HARMONY GOLD MINING CO LTD
Form 20-F
October 25, 2013
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As filed with the Securities and Exchange Commission on October 25, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 20-F

(Mark One)

¨ **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, 2013

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, 1760

(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, 1760

(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 nominal value Rand 50 cents per share*

(Title of Class)

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

each representing one ordinary share

(Title of Class)

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

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:

435,289,890 ordinary shares, with nominal value of Rand 50 cents 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 x 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 x

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 x 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, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨

(Do not check if a smaller reporting company)

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 Other ¨

by the International Accounting Standards Board x

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 x

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 x   NO ¨

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

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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 Annual Report on Form 20-F, or this annual report, 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 Sou Africa, **A$** refers to Australian dollars, **K** or **Kina** refers to Papua New Guinean Kina and references to **$** , **US$** a **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 Securities and Exchange Commission Guide 7, it is based on assumptions which may prove to be incorrect. See *Item 3. Key Information Risk Factors Estimations of Harmony s gold reserve figures are based on a number of assumptions, including mining and recovery factors, future cash costs of production and the price of gold. As a result, quantities of gold 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 at the end of 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 as issued by the International Accounting Standards Board (**IFRS**). Prior to fiscal year ended June 30, 2008, our annual financial statements (translated into US dollars) were prepared and filed with the US Securities and Exchange Commission (**SEC**) in accordance with generally accepted accounting principles in the United States (**US GAAP**). On December 21, 2007, the SEC adopted rules allowing foreign private issuers that file Annual Reports on Form 20-F to file financial statements with the SEC in accordance with IFRS without reconciliation to US GAAP. As per these rules, we include in this annual report 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 operating costs and cash operating 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 operating costs, and cash operating 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) balance sheet items at the closing rate as reported by Reuters on the last business day of the period (R9.98 per US$1.00 as at June 30, 2013 and R8.21 per US$1.00 as at June 30, 2012), (ii) acquisitions, disposals and specific items such as impairments at the rate prevailing at the dates applicable to such transactions and (iii) income statement items at the average rate for the year (R8.82 per US$1.00 for fiscal 2013, R7.77 per US$1.00 for fiscal 2012 and R6.99 per US$1.00 for fiscal 2011). Profit from discontinued operations included in the income statement in fiscal 2013 is translated from Rand to US dollars at the average exchange rate for the eight month period (R8.55 per US$1.00 for the period July 1, 2012 to February 28, 2013). Capital expenditures for fiscal 2014 have been translated at the rates used for balance sheet items at June 30, 2013. By including these US dollar equivalents in this annual report, we are not representing that the Rand, Kina and A$ 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 Exchange Rates* .

FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995 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 include all statements other than statements of historical fact, including, without limitation, any statements preceded by, followed by, or that include the words targets , believes , expects , aims intends will , may , anticipates , would , should , could , estimates , forecast , predic expressions or the negative thereof. In particular, among other statements, certain statements in *Item 4. Information on the Company, Item 5. Operating*

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and Financial Review and Prospects and *Item 11. Quantitative and Qualitative Disclosures About Market Risk* are forward-looking in nature. Statements in this annual report that are not historical facts are forward-looking statements for the purpose of the safe harbor provided by Section 21E of the Securities Exchange Act of 1934, as amended (the **Exchange Act**), and Section 27A of the Securities Act of 1933, as amended.

These forward-looking statements, including, among others, those relating to our future business prospects, revenues and income, 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 and elsewhere;
- the ability to achieve anticipated efficiencies and other cost savings in connection with past and future acquisitions;
- fluctuations in the market price of gold;
- the occurrence of hazards associated with underground and surface gold mining;
- the occurrence of labor disruptions;
- availability, terms and deployment of capital;
- changes in government regulation, particularly mining rights and environmental regulation;
- fluctuations in exchange rates;
- currency devaluations/appreciations and other macroeconomic monetary policies; and
- socio-economic instability in South Africa and other countries in which we operate.

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.

PART I

Item 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS

Not applicable.

Item 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

Item 3. KEY INFORMATION

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 and with Item 3. Key Information Risk Factors , Item 5. Operating and Financial Review and Prospects , all included elsewhere in this annual report. 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. Prior to fiscal year ended June 30, 2008, our annual financial statements (translated into US dollars) were prepared and filed with the SEC in accordance with US GAAP. On December 21, 2007, the SEC adopted rules allowing foreign private issuers that file Annual Reports on Form 20-F to file financial statements with the SEC in accordance with IFRS without reconciliation to US GAAP. As per these rules, we have included in this annual report 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 has been extracted from the more detailed information and financial statements prepared in accordance with IFRS, including our audited consolidated financial statements as of June 30, 2013 and 2012 and for each of the years in the three years ended June 30, 2013 and the related notes, which appear elsewhere in this annual report. The historical consolidated financial data at June 30, 2011, 2010 and 2009, and for each of the years in the two years ended June 30, 2010, have been adjusted for discontinued operations (discussed below).

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Discontinued operations for the periods below include the Evander operations in South Africa, as well as our Mount Magnet operations in Australia. The assets and liabilities of the Evander operation were classified as held for sale in fiscal 2012 following the signing of a sale of shares and claims agreement with Pan African Resources plc (**Pan African**). The results of this operation have been presented as a discontinued operation. In fiscal 2010, Australia s Mount Magnet operations were classified as held for sale and the results of the Mount Magnet operation presented as discontinued operations when an agreement for its disposal to Ramelius Resources Limited (**Ramelius**) was concluded. The reclassifications in respect of discontinued operations were done in terms of IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations. See note 14 of the consolidated financial statements and *Item 4. Information on the Company Business Harmony s Mining Operations Discontinued operations Evander* .

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	Fiscal year ended June 30,				
	2013	2012	2011	2010	2009
	($ in millions, except per share amounts and cash operating costs per ounce)				
Income Statement Data					
Revenue	1,803	1,953	1,659	1,351	1,105
(Impairment)/reversal of impairment of assets	(274)	7	(39)	34	38
Operating (loss)/profit	(195)	276	23	47	221
(Loss)/profit from associates			(7)	7	1
(Loss)/profit from continuing operations before taxation	(193)	250	33	49	222
Taxation	(69)	16	55	(30)	(44)
(Loss)/profit from continuing operations	(262)	266	88	19	178
Profit/(loss) from discontinued operations	36	75	(2)	(43)	133
Net (loss)/profit	(226)	341	86	(24)	311
Basic (loss)/earnings per share from continuing operations (US cents)	(61)	61	21	4	43
Diluted (loss)/earnings per share from continuing operations (US cents)	(61)	61	21	4	42
Basic (loss)/earnings per share (US cents)	(53)	79	20	(6)	75
Diluted (loss)/earnings per share (US cents)	(53)	79	20	(6)	74
Weighted average number of shares used in the computation of basic (loss)/earnings per share	431,880,814	430,817,682	429,310,123	426,381,581	414,120,732
Weighted average number of shares used in the computation of diluted (loss)/earnings per share	432,716,622	432,022,229	430,420,068	427,846,547	415,962,899
Dividends per share (US cents)[(1)]	12	14	7	6	
Dividends per share (SA cents)[(1)]	100	100	50	50	
Other Financial Data					
Cash operating cost per ounce of gold from continuing operations ($/oz)[(2)]	1,154	1,100	1,004	788	586

Total cash operating cost per ounce of gold ($/oz)(2)	1,144	1,085	1,009	801	586
Balance Sheet Data					
Assets					
Property, plant and equipment	3,287	4,003	4,607	3,874	3,614
Assets of disposal groups classified as held for sale		174	40	32	
Total assets	4,230	5,263	5,880	5,141	4,925
Net assets	3,238	4,152	4,450	3,828	3,824
Equity and liabilities					
Share capital	4,035	4,036	4,033	4,027	4,004
Total equity	3,238	4,152	4,450	3,828	3,824
Borrowings (current and non-current)	254	221	230	156	47
Liabilities of disposal groups held for sale		46	2	18	
Other liabilities	738	844	1,198	1,139	1,054
Total equity and liabilities	4,230	5,263	5,880	5,141	4,925

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(1) Dividends per share relates to the dividends recorded and paid during the fiscal year.

(2) Cash operating costs is a non-GAAP measure. We calculate cash operating costs per ounce by dividing total cash operating costs by gold produced which therefore excludes the effect of the movement in the gold inventory from the cash operating cost amount. Cash operating costs, include mine production costs, transport and refinery costs, applicable general and administrative costs, ongoing environmental rehabilitation costs as well as transfers to and from deferred stripping and costs associated with royalties. Employee termination costs are included; however, employee termination costs associated with major restructuring and shaft closures are excluded. Cash operating costs have been calculated on a consistent basis for all periods presented. Changes in cash operating 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 operating costs is a non-GAAP measure, it 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 operating costs and cash operating cost 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 cash operating costs per ounce is a useful indicator to investors and management of a mining company s performance as it provides (1) an indication of the cash generating capacities of the mining operations, (2) the trends in cash operating costs as the company s operations mature, (3) a measure of a company s performance, by comparison of cash operating costs per ounce to the spot price of gold and (4) an internal benchmark of performance to allow for comparison against other companies. For further information, see *Item 5. Operating and Financial Review and Prospects Costs Reconciliation of non-GAAP measures* .

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 (R9.98 per US$1.00 as at June 30, 2013), except for acquisitions, disposals and specific items such as impairments that are converted at the exchange rate prevailing on the dates of the transactions and income statement item amounts that are translated from Rand to US dollars at the average exchange rate for the period (R8.82 per US$1.00 for fiscal 2013). During the year, the Rand/dollar closing exchange rate ranged between R8.06 and R10.17 per US$1.00. Profit from discontinued operations included in the income statement in fiscal 2013 is translated from Rand to US dollars at the average exchange rate for the eight month period (R8.55 per US$1.00 for the period July 1, 2012 to February 28, 2013).

As of October 18, 2013, the exchange rate per US$1.00 was R9.74.(1)

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.

Fiscal Year Ended June 30,	Average(2)	Period End(1)
2009	9.00	7.72
2010	7.58	7.63
2011	6.99	6.78
2012	7.77	8.21
2013	8.82	9.98

Month of	High	Low
May 2013	10.12	8.90
June 2013	10.17	9.78

July 2013	10.16	9.63
August 2013	10.40	9.79
September 2013	10.29	9.57
October 2013 (through October 18, 2013)	10.07	9.74

(1) Based on the interbank rate as reported by Reuters.

(2) 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, which may affect the market price of the American Depositary Shares (**ADSs**) on the New York Stock Exchange. 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.

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CAPITALIZATION AND INDEBTEDNESS

Not applicable.

REASONS FOR THE OFFER AND USE OF PROCEEDS

Not applicable.

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 businesses, 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. The risks described below could occur individually or cumulatively and intensify in case of a cumulative occurrence.

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 for any sustained period may lead to losses and require Harmony to curtail or suspend certain operations.

Substantially all Harmony s revenues come from the sale of gold. Although the gold price has increased over the last number of years, 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, jewellery and investment;
- international or regional political and economic trends;
- strength or weakness of the US dollar (the currency in which gold prices generally are quoted) and of other currencies;
- financial market expectations on the rate of inflation;

- interest rates;
- speculative activities;
- forward sales 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 in fiscal 2013 and may continue to do so in the future.

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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 the past ten years:

Annual gold price: 2003   2013

	Price per ounce (US$)		
Calendar year	High	Low	Average
2003	416	320	363
2004	454	375	410
2005	537	411	445
2006	725	525	604
2007	841	608	695
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 (year to October 18, 2013)	1,694	1,192	1,445

On October 18, 2013, the afternoon fixing price of gold on the London bullion market was US$1,317/oz.

While the aggregate effect of these factors is impossible 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. 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.

Harmony s average cash cost per ounce of gold produced from continuing operations was US$1,154 in fiscal 2013, US$1,100 in fiscal 2012 and US$1,004 in fiscal 2011.

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. Any significant and sustained appreciation of the Rand and other non-US currencies against the dollar will materially reduce Harmony s Rand revenues and overall net income.

As Harmony currently does not enter into forward sales, commodity derivatives or hedging arrangements on future gold production, it is exposed to the impact of any significant decreases in the gold price.

As a rule, Harmony sells its gold at the prevailing market price. Currently, the company does not enter into forward sales, commodity derivative or hedging arrangements to establish a price in advance for the sale of future gold production, although Harmony may do so in future. As a result, Harmony may realize the benefit of any short-term increase in the gold price, but is not protected against decreases; if the gold price should decrease significantly, Harmony s revenues may be materially adversely affected.

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

Harmony s operations and performance depend on global economic conditions. A global economic downturn may have follow-on effects on our business. These could include:

- key suppliers could become insolvent, resulting in a break-down in the supply chain; or
- the availability of credit may be reduced this may make it more difficult for Harmony to obtain financing for its operations and capital expenditure or make financing more expensive.

In addition, uncertainty on global economic conditions may also increase volatility or negatively impact the market value of Harmony s securities.

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Estimations of Harmony s gold reserves are based on a number of assumptions, including mining and recovery factors, future cash costs of production and the price of gold. As a result, quantities of gold produced may differ from current estimates.

The mineral reserve estimates in this annual report are estimates of the mill-delivered quantity and grade of gold in Harmony s deposits and stockpiles. They represent the amount of gold 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**) and the Australian Code for the Reporting of Mineral Resources and Mineral Reserves (**JORC**), SEC Industry Guide 7 and Sarbanes-Oxley. Calculations of Harmony s mineral reserves are based on estimates of:

- future cash costs;
- future gold 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 these, 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.

To maintain gold production beyond the expected lives of Harmony s existing mines or to increase production materially above projected levels, Harmony will need to access additional reserves through exploration or discovery.

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 many 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 successfully complete development projects, 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. 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.

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.

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Actual cash costs, capital expenditure, production and economic returns may differ significantly from those anticipated by feasibility studies for new development projects.

It can take a number of years from the initial feasibility study until development 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 any 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 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.

Harmony currently maintains a range of focused exploration programs, concentrating on areas not too distant from its operational mines, as well as a number of prospective known gold mineralized regions around the world. During fiscal 2012 and fiscal 2013, the bulk of exploration expenditure was allocated to activities in Papua New Guinea (**PNG**) and South Africa. 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.

Costs 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 would adversely affect any one of our adjacent mining operations.

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 reagent, explosives, tyres, 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.

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

In South Africa, each of our mining operations depends on electrical power generated by the state utility, Eskom, which holds a monopoly on the South African market. As a result of increased demand exceeding available generating capacity, South Africa has been subject to disruptions in electrical power supply. In fiscal 2008, electricity supply was interrupted by Eskom, halting production at certain of our mines. This led to management restructuring operating processes to control and reduce our consumption of electricity at all our operations. There have been no further disruptions and we have been able to continue production at a reduced electricity allocation as required by the energy conservation scheme (**ECS**) and interim rules imposed by Eskom. However, an insufficient supply of electricity may affect our operational results and financial condition.

As a result of Eskom s planned capital expansion program 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 South Africa (**NERSA**). The first increase was implemented on 1 April 2013. The South African Government is planning to implement a carbon tax with effect from 2015 and whilst details on the determination of quantum is not available, increases will have a negative impact on our results of operations going forward.

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PNG has limited power generation and distribution capacity. This capacity is increasing but, currently, Harmony mines and projects still partially rely on our own diesel-generated power. The cost of this power will fluctuate with changes in the oil price and water restrictions may further increase such costs.

Also, see *Item 5. Operating and Financial Review and Prospects Electricity in South Africa.*

We may experience problems in identifying, financing and managing new acquisitions and integrating them with our existing operations.

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;
- difficulties in maintaining our financial and strategic focus while integrating the acquired business;
- problems in implementing uniform standards, controls, procedures and policies;
- increasing pressures on existing management to oversee a rapidly expanding company; and
- to the extent we acquire mining operations outside South Africa, Australasia or PNG, encountering difficulties relating to operating in countries in which we have not previously operated.

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, financial condition and share price.

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.

Harmony reviews and tests the carrying value of its assets when events or changes in circumstances suggest that this amount may not be recoverable.

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. 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, 2013, 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 2013 and if any one or a combination of these uncertainties should occur, management may be required to recognize further impairment charges, which could affect Harmony s financial results and condition. See *Item 5. Operating and Financial Review and Prospects Critical Accounting Estimates Impairment of Property, Plant and Equipment.*

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.

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;
- underground fires;
- cave-ins or fall-of-ground;
- discharges of gases and toxic chemicals;
- release of radioactive hazards;
- flooding;
- mining of pillars;

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- processing plant fire and explosion;
- critical equipment failures;
- accidents; 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;
- processing plant fire and explosion;
- accidents associated with operating large open-pit and rock transportation equipment; and
- accidents associated with preparing and igniting of large-scale open-pit blasting operations.

Hazards associated with waste-rock mining include:

- accidents associated with operating a waste dump and rock transportation;
- production disruptions caused by weather;
- processing plant fire and explosion; and
- critical equipment failures.

We are at risk from any or all of these environmental and industrial hazards. The occurrence of any of these hazards could delay production, increase cash costs and result in financial liability to Harmony.

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 its 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 operations and production.

See *Item 4. Information on the Company Regulation Health and Safety Matters* .

Illegal mining, or criminal mining, at our operations could pose a threat to the safety of employees and result in damage to property.

Security issues related to criminal mining came to the fore in fiscal 2009, when criminal mining activities resulted in the deaths of criminal miners. The threat of fire caused by these activities poses a risk to the safety of our employees and could also result in property damage, which in turn could have an adverse impact on production.

See *Item 4. Information on the Company Regulation Health and Safety Matters* .

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. While we believe that our current insurance coverage for the hazards described above is adequate and consistent with industry practice, we 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, in future, Harmony s insurance coverage may not cover the claims against it for environmental or industrial accidents or pollution.

Harmony s operations may be negatively impacted by inflation.

Harmony s operations have been materially affected by inflation. Inflation in South Africa has fluctuated widely in recent years, reaching 11.6% at the end of fiscal 2008 before decreasing within the inflation range of 3% - 6% set by the South African Reserve Bank. At the end of fiscal 2012 and fiscal 2013, inflation was 5.5%. However, working costs, especially wages, have increased in recent years, resulting in significant cost pressures for the mining industry. In addition, electricity prices rose by 25% in fiscal 2010 and fiscal 2011, and 16% in fiscal 2012. A further average annual increase of 9.6% was affected in fiscal 2013. This will have a negative effect on the profitability of our operations.

The inflation rate in PNG has remained relatively flat in recent years at around 7% but ended fiscal 2011 at 9.6% and 2012 at 6.9%. The annualized inflation stood at 7.5% at the end of fiscal 2013.

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 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 or instability to the economic or political environment in any of these countries or in neighboring countries could affect an investment in Harmony. These risks could include terrorism, civil unrest, nationalization, 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 policies and legislation being reviewed are the Mining Act 1992, Mining Safety Act 1997, Mineral Policy and sector policies including offshore mining policy, sustainable development policy, involuntary relocation policy and mine closure policy.

It is difficult to predict the future political, social and economic direction 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 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, steel and other essential production inputs. Issues with regards to availability of consumables may result from shortages as well as long lead times to deliver, which could result in production delays and production shortfalls. These shortages and delayed deliveries may 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 weather conditions, governmental controls 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. Any significant increase in the prices of these consumables would increase operating costs and affect production considerations.

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

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 historically disadvantaged South Africans (**HDSAs**), women in mining in South Africa, and recruiting and training local landowners in PNG. The global shortage of key mining skills, including geologists, mining engineers, metallurgists and skilled artisans has been exacerbated by increased mining activity across the globe. Despite various initiatives, there can be no assurance that we 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 affected. See *Item 6. Directors, Senior Management and Employees Employees* .

Since our South African labor force has substantial trade union participation, we face the risk of disruption from labor disputes and non-procedural industrial action.

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. During fiscal 2013, Harmony s Kusasalethu operation was severely affected by unlawful strike action, which had a significant impact on our financial results. 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 Harmony s Mining Operations Kusasalethu* and *Item 8. Financial Information Recent developments* .

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 *Item 6. Directors, Senior Management and Employees Employees* .

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.

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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.

HIV/AIDS poses risks to us in terms of productivity and costs.

The HIV/AIDS epidemic in South Africa and PNG poses risks to us in terms of potentially reduced productivity, and increased medical and other 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 operations, projects and financial condition. See *Item 4. Information on the Company Regulation Health & Safety Matters* .

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

Harmony s operations in South Africa are subject to health and safety regulations which could impose significant costs and burdens. 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 unsafe mines and order corrective action on health and safety matters. Operations in PNG are subject to the following laws and regulations: PNG Mining Act 1992, PNG Mining Safety Act 1997, PNG Mining Safety Regulation 1935 (updated 2006) and PNG Environment Act 2000.

There is a risk that the cost of providing health services and implementing various programs could increase in future, depending on changes to underlying legislation and the profile of its employees. This increased cost, should it transpire, is currently indeterminate.

The Occupational Diseases in Mines and Works Act 78 of 1973 (**ODIMWA**) governs the payment of compensation and medical costs for certain illnesses contracted by people employed in mines or at sites where activities ancillary to mining are conducted. The principles of compensation under ODIMWA are currently being tested in the Mr. Thembekekile Mankayi v AngloGold Ashanti court case as well as class actions and other cases filed against the biggest three gold mining companies in South Africa, including Harmony. Please see *Item 8. Financial Information Legal Proceedings* for further information. Should anyone bring similar claims against Harmony in future, those claimants would need to provide evidence proving that silicosis was contracted while in the employment of the Company and that it was contracted due to negligence on the Company s part. The link between the cause (negligence by the Company while in its employ) and the effect (the silicosis) will be an essential part of any case. It is therefore uncertain as to whether the Company will incur any costs related to silicosis claims in the future and due to the limited information available on any claims and potential claims and the uncertainty of the outcome of these claims, no estimation can be made for the possible obligation. Should Harmony be unsuccessful in defending any claims that may be lodged, it would have an adverse impact on the Company s financial condition.

Laws governing mineral rights affect our business.

Our operations in South Africa and PNG are subject to legislation regulating mineral rights and mining those rights. In South Africa, we are governed by the South African Mineral and Petroleum Resources Development Act, 2002 (Act 28 of 2002) (**MPRDA**) and in PNG by the Mining Act of 1992 (PNG). See *Item 4. Information on the Company Regulation South Africa* for a description of the principal objectives set out in the MPRDA.

A draft Mineral and Petroleum Resources Development Amendment Bill, 2012 was published in December 2012 for comment. As a result of the uncertainties surrounding the bill, many changes are expected and we cannot yet determine the full impact that the draft bill may have on our business.

Under the MPRDA, tenure over established mining operations is secured for up to 30 years (and then renewable for periods not exceeding 30 years each), provided that mining companies applied for new-order mining rights over existing operations within five years of May 1, 2004 or before the existing right expires, whichever was the earlier date and fulfil requirements specified in the MPRDA and the Broad-Based Socio-Economic Empowerment Charter for the South African mining industry (**Mining Charter**). The licenses for all of our South African operations have been granted. We will be eligible to apply for new licenses over existing operations, provided we comply with the MPRDA. Failure to comply with the conditions of the mining licenses could have a material adverse effect on our operations and financial condition.

The Mining Charter was signed by government and stakeholders in October 2002, and contains principles relating to the transfer, over a ten-year period, of 26% of South Africa s mining assets (as equity or attributable units of production) to HDSAs as defined in the Mining Charter. An interim target of 15% HDSA participation over five years was also set and the South African mining industry committed to securing financing to fund participation by HDSAs totaling R100 billion in the first five years of the Mining Charter s tenure. The Mining Charter provides for the review of the participation process after five years to determine what further steps, if any, are needed to achieve target participation of 26%. In order to measure progress in meeting the requirements of the Mining Charter, companies are required to complete a scorecard, in which the levels of compliance with the

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objectives of the Mining Charter can be ticked off after five and ten years, respectively. The Mining Charter and Scorecard require programs for black economic empowerment and the promotion of value-added production, such as jewelry-making and other gold fabrication, in South Africa. In particular, targets are set out for broad-based black economic empowerment in the areas of human resources and skills development; employment equity; procurement and beneficiation. In addition, the Mining Charter addresses socio-economic issues, such as migrant labor, mine community and rural development and housing and living conditions.

Following a review of progress made by the mining industry after five years of implementing the provisions of the Mining Charter, the Department of Mineral Resources (**DMR**) released the Revised Mining Charter on September 13, 2010. The requirement under the Mining Charter for mining entities to achieve a minimum of 26% HDSA ownership of mining assets by 2014 has been retained. Amendments in the Revised Mining Charter include, inter alia, the requirement by mining companies to:

(i) facilitate local beneficiation of mineral commodities;

(ii) procure a minimum of 40% of capital goods, 70% of services and 50% of consumer goods from HDSA suppliers (i.e. suppliers of which a minimum of 25% + 1 vote of their share capital must be owned by HDSAs) by 2014. These targets will exclude non-discretionary procurement expenditure;

(iii) achieve a minimum of 40% HDSA demographic representation by 2014 at executive management (board) level, senior management (executive committee) level, core and critical skills, middle management level and junior management level;

(iv) invest up to 5% of annual payroll in essential skills development activities; and

(v) 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 labor.

All these targets must be achieved by calendar 2014.

See *Item 6. Directors, Senior Management and Employees Employees South Africa HDSAs in management* and *Item 6. Directors, Senior Management and Employees Employees South Africa Women in mining* .

In addition, mining companies are required to monitor and evaluate their compliance to the Revised Mining Charter, and must submit annual compliance reports to the DMR. The revised scorecard makes provision for a phased-in approach for compliance with the above targets over the five year period ending in 2014. For measurement purposes, the Scorecard allocates various weightings to the different elements of the Revised Mining Charter. Failure to comply with the provisions of the Revised Mining Charter will amount to a breach of the MPRDA and may result in the cancellation or suspension of a mining company s existing mining rights. Harmony obtained all of its licenses four years ago and has no reason to believe that our mining licenses will be cancelled or suspended. Harmony will incur costs in meeting its obligations under the Revised Mining Charter and Scorecard.

The MPRDA also makes reference to royalties payable to the South African state in terms of the Mineral and Petroleum Resources Royalty Act (Act 28 of 2008) (the **MPRRA**). The MPRRA provides for the payment of a royalty according to a formula based on gross sales and EBIT, as defined under the MPRRA, after the deduction of capital expenditure. This rate is then applied to revenue to calculate the royalty amount due, with a minimum of 0.5% and a maximum of 5% for gold mining companies. For fiscal 2013, the average royalty rate for our South African operations was 1.34% of gross sales.

Mineral rights in PNG are controlled by the government of PNG which initially awards exploration licences but retains a statutory right to obtain a participating interest of up to 30% in mining development projects at historical cost. The government then administers mining tenements under the relevant mining legislation, and mining companies must pay royalties to the government based on production. The types of tenements issued include: exploration license; mining lease; special mining lease; alluvial mining lease; lease for mining purpose; and mining easement.

Harmony s PNG mining operation is subject to a 2% royalty payment to the government of PNG. If we want to expand any of our initiatives in PNG into additional areas under exploration, these operations would need to convert the existing exploration licenses prior to the start of mining and that process could require landowner title approval. There can be no assurance that any approval would be received.

Please also see *Item 4. Information on the Company Regulation* for further information.

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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.

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 permit or mining authorization, Harmony will remain liable for compliance with the provisions of various relevant regulations, including any rehabilitation obligations until a closure certificate is issued by the DMR. This liability will continue until the appropriate authorities have certified that the Company has complied with such provisions.

Estimates of ultimate closure and rehabilitation costs are significant and 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 industry good practice. In future, Harmony may incur significant costs for compliance with increasingly stringent requirements being imposed under new legislation. This may include the need to increase and accelerate expenditure on environmental rehabilitation and to alter environmental provisions, which could have a material effect on its results and financial condition. Harmony may also face increased environmental costs should other mines in the vicinity fail to meet their obligations on 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 of 1998 and the National Environmental Management Act 1998, 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.

Harmony s PNG operations are also subject to various laws and regulations relating to protection of the environment, which are similar in scope to those of South Africa. The 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 an adverse impact on the environment. This statement must be lodged with the Department of Environmental Conservation where, for large projects, it may be forwarded to Environment Council for review. Public consultation is an integral part of this review.

See *Item 4. Information on the Company Regulation Environmental Matters* for further discussion on the applicable legislation and our policies on environmental matters.

Mining companies are increasingly required to consider and ensure the sustainable development of, and provide benefits to, 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.

These businesses are under pressure to demonstrate that while they seek a satisfactory return on investment for shareholders, other stakeholders including employees, communities surrounding operations and the countries in which they operate, also benefit from their commercial activities. 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.

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. Specifically at our PNG operations, cognizance of landowner rights may require measures that could include agreed levels of compensation for any adverse impact the mining operation may continue to have on the community. The cost of these measures 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.

Greenhouse gases (**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 and the Copenhagen Accord, in various phases of discussion or implementation.

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The countries in which Harmony operates South Africa and PNG are non-Annex I countries and do not have emission reduction targets under the Kyoto Protocol in the first commitment period, ending 2012. Following recent environmental summits, including the one hosted in South Africa in 2011, South Africa has committed voluntarily to 30% clean energy by 2025, aiming for the country s GHG emissions to peak by 2020 2025, plateau for a decade and then decline by 40% by 2050. These targets were set out in the National Climate Change Response Policy, endorsed by the South African cabinet in October 2011.

In line with this aim, the country s key carbon-emitting sectors, including energy and transport, have until 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.

The Minister of Water and 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.

In February 2013, the South African finance minister announced that a carbon tax would be implemented in the 2015 financial year. The proposal is to implement the tax at a fairly low level, and define a rising price path over time at this stage, a carbon tax of US$16/t (South African R120/t) of CO_2e for 40% of scope 1 emissions is expected in 2015, increasing annually by 10% during the first phase (January 1, 2015 to December 31, 2019) followed by Phase 2 of another five years. The South African National Treasury issued an updated policy paper during May 2013 which provided an opportunity to comment up to August 2, 2013. Draft legislation is expected later in 2013 for implementation from January 1, 2015.

The South African National Treasury has established a working group comprising a number of different industries to evaluate the impact of this proposed tax on the different sectors of industry. Harmony is participating in this initiative through the Chamber of Mines.

As our current mines have a life expectancy of up to 25 years, we are undertaking capital projects to sustain and increase production at Phakisa, Doornkop, Kusasalethu, Tshepong and Hidden Valley operations. These expansions will extend our mining operations by ten years or more, by which time GHG regulations are expected to be a permanent feature of the global economy. Future climate change regulation will therefore need to be considered for all Harmony s extensions and acquisitions. All new greenfields and brownfields projects are required by company policy to consider the impact of climate change in their design and planning.

While Harmony is not conceptually opposed to using financial instruments as incentives in reducing emissions, we are concerned about the potential impact on the industry s competitiveness. We are working with both the industry task team on climate change and the Chamber of Mines to understand the implications for our business and optimal mechanisms to further promote emission reduction.

Harmony s exposure to Australian legislation is limited as the operations we owned there have been sold or are under care and maintenance. PNG s national office of climate change and environmental sustainability is studying the potential for future economic growth to be driven by renewable energy. Along with other Pacific Island countries, PNG has adopted a framework for action on climate change 2006 to 2015 and a disaster risk reduction and disaster management framework for action. The implications of these structures on Harmony s operations in PNG have not yet been established and studies are ongoing.

The largest portion of GHG emissions is predominantly electricity-related, with electricity expenditure amounting to 14% of Harmony s operational 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 - 0.035 per kilowatt hour for electricity generated by fossil fuels. 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.

See *Item 4. Information on the Company Regulation Environmental Matters* for disclosure regarding our GHG emissions.

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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 issues, that mining operations achieve and maintain certain water quality limits for all water discharges, where these apply. The majority of our South African operations are lawful users with existing water permits in terms of the Water Act of 1954. Nevertheless, the South African operations have applied to the relevant regional directors for water use licenses in terms of the National Water Act, 1998. Submissions were made as early as 2003 and Harmony has been working closely with the regional directors in the review process; a number of our operations have been issued with licenses or draft 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. 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.

See *Item 4. Information on the Company Regulation Environmental Matters* for disclosure regarding our water usage and management.

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, any proposed solution for potential flooding and decant risk posed by deep groundwater needs to be a combined one supported by all mines located in the goldfields and 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 this possible obligation, which could be material and have an adverse impact on Harmony s financial condition.

Harmony has initiated analytical assessments to identify, quantify and mitigate impacts, should they arise. Numerous scientific, technical and legal studies are under way to assist in determining the magnitude of possible contamination of groundwater and to find sustainable remediation solutions. Geohydrological studies were undertaken in the Free State and Kalgold operations and the modelling confirms that there is no risk of acid mine drainage (**AMD**) decant from any of these sites. Harmony has instituted processes to reduce possible future potential seepage and it has been demonstrated that monitored natural attenuation by the existing environment will contribute to improvement in some instance. The ultimate outcome of the matter cannot presently be determined and no provision for any potential liability has been made in the financial statements. Should these costs be significant, this could have a material impact on Harmony s operational results and financial condition.

See *Item 4. Information on the Company Regulation Environmental Matters Environmental performance Use of resources Water* .

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 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 will 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;

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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, 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, 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. Disclosure Controls and Procedures* for management assessment as of June 30, 2013. 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.

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 at any time or from time to time in the future.

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

We have several employee share option schemes in operation. The employee share option schemes came into effect in 2003 and 2006, while awards under an employee share ownership plan (**ESOP**) governed by a trust called the Tlhakanelo Employee Share Trust (**Tlhakanelo Trust**) for employees other than management were made in August 2012 and March 2013. Shares were issued to the trust on August 31, 2012. Our shareholders have authorized up to 60,011,669 of the issued share capital to be used for these plans. 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 schemes.

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 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.

In February 2007, the South African Government announced a proposal to replace Secondary Tax on Companies with a 10% withholding tax on dividends and other distributions payable to shareholders. On April 1, 2012, a dividends tax (**Dividends**

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Tax) was introduced at a rate of 15% on dividends declared to beneficial shareholders borne by the shareholder receiving the dividend. 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.

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 partnerships. Management of such assets may not comply 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 and reputation.

Breaches in our information technology security processes may adversely impact the conduct of our business activities

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. IT security processes protecting these systems are in place and subject to regular monitoring and assessment. These security processes may not prevent future malicious action 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.

Item 4. INFORMATION ON THE COMPANY
BUSINESS

History and Development of the Company

Harmony is a gold-mining and exploration company with operations in South Africa and PNG, one of the world s premier new gold regions. Established over six decades ago, we are one of the largest gold mining companies in the world and the third-largest gold producer in South Africa. Harmony has 11 underground mines, one open-pit mine and several surface operations, mostly in South Africa s world-renowned Witwatersrand Basin, as well as in the Kraaipan Greenstone Belt. In PNG, Harmony has a 50% joint venture with Newcrest Mining Limited in the Hidden Valley open-pit gold and silver mine, the Wafi-Golpu project, and extensive exploration tenements. Harmony s own (100%-owned) exploration portfolio focuses principally on highly-prospective areas in PNG.

Our gold sales were 1.2 million ounces of gold in fiscal 2013. As at June 30, 2013, our mining operations reported total proved and probable reserves of 51.5 million ounces (including gold equivalent ounces), primarily from South African sources. In fiscal 2013, we processed 20.7 million tons of ore.

In fiscal 2013, 93% of our total gold production took place in South Africa. In fiscal 2013, approximately 90% of our gold came from our South African underground mines, and approximately 10% came from our South African surface operations (which include the Kalgold opencast operation and the Phoenix operation). For more detailed information about our activities, see *Item 4. Information on the Company Business Harmony s Mining Operations Overview* and the notes to the consolidated financial statements included in this annual report. Mining is a highly regulated industry, and we operate under a variety of statutes and regulations. For more detailed information about these statutes and regulations, see *Item 4. Information on the Company Regulation* and *Item 10. Additional Information Memorandum of Incorporation* .

The majority of our exploration and evaluation done during fiscal 2013 has been focused on PNG. Our PNG exploration and evaluation opportunities are managed through the international office in Brisbane, Australia. Exploration in South Africa focused on Freddies 9, Masimong and Kalgold.

Harmony Gold Mining Company Limited was incorporated and registered as a public company in South Africa on August 25, 1950 (under registration number 1950/038232/06). We have expanded from a single lease-bound mining operation into an independent, world-class gold producer. From 1997 to 2004, we acquired additional mineral rights in the Free State, Mpumalanga, Gauteng and North West provinces in South Africa through various mergers and acquisitions. In our most recent transaction in fiscal 2010, we acquired the President Steyn 1 and 2 shafts, Loraine 3 shaft, Freddies 7 and 9 shafts as well as the President Steyn gold plant, collectively known as the Pamodzi Free State assets, from Pamodzi Gold Free State (Proprietary) Limited (In Liquidation) (**Pamodzi FS**). These shafts have been included in the Bambanani and Target operations. In building our international portfolio, we acquired Hill 50 and New Hampton in Western Australia in 2001 and 2002, respectively, and started our exploration portfolio in PNG with projects in the Morobe Province originally through our acquisition of Abelle in 2003. In the past three years, we disposed of several operations in South Africa and Australia. See *Item 4. Disposals* .

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Our principal executive offices are located at Randfontein Office Park, Corner of Main Reef Road and Ward Avenue, Randfontein, 1760, South Africa and the telephone number at this location is +27-11-411-2000.

Business overview

South African Operations

In South Africa, we operate a total of 11 underground operations, several surface operations including an opencast mine, and eight processing plants which are all located in the currently known goldfields in the Witwatersrand basin of South Africa as well as the Kraaipan Greenstone Belt. These operations produced approximately 1.052 million ounces in fiscal 2013, and South Africa represented approximately 58% (or 29.8 million ounces) of our total proved and probable reserves. The deep level gold mines are located in three provinces in this basin, being the Free State Province, the North-West Province and the West Rand Goldfields in Gauteng Province. Surface operations are located in all these provinces.

Ore from the shafts and surface material are treated at eight metallurgical plants in South Africa, located near the operations (five in the Free State Province, two in the North West Province and one in Gauteng). We are currently demolishing three plants in the Free State the Virginia plant s demolishment is near completion (vegetation of the area for the rehabilitation needs to commence), while the rehabilitation process at Steyn plant and St Helena plant is progressing well and will continue during fiscal 2014.

Each operation, consisting anywhere from a single shaft to a group of shafts or open-pit mine, is managed by a team headed up by a general manager. See *Harmony s Management Structure* below.

Operations are classified as Underground or Surface with the reportable segments per IFRS in South Africa being as follows:

Bambanani (includes Steyn 2 shaft), Doornkop, Joel, Kusasalethu, Masimong, Phakisa, Target 1, Target 3, Tshepong and the Unisel operations (the Evander operation has been disclosed under discontinued operations); and

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

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

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

International Operations

Our interests internationally are currently located in PNG and represent 42% (or 21.7 million gold equivalent ounces) of our total proved and probable reserves as at June 30, 2013.

PNG operations

In PNG, through our wholly-owned PNG-based subsidiaries, we own various development and exploration prospects, and one operating mine. This includes a 50% interest in what is collectively known as the Morobe Mining Joint Venture (**MMJV**), held through Morobe Consolidated Goldfields Limited (**Morobe Consolidated Goldfields**), Wafi Mining Limited (**Wafi**) and Morobe Exploration Limited (**MEL**).

In August 2008, Newcrest Mining Limited (**Newcrest**) acquired a 30.01% interest in our assets and tenements in the Morobe Province through the MMJV. By the end of fiscal 2009, Newcrest had earned an additional 19.99% in terms of the farm-in agreement, resulting in Newcrest and us each owning a 50% interest in the MMJV. Through the MMJV, we operate the Hidden Valley mine. The pre-feasibility study (**PFS**) at Wafi-Golpu which commenced during fiscal 2011 has been completed and the results released in August 2012. Further work is currently being performed to optimize the PFS business case in light of changes to long-term commodity prices and changes in investor expectations. We also have exploration projects that are wholly-owned, held through Harmony Gold (PNG) Exploration Limited (**HGEL**). We are continuing with exploration at three key project sites, being Mount Hagen, Amanab and Tari.

Strategy

Our strategy is to build a globally competitive gold mining company known for growing profits and paying dividends, and backed by experienced teams with strong values that are committed to deliver. To achieve this, we are focused on optimizing operational delivery, increasing margins and sharing the rewards.

We have invested significant capital in developing and commissioning gold mining assets in South Africa. Harmony has undertaken a number of strategic initiatives in recent years with the aim of achieving robust and sustainable financial results, with better controlled cash costs and improved grade.

Each year, each element of Harmony s strategy is divided into its constituent components. The required actions are documented and monitored at board level throughout the year and the overall strategy is assessed and refined in July.

Short-term strategic goals live within a framework of non-negotiable values and long-term targets, including:

- safety and health overriding imperative;
- maximizing revenue
- risk mitigation;
- reducing costs and improving productivity;
- conservative business planning;
- managing impacts of the external environment;
- improving productivity in South Africa;
- retain balance sheet strength; and
- allocation of capital sustaining and growth.

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We have concluded several strategic transactions within and outside South Africa in the last three fiscal years, which are summarized below.

Principal Investments

During fiscal 2013, Harmony purchased additional shares in Rand Refinery (Proprietary) Limited (**Rand Refinery**) in three tranches totaling US$9 million, taking the Group s interest to just more than 10%. This investment has been accounted for as an investment in associate as Harmony can appoint a director to the board.

During fiscal 2012, we acquired a Tari tenement in PNG. This project comprises 31% of the tenement area that Harmony currently holds on its own in PNG, outside of the MMJV.

Disposals

On February 28, 2013, the conditions precedent for the sale of Harmony s 100% interest in Evander Gold Mines Limited (**Evander**) to Pan African were fulfilled and the transaction was completed. Prior to completion of the transaction, Harmony received a distribution of US$23 million from Evander. The final purchase consideration amounted to US$144 million.

On January 6, 2012 Harmony disposed of its 40% investment in Rand Uranium (Proprietary) Limited (**Rand Uranium**) to Gold One International Limited (**Gold One**) for a consideration of US$38 million. The investment in Rand Uranium had been accounted for as an investment in associate.

During September 2010, Harmony concluded an agreement with Witwatersrand Consolidated Gold Resources Limited (**Wits Gold**) for the cancellation of the Freegold farm-in option in exchange for Wits Gold shares. The conditions precedent were fulfilled on November 5, 2010 and Harmony received 4,376,194 shares in Wits Gold valued at R275 million (US$41 million).

On July 20, 2010, the conditions precedent for the sale of the Mount Magnet operation were fulfilled. A total consideration of A$35.3 million (US$31.6 million) was received from Ramelius in exchange for 100% of the issued share capital in Mount Magnet.

Description of Mining Business

Exploration

Exploration activities are focused on the extension of existing orebodies and identification of new orebodies, both at existing sites and at undeveloped sites.

Our gold-focused exploration program has two components:

- on-mine exploration, which looks for resources within the economic radius of existing mines; and
- new mine exploration, which is the global search for early to advanced stage projects.

Once a potential orebody has been discovered, exploration is extended and intensified in order to enable clearer definition of the orebody and the potential portions to be mined. Geological techniques are constantly refined to improve the economic viability of prospecting and mining activities.

We conduct exploration activities on our own or with joint venture partners. As at June 30, 2013, our prospecting interest measured 67,517 hectares (166,834 acres) in South Africa and 786,686, hectares (1,943,943acres) in PNG. We spent US$76 million on exploration in PNG and South Africa in fiscal 2013. In fiscal 2014, we intend to continue with exploration in PNG and South Africa. See *Item 4 Information on the Company Business International Mining Operations Exploration in PNG*.

Mining

The mining process can be divided into two main phases: (i) accessing the orebody; and (ii) mining the orebody. This basic process applies to both underground and surface operations.

Accessing the orebody

In our South African underground mines, access to the orebody is by means of shafts sunk from the surface to the lowest economically and practically mineable level. Horizontal development at various intervals of a shaft (known as levels) extends access to the horizon of the reef to be mined. On-reef development then provides specific mining access. Horizontal development at various intervals of the decline extends access to the horizon of the mineral to be mined. The declines are advanced on a continuous basis to keep ahead of the mining taking place on the levels above. In our open-pit mines, access to the orebody is provided by overburden stripping, which removes the covering layers of topsoil or rock, through a combination of drilling, blasting, loading and hauling, as required.

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Mining the orebody

The process of ore removal starts with drilling and blasting the accessible ore. The blasted faces are then cleaned, and the ore is transferred to the transport system. In open-pit mines, gold-bearing material may require drilling and blasting, and is usually collected by bulldozers or shovels to transfer it onto trucks, which transport it to the mill.

In our South African underground mines, once ore has been broken, train systems collect ore from the faces and transfer it to a series of ore passes that gravity feed the ore to hoisting levels at the bottom of the shaft. The ore is then hoisted to the surface in dedicated conveyances and transported either by conveyor belts directly or via surface railway systems or roads to the treatment plants. In addition to ore, waste rock broken to access reef horizons must similarly be hoisted and then placed on waste rock dumps.

Processing

We currently have eight operational metallurgical plants in South Africa. We also have a metallurgical plant at the Hidden Valley project in PNG. The principal gold extraction processes we use are carbon in leach, or CIL, and carbon in pulp, or CIP.

The gold plant circuit consists of the following:

Comminution

Comminution is the process of breaking up the ore to expose and liberate the gold and make it available for treatment. Conventionally, this process occurs in multi-stage crushing and milling circuits, which include the use of jaw and gyratory crushers and rod and tube and ball mills. Our more modern milling circuits include semi- or fully-autogenous milling where the ore itself is used as the grinding medium. Typically, ore must be ground to a minimum size before proceeding to the next stage of treatment.

Treatment

In most of our metallurgical plants, gold is extracted into a leach solution from the host ore by leaching in agitated tanks. Gold is then extracted onto activated carbon from the solution using either the CIL or CIP processes. The gold on the carbon is extracted into a solution using an elution process. The gold in solution is then either precipitated using zinc precipitation (only taking place at one of our plants) or it is plated onto the cathodes (electrowinning). Rough gold bars (**dore**) are produced from smelting the zinc or cathode sludge. Cathode sludge or dore bars produced are currently sent directly to the Rand Refinery, which is responsible for refining the bars and/or cathode sludge to a minimum good delivery status. Most of the South African plants no longer use smelting to produce dore. Our one South African zinc precipitation plant continues to smelt precipitate to produce rough gold bars.

All the production from our South African operations is sent to the Rand Refinery, which is owned by a consortium of the major gold producers in South Africa. Harmony holds 10.38% of Rand Refinery. The PNG gold production is refined in Australia at an independent refiner, The Perth Mint Australia.

Harmony s Management Structure

We have a de-centralized management structure that is based on small, empowered management teams led by General Managers at each of our operations. In South Africa, the General Managers report to the Operating Officers, and are responsible for business optimization, mineral reserve optimization, and for developing a business culture at the operations. They also focus on long-term viability and growth of the operations. The Operating Officers, in turn, report to the Chief Operating Officer. The General Managers are supported by a Mineral Reserve Manager, a Financial Manager, a Human Resources Manager and an Engineer Manager in ensuring the growth and long-term sustainability of the operations.

The Morobe Mining Joint Venture consists of three unincorporated joint ventures (Hidden Valley Mine Joint Venture (**HVMJV**), Wafi-Golpu Mine Joint Venture (**WGMJV**) and Morobe Exploration Joint Venture (**MEJV**), which are owned 50/50 by respective Harmony and Newcrest 100% owned subsidiaries (**owners**)).

The Joint Ventures are managed by a Joint Venture Committee (**JVC**) appointed by the respective owners. The JVC is responsible for the supervision of each of the three Joint Ventures, and implementation of the owners policy and strategy. The members act as owner representatives within the unincorporated joint ventures.

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Three legal operator entities (**operator co.**), Hidden Valley Services Limited, Wafi-Golpu Services Limited and Morobe Exploration Services Limited have been established and appointed as operator of / agent for the respective unincorporated joint ventures (HVMJV, WGMJV and MEJV). Shareholding is held equally by the owners who appoint a board of directors (**board**) for each operator co.

The operator entity appoints an Operational Steering Committee, Chief Executive Officer and General Managers who are responsible for implementation of the operating plan as approved by the JVC as well as making recommendation to the JVC for growth and sustainability. The General Managers report to the Chief Executive Officer and the Operational Steering Committee. The General Managers are supported by functional managers.

Capital Expenditures

Capital expenditures for all operations incurred for fiscal 2013 amounted to US$429 million, compared with US$414 million in fiscal 2012 and US$444 million in fiscal 2011. During fiscal 2013, capital expenditure at PNG accounted for 28% of the total, with Kusasalethu accounting for 11% and Phakisa and Target 1 each accounting for 9% of the total. During fiscal 2012, capital expenditure in PNG accounted for 19% of the total, with Kusasalethu accounting for 13% while, Doornkop and Phakisa accounted for 9%, each. For fiscal 2011, capital expenditure at Kusasalethu and Phakisa each accounted for 12% of the total, with expenditure at PNG accounting for 11% and Doornkop and Target 1 accounting for 9% each. Capital development also took place at the Tshepong Sub 71 Decline. Revenue capitalized amounted to US$1.9 million (2011: US$3.9 million) for Steyn 2 and US$0 million (2011: US$23.1 million) for Target 3. Steyn 2 and Target 3 reached commercial levels of production at the end of September 2011 and June 2011 respectively.

The focus of our capital expenditures in recent years has been underground development and plant improvement and upgrades. Construction at these projects has been completed in certain areas, and production, if not yet at full capacity, has started from these areas at all our current growth projects. Capital will still be expended at these projects in the next three to five years to complete construction. During fiscal 2013, the capital expenditure was funded from the Company s cash reserves, as well as by the loan facilities (see *Item 5. Operating and financial review and prospects Liquidity and capital resources*).

We have budgeted approximately US$296 million for capital expenditures in fiscal 2014. Details regarding the capital expenditures for each operation are found in the individual mine sections under *Item 4. Information on the Company Business Harmony s Mining Operations* . We currently expect that our planned operating capital expenditures will be financed from operations and new borrowings as needed.

Reserves

As at June 30, 2013, we have declared attributable gold equivalent proved and probable reserves of 51.5 million ounces, broken down as follows: 29.8 million ounces gold in South Africa and 21.7 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 deposits commodities, 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 1.5 million ounces;
- change in surface sources; and
- scope changes of 0.9 million ounces which is the result of 0.6 million ounce increase of reserves due to the reclassification of resources and other minor increase across other operations in South Africa .

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 reserves , as defined in the SAMREC Code. Our reporting of the PNG Mineral Reserves complies with JORC code. This code is materially the same as the SAMREC Code. In reporting of reserves, we have complied with Industry Guide 7 of the US Securities and Exchange Commission.

For the reporting of Mineral Reserves at our South African and PNG operations, the following parameters were applied:

- a gold price of US$1,400 per ounce;
- an exchange rate of R8.89 per US dollar,

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the above parameters resulting in a gold price of R400,000/kg;

- an uranium price of US$50.00/lb for South Africa;
- the Hidden Valley Operations and Wafi-Golpu project in the Morobe Mining Joint Venture used prices of US$1 250/oz Au, US$21/oz Ag, US$15/lb Mo and US$3.10/lb Cu at an exchange rate of A$0.98 per US$;
- gold equivalent ounces are calculated assuming a US$1400/oz Au, US$ 3.10/lb Cu and US$23.00/oz Ag with 100% recovery for all metals; 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 that portion of a measured and indicated mineral resource that can be converted to a 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 R400,000 per kilogram;
- 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 the Opimizer mine planning 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 down to NQ 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

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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 accredited commercial laboratory. Some sample preparation is done at the mine site laboratory. Extensive Quality Assurance/Quality Control work is undertaken and data is stored in an electronic database.

Our mining operations reported total proved and probable reserves as of June 30, 2013 are set out below:

Mineral Reserves statement (Imperial) as at June 30, 2013

OPERATIONS GOLD	**PROVED RESERVES**			**PROBABLE RESERVES**			**TOTAL RESERVES**		
	Tons (millions)	**Grade (oz/ton)**	**Gold oz[1] (000)**	**Tons (millions)**	**Grade (oz/ton)**	**Gold oz[1] (000)**	**Tons (millions)**	**Grade (oz/ton)**	**Gold oz[1] (000)**
South Africa Underground									
Bambanani (incl Steyn 2)	2.6	0.323	836				2.6	0.323	836
Joel	1.8	0.163	296	4.3	0.157	677	6.1	0.159	973
Masimong	6.4	0.139	897	2.7	0.137	367	9.1	0.139	1,264
Phakisa	5.4	0.180	972	16.8	0.213	3,590	22.2	0.205	4,562
Target 1	4.8	0.142	684	5.0	0.162	805	9.8	0.153	1,489
Target 3	2.7	0.200	549	4.6	0.155	719	7.3	0.172	1,268
Tshepong	20.5	0.159	3,257	3.7	0.148	546	24.2	0.157	3,803
Unisel	2.2	0.127	285	0.9	0.121	109	3.1	0.125	394
Doornkop	3.0	0.122	362	5.5	0.158	862	8.4	0.145	1,224
Kusasalethu	9.7	0.215	2,085	30.2	0.161	4,856	39.9	0.174	6,941
Total South Africa Underground	**59.1**	**0.173**	**10,223**	**73.7**	**0.170**	**12,531**	**132.8**	**0.171**	**22,754**
South Africa Surface									
Kalgold	13.4	0.028	379	13.1	0.029	384	26.5	0.029	763
Free State Surface - Phoenix	111.5	0.009	1,037				111.5	0.009	1,037
Other	284.8	0.008	2,138	421.1	0.007	3,055	705.9	0.007	5,193
Total South Africa Surface	**409.7**	**0.009**	**3,554**	**434.2**	**0.008**	**3,439**	**843.9**	**0.008**	**6,993**
Total South Africa	**468.8**		**13,777**	**507.8**		**15,970**	**976.7**		**29,747**
Papua New Guinea[2]									
Hidden Valley	0.7	0.036	25	31.9	0.050	1,589	32.6	0.050	1,614
Hamata	0.0	0.046	1	2.5	0.061	154	2.5	0.061	155
Golpu				248.0	0.025	6,194	248.0	0.025	6,194
Total Papua New Guinea	**0.7**	**0.037**	**26**	**282.4**	**0.028**	**7,937**	**283.1**	**0.028**	**7,963**
GRAND TOTAL	**469.5**		**13,803**	**790.2**		**23,907**	**1,259.8**		**37,710**

(1) 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.

(2) 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$1,400/oz for gold, US$3.10/lb copper and US$23.00/oz for silver with 100% recovery for all metals.

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Gold Equivalents (2)

SILVER	PROVED RESERVES		PROBABLE RESERVES		TOTAL RESERVES	
	Tons (millions)	Gold Equivalents (oz)(1) (000)	Tons (millions)	Gold Equivalents (oz)(1) (000)	Tons (millions)	Gold Equivalents (oz)(1) (000)
Hidden Valley	0.7	7	31.9	485	32.6	492

COPPER	PROVED RESERVES		PROBABLE RESERVES		TOTAL RESERVES	
	Tons (millions)	Gold Equivalents (oz)(1) (000)	Tons (millions)	Gold Equivalents (oz)(1) (000)	Tons (millions)	Gold Equivalents (oz)(1) (000)
Golpu			248.0	13,265	248.0	13,265
Total Gold Equivalents	**0.7**	**7**	**279.9**	**13,750**	**280.6**	**13,756**
Total Harmony including gold equivalents	**469.5**	**13,809**	**790.2**	**37,657**	**1,259.8**	**51,466**

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$23.00/oz for silver, US$3.10/lb for copper, US$50.00/lb for uranium and Molybdenum at US$15/lb.

Papua New Guinea: Other (2)

SILVER	PROVED RESERVES			PROBABLE RESERVES			TOTAL RESERVES		
	Tons (millions)	Grade (oz/ton)	Silver oz(1) (000)	Tons (millions)	Grade (oz/ton)	Silver oz(1) (000)	Tons (millions)	Grade (oz/ton)	Silver oz(1) (000)
Hidden Valley	0.7	0.594	409	31.9	0.926	29,515	32.6	0.919	29,924
Golpu				248.0	0.040	9,864	248.0	0.040	9,864

COPPER	Tons (millions)	Grade (%)	Cu lb(1) (millions)	Tons (millions)	Grade (%)	Cu lb(1) (millions)	Tons (millions)	Grade (%)	Cu lb(1) (millions)
Golpu				248.0	1.096	5,992	248.0	1.096	5,992

MOLYBDENUM	Tons (millions)	Grade (%)	Cu lb(1)	Tons (millions)	Grade (%)	Cu lb(1) (millions)	Tons (millions)	Grade (%)	Cu lb(1) (millions)

	(millions)					
Golpu	248.0	0.162	40	248.0	0.162	40
South Africa:						

URANIUM	**PROVED RESERVES**			**PROBABLE RESERVES**			**TOTAL RESERVES**		
	Tons (millions)	**Grade (lb/ton)**	**U_3O_8 lb[1] (millions)**	**Tons (millions)**	**Grade (lb/ton)**	**U_3O_8 lb[1] (millions)**	**Tons (millions)**	**Grade (lb/ton)**	**U_3O_8 lb[1] (millions)**
Masimong				5.4	0.361	2	5.4	0.361	2
Phakisa	5.4	0.265	1	16.8	0.210	4	22.2	0.223	5
Tshepong	11.0	0.195	2	12.1	0.226	3	23.0	0.211	5
Grand Total	**16.4**	**0.218**	**4**	**34.2**	**0.239**	**8**	**50.6**	**0.232**	**12**

(1) 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.

(2) 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	1,935	2,022		
Joel	800	1,360		
Masimong	850	1,232		
Phakisa	790	1,541		
Target 1			4.20	1,420
Target 3	690	1,519		
Tshepong	650	1,514		
Unisel	1,100	1,367		
Doornkop	646	1,206		
Kusasalethu	670	1,398		
South Africa Surface				
Kalgold			0.50	209
Free State Surface				