tax purposes and can be deducted at 25% per annum on a diminishing value basis against project income, with the deduction being limited to the lesser of 25% of the diminished value or the income of the project for the year.

PNG mining companies are taxed at a rate of tax of 30%. Mining operations in PNG are subject to a 2% royalty and 0.25% Production Levy which are payable to the PNG Government.

Years Ended June 30, 2017 and 2016

## Revenues

Revenue increased by 12%, from US\$1,264 million in fiscal 2016 to US\$1,416 million in fiscal 2017. This increase can be attributed to a 7% increase in the average spot gold price received of US\$1,255 per ounce for fiscal 2017, compared to US\$1,169 per ounce for fiscal 2016, together with the impact of the Rand gold hedges of US\$53 million. Our gold sales increased 0.4%, from 1,081,615 ounces in 2016 to 1,086,231 ounces in 2017. The increase in ounces can be attributed mainly to the acquisition of Newcrest's 50% of the Hidden Valley operation, improvements at Kusasaletu year on year as well as grade improvements at Masimong, Kalgold and Phoenix.

At Hidden Valley, ounces sold increased by 18% from 75,233 in fiscal 2016 to 88,565 in fiscal 2017. The acquisition was completed in October 2016 and 100% of the production was accounted for. With the mining of stage 4 completed in fiscal 2016 the operation processed the run-of-mine stockpiles during fiscal 2017. These factors led to an increase in tons milled of 41% to 2,678,000 tons and a decrease in the recovery grade of 8% to 0.035 ounce per ton in fiscal 2017.

At Phoenix, ounces sold increased by 18% from 25,335 in fiscal 2016 to 29,964 in fiscal 2017. The tons milled increased by 4% to 7,420,000 tons in fiscal 2017 as a result of additional tons from the Phoenix slimes dams being treated at Central Plant.

At Kusasaletu, ounces sold increased by 18% from 122,880 in fiscal 2016 to 144,614 in fiscal 2017. The recovery grade increased by 25% to 0.211 ounce per ton in fiscal 2017 following the decision to shorten the life of mine and focus on higher grade areas.

At Kalgold, ounces sold increased by 12% from 34,916 in fiscal 2016 to 38,999 in fiscal 2017. The recovery grade and tons milled increased by 5% and 2% to 0.023 ounce per ton and 1,660,000 tons respectively in fiscal 2017 due to improved availability of the mills and additional mobile crushers that assisted with mill throughput during fiscal 2017.

At Target 1, ounces sold decreased by 23% from 109,923 in fiscal 2016 to 84,942 in fiscal 2017. The recovery grade decreased by 22% to 0.104 ounce per ton in fiscal 2017. Production was hampered by unfavorable mining conditions in the higher grade areas.

## Cost of sales

Cost of sales includes production costs, depreciation and amortization, (reversal of impairment)/impairment of assets and employment termination and restructuring costs.

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## a) Production costs (cash costs/all-in sustaining costs)

The following table sets out our total ounces produced and weighted average cash costs per ounce and total ounces sold and weighted average all-in sustaining costs per ounce for fiscal 2017 and fiscal 2018:

	Year Ended June 30, 2017		Year Ended June 30, 2016		Percentage (increase)/decrease	
	Cash costs (oz produced) (\$/oz)	All-in sustaining costs* (oz sold)	Cash costs (oz produced) (\$/oz)	All-in sustaining costs* (oz sold)	Cash costs per ounce	All-in sustaining costs per ounce
South Africa						
Kusasaletu	141,270	1,051 144,614	1,238 124,198	1,026 122,880	1,254 (2)	) 1
Doornkop	85,939	1,047 87,193	1,288 87,772	831 87,193	1,016 (26)	) (27)
Tshepong Operations	283,827	952 283,439	1,161 289,968	767 289,999	939 (24)	) (24)
Masimong	81,599	1,005 81,631	1,146 78,190	916 78,191	1,059 (10)	) (8)
Target 1	85,809	1,162 84,942	1,491 108,895	787 109,923	1,012 (48)	) (47)
Bambanani	88,415	727 88,253	817 96,870	576 96,934	654 (26)	) (25)
Joel	72,211	945 73,303	1,092 73,239	796 72,179	911 (19)	) (20)
Unisel	51,280	1,203 51,120	1,354 54,785	949 54,817	1,064 (27)	) (27)
Other - surface	102,175	993 103,171	1,090 95,553	935 94,266	996 <sup>2</sup> (6)	) (9)
International						
Hidden Valley <sup>(1)</sup>	83,614 <sup>(2)</sup>	1,068 88,565 <sup>(2)</sup>	1,241 72,565	1,028 75,233	1,282 (4)	) 3
Total operations	1,076,139	1,086,231	1,082,035	1,081,615		
Weighted average		1,000	1,182	841	1,003 (19)	) (18)

Cash costs and all-in sustaining costs would have been US\$1,252 per ounce and US\$1,417 per ounce (2016: US\$1,320 per ounce and US\$1,564 per ounce) respectively had silver byproduct credits of US\$15 million (2016: US\$21 million) or US\$184 per ounce produced, US\$176 per ounce sold (2016: US\$292 per ounce produced, US\$282 per ounce sold) not been taken into account.

<sup>2</sup> Excludes 11,713 ounces that have been credited against the capitalized cost as part of the pre-stripping of stages 5 and 6.

For further information about the use of Non-GAAP measures, refer to Item 5: "Operating and Financial Review and Prospects-Costs-Reconciliation of Non-GAAP Measures".

Our total average all-in sustaining costs per ounce increased from US\$1,003 per ounce in fiscal 2016 to US\$1,182 per ounce in fiscal 2017, mainly due to an increase in labor costs (annual increases and bonuses) and consumables as well as capital expenditure. Also contributing to the increase in US dollar terms is the strengthening of the Rand against the US dollar in fiscal 2017.

## a) Production costs (cash costs/all-in sustaining costs) continued

Our average cash costs increased by 19%, or US\$159 per ounce, from US\$841 per ounce in fiscal 2016 to US\$1,000 per ounce in fiscal 2017. Cash costs per ounce vary with the working costs per ton (which are, in turn, affected by the number of tons processed) and grade of ore processed. Cash costs expressed in US dollars per ounce also vary with fluctuations in the Rand-US dollar exchange rate, because most of our working costs are incurred in Rand. Operating costs in Rand terms increased by 11%. The South African Rand appreciated by 6% on average against the US dollar when compared to fiscal 2016. Operating costs in Rand terms were affected mainly by an increase in costs on Tshepong Operations, Doornkop, Target 1 and Kusasaletu where costs increased in Rand terms by 14%, 16%, 9% and 9%, respectively, year on year. Annual increases in labor costs as well as inflationary pressures on our consumables contributed towards higher operating costs in fiscal 2017. The inclusion of the acquired 50% of Hidden Valley resulted in a 12% increase year on year.

At Doornkop, the cash cost per ounce increased by 26% from US\$831 per ounce in fiscal 2016 to US\$1,047 per ounce in fiscal 2017. The all-in sustaining cost per ounce increased by 27% from US\$1,016 per ounce in fiscal 2016 to US\$1,288 per ounce in fiscal 2017. The increase was mainly due to the increase in cash operating costs due to the annual increase in labor costs and inflationary increases in consumables.

At Tshepong Operations, the cash cost per ounce increased by 24% from US\$767 per ounce in fiscal 2016 to US\$952 per ounce in fiscal 2017. The all-in sustaining cost per ounce increased by 24% from US\$939 per ounce in fiscal 2016 to US\$1,161 per ounce in fiscal 2017. The increase was mainly due to the increase in production costs as due to the annual increase in labor costs and inflationary increases in consumables. Also contributing is the 2% decrease in gold produced as a result of the decrease in the tons milled (decrease of 4% to 1,869,000 tons) in fiscal 2017.

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At Target 1, the cash cost per ounce increased by 48% from US\$787 per ounce in fiscal 2016 to US\$1,162 per ounce in fiscal 2017. The all-in sustaining cost per ounce increased by 47% from US\$1,012 per ounce in fiscal 2016 to US\$1,491 per ounce in fiscal 2017. The increase was mainly due to the unfavorable ground conditions that affect production, which resulted in a 22% decrease in grade to 0.104oz/t. Gold produced decreased by 21% to 85,809.

b) Depreciation and amortization

Depreciation and amortization increased from US\$149 million in fiscal 2016 to US\$185 million, or 24%, in fiscal 2017 due primarily to a 4% increase in the reserve tons mined used in the calculation as well as the carrying value of areas mined, and therefore depreciated, being higher year on year. Also contributing to the increase is the appreciation of the Rand against the US\$ dollar in fiscal 2017. In Rand terms, there was an increase in depreciation and amortization expense of 16%.

c) (Impairment)/reversal of impairment of assets

An impairment charge of US\$131 million was recorded in fiscal 2017 compared to a net reversal of impairment of US\$3 million in fiscal 2016. The slight decrease in the gold price used in the life-of-mine plans, together with cost inflation, impacted negatively on margins. This, as well as increases in the discount rates used, contributed to the lower recoverable amounts.

At Target 1, a charge of US\$60 million was recorded after information gained from underground drilling during the year indicated that some areas of the bottom reef of the Dreyerskuil are highly channelized, which negatively impacted on the overall grade of the operation. These areas were subsequently excluded from the life-of-mine plan. This, together with general pressure on margins, reduced the profitability of the operation over its life, contributing to the impairment charge.

At Kusasaletu, a charge of US\$52 million was recorded mainly due to the reduction in the additional attributable resource value as a result of a decrease in the ounces. Harmony investigated the viability of a decline to extend the life of the operation. The business case showed that the option was not feasible and therefore the resource ounces were reduced.

At the Tshepong Operations, an impairment of US\$19 million was recorded, which was allocated against the goodwill of the cash generating unit. The integration of Tshepong and Phakisa on July 1, 2017 resulted in the two cash generating units being combined for impairment testing at June 30, 2017. The planned improvements to the environmental conditions at the operation resulted in additional capital expenditure and reduced the recoverable amount.

The net reversal of US\$3 million in fiscal 2016 consists of a reversal of US\$50 million at Doornkop, offset by charges to Hidden Valley and Masimong of US\$32 million and US\$15 million, respectively.

Gains on derivatives

Gains on derivatives amounted to US\$75 million in fiscal 2017, compared to US\$30 million in fiscal 2016. These gains relate primarily to the gains on the foreign exchange hedging contracts (forex hedging contracts) in the form of zero cost collars. These establish a minimum (floor) and maximum (cap) Rand/US dollar exchange rate at which to convert US dollars to Rand. The nominal value of open forex hedging contracts at June 30, 2017 was US\$422 million. The hedging contracts are spread over a 12-month period. The fair value of the forex hedging contracts was US\$34 million positive as at June 30, 2017. Hedge accounting is not applied to these forex hedging contracts and all gains have been recorded in the income statement.

Other operating expenses

a) Loss on scrapping of property, plant and equipment

A loss on scrapping of US\$11 million (2016: US\$4 million) was recorded in fiscal 2017. This relates to the abandonment of individual surface assets for which no future economic benefits are expected from their use or disposal. The 2016 loss relates to the abandonment of unprofitable areas in certain of the South African operations' life-of-mine plans.

b) Foreign exchange translation loss

Foreign exchange translation gain/loss increased from a loss of US\$43 million in fiscal 2016 to a gain of US\$14 million in fiscal 2017. The change in fiscal 2017 relates to the translation of the US\$ revolving credit facilities into Rand, which increased from a loss of US\$46 million in fiscal 2016 to a gain of US\$16 million in fiscal 2017. The

Rand strengthened against the US dollar by 11% from a closing rate of R14.72 in fiscal 2016 to R13.11 in fiscal 2017.

c) Silicosis settlement provision

A provision of US\$70 million was recognized during fiscal 2017 for Harmony's potential cost to settle the silicosis and tuberculosis class actions that have been instituted against it in South Africa. During fiscal 2016, these class actions were disclosed as a contingent liability as a reliable estimate of the amount could not be made. With progress by the industry working group on occupational lung diseases and the status of the negotiations with the various stakeholders, management can reasonably estimate the Group's share of any potential settlement.

Gain on bargain purchase

A gain on bargain purchase arose from Harmony's acquisition of full ownership of the Hidden Valley operation. Refer to note 10, "Gain on bargain purchase" of our consolidated financial statements for further details.



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## Income and mining taxes

In fiscal 2016 and 2017, the tax rates for companies were 34% for mining income and 28% for non-mining income for South African companies and 30% for Australian companies and PNG mining companies.

	Fiscal year ended June 30,	
Income and mining tax	2017	2016
Effective income and mining tax rate	185%	40%

The effective tax rate for fiscal 2017 was higher than the mining statutory tax rate of 34% for us and our subsidiaries as a whole due to the deferred tax credit following the decrease in the average deferred tax rates at the South African operations due to lower estimated profitability following the completion of the updated life-of-mine plans. Offsetting this is the increase in current tax in fiscal 2017 compared to fiscal 2016 as a result of the utilization of assessed losses and unredeemed capital by most of the South African operations in the prior year as well as the gains on derivatives (including the unrealized portion of the foreign exchange contracts). The most significant items causing the group's income tax provision to differ from the mining statutory tax rate are:

- No tax consequences relating to the gain on bargain purchase recorded on the acquisition of Hidden Valley and deferred tax assets not recognized which relates primarily to the Hidden Valley operation.

- No tax consequences relating to the impairment recorded for the goodwill on the Tshepong Operations.

- Rate differences related to the additional capital allowances that may be deducted from mining taxable income in South Africa, which mainly relates to Avgold Limited (which includes the Target 1 operation).

Deferred tax rates for the South African operations are calculated based on estimates of the future profitability of each ring-fenced mine when temporary differences will reverse. The future profitability of each ring-fenced mine, in turn, is determined by reference to the life-of-mine plan for that operation, which is based on parameters such as the Group's long term view of the US\$ gold price and the Rand/US\$ exchange rate, as well as the reserves declared for the operation. As some of these parameters are based on market indicators, they differ from one year to the next. In addition, the reserves may also increase or decrease based on updated or new geological information. Changes in the future profitability of each ring-fenced mine impact the deferred tax rates used to recognize temporary differences at these operations. See "- Critical Accounting Policies and Estimates - Deferred taxes" above. The deferred tax rate at Freegold decreased from 20.0% in fiscal 2016 to 12.5% in fiscal 2017, Randfontein decreased from 10.1% to 3.8% in fiscal 2017 and Harmony decreased from 21.1% in fiscal 2016 to 19.4%, these decreases mainly due to lower estimated profitability.

South Africa. Generally, South Africa imposes tax on worldwide income (including capital gains) of all our South African incorporated tax resident entities at a rate of 28% on non-mining income. We pay taxes separately on mining income and non-mining income. The amount of our South African mining income tax is calculated on the basis of a gold mining formula that takes into account our total revenue and profits from, and capital expenditure for, mining operations in South Africa. 5% of total mining revenue is exempt from taxation in South Africa as a result of the application of the gold mining formula. The amount of revenue subject to taxation is calculated by deducting qualifying capital expenditures from taxable mining income. The amount by which taxable mining income exceeds 5% of mining revenue constitutes taxable mining income. We and our subsidiaries account for taxes separately that is determined in respect of each entity. Hence South Africa does not make use of any group basis of taxation.

South Africa has a Controlled Foreign Company regime which effectively attributes certain types of passive income derived by offshore subsidiaries and imputes that income in taxable income as if it had been derived in South Africa under South African tax rules.

Australia. Generally, Australia also imposes tax on the worldwide income (including capital gains) of all of our Australian incorporated and tax resident entities. The current income tax rate for companies is 30%.

Harmony Gold (Australia) Proprietary Limited and its wholly-owned Australian subsidiary companies are recognized and taxed as a single entity, called a Consolidated Group. Under the Tax Consolidation rules all of the Australian subsidiary companies are treated as divisions of the Head Company, Harmony Gold Australia. As a result, inter-company transactions between group members are generally ignored for tax purposes. This allows the group to

transfer assets between group members without any tax consequences, and deems all tax losses to have been incurred by the Head Company of the group.

PNG. PNG mining projects are taxed on a project basis. Therefore, each project is taxed as a separate entity, even though it may be one of a number of projects carried on by the same company. Capital development and exploration expenditure incurred in PNG is capitalized for tax purposes and can be deducted at 25% per annum on a diminishing value basis against project income, with the deduction being limited to the lesser of 25% of the diminished value or the income of the project for the year.

PNG mining companies are taxed at a rate of tax of 30%. Mining operations in PNG are subject to a 2% royalty and 0.25% Production Levy which are payable to the PNG Government.

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## Other Financial Information

## Export Sales

All of our gold produced in South Africa during fiscal 2016 to 2018 was refined by Rand Refinery Proprietary Limited ("Rand Refinery"). Rand Refinery is owned by a consortium of the major gold producers in South Africa and Harmony holds a 10.38% interest at June 30, 2018. All of our gold produced in PNG in those periods was sold to The Perth Mint Australia, a Perth-based refinery.

## Recent Developments

See Item 4: "Information on the Company - History and Development of the Company - Recent Developments - Developments since June 30, 2018".

**B. LIQUIDITY AND CAPITAL RESOURCES**

We centrally manage our funding and treasury policies. There are no legal or economic restrictions on the ability of our subsidiaries to transfer funds to us. We have generally funded our operations and our short-term and long-term liquidity requirements from: (i) cash generated from operations; (ii) credit facilities and other borrowings; and (iii) sales of equity securities.

	Fiscal year ended June 30,		
	2018	2017	2016
	(\$ in millions)		
Operating cash flows	303	280	312
Investing cash flows	(658 )	(249 )	(180 )
Financing cash flows	320	(29 )	(114 )
Foreign exchange differences	(9 )	8	(21 )
Total cash flows	(44 )	10	(3 )

## Operations

Net cash provided by operations is primarily affected by the quantities of gold sold, the gold price, the Rand-US dollar exchange rate, cash costs per ounce and, in the case of the International operations, the Australian dollar and PNG Kina versus US dollar exchange rate. A significant adverse change in one or more of these parameters could materially reduce cash provided by operations as a source of liquidity.

Net cash generated by operations increased from US\$280 million in fiscal 2017 to US\$303 million in fiscal 2018. This is mainly due to the inclusion of the Moab Khotsong operations in fiscal 2018 offset by a temporary cut in production at Hidden Valley.

Net cash generated by operations decreased from US\$312 million in fiscal 2016 to US\$280 million in fiscal 2017. This is mainly due to the income tax paid during fiscal 2017 as a result of the increase in current tax primarily due to gains on derivatives.

## Investing

Net cash utilized by investing activities was US\$658 million in fiscal 2018, an increase from US\$249 million in fiscal 2017. The increase relates largely to the acquisition of the Moab Khotsong operations. This was further supplemented by additions to property, plant and equipment of US\$355 million in fiscal 2018, compared with US\$286 million in fiscal 2017.

On October 19, 2017, Harmony announced that it would acquire AngloGold Ashanti Limited's Moab Khotsong and Great Nologwa mines together with other assets and related infrastructure for a cash consideration of the Rand equivalent of US\$300 million. The Moab Acquisition was approved by Harmony's shareholders on February 1, 2018 and became effective as of March 1, 2018.

The assets and liabilities were acquired by Harmony Moab Khotsong Operations Proprietary Limited, a wholly-owned subsidiary of Harmony. The assets acquired and liabilities assumed constitute a business as defined by IFRS 3 Business Combinations and the purchase price allocation process has been finalized. Refer to note 14 "Acquisitions and Business Combinations" of our consolidated financial statements for further details.

The acquisition of the Moab Khotsong operations resulted in the recognition of goodwill to the amount of US\$23 million. The goodwill is attributable mainly to the skills and technical talent of the Moab Khotsong operations' work

force and the synergies expected to be achieved from integrating the Moab Khotsong operations into the group's existing mining activities.

Net cash utilized by investing activities was US\$249 million in fiscal 2017, an increase from US\$180 million in fiscal 2016. The increase relates to the additions to property, plant and equipment of US\$286 million in fiscal 2017, compared with US\$168 million in fiscal 2016. Offsetting this was the US\$33 million cash received on the acquisition of full ownership of Hidden Valley.

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## Financing

Financing activities generated US\$320 million in fiscal 2018, compared with US\$29 million utilized in fiscal 2017. The increase in cash generated from financing activities was primarily a result of our need to finance the Moab Acquisition. Dividends of US\$12 million were paid during fiscal 2018. The net of borrowings drawn (US\$565 million) and borrowings repaid (US\$312 million) during fiscal 2018 was US\$253 million.

Cash utilized in financing activities amounted to US\$29 million in fiscal 2017, a decrease from US\$114 million in fiscal 2016. Dividends of US\$33 million was paid during fiscal 2017. The net of borrowings drawn (US\$54 million) and borrowings repaid (US\$50 million) during fiscal 2017 was US\$4 million.

US\$100 million of the consideration for the Moab Acquisition was funded from Harmony's US\$350 million three-year syndicated term loan and revolving credit facilities. The remaining US\$200 million was initially funded through Harmony's US\$200 million one-year syndicated bridge facility as described below. Harmony repaid US\$50 million of the bridge facility in April 2018 from operating cash flows. A further US\$100 million of the bridge facility was repaid in June 2018 from the proceeds of the Placing and operating cash flows. US\$50 million under the bridge facility was still outstanding on June 30, 2018, which Harmony repaid from the proceeds the ARM Placing subsequent to the end of fiscal 2018, in July 2018. See "- Outstanding Credit Facilities and Other Borrowings" below.

## Outstanding Credit Facilities and Other Borrowings

On July 28, 2017, we entered into a syndicated term loan and revolving credit facilities agreement in the amount of up to US\$350 million, with Nedbank Limited, Absa Bank Limited, JP Morgan Chase Bank NA, Caterpillar Financial Services Corporation, HSBC Bank plc, State Bank of India, The Bank of China and Citibank, NA, with Nedbank Limited and Absa Bank Limited acting as arrangers, and Nedbank Limited acting as facility agent. The syndicated term loan and revolving credit facilities mature on August 15, 2020. Harmony drew down US\$175 million on the term facility in August 2017 and a further US\$40 million and US\$110 million on the revolving facility in November 2017 and February 2018, respectively. As at June 30, 2018 the remaining US\$25 million on the revolving facility was available.

The key terms of the syndicated term loan and revolving credit facilities are:

Term facility:	\$175 million
Margin on term facility:	3.15% over 3 month LIBOR
Revolving facility:	\$175 million
Margin on revolving facility:	3.00% over 3 month LIBOR
Maturity	Three years from close
Security	Certain shares and claims

On February 20, 2017 we entered into a Rand revolving credit facility in the amount of up to R1 billion (US\$85.2 million) with Nedbank Limited. Interest accrues at JIBAR plus a margin of 3.15% per annum, with quarterly commitment fee of 0.95%. The Rand revolving credit facility matures in February 2020. R500 million (US\$41 million) was drawn down in April 2018 and remains outstanding. As at June 30, 2018, the remaining R500 million (US\$36 million) on this facility was available.

On October 18, 2017, we entered into a syndicated bridge facility agreement in the amount of up to US\$200 million with UBS Limited, Nedbank Limited, Absa Bank Limited and JP Morgan Securities Plc, with Nedbank Limited acting as facility agent. The syndicated bridge facility has a term of one year. Harmony drew down US\$200 million on this facility in February 2018. Harmony repaid US\$50 million of the bridge facility in April 2018 from operating cash flows. A further US\$100 million of the bridge facility was repaid in June 2018 from the proceeds of the Placing and operating cash flows. At June 30, 2018, US\$50 million on this loan was still outstanding. Harmony repaid the final US\$50 million from the proceeds the ARM Placing as well as internal cash resources subsequent to the end of fiscal 2018, in July 2018.

The key terms of the US\$200 million one-year syndicated bridge facility are:

Facility:	\$200 million
Margin on term facility:	2.5% - 3.5% over 3 month LIBOR
Maturity	Twelve months

Security      Certain shares and claims

See Item 4: “Information on the Company - History and Development of the Company - Recent Developments - Developments since June 30, 2018”.

We need to comply with certain debt covenants for the syndicated term loan and revolving credit facilities, the Rand revolving credit facility and the syndicated bridge facility.

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