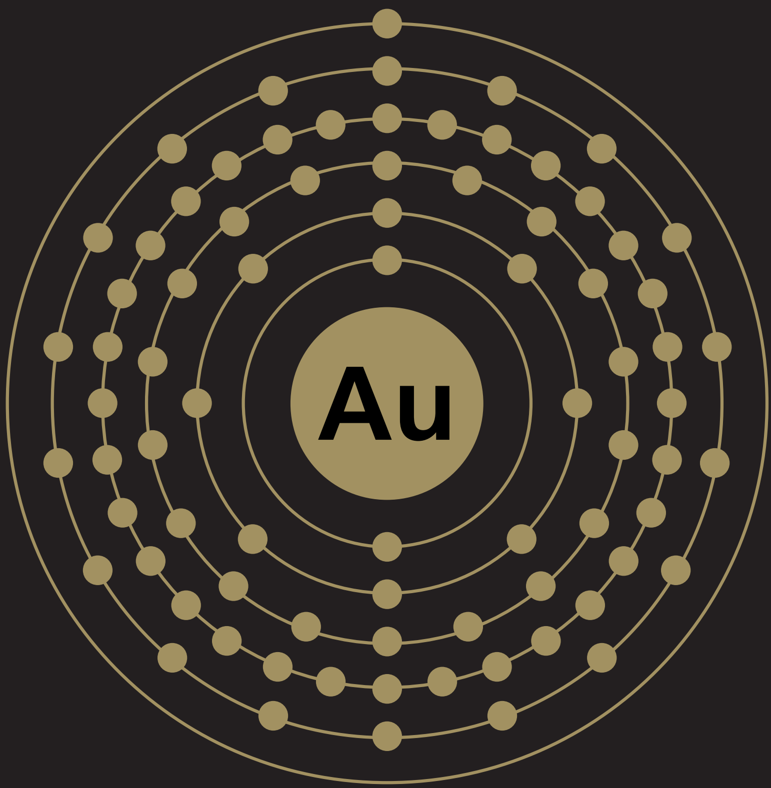
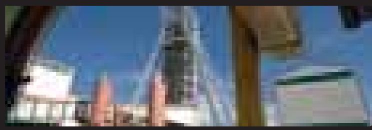
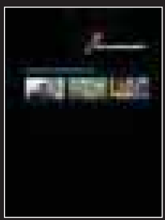
Integrated annual report 2011



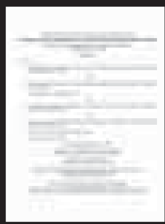


Scope of this report

This annual report covers the financial year from 1 July 2010 to 30 June 2011 (FY11). In line with its commitment to the principle of integrated reporting, Harmony Gold Mining Company Limited (Harmony) has, for the second time, incorporated its broader social, environmental and economic performance throughout this report in line with the requirements of the King Report on Governance for South Africa (King III). In addition, the company has produced:



- An online sustainable development report 2011 **(www.harmony.co.za/sd/reports/2011)** for a more detailed account of the environmental, social and governance (ESG) aspects of Harmony's business. This report has been compiled in accordance with the G3 guidelines of the Global Reporting Initiative (GRI) and the principles of integrated reporting as recommended by King III.



- An annual report prepared on a Form 20-F, and filed with the US Securities and Exchange Commission (SEC), in compliance with the listings regulations of the NYSE. Electronic copies of this will be available from October 2011 free of charge on EDGAR at **www.sec.gov** and on our corporate website: **www.harmony.co.za**

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

Operational and financial information in this report covers the period FY11 with comparative annual data provided for information purposes. The annual financial statements included in this report have been prepared in accordance with the International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS), the South African 2008 Companies Act and the listings requirements of the JSE Limited.

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

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

All use of $ or dollar refers to US dollars, unless otherwise stated. In addition, all production volumes are reported in metric tonnes (t) unless specifically referred to as imperial tons.

For all abbreviations used in this integrated annual report – see the glossary on page 334.

For quick access on your mobile to the Harmony website scan the barcode above.
Alternatively go to **www.harmony.co.za** for more information.

CONTENTS

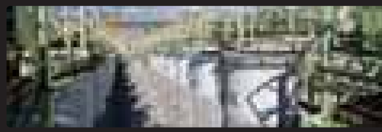
Harmony Gold Mining Company Limited ("Harmony" or the "company"), one of the world's leading gold mining companies, operates primarily in South Africa and Papua New Guinea (PNG).

Forward-looking statements

Private Securities Litigation Reform Act
Safe Harbour Statement

This report contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and 21E of the Securities Exchange Act of 1934, as amended, that are intended to be covered by the safe harbour created by such sections. These statements may be identified by words such as "expects", "looks forward to", "anticipates", "intends", "believes", "seeks", "estimates", "will", "project" or words of similar meaning. All statements other than those of historical facts included in this report are forward-looking statements, including, without limitation, (i) estimates of future earnings, and the sensitivity of earnings to the gold and other metals prices; (ii) estimates of future gold and other metals production and sales; (iii) estimates of future cash costs; (iv) estimates of future cash flows, and the sensitivity of cash flows to the gold and other metals prices; (v) statements regarding future debt repayments; (vi) estimates of future capital expenditures; and (vii) estimates of reserves, and statements regarding future exploration results and the replacement of reserves. Where the company expresses or implies an expectation or belief as to future events or results, such expectation or belief is expressed in good faith and believed to have a reasonable basis. However, forward-looking statements are subject to risks, uncertainties and other factors, which could cause actual results to differ materially from future results expressed, projected or implied by such forward-looking statements. Such risks include, but are not limited to, gold and other metals price volatility, currency fluctuations, increased production costs and variances in ore grade or recovery rates from those assumed in mining plans, project cost overruns, as well as political, economic and operational risks in the countries in which we operate and governmental regulation and judicial outcomes. The company does not undertake any obligation to release publicly any revisions to any "forward-looking statement" to reflect events or circumstances after the date of this presentation, or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.

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



Strategy

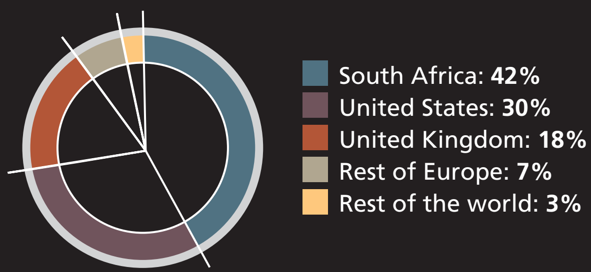
The Harmony of 2011 is well-positioned to deliver on its strategy – capable of generating earnings that fund growth and dividends. Our emphasis is on safe, profitable ounces and important steps have been implemented to ensure these goals are met by:

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

Our strategy is to produce 1.8 – 2 million* safe and profitable ounces of gold by 2015. We are on track to meet this target, as detailed in the chairman's letter and chief executive officer's review. Our focus is to deliver consistent production results, improve productivity, curb costs and create value for shareholders.

Shareholder information

Geographic distribution of shareholders – 30 June 2011



Harmony – an exciting investment proposition

1	Wafi-Golpu – key discovery	✓
2	Unhedged, low debt	✓
3	Building low-cost, high-grade mines	✓
4	Experienced, focused management team	✓
5	Exciting long-term possibilities	✓
6	Dividends	✓

Harmony is a publicly listed company. The company's primary listing is on the JSE Limited (share code: HAR) in South Africa. Harmony's ordinary shares are also listed on stock exchanges in London (HRM), as international depositary receipts (IDRs) in Berlin (HAM1) and Brussels (HMY), and are quoted in the form of American depositary receipts on the New York Stock Exchange (HMY).

At the end of June 2011 the company had issued 430 084 628 (FY10: 428 654 779) ordinary shares and had a market capitalisation of R38.69 billion (US$5.7 billion) [FY10: R34.89 billion ($4.5 billion)].

** Excludes future acquisitions or disposals.*

CORPORATE PROFILE

Delivering long-term value

In South Africa, the company has ten underground and one open-pit mine and several other surface operations, exploiting gold-bearing reefs of the Witwatersrand Basin. In PNG, Harmony has a 50% interest in the Morobe Mining Joint Ventures (MMJV), which includes Hidden Valley, an open-pit gold and silver mine (officially opened in September 2010), the very exciting Wafi-Golpu project, and extensive exploration tenements. Harmony's exploration portfolio focuses principally on highly prospective areas in PNG.

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

We have made good progress in getting the company where we want it to be – producing better-quality ounces. Hidden Valley in PNG is now an operating mine, Harmony's first greenfields offshore development; in South Africa we have Kusasalethu, Doornkop and Phakisa projects, all in build-up, and Tshepong and Masimong which have been steady contributors to production. We dealt with the challenges at mines such as Evander, Target and Joel to ensure they are positioned to deliver on their production targets.

Harmony has invested a great deal in expanding its production base in South Africa and PNG. The investment in exploration continues to return great results, with the Wafi-Golpu resource showing a phenomenal 57% increase to over one billion tonnes during the year. Golpu's grade is over 1% copper, confirming it is one of the highest-grade copper-gold porphyry systems in south-east Asia. These excellent results validate our long-held belief that PNG is a game-changing region for Harmony.

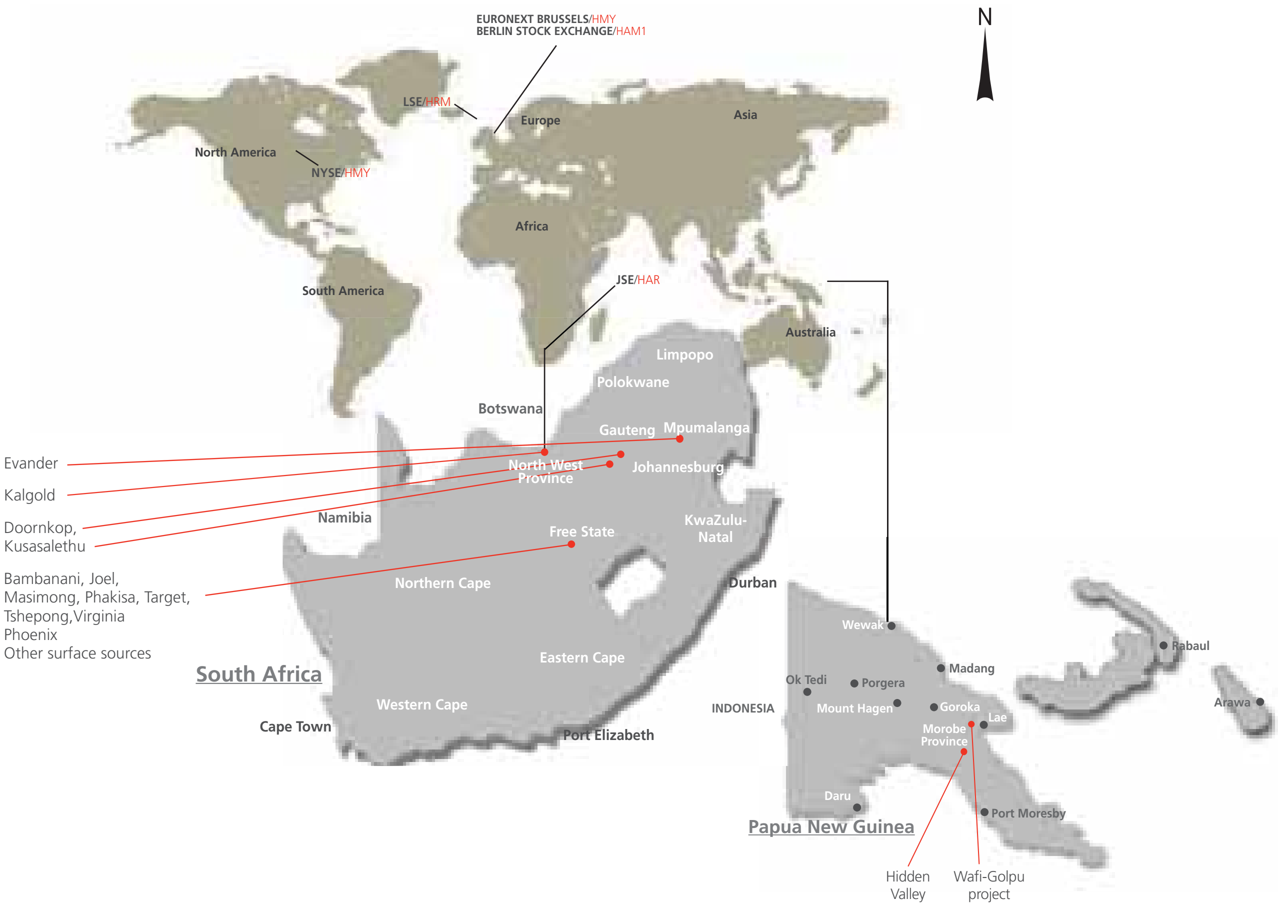
On a 100% basis, Golpu alone now hosts a resource of 869Mt, containing 19.3Moz of gold and 9.0Mt of copper (62Moz on a gold equivalent[1] basis). This is a significant year-on-year increase of 368Mt (73%), comprising 8.9Mt copper (88% increase) and 10.5Moz of gold (119% increase). Our resource base in PNG now represents 10% of Harmony's total gold resources (or 21% of the resource on a gold equivalent[1] basis), in line with Harmony's strategy to increase its geographic diversification.

In FY11, Harmony produced 1.30Moz* of gold (FY10: 1.43Moz*). The company employed 39 440 people, largely in South Africa, of whom 34 472 were full-time employees and 4 968 contractors (FY10: 40 226 people, including contractors).

At 30 June 2011, Harmony reported ore reserves of 41.6Moz (FY10: 48.1Moz) and mineral resources of 163.9Moz (FY10: 189.2Moz).

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

** Of this 19 967oz were capitalised in FY11 (FY10: 51 046oz).*
[1] Gold equivalent based on US$1 150/oz Au, US$2.50/lb Cu at 100% recovery for both metals.



KEY FEATURES 2011

Strategy

- Exciting exploration results in PNG
- Commissioned excellent gold mines in South Africa and PNG
- Building low-cost, high-grade mines

Operations

- Operations in build-up showed 22% improvement in production year on year
- Improved underground grade at 4.60g/t
- Production of 1.3Moz* gold
- First year of commercial production at Hidden Valley
- Wafi-Golpu resource at over one billion tonnes of mineralised material
- Target 3 in commercial production

** 19 967oz capitalised*

Financials

- Net profit of R617 million/US$86 million (FY10: loss of R192 million/US$24 million)
- Basic earnings per share at R1.44/USc20 (FY10: loss of 46c/USc6)
- Headline earnings of R2.23 per share (USc31) (FY10: (SAc7) or (USc1))
- Dividend of 60 SA cents per share
- Operating margins maintained at 26%

Safety and health

- Improved safety performance (FIFR)
- Excellent results from implementation of strategy to prevent falls of ground
- Healthcare facilities expanded
- Dedicated safety and health executive appointed post year end

Labour practices and human rights

- Over 2 000 residents moved out of hostels into family accommodation, either privately owned or provided by the company
- In South Africa: HDSAs made up 42% of management and women 12% of total workforce

Community

- In South Africa, R70 million (US$10 million) spent on local economic development projects and R14 million (US$2 million) on corporate social responsibility projects
- In PNG, R10 million (US$1.5 million) spent on community programmes
- BBBEE procurement expenditure in South Africa totalled R2.3 billion (42% of total discretionary expenditure)

Environment

- Development of group-level environmental strategy
- ISO 14001 certification received at two operations, being implemented at other operations
- Cyanide code implemented at most metallurgical plants
- Success of PNG programme for community access to clean water

KEY STATISTICS 2011

		FY11	FY10
Operating performance			
Ore milled	000t	**19 280**	17 963
– Underground	000t	**7 170**	8 519
– Surface	000t	**12 110**	9 444
Gold produced[1]	kg	**40 535**	44 433
	000oz	**1 303**	1 429
– Underground	kg	**33 627**	38 799
	000oz	**1 081**	1 248
– Surface	kg	**6 908**	5 634
	000oz	**222**	181
Operating cost	R/kg	**226 667**	195 162
	000oz	**1 009**	801
Yield	g/t	**2.07**	2.39
– Underground	g/t	**4.60**	4.54
– Surface	g/t	**0.57**	0.44
Financial performance			
Revenue	R million	**12 445**	11 284
	US$ million	**1 781**	1 489
Production costs	R million	**9 170**	8 358
	US$ million	**1 313**	1 103
Operating profit[2]	R million	**3 275**	2 926
	US$ million	**468**	386
Operating margin	%	**26**	26
Net profit/(loss) for the year[3]	R million	**617**	(192)
	US$ million	**86**	(24)
Total basic earnings/(loss) per share[3]	SA cents	**144**	(46)
	US cents	**20**	(6)
Total headline earnings/(loss) per share[3]	SA cents	**223**	(7)
	US cents	**31**	(1)
Capital expenditure[4]	R million	**3 144**	3 353
	US$ million	**450**	445
Market performance			
Average gold price received	R/kg	**307 875**	266 009
	US$/oz	**1 370**	1 092
Exchange rate	R/US$	**6.99**	7.58

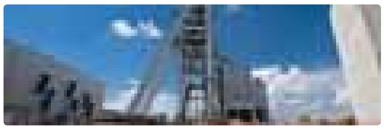
[1] *621kg (19 967oz) capitalised (2010: 1 588kg/51 046oz).*
[2] *Operating profit is comparable to the term production profit in the segment report in the annual financial statements and not the operating profit line item in the income statement.*
[3] *Includes discontinued operations.*
[4] *Includes non-operational capital expenditure relating to PNG (R63 million, US$8 million) and exploration capitalised of R45 million (US$6 million).*

Note: All statistics are for continuing operations unless otherwise stated.

KEY STATISTICS 2011 CONTINUED

		FY11	FY10
Value-added performance			
Total payments to employees	R million	**5 543**	4 193
Dividends paid to shareholders	R million	**214**	213
Payments to government (taxation and royalties)[5]	R million	**938**	836
BBBEE procurement expenditure in South Africa	R million	**2 267**	2 036
Occupational health and safety			
FIFR – fatal injury frequency rate			
– South Africa	Per million hours worked	**0.17**	0.21
– PNG	Per million hours worked	**0.22**	0.20
LTIFR – lost-time injury frequency rate			
– South Africa✓	Per million hours worked	**8.32**	7.73
– PNG	Per million hours worked	**0.20**	0.70
South Africa			
– Shifts lost due to occupational illness and injury		**27 539**	27 254
– Noise-induced hearing loss (NIHL) cases identified	Per 1 000 employees	**11**	11
– Silicosis cases identified	Per 1 000 employees	**19**	21
– New TB cases reported	Per 100 000 employees	**3 061**	3 638
– Number of people on HAART		**2 902**	3 226
People			
Number of employees and contractors			
– Total		**39 440**	40 226
– South Africa		**39 266**	40 119
– South-east Asia		**174**	107
Employment equity (percentage of previously disadvantaged South Africans in management)		**42**	40
Community			
South Africa			
– Corporate social responsibility projects	R million	**14**	23
– Local economic development✓	R million	**70**	59
PNG	US$ million	**1.5**	1.1

[5] Excludes value-added tax/general sales tax.
✓ Indicates assurance by independent auditors.



		FY11	FY10
Environment			
Total electricity use			
– South Africa✓	000MWh	**3 429**	3 659
– PNG	000MWh	**105**	105
Total CO_2 emissions			
– South Africa	000t CO_2e	**3 570**	4 402*
– PNG	000t CO_2e	**145**	128
Total water used for primary activities			
– South Africa✓	000m³	**36 074**	44 339
– PNG	000m³	**1 534**	1 843
Total cyanide use			
– South Africa	t	**8 333**	7 884
– PNG	t	**3 300**	3 429
Funding and guarantees for rehabilitation and closure			
– South Africa	R million	**2 215**	1 987
– PNG	US$ million	**37**	53

✓ *Indicates assurance by independent auditors.*
* *Scope 1 data in FY10 was over-estimated due to a unit discrepancy.*

Strategic scorecard

Generate free cash flow

Actions	Key steps
Optimise asset portfolio	Improve cash costs Review operational performance
Increase production	↗ Safety is key ↗ Correctly targeted development ↗ Introduced short-term interval controls
Improve productivity	Focus on training, motivation, safety, health, environment, labour relations
Improve quality ounces	↗ Four projects in build-up ↗ One project to be built ↗ Steady-state operations
Explore	**PNG – Wafi-Golpu** ↗ Resource growing ↗ Drilling continuing ↗ Transfer structure exploration **PNG tenements 100% owned** ↗ Further gold-copper-molybdenum exploration
Build future mines	PNG – Wafi-Golpu
Acquire	Only quality ounces with healthy margins in south-east Asia and Africa

MATERIAL ISSUES

Harmony continues to use the principle of integrated reporting for its 2011 annual and sustainability reports. We recognise that integrated reporting combines our financial and non-financial performances to provide a holistic view of the company by explaining the cause and effect of various issues affecting the bottom line.

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

The social, environmental, governance and economic aspects of our business, and the opportunities and challenges these present, are detailed throughout the annual report. Because we believe it is important to report in greater detail than feasible in the printed annual report, and given our commitment to report in line with the Global Reporting Initiative (GRI), we have also produced a more detailed sustainable development report 2011, available online at **www.harmony.co.za/sd/reports/2011**.

Certain key performance indicators have been assured by PwC and the assurance statement appears on pages 52 and 53.

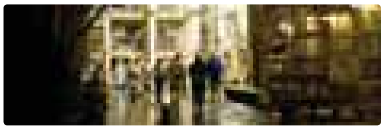
We have identified our most material issues in this year's sustainable development report, with a summary in this report. These issues are the culmination of a thorough process that proceeds, discipline by discipline, through workshops and regular feedback from stakeholders. Harmony's performance in FY11 and targets for FY12 are tabulated below.

Governance and economic sustainability

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

Governance

Issue	Performance in FY11	Targets for FY12
Establishment and maintenance of board and management structures	Harmony has a solid governance structure. This is regularly reviewed to ensure we comply with legislation and standards in the countries in which we operate and with the stock exchanges on which Harmony is listed.	Ongoing compliance
Implementation of good practice in governance and reporting	In line with our primary listing on the JSE Limited, disclosure is guided by the new South African Companies Act 2008, JSE regulations and King III. We also comply with the regulations of other exchanges on which Harmony is listed, the US Securities and Exchange Commission (SEC) and the Sarbanes-Oxley Act of 2002. We use an integrated approach that combines financial and non-financial reporting, and our sustainable development report is aligned with GRI and King III.	Continual improvement
Integrity and ethics	A code of ethics aligned with King III governs our behaviour, while an ethics committee meets quarterly to monitor ethical behaviour within Harmony.	Continual improvement



Governance *continued*

Issue	Performance in FY11	Targets for FY12
Compliance with legislation	No significant fines were paid by the company in any areas of operation in FY11, and no actions were brought against the company for anti-competitive behaviour, anti-trust or monopoly practices.	Ongoing compliance
Risk management and mitigation	Under a formal risk policy framework and risk management structure, primary risks identified in FY11 are covered on page 179 of this report and in the Form 20-F. These include safety, health, environment and human rights risks. Appropriate levels of due diligence are applied before finalising significant contracts. The precautionary approach is used in planning and developing new projects, in line with relevant legislation and good practice.	Ongoing adoption of best practice and alignment with King III

Economic sustainability

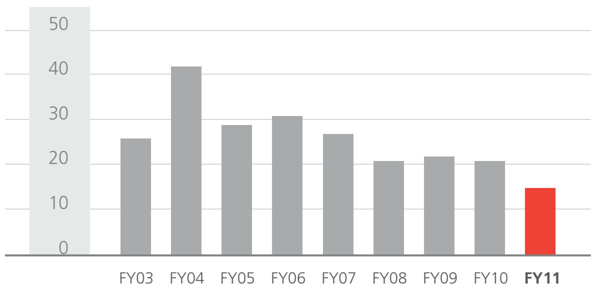
Economic context and relevance	Harmony is one of the world's leading producers of gold, and South Africa's third largest. Regionally, Harmony has an even bigger impact, for example in South Africa's Free State province where mining accounts for a significant portion of provincial GDP. In FY11, the company employed close to 40 000 people.	To play a meaningful role in the regional economies where we operate
Producing safe, profitable ounces	Harmony delivered a satisfactory performance for the year. Total gold production of 1.3Moz (40 535kg) declined, largely due to mine closures, safety stoppages and underperformance at some shafts and shaft closures. Regrettably, there were 16 fatalities – see safety discussion overleaf.	We aim to produce 1.8–2Moz* of gold in FY15. Equally, we aim to achieve this target safely – eliminating all fatal accidents
The gold market	Gold remains a desirable product and we expect the price to be around US$1 850/oz in our next financial year, especially with continued global uncertainty and a weaker dollar. Harmony remains highly exposed to the R/US$ exchange rate, as most of our operations are in South Africa. While our earnings are in dollars the exchange rate impacts our revenue in rands. The rand strengthened against the dollar throughout FY11, keeping profit margins flat.	We remain positive on gold. However, the gold price and exchange rate are not within our control. Our strategic plans for FY12 are based on a gold price of R280 000/kg (an exchange rate of R7.57/US$ and a gold price of US$1 150/oz)
Investing in the future	In FY11, we continued restructuring our asset base in line with our strategy to deliver 1.8 – 2 million* safe, profitable ounces by 2015. We invested R3.1 billion in our mines and our mineral reserves now stand at 41.6Moz of gold across South Africa and Papua New Guinea.	Ongoing development of mines: R3.6 billion allocated for capital expenditure and R474 million for exploration in FY12
Economic transformation and empowerment	South Africa: Harmony complies with the Mining Charter through partnerships and the sale to HDSA companies of interests in the company and its underlying operations. To date, approximately 36% of production was attributable to HDSA interests.	Maintain HDSA interests at current levels
	PNG: Contracts are in place with landowner groups for a range of services. We continue to offer business development opportunities to landowners as Hidden Valley moves towards full production and more opportunities become available.	Ensure ongoing dialogue with stakeholders and seek opportunities to enhance community development

** Excludes future acquisitions or disposals.*

Social performance

The social dimension of sustainability concerns the impact Harmony has on the social environment in which it operates. The sustainable development report includes comprehensive discussions on safety, occupational health and well-being, labour practices and community issues.

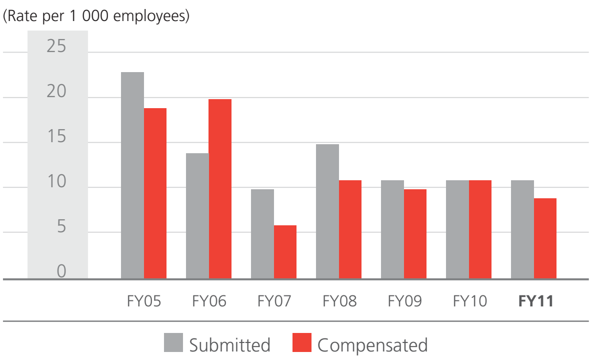
Safety

Issue	Performance in FY11	Targets for FY12
Eliminating accidents by managing risk and ensuring appropriate structures, systems and training are in place	Regrettably, 16 employees lost their lives in mine-related incidents in FY11 (FY10: 22). Fifteen of these were at our South African operations. South Africa: The FIFR improved to 0.17, while the LTIFR deteriorated to 8.32 per million hours worked. • A comprehensive programme to prevent falls of ground has reduced fatal injuries from this source by 64% • Over 16 300 employees are completing e-learning programmes focused on safety literacy.	FIFR: 0 LTIFR: SA – 5.79 Harmony – 5.57
	South Africa: Fatalities FY03 – FY11 	
	PNG: The FIFR deteriorated slightly to 0.22 per million hours worked (FY10: 0.20), while LTIFR improved significantly to 0.20 (FY10: 0.7).	FIFR: 0 LTIFR: 0.45 PNG – 0.20 Harmony – 5.57
Reducing falls of ground	Falls of ground account for a large portion of all lost-time injuries in Harmony. Our new ground control strategy formalises and consolidates efforts to prevent fall-of-ground incidents and accidents, and promotes an even safer and more stable underground environment. • The combination of netting in selected spaces with better control and awareness reduced gravity-related falls of ground from 12 in FY10 to three in FY11.	Fall-of-ground injury frequency rate of 1.42 per million hours worked
Addressing the issue of illegal miners in South Africa	Illegal or criminal mining activities endanger the criminals' own safety as well as that of company employees. Harmony again proactively addressed illegal mining activities in FY11 by liaising with the authorities, unions, private security companies, local businesses and affected communities. • In FY11, our focus on communicating the risks and consequences of illegal mining and fraud to our own workforces paid off, with the number of employees dismissed for related offences dropping from 314 in FY10 to 133.	Eliminate illegal mining as far as practically possible

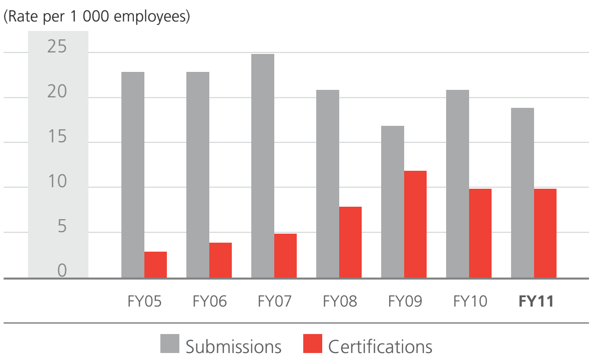
Occupational health and well-being

Issue	Performance in FY11	Targets for FY12
Noise-induced hearing loss (NIHL) and use of protective equipment	South Africa: In FY11, 420 cases of NIHL were identified (FY10: 442), with 365 cases compensated. • We have achieved a compliance level of 88% for personal protective equipment, one of the highest in the industry • All rock drills and fans exceeding stipulated noise levels have been silenced and good progress made on silencing loaders.	Meeting the industry target to prevent any hearing loss of more than 10% occurring remains a challenge for Harmony

South Africa: New cases of NIHL identified



South Africa: New cases of silicosis identified

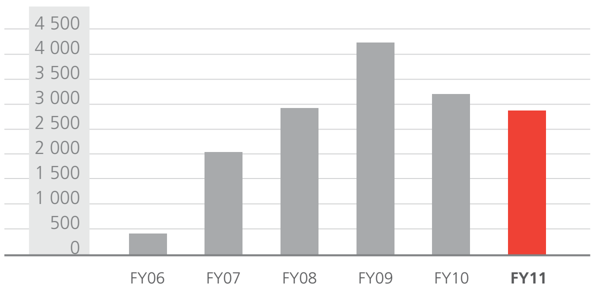


Issue	Performance in FY11	Targets for FY12
Occupational lung diseases, including silicosis	South Africa: In FY11, following the implementation of a number of operational controls, 747 suspected cases of silicosis were identified and 392 cases compensated, continuing the gradual downward trend of recent years.	We aim to have no new cases of silicosis among previously unexposed individuals
Heat stress	Extensive refrigeration and ventilation systems are in place at all operations to ensure heat stress management parameters are kept well within limits set by legislation and to continually improve the safety and productivity of persons exposed. • In FY11 26 948 heat tolerance tests were undertaken (FY10: 22 847) and there were no heat stroke cases.	Ensure continued testing as set out in our Code of Practice for thermal stress
Healthcare	PNG: The medical centres at Hidden Valley, Wafi and Wau provide full-time primary healthcare and occupational health surveillance to employees, dependants and the local community. Four new community health facilities were built at Babuaf near Wafi and Nauti, Kwembu and Winima near Hidden Valley. • In FY11, 15 216 health contacts were made at all MMJV medical centres (FY10: 19 389) and 1 466 employees treated for malaria • 20 water and sanitation projects completed in Watut River and Hidden Valley communities.	Continue ongoing surveillance for potential occupational illnesses Develop an integrated strategy, aligned with Millennium Development Goals, on TB, malaria and HIV – building on systems already in place • 20 water and sanitation projects planned

Occupational health and well-being *continued*

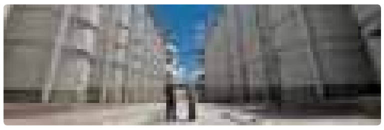
Issue	Performance in FY11	Targets for FY12
Pulmonary tuberculosis and other HIV-related illnesses	Harmony's integrated healthcare approach takes a broader view of the range of chronic diseases managed by the company. • The TB rate is declining, with 1 201 cases diagnosed in FY11. However, more cases of multidrug-resistant TB were diagnosed (63 in FY11 vs 49 in FY10) • Over the last 12 months, 26% of employees were tested for HIV and 48% received counselling; 7 009 individuals were tested (FY10: 7 374); the current uptake rate of VCT has increased to 54%. Over the past three years, 35 617 HIV/Aids tests have been performed in Harmony • In FY11, 2 902 employees participated in the HAART programme (FY10: 3 226).	Continual improvement

South Africa: Number of employees on HAART (including contractors)



Labour practices

Issue	Performance in FY11	Targets for FY12
Hostel de-densification process; accommodation and living conditions	South Africa: Our housing strategy has a dual thrust: promoting home ownership and integrating mining communities into local structures. Core to this is upgrading hostels into single occupancy or family units. • Masimong 5 project completed, Tshepong under way and will be completed in FY12 • Architect plans being drawn for Doornkop village and Kusasalethu hostel • Family units being built at Evander 1 hostel • To date, 25% of our employees have moved from hostels to single or family accommodation, while five old hostels are being converted to create 1 700 family units by 2014.	• Complete Tshepong hostel upgrade; 15 family units and 50 single rooms at Doornkop • Complete 10 family units each at Kusasalethu and Evander • Merriespruit 3 and Steyn 2 hostel upgrades planned for FY12 • Hostel project will continue until FY15, when 320 units in our North operations will be converted at a total estimated cost of R46.6 million • In the Free State, the Unisel and Phakisa hostel upgrades will be completed at an estimated total cost of R12.5 million



Labour practices *continued*

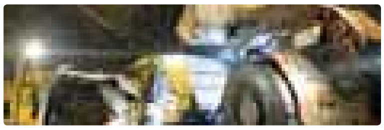
Issue	Performance in FY11	Targets for FY12
Promoting skills development and employment in our communities	In South Africa and PNG, the mining industry is a significant employer. More importantly, given the shortage of sector-specific skills in both regions, the industry is a material source of funding for skills development. South Africa: • 120 young people recruited from local communities and trained in mining-related skills. Most have subsequently been absorbed into the workforce • 24 tertiary students accommodated for experiential training • 20 students selected for Harmony Bridging School • 538 employees received portable skills training • Over 1 200 employees and community members attended ABET at a cost of R46 million – Harmony literacy rate is up from 25% in FY09 to 72% in FY11 • Over 23 000 employees (68%) received some form of training at a cost of R220 million; 94% of those trained were HDSAs and 12% women.	20 learners
	PNG: • 10 employees attended ABET classes • Training and mentoring benefited 30 locally recruited employees • Nearly 50 students from local university engaged to monitor aspects of geology and environmental management.	15 learners
Promoting sound and constructive employee relations	Harmony recognises the right of all employees and contractors to freedom of association and adheres to collective bargaining agreements relevant to the countries of operation. South Africa: • 90% of workforce unionised • Closure of Merriespruit operations, involving 3 800 people, completed without industrial stoppages. Almost 2 500 employees transferred to other Harmony operations • No production days lost to labour action in FY11 • Two-year wage agreement signed, including profit sharing, after five-day strike across gold mining sector post year end.	• Maintaining and improving relationships with employees and their recognised unions • Preventing or minimising production losses due to labour action • Promoting profit-share incentive
	PNG: • Very low rates of unionisation, no industrial action in FY11 • Effective communication ensured through representative committees.	• Maintaining and improving relationships with employees and representative committees

Labour practices *continued*

Issue	Performance in FY11	Targets for FY12
Steady progress on employment equity	Harmony's policy is to recruit local employees where possible and ensure no discrimination against foreign migrant labour. South Africa: • At 41.5%, Harmony exceeds the Mining Charter target of HDSAs comprising 40% of management • Over 11.5% of the workforce is female.	Mining Charter: Top and senior management: 30% Middle and junior management: 40% Core and critical skills: 30%
	PNG: • 91% of workforce represented by internally resourced employees • 12% of workforce now women • First three-year training plan developed and submitted to Department of Labour for approval.	• Local employees comprise 96% of workforce by FY13 • 17% of workforce to be women by FY13
Projects related to our social and labour plans, and local economic development	Harmony has a number of local economic development (LED) projects (below) in communities around our mining operations and in major labour-sending areas, including: • Developing small and medium enterprises • School and medical facilities • Sustainable human settlement projects such as partnerships in new housing developments and converting hostels into family units.	Remain committed to SLP obligations

Community

Issue	Performance in FY11	Targets for FY12
Improving employees' housing and living conditions	In South Africa, Harmony's housing strategy encompasses promoting home ownership and integrating mining communities into local structures.	Continued compliance with social and labour plan commitments
Affirmative procurement especially promoting business with HDSAs, women and local communities	South Africa: • Against the definitions of the revised Mining Charter, black economic empowerment (BEE) procurement expenditure in FY11 of R2 267 million (42% of total discretionary spend) split between: capital above target at 15%; services above target at 31% and consumables above target at 36% • Harmony's enterprise development centres in Welkom and Soweto support affirmative procurement, making it easier for BEE suppliers to conduct business with the company.	Continue affirmative procurement strategies in compliance with Mining Charter targets: • 10% for capital • 40% for services • 15% for consumables
Identifying and implementing sustainable socio-economic development initiatives such as enterprise and community skills development in line with our business philosophy, and our commitments under social and labour plans	South Africa: Harmony's corporate social responsibility (CSR) and LED activities span four key areas – education; socio-economic development; sports, arts and culture; and BEE support – in its mining and labour-sending communities. • CSR encompasses broader community development and includes national socio-economic development programmes such as mathematics and science development. Some R14 million spent in FY11 (FY10: R23 million) • LED initiatives are aligned with the Mining Charter, MPRDA and Codes of Good Practice for the Minerals and Mining Industry. In FY11 Harmony spent almost R70 million (FY10: R58 million) on LED projects.	Continue to implement CSR and LED programmes in line with the company's policy and in compliance with the Mining Charter



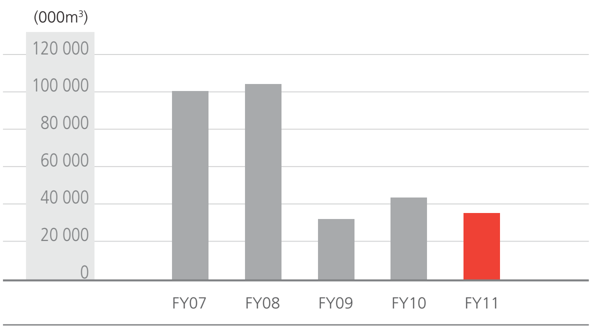
Community *continued*

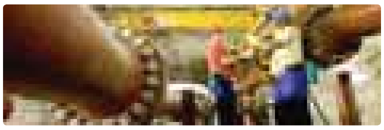
Issue	Performance in FY11	Targets for FY12
	PNG: Harmony's socio-economic development programmes are aimed at addressing priorities in health, education, agriculture and infrastructure. • Clean water facilities provided for 20 villages • Health training focused on safe birthing procedures in rural villages, and first aid.	Continue to implement programmes in line with agreements, including: • Teacher in-service training support (elementary grades prep-grade 3, primary grades 4-8) including database work • Business management training • 20 water supply projects for middle Watut villages • Collaboration with government, donors and NGOs in HIV, TB, malaria awareness and prevention programmes
Developing and promoting sound and responsive internal and external relationships through effective stakeholder engagement	**South Africa:** Active and ongoing engagement with stakeholders ensures Harmony's LED priorities are stakeholder-driven and guided by an engagement process involving municipalities, communities, the DMR, NGOs and governments of the labour-sending countries of Lesotho and Mozambique.	Continue as per SLP strategic plan until 2015
	PNG: Extensive community engagement programmes address concerns on environmental impacts of the mine, particularly Watut River sedimentation issues. • Established an external stakeholder advisory panel to advise the Hidden Valley operations team on environmental improvement projects.	Continue to work with the stakeholder advisory panel and PNG regulatory authorities on implementing environmental improvement programmes at Hidden Valley mine

Environment

Issue	Performance in FY11	Targets for FY12
Water management	**South Africa:** As our operations use extensive amounts of water, a group-wide campaign is under way to reduce consumption of fresh water and optimise re-use of process water. • Total water used for primary activities decreased over 18% to 36 074 000m³ • Potable water used declined by 2% • Of the total volume of water used, around 29% was recycled.	Working from FY08 baseline, by 2013 we aim to: • Reduce fresh water consumption by 2% • Improve use of affected water by 5% • Increase recycled water by up to 5%
	PNG: Water is the most significant resource used by MMJV. • Every effort is being made to reduce the amount of fresh water used, and increase the quantum of treated recycled water. In FY10, modifications to the Hidden Valley processing plant produced encouraging results. • Community clean water programme has established wells in 20 villages • Significant progress in reducing mine-related sediment in Watut River.	

Environment *continued*

Issue	Performance in FY11	Targets for FY12
	Water consumption – SA only 	
Land-use: concurrent rehabilitation and financial provision	As a responsible mining company, we are committed to enhancing rehabilitation at our operations and continuously identify land for rehabilitation to a sustainable alternative use. South Africa: • Total rehabilitation liability estimated at R2.23 billion in June 2011 while funding and guarantees amount to R2.22 billion. The rehabilitation liability coverage is 99.1% • Closure plan for Deelkraal approved, with concurrent rehabilitation under way at this operation and Evander Winkelhaak plant, Virginia 2 and Kalgold waste rock dumps.	• Next rehabilitation liability assessment will be done in June 2013 • Rehabilitation plan and strategy developed for decommissioned operations in Free State, to be implemented in FY12
	PNG: • Under a strategy of progressive rehabilitation, another 84 hectares of disturbed land were restored • High-capacity nursery on site was hardening 21 000 seedlings at year end, with 30 000 planted in the first half of 2011.	60 hectares to be rehabilitated
Legal compliance	In line with our strategy of meeting and exceeding legislative compliance, we are implementing appropriate environmental management systems at all operations. These will also ensure environmental management is addressed in a formal, systematic approach. South Africa: • To date, environmental management systems have been implemented at all our North operations, with Doornkop plant and shaft, and Kusasalethu already certified. In the Free State, systems are being developed and implemented • In FY11, self-assessment tools and standards were developed and will be implemented at all operations in FY12 • No environmental fines or sanctions were received in FY11.	Implementation of environmental management systems continues at remaining operations and action plans to address all high-risk impact are under way. • Certification is scheduled for Harmony 1 plant in December 2011
	PNG: • Environmental section of new integrated sustainable business management system implemented at Hidden Valley. When fully implemented, this will meet requirements of ISO 14001 and other relevant international safety and community standards.	Roll out integrated sustainable business management system across MMJV operations



Issue	Performance in FY11	Targets for FY12
Carbon legislation and footprint	Harmony is focused on reducing the use of fossil fuels and developing initiatives to mitigate and absorb greenhouse gases (GHGs) to reduce its carbon footprint. Our expansion projects will extend the lives of our mines into a period when GHG emissions are regulated. Accordingly, our policy dictates that all greenfields and brownfields projects consider the impact of climate change in their design and planning. • Fourth response to Carbon Disclosure Project (CDP) submitted. Encouraging year-on-year progress: in FY10 Harmony scored 74% to rank 17th among 71 companies on the JSE Limited. South Africa: • Total scope 1 and 2 emissions were 3 570 469 tonnes CO_2e (FY10*: 4 402 675 tonnes CO_2e), a significant decrease of 19%, with a 6% improvement attributed to scaling down and efficiency initiatives; the remainder of the saving a result of the scope 1 correction.	Harmony will review its strategy to adjust objectives and targets against 2013 benchmarks
	PNG: • Total scope 1 and 2 emissions were 145 533 tonnes CO_2e (FY10: scope 1 only 128 381 tonnes CO_2e), an increase of 12% as the operation ramps up.	Develop a carbon footprint register
Radiation	Radiation is a potential risk at certain sites in South Africa. Radiation is well controlled at our sites through systematic, systemic, and operational controls and barriers. • Regional public health assessments completed at Evander and Doornkop. These will help prioritise remedial initiatives.	Reduction of surface radiation exposures by removing infrastructure in line with the rehabilitation programme.

** Scope 1 data in FY10 was over-estimated due to a unit discrepancy.*

South African Mining Charter compliance

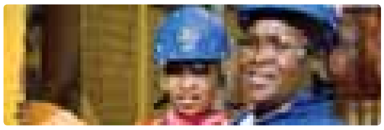
The South African Mining Charter was originally developed in terms of section 100 of the Mineral and Petroleum Resources Development Act (MPRDA), No 28 of 2002, to transform the mining industry by requiring applicants for mining rights to comply with certain empowerment principles for their rights to be granted. The revised charter, launched in 2010, emphasises a target of 26% black ownership of the country's mining assets by 2014.

Harmony has new-order mining rights for all its operations. In line with the charter, all our operations have social and labour plans (SLPs) with targets which have been developed with employees, communities and the DMR. Harmony reports to the DMR annually on its performance against these targets.

SOUTH AFRICAN MINING CHARTER SCORECARD

2011 scorecard for the broad-based socio-economic mining empowerment charter

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



	Progress achieved by	
Compliance target by 2014	**Compliance target 2011**	**Actual 2011**
Annually		June 2011
26%	15%	36%*
26%	15%	
Occupancy rate of one person per room	**Hostels** • Number of people sharing hostel rooms = 7 925. Objective is one person per room • Number of employees accommodated in single quarters (one person per room) = 3 100 • Number of employees moved to family quarters in 2011 = 230 • Number of company houses sold to employees = 31. **Provision of housing** Harmony facilitates home ownership by donating land, funding infrastructure and services, and monitoring the construction of housing units in mixed-use developments (ie retail, residential and community infrastructure).	
Family units established	Most employees receive either a housing allowance or a living-out allowance for accommodation. These allowances differ by job grading and are annually revised through collective bargaining.	
30% 60% 40%	5% 30% 10%	15% 31% 36%
0.5%	0.5%	–
40% 40% 40% 40% 40%	20% 20% 30% 40% 15%	30.8% 42.2% 41.6% (professionals, middle management) 58.5% (skilled technical, academically qualified, junior management)
5%	3.5%	4.42%
Up-to-date project implementation		8%
100% 100%	EMP performance assessment reports are a legal requirement and must be conducted every two years. Harmony conducts these assessments in line with EMP approval conditions. These plans are amended when necessary and resubmitted to the department. Free State operations: Current EMPs were developed in 2008 and performance assessments against these plans were submitted to the DMR in June 2011 for all operations. Deviations from targeted compliance levels reflect unplanned (in 2008) closures. As these EMPs are being revised to reflect current conditions, and the principles of ISO 14001, compliance levels for Free State operations are expected to improve in FY12. North operations: All EMPs approved under the old-order Minerals Acts of 1991 have been aligned and approved under the Mineral and Petroleum Resources Development Act 2002. Environmental management systems are being implemented in all our North operations, with some operations already certified, to track compliance with EMP commitments. Implementation of environmental management systems at other operations is ongoing and action plans to address all high-risk impact are under way.	
100%	Environmental monitoring at SA laboratories 100%.	
Section 26 of MPRDA (% above baseline)		

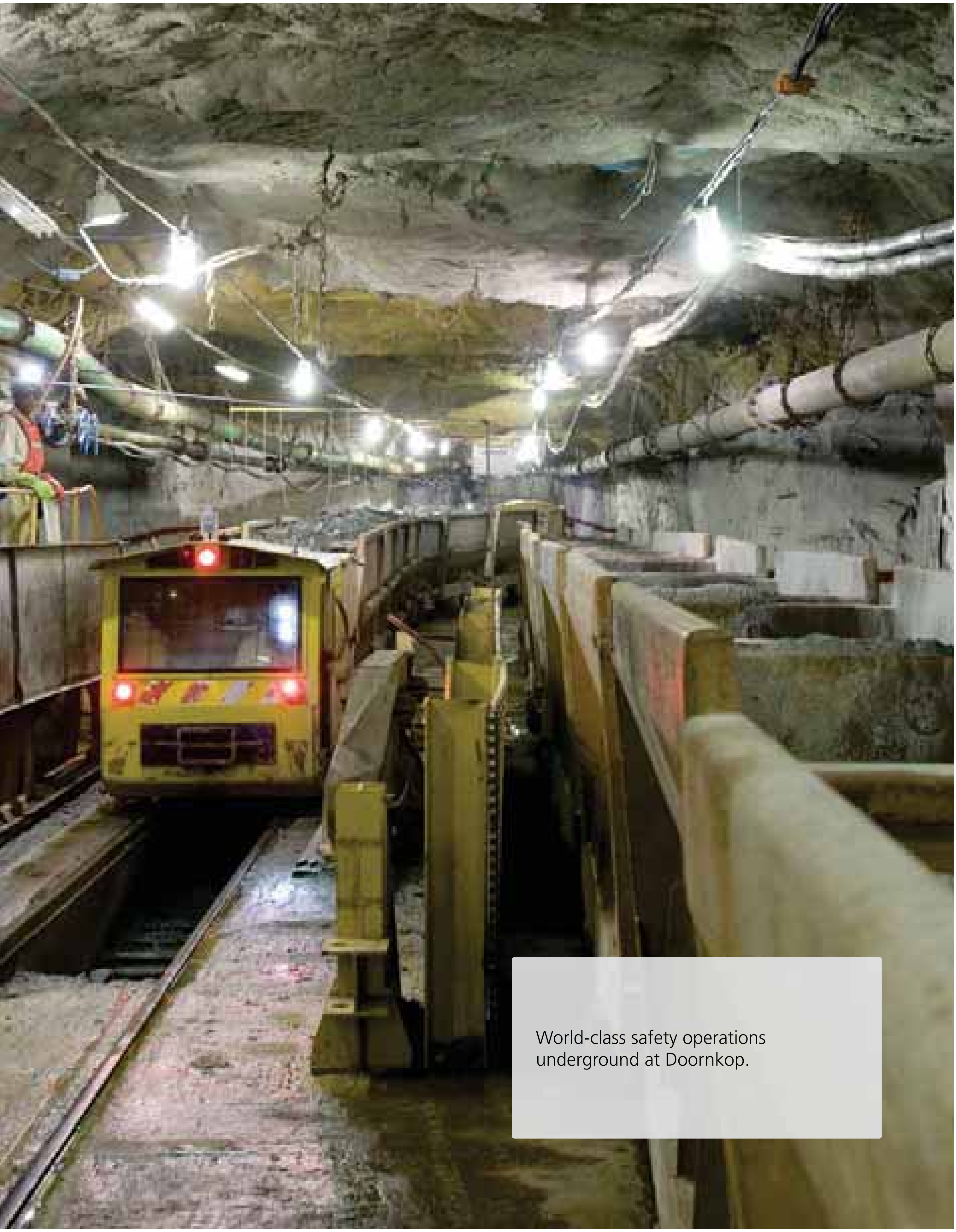
** To date, approximately 36% of production was attributable to HDSA interests.*

VALUE-ADDED STATEMENTS

FOR THE YEARS ENDED 30 JUNE 2011

Harmony and subsidiaries

	FY11		FY10	
	R'million	%	R'million	%
Sales of gold	**12 445**		11 284	
Less: Cost of material and services	**(2 998)**		(4 491)	
Value added from trading operations	**9 447**	**97**	6 793	96
Profit on disposal of assets	**29**	**–**	104	1
Income from investments	**226**	**3**	218	3
Value added by discontinued operations – net	**20**	**–**	(32)	–
Total value added	**9 722**	**100**	7 083	100
Distributed as follows:				
Employees (including directors and management)				
salaries, retirement and other benefits (excluding employees' tax)	**5 543**	**57**	4 193	59
Providers of capital				
Dividends to shareholders	**214**	**2**	213	5
Interest on borrowings	**285**	**3**	246	3
Government and community				
Taxation	**48**	**–**	84	1
Employee tax	**794**	**8**	719	10
Royalties	**96**	**1**	33	–
Social investment	**84**	**1**	81	1
Total distributions	**7 064**	**72**	5 569	79
Retained for reinvestment:				
Depreciation and amortisation	**1 777**	**18**	1 375	19
Impairment of assets	**264**	**3**	331	5
Profit/(loss) accumulated in the business	**617**	**7**	(192)	(3)
Total reinvested	**2 658**	**28**	1 514	21
Total distribution including reinvestment	**9 722**	**100**	7 083	100



World-class safety operations underground at Doornkop.

OUR COMPANY AT A GLANCE

		Production	Cash operating cost
Build-up operations			
Doornkop		2 512kg 80 763oz	R236 810/kg US$1 054/oz
Kusasalethu		5 609kg 180 334oz	R226 398/kg US$1 008/oz
Phakisa		1 762kg 56 649oz	R269 531/kg US$1 200/oz
Hidden Valley	**Gold**	3 118kg 100 246oz	R223 019/kg US$993/oz
	Silver	20 934kg 673 032oz	
Target[1]		3 981kg 127 992oz	R227 178/kg US$1 011/oz
Steady-state operations			
Tshepong		6 468kg 207 950oz	R182 042/kg US$810/oz
Masimong		4 280kg 137 605oz	R177 130/kg US$788/oz
Evander		2 302kg 74 011oz	R266 542/kg US$1 186/oz
Other South African operations			
Bambanani[2]		3 051kg 98 092oz	R280 075/kg US$1 247/oz
Unisel[3]		2 213kg 71 149oz	R250 193/kg US$1 114/oz
Joel		1 449kg 46 586oz	R291 288/kg US$1 297/oz
Surface operations			
Kalgold		1 253kg 40 285oz	R254 946/kg US$1 135/oz
Phoenix		589kg 18 937oz	R256 353/kg US$1 141/oz
Other		1 948kg 62 629oz	R207 272/kg US$923/oz

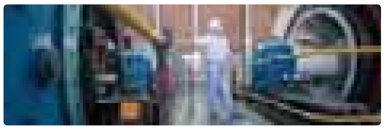
[1] *Target includes Target 3 which only reached commercial levels of production in April 2011. Consequently 531kg (17 073oz) of Target's production was capitalised.*
[2] *Bambanani includes Steyn 2 which has not yet reached commercial levels of production. Consequently 90kg (2 894oz) of Bambanani's production was capitalised.*
[3] *Unisel forms part of the Virginia segment.*

Operating profit Figures in millions	Capital expenditure Figures in millions	Mineral resources at year end	Mineral reserves at year end	No of employees (including contractors)
R180 US$26	R292 US$42	7.0Moz	0.9Moz	3 691
R453 US$65	R380 US$54	10.5Moz	7.2Moz	5 756
R78 US$11	R369 US$53	15.1Moz	5.2Moz	3 105
R261 US$37	R289 US$42	2.7Moz	1.6Moz	2 390
		55.2Moz	33.9Moz	
R265 US$37	R439 US$63	12.5Moz	2.7Moz	3 219
R835 US$119	R273 US$39	12.2Moz	3.7Moz	5 188
R570 US$82	R178 US$26	18.2Moz	1.2Moz	3 187
R95 US$13	R196 US$28	32.5Moz	7.6Moz	2 970
R93 US$14	R321 US$46	7.5Moz	1.2Moz	3 820
R120 US$18	R79 US$11	5.1Moz	0.4Moz	1 870
R37 US$5	R73 US$11	4.8Moz	0.5Moz	1 554
R81 US$12	R18 US$3	3.6Moz	0.7Moz	545
R36 US$5	R22 US$3	1.0Moz	1.0Moz	249
R171 US$24	R107 US$15	9.2Moz	6.8Moz	1 070

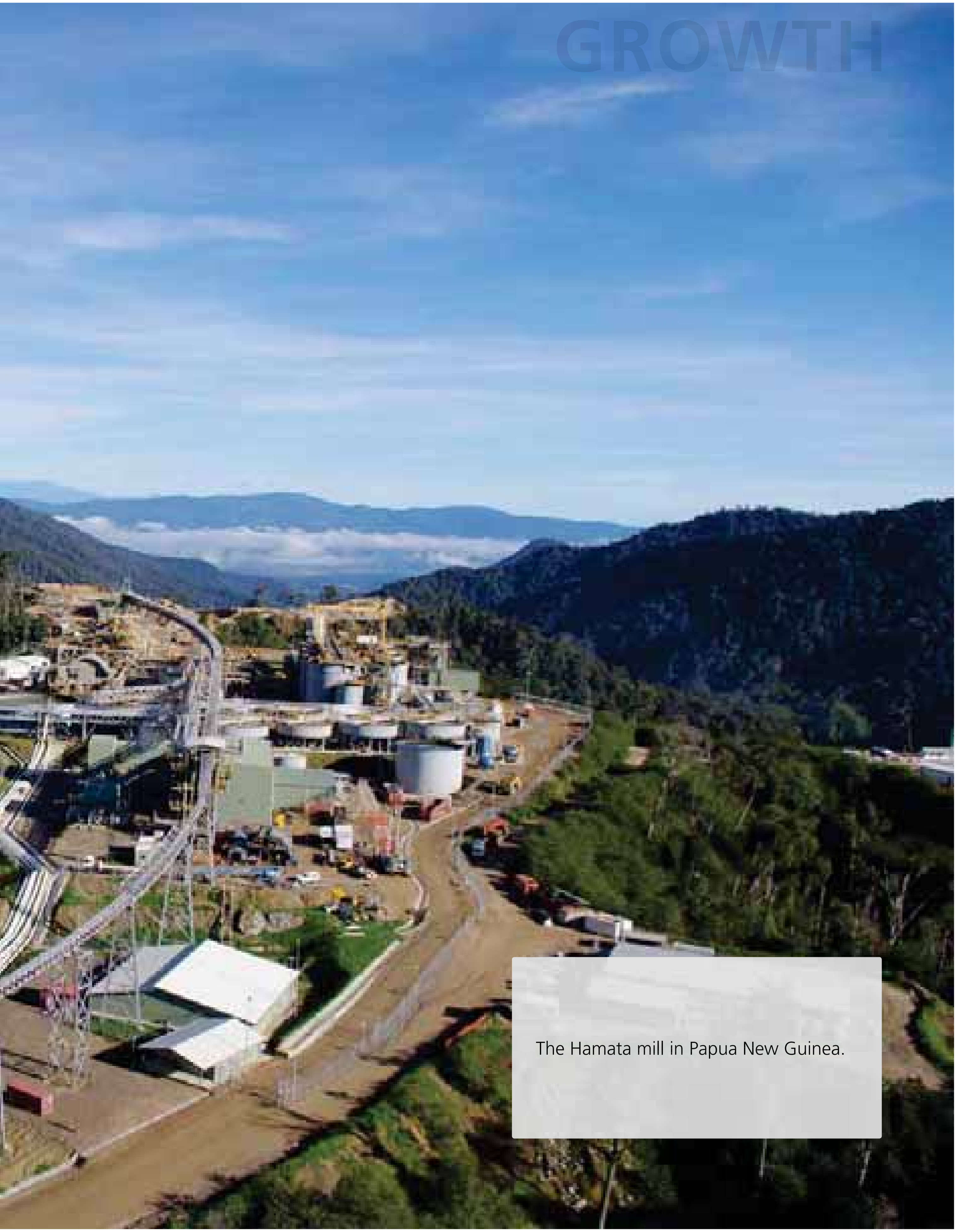
RISK TABLE

This risk matrix should be read in conjunction with the detailed risk management section on page 179.

Risk	Comment
Gold price	Any fall in the gold price below our cash cost of production for any sustained period may lead to losses and require Harmony to curtail or suspend certain operations.
Foreign exchange fluctuations	Gold is priced globally in US dollars and Harmony's revenue is thus realised in US dollars, but most operating costs are incurred in rand and other non-US currencies. Any significant and sustained appreciation of the rand and other non-US currencies against the dollar will materially reduce Harmony's rand revenues and overall net income. As we currently do not enter into forward sales, commodity derivatives or hedging arrangements on future gold production, Harmony is exposed to the impact of any significant decreases in the gold price.
Global economic conditions	A global economic uncertainty may have follow-on effects on our business, including: • Key supplier insolvencies, leading to a break in the supply chain • Reduced availability of credit – making it more difficult or expensive to obtain financing for our operations and capital expenditure • Global economic uncertainty could affect the market value of Harmony's securities.
Actual production differing from estimates	Given the assumptions used to calculate Harmony's mineral reserves, estimates in this report should not be interpreted as assurances of the economic life of the company's gold and other metal deposits or future profitability of operations.
Access to additional reserves through exploration or discovery	Exploring for gold and other metals is speculative, it may be unsuccessful and involves many risks.
Projected versus actual cash costs of exploration, production and economic returns	It can take a number of years from initial feasibility study until development is completed and, during that time, the economic feasibility of production may change.
Water inflows from closed mines	Certain of our mining operations are next to those of other companies. Any mine closure can affect operations at an adjacent mine if appropriate preventative steps are not taken. In particular, this could include the ingress of underground water when pumping operations at the closed mine are suspended. This can cause damage to property, operational disruptions and additional pumping costs, affecting our adjacent mining operations.
Effect of commodity prices on input costs	Changes in cost of consumables linked to commodities such as oil and steel could increase production and capital expenditure.
Supply and cost of electricity	Given Eskom's capital expansion programme to deal with power constraints, an average annual tariff increase of 26% was approved by the National Energy Regulator of South Africa (NERSA), starting April 2010. These increases will affect the results of our operations in future. PNG has limited power generation and distribution capacity. While this capacity is increasing, Harmony mines and projects still rely heavily on diesel for power generation. The cost of this power will fluctuate with the oil price.
Supporting the carrying value of property, plant and equipment, goodwill and other assets on its balance sheet	Harmony reviews and tests the carrying value of its assets annually when events or changes in circumstances suggest that this amount may not be recoverable. If there are indications that impairment may have occurred, estimates of expected future cash flows for each group of assets are prepared and impairments may be recorded.
Integrating new acquisitions into existing operations	Difficulties or delays in integrating new acquisitions could affect profitability of the operation.
Liability, delays and increased costs of production from environmental and industrial accidents and pollution	The occurrence of any of these hazards could delay production, increase cash costs and result in financial liability to Harmony.
Safety risks	The environmental and industrial risks identified above also present safety risks for Harmony operations and employees and could lead to the suspension and potential closure of operations for indeterminate periods.
Illegal or criminal mining	Among other risks presented by criminal mining, the threat of fire poses a serious risk to the safety of our employees and could cause property damage, which in turn could affect production.
Inadequate insurance coverage to satisfy future claims	Harmony has third-party liability coverage for most potential liabilities, including environmental liabilities. While we believe our current coverage is adequate and consistent with industry practice, we may be liable 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.
Inflation	Rising working costs (particularly electricity) and wages have resulted in significant cost pressures for the mining industry. Harmony's profits and financial condition could be affected when cost inflation is not offset by devaluation in operating currencies or an increase in the price of gold.
Socio-economic framework in operating regions	Harmony has operations in South Africa and PNG. Changes or instability in the economic or political environment in these countries or neighbouring territories could affect Harmony's results and an investment in the company.



Risk	Comment
Shortages of production inputs	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.
Competition for key human resources	Harmony competes with mining and other companies globally for key human resources with the appropriate technical skills and operating and managerial experience to operate its business. The need to recruit, develop and retain skilled employees is particularly critical with historically disadvantaged South Africans (HDSAs), women in mining in South Africa, and recruiting and training local landowners in PNG.
Disruption from labour disputes and new South African labour laws	Given the high level of union membership among our employees, Harmony faces production stoppages for indefinite periods due to strikes and other disputes.
HIV/Aids	The incidence of HIV/Aids in South Africa and PNG poses potential risks in terms of reduced productivity and increased medical and other costs.
Potential liability for occupational health diseases	There may be claims in the future with regard to occupational health diseases, including silicosis, which we would need to defend.
Laws governing mineral rights	Harmony's operations in South Africa and PNG are subject to legislation regulating mineral rights and mining those rights. All Harmony's South African operations have been granted new-order mining licences. If we want to expand any of our initiatives in PNG into additional areas under exploration, these operations would need to convert their existing exploration licences prior to the start of mining. That process could require landowner title approval, and there can be no assurance that approval would be received.
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.
Sustainable community development	Companies in general are under pressure to demonstrate that while they seek a satisfactory return on investment for shareholders, other stakeholders including employees, communities surrounding operations and the countries in which they operate, also benefit from their commercial activities.
Climate change regulations and physical risks	A number of international and national measures are being developed to address or limit GHG emissions. As our current mines have a life expectancy of over 20 years, future climate change regulation will therefore need to be considered for all Harmony's extensions and acquisitions. All new greenfields and brownfields projects are required to consider the impact of climate change in their design and planning. Our operations could face a number of physical risks from climate change, such as increased rainfall, reduced water availability, higher temperatures and extreme weather events. Events such as flooding or inadequate water supplies could disrupt our operations and rehabilitation efforts, and could increase health and safety risks.
Water use licences in South Africa	The majority of our South African operations are lawful users with existing water permits in terms of the Water Act of 1954. These operations have applied for water use licences in terms of the National Water Act, 1998, some as early as 2003. Harmony is working closely with regional directors in the review process and a number of our operations have been issued with integrated water use licences or draft licences.
Rehabilitate potential groundwater pollution	Due to the interconnected nature of mining operations, any proposed solution for potential flooding and decant risk posed by deep groundwater needs to be a combined one supported by all mines in the goldfields and government in the event of legacy issues. The Department of Mineral Resources and affected mining companies are involved in developing a regional mine closure strategy.
United States investors	Investors in the United States may have difficulty bringing actions and enforcing judgments against Harmony, which is incorporated in South Africa.
Compliance with corporate governance and public disclosure requirements	Harmony is committed to maintaining high standards of corporate governance and public disclosure, and its efforts to comply with evolving laws, regulations and standards will continue to increase general and administrative expenses.
Market price of shares	The market price of our shares could fall if large quantities are sold in the public market, or if there is a perception in the marketplace that such sales could occur.
Share dilution	Harmony has employee share option schemes as well as other share schemes. The Harmony board has authorised up to 14% of the issued share capital to be used for these plans. As a result, shareholders' equity interests in Harmony are subject to dilution to the extent of the future exercises of options through share schemes.
Continued dividends	While Harmony intends to declare and pay cash dividends, it is the company's intention to only do so if profits and funds are available for that purpose.



The Hamata mill in Papua New Guinea.

BOARD OF DIRECTORS

Non-executive chairman

Patrice Motsepe (49) Non-executive chairman *BA (Legal), LLB*

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

Non-executive directors

Frank Abbott (56) Non-executive, non-independent director *BCom, CA(SA), MBL*

Frank joined the Harmony board as non-executive director in 1994, after which he was appointed financial director in 1997. In 2004 Frank was appointed financial director of ARM, while remaining on the Harmony board as non-executive director. In August 2007, he was seconded to Harmony as interim financial director, a position he held until handing over to Hannes Meyer in November 2009. Frank remained executive director until his retirement in July 2010. Post retirement, Frank continues to serve as non-executive director of Harmony and ARM.

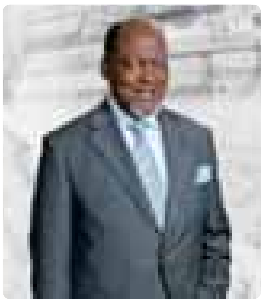
André Wilkens (62) Non-executive, non-independent director *Mine Manager's Certificate of Competency, MDPA, RMIIA*

André joined the board in August 2007. He was appointed to the board of ARM in 2004 and to his current position as chief executive officer of ARM in 2005. Prior to that, he headed ARMgold for five years and ARM Platinum for a year before being appointed chief operating officer of Harmony after its merger with ARMgold in 2003. André has over 40 years' experience in the mining industry, particularly gold and uranium.

Independent non-executive directors

Fikile De Buck (50) Lead independent non-executive director *BA (Economics), FCCA (UK)*

Fikile joined the board in March 2006. A chartered certified accountant, she is a fellow of the Association of Chartered Certified Accountants (ACCA) (UK) and a member. From 2000 to 2008, Fikile worked in various capacities at the Council for Medical Schemes in South Africa, including as chief financial officer and chief operations officer. Prior to that she was treasurer at the Botswana Development Corporation. Fikile is a non-executive director and chairman of the audit committee of Anooraq Resources Corporation. She resigned as chairman of the audit committee of Rand Uranium (Proprietary) Limited on 17 May 2011. In August 2010, Fikile was appointed lead independent non-executive director and chairman of the nomination committee.

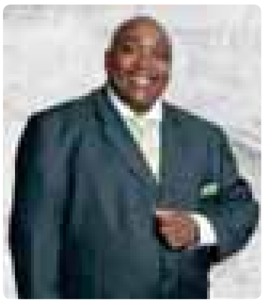


Joaquim Chissano (71) Independent non-executive director *PHd*

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

Ken Dicks (72) Independent non-executive director *Mine Manager's Certificates (Metalliferous and Fiery Coal Mines), Management Development Diploma and Management Diploma*

Ken joined the board in February 2008. He has 40 years' experience in the mining industry, mainly in the Anglo American group. He has served on the boards of mining companies such as Freegold and Western Deep Levels. He is also a non-executive director of Gold One International.



Dr Simo Lushaba (45) Independent non-executive director *BSc (Hons), MBA and DBA*

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

Cathie Markus (54) Independent non-executive director *BA, LLB*

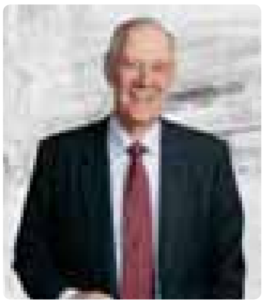
Cathie joined the board in May 2007. She spent 16 years at Impala Platinum Holdings Limited, initially as legal advisor and, from 1998 to 2007, as executive director responsible for legal, investor and community affairs. After graduating from the University of the Witwatersrand, Cathie served articles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

Modise Motloba (45) Independent non-executive director *BSc, Diploma in Strategic Management*

Modise joined the board in July 2004. Currently chief executive of Quartile Capital (Proprietary) Limited, Modise is also a director of Deutsche Bank Securities SA (Proprietary) Limited, the Land Bank and the Small Enterprise Foundation. Modise's 18 years' experience in investment banking, treasury and fund management includes appointments at Rand Merchant Bank, African Harvest Fund Managers and Goldman Sachs. Modise is a former president of the Association of Black Securities and Investment Professionals (ABSIP) where he was instrumental in formulating and negotiating the historic financial services charter in October 2003.

BOARD OF DIRECTORS CONTINUED

Independent non-executive directors (continued)

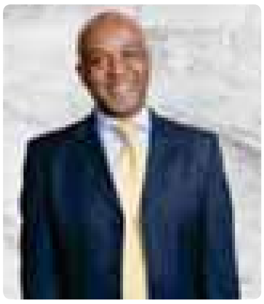


Cedric Savage (72) Independent non-executive director *BSc (Eng), MBA, ISMP (Harvard)*

Cedric joined the board in September 2003. He started his career in the United Kingdom in 1960 as a graduate engineer with Fairey Aviation. He returned to South Africa in 1963 and worked in the oil (Mobil), textile (Felt & Textiles) and poultry (Rainbow Chickens Limited) industries. He was president of the South African Chamber of Business from 1993 to 1994. He has also served as chairman of the board of governors of the University of KwaZulu-Natal's Development Foundation and as a member of council of that university. He joined the Tongaat-Hulett Group Limited in 1977 as managing director of Tongaat Foods and progressed to executive chairman of the building materials division; he became chief executive officer of the group in 1991. In May 2000, he assumed the dual roles of chief executive officer and executive chairman until his retirement in May 2009. He served on the Nedbank board from 2002 until May 2008 when he retired as non-executive director, and on the board of Datatec Limited from 2001 and Datatec International from 2004, retiring from both boards in August 2009. He served on the board of Denel (Proprietary) Limited from 2007 to August 2010. He currently serves on the General Motors South Africa Foundation and Boco Trust committees.

Mavuso Msimang (69) Independent non-executive director *MBA (Project Management) United States International University, San Diego California, BSc, University of Zambia*

Mavuso has 26 years' experience in management at executive level. He was involved in the successful transformation and restructuring of various state-owned entities over a period of 16 years until 2010. Mavuso is the immediate past director-general of the South African Department of Home Affairs and previously served successively as CEO of the State Information Technology Agency, South African National Parks and SA Tourism. He was country representative of international development organisations World University Service/Canada and CARE-International in Ethiopia and Kenya, respectively. He also held senior management positions with UNICEF and the World Food Programme.



David Noko (54) Independent non-executive director *Higher National Diploma in Engineering (Mech), MBA, Postgraduate Diploma in Company Direction (Senior Executive Programme)*

David is currently managing director of CelaCorp (Proprietary) Limited, an executives' leadership advisory consultancy. He has vast experience in executive management, serving as chief executive officer of Air Chefs and later joining De Beers where he was promoted to general manager, engineering and subsequently to general manager at Kimberley Mines. He took over as managing director of De Beers Consolidated Mines from Jonathan Oppenheimer in 2006. He was previously vice-president of the Chamber of Mines, South Africa and is a member of the Institute of Directors.

John Wetton (62) Independent non-executive director *CA(SA), FCA (England and Wales)*

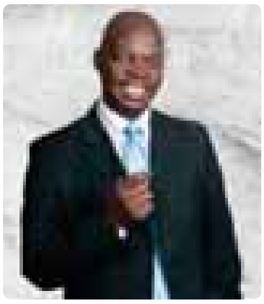
John was employed with Ernst & Young from 1967 to June 2010. Corporate audit was his main focus, but for the last ten years he played a business development role across Africa. John led Ernst & Young's mining group for a number of years and continued to act as senior partner on some of the firm's major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

Executive directors

Graham Briggs (58) Chief executive officer *BSc (Hons) (Geology)*
Graham was appointed chief executive officer in January 2008, after his appointment to the board in 2007. Having joined Harmony as new business manager in 1995, Graham's previous positions include that of chief executive of Harmony Australia. A geologist by training, Graham has more than 36 years' experience in the field and in an operational capacity at a number of South African gold mines.

Graham serves as a director on Harmony's subsidiary companies and is a member of the board of the VM Group in the United Kingdom. He also serves as a director of Rand Uranium (Proprietary) Limited.

Hannes Meyer (41) Financial director *BCom (Hons),CA(SA)*
Hannes joined Harmony in August 2009. During his 15-year career in the mining industry, he gained extensive mining and financial experience, including knowledge of mines in Africa, corporate finance and business development. Before joining Harmony, Hannes served as chief financial officer of TEAL and, from May 2008, as acting chief executive officer of TEAL. He also serves as director on various Harmony subsidiaries and the board of Rand Uranium (Proprietary) Limited.



Harry Ephraim 'Mashego' Mashego (47) Executive director *BA Ed, BA (Hons), GEDP, JMDP*
Mashego joined Harmony in July 2005 as group human resources development manager. Mashego, who has more than 20 years' experience in human resources, began his career as human resources manager at Eskom. He then progressed in the field at JCI, Atlantis Diesel Engines and Foskor Limited. He was promoted to general manager at Harmony's Evander operations in November 2005 and appointed executive: human resources in August 2007. Mashego was appointed executive director: organisational development and transformation in February 2010. He accepted his new role as executive director: government relations in August 2011.

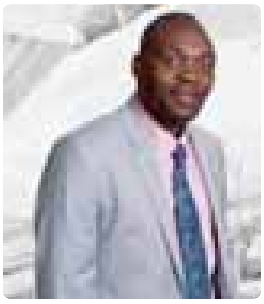
EXECUTIVE MANAGEMENT

Bob Atkinson (59) Executive: Africa new business *NHD (Metalliferous Mining)*
Bob joined Harmony as a section manager in 1986 and served as operations director on the executive committee between 2001 and 2003. He was appointed chief operating officer at Harmony Gold Australia and then executive: sustainable development (safety and occupational health) at Harmony in South Africa in 2004. He subsequently held the position of executive: new business and projects before assuming his current position. He has more than 40 years' experience in the mining industry.

Jaco Boshoff (42) Executive: reserves and resources; acting chief operating officer: North region *BSc (Hons), MSc (Geology), MBA, PrSciNat*
Jaco joined Harmony in 1996. He has served as the executive: reserves and resources and competent person since 2004. In 2010, projects and new business were added to his portfolio. From 1998 to 2004 he was an ore reserve manager at various Harmony operations and before that a geologist at Harmony and at Gengold. Jaco is registered as a professional geological scientist with the South African Council for Natural Scientific Professions and has worked in the mining industry for more than 15 years. In addition to other responsibilities, he is acting as chief operating officer for Harmony's North region.

EXECUTIVE MANAGEMENT CONTINUED

Anton Buthelezi (47) Executive: human resources *National Diploma (Human Resources Management), BTech (Labour Relations Management), Advanced Diploma in Labour Law*
Anton rejoined Harmony in 2005 as human resources manager at Evander. He has over 22 years' experience in human resources management in the mining industry. Previous positions include senior HR officer at Anglogold Ashanti, and mid and senior managerial positions in the same field at ARMgold, Samancor Chrome and Harmony. He has a proven track record in the full spectrum of HR functions as a generalist. Anton joined the executive committee in October 2011.



Matthews Pheello Dikane (45) Executive: legal, governance and ethics *LLB, LLM (Labour Law), Postgraduate Diploma in Management Practice, Postgraduate Diploma in Corporate Law*
Pheello joined Harmony in 2009. He has over 20 years' experience in the mining industry, working his way up from learner official to production mine overseer at AngloGold Ashanti Limited. During this time, he studied for his law degree and served articles at Perrott Van Niekerk Woodhouse Incorporated. He also completed his master's degree in labour law and postgraduate studies in management practice and corporate law. He returned to AngloGold Ashanti's corporate office as a legal counsel, later joining Brink Cohen Le Roux as a senior associate where he became a director.

Melanie Naidoo-Vermaak (37) Executive: environment *MSc*
Melanie joined Harmony in 2009. She is an experienced environmental specialist who has worked for both the private sector in the mining industry, and the public sector in the Departments of Water Affairs and Forestry, and Minerals and Energy. She has spent more than 12 years in this discipline and has international environmental management exposure gained in Australia, Papua New Guinea, Fiji and Africa. She has held various positions at some of the world's leading mining companies, including BHP Billiton, Anglo American plc and De Beers Consolidated Mines Limited.

Alwyn Pretorius (40) Executive: safety and health *BSc (Mining Engineering), BSc (Industrial Engineering)*
Alwyn joined Harmony on its merger with ARMgold in 2003. He began his career at Vaal Reefs as a mining graduate in training in 1993 and was appointed shift boss in 1995, gaining experience in remnant mining. Alwyn obtained his BSc in industrial engineering in 1998 and joined ARMgold in 1999 at its Orkney operations, progressing to mine manager in 2003. Alwyn was appointed executive, South African operations at Harmony in March 2007, and then as chief operating officer: North region. He was appointed executive: safety and health in August 2011.

Tom Smith (55) Chief operating officer: South region *NHD (Mine Surveying and Metalliferous Mining)*
Tom joined Harmony in 2002. He began his career in 1975 as a sampler at Vaal Reefs mine, becoming chief surveyor in 1988. He changed his career to mining in 1991, working as a section manager on the Great Noligwa, Elandsrand and Mponeng mines. He was also involved in projects at Tau Lekoa and Moab Khotsong, acquiring experience in conventional, trackless, pillar and deep-level mining. He was promoted to production manager at AngloGold's Mponeng mine in 1998. Tom was appointed general manager of Tshepong in 2000. Following the merger with ARMgold, he was involved in restructuring of the Free State operations. He joined the executive team in September 2007 and is currently chief operating officer: South region.

Marian van der Walt (38) Executive: corporate and investor relations *BCom (Law), LLB, Higher Diploma in Tax, Diploma in Corporate Governance, Diploma in Insolvency Law, certificates in business leadership*
Marian was appointed company secretary in 2003 and joined Harmony's executive committee in 2005 as executive: legal and compliance. This included taking responsibility for company secretarial, risk management, internal audit and Sarbanes-Oxley compliance. In 2008, she resigned as company secretary, enabling her to accept her current position as executive: corporate and investor relations. Marian began her career as attorney and conveyancer in 1998 and held positions at Routledge Modise Attorneys, Deloitte and Touche and the Standard Bank of South Africa Limited prior to joining Harmony.

Johannes van Heerden (39) Chief executive officer: South-east Asia *BCompt (Hons), CA(SA)*
Johannes was appointed as chief executive officer of Harmony's south-east Asia operations in January 2008. He is responsible for Harmony's Papua New Guinean assets. In this role he also serves on the Morobe Mining Joint Ventures (MMJV) committee which is responsible for providing oversight and direction to the MMJV assets consisting of the Hidden Valley mine, Wafi-Golpu project and Morobe exploration, held in 50/50 partnership with Newcrest Mining Limited. He joined Harmony in July 1998 as financial manager of the Free State operations with operational and group reporting responsibility for the region. He was appointed group financial manager in 2001, before being relocated to Harmony South-east Asia as chief financial officer in 2003, responsible for Harmony's Australian and Papua New Guinean portfolio. In this capacity, he served as non-executive director of Abelle Limited, the ASX-listed Australian company that held the PNG assets before Harmony's subsequent takeover. He was appointed to the Harmony executive committee in 2005.

Abre van Vuuren (51) Executive: risk management and health services *BCom, MDP, DPLR*
Abre was appointed human resources manager at Grootvlei Gold Mining Company, when Harmony acquired the operation in 1997. He joined Harmony's executive committee in 2000, responsible for industrial relations. Since then he has held various positions in services and human resources until accepting his current position as executive: risk management and service improvement. Abre started his career in the mining industry in 1982, holding positions in finance and mainly human resources, on various gold mines and collieries in the Rand Mines.

GROWTH

Ore mined at Phakisa in the Free State is processed at Harmony 1 plant, 20 kilometres away.

CHAIRMAN'S LETTER

Dear shareholder

Close to 40 000 employees who in turn support around 200 000 people, our suppliers and their dependants and all our other stakeholders will also benefit from our success and growth. We are conscious of our broader obligations to ensure that our growth benefits our employees, the communities that live near our mines and all our other stakeholders.

Harmony has produced good results in a year characterised by the outstanding exploration successes in Papua New Guinea and continuation of our strategy to restructure and lower costs at our South African operations.

During the past year, the price of gold has hovered around all-time highs and has convincingly answered those who questioned the safe-haven status of gold. It remains, in my view, a solid hedge against the uncertainty and instability prevailing in certain parts of the world.

The management team at Harmony is creating a company that will not only benefit from a rising South African rand price of gold, but that is also fulfilling our objective of geographic and currency diversification. The older, non-core assets in South Africa have been closed or sold, unnecessary costs are being removed and what will emerge is a collection of world-class assets designed to build significant long-term shareholder wealth.

Importantly, it is not only our shareholders who will benefit from the restructuring and repositioning taking place. Close to 40 000 employees who in turn support around 200 000 people, our suppliers and their dependants and all our other stakeholders will also benefit from our success and growth. We are conscious of our broader obligations to ensure that our growth benefits our employees, the communities that live near our mines and all our other stakeholders.

In terms of our growth initiatives, we remain excited about our Papua New Guinea operations. In the review period, we hosted the official opening of our first offshore greenfields project, Hidden Valley, which is steadily improving production levels. Extremely positive exploration results during the year at Wafi-Golpu were confirmed in our latest reserves and resources statement; resources of gold and copper at this project have risen 57% to over one billion tonnes. The Golpu deposit now benchmarks as one of the highest-grade gold-copper deposits in south-east Asia, with potential to improve further. Both Hidden Valley and Wafi-Golpu are held by the Morobe Mining Joint Ventures, in which our partner is Newcrest Mining Limited.

The declared resource satisfies our exploration target of 30Moz of gold and 8Mt of copper at this world-class discovery. Our objective in Papua New Guinea is to continue expanding and leveraging off this solid platform in one of the world's premier new gold regions. To achieve this, we increased our exploration budget significantly in the review period to R377 million (US$49 million).

The company has turned the corner. Unprofitable operations were closed during the year and our longer-life, lower-cost operations are profitable and sustainable. While we produced 1.3Moz of gold in the last year, slightly less than the prior year, management's focus on costs and a rising gold price delivered an improved cash operating profit of R3.3 billion (US$468 million), at an operating margin of 26%. Growth projects are clearly starting to deliver results with higher production, lower costs, and continued progress from numerous management initiatives at Doornkop, Phakisa, Kusasalethu and Hidden Valley.

Patrice Motsepe
Chairman

Integrated reporting

Harmony has long been known for its comprehensive disclosure. Moving from our old level of disclosure to integrated reporting, as required by King III, is therefore not a step change for our company. It did require more in-depth, but succinct, disclosure of the risks our company faces. This was a beneficial exercise for Harmony in that we have a greater and more detailed understanding of these issues and have been able to initiate strategies to ensure that all stakeholders' interests are protected.

Gold mining has several risks, some of which are political, social, or of a business/commercial nature. To minimise these risks we have sought to build trust and strong, mutually beneficial relationships with the government of South Africa, the government of Papua New Guinea and of Morobe Province, communities living near our mines, our joint-venture partner Newcrest, and all our other stakeholders. Our exploration criteria are stringent and our exploration teams are acknowledged as some of the finest in the world. Drill-hole results at Wafi-Golpu during the year have confirmed the exciting value of this asset. The drilling programme, feasibility studies and early works are well funded and multiple additional funding options are being considered.

The decision to diversify our asset base from South Africa was essential for our global competitiveness and profitability and the results, albeit early from a long-term perspective, resoundingly support this strategy.

Mining in South Africa

It is true to say that, as South Africa's secondary (manufacturing) and tertiary (finance) industries have grown, the relative contribution of mining to the country's gross domestic product (GDP) has declined. Equally, however, as the mining industry continues to adapt to changing local and international conditions, it remains a cornerstone of the South African economy, contributing significantly to economic activity, job creation and foreign exchange earnings.

The government's New Growth Path identifies mining as a key economic driver in creating jobs in different value chains across South Africa's industrial landscape. Specifically, the government's plan urges "…accelerating exploitation of mineral reserves by ensuring an effective review of the minerals rights regime, and lowering the cost of critical inputs including logistics and skills to stimulate private investment in the mining sector."

In the same vein, the 2011 – 2014 strategic plan of the Department of Mineral Resources highlights the importance of unlocking this value and enabling the industry to lead the country's New Growth Path, recognising that "the mining industry has the potential to induce prosperous industrial clusters to support its development. These can significantly broaden economic growth, increase benefits and create decent jobs."

The cyclical nature of mining presents a wide range of risks, most recently evident in the economic and financial realities of the global and South African mining sector in 2009 and into 2010. In 2009, total mining income dropped in South Africa precipitously while expenditure rose unabated. As a result, the industry faced a R67 billion deficit which had to be covered by using retained earnings.

Nevertheless, the critical and strategic importance of the South African mining industry cannot be overstated. The sector accounts for roughly 43% of the market capitalisation of the JSE and, according to the Chamber of Mines' 2010 statistics of South Africa, contributes:

- Approximately 8.6% directly, and another 10% indirectly, to the country's GDP. In Harmony's case, the bulk of our mines are in the Free State, where mining accounts for almost 90% of the province's GDP
- Over 50% of merchandise exports (including secondary beneficiated mineral exports)
- About one million jobs (some 500 000 directly)
- About 20% of gross investment (12% directly)
- Approximately 30% of capital inflows into the economy via the financial account of the balance of payments
- Over 94% of the country's electricity-generating capacity
- About 30% of South Africa's liquid fuel supply
- About 20% of direct corporate tax receipts (worth over R16 billion).

Against this background, the call for nationalisation of mines within certain quarters of the ruling party (the ANC) deserves comment. The track record of nationalisation is extremely poor, to say the least, and countries that have nationalised mines and other industries have subsequently had to privatise as the adverse and far-reaching consequences of nationalisation became evident. It is in the interest of the South African economy and all its people, particularly the poor, unemployed and the youth that the mining industry remains globally competitive and attractive to domestic and international investment.

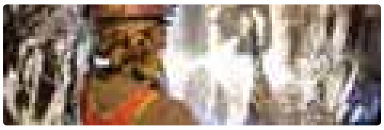
We are engaged in discussions with the proponents of nationalisation to expose and make them aware of the fundamental beneficial role that the private sector plays in mining and other sectors of the South African economy – in terms of job creation, poverty alleviation, education, health and the overall improvement in living conditions and standards of living of all our people.

I am of the view that privately owned and managed mines will in future co-exist and compete with state-owned and operated mines. It is important, however, that the playing fields are levelled and that state-owned mines are treated for legislative and regulatory purposes in the same manner as privately owned companies. I remain confident that, based on my discussions with government and various other stakeholders, there is a commitment to ensure the South African mining industry remains globally competitive and attractive to domestic and foreign investment. In today's global economy, that is the only route to a prosperous and successful future for all our people.

We welcome the confirmation by President Zuma and other political leaders, including the Minister of Mineral Resources, that nationalisation is not a government policy objective.

For the past three years, the mining industry (via the Chamber of Mines) has partnered with government and labour to develop a long-term strategy to reposition mining as a valuable contributor to the country's growth and socio-economic development. This task team (under the Mining Industry Growth, Development and Employment Task Team (MIGDETT) or mining industry growth, development and employment task team) also aimed to identify impediments to the growth of the sector since it was becoming clear to all stakeholders that the industry's reputation as a good investment sector was deteriorating.

Participants agreed that higher levels of global competitiveness were needed in the sector and the task team has developed a strategy for sustainable



growth and meaningful transformation and inclusivity in the mining industry. This culminated in a joint mining declaration by government, labour and business in June 2010, with specific commitments that range from promoting investment, to increasing innovation and exploration, to developing skills and boosting the benefits to the communities living near the mines.

The significance of this declaration is that it is a joint government, labour and business initiative. All stakeholders agree that growth and transformation are interdependent and achieving these two vital objectives will ensure that South Africa is well positioned for the next global commodities boom.

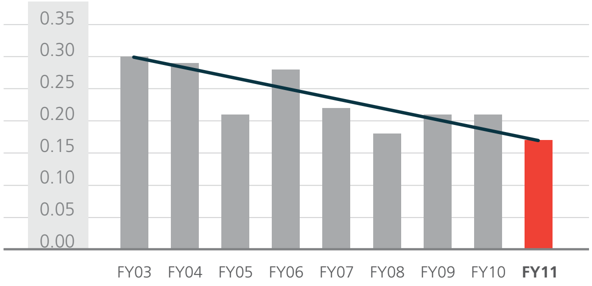
Safety

Safety is the foremost priority at Harmony. Each workforce comprises the people whose skills underpin the success of every operation and our sustainability as an industry.

As an industry, we have made significant progress in improving our safety performance in South Africa. Since 2003, fatalities have declined by almost 60%, with a 25% decrease in 2010 alone. Recording this progress at greater operational depths, in the face of a national skills shortage and a poor national track record of safety, is an exceptional achievement for which all stakeholders must be recognised and thanked.

The ultimate target, however, must be zero fatalities and to significantly reduce injuries. To reach this goal requires all stakeholders to actively work together to share and adopt leading global practices. Harmony willingly accepts this responsibility, as evidenced by the 30% decrease in the fatality rate for the year.

FIFR trend (SA)



Sustainable development

Harmony's sustainable development strategy is dynamic, evolving with changing conditions. We and our stakeholders define some of our needs and expectations as follows:

- For our shareholders, we need to operate our mines competitively and profitably, generating the cash flows to pay dividends and finance sustainable organic or acquisitive growth.
- For all stakeholders, our primary responsibility is the sustainable development of our operations for the benefit of all.

The binding thread is profitability. Without profits, we cannot create jobs and contribute to improving the living conditions of our host communities and countries. If our stakeholders do not participate and benefit from our mining operations, then our ability to create competitive long-term returns for our shareholders will be seriously undermined.

Our aim is to continue to build a sustainable company that benefits the widest group of stakeholders.

While acknowledging that this is a journey, we believe we are moving in the right direction. Each year, identifying the issues material to our operations is a thorough exercise, spanning safety, health, environmental and social aspects. At present, the issues that could have an impact on our sustainability include:

- The strength of the rand – always a factor for a business that earns revenue in rands based on the US dollar conversion rate – and the gold price. To counter these factors, we use conservative projections in our near-term and long-term planning.
- In South Africa, the administered price of electricity will rise by 25% again next year. Power delivered by Eskom currently accounts for over 15% of our operating costs and alternative sources are impractical. Our focus is on using power efficiently and economically.
- We have to become more productive to compensate for higher wage bills. Although there is a significant degree of cooperation between Harmony and its unions, we are concentrating on improving the understanding that the best interests of the company generally match the best interests of all its stakeholders.

On the environmental side, two of our operations have been certified to ISO 14001 standards, and another two recommended for certification. Most metallurgical plants have been certified compliant to the international cyanide code. The plants at Joel and Kalgold are finalising their adherence to this important code. In Papua New Guinea, our programme for community access to clean water is under way with encouraging results. In addition, an external stakeholder advisory panel was formed to provide independent advice on environmental and related community impacts resulting from the Hidden Valley mine's operation.

In both South Africa and Papua New Guinea, we have made excellent progress in purchasing from local businesses. In South Africa, we have a programme in place that purchases from historically disadvantaged South Africans and we are making progress with an initiative to buy from local businesses we are developing in Papua New Guinea. In both countries we are meeting the challenges of a lack of facilities, skills and finance among potential suppliers and have contributed to placing local businesses on a sound footing.

We are progressively facilitating community development, ranging from help in providing adequate housing, sanitation and utilities to developing local businesses. As set out in this report on pages 5 to 15 and the online report (www.harmony.co.za/sd), the overarching objective is sustainable development. This means social development that can be sustained during and after the life of individual mines.

Corporate governance

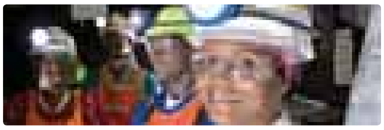
In business generally, and mining in particular, good corporate governance is essential. For mining entities in South Africa, good governance is the prerequisite for a mining licence and therefore the continued use and stewardship of the asset for the benefit and reward of all stakeholders.

Harmony is committed to complying with legislation in the countries in which it operates and, in many instances, we exceed compliance to reach good practice standards.

The solid progress made during the year is detailed in the corporate governance report on pages 163 to 178. Harmony has robust systems of internal controls and risk management, subject to ongoing review and refinement.

The board

In March 2011, David Noko and Mavuso Msimang were appointed as independent non-executive directors, further broadening the expertise and experience of the board. Fikile De Buck, who has been a director since 2006, was re-appointed independent non-executive lead director in August 2011. Cheick Diarra resigned on 31 May 2011 due to other commitments. Post year end, John Wetton was appointed as independent non-executive director.



The Harmony board now has 16 directors: three executive directors, three non-executive directors and ten independent non-executive directors.

Cedric Savage will retire on 30 November 2011 and I express our deep appreciation for his valuable contribution over his eight-year tenure.

Thanks

Harmony's results for the year reflect the efforts and commitment of its employees and stakeholders at every level. I thank my colleagues on the board for their support and counsel, the chief executive officer Graham Briggs for his sterling leadership of a first-rate management team and all our employees for their commitment and contributions to developing the full potential of this company.

I also thank all our stakeholders for their considerable efforts and contributions in moving forward with us to ensure our shared objectives are achieved.

Outlook

Harmony is guided by a clear strategy of delivering sustainable, competitive results. Although the gold price, rand/dollar exchange rate and the results delivered by management will always be key determinants of our company's performance, the board is confident that the appropriate policies, systems and infrastructure are in place to ensure Harmony's sustainability and profitability well into the future.

Signed

Patrice Motsepe
Chairman
24 October 2011

CHIEF EXECUTIVE OFFICER'S REVIEW

We have just completed the fourth year of our strategy, which is convincingly demonstrating Harmony's potential. We have diversified our geographic base, improved our safety record and produced sustainable benefits for our stakeholders. But this is only the beginning – recent years much groundwork has been prepared and some tough decisions implemented.

The year to 30 June 2011 – the start of Harmony's seventh decade – has been characterised by several important milestones and developments for our company. In South Africa and Papua New Guinea, we have made excellent progress on our various safety initiatives and improvements. The excellent drilling results delivered from our joint venture at Wafi-Golpu in Papua New Guinea (PNG) confirmed that this is a world-class deposit, and the onset of production at our new mine, Hidden Valley, in PNG was a tremendously gratifying development. We have also realigned our assets in South Africa to dispose of non-core shafts and operations, and made significant strides at our growth projects – Doornkop, Phakisa and Kusasalethu – which will form the nucleus of our future South African gold production. Simultaneously, we are witnessing a re-energised belief among the investment community that gold remains a refuge of investment stability.

We produced 1.3Moz of gold for the period compared with 1.4Moz last year. While this was disappointing, it was largely a function of closing older shafts, safety stoppages and certain production challenges. These are detailed in the review of operations.

Integrated reporting

In South Africa, and indeed in the world, integrated reporting is in its infancy. The concept aims to present a holistic account of a company's financial and non-financial performance, and its integrated strategy for building a sustainable business spanning economic, social and governance issues. Task groups are currently at work internationally and in South Africa to develop a framework that will guide companies preparing integrated reports to stakeholders. Expectations are that these may be finalised in time for our next reporting period.

Reporting to our broader stakeholder base is not new to Harmony. We have long ensured the interests of all our stakeholders in developing our strategies and operating plans.

To balance these diverse needs, we focus on ensuring mutual benefit and the willing participation of all parties. The rewards of achieving this balance are becoming evident in our PNG operations, where stakeholders range from national and provincial government to local communities and individual employees, as well as our shareholders. The level of stakeholder cooperation we are receiving in Morobe Province reflects their confidence in the sustainable benefits of a well-run, responsible mining operation with congruent goals.

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

Encouragingly, our first integrated report (for the 2010 financial year) was well received, with one specialist assessment service ranking it among the top 20 in South Africa, out of some 300 companies analysed. For us, integrated reporting is a process – one that we will review and refine each year by talking to our stakeholders and listening to their concerns, and incorporating this knowledge into our planning.

Graham Briggs
Chief executive officer

Doing business in South Africa

In September 2010, the South African Minister of Mineral Resources released the revised Mining Charter and associated broad-based socio-economic empowerment scorecard.

Harmony has been at the forefront of implementing various transformation initiatives in terms of legislated empowerment objectives, and has already met most of the 2014 targets in the revised charter. While we focus on all areas, the one aspect that requires more attention is enterprise development, given different requirements in the revised charter. We have made solid progress with enterprise development, most notably through the initiatives under way in our enterprise development centres in Welkom and Soweto in South Africa.

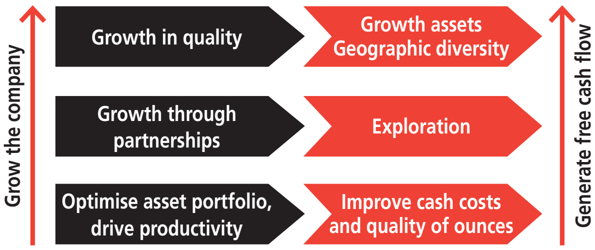
The chairman has presented the context of mining in South Africa and noted some of the challenges we face in running a mining company. Two further points are relevant for an informed understanding of our operating context:

- Critics of our industry sometimes accuse mining companies of selective enrichment, using shareholder dividends as an example. What they overlook is the years when shareholders receive no dividends because mining is by nature a cyclical and relatively low-margin business. Harmony is a case in point – our shareholders have just received their third dividend after a five-year hiatus. Mining inflation has been approximately 19%, well beyond the gold price, and a key component of that inflation rate is rising labour and electricity costs: in 2011 our payroll costs accounted for 52% of the total value added by operations. That excludes our investments in housing, local economic development and communities, which all offer long-term benefits for tens of thousands of people.
  Through the Chamber of Mines and at operational level, we face a considerable challenge in convincing stakeholders that the most sustainable reward lies in supporting the assets that continually pay these salaries.
- The pace of regulatory change has been relentless for the past 17 years. As an industry, we support legislation that makes mining friendlier to the environment and a sustainable benefit to its stakeholders. We remain committed to working with the various authorities in developing realistic frameworks and targets based on common goals.

South Africa is a global resource treasure house. Our aim is to capitalise on these resources for the widest possible benefit by operating profitably and responsibly.

Focus on delivering long-term value

We have just completed the fourth year of our strategy, which is showing early signs of convincingly demonstrating Harmony's potential. We have diversified our geographic base, improved our safety record and produced sustainable benefits for our stakeholders. But this is only the beginning – in recent years much groundwork has been prepared and some tough decisions implemented.



Harmony of the future is capable of generating earnings that fund growth and dividends. Our emphasis is on safe, profitable ounces and important steps have been implemented to ensure these goals are met. We:

- have closed high-cost mines to produce a better mix of assets
- have tailored each mine's business plan to its unique requirements
- have employed an experienced team of people that will deliver value for all stakeholders well into the future
- have proactively addressed industry challenges
- have improved production and productivity
- have increased our exploration exposure
- have delivered value on social initiatives in all areas where the company operates
- are continuing to develop and commission excellent gold mines in South Africa and Papua New Guinea.

The benefits are now emerging as the company again becomes an exciting investment proposition, with a solid portfolio of producing assets and a successful international exploration programme. Today, Harmony is acknowledged as one of the more innovative and most cost-effective explorers and our Wafi-Golpu project has the potential to change this company materially. The rapid progress we have made in PNG, in particular, is proof of the benefits mining can deliver in an enabling environment when all stakeholders work together.

Harmony is unhedged, with low debt and we are building sustainable, lower-cost, higher-grade mines. We are drawing on the considerable expertise of an experienced, focused management team – an important advantage in an industry beset by critical skills shortages – and rewarding our shareholders for their steady support as we build a base of world-class assets.

Action steps

Actions	Key steps	Progress to date	Target/deadline
Commission and build-up production	• Hidden Valley* • Doornkop • Kusasalethu • Phakisa • Target 3	• Commissioned, in build-up • In build-up • In build-up • In build-up • In build-up	
Explore	Within the MMJV: • PNG – Wafi-Golpu* • Tenements** of 4 726km² Harmony 100%: • PNG tenements** 7 258km² of exploration ground	• Excellent drilling results • Drilling started	
Build future mines	• Wafi-Golpu*	• Pre-feasibility study in progress	Annual production: • 300 000 – 700 000oz of gold • 200 000 – 320 000t of copper
Acquire	• Focus on advanced exploration projects • Quality ounces with healthy margins	• Ongoing	

** Held by Morobe Mining Joint Ventures (MMJV): Harmony owns 50% of MMJV.*
[#] Gold equivalent based on US$1 150/oz Au, US$2.50/lb Cu at 100% recovery for both metals.
*** Granted and under application.*

Focus on safety

Our progress on safety has been a notable highlight of the year, but we will not rest until we reach our goal of zero fatalities. Each death is one too many. Each incident has such enormous ramifications – for the families and friends involved, the teams and the company.

Given the high-risk nature of many of our deep-level operations, the safety, health and well-being of our people are our foremost priority: safety is a key performance indicator for management and a key component of performance reward for our people.

Tragically, in South Africa 15 employees lost their lives in mine-related incidents in FY11 (FY10: 21). There was one fatality at our PNG operations during the review period. Encouragingly, Harmony's fatalities have decreased steadily from 42 in FY04, while the lost-time injury frequency rate has dropped from 19.22 in that year to 7.95 per million hours worked in the review period. Full details of our safety performance can be found in our sustainable development report.

Notably, our Doornkop mine achieved an industry milestone of four million fall-of-ground fatality-free shifts on 11 May 2011 – an accomplishment that took the Doornkop team over five-and-a-half years to achieve. This is a stellar achievement considering the nature of mining activity at this operation – shaft sinking, trackless mining, narrow-reef stoping and large excavations, among others.

The lessons learnt at Doornkop were incorporated into a major initiative launched during the year to address fall-of-ground – our key safety risk. This ground-control strategy formalises and consolidates efforts to prevent fall-of-ground incidents and promote safer and more stable underground environments.

As with other safety initiatives, this strategy includes behavioural aspects, competency training and development, as well as research and new technologies.

We believe safety in the workplace can be addressed only through a cooperative approach that ensures the right infrastructure is in place – from systems and planning, to communication and training. We also believe management and employees must accept joint responsibility for their actions and therefore it is imperative that the working environment empowers people – management, supervisors, workers and union representatives – to stop work and withdraw from the mining area when they feel it is unsafe, or prevent others from acting in an unsafe way.

Equally, safety is about attitudes and mindsets. We have renewed our focus on implementing, communicating and reinforcing safety in the workplace, and created a centralised safety function to coordinate initiatives between regions and shafts.

Performance

Over the last year, we continued to restructure Harmony's asset base in line with our strategy to deliver safe, profitable and sustainable ounces. Significant steps towards this goal included:

- Continued investment in development at the Phakisa, Kusasalethu, Doornkop and Tshepong, as well as Hidden Valley mines, reaffirming their robust life-of-mine plans and reserves
- The official opening of Hidden Valley mine in September 2010. This was Harmony's first offshore greenfields project and an important step in our strategy of geographical and asset diversification. The experience gained with Hidden Valley will stand us in good stead as we progress our exploration initiatives in PNG
- In PNG, ongoing exploration, including those exploration tenements wholly owned by Harmony
- Excellent drilling results at Wafi-Golpu, justifying our confidence that this world-class asset will be the next mine in the area
- The closure of older or loss-making shafts. This included Merriespruit 1 in Virginia with over 80% of affected staff transferred to growth operations
- The sale of non-core assets such as Mount Magnet in Western Australia, the prospecting right over Merriespruit South area, and Evander 6 shaft, for a total consideration of R798 million
- The successful integration of the Pamodzi Free State assets, which were acquired in the prior year, into Harmony's existing Free State operations in South Africa.

These are detailed in the *Operational review and Exploration overview.*

Harmony resumed paying dividends in FY09, which is aligned with its strategy of paying regular dividends. I am again very pleased to report that the company has declared an annual dividend for the third consecutive year. A payment of 60 SA cents per share is being proposed, underscoring Harmony's steady delivery on its strategy to attain sustainable profitability that funds both dividends and growth.

Salient features of our financial and operational performance in FY11 include:

- Gold production declined to 1.3Moz or 40 535kg (refer to page 48 for reasons)
- The gold price received rose by 16% to R307 875 and by 26% to US$1 370
- Revenue of R12 445 million – up 10%
- Operating margin of 26%
- Operating profit of R3 275 million – up 12%.

Substantial resource and reserve base

At 30 June 2011, Harmony's mineral reserves were 41.6Moz of gold spread across our assets in South Africa and PNG. The reserves of Kusasalethu, Doornkop, Tshepong and Phakisa in South Africa and Hidden Valley in PNG now constitute 45% of our total mineral reserves.

Attributable gold mineral resources at that date were 163.9Moz. Our PNG resources now represent 10% of the company's total at 16.3Moz – a 51% increase in the total amount of resources from PNG, largely due to the significant increase in the Wafi-Golpu resource (jointly held by Harmony and Newcrest in the Morobe Mining Joint Ventures).

Exploration

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

In March 2011, we announced the highest mineralisation values to date from drill-hole results at our Wafi-Golpu project. This extended the known porphyry mineralisation outside the resource shell, with mineralisation open at depth and to the north of the latest intercept. This satisfies our latest exploration target of 30Moz of gold and 8Mt of copper at this world-class discovery.

In recent years, we have acquired valuable exploration tenements in PNG. Our aim is to enhance our competitive edge earlier in the pipeline, expand our geographic diversity and leverage our existing base in what has now become one of the world's premier new gold regions. To achieve this, we increased our exploration budget significantly in the review period to R398 million (US$57 million), which has delivered tremendous benefit in terms of value enhancement. In FY12, this will be R474 million (US$70 million).

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

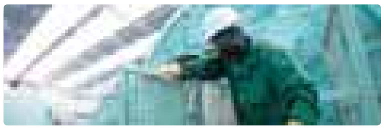
Bullish about gold

The economic volatility of the past two years has entrenched gold's function as a store of value and a currency, and this has been reflected in the spectacular price appreciation.

Our belief in gold remains steadfast and we are forecasting continued high dollar prices in our next financial year, especially given a weaker dollar and global economic uncertainty.

On 1 July 2010, as our new financial year started, the London afternoon gold fix was US$1 234.00/oz, climbing fairly steadily to end our first half 14% higher at US$1 405.00. By our year end, 30 June 2011, it was US$1 505.50. In fact, while preparing this report, gold exceeded US$1 800/oz.

This level reflects the ongoing search by investors for safe havens, particularly through the popular global exchange-traded funds or ETFs. More important, however, are the fundamentals of supply and demand for physical gold. On the supply side, new mines are



Gold price: ZAR/ounce and US$/ounce

(Rebased to 100)

Source: JP Morgan

US$/ounce gold price vs US$/ZAR exchange rate

(Rebased to 100)

Source: JP Morgan

coming on stream, some existing producers are ramping-up production and recycling of tailings and dumps has become an industry in itself, but deliveries from this sector depend largely on forecasts for the direction of the gold price. This supply must, however, be considered against falling production from mature mining regions, such as South Africa.

Our bullish sentiment on gold is tempered by the strength of the South African rand. While gold rose by 34% in dollar terms in FY11, in rand terms the rise was only 11%. In South Africa, our mine costs are incurred in rands and we face ongoing pressure from rising costs (mainly labour and electricity) over which we have limited control, as does the rest of the gold industry. In contrast, if the rand weakens, all stakeholders stand to benefit.

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

Recognition

Globally, Harmony employs approximately 40 000 people who, in turn, support around 200 000 others. Add to that our broad base of suppliers and their dependants, and our communities, as well as all shareholders, and the ecosystem that is Harmony becomes large, influential and key to our continued success. Every one of these people plays a role in our sustainability; we will continue to reward them for their contributions through safe, healthy working conditions, fair remuneration and benefits, continual development and, most importantly, by reaching our full potential as a premier global gold mining company that delivers both financial and social value enhancement.

Outlook

The results of Harmony over the past year illustrate the significant progress we are making on two key fronts: growth of quality resources and diversification. They also prove that the new Harmony has a good mix of assets including some of the best gold mines in South Africa and some of the best exploration prospects in the world.

As our growth projects come on stream, and our existing mines operate to tailored business plans, we are confident of reaching our long-term targets. Our focus is to increase production, with improved margins and improved grades, as well as improved costs per tonne milled in the lowest quartile of South African producers.

Harmony has turned the corner – we have dramatically improved the quality of our ounces, and will continue to do so with better cash costs and free cash flow in future.

Signed

Graham Briggs
Chief executive officer
24 October 2011

FINANCIAL DIRECTOR'S REVIEW

Financial statements and results

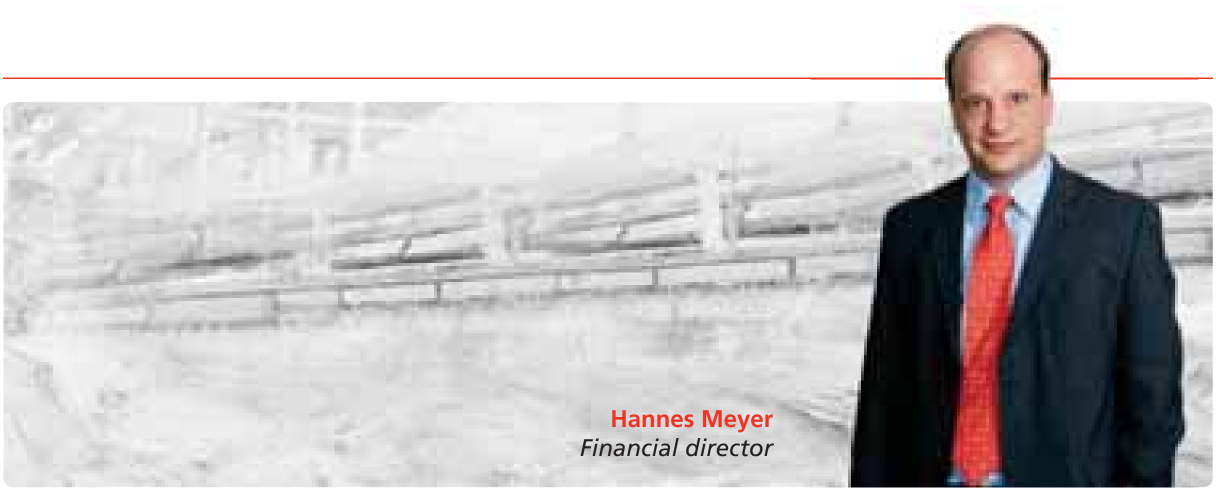
The financial year was characterised by two major themes: the closure of marginal shafts and continued investment in our growth projects. This has placed Harmony in a strong position to generate sustainable earnings as the asset portfolio is optimised and higher-margin operations ramp up to full production.

Financial overview

		FY11	FY10
Gold produced	kg	**40 535**	44 433
	oz	**1 303 228**	1 428 545
Cash costs	R/kg	**226 667**	195 162
	US$/oz	**1 009**	801
Gold sold	kg	**41 043**	43 969
	oz	**1 319 563**	1 413 633
Gold price received	R/kg	**307 875**	266 009
	US$/oz	**1 370**	1 092
Operating profit[1]	R million	**3 275**	2 926
	US$ million	**468**	386
Basic earnings/(loss) per share	SAc/s	**144**	(46)
	USc/s	**20**	(6)
Headline earnings/(loss)	R million	**957**	(29)
	US$ million	**135**	(3)
Headline earnings/(loss) per share	SAc/s	**223**	(7)
	USc/s	**31**	(1)
Dividend declared (post year end)	SAc/s	**60**	50
	USc/s	**8**	7
Net debt	R million	**866**	420
	US$ million	**128**	55
Debt equity	%	**5**	4
Capital expenditure[2]	R million	**3 144**	3 634
	US$ million	**450**	481

[1] *Operating profit is comparable to the term production profit in the segment report in the annual financial statements and not the operating profit line item in the income statement.*

[2] *Includes non-operational capital expenditure relating to PNG (R63 million, US$8 million) and exploration capitalised of R45 million (US$6 million). 2010 includes the acquisition of Pamodzi Free State assets.*



Hannes Meyer
Financial director

The group's financial statements for the year ended 30 June 2011, together with those of the company, appear on pages 210 to 293 and 294 to 329 of this report. These financial statements have been prepared using appropriate accounting policies, conforming to IFRS, supported by reasonable and prudent judgements and estimates where required.

Harmony continued its strategy of creating a sustainable company – generating earnings that fund dividends and growth – a company with free cash flow. Accordingly the financial year was characterised by two major themes: the closure of marginal shafts and continued significant investment and production ramp-up in our growth projects. While the cost of closing marginal shafts has affected the income statement, funding growth projects was managed with minimal debt.

This has placed Harmony in a stronger position to generate sustainable earnings from an optimised asset portfolio and as growth operations ramp up to full production. This stability will also ensure Harmony is able to unlock maximum value to shareholders from our exciting Wafi-Golpu project.

Given the challenges already dealt with, and the positive outlook on the asset portfolio, the board has declared a third consecutive annual dividend.

Results for the year

Key financial indicators extracted from the income statements

	FY11		FY10	
	R million	**US$ million**	R million	US$ million
Revenue	**12 445**	**1 781**	11 284	1 489
Cost of sales	**(11 615)**	**(1 664)**	(10 484)	(1 383)
Gross profit	**830**	**117**	800	106
Operating profit	**44**	**4**	164	22
Other net income and expenses (aggregated)	**73**	**(10)**	11	2
Taxation	**480**	**69**	(335)	(44)
Net profit/(loss)	**617**	**86**	(192)	(24)
Earnings/(loss) per share (cents)	**144**	**20**	(46)	(6)

Contributing factors to these results are discussed below. Unless stated otherwise, discussions are for our continuing operations.

Average monthly gold price

In FY11, we received an average gold price of R307 875/kg, an increase of 16% from R266 009/kg in FY10. In US dollar terms, we received an average of US$1 370/oz, 25% higher than the US$1 092/oz in FY10. In FY11, the gold price traded between US$1 157.00/oz and US$1 552.50/oz.

Exchange rates

	FY11	FY10
Closing rate:		
US$/rand	**6.78**	7.63
Rand/A$	**7.28**	6.49
Kina/A$	**2.41**	2.31
Average for the year:		
US$/rand	**6.99**	7.58
Rand/A$	**6.93**	6.70
Kina/A$	**2.49**	2.26

Gold is sold throughout the world in US dollars, but most of our operating costs are incurred in rand and the kina in PNG. As a result, any significant and sustained appreciation of these currencies against the US dollar will reduce our revenue in rand or kina with a reduction of operating profit in either rand or kina.

Production

Gold produced reduced by 9%, or 3 898kg, to 40 535kg (621kg capitalised) in 2011. This was mainly due to several operations at Evander and Virginia being placed on care and maintenance in FY10 and Merriespruit 1 in September 2010, which accounted for 4 092kg of the decrease year on year. Offsetting this was increased production from Target 3 in 2011, and increased production from our growth operations at Doornkop, Kusasalethu, Phakisa and Hidden Valley as these operations ramp up to full production capacity. The average grade produced at underground operations rose from 4.5g/t to 4.6g/t in FY11 despite lower grades at Joel (22%) and Masimong (8%).

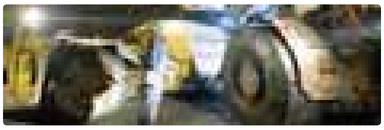
Revenue

Gold sales increased by 10% in FY11 to R12 445 million, on a 16% rise in the rand gold price received. This was offset by the 7% decrease in gold sold. In US dollar terms, gold revenue increased by 20% to US$1 781 million.

Cost of sales

Cost of sales rose from R10 484 million (US$1 383 million) in 2010 to R11 615 million (US$1 664 million) in 2011. The main changes are analysed as follows:

- Production costs rose by R812 million (US$210 million) to R9 170 million (US$1 313 million). This equates to an increase in cash costs of R31 505/kg, or 16%. In US dollar terms, owing to the appreciation of the rand against the US dollar, cash costs rose by 26%, or US$208/oz.
  This reflected the escalating cost of labour, electricity and stores costs, which accounted for R1 183 million (US$169 million) of the increase for the year. Also contributing to the increase is the inclusion of costs for Hidden Valley for the full year, up R581 million (US$83 million) year on year. There was a decrease of R1 101 million (US$158 million) related to closed shafts at the Evander and Virginia operations.
- Amortisation and depreciation rose R401 million (US$73 million) in FY11 to R1 776 million (US$254 million). This reflects the increase in tonnes mined for the year, as production ramps up at our growth operations and Target 3.
- The charge for impairment of assets decreased from R331 million (US$43 million) in FY10 to R264 million (US$39 million) in FY11. Impairments for FY11 relate to Steyn 1 and 2 shafts as well as St Helena as carrying values for the operations exceed the



recoverable amounts. Management decided not to continue mining in some areas of Steyn 2, which resulted in a shorter life-of-mine and therefore a lower recoverable amount. A decision was made not to mine at Steyn 1 and St Helena triggering an impairment on these assets.
- Employment termination and restructuring costs decreased from R205 million (US$27 million) in FY10 to R158 million (US$23 million). FY11 costs relate primarily to the closure of operations at Virginia and Evander operations, and the voluntary retrenchment programme after closing Merriespruit 1 shaft.
- A net insurance credit of R174 million (US$25 million) was recorded in FY11 on the unwinding of the previous self-insurance scheme.
- The change in estimates for rehabilitation obligations resulted in an increase of R45 million (US$7 million) year on year to R74 million (US$11 million).
- Care and maintenance costs for FY11 increased from R57 million (US$8 million) to R124 million (US$18 million) after including the Evander and Virginia operations in FY10 and FY11.
- Write-offs relating to the gold inventory value for Steyn plant (R41 million (US$6 million)) and certain stockpiles (R30 million (US$4 million)), together with an adjustment of R21 million (US$3 million) to gold in lock-up, resulted in a R92 million (US$13 million) inventory loss being recorded in the income statement.

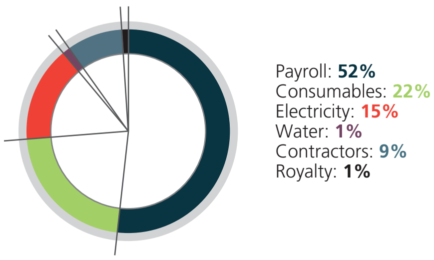
Operating profit

The group reported an operating profit of R44 million (US$4 million) in FY11, compared with R164 million (US$22 million) in FY10. This decrease, despite the higher revenue total, reflects higher production cost, depreciation and exploration expenditure (up R134 million (US$22 million) year on year).

Other income and expenses

- (Loss)/profit from associates consists of Harmony's 40% share in the (losses)/profits of Rand Uranium. We ceased equity accounting the investment when shareholders of Rand Uranium agreed to sell the company.
- Impairment of investment in associates in FY11 relates to the impairment of the carrying value of the investment in Rand Uranium when it was classified as held-for-sale and written down to its recoverable amount.
- The gain of R141 million (US$20 million) (FY10: R38 million (US$5 million)) recognised in net gain on financial instruments for FY11 resulted primarily from fair value movements in equity linked deposits (ELDs) held by environmental trusts.
- The gain on the farm-in option relates to recognition of a gain of R273 million (US$38 million) on the cancellation and subsequent disposal of an option held by the group, which related to a future mine to be developed by Witwatersrand Consolidated Gold Resources Limited.
- Investment income decreased from R187 million (US$25 million) in FY10 to R140 million (US$20 million) in FY11, reflecting lower cash balances and lower interest rates. Interest received from investments held by environmental trusts decreased by 80% as further changes were made to the profile of these investment portfolios from cash to ELDs. Offsetting these decreases was an increase in interest received and interest refunds from the South African Revenue Service (SARS) of R50 million (US$7 million) in FY11.
- Finance costs rose from R246 million (US$32 million) to R288 million (US$41 million) in FY11, mainly due to higher borrowing balances for the year.

South Africa – breakdown of cash operating costs – FY11



Taxation

The deferred taxation credit for FY11 was R492 million (US$70 million) of which around R367 million (US$53 million) relates to the inclusion of the Freegold unredeemed capital allowance. The South African Revenue Service (SARS) previously disallowed Freegold's "post 1973 gold mine" additional capital allowance claim. During March 2011, SARS conceded that the Freegold operations are entitled to claim this capital allowance. The inclusion of the capital allowance increased the deferred tax asset on the balance sheet and the resulting credit was recognised in the income statement.

In addition, a deferred tax credit was recorded for Evander, where the deferred tax rate decreased from 22.9% to 11.5%. This was due to the annual review of the life-of-mine.

Headline earnings

Headline earnings per share from continuing operations increased from SAc1 (USc0) in 2010 to SAc223 (USc31) in 2011. Total headline earnings per share including discontinued operations was SAc223 (USc31) per share in 2011, compared to a loss of SAc7 (USc1) per share in 2010.

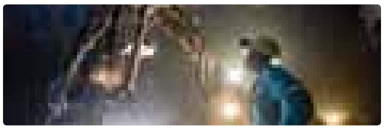
Cash flows

Extracts from the cash flow statement

	FY11		FY10	
	R million	**US$ million**	R million	US$ million
Cash generated by operations	**2 418**	**346**	1 611	214
Net interest received (includes dividends)	**6**	**1**	97	13
Cash generated by operating activities	**2 379**	**340**	1 583	210
Net additions to property, plant and equipment	**(3 110)**	**(445)**	(3 493)	(463)
Cash utilised by investing activities	**(2 654)**	**(381)**	(3 416)	(453)
Borrowings raised	**925**	**134**	1 236	168
Borrowings repaid	**(546)**	**(81)**	(391)	(57)
Cash generated by financing activities	**209**	**29**	650	85
Net (decrease)/increase in cash and cash equivalents	**(77)**	**1**	(1 180)	(152)

Operating activities

Net cash generated from operating activities was R2 379 million (US$340 million) in FY11, compared to R1 583 million (US$210 million) in FY10. This relates primarily to the increase of R807 million (US$132 million) in cash generated by operations, mainly as a result of higher revenue from a higher rand gold price received and changes in operating working capital. Also contributing to the year-on-year increase was the reduction in taxation paid by R80 million (US$10 million) and the insurance refund from unwinding the self-insurance scheme. This was offset by the rise in production costs due to inflationary pressures on labour, materials and electricity as well as the increase in exploration expenditure of R179 million (US$28 million) from R219 million (US$29 million) to R398 million (US$57 million) in FY11. In addition, lower interest received of R46 million (US$5 million) for the year contributed to a decrease in cash generated by operating activity.



Investing activities

Cash utilised by investing activities was R2 654 million (US$381 million), compared with R3 416 million (US$453 million) in FY10. Total capital expenditure for FY11 was R3 144 million (US$450 million), a decrease of R489 million (US$31 million) from FY10. This reflects the nearing of completion of development at the growth mines in FY11. Proceeds from the disposal of assets, including the disposal of Mount Magnet, were R247 million (US$33 million) in 2011, compared with R146 million (US$19 million) in 2010. R100 million (US$15 million) was received in April 2011 as a deposit for the sale of Evander 6 and Twistdraai to Taung Gold Limited.

Financing activities

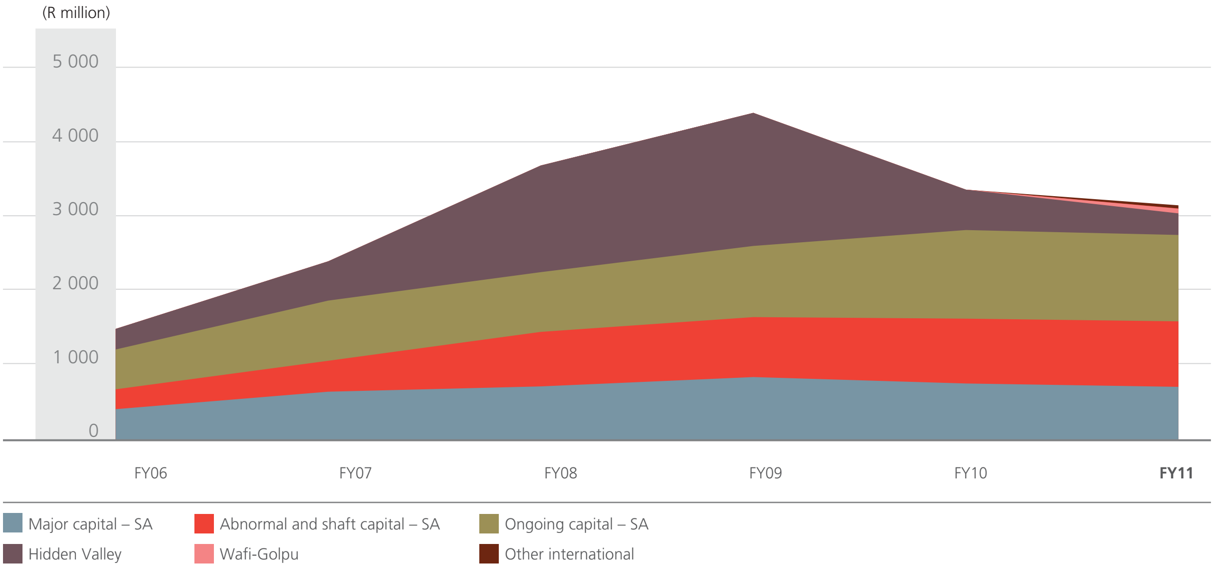
Financing activities generated R209 million (US$29 million) in FY11, compared with R650 million (US$85 million) in FY10. In FY10, the company entered into a loan facility with Nedbank and drew down R1.2 billion (US$160 million) during that year. In FY11, a further R900 million (US$130 million) was drawn down from Nedbank. Total loan repayments in FY11 amounted to R546 million (US$81 million) (FY10: R391 million (US$57 million)).

The net result of Harmony's operating, investing and financing activities was an outflow of R66 million (US$10 million) which, combined with the opening balance of R770 million (US$101 million) and a negative foreign exchange translation of R11 million (positive foreign exchange translation of US$13 million), resulted in a closing cash and cash equivalents balance of R693 million (US$102 million).

Signed

Hannes Meyer
Financial director
24 October 2011

Total capital



INDEPENDENT ASSURANCE REPORT

Independent Assurance Report
to the Directors of Harmony Gold Mining Company Limited

Introduction

We have been engaged by the directors of Harmony Gold Mining Company Limited (Harmony) to perform an independent assurance engagement in respect of selected Identified Sustainability Information included in Harmony's Integrated annual report for the year ended 30 June 2011 (the Report).

Scope and subject matter

The following Identified Sustainability Information for South African operations was selected for an expression of limited assurance:

- Electricity use (kilowatt hours) (page 5)
- Water consumption from primary activities (kilo litres) (page 5)
- Lost time injury frequency rate (page 4)
- Employment Equity (% of black employees per occupational level) (page 12)
- Local economic development spend in South African Rand (page 4)

Our responsibilities do not extend to any other information.

Responsibilities of the directors

Harmony's directors are responsible for the preparation and presentation of the Identified Sustainability Information, as incorporated in the 2011 Integrated annual report, in accordance with their internally defined procedures and for maintaining adequate records and internal controls that are designed to support the reporting process.

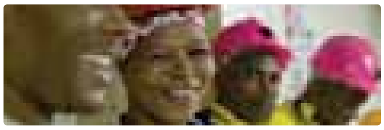
Responsibility of the independent assurance provider

Our responsibility is to conduct a limited assurance engagement and, based on our assurance procedures, report our conclusion to the directors.

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000. Assurance engagements other than audits or reviews of historical financial information issued by the International Auditing and Assurance Standards Board. This Standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain assurance on the Identified Sustainability Information as per the terms of our engagement.

Summary of work performed

The defined procedures by which Harmony's Identified Sustainability Information is generated and aggregated have been applied as assurance criteria. Definitions for the Identified Sustainability Information applied are those determined by Harmony and provided in the Report (refer pages 334 to 338).



The procedures selected depend on the assurance provider's judgement, including the assessment of the risks of material non-compliance of the Identified Sustainability Information with the criteria. Within the scope of our work we performed among other the following procedures:

- reviewing processes that Harmony have in place for determining the Identified Sustainability Information included in the Report;
- obtaining an understanding of the systems used to generate, aggregate and report the Identified Sustainability Information;
- conducting interviews with management at corporate head office;
- evaluating the data generation and reporting processes against the reporting criteria;
- performing a control walkthrough and testing the accuracy of data reported on a sample basis; and
- reviewing the consistency between the Identified Sustainability Information and related statements in Harmony's Report.

Inherent limitations

The accuracy and completeness of the sustainability data is subject to inherent limitations given the nature and methods for determining, calculating and estimating such data. Qualitative interpretations of relevance, materiality and the accuracy of the data are subject to individual assumptions and judgements.

For a *limited* assurance engagement the evidence gathering procedures are more restricted than for a *reasonable* assurance engagement, and therefore less assurance is obtained than in a *reasonable* assurance engagement.

We have not carried out any work on data reported for prior reporting periods, nor in respect of future projections and targets. We have not conducted any work outside of the agreed scope and therefore restrict our opinion to the Identified Sustainability Information.

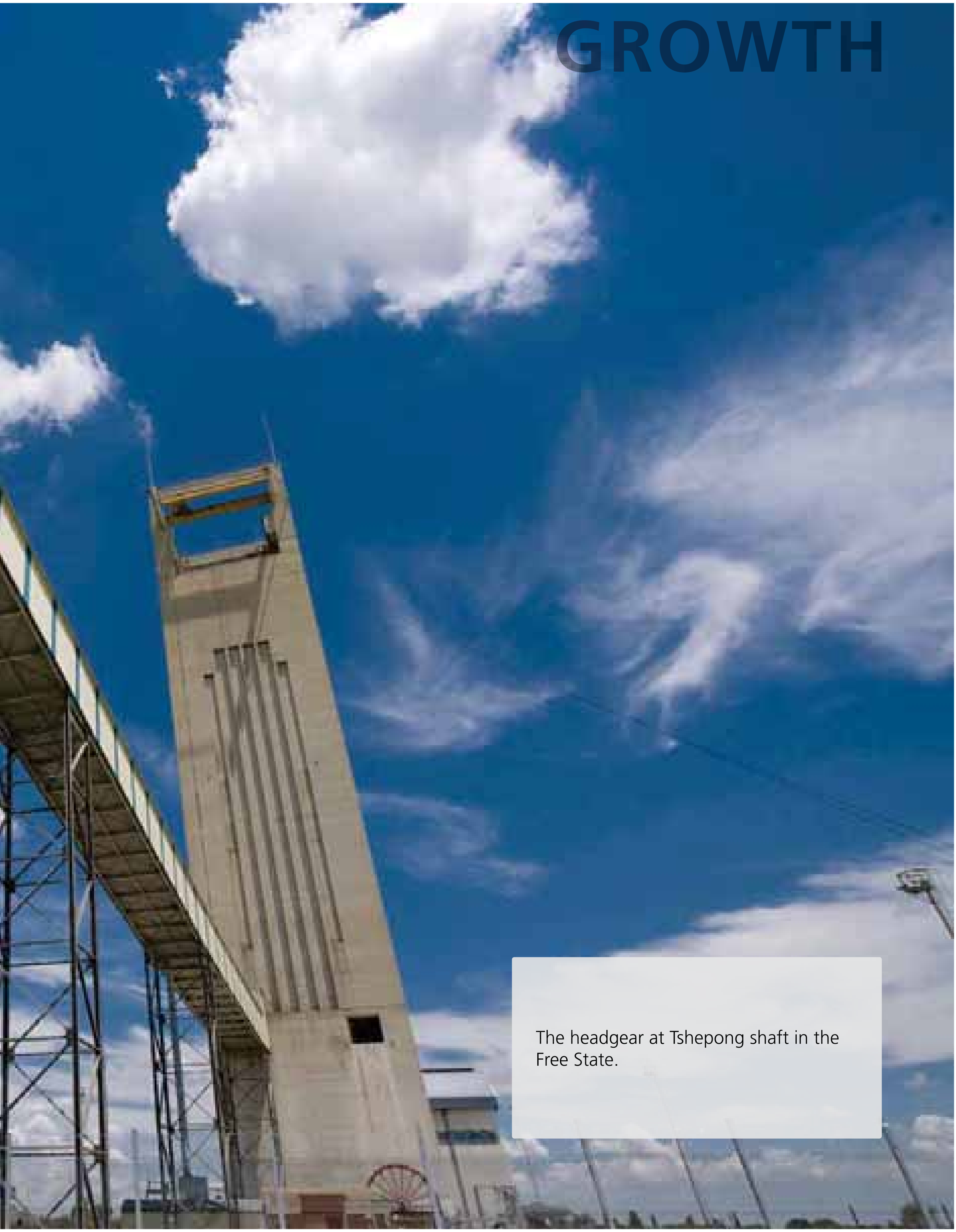
Conclusion

Based on our work performed, nothing has come to our attention that causes us to believe that the Identified Sustainability Information selected for limited assurance has not been prepared, in all material respects, in accordance with the defined reporting criteria.

PricewaterhouseCoopers Inc.
Director: FJ Lombard
Registered Auditor
2 Eglin Road, Sunninghill, 2157
Johannesburg

24 October 2011

GROWTH



The headgear at Tshepong shaft in the Free State.

OPERATIONAL REVIEW

Introduction

Harmony's gold mining operations are in South Africa – in the world-renowned Witwatersrand Basin and Kraaipan Greenstone Belt – and in Papua New Guinea (PNG) in Morobe Province, a highly prospective gold-mining region.

From these mines, Harmony produced 1 303 228 (FY10: 1 428 545) oz of gold (40 535kg, FY10: 44 433kg) in FY11 at an overall grade of 2.07g/t (FY10: 2.39g/t) to generate revenue of R12.45 billion (FY10: R11.28 billion) and an operating profit of R3.28 billion (FY10: R2.93 billion). Group operating cash costs were R226 667/kg (FY10: R195 162/kg) (US$1 009/oz, FY10: US$801/oz) for an operating margin of 26%.

At present, Harmony is South Africa's third-largest gold producer, with the domestic operations Tshepong (16%), Kusasalethu (14%), Masimong (11%) and Target (10%) accounting for more than half of the company's total production.

Harmony's transformation into a sustainable, lower-cost, higher-margin gold producer with a significant production pipeline is almost complete following the FY10 review to remove loss-making operations from its portfolio and the ramp-up of growth projects. The remaining resources in South Africa are of much better quality. This should enable us to deliver better results from our South African base in future.

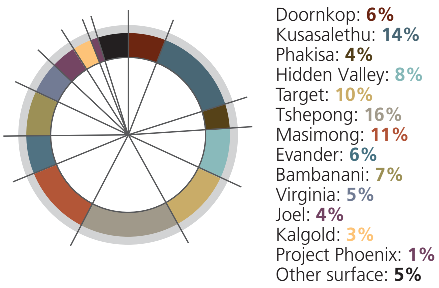
In line with the focus on profitability, Harmony's strategic production target has been revised to 1.8 – 2Moz by FY15, and based on the potential of the current asset base, the South African assets will generate sufficient cash to fund its growth ambitions.

Detailed information on the economic performance and consequences of Harmony's operations appears in the online ***sustainable development report*** **(www.harmony.co.za)** with a summary on pages 6 to 15 of this report.

Note: In the key statistics tables throughout this section, the term operating profit is comparable to the term production profit in the segment report, and not the operating profit line item in the income statement.

Regional contribution to production – FY11

Operational contribution to production – FY11

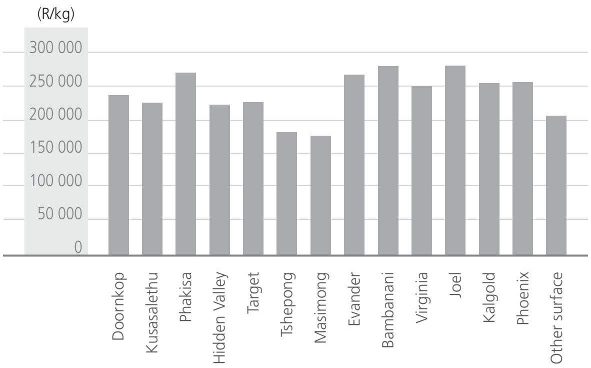


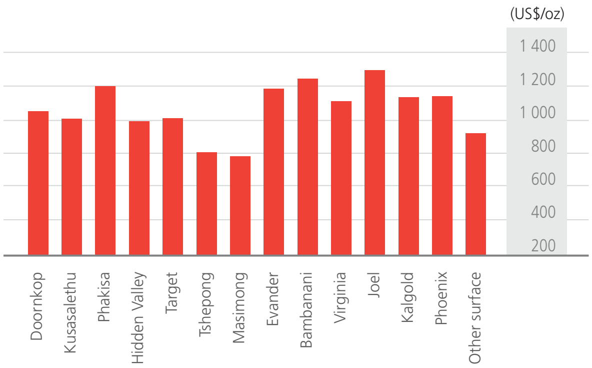
Outlook[1]

Operation	Expected potential (oz)	Cash cost[2] (R/kg)	Cast costs[2] (US$/oz)	~Life of mine (yrs)	Comments
Doornkop	190 000 – 220 000	200 000 – 220 000	820 – 905	14	In build-up
Kusasalethu	270 000 – 310 000	195 000 – 220 000	800 – 905	25	In build-up
Phakisa	200 000 – 250 000	170 000 – 190 000	700 – 780	18 – 21	In build-up
Hidden Valley	140 000 – 150 000[3]	Not applicable	500 – 600	13	Exploration may increase life
Target 3	60 000 – 75 000	200 000 – 220 000	820 – 905	12 – 15	In build-up
Target 1	115 000 – 135 000	220 000 – 230 000	905 – 945	12 – 17	Build up from block 3
Tshepong	220 000 – 230 000	190 000 – 210 000	780 – 865	16	Steady-state production
Masimong	160 000 – 170 000	180 000 – 190 000	740 – 780	12	Steady-state production
Evander 8	85 000 – 95 000	220 000 – 240 000	905 – 985	11	Exceptional turnaround
Bambanani	100 000 – 115 000	200 000 – 230 000	820 – 945	10	Shaft pillar
Steyn 2	25 000 – 27 000	160 000 – 190 000	660 – 780	3	Shaft pillar
Unisel	75 000 – 80 000	230 000 – 250 000	945 – 1 027	6	Steady-state production
Joel	75 000 – 85 000	220 000 – 230 000	905 – 945	7	Potential depth extension
Kalgold	37 000 – 45 000	250 000 – 260 000	1 027 – 1 068	15	Steady-state production
Various surface sources	55 000 – 60 000	215 000 – 230 000	885 – 945	10 – 20	Tailings, rock dumps, clean-up
Total	~2 million oz	~200 000 – 225 000	820 – 925		

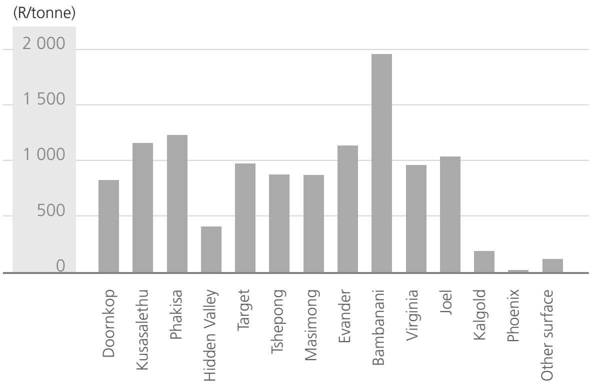
[1] *Refer to forward-looking statement.*
[2] *Future costs are calculated in real terms (July 2011 money terms) and using an exchange rate of R7.57/US$.*
[3] *Represents Harmony's equity portion of 50%.*

Cash operating costs
by operation

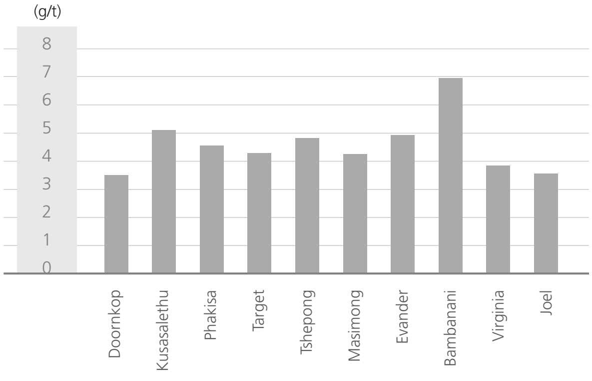




Cash operating costs
by operation



Grade
SA underground only

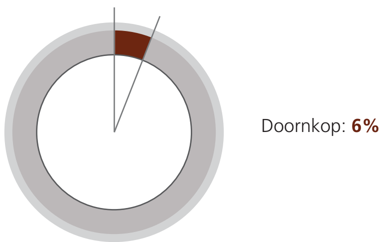


BUILD-UP OPERATIONS

Doornkop

Doornkop is a single-shaft operation mining to a depth of just under 2 000 metres. Located 30km west of Johannesburg, Doornkop mines the Kimberley and South Reefs using both mechanised bord-and-pillar and narrow-reef conventional mining, with ore processed at its carbon-in-pulp plant. Production at Doornkop's South Reef project, which accesses the higher-grade South Reef, continues to ramp up to scheduled full production in FY15.

Operational contribution to production – FY11



Safety

Safety improved at Doornkop in FY11, with no fatalities recorded (FY10: two fatalities). The LTIFR deteriorated to 8.04 per million hours worked (FY10: 5.50). Commendably, the mine achieved one million fatality-free shifts and four million fall-of-ground/fatality-free shifts during the year. The increased focus on safety has streamlined procedures and improved training, maintenance and behaviour. The fall-of-ground initiative being piloted at Doornkop and Kusasalethu has produced encouraging results, particularly from netting development sections.

More detailed information on safety performance and Harmony's sustainable development concerns in South Africa can be found in the online ***sustainable development report,*** with a summary on pages 6 to 15 of this report.

Doornkop employed 3 691 people, including 853 contractors, in FY11.

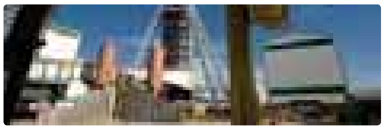
Detailed information on Doornkop's resources and reserves appears in the mineral resources and mineral reserves section of this annual report.

Operations review

The massive improvement in year-on-year production at Doornkop reflects the production build-up on the South Reef and introduction of new trackless machinery on the Kimberley Reef during the year. The transfer of an additional 13 production crews from the closed Merriespruit 1 shaft in the December 2010 quarter supported build-up on the South Reef and preserved the jobs of employees affected by restructuring.

Tonnes mined from the South Reef areas accounted for 58% of total tonnes mined in FY11 – up from 50% the year before – while the contribution from the Kimberley Reef declined from 50% to 42%. The average grade of South Reef tonnes mined deteriorated to 4.5g/t while grade in the Kimberley Reef increased to 2.17g/t.

Overall results were affected by plant constraints in the third quarter, particularly a breakdown in the thickener. A project to optimise equipment availability and the beneficiation process in the plant was launched in the final quarter of the year, with phase 1 scheduled for completion by March 2012. The project is focused on installing or replacing equipment to minimise downtime in the plant and optimise gold recovery.



Doornkop mine

Doornkop key statistics

Production		FY11	FY10	FY09
Volumes milled	000t (metric)	**718**	540	549
	000t (imperial)	**792**	595	605
Gold produced	kg	**2 512**	1 950	1 311
	oz	**80 763**	62 694	42 150
Average grade	g/t	**3.50**	3.61	2.38
	oz/t	**0.102**	0.105	0.070
Financial				
Revenue	R million	**781**	517	343
	US$ million	**112**	68	38
Operating cost*	R/kg	**236 810**	200 324	232 699
	US$/oz	**1 054**	822	804
Operating profit	R million	**180**	107	62
	US$ million	**26**	14	7
Capital expenditure	R million	**292**	342	395
	US$ million	**42**	45	44
People				
Number of employees				
Employees		**2 838**	1 645	
Contractors		**853**	1 004	
Total		**3 691**	2 649	
HDSAs in management	%	**35**	38	
Women in mining	%	**9**	8	
Training and development expenditure	R million	**19**	10	
Safety				
Fatalities		**0**	2	
LTIFR	per million hours worked	**8.04**	5.50	
Environment				
Electricity used	000MWh	**161**	155	
Water used for primary activities	000m³	**2 750**	2 725	
GHG emissions	000t CO_2e	**165**	184	
Expenditure on local economic development	R million	**4**	4	
Status of mining right	New-order mining right granted in December 2007			

** Includes royalty payment in FY10 and FY11.*

Doornkop CONTINUED

In addition, the surface rock winder was commissioned and fully automated during the year to give the shaft more flexibility to hoist rock available from underground. The conveyor belts on 212 level were commissioned and are now fully automated, and a second settler on 205 level has been commissioned. All locomotives have been fitted with anti-collision systems, enhancing safety and preventing accidents or damage to rail-bound equipment. The smart rail system on 192 level was installed and fully commissioned, improving ore accounting on that level. This will be rolled out to other levels in the next year.

Development metres increased by 44% or 3 868 metres from the previous year to ensure build-up in the South Reef project is achieved and targets are met.

As more mining takes place on the South Reef, the level of confidence on the geology of this reef improves. Few surprises were encountered during the year in terms of geology. The exploration programme to further improve confidence will continue. The conversion of the South Reef resource to reserves continued, with an increase of 236 000oz of gold (75%) and 1 087 370 tonnes (51%). This brings total South Reef reserves to 3.2Mt and 553 000oz of gold (17.189t Au) at a grade of 5.34g/t.

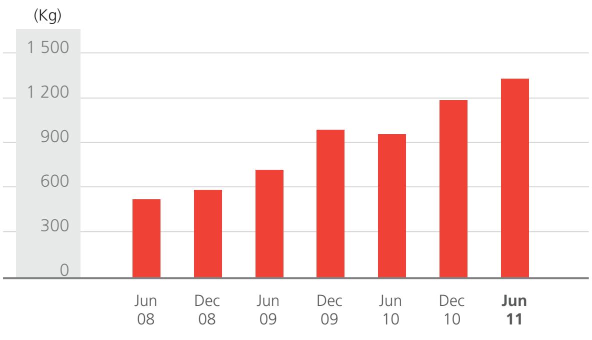
A business case conducted during the year indicated that the Kimberley Reef can add economic benefit to the operation over the life-of-mine and not only for four years as initially anticipated. The Kimberley Reef has therefore been planned over the total life-of-mine and will contribute 12% of total gold produced over that period.

Financial review

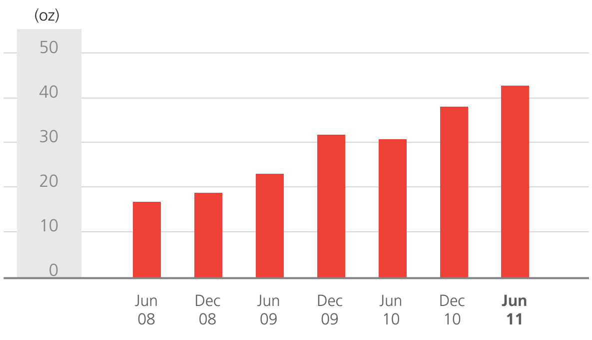
Cash operating profit increased by 68% to R180 million due to the higher gold price received and growth in ounces produced. Capital expenditure of R292 million (US$42 million) was R42 million less than budget, mainly due to fewer development metres completed than planned. Of this capital expenditure, 44% was spent on the South Reef project and 37% on ongoing capital development.

Unit costs increased 18% mainly as a result of the gradual transition from capital expenditure to operating expenditure in line with the production build up. In addition, labour rate increases and a significant rise in electricity tariffs contributed to higher costs.

Kilograms produced – (6 monthly)



Oz '000 produced – (6 monthly)



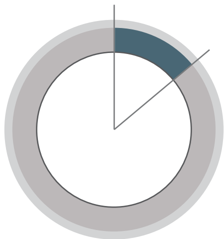
Doornkop mines the Kimberley and South reefs using both mechanised bord-and-pillar and narrow-reef conventional mining.

BUILD-UP OPERATIONS
CONTINUED

Kusasalethu

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

Operational contribution to production – FY11



Kusasalethu: **14%**

Safety

The focus on creating a safe working environment at Kusasalethu continued to add value, with the mine recording one million fatality-free shifts during the year. Regrettably there were two fatalities after this achievement (FY10: two, FY09: five). The LTIFR regressed to 7.74 per million hours worked (FY10: 6.88).

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

↗ More detailed information on safety performance and Harmony's sustainable development concerns in South Africa can be found in the online ***sustainable development report,*** with a summary on pages 6 to 15 of this report.

Kusasalethu employed 5 756 people (including 773 contractors) in FY11.

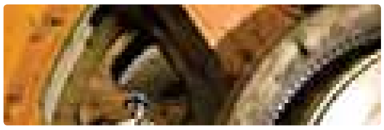
↗ Detailed information on Kusasalethu's resources and reserves appears in the mineral resources and reserves section of this annual report.

Operations review

Volumes milled rose by 6% to just over 1Mt, and gold produced by 3% to 180 334oz, despite a 3% decline in grade in FY11 to 5.10g/t. Currently, 70% of production at Kusasalethu is from production areas below 100 level (the new mine expansion project) and 30% from production areas in the old mine, above 100 level.

Planned build-up at Kusasalethu was hampered by an accident that caused one fatality, damaged the hoisting shaft and therefore constrained hoisting ore to surface.

The largely completed deepening project has extended the sub-vertical shafts, accessing the Ventersdorp Contact Reef up to 3 388 metres below collar. Remaining project work is focused on extending the service shaft to 113 level, completing the refrigeration complex at 100 level and commissioning the 92 level turbine complex.



Kusasalethu key statistics

Production		FY11	FY10	FY09
Volumes milled	000t (metric)	**1 099**	1 035	962
	000t (imperial)	**1 212**	1 141	1 061
Gold produced	kg	**5 609**	5 444	5 422
	oz	**180 334**	175 029	174 321
Average grade	g/t	**5.10**	5.26	5.64
	oz/t	**0.149**	0.153	0.164
Financial				
Revenue	R million	**1 774**	1 392	1 422
	US$ million	**254**	184	158
Operating cost*	R/kg	**226 398**	208 864	191 097
	US$/oz	**1 008**	857	660
Operating profit	R million	**453**	301	366
	US$ million	**65**	40	41
Capital expenditure	R million	**380**	430	422
	US$ million	**54**	57	47
People				
Number of employees				
Employees		**4 983**	5 049	
Contractors		**773**	636	
Total		**5 756**	5 685	
HDSAs in management	%	**40**	33	
Women in mining	%	**10**	10	
Training and development expenditure	R million	**35**	39	
Safety				
Fatalities		**2**	2	
LTIFR	per million hours worked	**7.74**	6.68	
Environment				
Electricity used	000MWh	**663**	629	
Water used for primary activities	000m³	**2 497**	2 138	
GHG emissions	000t CO_2e	**683**	765	
Expenditure on local economic development	R million	**5**	10	
Status of mining right	New-order mining right granted in December 2007			

** Includes royalty payment in FY10 and FY11.*

Kusasalethu CONTINUED

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

The sub-station for the 100-level refrigeration complex and 98-level complex was commissioned early in the year, and mechanical construction work on the refrigeration plants was completed by year end. Sinking was completed to 113 level from 109 level during the year. The mechanical installation of the turbine on 92 level was completed in March 2011.

Other engineering initiatives include greater use of thermal scanning to detect potential 'hot connections' on electrical panels, protection relays to prevent power outages and a central monitoring system for all pumps. Rotational dam cleaning has eliminated the risk of silting, which has compromised dam capacity in the past and constrained pumping. Additional instrumentation has been installed on all large dams to monitor their levels and prevent mud from being drawn into the valves, causing production delays.

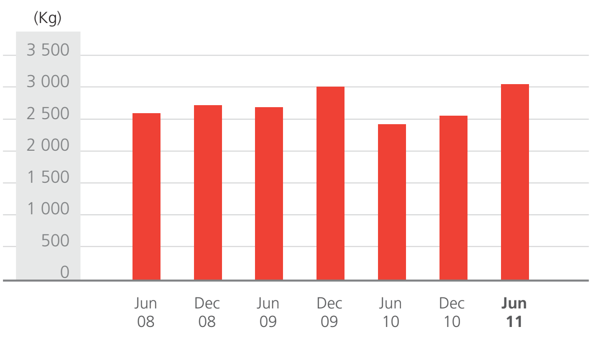
These and other initiatives are expected to improve productivity.

Financial review

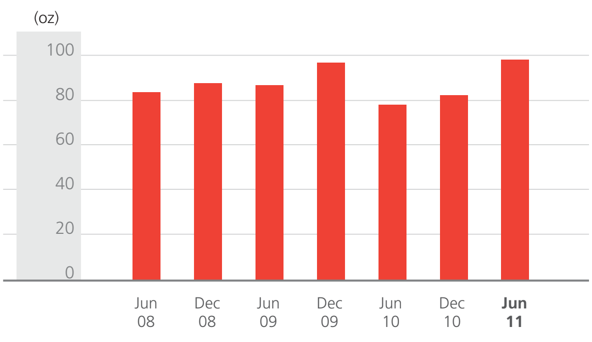
Revenue and cash operating profit increased as a result of the higher average gold price and increase in ounces sold. Revenue was R1 774 million (US$254 million), up 27%. Cash operating profit rose by 50% to R453 million (US$65 million). The cash operating cost increased 8% to R226 398/kg (US$1 008/oz), mainly after annual labour increases and higher electricity tariffs.

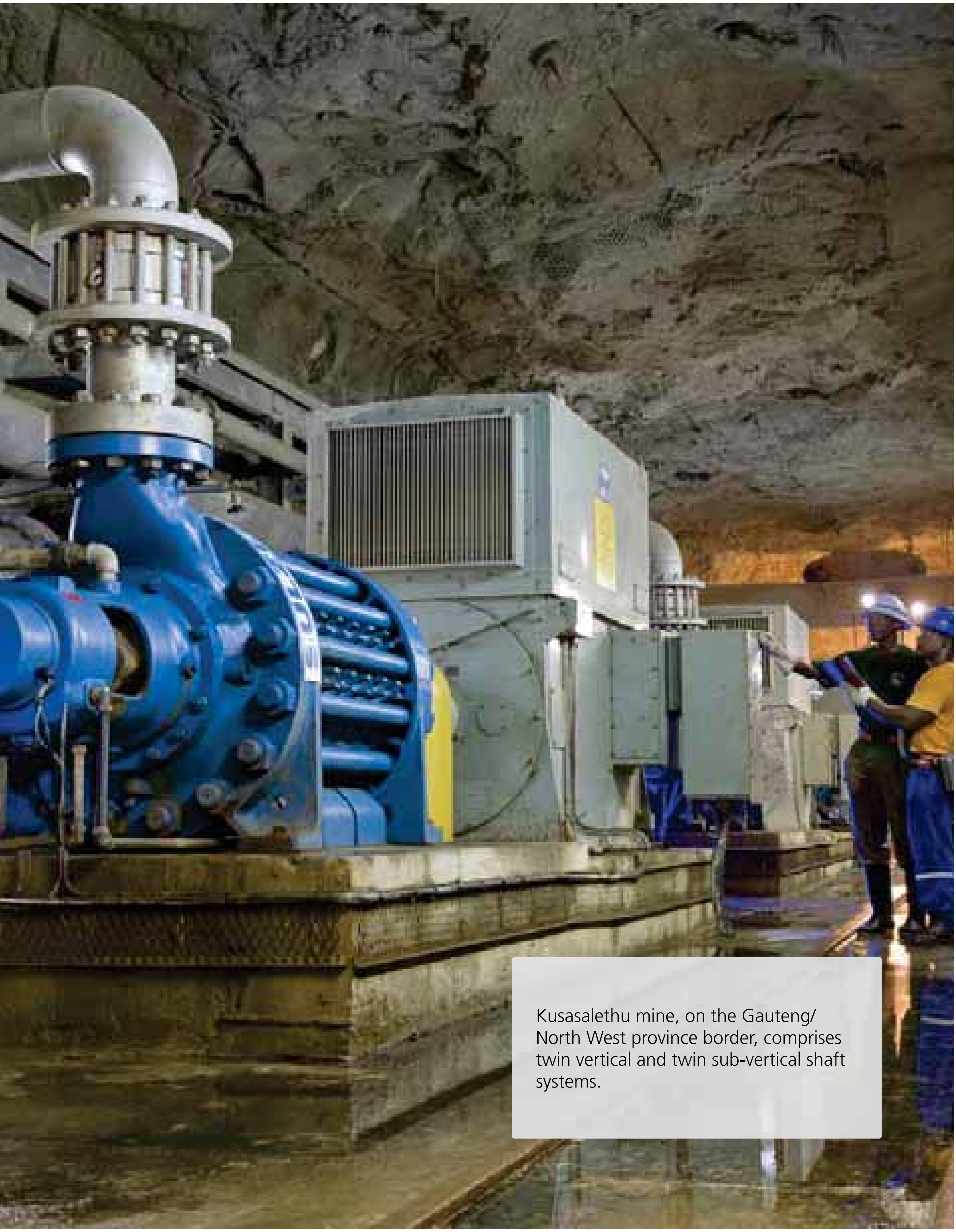
Capital expenditure for the year totalled R380 million (US$54 million), mostly for ongoing development (R267 million, US$38 million), maintaining equipment and shaft capital (R63 million, US$9 million) and developing the new mine project (R50 million, US$7 million).

Kilograms produced – (6 monthly)



Oz '000 produced – (6 monthly)



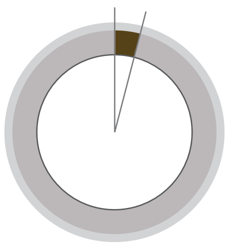


Kusasalethu mine, on the Gauteng/North West province border, comprises twin vertical and twin sub-vertical shaft systems.

Phakisa

Phakisa moved from project to operating mine on the Basal Reef in FY11, after starting production in FY08. Once the expansion project is complete, this mine will operate to a depth of some 2 400 metres with monthly capacity of 72 000 tonnes. Phakisa includes the Nyala shaft, some five kilometres away, which is used to hoist rock and as a second escape route. Ore mined at Phakisa is processed at Harmony 1 plant, some 20 kilometres away.

Operational contribution to production – FY11



Safety

As reported in FY10, an explosion underground shortly after year end tragically resulted in five fatalities (FY10: three). There were no further fatalities in the review period. The LTIFR for FY11 was 10.27 per million hours worked (FY10: 8.40).

More detailed information on safety performance and Harmony's sustainable development concerns in South Africa can be found in the online ***sustainable development report,*** with a summary on pages 6 to 15 of this report.

Phakisa employed 3 105 people in FY11, including 239 contractors.

Detailed information on Phakisa's resources and reserves appears in the mineral resources and mineral reserves section of this annual report.

Operations review

Milled volumes increased by 14% year on year. This, together with a 13% improvement in recovered grade mined, contributed to a 29% increase in gold produced to 56 649oz as part of the build-up strategy.

The start of the review period was tragically marred for Phakisa after an explosion, caused by an underground fire, in which five mine rescue team members died while manning a fresh-air base. This event also resulted in the loss of 13 production days, exacerbated by an ice-pipe failure in the shaft and fire in the 66 – 63 stope.

The production build-up was affected by geological issues, illegal mining activities and down-time on the new infrastructure. Pleasingly, Phakisa set a record of 1 763t ice per day, resulting in water temperatures

Phakisa key statistics

Production		FY11	FY10	FY09
Volumes milled	000t (metric)	**387**	339	185
	000t (imperial)	**427**	374	204
Gold produced	kg	**1 762**	1 371	691
	oz	**56 649**	44 079	22 216
Average grade	g/t	**4.55**	4.04	3.74
	oz/t	**0.133**	0.118	0.109
Financial				
Revenue	R million	**551**	375	171
	US$ million	**79**	50	19
Operating cost*	R/kg	**269 531**	232 190	160 712
	US$/oz	**1 200**	953	555
Operating profit	R million	**78**	49	64
	US$ million	**11**	7	7
Capital expenditure	R million	**369**	486	461
	US$ million	**53**	64	51
People				
Number of employees				
Employees		**2 866**	2 858	
Contractors		**239**	176	
Total		**3 105**	3 034	
HDSAs in management	%	**30**	32	
Women in mining	%	**9**	11	
Training and development expenditure	R million	**14**	10	
Safety				
Fatalities		**5**	3	
LTIFR	per million hours worked	**10.27**	8.40	
Environment				
Electricity used	000MWh	**95**	67	
Water used for primary activities**	000m³	**717**	408	
GHG emissions	000t CO_2e	**247**	81	
Expenditure on local economic development	R million	**5**	2	
Status of mining right	New-order mining right granted in December 2007			

** Includes royalty payment in FY10 and FY11.*
*** Increase primarily reflects transition from development phase to production.*

Phakisa CONTINUED

of <6°C which in turn improved both ventilation and productivity. Some remaining issues with the ice plant as well as settler failure at Nyala are being addressed.

Equipment salvaged from the closed Merriespruit 1 shaft early in the period reduced the need for capital spent on equipment. Most of phase 1 infrastructure was completed before the interim stage and modifications to loading boxes on 77 level by the new year.

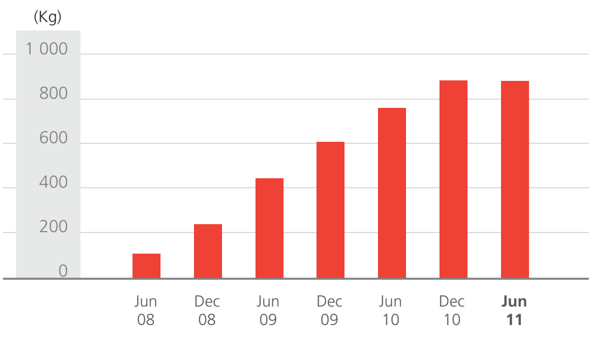
Since it is still a new mine, development at Phakisa is currently centred close to the shaft in the lower-grade areas. The major drive is on developing the area to the north to access higher-grade zones and move closer to the average reserve grade. Grades will improve further as development progresses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

Financial review

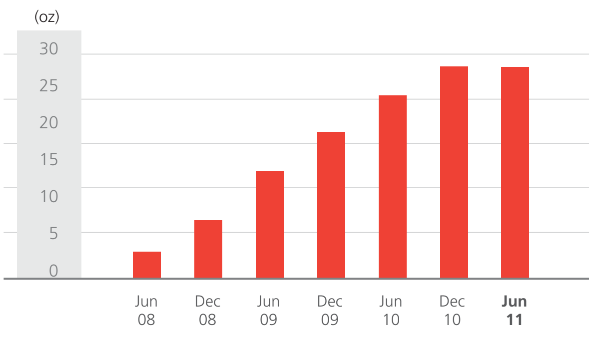
Revenue for the year rose by 47% to R551 million, boosted by the increase in production and higher gold price received. In dollar terms, revenue was up 58% to US$79 million. Costs increased as a result of production build-up costs and the cost of employees transferred from closed shafts to Phakisa. With the transition from project phase into production, a portion of Phakisa's commissioning costs were capitalised. Cash operating costs in rands increased by 16% to R269 531/kg and were 26% up in dollar terms to US$1 200/oz.

Capital expenditure for the year was R369 million (US$53 million), the bulk of which was spent on the expansion project as well as ongoing development and maintenance of major equipment.

Kilograms produced – **(6 monthly)**



Oz '000 produced – **(6 monthly)**

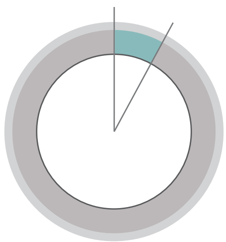


Inside the impressive Phakisa ice plant.

Hidden Valley

Hidden Valley mine, part of the 50:50 joint venture between Harmony and Newcrest, is in a highly prospective area of Morobe Province PNG, some 300 kilometres north-west of Port Moresby. The first quarter of the review period marked an exciting milestone for Harmony when the mine was officially opened at a ceremony on 30 September 2010 attended by PNG dignitaries, directors and senior management of Harmony and Newcrest and employees. Hidden Valley, with its significant gold and silver reserves, is Harmony's first offshore greenfields project, and is an important step in our company's strategy for geographical and asset diversification. Equally, the experience gained in developing Hidden Valley will be valuable as we continue to seek growth, both in Morobe Province as part of the joint venture and elsewhere in PNG on our exploration portfolio.

Operational contribution to production – FY11



While there were challenges in developing Hidden Valley – given its remote location and relative lack of infrastructure – the government and communities of PNG and Morobe Province have provided enormous support, and worked closely with the joint venture partners to ensure this development makes a long-term, positive and sustainable contribution to the region.

Hidden Valley has two open pits in production, some 5km apart: the Hamata pit exploits the Hamata gold orebody, and the larger Hidden Valley pit exploits the Hidden Valley and Kaveroi gold and silver orebodies. The joint venture is actively exploring on the mining lease and if additional resources are identified, the life of the operation could be extended. The resource development drilling programme under way is detailed on page 115 and potential plant expansion studies are being reviewed.

Hidden Valley employed an average of 2 390 people in FY11, including 1 440 contractors.

↗ Detailed information on Hidden Valley's resources and reserves appears in the mineral resources and mineral reserves section of this annual report.

Safety

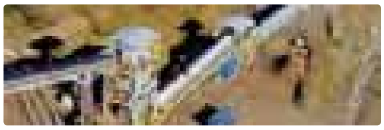
As production ramps up at Hidden Valley, the implementation of a comprehensive risk management strategy is evident in the excellent safety performance for the year, with zero fatality (FY10: one) and only one lost-time injury, resulting in an LTIFR of 0.2 (FY10: 0.7). A key aspect of the risk management strategy is ensuring that each work function is undertaken within a risk management framework, and that hazards are identified and managed to maintain this safety performance.

↗ More detailed information on safety performance and Harmony's sustainable development concerns in South Africa can be found in the online ***sustainable development report,*** with a summary on pages 6 to 15 of this report.

Operations review

In FY11, 3.4Mt were processed to yield 200 492oz of gold and 1 346 064oz of silver, 50% attributable to Harmony.

The planned ramp-up of throughput rates were interrupted in the third quarter when a conveyor belt splice failed on the Hidden Valley conveying circuit. The work required to reinstate and recommission the belt was scheduled to be completed by the end of quarter 1 in the new financial year. Much of the production impact of this event was mitigated via rapid mobilisation of



Hidden Valley key statistics

Production		FY11†	FY10 production*†	FY10 capitalised*†
Volumes milled	000t (metric)	**1 679**	304	–
	000t (imperial)	**1 852**	335	–
Gold produced	kg	**3 118**	465	1 438
	oz	**100 246**	14 939	46 234
Silver produced	kg	**20 934**	2 423	4 504
	oz	**673 032**	77 896	144 821
Gold – average recovered grade	g/t	**1.86**	1.53	–
	oz/t	**0.054**	0.045	–
Silver – average recovered grade	g/t	**12.47**	7.97	–
	oz/t	**0.401**	0.233	–
Financial				
Revenue	R million	**976**	79	–
	US$ million	**140**	10	–
Operating costs	R/kg	**223 019**	244 721	–
	US$/oz	**993**	1 003	–
Operating profit	R million	**261**	16	–
	US$ million	**37**	2	–
Capital expenditure	R million	**289**	44	497
	US$ million	**42**	6	65
People				
Number of employees				
Employees		**950**	806	
Contractors		**1 440**	892	
Total		**2 390**	1 698	
Training and development expenditure	R million	**2.8**	2.9	
Safety				
Fatalities		**0**	1	
LTIFR	Per million hours worked	**0.2**	0.7	
Environment				
Electricity used	000MWh	**108**	105	
Water used for primary activities	000m³	**1 533**	1 843	
GHG emissions	000t CO_2e	**675**	128	

** Commercial production began in May 2010.*
† Represents Harmony's 50%.

Hidden Valley CONTINUED

additional contractor haulage trucks, which were used to haul ore from the Hidden Valley stockpile to the process plant. As a result of this unexpected situation annual production came in at the lower end of management guidance, with gold recoveries reaching nameplate levels and a significant increase in silver recoveries compared to 2010 levels.

A programme to systematically identify constraints in the process plant and to optimise plant capacity and performance is under way. This will facilitate plant throughput rates achieving nameplate in the second quarter of FY12, after reinstatement of the Hidden Valley overland conveyor.

Hidden Valley mine was connected to the national electricity grid in the third quarter, and is receiving up to 10MW of grid power (50% – 60% of total requirements). This has already reduced operational costs in terms of trucking diesel to site, with concomitant environmental benefits, and lessened demand on the site's diesel-fired power station. In terms of the offtake agreement in place, the national utility benefits from securing a large customer which, in turn, will support its infrastructural development and rural electrification programme.

In FY11, additional waste dump capacity was created as part of a long-term strategy to match waste dump capacity to the target mining rate. This ensures that all waste rock mined at Hidden Valley is retained on site and that the potential for impacts on the Watut River is minimised and managed effectively.

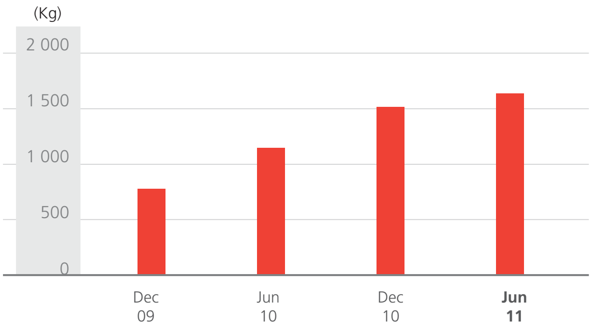
Innovative waste dump designs that require less rock are successfully addressing this requirement and have allowed a steady ramp-up in the open-pit mining rate in FY11.

Implementation of Hidden Valley's policy of community engagement and local employment, as well as training local employees, continued throughout the year. The progress made in mitigating the mine's impact on the Watut River is detailed in the environmental section of the sustainable development report.

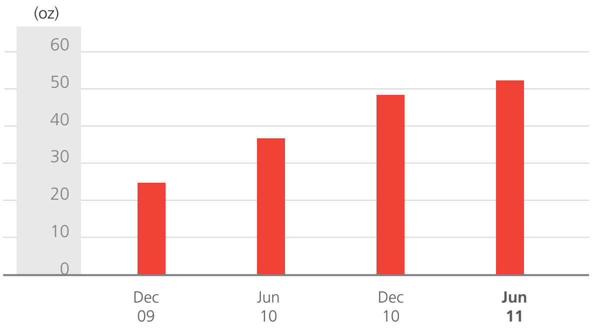
Financial review

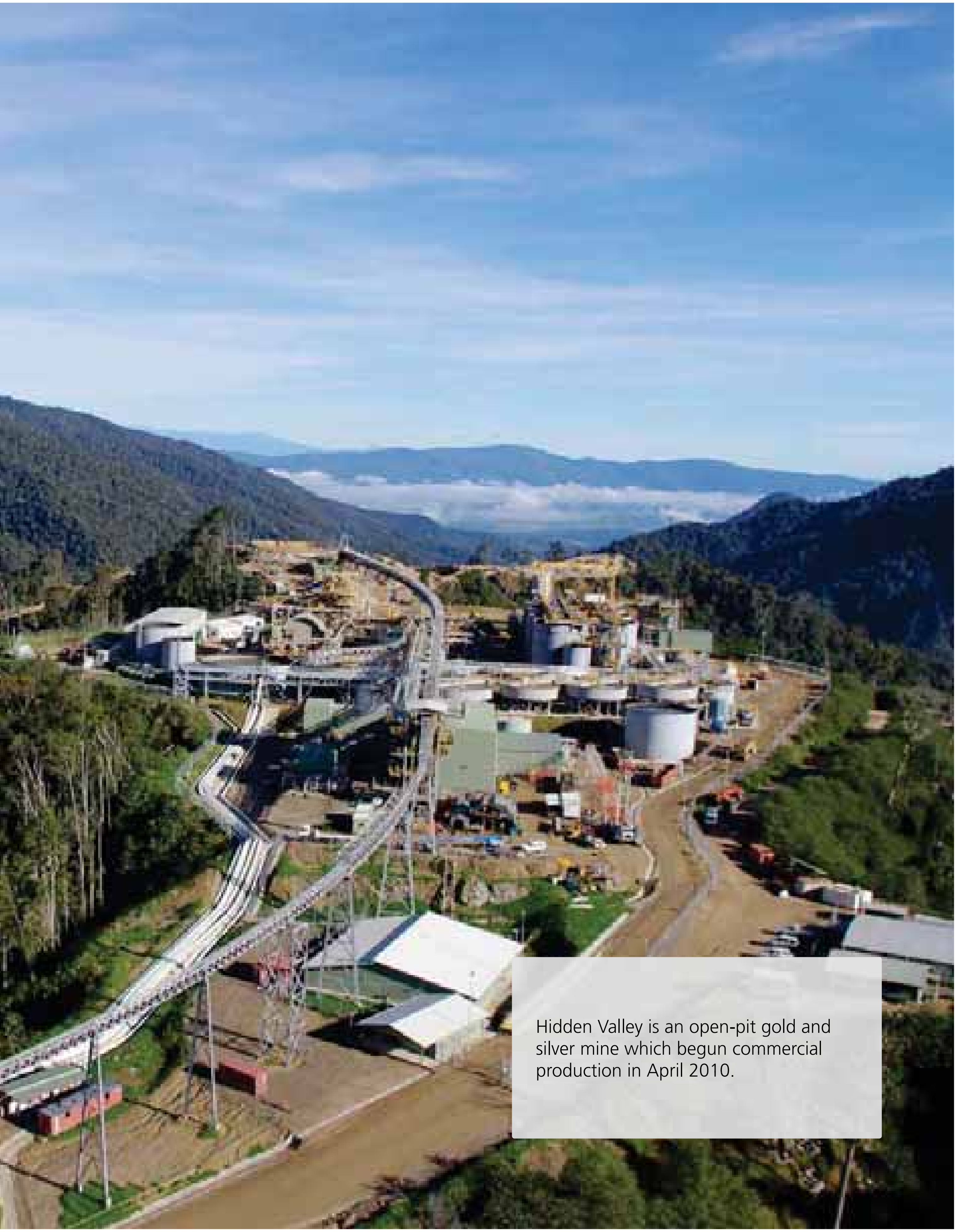
Hidden Valley generated revenue of R976 million (US$140 million) for the year, with total cash operating costs after silver credits of R223 019/kg (US$993/oz). Attributable capital expenditure by Harmony during the year was R289 million (US$42 million), which included work on approved mine development (sustaining capital) projects, process plant debottlenecking, new mobile equipment and mine expansion feasibility studies.

Kilograms produced – (6 monthly)



Oz '000 produced – (6 monthly)



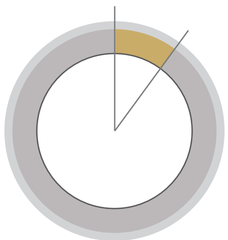


Hidden Valley is an open-pit gold and silver mine which begun commercial production in April 2010.

Target

Located 20 kilometres north of Welkom, Target mine consists of a single surface shaft system with a sub-shaft and a decline. In the second half of FY10, a Pamodzi asset (Loraine 3) was incorporated into this operation and renamed Target 3 shaft. Ore is processed at the Target plant adjacent to 1 shaft. Both mechanised (86%) and conventional (14%) mining occur on the geologically complex Elsburg and Dreyerskraal reefs, with mining operations extending to a depth of some 2 350 metres.

Operational contribution to production – FY11



Safety

The concerted effort in recent years to improve safety at Target paid off during the review period when the mine reached one million fatality-free shifts for a fatality-free year (FY10: two). The LTIFR, however, regressed to 7.71 per million hours worked (FY10: 3.73).

More detailed information on safety performance and Harmony's sustainable development concerns in South Africa can be found in the online ***sustainable development report,*** with a summary on pages 6 to 15 of this report.

Target employed 3 219 people in FY11, including 408 contractors.

Detailed information on Target's resources and reserves appears in the mineral resources and mineral reserves section of this annual report.

Operations review

Target 3 has been incorporated with Target 1 into a single operation. As a result, volumes milled rose 4% to 805 000 tonnes. Grade decreased by 3% while gold produced increased by 12% for the year to 127 992oz, of which 17 073oz were capitalised.

Target 1

In FY11, the benefits of improved planning and design in the prior year resulted in greater availability of the massive stopes. In addition, with ventilation and cooling issues resolved, all ten narrow-reef, conventional mining panels were in production during the review period, supported by a clean-mining initiative. Collectively, this has enabled Target to manage its ore reserves better, which is crucial to the mine's success. Overall grade decreased slightly (1.1%) during the year from 4.40g/t to 4.35g/t.

Target mine

Target key statistics

Production		FY11	FY10	FY09
Volumes milled	000t (metric)	**805**	777	644
	000t (imperial)	**888**	857	710
Gold produced††	kg	**3 981**	3 539	2 713
	oz	**127 992**	113 782	87 225
Average grade	g/t	**4.29**	4.40	4.21
	oz/t	**0.125**	0.128	0.123
Financial				
Revenue	R million	**1 080**	878	688
	US$ million	**154**	116	76
Operating cost*	R/kg	**227 178**	190 720	186 749
	US$/oz	**1 011**	783	645
Operating profit	R million	**265**	214	152
	US$ million	**37**	28	16
Capital expenditure	R million	**439**	382	342
	US$ million	**63**	51	38
People				
Number of employees				
Employees		**2 811**	2 676	
Contractors		**408**	402	
Total		**3 219**	3 078	
HDSAs in management	%	**35**	34	
Women in mining	%	**10**	11	
Training and development expenditure	R million	**16**	13	
Safety				
Fatalities		**0**	2	
LTIFR	per million hours worked	**7.71**	3.73	
Environment				
Electricity used	000MWh	**337**	228	
Water used for primary activities**	000m^3	**891**	2 755	
GHG emissions	000t CO_2e	**366**	279	
Expenditure on local economic development	R million	**6**	3	
Status of mining right	New-order mining right granted in December 2007			

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

Target CONTINUED

Unplanned stoppages caused by problems with the decline belt and delayed delivery of the new belt affected production in the third and fourth quarters, which in turn affected tonnages and grade.

Target 3

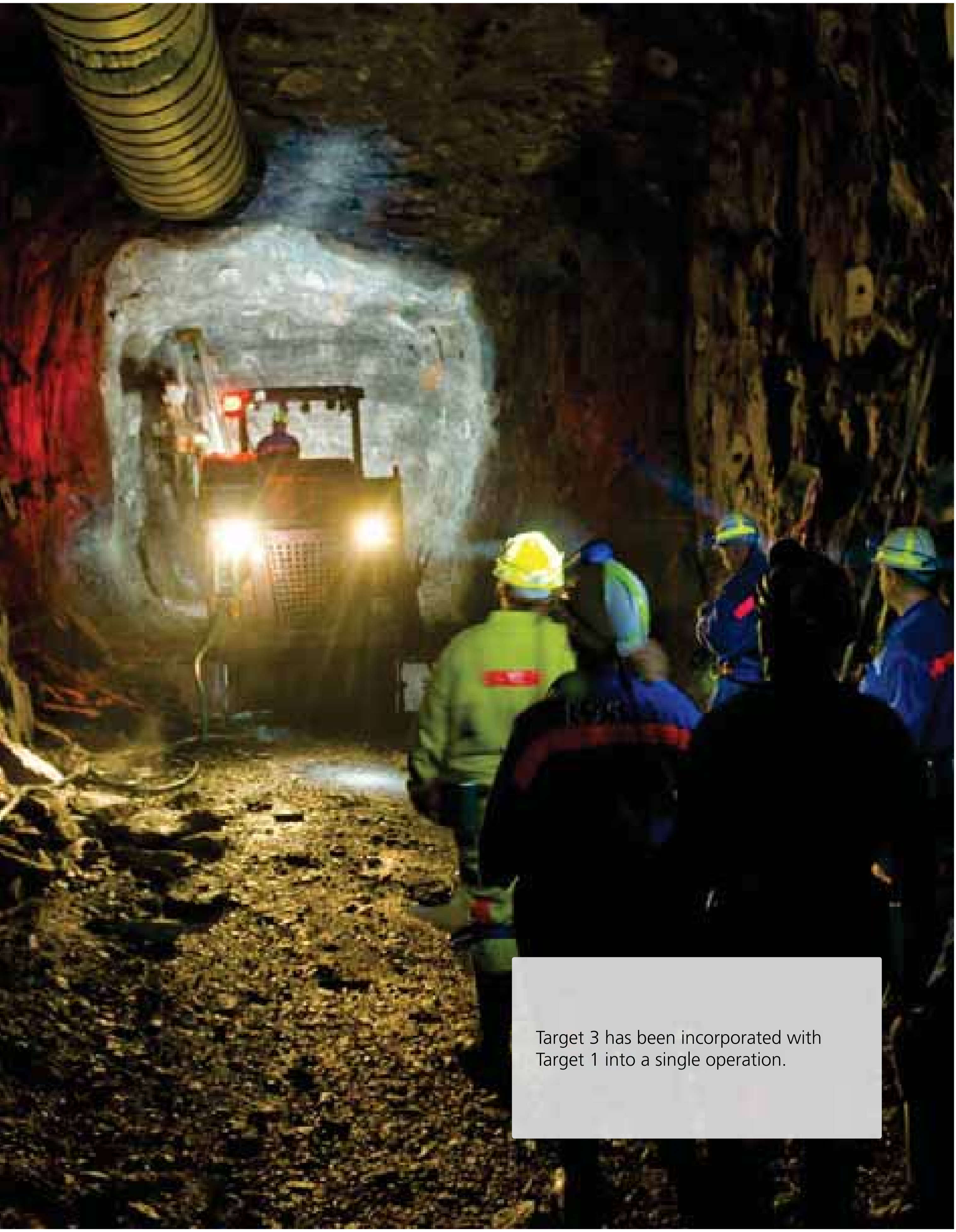
The focus during the year was on continued shaft build-up and infrastructural improvements. In September 2010 we decided to abandon the shaft below 71 level after the collapse of orepasses, and create a new belt level on 71 level. Commendably, the new belt was designed, manufactured and installed in four weeks. This has greatly assisted in the build-up of the sub-shaft on Basal Reef, which offers better grades.

Several challenges remain in improving sub-shaft conditions. After protracted delays, the fridge plant was commissioned by year end, which will enable access to more panels in the sub-shaft, contributing in turn to higher grades. Good progress has been made in cleaning sub-shaft infrastructure to access the higher-grade Basal Reef mining area. Once all infrastructural improvements have been completed, we expect further improvements in gold production.

Financial review

Higher production and a higher gold price achieved for the year contributed to revenue rising in both rand and dollar terms by 23% and 33% respectively to R1 080 million and US$154 million. Cash operating costs were 19% up in rand terms at R227 178/kg (29% to US$1 011/oz). This was mainly due to the delayed start-up of the sub shaft at Target 3 and labour transfers earlier than planned from other Harmony operations to avoid retrenchments.

Capital expenditure of R439 million (US$63 million) included R199 million (US$29 million) for ongoing development, R35 million (US$5 million) on major equipment maintenance and R205 million (US$29 million) on other shaft capital and major projects.

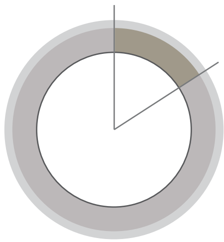


Target 3 has been incorporated with Target 1 into a single operation.

Tshepong

Tshepong is Harmony's largest operation, with a single vertical shaft extending 2 161 metres below collar. Ore is transported 23 kilometres to the Harmony 1 plant. The Tshepong sub-71 decline project under way will extend mining to 2 366 metres below surface and the sub-66 project is currently building up production. The mine uses conventional undercut mining on the Basal Reef while the B Reef is exploited as a high-grade secondary reef.

Operational contribution to production – FY11

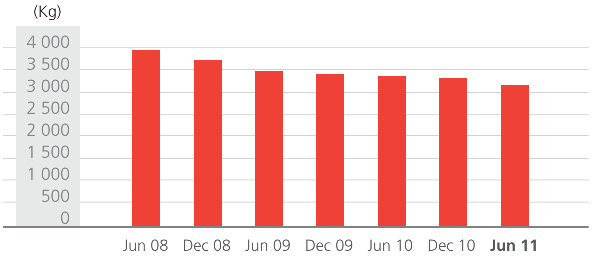


Safety

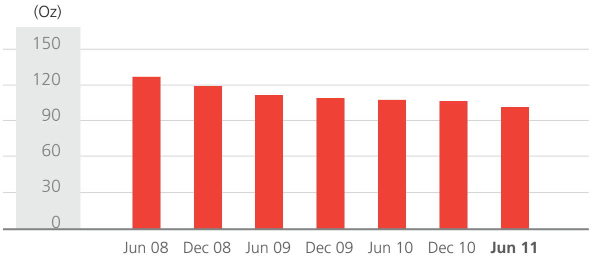
Despite achieving 750 000 fatality-free shifts during the year, overall safety performance deteriorated slightly, with the LTIFR at 12.60 (FY10: 12.22). There were regrettably two fatalities during the year (FY10: two).

More detailed information on safety performance and Harmony's sustainable development concerns in South Africa can be found in the online *sustainable development report,* with a summary on pages 6 to 15 of this report.

Kilograms produced – (6 monthly)



Oz '000 produced – (6 monthly)



Tshepong employed 5 188 people in FY11, including 206 contractors.

Detailed information on Tshepong's resources and reserves appears in the mineral resources and mineral reserves section of this annual report.

Operations review

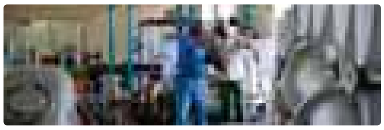
Tonnes milled decreased by 12% to 1.34 million in FY11, while grade improved 8% to 4.82g/t. Gold produced dropped to 207 950oz. Tshepong is one of Harmony's lowest-cost producers, although its grade remains sensitive to stoping width. This is rigorously controlled by the under-cut mining method used at this mine.

Development of sub-71 decline progressed well during the year, despite the area being directly affected by the fire at neighbouring Phakisa in the first quarter. After commissioning the belt and completing the temporary tip on 73 level, the development rate improved for the rest of the period. The sub-71 project, which will connect Tshepong with Phakisa, remains on track for completion in May 2012. This project extends the existing double decline from 71 to 76 level to enable mining on both 73 and 75 levels. The project's goal is to sink the decline to 76 level by May 2012.

Financial review

Revenue rose by 10% to R2 007 million and by over 19% to US$287 million. Cash operating cost rose by 10% to R182 042/kg and by 20% to US$810/oz with cost pressure coming from increased wages, electricity tariffs and the cost of supplies and equipment.

Capital expenditure was 5% higher at R273 million (US$39 million), primarily for ongoing development, major equipment maintenance and other shaft capital, and the sub-71 decline project. Total expenditure to date on this project is R189 million (US$27 million).



Tshepong key statistics

Production		FY11	FY10	FY09
Volumes milled	000t (metric)	**1 343**	1 518	1 375
	000t (imperial)	**1 481**	1 674	1 516
Gold produced	kg	**6 468**	6 749	7 178
	oz	**207 950**	216 986	230 778
Average grade	g/t	**4.82**	4.45	5.22
	oz/t	**0.140**	0.130	0.152
Financial				
Revenue	R million	**2 007**	1 823	1 780
	US$ million	**287**	241	198
Operating cost*	R/kg	**182 042**	164 938	139 901
	US$/oz	**810**	677	483
Operating profit	R million	**835**	676	802
	US$ million	**119**	90	89
Capital expenditure	R million	**273**	261	249
	US$ million	**39**	35	28

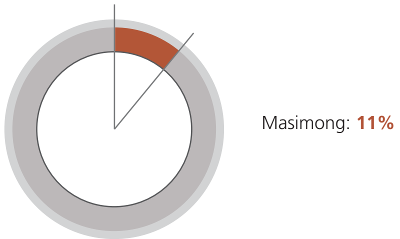
People			
Number of employees			
Employees		**4 982**	4 901
Contractors		**206**	163
Total		**5 188**	5 064
HDSAs in management	%	**31**	30
Women in mining	%	**9**	11
Training and development expenditure	R million	**22**	23
Safety			
Fatalities		**2**	2
LTIFR	per million hours worked	**12.60**	12.22
Environment			
Electricity used	000MWh	**314**	288
Water used for primary activities**	000m³	**9 351**	1 144
GHG emissions	000t CO_2e	**348**	347
Expenditure on local economic development	R million	**10**	6
Status of mining right	New-order mining right granted in December 2007		

** Includes royalty payment in FY10 and FY11.*
*** New definitions used in FY11 have resulted in a revised calculation methodology.*

Masimong

Masimong consists of the operating 5 shaft and the closed 4 shaft which is used for ventilation, pumping and as a second outlet. Ore mined at Masimong is processed at the Harmony 1 plant 23 kilometres away. Conventional drilling, blasting and scraping operations are focused on the Basal and B Reefs. The shafts are intermediate, extending to around 2 300 metres.

Operational contribution to production – FY11



Safety

Overall safety performance at Masimong improved in FY11, with the mine achieving one million fatality-free shifts at the interim stage. Regrettably, there was a subsequent fatality (FY10: one). The LTIFR deteriorated to 13.13 per million hours worked (FY10: 7.37).

More detailed information on safety performance and Harmony's sustainable development concerns in South Africa can be found in the online ***sustainable development report,*** with a summary on pages 6 to 15 of this report.

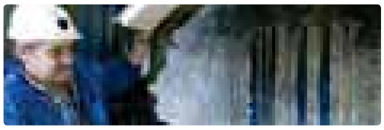
Masimong employed 3 187 people in FY11, including 137 contractors.

Detailed information on Masimong's resources and reserves appears in the mineral resources and mineral reserves section of this annual report.

Operations review

Masimong remains one of Harmony's lowest-cost producers. Volumes milled decreased marginally year on year by 3% to 868 000 tonnes with gold produced 12% lower at 137 605oz.

In line with Masimong's mine plan, grade declined by 8% to 4.93g/t, mainly on lower grades from B Reef. Maintaining grades on the B Reef is challenging as mining moves out of the high-grade channels. Grades mined on the Basal Reef were consistently good, but started to decline towards the end of the year, due to an underlying sill in the north-east area, and completion of mining in the high-grade south-west 7 line.



Masimong key statistics

Production		FY11	FY10	FY09
Volumes milled	000t (metric)	**868**	899	890
	000t (imperial)	**957**	991	981
Gold produced	kg	**4 280**	4 840	4 791
	oz	**137 605**	155 609	154 034
Average grade	g/t	**4.93**	5.38	5.38
	oz/t	**0.144**	0.157	0.157
Financial				
Revenue	R million	**1 326**	1 277	1 215
	US$ million	**190**	168	135
Operating cost*	R/kg	**177 130**	146 674	137 598
	US$/oz	**788**	602	476
Operating profit	R million	**570**	575	554
	US$ million	**82**	76	62
Capital expenditure	R million	**178**	177	130
	US$ million	**26**	23	14
People				
Number of employees				
Employees		**3 050**	3 067	
Contractors		**137**	138	
Total		**3 187**	3 205	
HDSAs in management	%	**29**	19	
Women in mining	%	**10**	12	
Training and development expenditure	R million	**15**	14	
Safety				
Fatalities		**1**	1	
LTIFR	per million hours worked	**13.13**	7.37	
Environment				
Electricity used	000MWh	**249**	229	
Water used for primary activities**	000m³	**4 063**	1 722	
GHG emissions	000t CO_2e	**275**	274	
Expenditure on local economic development	R million	**15**	13	
Status of mining right	New-order mining right granted in December 2007			

Includes royalty payment in FY10 and FY11.
*** New definitions used in FY11 have resulted in a revised calculation methodology.*

Masimong CONTINUED

The infrastructural upgrade completed in FY10 is producing the expected improvements in productivity, efficiencies and output, facilitated by the process of cycle mining in which specific tasks are performed on specific days.

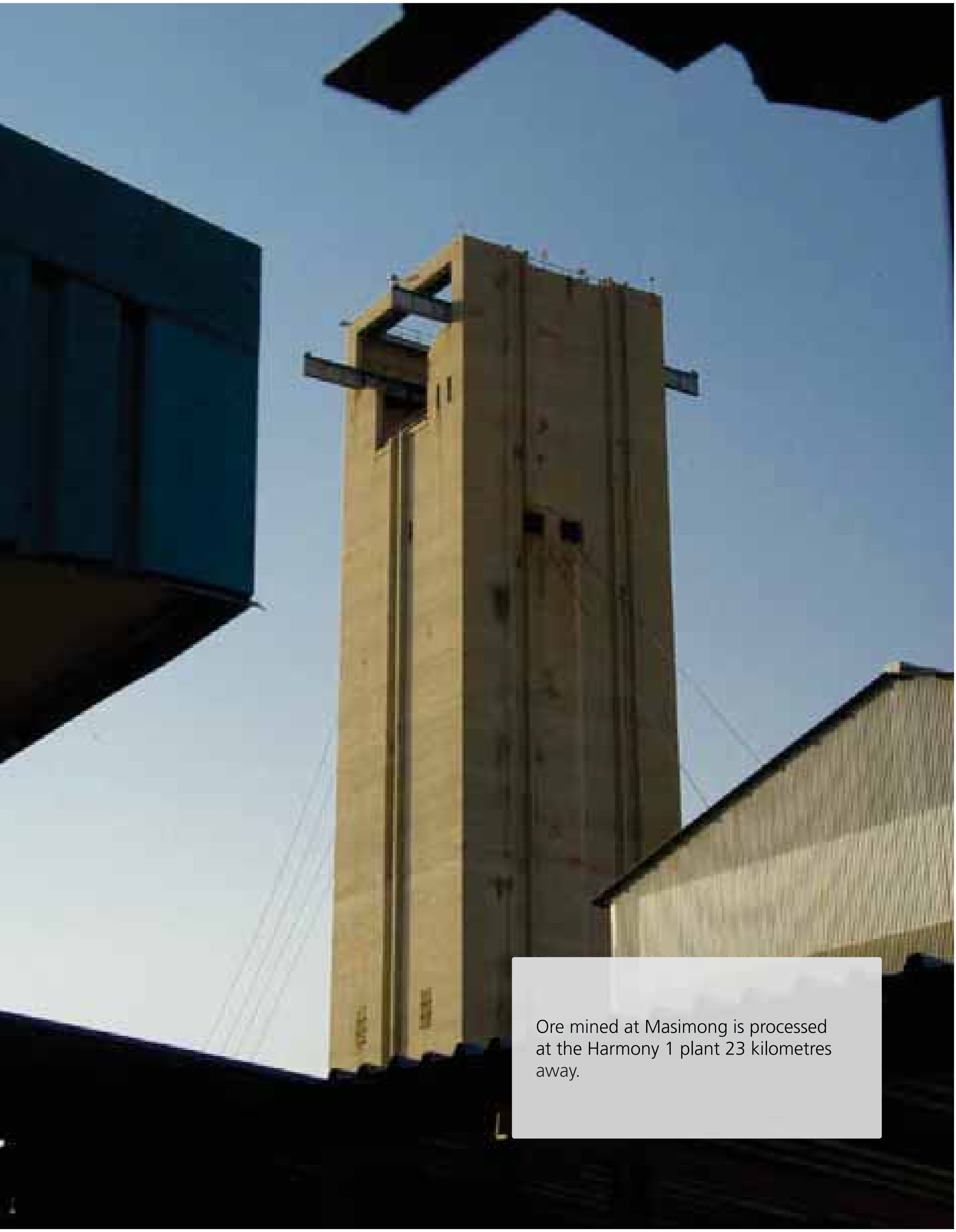
However, results for the period were affected by an underground lock-up of tonnes at the interim stage, caused by a ventilation change-over process and unwarranted stoppages by the Department of Mineral Resources. To address Masimong's historical ventilation issues, the whole ventilation circuit was changed from a booster fan system which itself generated heat. The process was completed in three days and improved ventilation conditions are already evident. A new refrigeration plant will be installed by September 2011.

Following the upgrade programme, production face advances are planned to increase and every effort made to ensure that panels are well equipped and crews motivated. In addition, steps have been taken to overcome the erratic grade of the B reef.

Financial review

Revenue was 4% up to R1 326 million and by 13% to US$190 million. Costs rose by 21% to R177 130/kg and, in dollars, by 31% to US$788/oz, making Masimong the lowest-cost producer among Harmony's operations. The higher gold price achieved in dollars and the weaker rand resulted in operating profit decreasing by 1% to R570 million and increasing by 8% to US$82 million.

Capital expenditure of R178 million (US$26 million) was spent largely on the refrigerator plant, Masimong 4 plug, e-learning and the infrastructure upgrade.



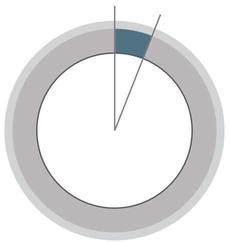
Ore mined at Masimong is processed at the Harmony 1 plant 23 kilometres away.

STEADY-STATE OPERATIONS
CONTINUED

Evander

The Evander operation (now comprising Evander 8 shaft after closure of the 2, 5 and 7 shafts in FY10) mines the Kimberley Reef in the Evander Basin. Ore is milled and processed at the Kinross plant, using a hybrid carbon-in-pulp/carbon-in-leach (CIP/CIL) process. Evander 8 has an expected life-of-mine of around 11 years. A project to deepen this shaft, by means of an additional twin decline system down to 25 level and infrastructure extensions, is under way.

Operational contribution to production – FY11



Safety

The behaviour-based safety initiative at Evander produced significant results in FY11, with a 50% improvement in safety indicators and a fatality-free year (FY10: two fatalities). The LTIFR improved to 3.72 per million hours worked (FY10: 7.41).

More detailed information on safety performance and Harmony's sustainable development concerns in South Africa can be found in the online ***sustainable development report,*** with a summary on pages 6 to 15 of this report.

The Evander operation employed 2 970 people (including 423 contractors) in FY11.

Detailed information on Evander's resources and reserves appears in the mineral resources and mineral reserves section of this annual report.

Operations review

Ore milled for the year totalled 541 000 tonnes, a decline of 31% on FY10. The main contributor was the closure of Evander 2, 5, 7 and 9 shafts, accounting for 208 000 tonnes in FY10, while Evander 8 shaft recorded a decrease of 7% compared to FY10. Lower production levels were expected for the first half of the year because of a ventilation constraint on the decline shaft. This together with a decline in grade to 4.26g/t (FY10: 4.41g/t) resulted in a 34% decrease in gold produced to 74 011oz.

Following the FY10 feasibility study that proved the viability of Evander 8, greater attention was given to re-engineering this shaft. This involves not just deepening the decline but repositioning it within the payshoot for immediate access to high-grade areas between 24 and 25 levels. The project's parameters include optimising

Evander key statistics

Production		FY11	FY10	FY09
Volumes milled	000t (metric)	**541**	788	1 125
	000t (imperial)	**596**	869	1 241
Gold produced	kg	**2 302**	3 475	5 912
	oz	**74 011**	111 724	190 075
Average grade	g/t	**4.26**	4.41	5.25
	oz/t	**0.12**	0.13	0.15
Financial				
Revenue	R million	**717**	910	1 514
	US$ million	**102**	120	168
Operating cost*	R/kg	**266 542**	248 190	165 377
	US$/oz	**1 186**	1 018	572
Operating profit	R million	**95**	51	516
	US$ million	**13**	7	57
Capital expenditure	R million	**196**	175	210
	US$ million	**28**	23	24
People				
Number of employees				
Employees		**2 547**	2 865	
Contractors		**423**	466	
Total		**2 970**	3 331	
HDSAs in management	%	**35**	31	
Women in mining	%	**8**	8	
Training and development expenditure	R million	**14**	22	
Safety				
Fatalities		**0**	2	
LTIFR	per million hours worked	**3.72**	7.41	
Environment				
Electricity used	000MWh	**280**	397	
Water used for primary activities	000m³	**4 463**	5 267	
GHG emissions	000t CO_2e	**288**	491	
Expenditure on local economic development	R million	**3**	5	
Status of mining right	New-order mining right granted in December 2007			

** Includes royalty payment in FY10 and FY11.*

Evander CONTINUED

logistics, cooling and ventilation as well as an upgrade of the refrigeration plant. In our last annual report, we estimated that this project would yield 245kg (7 876oz) from 29 000tpm at an average grade of 8.56g/t per month. The results of these initiatives started to materialise in the last quarter of FY11.

Evander performed very well during the last quarter, as shown in the graphs below, with a substantial increase in recovery grade at 5.68g/t, due to improvements in the face grade. More mining crews were moved into the main payshoot of the decline section, where the grade is higher.

During FY11, the chilled water project was completed. This now pumps cold water from the 7 shaft refrigeration plant to 8 shaft, significantly reducing the heat load in the decline section and improving underground environmental conditions. In addition, much work went into electricity savings through load control on the compressors, and controlling the Winkelhaak water via 8 shaft. An external belting company was contracted for repairs and maintenance to conveyors on the decline, considerably reducing the number of conveyor belt breakdowns.

Ongoing improvements to ventilation at Evander will include a new raise borehole between 17 and 21 levels, more return airways and the installation of a second refrigeration plant at 18 level. This will improve both temperature and air quality, and enable Evander to operate to 25 level using the same ventilation infrastructure.

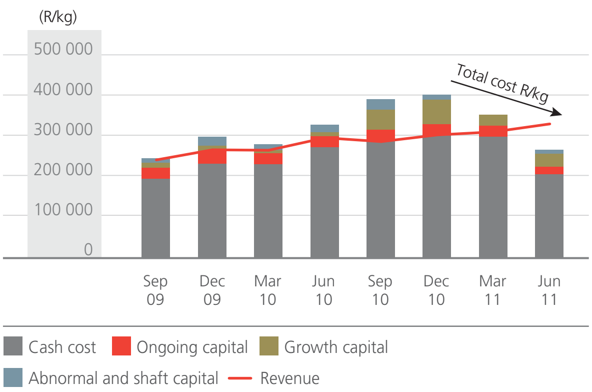
Following the closure of the Evander 2 and 5 shafts as well as the Winkelhaak plant, a short-term clean-up programme continued in FY11. The aim was to clean up any metal contained in the plant footprints, process rock from dumps in the vicinity, rehabilitate the Winkelhaak plant, and clean the surface rail network. In FY11, around 290 000 tonnes were treated via this programme at a recovered grade of 1.49g/t, yielding 432kg (13 889oz) of gold. Benefits from this programme are expected to contribute to Evander's results for another year.

Financial review

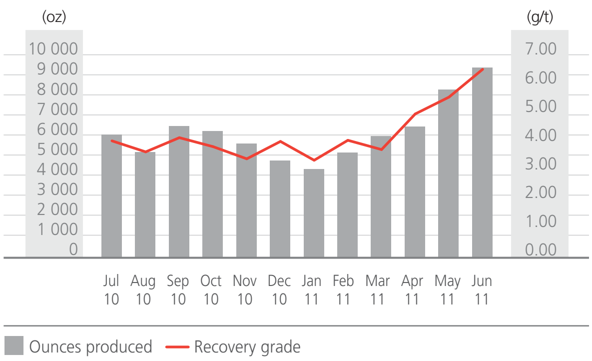
Revenue declined by 21% in rand terms to R717 million while production costs fell by 28% in rand terms to R622 million and in dollars terms to US$89 million. If this is compared for Evander 8 only, revenue increased by 9% to R717 million, while production costs rose by 7%. Unit costs rose by 7% to R266 542/kg and by 17% to US$1 186/oz, a result of reduced production, labour rate increases and higher electricity tariffs. Operating profit rose to R95 million (US$13 million).

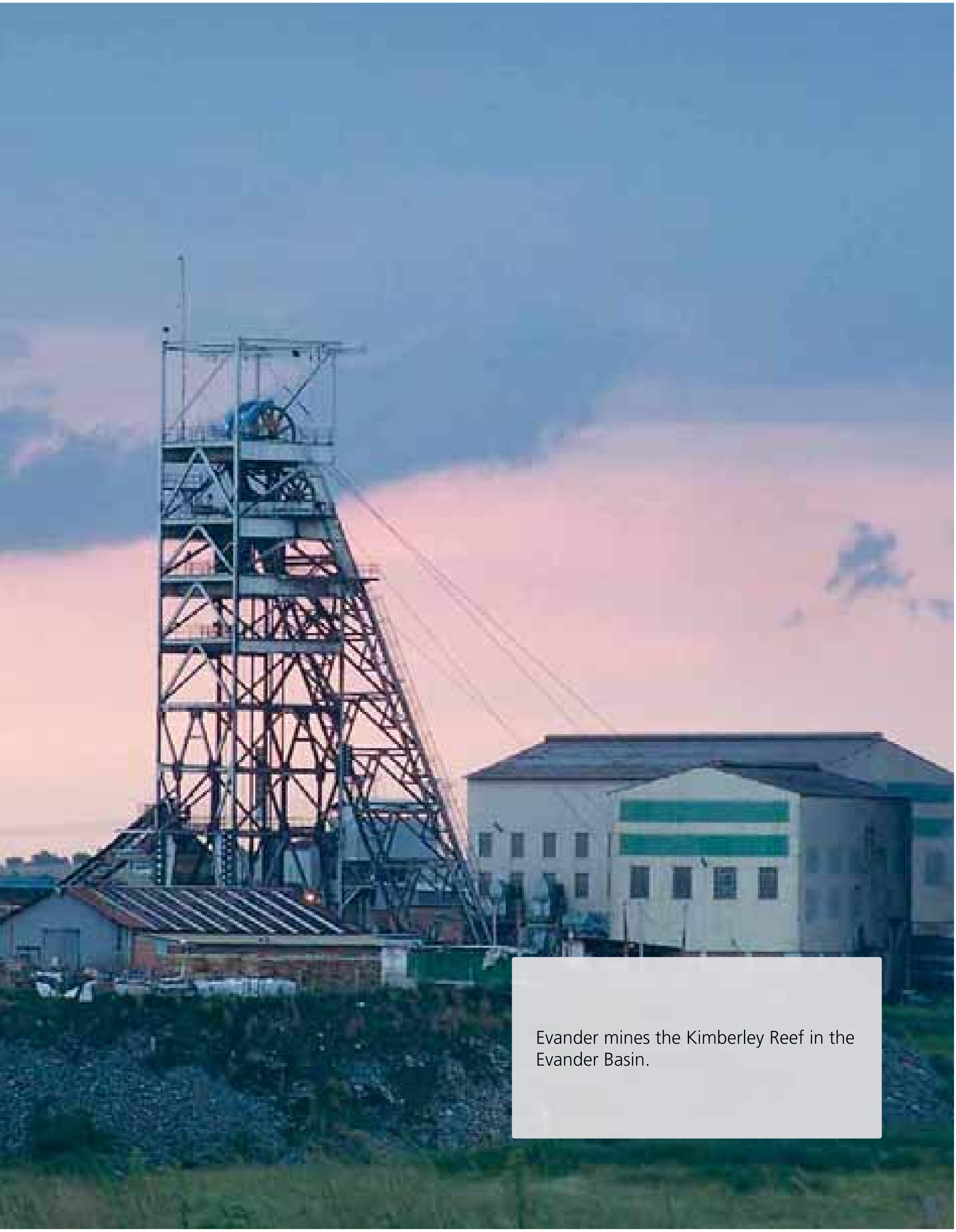
Capital expenditure of R196 million was spent mostly on ongoing development (R57 million), major equipment maintenance (R22 million) and on shaft capital (R21 million) with the balance being spent on major project capital for Evander 8 (R96 million).

Evander 8 shaft – operational cash flow



Evander – turnaround at 8 shaft





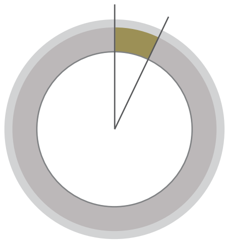
Evander mines the Kimberley Reef in the Evander Basin.

OTHER SOUTH AFRICAN OPERATIONS

Bambanani

Bambanani mine is near Welkom. It has two surface shafts (including Steyn 2) and a sub-shaft, with ore conveyed 7 kilometres to Harmony 1 plant for processing. This deep-level operation conducts mostly scattered mining on the Basal Reef with roughly a quarter of mining activities focused on remnant pillar extraction. Development is under way in preparation for the extraction of the shaft pillar, due to begin in 2013.

Operational contribution to production – FY11



Safety

Bambanani regrettably had three fatalities in FY11 (FY10: one) and reported an LTIFR of 10.74 per million hours worked (FY10: 9.29). This is an unsatisfactory performance, and more work is being done to improve safety behaviour.

↗ More detailed information on safety performance and Harmony's sustainable development concerns in South Africa can be found in the online ***sustainable development reports,*** with a summary on pages 6 to 15.

Bambanani employed 3 820 people in FY11 (including 402 contractors).

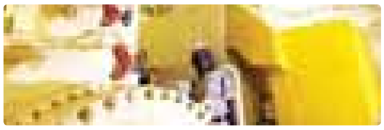
↗ Detailed information on Bambanani's resources and reserves appears in the mineral resources and mineral reserves section of this annual report.

Operations review

In FY11, 426 000 tonnes were milled, down 19% from FY10. Recovered grade decreased 11% to 6.95g/t. Both contributed to the lower gold produced.

Volumes were severely affected by refrigeration constraints from September 2010 to January 2011. Following the seismic event in September, which resulted in two fatalities, we conducted a safety risk review on the remnant pillars. Mining on all remnant pillars along the major fault structure was stopped. These were very high-grade pillars, which affected the overall grade of the operation.

Bambanani is preparing to mine the shaft pillar in the near future and production in the sub-shaft will therefore stop soon, as the orebody in this area of the mine is almost depleted. We anticipate that the shaft pillar will be mined for around eight years from 2013.



Bambanani mine

Bambanani key statistics

Production		FY11	FY10	FY09
Volumes milled	000t (metric)	**426**	528	517
	000t (imperial)	**470**	582	570
Gold produced††	kg	**3 051**	4 137	3 780
	oz	**98 092**	133 007	121 530
Average grade	g/t	**6.95**	7.77	7.32
	oz/t	**0.203**	0.227	0.213
Financial				
Revenue	R million	**921**	1 114	924
	US$ million	**132**	147	103
Operating cost*	R/kg	**280 075**	176 253	176 834
	US$/oz	**1 247**	723	611
Operating profit	R million	**93**	369	273
	US$ million	**14**	49	31
Capital expenditure	R million	**321**	207	52
	US$ million	**46**	28	6
People				
Number of employees				
Employees		**3 418**	3 611	
Contractors		**402**	276	
Total		**3 820**	3 887	
HDSAs in management	%	**39**	44	
Women in mining	%	**9**	9	
Training and development expenditure	R million	**18**	13	
Safety				
Fatalities		**3**	1	
LTIFR	per million hours worked	**10.74**	9.29	
Environment				
Electricity used	000MWh	**471**	467	
Water used for primary activities	000m^3	**2 655**	3 505	
GHG emissions	000t CO_2e	**652**	559	
Expenditure on local economic development	R million	**6**	4	
Status of mining right	New-order mining right granted in December 2007			

** Includes royalty payment in FY10 and FY11.*
†† FY11: 90kg (2 894oz) and FY10: 33kg (1 061oz) were capitalised.

Bambanani CONTINUED

Shaft-pillar preparation has proceeded well, with major equipping in the incline shaft set to begin in December 2011. The incline shaft is alternative infrastructure to replace the main shaft infrastructure which will be destroyed below 60 level during shaft pillar extraction.

The only development left at Bambanani is capital waste metres for the shaft pillar project and follow-on development for cleaning purposes. Similarly, at Steyn 2, only capital waste metres for the shaft pillar project are outstanding.

Mining in the decline area will end in the next six months, after which mining will take place around the high-grade shaft pillar over the next eight to ten years. Backfill will be used to minimise ground control-related risks when mining begins in the shaft pillar in 2013.

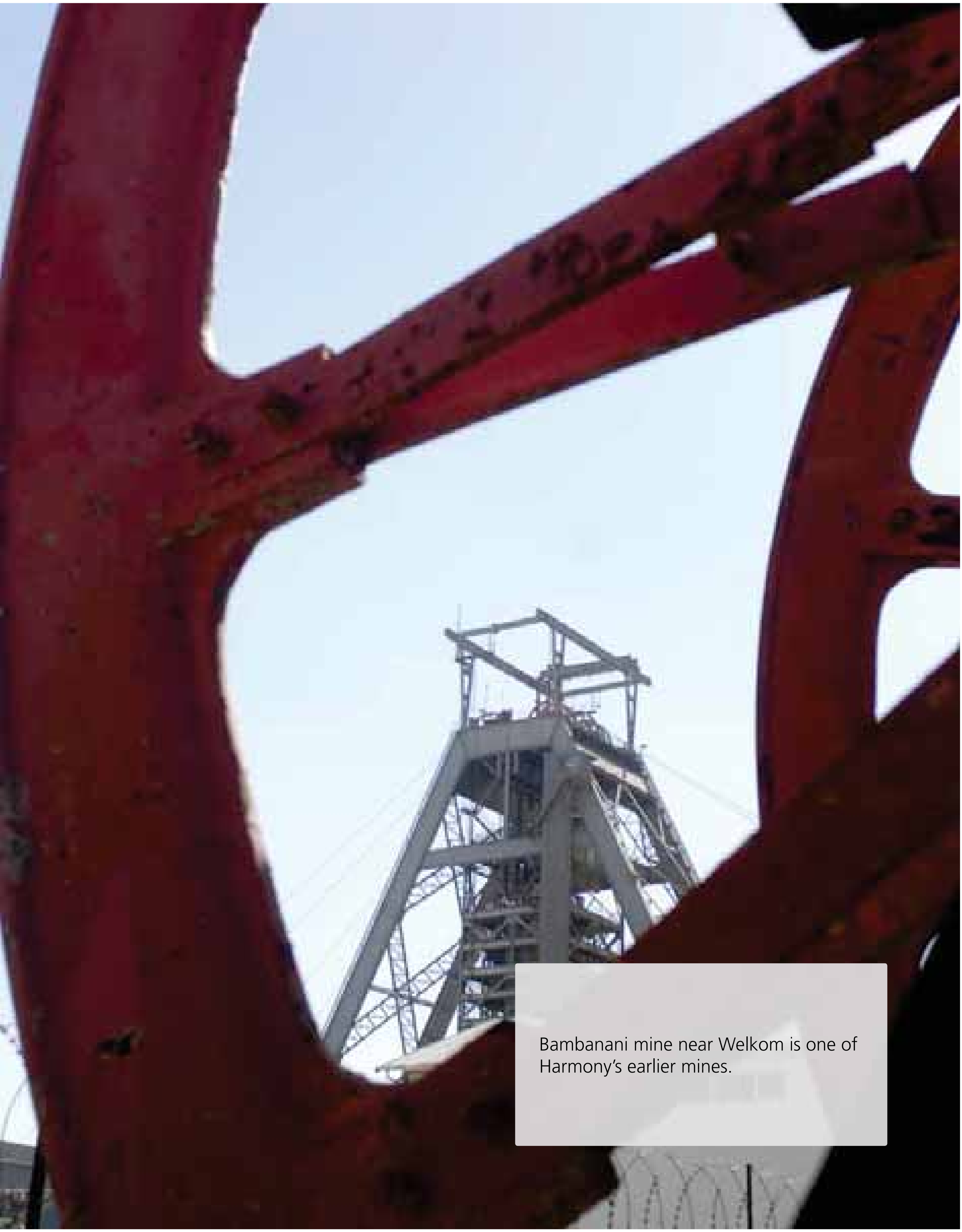
Equipping of the Steyn 2 shaft, in build-up phase, continues to improve face length flexibility.

Financial review

Revenue and cash operating profit decreased significantly in both rand and dollar terms, despite the higher average gold price received for the year. This was due to lower ounces sold. Revenue was R921 million (US$132 million) and cash operating profit R93 million (US$14 million), down by 17% and 75% respectively. Production cost of R828 million (US$118 million) for the year was 11% higher (20% up in dollar terms).

The year-on-year cash operating cost increased mainly on a 26% increase in the cost of electricity, which now constitutes 28% of the total cost of operation. Excluding this, operating costs rose 8.9% year on year. A higher labour cost reflects annual salary increases as well as an increase in the average staff complement of 278.

Capital expenditure rose by 55% in FY11 to R321 million, including R162 million in capital costs for the Steyn operations. The majority of the remaining capital at Bambanani East was for the shaft-pillar work.

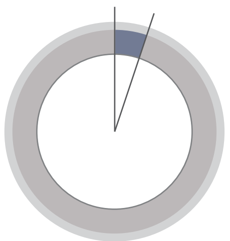


Bambanani mine near Welkom is one of Harmony's earlier mines.

Virginia

The Virginia operations were among the oldest in the group however, by year end, these comprised just Unisel after the closure of Merriespruit 1. Unisel is of intermediate depth, mining ranging from 1 000 to 2 000 metres, and uses scattered mining and pillar reclamation to access the Basal, Leader and Middle Reefs. Ore is processed at Harmony 1 plant.

Operational contribution to production – FY11



Safety

There was regrettably one fatality at Unisel during the period (FY10: five), with the LTIFR at 11.57 per million hours worked (FY10: 12.86).

More detailed information on safety performance and Harmony's sustainable development concerns in South Africa can be found in the online ***sustainable development report,*** with a summary on pages 6 to 15 of this report.

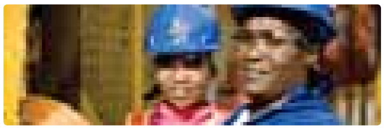
Unisel employed 1 870 people in FY11, including 68 contractors.

Detailed information on Unisel's resources and reserves appears in the mineral resources and mineral reserves section of this annual report.

Operations review

The FY10 review of Harmony's asset portfolio included the economic viability of the Virginia operations, characterised by depleted orebodies, mature infrastructure and low grades. Accordingly, Brand 3, Harmony 2 and Merriespruit 3 were closed.

After careful review, the company announced in October 2010 that it would also close Merriespruit 1 shaft. Earlier in the period, a productivity-linked deal with trade unions was reached allowing Merriespruit 1 to continue operations, provided it did not make a loss (on a total cost basis, including capital expenditure) for two consecutive months and total costs remained under R250 000/kg. Despite the best endeavours of



Virginia key statistics

Production		**FY11**	FY10	FY09
Volumes milled	000t (metric)	**576**	1 656	2 261
	000t (imperial)	**636**	1 826	2 493
Gold produced	kg	**2 213**	5 288	8 030
	oz	**71 149**	170 013	258 170
Average grade	g/t	**3.84**	3.19	3.55
	oz/t	**0.112**	0.093	0.104
Financial				
Revenue	R million	**682**	1 415	2 033
	US$ million	**98**	187	226
Operating cost*	R/kg	**250 193**	252 537	184 538
	US$/oz	**1 114**	1 036	638
Operating profit	R million	**120**	75	545
	US$ million	**18**	10	61
Capital expenditure	R million	**79**	180	199
	US$ million	**11**	24	22
People				
Number of employees				
Employees		**1 802**	3 979	
Contractors		**68**	57	
Total		**1 870**	4 036	
HDSAs in management	%	**21**	36	
Women in mining	%	**9**	13	
Training and development expenditure	R million	**14**	27	
Safety				
Fatalities		**1**	5	
LTIFR	per million hours worked	**11.57**	12.86	
Environment				
Electricity used	000MWh	**283**	406	
Water used for primary activities**	000m^3	**2 772**	10 380	
GHG emissions	000t CO_2e	**142**	491	
Expenditure on local economic development	R million	**5**	4	
Status of mining right	New-order mining right granted in December 2007			

** Includes royalty payment in FY10 and FY11.*
*** Water decreased year on year due to the decommissioning of the Virginia operations.*

Virginia CONTINUED

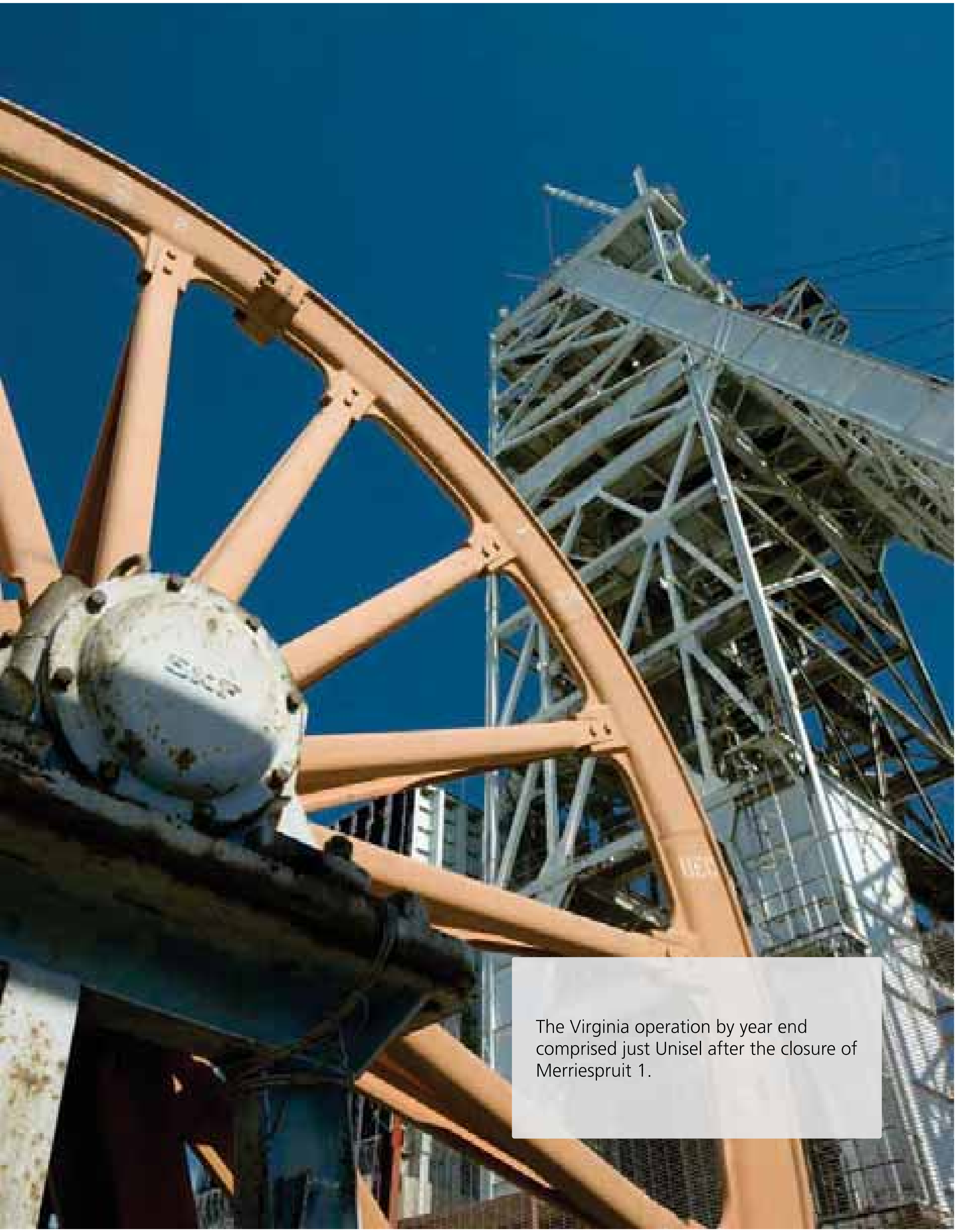
the operational team, Merriespruit 1 failed to meet these conditions and closure procedures started. After formal consultation with employees on alternatives to retrenchment, 1 200 of the 1 470 employees affected by closure were transferred to our growth operations, resulting in minimal and mainly voluntary retrenchments. The company also successfully renegotiated mortgage conditions for affected employees to preserve their homes.

As a result of restructuring the Virginia operations, production for the year was down 65% to 576 000 tonnes milled. However grade improved markedly, validating the decision to close the loss-making shafts. Gold production decreased 58% to 71 149oz.

At Unisel, both Basal and Leader Reef development produced good results after environmental constraints in the E block were removed by the completion of the cooling project. Middle reef development focused on the decline area pillars and was affected by seismicity and poor ground conditions. No development was undertaken on the A or B Reefs. Overall, the shaft produced reserves on the Basal and Leader Reefs. Future development will continue to focus more on the better-grade E block and portions of the Brand 5 shaft pillar.

Financial review

Revenue decreased 52% to R682 million. Following the closure of Merriespruit 1, cash operating costs decreased by less than 1% to R250 193/kg (US$1 114/oz). However, operating profit rose by 60% to R120 million (US$18 million) after the closure of loss-making units. Capital expenditure of R79 million (US$11 million) was spent largely on ongoing development (69%), maintenance and other shaft capital (31%).

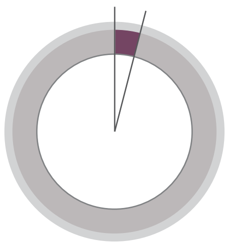


The Virginia operation by year end comprised just Unisel after the closure of Merriespruit 1.

Joel

Joel mine, on the south-western edge of the Witwatersrand Basin, comprises two shafts, North and South. Since recommissioning the Joel plant in 2009, ore mined is now processed on site. Scattered mining takes place on the Beatrix Reef, down to a depth of some 1 400m.

Operational contribution to production – FY11



Safety

Overall, safety performance improved in FY11. Regrettably, Joel recorded one fatality (FY10: one) with an LTIFR of 2.05 per million hours worked (FY10: 4.26).

More detailed information on safety performance and Harmony's sustainable development concerns in South Africa can be found in the online ***sustainable development report,*** with a summary on pages 6 to 15 of this report.

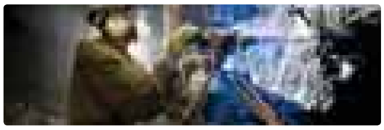
Joel employed 1 554 people in FY11 (including 101 contractors).

Detailed information on Joel's resources and reserves appears in the mineral resources and reserves section of this annual report.

Operations review

Grade decreased by 23% with a 7% decrease in volumes milled to 407 000 tonnes in FY11. This resulted in an overall decline of 28% in gold produced to 1 449kg (46 586oz). The decrease in production stems mainly from the shaft stoppage in July and August 2010, and the process of equipping the lift shaft which was completed by end-FY11.

While production at Joel has progressively moved to the deeper portions of the mine, some 1 400 metres below surface, access to these areas is via North shaft, which was never fully equipped for this. Accordingly, retrospective adjustments to shaft spillage arrangements have included changing the winder from sinking to production mode; installing larger skips; ensuring



Joel key statistics

Production		FY11	FY10	FY09
Volumes milled	000t (metric)	**407**	439	513
	000t (imperial)	**448**	484	566
Gold produced	kg	**1 449**	2 006	2 043
	oz	**46 586**	64 495	65 684
Average grade	g/t	**3.56**	4.57	3.98
	oz/t	**0.104**	0.133	0.116
Financial				
Revenue	R million	**454**	524	503
	US$ million	**65**	69	56
Operating cost*	R/kg	**291 288**	193 019	183 925
	US$/oz	**1 297**	792	636
Operating profit	R million	**37**	145	137
	US$ million	**5**	19	15
Capital expenditure	R million	**73**	88	56
	US$ million	**11**	10	6
People				
Number of employees				
Employees		**1 453**	1 436	
Contractors		**101**	34	
Total		**1 554**	1 470	
HDSAs in management	%	**47**	50	
Women in mining	%	**11**	10	
Training and development expenditure	R million	**4.6**	6	
Safety				
Fatalities		**1**	1	
LTIFR	per million hours worked	**2.05**	4.26	
Environment				
Electricity used	000MWh	**108**	79	
Water used for primary activities	000m³	**722**	682	
GHG emissions	000t CO_2e	**121**	94	
Expenditure on local economic development	R million	**5**	3	
Status of mining right	New-order mining right granted in December 2007			

** Includes royalty payment in FY10 and FY11.*

Joel CONTINUED

emergency egress was available; raise boring the lift shaft from 121 to 129 level; and improving cleaning arrangements at the shaft bottom.

After excessive spillage at the bottom of North shaft at the end of the prior year, which cost Joel 43 production days in the first quarter of the review period, the shaft-bottom rehabilitation process was completed in 50 days (rather than the planned 59 days) with production resuming in September 2010. A permanent spillage arrangement (spillage skip) was installed by December 2010.

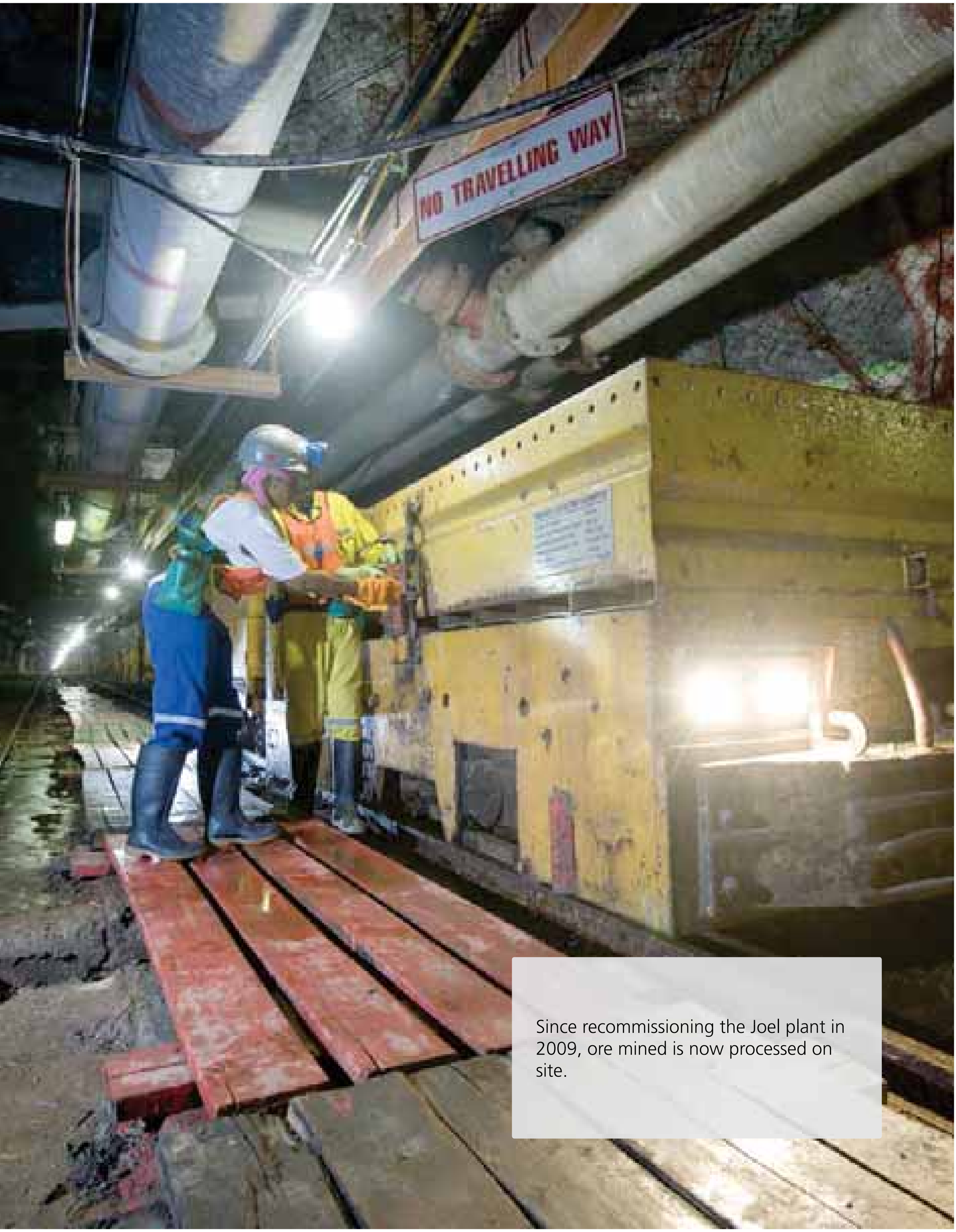
Performance was hampered mid-year as the higher grades on 129 level could not be accessed until the lift shaft was commissioned. The lift shaft is an integral part of the logistics of mining at Joel, and was only equipped to 121 level. To facilitate future production for mining below 121 level, we decided to ream and equip the lift shaft to 129 level. A sub-level was developed on 121 level for access to the conveyance only, giving us time to equip the raise bore shaft to 129 level. Equipping of the lift shaft was completed at the end of June 2011.

The mining support design has changed with the shaft changing from shallow to intermediate depth. This will impact on the face advance as well as the costs per square metre. The face time and tramming time will decrease in FY12 with the completion of the lift shaft and mining raises being concentrated closer to the lift shaft.

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

Financial review

Revenue decreased by 13% to R454 million and by 6% to US$65 million, despite an increase in the gold price year on year. Cash operating costs in rand terms rose by 51% to R291 288/kg mainly due to the total stoppage of the shaft in July and August 2010. Operating profit was down by 74% to R37 million (US$5 million). Capital expenditure of R73 million was 17% lower than FY10 mainly due to a drop in ongoing capital development metres after the shaft stoppage in 2010.



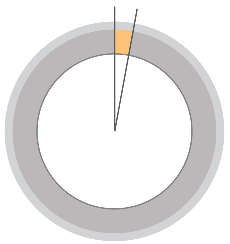
Since recommissioning the Joel plant in 2009, ore mined is now processed on site.

SURFACE OPERATIONS

Kalgold

Kalgold is an open-pit mining operation close to Mafikeng. The mine accesses gold-bearing ore in a banded ironstone formation within the Kraaipan Greenstone Belt. Tonnage mined at Kalgold is treated at a carbon-in-leach plant on site.

Operational contribution to production – FY11



Safety

There were no fatal accidents at Kalgold in FY11 while the LTIFR for the year was 5.43 per million hours worked compared to 1.49 in FY10. Commendably, in 2011, Kalgold plant achieved one million fatality-free shifts over a 16-year period.

More detailed information on safety performance and Harmony's sustainable development concerns in South Africa can be found in the online ***sustainable development report,*** with a summary on pages 6 to 15 of this report.

Kalgold employed 545 people, including 316 contractors, in FY11.

Detailed information on Kalgold's resources and reserves appears in the mineral resources and mineral reserves section of this annual report.

Operations review

Volumes at Kalgold declined 5% over the year, largely due to several mechanical breakdowns in the mill section of the metallurgical plant. Gold produced declined by 18% to 1 253kg (40 285oz).

The Watertank pit will be mined out within nine months in FY12 and mining in the A zone is planned to start in the latter part of FY12. A project to replace the carbon-in-leach tanks in the plant will start in FY12.

Harmony continued with brownfields exploration in areas surrounding the Kalgold operation.

Financial review

Despite the lower level of production and cash costs of R254 946/kg (US$1 135/oz), Kalgold reported an operating profit of R81 million (US$12 million). The increase in unit cost largely reflects lower gold production while the tonnage mined remained relatively constant. Capital expenditure for the year was R18 million (US$3 million), mostly on maintaining major equipment.

Kalgold key statistics

Production		**FY11**	FY10	FY09
Volumes milled	000t (metric)	**1 611**	1 700	1 542
	000t (imperial)	**1 775**	1 873	1 700
Gold produced	kg	**1 253**	1 526	2 015
	oz	**40 285**	49 063	64 784
Average grade	g/t	**0.78**	0.90	1.31
	oz/t	**0.023**	0.026	0.038
Financial				
Revenue	R million	**399**	390	512
	US$ million	**57**	51	57
Operating cost*	R/kg	**254 946**	182 215	146 314
	US$/oz	**1 135**	748	506
Operating profit	R million	**81**	116	220
	US$ million	**12**	15	25
Capital expenditure	R million	**18**	11	10
	US$ million	**3**	1	1
People				
Number of employees				
Employees		**229**	230	
Contractors		**316**	250	
Total		**545**	480	
HDSAs in management	%	**67**	63	
Women in mining	%	**13**	13	
Training and development expenditure	R million	**1**	1	
Safety				
Fatalities		**0**	0	
LTIFR	per million hours worked	**5.43**	1.49	
Environment				
Electricity used	000MWh	**42**	77	
Water used for primary activities	$000m^3$	**2 750**	2 337	
GHG emissions	000t CO_2e	**43**	65	
Expenditure on local economic development	R million	**1**	1	
Status of mining right	New-order mining right granted in February 2009			

** Includes royalty payment in FY10 and FY11.*

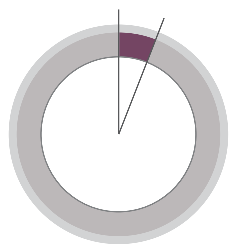
SURFACE OPERATIONS
CONTINUED

Free State surface operations (including Phoenix)

Harmony's Free State surface operations comprise mainly Phoenix tailings and the programme to process waste rock dumps.

- **The Phoenix operation, adjacent to Harmony's current operations in the province, involves tailings retreatment from regional storage facilities to extract residual gold. Phoenix uses the Saaiplaas plant, next to the historical Saaiplaas 2 shaft area and close to Masimong 4 shaft.**
- **There are some 7Mt of reserves available in rock dumps around our Free State operations. A programme, run by metallurgical services, is under way to mill and process these dumps when there is spare capacity.**

Operational contribution to production – FY11



Detailed information on the surface operations' resources and reserves appears in the mineral resources and mineral reserves section of this annual report.

Safety

There were no fatalities at the surface operations in FY11. The Phoenix and surface operations achieved respective LTIFRs of 2.89 and 2.87 per million hours worked for the year.

More detailed information on safety performance and Harmony's sustainable development concerns in South Africa can be found in the online ***sustainable development report,*** with a summary on pages 6 to 15 of this report.

Operations review

Collectively, the Free State surface operations processed 8 391Mt, yielding 2 037kg (65 491oz) of gold. The Phoenix tailings accounted for 587kg (18 937oz), with the balance coming from the waste rock dump programme and other surface operations in the Free State. Recovered grades of 0.11g/t and 0.46g/t were achieved respectively by Phoenix and the waste rock programme and surface operations.

Phoenix, which began four years ago, involves retreating around 6Mt annually (500 000tpm) at plant capacity. Phoenix operations were severely hampered by exceptionally high rainfall, the depletion of the H1 feed source with delayed completion and commissioning of the replacement source Dam 21, severe increases in plant intrusions and cable theft activities. Dam 21 was fully commissioned and teething problems resolved early in May 2011 and tonnage production has since reached target levels. The Dam 21 source proved problematic with plant recovery requiring process modifications. Plans to increase processed volumes up to 900 000 tonnes per month, at which rate the life of the project is around 12 years, have been placed on hold pending performance in FY12 to re-establish confidence in performance and profitability.

Extensive sampling at the water-based tailings dams available for retreatment in the Free State, located mostly between the Bambanani and Unisel operations, as well as around the Merriespruit shafts, has identified seven dams that will be processed through the Steyn, Central and Target gold plants over the next few years. Finite exploration is planned to improve profitability calculations of other potential dams.

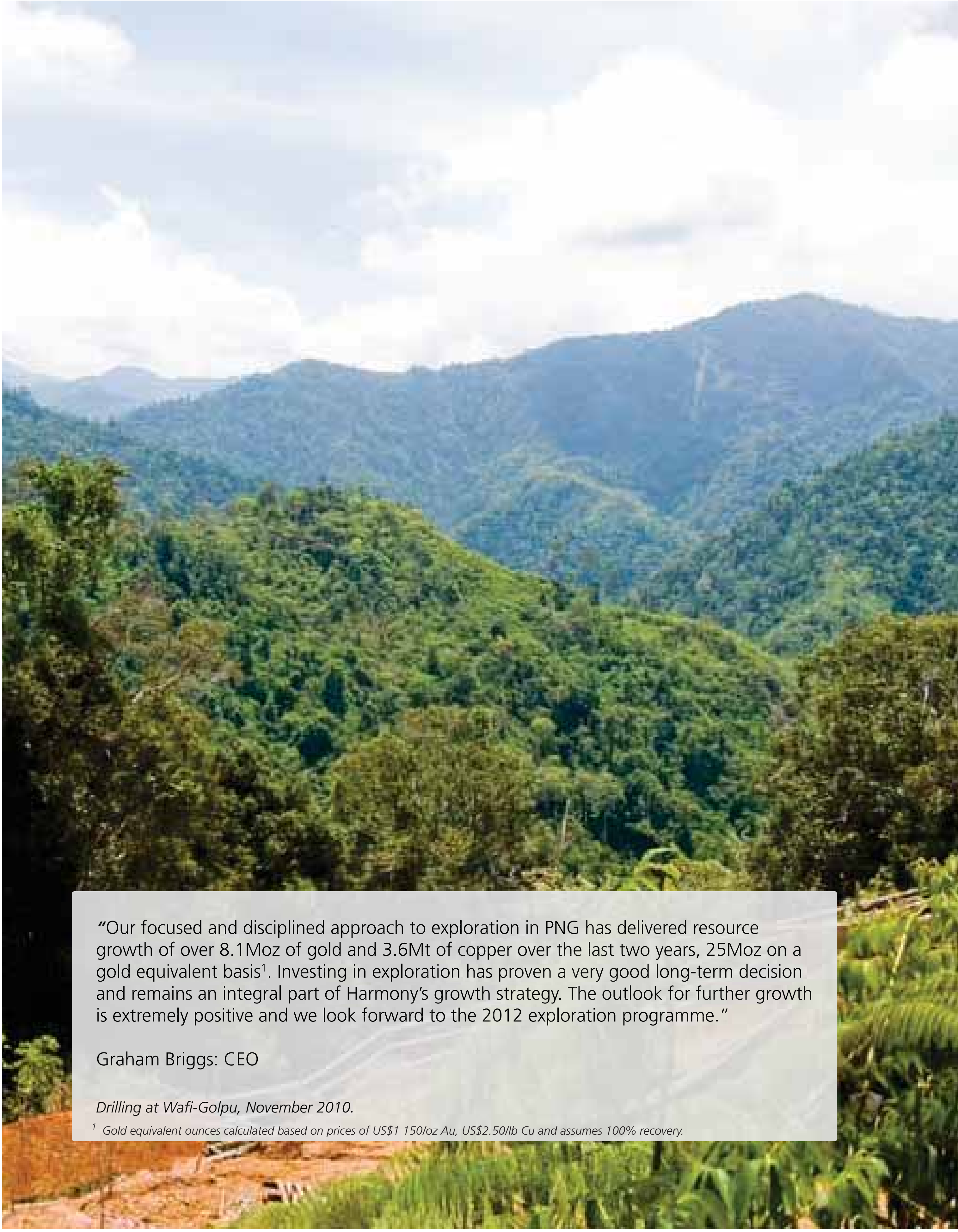
Financial review

Phoenix's cash operating cost for the year was R256 353/kg, up by 38%. Ore recovered from the waste rock programme and surface operations yielded 1 448kg (46 554oz) of gold at a cost of R238 249/kg for the year. Combined, these surface operations generated revenue of R446 million.

Free State surface operations key statistics

Production		FY11	FY10	FY09
Volumes milled	000t (metric)	**8 391**	7 062	5 965
	000t (imperial)	**9 253**	7 787	6 578
Gold produced	kg	**2 037**	1 639	695
	oz	**65 491**	52 693	22 345
Average grade	g/t	**0.24**	0.23	0.12
	oz/t	**0.007**	0.007	0.003
Financial				
Revenue	R million	**627**	442	175
	US$ million	**90**	58	19
Operating cost*	R/kg	**243 484**	170 041	154 426
	US$/oz	**1 084**	698	506
Operating profit	R million	**116**	147	68
	US$ million	**17**	19	8
Capital expenditure	R million	**53**	5	3
	US$ million	**8**	1	–

** Includes royalty payment in FY10 and FY11.*



"Our focused and disciplined approach to exploration in PNG has delivered resource growth of over 8.1Moz of gold and 3.6Mt of copper over the last two years, 25Moz on a gold equivalent basis[1]. Investing in exploration has proven a very good long-term decision and remains an integral part of Harmony's growth strategy. The outlook for further growth is extremely positive and we look forward to the 2012 exploration programme."

Graham Briggs: CEO

Drilling at Wafi-Golpu, November 2010.

[1] *Gold equivalent ounces calculated based on prices of US$1 150/oz Au, US$2.50/lb Cu and assumes 100% recovery.*

GROWTH

EXPLORATION OVERVIEW

Highlights

- **Brownfields exploration in South Africa focused on quality ounces:**
  - **Excellent potential of Freddies 9 shaft**
  - **Positive drill results from Joel – new modelling outlines potential life-of-mine extension of seven years**
- **Quality project pipeline developed – solid balance between early-stage and more immediate prospects to underpin further growth**
- **Resource growth in PNG:**
  - **Wafi-Golpu resource expanded to 26.6Moz gold, 9Mt copper, 84 000t molybdenum**
  - **Equivalent to a total gold endowment of 70Moz[1] (Harmony 50%)**
  - **Discovery cost less than US$10 per oz**
- **Three key exploration project areas established in the New Guinea mobile belt – a world-class copper and gold belt undergoing resurgence in exploration**
  - **Kurunga intrusive complex (porphyry-related gold, copper and molybdenum) at Mt Hagen**
  - **Vein stockwork gold mineralisation at Amanab**
  - **Porphyry copper-gold and associated gold skarn mineralisation at Tari.**

Total exploration expenditure for the Harmony group of companies was R398 million (US$57 million) (86% PNG and 14% SA) and can be broken up into greenfield and brownfield.

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

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

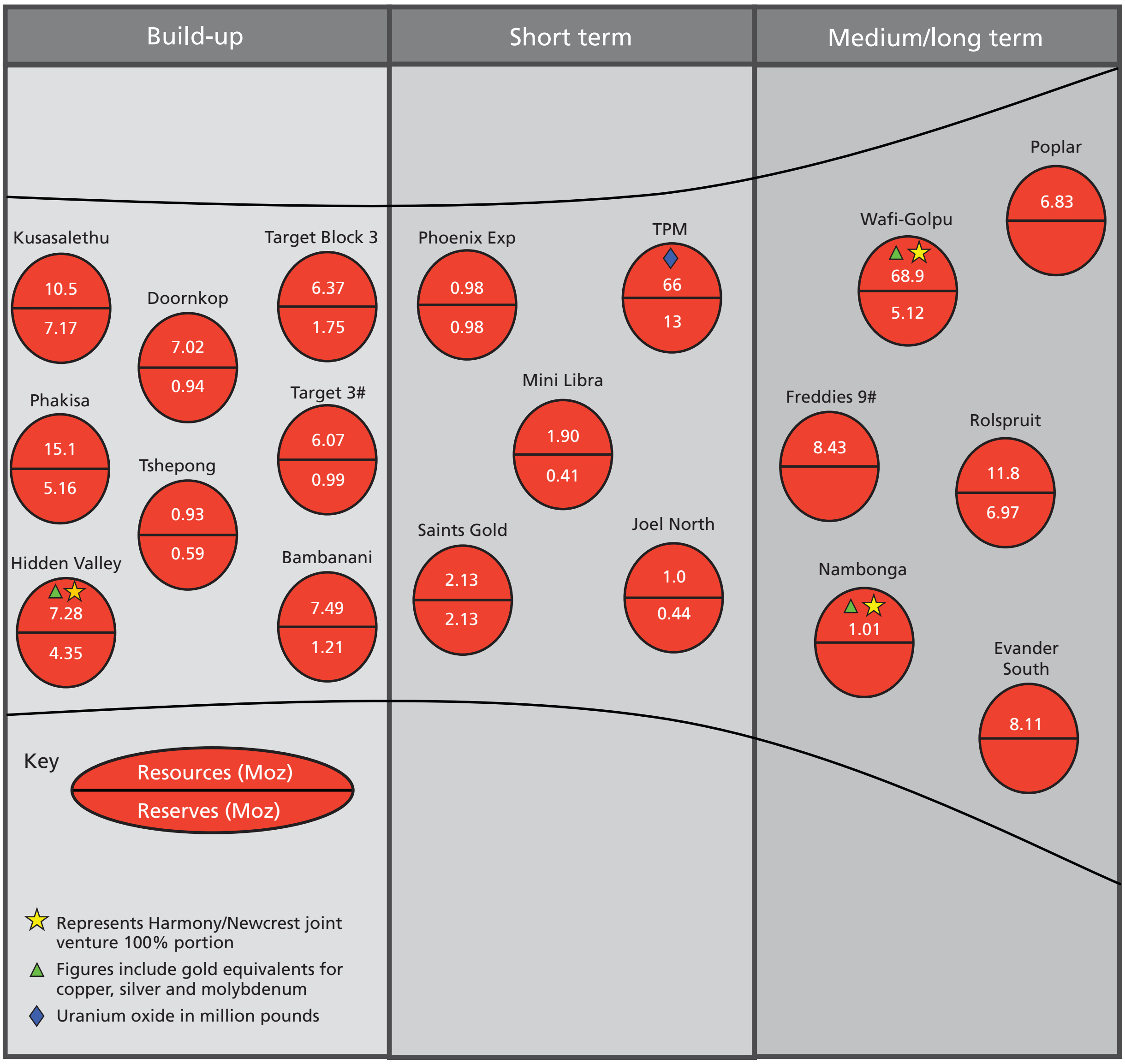
Organic growth and geographical diversification are fundamental to the company's strategy. This is reflected in the board's commitment to exploration.

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

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

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

[1] *Gold equivalent ounces calculated based on prices of US$1 150/ozAu, US$2.50/lbCu, with 100% recovery.*

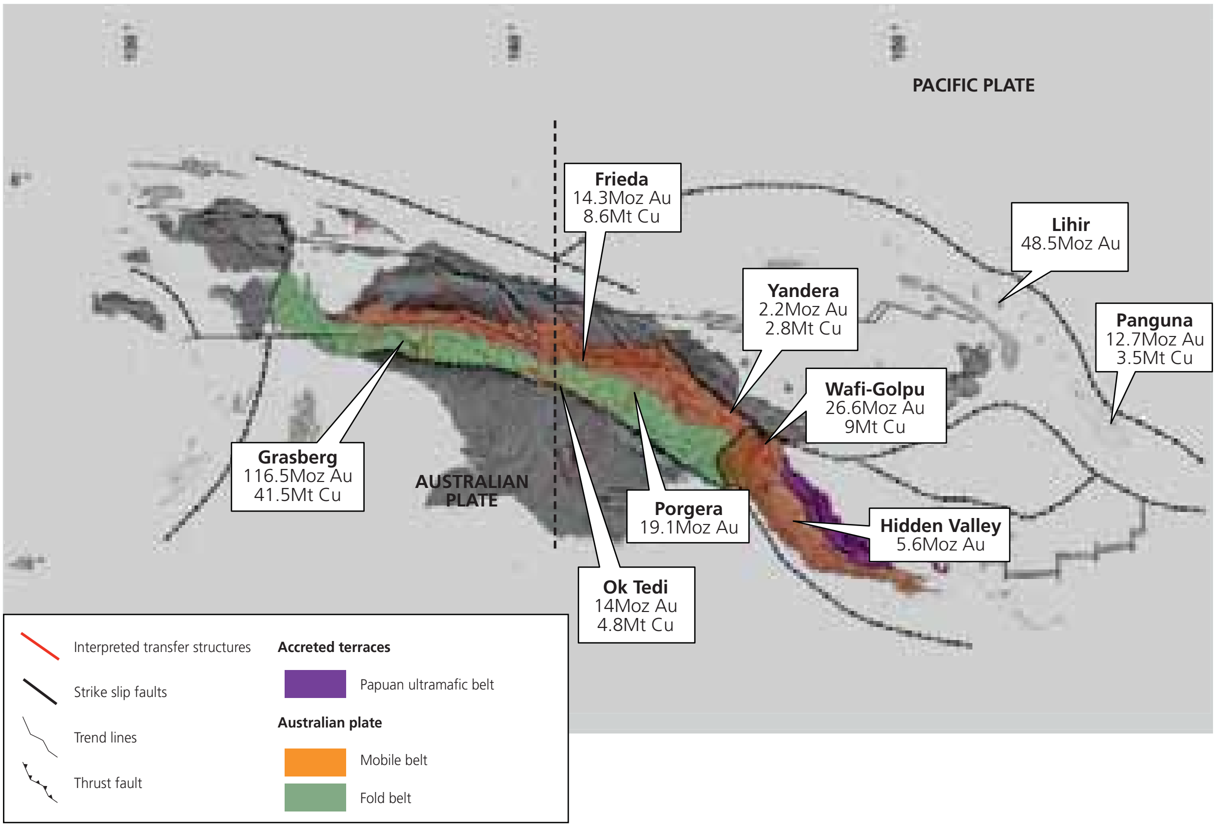


Build-up
Short term
Medium/long term
Kusasalethu
10.5
7.17
Doornkop
7.02
0.94
Target Block 3
6.37
1.75
Phakisa
15.1
5.16
Tshepong
0.93
0.59
Target 3#
6.07
0.99
Hidden Valley
7.28
4.35
Bambanani
7.49
1.21
Phoenix Exp
0.98
0.98
TPM
66
13
Mini Libra
1.90
0.41
Saints Gold
2.13
2.13
Joel North
1.0
0.44
Poplar
6.83
Wafi-Golpu
68.9
5.12
Freddies 9#
8.43
Rolspruit
11.8
6.97
Nambonga
1.01
Evander South
8.11
Key
Resources (Moz)
Reserves (Moz)
Represents Harmony/Newcrest joint venture 100% portion
Figures include gold equivalents for copper, silver and molybdenum
Uranium oxide in million pounds

EXPLORATION OVERVIEW
CONTINUED

Exploration projects

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



New Guinea mobile belt geology overlaid on greyscale image of PNG elevation data. Includes deposit locations with Harmony tenement interests shown in grey.

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

Harmony's exploration investment in PNG since 2003 now totals A$146.8 million. Our resource base has grown by 11.85Moz of gold, 4.51Mt copper, 18.35Moz silver, and 42 000t molybdenum. On an ounce-equivalent basis, this represents 33.8Moz of gold[1] and equates to a cost per discovery ounce of less than US$10.

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

Morobe Mining Joint Venture (MMJV)

The MMJV land holding comprises some 4 726km^2 of tenure. The tenements sit in a broader strategic alliance area where both Harmony and Newcrest operate as JV partners.

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

FY11 exploration expenditure for the MMJV totalled A$31.9 million and has been hugely successful. Drilling on the extensions of Golpu has developed the deposit into the biggest copper-gold discovery in PNG, and arguably the best discovery in the world for 2010. The MMJV resource inventory was increased to 32.6Moz of gold, 9.04Mt copper, 84 000t molybdenum, and 110.3Moz of silver. On an ounce equivalent basis[1], this equates to 77.2Moz and a 31.1Moz increase year on year.

By far the highlight of the 2011 work programme was the expansion of the Golpu copper-gold deposit in PNG. However, greenfields exploration continued with work programmes undertaken on 24 separate prospects in the MMJV area. Exploration statistics for FY11 include:

- 92 097m diamond drilling
- 12 654 surface samples (soils, rock chips, trenches).

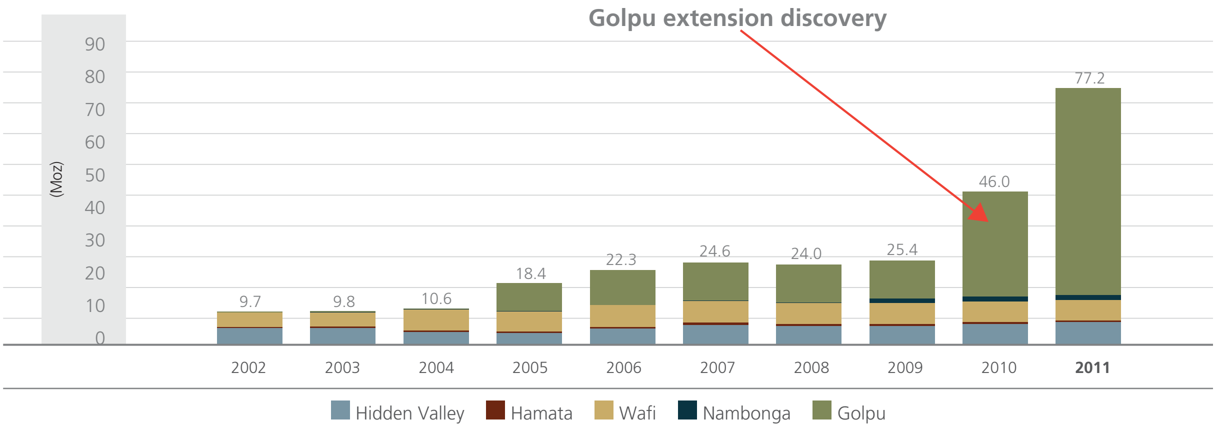
The underlying strategy of the MMJV exploration programme is threefold:

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

Work programmes and results for these activities are detailed below.

The drilling success highlights the fact that the region is under-explored and still has significant potential for the discovery of additional multimillion-ounce gold deposits. Accordingly, the MMJV proposes to spend A$70 million on exploration in FY12 of which A$35 million will be Harmony's share.

Gold equivalent



Resource growth profile of the Morobe Mining JV in PNG: a growing mineral province (Harmony 50%)*

** Refer Harmony website. Resource figures quoted as 100% with gold equivalent based on US$1 150oz Au, US$2.50/lb Cu at 100% recovery for both metals. Molybdenum not included in metal equivalents.*

[1] Gold equivalent ounces calculated based on prices of US$1 150/ozAu, US$2.50/lb Cu, and assume 100% recovery.

Wafi-Golpu

Resource definition and brownfields exploration

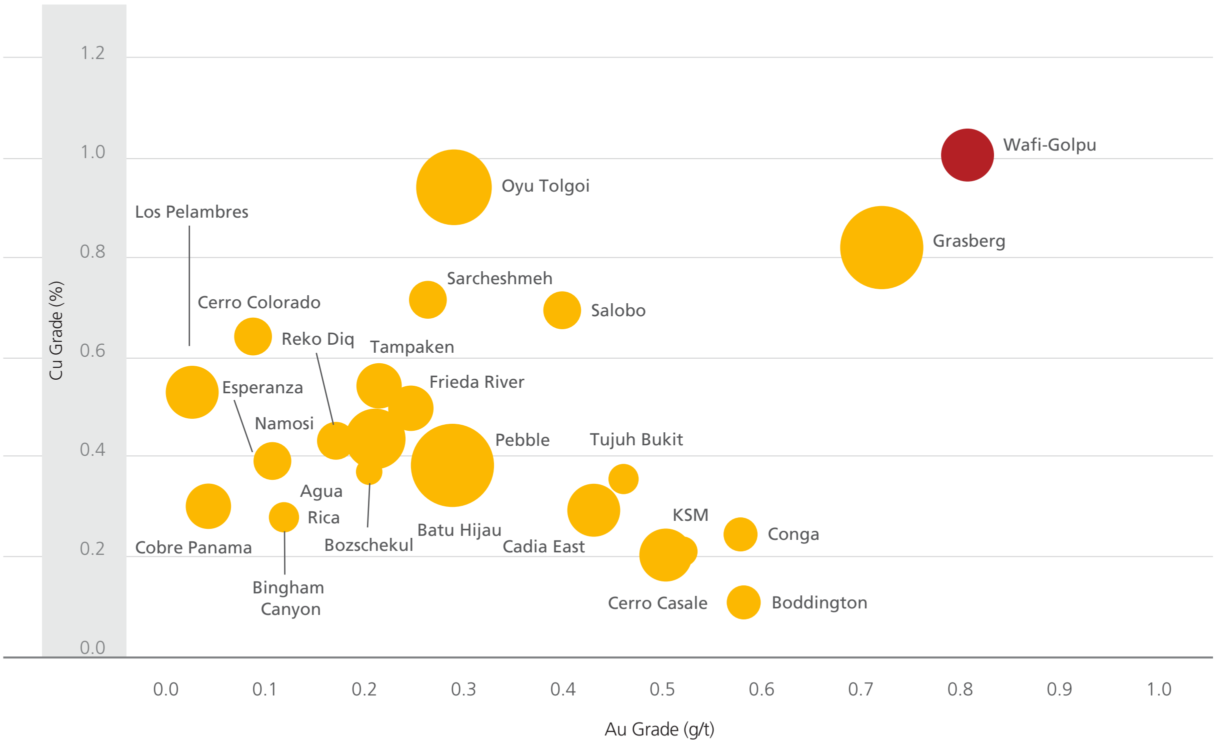
The discovery of extensive zones of additional high-grade mineralisation at Wafi-Golpu has been one of the most significant in the world this year. The Golpu resource increased by 10.5Moz gold and 4.2Mt of copper.

The combined Wafi-Golpu resource is now one billion tonnes at 0.82g/t gold and 0.89% copper, giving 26.6Moz of gold and 9.0Mt of copper (100% basis).

Expressed in gold equivalent[1] terms, this is 70Moz. The Wafi-Golpu resource has world-class credentials compared with other similar projects: in size, it is substantial, and it has the highest copper and gold grade among its peers.

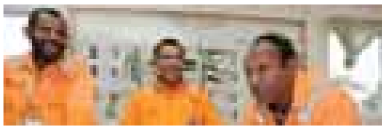
This is phenomenal growth in an already-large system and we have not yet defined the full extent of the resource. Golpu itself is open to the north and at depth, which is being tested with the ongoing drilling programme.

Wafi-Golpu

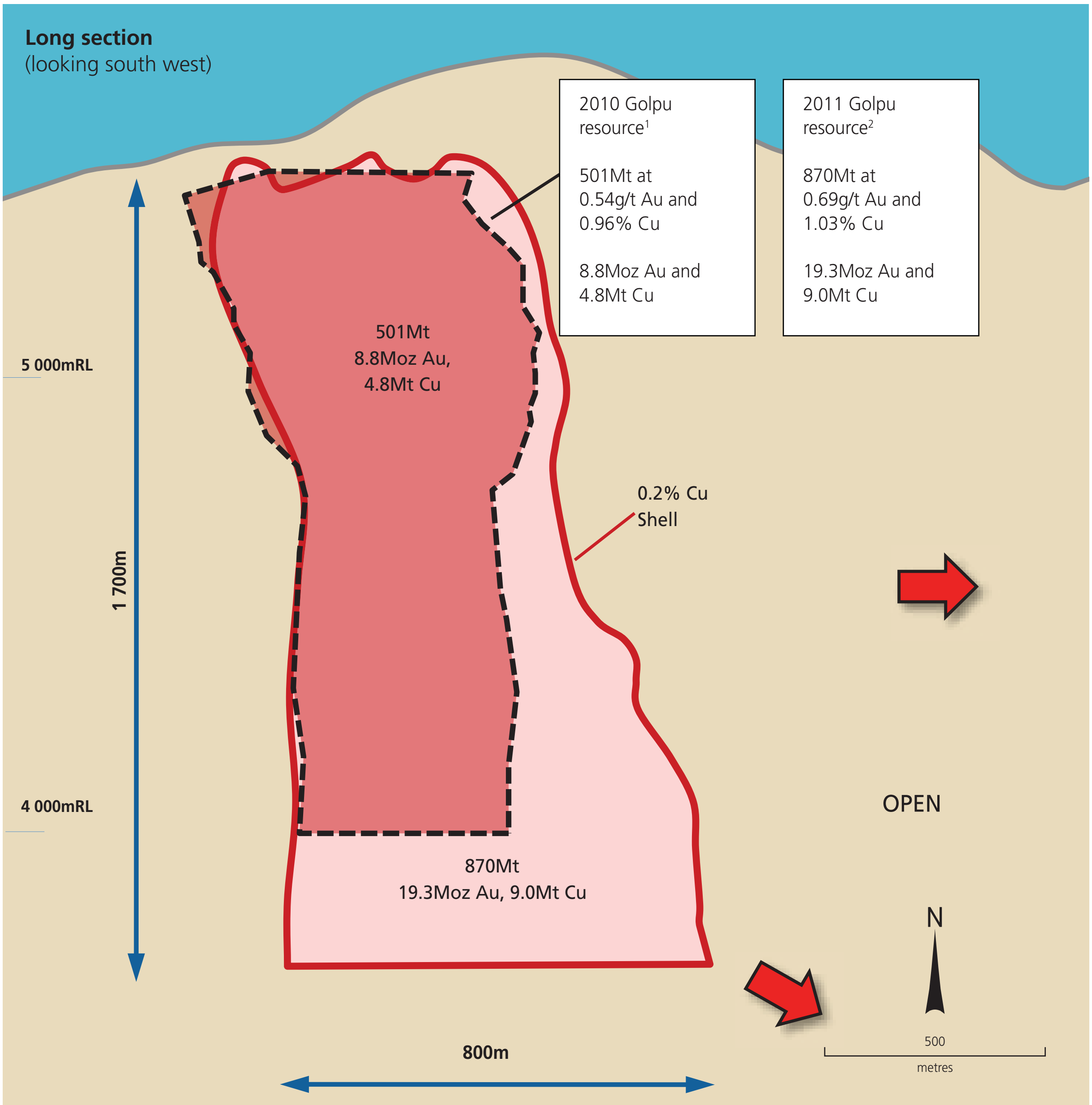


Wafi-Golpu ranks as the highest gold and copper grades of the porphyry systems shown. The size of the bubble represents gold equivalent ounces.

[1] Gold equivalent ounces are calculated assuming a US$1 150/oz Au and US$2.50/lb Cu with 100% recovery for all metals.



The Golpu copper-gold deposit is a nested porphyry system that comprises at least three separate mineralised intrusions. There is strong potential for additional mineralised intrusives along strike from Golpu, at Nambonga, and for additional feeder zones around the margins and at depth below the diatreme. In overall assessment, the area remains hugely prospective and under-explored.



Golpu long section comparing resource outline at 30 June 2011 and 30 June 2010.

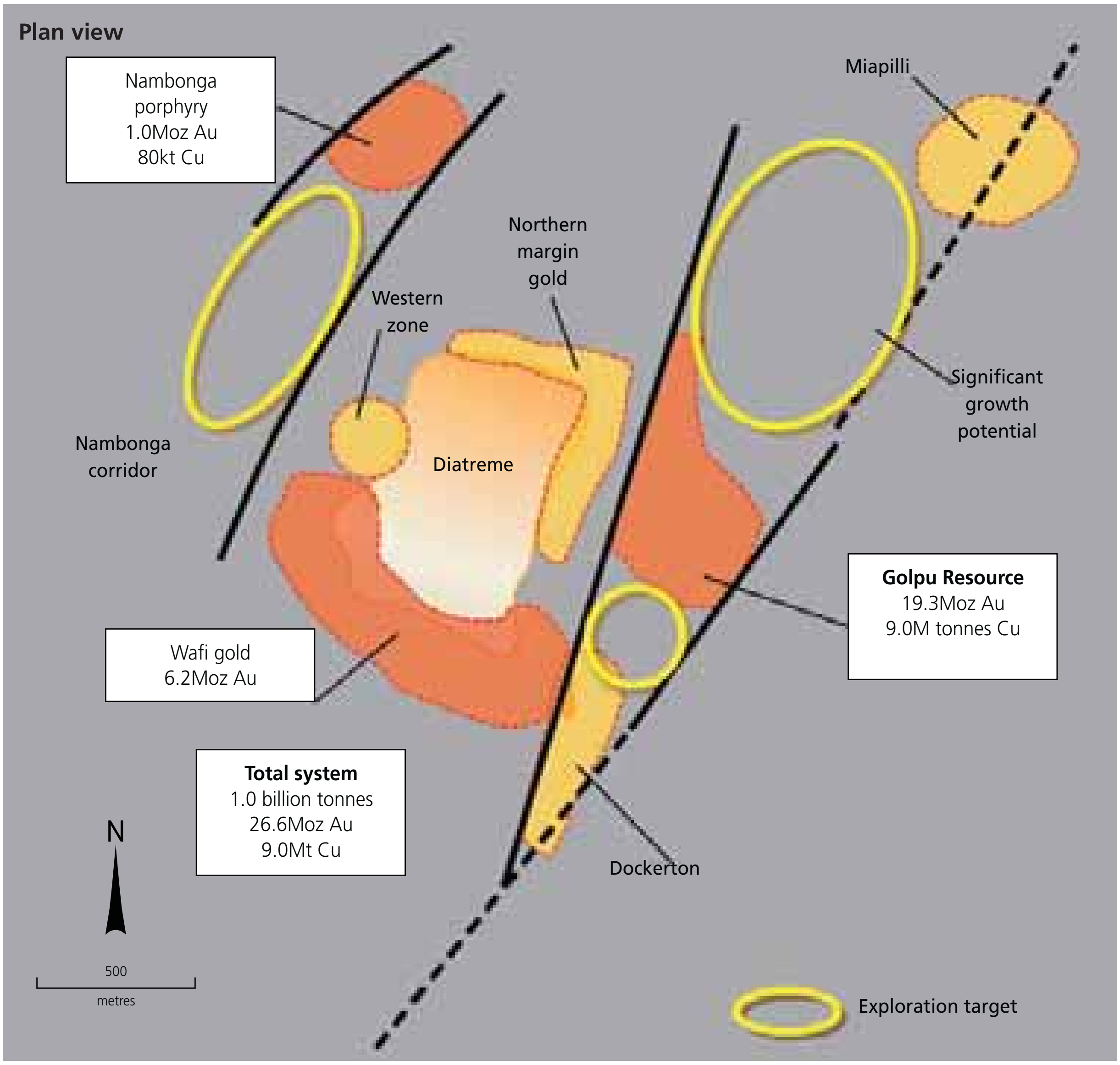
[1] *Gold equivalent ounces are calculated assuming a US$1 150/oz Au and US$2.50/lb Cu with 100% recovery of all metals.*
[2] *Gold equivalent ounces are calculated assuming a US$950/oz Au and US$2.00/lb Cu with 100% recovery of all metals.*

EXPLORATION OVERVIEW
CONTINUED

Wafi-Golpu CONTINUED

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

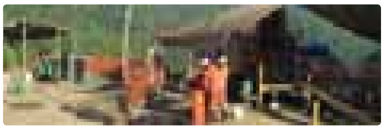
The exploration strategy for the Wafi-Golpu system is to expand the known resource through step-out drilling while exploring for more Wafi- and Golpu-style mineralisation via brownfields exploration strategies inside the 2.5km² project zone and greenfield exploration programmes along the Wafi transfer structure outside the project zone.



The one billion tonne Wafi-Golpu system is contained in a 2.5km² area and managed by a dedicated project team. Exploration "outside the square" is managed by the exploration group.

To help realise the potential of this world-class mineral province, the MMJV is increasing the drill fleet at Wafi-Golpu from five drills to eight. The budget for drilling in FY12 is A$46 million.

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



Pre-feasibility study

Technical and economic evaluation of the Wafi gold and Golpu copper-gold deposits progressed this year into pre-feasibility study. This process is under the control of a joint-venture project team and studies group comprising mainly seconded technical and projects staff from Harmony and Newcrest.

The study is well under way, with most major study elements advancing and specialised work contracted out to expert consultants and engineering firms.

The spectacular success of the exploration programme has meant that much of the detailed mine design work done in earlier phases of study has been superseded by the growth of the Golpu resource. This work is being updated to consider the impact on current concepts for mine development.

The work to date does confirm the findings of earlier iterations of concept and pre-feasibility studies that the Golpu deposit will be the initial economic driver for exploitation of the Wafi mineral province.

The primary objective of the pre-feasibility study is to identify the optimal development sequence and scale for the Golpu copper-gold orebody, together with a staged underground access. The intent is to recommend a development approach that can bring forward mine development without sacrificing strategic optionality and flexibility to accommodate the outcomes of ongoing feasibility studies and the resource drill-out programme that will be happening concurrently.

The study scope also includes consideration of potential scenarios for economic development of the Wafi gold deposits, using synergies with the adjacent Golpu deposit, but without detracting from the timing or operability of solutions for bringing Golpu into production. The Wafi gold deposits include both refractory and non-refractory mineralisation, with much of the resource at depths suitable for open-pit mining. Additionally, options are being considered to exploit the higher-grade deeper zones by underground mining.

Additional elements of the projects include social and environmental programmes, statutory permitting and licensing, and community agreements; all necessary to advance the project to development. These aspects are being progressed within the scope of the project execution plan by dedicated in-country staff who are closely engaged with the relevant stakeholders and government agencies. Defining the pathway to an approval to mine, including plans for managing environmental and social impacts, a basis of agreement with government and community stakeholders and gaining adequate security of tenure are critical in any development.

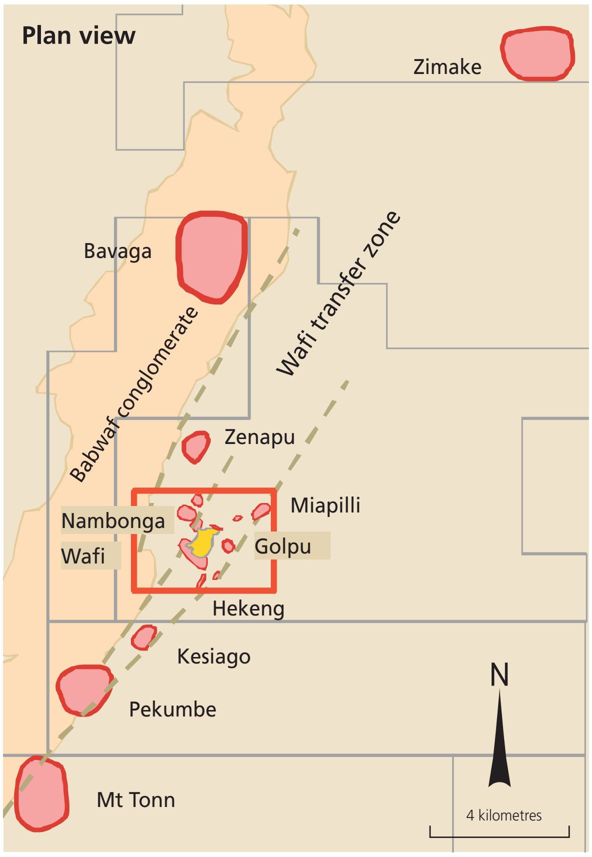
Greenfields exploration

Wafi transfer structure

The Wafi structural corridor is constrained between the faulted contact of the Babwaf conglomerate and the Owen Stanley metamorphics. It comprises over 17km of strike with a number of prospects defined by high-tenor gold and copper-gold geochemistry in stream sediment sampling. The entire corridor ranks as a high-priority target for major mineralised gold and porphyry copper-gold systems similar to Wafi-Golpu.

FY11 work focused on prospect development, with 2 329 surface samples completed over three prospects: Mt Tonn, Bavaga, and Zimake. First-pass drilling (498 metres) was also undertaken at the Pekumbe prospect, with additional drill testing of ranked targets to continue in FY12.

Wafi-Golpu CONTINUED



Wafi transfer structure showing prospect and project locations.

Zimake

The Zimake target is a circular magnetic anomaly of about 5km x 6km. Historical pan concentrate samples from the target area contain anomalous gold grades up to 7.9ppm Au.

Initial observations from reconnaissance mapping and rock-chip sampling have been encouraging, with alluvial gold workings mapped in association with both propylitic and phyllic altered sedimentary rocks, adjacent a granodiorite contact.

Fieldwork is continuing to the north where alteration intensity appears to become more intense.

Mt Tonn (EL1316)

Grid-based sampling results received have highlighted a +100ppb gold anomaly approximately 350m in width by 580m in length in the central portion of the grid. The anomaly remains open to the south of the grid, and has distinctly elevated copper assays.

Mapping showed strong pervasive biotite-chlorite alteration with weak to moderate fracturing and weak disseminated quartz-carbonate+/-pyrite veining. Additional surface sampling and drill testing is planned for FY12.

Bavaga prospect

The Bavaga prospect lies some 5km north of the Wafi-Golpu project on EL1105. Results from stream sediment reconnaissance sampling have outlined a 2km x 1km, +1g/t Au anomaly. A follow-up programme of reconnaissance mapping and rock-chip sampling started in the fourth quarter to identify the source of the gold.

Pekumbe prospect

The Pekumbe prospect lies around 5.5km south-west of Golpu on EL1103. The prospect was generated based on reconnaissance mapping and stream sediment sampling, together with grid-based soil sampling in FY10.

Two drill holes were completed at Pekumbe (PKDH001 and PKDH002) during the year. A third hole was started but abandoned short of target due to drilling difficulties (PKDH003).

PKDH001 intersected a zone of stockwork quartz-carbonate-pyrite veins with pervasive potassic alteration (magnetite-biotite and chlorite-actinolite). Assays for the interval were anomalous (33.4m at 0.1% Cu and 0.17g/t Au from 10.6m) and follow-up drilling for FY12 is planned.

Hidden Valley

Brownfields exploration

Work in FY11 on the Hidden Valley mining lease and surrounding tenure included over 10 000m of diamond drilling (excludes resource definition drilling) and an extensive programme of reconnaissance mapping and surface sampling (500 samples). Development of a district-scale mineralisation model for the Hidden Valley Wau district also started and will be completed in FY12.

The work programme is being undertaken to provide additional new resources to extend mine life or support expansion of the operation. There is also potential in the district for high-grade satellite resources to supplement ore feed to the plant.

Although drilling undertaken at Waterfall and Tais Creek downgraded the prospectivity of these targets, results from the Mungowe and Kulang-Kerimenge prospect areas have been particularly encouraging.

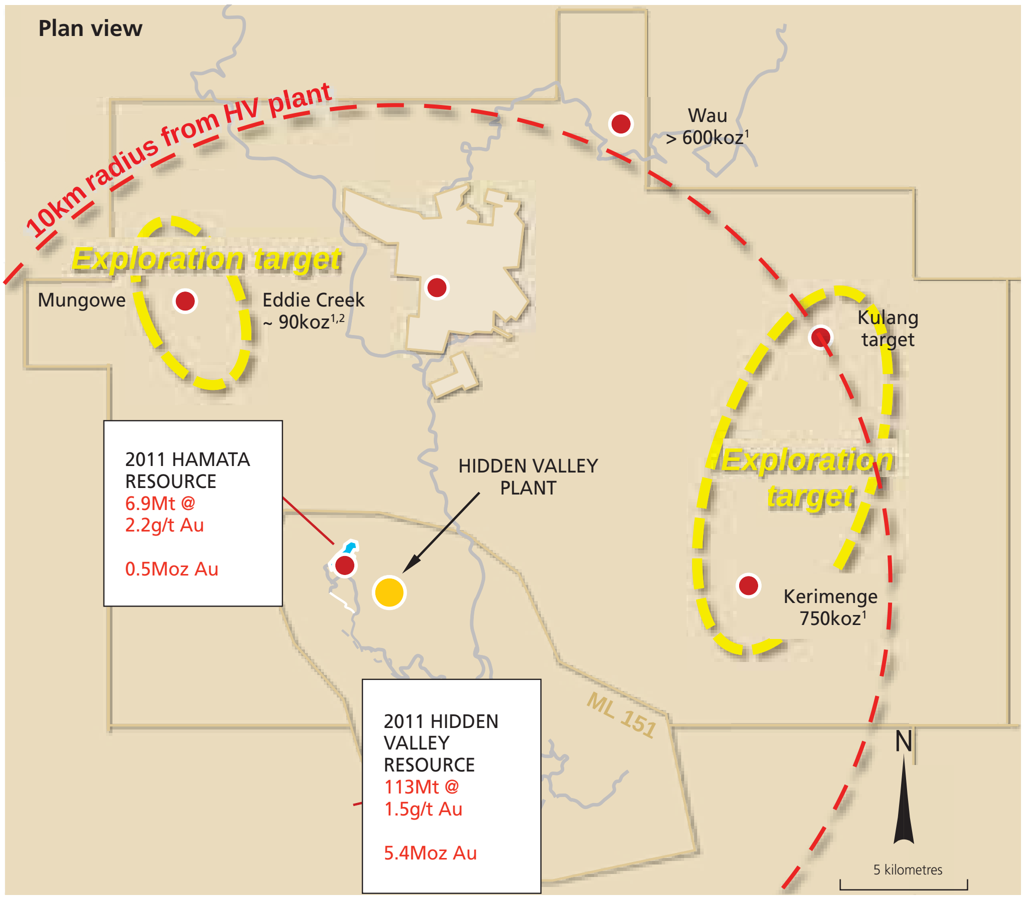
Mungowe

The Mungowe prospect is roughly 6km north-west of Hidden Valley, and was highlighted by historical stream sediment results with anomalous values (greater than 0.5g/t Au) over a 4km zone.

Follow-up reconnaissance mapping and rock-chip sampling (203 samples) have outlined a high-grade zone of outcropping mineralisation with results including: 1m at 87g/t Au, 82.9g/t Ag and 4m at 31g/t Au, 121g/t Ag.

High grades are localised at the intersection of several fault zones, but this sits within a broader envelope of carbonate-base metal mineralisation and alteration covering an area of some 3km by 1.5km. Results may represent leakage of mineralisation through a sediment 'cap' in a structural-geological setting similar to that at Hidden Valley.

The first-pass reconnaissance results are highly encouraging and drill testing is planned for FY12.



Hidden Valley district summary plan showing exploration target locations.

[1] *Endowment includes significant portion alluvial mining and historic production and non-JORC compliant resources.*
[2] *Edie Creek leases are not controlled by MMJV.*

Hidden Valley CONTINUED

Kulang-Kerimenge trend

The Kulang-Kerimenge trend is 7 – 10km west of the Hidden Valley processing facility and comprises a 5km zone of clay-pyrite (argillic) alteration. The alteration zone encompasses a number of historical prospect areas including the high-sulphidation gold mineralisation at Kerimenge, and outcropping base metal carbonate veins at Kulang. The zone is interpreted as alteration and mineralisation in the lithocap above a major porphyry copper-gold system.

First-pass drilling at Kulang prospect (4km north-north-east of Kerimenge) comprised six holes (2 686m). Although no ore grade intercepts were obtained, gold results indicate widespread Au anomalism associated with colloform-banded quartz, rhodochrosite and base metal sulphide veins. These anomalous gold zones carry elevated Ag assays up to 60g/t, suggesting they formed at a high level in the system.

Trenching and detailed alteration mapping continues along the trend to identify vectors to the porphyry source at depth.

Morobe

Regional greenfields exploration

Regional greenfields exploration work continued to develop the project pipeline over the broader tenement package. This work included over 1 200 soil, rock-chip and stream sediment samples, predominantly focused at the Morobe coast, following up on magnetic targets generated in FY11.

Other exploration (Harmony only)

PNG

A total of A$7.6 million (PGK19 million) was spent on greenfields exploration outside of the Morobe JV on Harmony-owned projects where work is now focused on three key projects:

- Mt Hagen: Some 20km north-north-east of Mt Hagen where regional stream sediment sampling has obtained copper and gold anomalies up to 4.08g/t Au and 1 200ppm Cu; one of the highest-tenor copper-gold anomalies in the belt of rocks extending between the Frieda River and Yandera Cu-Au-Mo projects.
- Amanab: Located in Sandaun Province of western PNG, some 160km north of the Ok Tedi copper-gold mine, this project encompasses a significant alluvial goldfield which has never seen drill testing.
- Tari: Located in the Southern Highlands Province around 50km south-west of Porgera where new exploration licence applications encompass several magnetic targets with excellent potential for porphyry copper-gold mineralisation and Porgera-style epithermal gold.

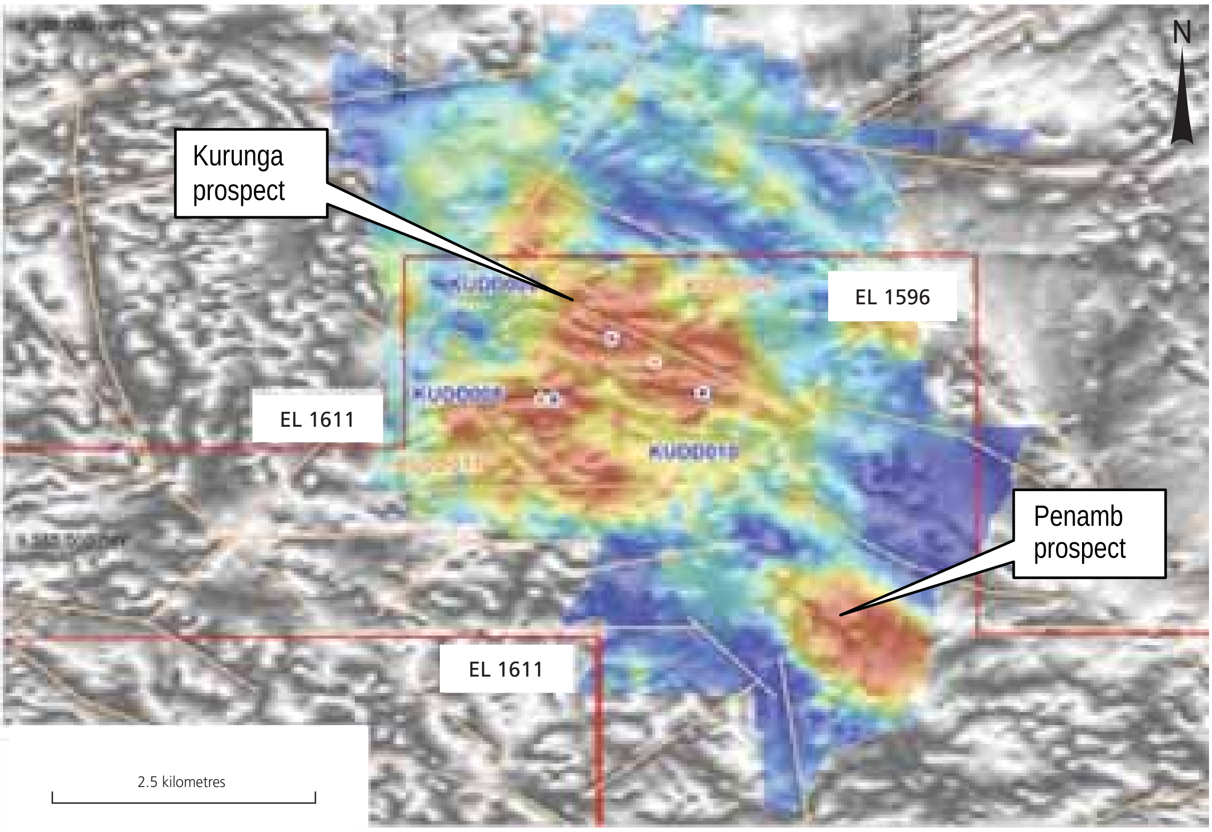
Harmony now holds interest in over 7 258km^2 of exploration and mining tenure in PNG.

A budget of A$14.6 million has been approved for FY12.

Mt Hagen project

The Mt Hagen project forms a contiguous block of tenure covering 994km^2. It consists of two granted exploration licences (EL1596 and EL1611) and several tenement application areas (ELA 1864-1867). Work in FY11 has focused on the Kurunga intrusive complex and comprised over 3 386 soil and rock-chip samples.

Results from this work have defined a number of high-tenor Cu-Au anomalies in close proximity, centred on the Kurunga intrusive complex. The scale and tenor of the anomalies indicate excellent prospectivity for a major porphyry copper system and drill testing has commenced.



Greyscale magnetic image (analytic signal) over Mt Hagen project area with colour overlay showing copper geochemical anomalies. Red areas represent high-order Cu anomalies ranging between 250ppm to 0.14% Cu.

Other exploration CONTINUED

Amanab project

The Amanab project (EL1708) comprises 932km² of tenure and encompasses one of the 17 recognised alluvial goldfields in PNG. Major PNG deposits at Porgera, Bougainville and Morobe (includes Hidden Valley, Wau and Edie Creek) all had similar alluvial gold occurrences established prior to discovery.

Fieldwork at Amanab comprised first-pass ridge and spur soil sampling and reconnaissance rock-chip sampling at Yup River East and West prospects. A total of 700 surface samples were collected. Results received to date indicate potential for a major gold system with a footprint over 5km of strike:

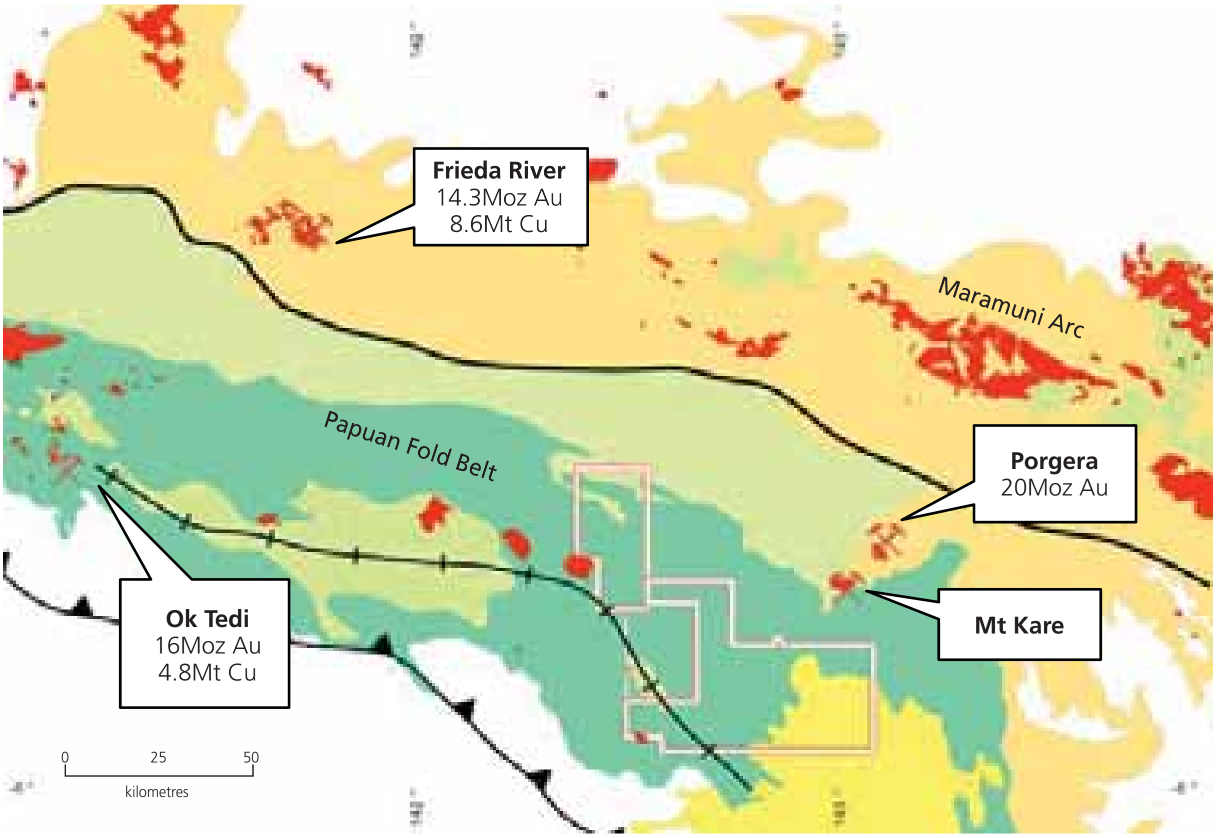
- Outcrop sampling at the Yup River East target area in Amanab returned 4.54g/t Au from chlorite-quartz-pyrite altered shale in Galemu Creek close to the alluvial gold workings. Other rock sampling results in this area included 1.82 and 0.41g/t Au from quartz-limonite-sulphide veins.
- Ridge and spur soil assay results returned peak highs of 13.8 and 6.9g/t Au, with numerous +0.1g/t samples from isolated ridge-line soil traverses.

Follow-up work is planned for the first quarter of FY12.

Tari project

The Tari project applications (EL1785 and 1786) in the Southern Highlands Province comprise some 2 800km² of tenure. The tenements cover the south-west extension of the Porgera transfer structure, and are in the Papuan fold belt with the same host stratigraphy as Ok Tedi and Grasberg deposits.

Data compilation has highlighted the Lake Kopiago area where previous explorers mapped outcropping skarn mineralisation with rock-chip gold assays to 20g/t Au. This will be the focus of the FY12 exploration programme.



Regional geological setting of the Tari project tenements with deposit locations.

- Recent volcanics
- Igneous intrusions
- Papuan fold belt – sediments
- Papuan fold belt – limestone
- Maramuni Arc – sediments
- Major deposits
- Harmony tenements

Other exploration CONTINUED

South Africa

Brownfields exploration

Joel North

The Joel North project is aimed at extending the life of Joel mine. Following favourable results from the drilling programme at Joel in FY10, we commissioned a pre-feasibility study at Joel North to determine whether the depth extension to 137 and 145 levels could be mined profitably. This study was completed in the second quarter, and included the recommendation to take a twin decline from 129 level down to just below 145 level, which will mine out both the 137 and 145 levels.

As a result of this drilling programme and reef type investigation, the geozones for Joel were altered to include the area of Aandenk reef in the north-west, and 129, 137 and 145 levels re-evaluated accordingly.

The completed feasibility study returned a positive net present value. This was based on only mining down to 137 level as exploration drilling only covered the area between 129 and 137 levels. On final acceptance and approval of the feasibility study, an increased reserve could be declared for this area. Harmony now needs to decide whether to drill again from surface to improve the confidence of the resource between 137 and 145 levels.

At present, results from this project indicate a strong possibility of extending Joel's life-of-mine by eight years.

Poplar

Exploration at the Poplar area, around 6km north-west of Evander 8, has been conducted by many previous property owners over the past 50 years. The June 2011 declaration reports an indicated resource of 21.4Mt at an in situ grade of 6.75g/t.

Because the Poplar resource lies at relatively shallow depths (500–1 300m below surface), once approved, the project would be able to produce its first gold within five years.

The drilling programme initiated in late FY10 involved drilling 25 holes (19 500m) and results were used to update the mineral resource on this project. While the drilling repeated many of the values seen before, the evaluation methodology has changed over the years and, as such, total ounces in resource have increased to 6.8Moz (4.6Moz in indicated and the balance in inferred) from last year's 5.1Moz (all in the indicated category). The drilling that was completed highlighted where additional drilling is required, particularly in the south where good grades were returned and where the reef is closest to surface. The orebody is open to the south. Harmony will now begin a new scoping study on the updated mineral resources model.

Freddies 9 shaft

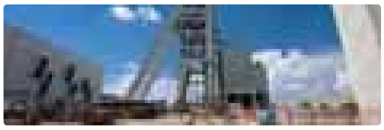
During the year, a desktop study was initiated on the potential of this shaft, acquired from Pamodzi Gold in the prior year. Following this study, we have declared a resource of 8.4Moz of gold. Three major target areas exist and these will be evaluated as part of a business case study in FY12. Positive results are expected from the business case, which will be followed by a pre-feasibility study examining more detailed access options from Tshepong, Freddies 9 and potentially Target 3 shafts.

Retreatment projects

Uranium project – Tshepong, Phakisa, Masimong (TPM)

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

The resource totals 166Mt and contains 66 million pounds of uranium while the completed feasibility study reported production of 45Mt containing 12.7 million pounds of uranium. The project is expected to produce 850 000 pounds of uranium per annum at peak production from 280 000 tonnes of ore per month of underground ore over a 20-year life. As an added benefit, uranium processing enhances gold recovery by around 0.1g/t, resulting in gold production from these operations potentially increasing by some 28kg per month. By treating the uranium as a by-product, it is accounted for as a credit, potentially reducing the operating costs of contributing shafts by some R14 000/kg.



With approvals received from the National Nuclear Regulator (NNR) and Department of Energy in December 2010, the pilot plant was hot commissioned and further test work completed. Results were incorporated into the feasibility study, which was completed in June 2011.

To optimise the potential of this project, a three-month value improvement process was initiated post year end.

In addition, studies to investigate the viability of extracting uranium from tailings facilities at Harmony's other Free State operations are under way. The most likely source would be directly from the proposed gold tailings retreatment operation of Project Saints (St Helena plant).

Project Libra

A planned surface retreatment project is being considered near Evander, based on an extensive drilling programme. Results from drilling conducted on three tailings dams (Kinross, Winkelhaak and Bracken/Leslie, containing 203Mt of plant tailings at an average grade of 0.29g/t) indicate that a viable business case could be made for such a project, Project Libra.

During the year, an initial pre-feasibility study was completed on a mini-retreatment (mini-Libra), lower-tonnage option (200 000t per month) using spare capacity at the Kinross plant. This initial evaluation of the Kinross plant equipment and available deposition sites indicated that such an operation could be implemented at a much lower cost than the larger Libra project.

Following the successful outcome of the pre-feasibility study, a feasibility study was completed by June 2011. Results confirmed the attractiveness of the project which has a life of ten years and requires R152 million in capital funding (the life is constrained by the present Evander underground life-of-mine, but could extend to 18 years on its own). If mini-Libra is approved, it will require a 12-month construction period. Estimates are that mini-Libra will yield 398kg (12 800oz) per annum at peak production, at an operating cost of R119 300/kg over the ten-year duration of the operation.

Project Saints

Project Saints involves the retreatment of surface tailings in the Free State at a rate of 1Mt per month. It is similar to Project Phoenix which has been operational for a number of years and is reported elsewhere. The project requires final approval by the authorities after approval from the Department of Environment and Tourism was obtained last year.

The capital requirement is now R981 million which includes additional funding to build a new plant. The project could be expected to yield 4 225oz per month over a projected 20-year life. Production should start within 15 months of the onset of construction.

GROWTH

The reserves of Harmony's world-class build-up operations, Kusasalethu, Doornkop, Tshepong and Phakisa in South Africa and Hidden Valley in PNG, now constitute 45% of Harmony's total mineral reserves.

MINERAL RESOURCES AND MINERAL RESERVES

As at 30 June 2011, Harmony's mineral reserves amounted to 41.6Moz of gold, spread across Harmony's assets in South Africa and PNG. The reserves of Kusasalethu, Doornkop, Tshepong and Phakisa in South Africa and Hidden Valley in PNG now constitute 45% of Harmony's total mineral reserves. Once the pre-feasibility study of Wafi-Golpu has been completed, more ounces from PNG may be added to Harmony's reserves.

The reserve declaration excludes Rand Uranium reserves (which is being held for sale), as well as some Evander projects which are no longer included in Harmony's long-term mine plans. These exclusions, together with mine depletion, resulted in a decrease of 6.5Moz year on year. Harmony is now focusing on growing, developing and operating its portfolio of quality assets.

As at 30 June 2011 attributable gold mineral resources are 163.9Moz. Harmony's PNG resources represent 10% of Harmony's total resources at 16.3Moz – a 51% increase in the total amount of resources from PNG, largely due to the significant increase in the Wafi-Golpu resource (jointly (50/50) held by Harmony and Newcrest Mining Limited in the Morobe Mining Joint Ventures, MMJV).

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

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

- A gold price of US$1 150/oz
- An exchange rate of US$/ZAR7.57 for South Africa
- These parameters resulted in a gold price of R280 000/kg
- The Hidden Valley mine and Wafi-Golpu project in the MMJV used prices of A$1 133/oz Au, A$18.00/oz Ag, A$18.00/lb Mo and A$3.34/lb Cu at an exchange rate of US$/A$0.75 and PGK/A$2.30.

Auditing

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

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

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

Competent person's declaration

Harmony employs an ore reserve manager at each of its operations who takes responsibility for reporting mineral resources and mineral reserves at his operation.

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

Reserves and resources South Africa:

Jaco Boshoff, Pri Sci Nat, who has 16 years' relevant experience and is registered with the South African Council for Natural Scientific Professions (SACNASP).

Reserves and resources PNG:

Stuart Hayward for the Wafi-Golpu mineral resources, Gregory Job for the Golpu mineral reserve, James Francis for the Hidden Valley mineral resources and Anton Kruger for the Hidden Valley mineral reserve. Messers Job, Francis and Kruger are corporate members of the Australian Institute of Mining and Metallurgy and Mr Hayward is a member of the Australian Institute of Geoscientists. All have relevant experience in the type and style of mineralisation for which they are reporting, and are competent persons as defined by the code.

These competent persons consent to the inclusion in the report of the matters based on the information in the form and context in which it appears. Mr Boshoff and Mr Job are full-time employees of Harmony Gold Mining Company Limited and Mr Hayward is a full-time employee of Wafi-Golpu Services Limited. Mr Francis and Mr Kruger are full-time employees of Newcrest Mining Limited. Newcrest is Harmony's joint venture partner in the Morobe Mining Joint Venture on the Hidden Valley mine and Wafi-Golpu project.

Signed

Jaco Boshoff
24 October 2011

Signed

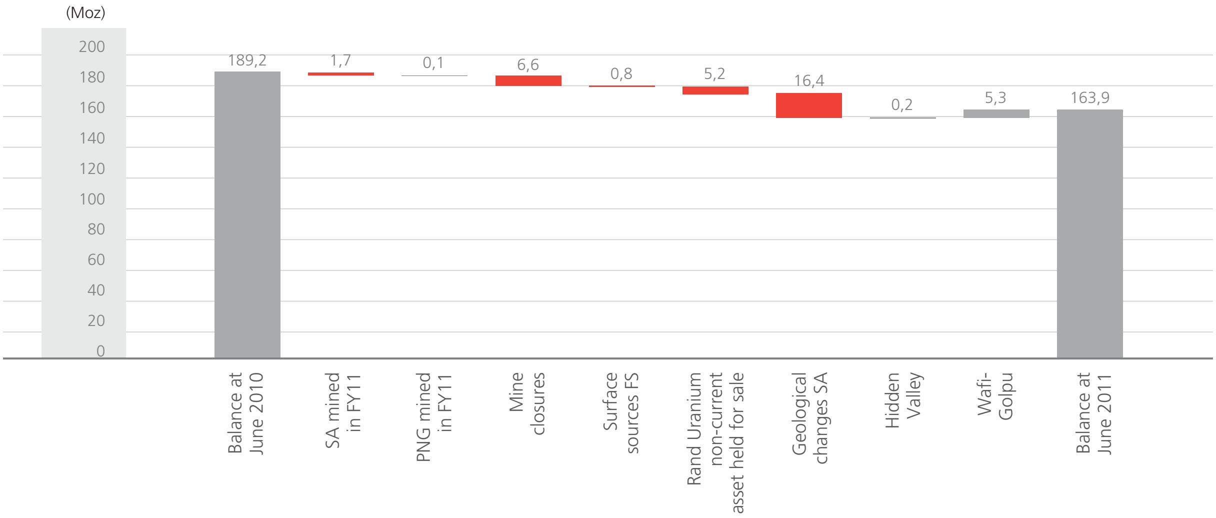
Greg Job
24 October 2011

Reconciliation FY10/FY11

Mineral resources

As at 30 June 2011, attributable gold mineral resources are 163.9Moz, down from 189.2Moz in 2010. This is a negative variance of 19.8Moz from South Africa and a positive variance of 5.5Moz from Papua New Guinea. The following graph shows the year-on-year reconciliation of the mineral resources.

Mineral resources reconciliation Harmony – FY10 vs FY11



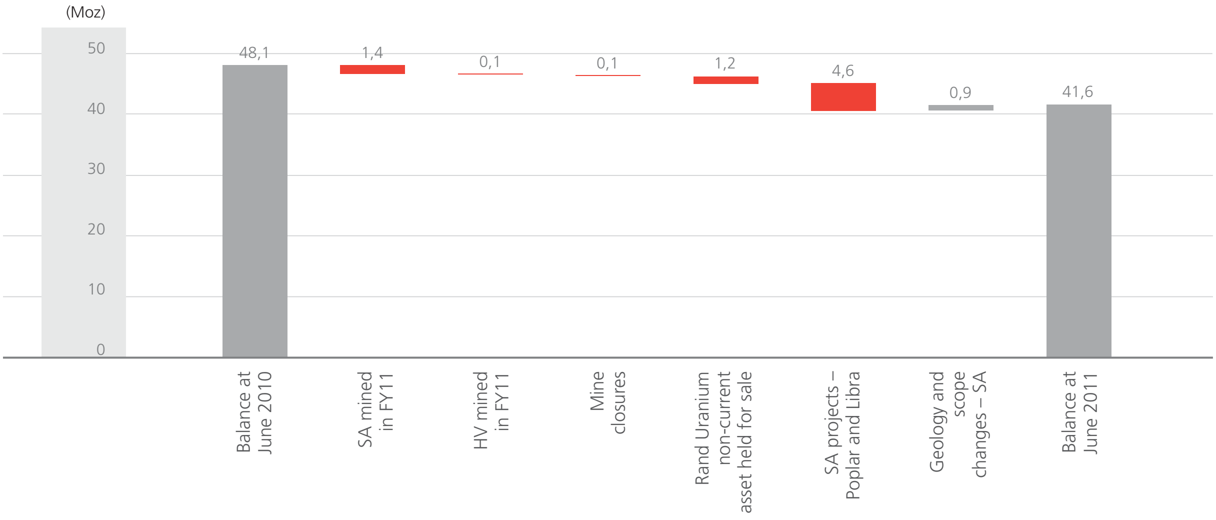
Provisional mineral resources reconciliation: FY10 to FY11

	Gold (tonnes)	Gold (Moz)
Balance at June 2010	**5 885**	**189.2**
Reductions		
Mined during FY2011	(56)	(1.8)
Mine closures	(205)	(6.6)
Surface sources Free State	(25)	(0.8)
Rand Uranium equity (40%) non-current assets held for sale	(162)	(5.2)
Geological changes SA	(510)	(16.4)
Increases		
Hidden Valley	6	0.2
Wafi-Golpu	165	5.3
Balance at June 2011	**5 098**	**163.9**

Mineral reserves

As at 30 June 2011, Harmony's mineral reserves amounted to 41.6Moz of gold. The reserve declaration excludes Rand Uranium reserves (which is being held for sale), as well as some Evander projects which are no longer included in Harmony's long-term mine plans. These exclusions, together with mine depletion, resulted in a decrease of 6.5Moz year on year. The year-on-year mineral reserve reconciliation is shown in the following graph:

Mineral reserves reconciliation Harmony – FY10 vs FY11



Summary table: Mineral reserves

	Gold (tonnes)	Gold (Moz)
Balance at June 2010	**1 496**	**48.1**
Reductions		
Mined during FY11	(47)	(1.5)
Mine closures	(2)	(0.1)
Rand Uranium equity (40%) non-current assets held for sale	(37)	(1.2)
Projects SA – Poplar and Libra	(143)	(4.6)
Increases		
Geology and scope changes – SA	27	0.9
Balance at June 2011	**1 294**	**41.6**

Harmony's South African and Papua New Guinea assets

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

South Africa underground

Underground (excluding below infrastructure)

Increasing level of geoscientific knowledge and confidence

Mineral resources (total)

Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)
419.3	7.95	3 332	107 124

Reported as in situ mineralisation estimates

Mineral reserves (total)

Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)
117.9	6.29	741	23 837

Reported as mineable production estimates

Inferred

Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)
209.2	7.12	1 490	47 896

Indicated

Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)
116.4	8.52	991	31 863

Probable

Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)
66.0	6.38	421	13 542

Measured

Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)
93.7	9.08	851	27 365

Proved

Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)
51.8	6.18	320	10 295

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

South Africa underground

Projects (below infrastructure)

Increasing level of geoscientific knowledge and confidence

Mineral resources (total)

Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)
131.4	6.32	830	26 696

Reported as in situ mineralisation estimates

Mineral reserves (total)

Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)
26.2	8.08	211	6 790

Reported as mineable production estimates

Inferred

Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)
57.0	3.87	221	7 089

Indicated

Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)
74.4	8.20	610	19 607

Probable

Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)
26.2	8.08	211	6 790

Measured

Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)
–	–	–	–

Proved

Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)
–	–	–	–

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

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

South Africa surface (including Kalgold)

Increasing level of geoscientific knowledge and confidence

Mineral resources (total)

Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)
1 366.0	0.31	429	13 779

Reported as in situ mineralisation estimates

Mineral reserves (total)

Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)
1 011.1	0.26	265	8 512

Reported as mineable production estimates

Inferred

Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)
82.3	0.62	51	1 630

Indicated

Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)
890.6	0.29	257	8 259

Probable

Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)
624.5	0.24	153	4 909

Measured

Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)
393.0	0.31	121	3 890

Proved

Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)
386.6	0.29	112	3 603

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

Papua New Guinea*

Increasing level of geoscientific knowledge and confidence

Mineral resources (total)

Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)
566.4	0.89	506	16 284

Reported as in situ mineralisation estimates

Mineral reserves (total)

Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)
68.3	1.13	77	2 476

Reported as mineable production estimates

Inferred

Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)
108.3	1.05	114	3 672

Indicated

Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)
454.1	0.85	385	12 385

Probable

Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)
64.6	1.09	70	2 265

Measured

Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)
4.1	1.74	7	227

Proved

Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)
3.7	1.79	7	211

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

** Represent Harmony's equity portion of 50%.*

Total

Total underground and surface (including below infrastructure)

Increasing level of geoscientific knowledge and confidence

Mineral resources (total)

Tonnes (Mt)	Gold (000kg)	Gold (000oz)
2 483.1	5 097	163 883

Reported as in situ mineralisation estimates

Mineral reserves (total)

Tonnes (Mt)	Gold (000kg)	Gold (000oz)
1 223.4	1 294	41 615

Reported as mineable production estimates

Inferred

Tonnes (Mt)	Gold (000kg)	Gold (000oz)
456.8	1 875	60 287

Indicated

Tonnes (Mt)	Gold (000kg)	Gold (000oz)
1 535.5	2 243	72 114

Probable

Tonnes (Mt)	Gold (000kg)	Gold (000oz)
781.3	856	27 506

Measured

Tonnes (Mt)	Gold (000kg)	Gold (000oz)
490.8	979	31 482

Proved

Tonnes (Mt)	Gold (000kg)	Gold (000oz)
442.1	439	14 109

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

Mineral resources statement (metric)

Operations	Measured resources			Indicated resources			Inferred resources			Total mineral resources		
Gold	**Tonnes (Mt)**	**Grade (g/t)**	**Gold (000kg)**	**Tonnes (Mt)**	**Grade (g/t)**	**Gold (000kg)**	**Tonnes (Mt)**	**Grade (g/t)**	**Gold (000kg)**	**Tonnes (Mt)**	**Grade (g/t)**	**Gold (000kg)**
SA underground												
Free State												
Bambanani	14.6	11.62	170	4.7	9.37	44	2.2	8.81	19	21.5	10.84	233
Joel	4.8	7.33	35	7.0	7.33	51	9.8	6.28	62	21.6	6.85	148
Masimong	10.4	7.81	81	5.4	6.89	37	74.2	6.02	446	90.0	6.28	565
Phakisa	1.9	11.17	21	21.0	10.87	228	28.1	7.83	220	51.0	9.21	470
Target												
Target 1	8.2	7.92	65	12.8	7.80	100	5.1	6.49	33	26.1	7.58	198
Target 2	0.0	15.94	1	0.1	15.61	2	–	–	–	0.2	15.69	3
Target 3	11.0	8.45	93	9.0	7.81	71	4.7	5.37	25	24.8	7.63	189
Total	**19.2**	**8.24**	**158**	**22.0**	**7.85**	**173**	**9.9**	**5.95**	**59**	**51.1**	**7.63**	**390**
Freddies 9	3.4	9.56	33	3.0	9.17	28	30.4	6.65	202	36.8	7.12	262
Tshepong	12.9	10.58	136	10.4	10.45	108	11.4	11.96	136	34.6	11.00	380
Unisel	8.0	6.07	49	7.7	5.63	43	12.1	5.50	67	27.8	5.70	158
Total Free State underground	**75.2**	**9.08**	**683**	**81.1**	**8.78**	**712**	**178.1**	**6.80**	**1 211**	**334.3**	**7.79**	**2 606**
Doornkop												
Doornkop Kimberley Reef	4.0	2.29	9	7.5	2.42	18	–	–	–	11.5	2.37	27
Doornkop South Reef	1.4	7.99	11	2.5	7.64	19	19.2	8.35	160	23.1	8.25	191
Total	**5.4**	**3.77**	**21**	**10.0**	**3.73**	**37**	**19.2**	**8.35**	**160**	**34.6**	**6.30**	**218**
Kusasalethu	10.1	10.48	105	23.2	8.96	207	1.5	9.35	14	34.7	9.42	327
Evander												
Evander 8	3.0	14.10	42	2.2	15.94	34	10.4	10.01	105	15.6	11.61	181
Evander (below infrastructure)												
Evander South	–	–	–	23.9	5.35	128	40.4	3.08	125	64.3	3.92	252
Rolspruit	–	–	–	29.1	11.59	337	4.9	5.69	28	34.0	10.74	365
Poplar	–	–	–	21.4	6.75	145	11.6	5.84	68	33.1	6.43	213
Total below infrastructure	**–**	**–**	**–**	**74.4**	**8.20**	**610**	**57.0**	**3.87**	**221**	**131.4**	**6.32**	**830**
Total Evander	**3.0**	**14.10**	**42**	**76.6**	**8.41**	**644**	**67.4**	**4.82**	**325**	**147.0**	**6.88**	**1 012**
Total SA underground	**93.7**	**9.08**	**851**	**190.8**	**8.39**	**1 601**	**266.2**	**6.42**	**1 710**	**550.7**	**7.56**	**4 162**
SA surface												
Kalgold	25.1	0.97	24	58.7	0.94	55	36.3	0.93	34	120.1	0.94	113
Free State surface												
Phoenix	110.4	0.28	30	–	–	–	–	–	–	110.4	0.28	30
St Helena	257.6	0.26	66	–	–	–	–	–	–	257.6	0.26	66
Other: Waste rock dumps	–	–	–	6.8	0.53	4	31.1	0.45	14	37.9	0.47	18
Slimes dams	–	–	–	622.2	0.22	139	14.9	0.19	3	637.1	0.22	142
Subtotal other	**–**	**–**	**–**	**629.0**	**0.23**	**143**	**46.0**	**0.37**	**17**	**675.0**	**0.24**	**160**
Total Free State surface	**368.0**	**0.26**	**97**	**629.0**	**0.23**	**143**	**46.0**	**0.37**	**17**	**1 043.0**	**0.25**	**257**
Evander surface												
Libra Project	–	–	–	202.9	0.29	59	–	–	–	202.9	0.29	59
Total SA surface	**393.0**	**0.31**	**121**	**890.6**	**0.29**	**257**	**82.3**	**0.62**	**51**	**1 366.0**	**0.31**	**429**
Grand total SA	**486.7**		**972**	**1 081.4**		**1 858**	**348.5**		**1 761**	**1 916.6**		**4 591**

Operations	Measured resources			Indicated resources			Inferred resources			Total mineral resources		
Gold	Tonnes (Mt)	Grade (g/t)	Gold (000kg)	Tonnes (Mt)	Grade (g/t)	Gold (000kg)	Tonnes (Mt)	Grade (g/t)	Gold (000kg)	Tonnes (Mt)	Grade (g/t)	Gold (000kg)
Papua New Guinea[1]												
Hidden Valley	4.0	1.74	7	45.1	1.53	69	8.0	1.16	9	57.1	1.50	85
Hamata	0.0	1.37	0	2.9	2.19	6	0.5	2.53	1	3.4	2.24	8
Wafi	–	–	–	31.6	1.98	63	20.0	1.73	35	51.6	1.88	97
Golpu	–	–	–	374.5	0.66	247	59.8	0.89	53	434.3	0.69	300
Nambonga	–	–	–	–	–	–	19.9	0.79	16	19.9	0.79	16
Total Papua New Guinea	**4.0**	**1.74**	**7**	**454.1**	**0.85**	**385**	**108.3**	**1.05**	**114**	**566.4**	**0.89**	**506**
Grand total	**490.8**		**979**	**1 535.5**		**2 243**	**456.8**		**1 875**	**2 483.1**		**5 097**
Silver	Tonnes (Mt)	Grade (g/t)	Silver (000kg)	Tonnes (Mt)	Grade (g/t)	Silver (000kg)	Tonnes (Mt)	Grade (g/t)	Silver (000kg)	Tonnes (Mt)	Grade (g/t)	Silver (000kg)
Papua New Guinea[1]												
Hidden Valley	4.0	28.81	116	45.1	31.24	1 408	8.0	23.84	191	57.1	30.03	1 716
Copper	Tonnes (Mt)	Grade (%)	Cu (Mkg)	Tonnes (Mt)	Grade (%)	Cu (Mkg)	Tonnes (Mt)	Grade (%)	Cu (Mkg)	Tonnes (Mt)	Grade (%)	Cu (Mkg)
Papua New Guinea[1]												
Golpu	–	–	–	374.5	1.02	3 820	59.8	1.10	658	434.3	1.03	4 478
Nambonga	–	–	–	–	–	–	19.9	0.21	42	19.9	0.21	42
Total	**–**	**–**	**–**	**374.5**	**1.02**	**3 820**	**79.7**	**0.88**	**700**	**454.2**	**1.00**	**4 520**
Molybdenum	Tonnes (Mt)	Grade (ppm)	Mo (Mkg)	Tonnes (Mt)	Grade (ppm)	Mo (Mkg)	Tonnes (Mt)	Grade (ppm)	Mo (Mkg)	Tonnes (Mt)	Grade (ppm)	Mo (Mkg)
Papua New Guinea[1]												
Golpu	–	–	–	374.5	99.00	37	59.8	76.00	5	434.3	95.83	42
Uranium	Tonnes (Mt)	Grade (kg/t)	U3O8 (Mkg)	Tonnes (Mt)	Grade (kg/t)	U3O8 (Mkg)	Tonnes (Mt)	Grade (kg/t)	U3O8 (Mkg)	Tonnes (Mt)	Grade (kg/t)	U3O8 (Mkg)
SA underground												
Free State												
Masimong	3.8	0.28	1	8.0	0.26	2	72.9	0.16	12	84.7	0.17	15
Tshepong	5.1	0.20	1	17.2	0.21	4	12.3	0.09	1	34.6	0.17	6
Phakisa	2.2	0.26	1	17.5	0.20	4	27.0	0.19	5	46.7	0.20	9
Total	**11.1**	**0.24**	**3**	**42.7**	**0.21**	**9**	**112.2**	**0.16**	**18**	**166.0**	**0.18**	**30**
Total SA underground	**11.1**	**0.24**	**3**	**42.7**	**0.21**	**9**	**112.2**	**0.16**	**18**	**166.0**	**0.18**	**30**
SA surface												
Free State Region	–	–	–	395.6	0.08	30	–	–	–	395.6	0.08	30
Total SA surface	**–**	**–**	**–**	**395.6**	**0.08**	**30**	**–**	**–**	**–**	**395.6**	**0.08**	**30**
Grand total	**11.1**	**0.24**	**3**	**438.3**	**0.09**	**39**	**112.2**	**0.16**	**18**	**561.6**	**0.11**	**60**

[1] *Represents Harmony's equity portion of 50%.*
NB Rounding of numbers may result in slight computational discrepancies.
Note: 1 tonne = 1 000kg = 2 204lb.

Mineral resources statement (imperial)

Operations	Measured resources			Indicated resources			Inferred resources			Total mineral resources		
Gold	**Tons (Mt)**	**Grade (oz/t)**	**Gold (000oz)**	**Tons (Mt)**	**Grade (oz/t)**	**Gold (000oz)**	**Tons (Mt)**	**Grade (oz/t)**	**Gold (000oz)**	**Tons (Mt)**	**Grade (oz/t)**	**Gold (000oz)**
SA underground												
Free State												
Bambanani	16.1	0.339	5 453	5.2	0.273	1 411	2.4	0.257	625	23.7	0.316	7 489
Joel	5.2	0.214	1 119	7.7	0.214	1 642	10.9	0.183	1 989	23.8	0.200	4 750
Masimong	11.5	0.228	2 610	6.0	0.201	1 198	81.8	0.175	14 352	99.2	0.183	18 160
Phakisa	2.1	0.326	687	23.1	0.317	7 336	31.0	0.228	7 073	56.2	0.269	15 096
Target												
Target 1	9.0	0.231	2 087	14.1	0.228	3 212	5.7	0.189	1 072	28.8	0.221	6 371
Target 2	0.0	0.471	20	0.1	0.455	67	–	–	–	0.2	0.458	87
Target 3	12.1	0.247	2 987	10.0	0.228	2 268	5.2	0.156	816	27.3	0.222	6 071
Total	**21.2**	**0.240**	**5 094**	**24.2**	**0.229**	**5 547**	**10.9**	**0.174**	**1 888**	**56.3**	**0.223**	**12 529**
Freddies 9	3.8	0.279	1 046	3.3	0.267	893	33.5	0.194	6 493	40.6	0.208	8 432
Tshepong	14.2	0.309	4 379	11.4	0.305	3 478	12.5	0.349	4 372	38.1	0.321	12 229
Unisel	8.8	0.177	1 565	8.4	0.164	1 385	13.4	0.160	2 146	30.7	0.166	5 096
Total Free State underground	**82.9**	**0.265**	**21 953**	**89.4**	**0.256**	**22 890**	**196.3**	**0.198**	**38 938**	**368.5**	**0.227**	**83 781**
Doornkop												
Doornkop Kimberley Reef	4.4	0.067	297	8.3	0.071	582	–	–	–	12.7	0.069	879
Doornkop South Reef	1.6	0.233	362	2.8	0.223	617	21.2	0.244	5 158	25.5	0.241	6 137
Total	**6.0**	**0.110**	**659**	**11.0**	**0.109**	**1 199**	**21.2**	**0.244**	**5 158**	**38.2**	**0.184**	**7 016**
Kusasalethu	11.1	0.306	3 391	25.5	0.261	6 670	1.6	0.272	440	38.2	0.275	10 501
Evander												
Evander 8	3.3	0.411	1 362	2.4	0.465	1 104	11.5	0.292	3 360	17.2	0.339	5 826
Evander (below infrastructure)												
Evander South	–	–	–	26.3	0.156	4 107	44.6	0.090	4 006	70.9	0.114	8 113
Rolspruit	–	–	–	32.1	0.338	10 847	5.4	0.166	902	37.5	0.313	11 749
Poplar	–	–	–	23.6	0.197	4 653	12.8	0.170	2 181	36.5	0.187	6 834
Total below infrastructure	**–**	**–**	**–**	**82.0**	**0.239**	**19 607**	**62.8**	**0.113**	**7 089**	**144.9**	**0.184**	**26 696**
Total Evander	**3.3**	**0.411**	**1 362**	**84.4**	**0.245**	**20 711**	**74.3**	**0.141**	**10 449**	**162.1**	**0.201**	**32 522**
Total SA underground	**103.3**	**0.265**	**27 365**	**210.3**	**0.245**	**51 470**	**293.4**	**0.187**	**54 985**	**607.0**	**0.220**	**133 820**
SA surface												
Kalgold	27.7	0.028	779	64.7	0.027	1 766	40.0	0.027	1 085	132.4	0.027	3 630
Free State surface												
Phoenix	121.6	0.01	980	–	–	–	–	–	–	121.6	0.008	980
St Helena	284.0	0.01	2 131	–	–	–	–	–	–	284.0	0.008	2 131
Other: Waste rock dumps	–	–	–	7.5	0.015	115	34.2	0.013	454	41.7	0.014	569
Slimes dams	–	–	–	685.9	0.007	4 481	16.4	0.006	91	702.3	0.007	4 572
Subtotal other	**–**	**–**	**–**	**693.4**	**0.007**	**4 596**	**50.7**	**0.011**	**545**	**744.1**	**0.007**	**5 141**
Total Free State surface	**405.6**	**0.01**	**3 111**	**693.4**	**0.007**	**4 596**	**50.7**	**0.011**	**545**	**1 149.7**	**0.007**	**8 252**
Evander surface												
Libra Project	–	–	–	223.7	0.008	1 897	–	–	–	223.7	0.008	1 897
Total SA surface	**433.3**	**0.009**	**3 890**	**981.8**	**0.008**	**8 259**	**90.7**	**0.018**	**1 630**	**1 505.7**	**0.009**	**13 779**
Grand total SA	**536.5**		**31 255**	**1 192.1**		**59 729**	**384.1**		**56 615**	**2 112.7**		**147 599**

Operations	Measured resources			Indicated resources			Inferred resources			Total mineral resources		
Gold	**Tons (Mt)**	**Grade (oz/t)**	**Gold (000oz)**	**Tons (Mt)**	**Grade (oz/t)**	**Gold (000oz)**	**Tons (Mt)**	**Grade (oz/t)**	**Gold (000oz)**	**Tons (Mt)**	**Grade (oz/t)**	**Gold (000oz)**
Papua New Guinea[1]												
Hidden Valley	4.4	0.051	226	49.7	0.045	2 222	8.9	0.034	299	63.0	0.044	2 747
Hamata	0.0	0.095	1	3.2	0.064	204	0.6	0.074	44	3.8	0.066	249
Wafi	–	–	–	34.8	0.058	2 012	22.0	0.050	1 112	56.9	0.055	3 124
Golpu	–	–	–	412.8	0.019	7 947	66.0	0.026	1 712	478.8	0.020	9 659
Nambonga	–	–	–	–	–	–	21.9	0.023	505	21.9	0.023	505
Total Papua New Guinea	**4.5**	**0.051**	**227**	**500.5**	**0.025**	**12 385**	**119.4**	**0.031**	**3 672**	**624.4**	**0.026**	**16 284**
Grand total	**541.0**		**31 482**	**1 692.6**		**72 114**	**503.5**		**60 287**	**2 737.1**		**163 883**
Silver	**Tons (Mt)**	**Grade (oz/t)**	**Silver (000oz)**	**Tons (Mt)**	**Grade (oz/t)**	**Silver (000oz)**	**Tons (Mt)**	**Grade (oz/t)**	**Silver (000oz)**	**Tons (Mt)**	**Grade (oz/t)**	**Silver (000oz)**
Papua New Guinea[1]												
Hidden Valley	4.4	0.840	3 737	49.7	0.911	45 267	8.9	0.695	6 156	63.0	0.876	55 160
Copper	**Tons (Mt)**	**Grade (%)**	**Cu (Mlb)**	**Tons (Mt)**	**Grade (%)**	**Cu (Mlb)**	**Tons (Mt)**	**Grade (%)**	**Cu (Mlb)**	**Tons (Mt)**	**Grade (%)**	**Cu (Mlb)**
Papua New Guinea[1]												
Golpu	–	–	–	412.8	0.925	8 421	66.0	0.998	1 451	478.8	0.935	9 873
Nambonga	–	–	–				21.9	0.191	92	21.9	0.191	92
Total	**–**	**–**	**–**	**412.8**	**0.925**	**8 421**	**87.9**	**0.796**	**1 543**	**500.7**	**0.903**	**9 965**
Molybdenum	**Tons (Mt)**	**Grade (lb/t)**	**Mo (Mlb)**	**Tons (Mt)**	**Grade (lb/t)**	**Mo (Mlb)**	**Tons (Mt)**	**Grade (lb/t)**	**Mo (Mlb)**	**Tons (Mt)**	**Grade (lb/t)**	**Mo (Mlb)**
Papua New Guinea[1]												
Golpu	–	–	–	412.8	0.198	82	66.0	0.152	10	478.8	0.192	92
Uranium	**Tons (Mt)**	**Grade (lb/t)**	**U3O8 (Mlb)**	**Tons (Mt)**	**Grade (lb/t)**	**U3O8 (Mlb)**	**Tons (Mt)**	**Grade (lb/t)**	**U3O8 (Mlb)**	**Tons (Mt)**	**Grade (lb/t)**	**U3O8 (Mlb)**
SA underground												
Free State												
Masimong	4.2	0.567	2	8.8	0.512	4	80.4	0.318	26	93	0.347	32
Tshepong	5.6	0.398	2	19.0	0.414	8	13.6	0.188	3	38	0.331	13
Phakisa	2.4	0.526	1	19.3	0.405	8	29.7	0.382	11	52	0.398	20
Total	**12.2**	**0.482**	**6**	**47.1**	**0.429**	**20**	**123.7**	**0.319**	**39**	**183**	**0.358**	**66**
Total SA underground	**12.2**	**0.482**	**6**	**47.1**	**0.429**	**20**	**123.7**	**0.319**	**39**	**183**	**0.358**	**66**
SA surface												
Free State Region	–	–	–	436.0	0.152	66	–	–	–	436.0	0.152	66
Total SA surface	**–**	**–**	**–**	**436.0**	**0.152**	**66**	**–**	**–**	**–**	**436.0**	**0.152**	**66**
Grand total	**12.2**	**0.482**	**6**	**483.1**	**0.179**	**86**	**123.7**	**0.319**	**39**	**619.0**	**0.213**	**132**

[1] *Represents Harmony's equity portion of 50%.*
NB Rounding of numbers may result in slight computational discrepancies.
Note: 1 ton = 907kg = 2 000lb.

Mineral reserves statement (metric)

Operations	Proved reserves			Probable reserves			Total mineral reserves		
Gold	Tonnes (Mt)	Grade (g/t)	Gold[1] (000kg)	Tonnes (Mt)	Grade (g/t)	Gold[1] (000kg)	Tonnes (Mt)	Grade (g/t)	Gold[1] (000kg)
SA underground									
Free State									
Bambanani	3.3	11.42	37	0.1	7.54	0	3.3	11.36	37
Joel	1.3	6.25	8	1.6	5.02	8	3.0	5.58	16
Masimong	5.2	5.45	28	1.4	5.42	8	6.6	5.44	36
Phakisa	1.7	7.56	13	17.3	8.50	148	19.1	8.42	161
Target									
Target 1	5.2	4.91	25	5.2	5.55	29	10.4	5.23	54
Target 3	1.9	6.97	13	3.1	5.58	17	5.0	6.11	31
Total	**7.1**	**5.46**	**39**	**8.3**	**5.56**	**46**	**15.4**	**5.52**	**85**
Tshepong	13.7	5.24	72	8.2	5.23	43	21.8	5.24	114
Unisel	1.9	4.77	9	1.0	4.43	5	2.9	4.65	13
Total Free State underground	**34.1**	**6.04**	**206**	**38.0**	**6.78**	**258**	**72.1**	**6.43**	**463**
Doornkop									
Doornkop Kimberley Reef	1.8	2.08	4	3.7	2.31	8	5.4	2.23	12
Doornkop South Reef	1.1	5.48	6	2.1	5.25	11	3.2	5.33	17
Total	**2.9**	**3.41**	**10**	**5.8**	**3.38**	**20**	**8.7**	**3.39**	**29**
Kusasalethu	12.5	6.94	87	21.2	6.42	136	33.8	6.61	223
Evander									
Evander 8	2.4	7.52	18	1.0	7.74	8	3.4	7.59	26
Evander (below infrastructure)									
Rolspruit	–	–	–	26.2	8.08	211	26.2	8.08	211
Total Evander	**2.4**	**7.52**	**18**	**27.2**	**8.06**	**219**	**29.5**	**8.02**	**237**
Total SA underground	**51.8**	**6.18**	**320**	**92.2**	**6.86**	**632**	**144.0**	**6.62**	**953**
SA surface									
Kalgold	18.6	0.82	15	7.1	0.85	6	25.7	0.83	21
Free State surface									
Phoenix	110.4	0.28	30	–	–	–	110.4	0.28	30
St Helena	257.6	0.26	66	–	–	–	257.6	0.26	66
Other: Waste rock dumps	–	–	–	6.8	0.53	4	6.8	0.53	4
Slimes dams	–	–	–	571.0	0.23	130	571.0	0.23	130
Subtotal other	–	–	–	**577.8**	**0.23**	**134**	**577.8**	**0.23**	**134**
Total Free State surface	**368.0**	**0.26**	**97**	**577.8**	**0.23**	**134**	**945.7**	**0.24**	**231**
Evander surface									
Libra Project	–	–	–	39.6	0.32	13	39.6	0.32	13
Total SA surface	**386.6**	**0.29**	**112**	**624.5**	**0.24**	**153**	**1 011.1**	**0.26**	**265**
Grand total SA	**438.4**		**432**	**716.7**		**785**	**1 155.1**		**1 217**

Operations	Proved reserves			Probable reserves			Total mineral reserves		
Gold	**Tonnes (Mt)**	**Grade (g/t)**	**Gold[1] (000kg)**	**Tonnes (Mt)**	**Grade (g/t)**	**Gold[1] (000kg)**	**Tonnes (Mt)**	**Grade (g/t)**	**Gold[1] (000kg)**
Papua New Guinea[2]									
Hidden Valley	3.7	1.79	7	26.8	1.63	44	30.4	1.65	50
Hamata	–	–	–	2.5	2.09	5	2.5	2.09	5
Golpu	–	–	–	35.4	0.61	22	35.4	0.61	22
Total Papua New Guinea	**3.7**	**1.79**	**7**	**64.6**	**1.09**	**70**	**68.3**	**1.13**	**77**
Grand total	**442.1**		**439**	**781.3**		**856**	**1 223.4**		**1 294**
Silver	**Tonnes (Mt)**	**Grade (g/t)**	**Silver[1] (000kg)**	**Tonnes (Mt)**	**Grade (g/t)**	**Silver[1] (000kg)**	**Tonnes (Mt)**	**Grade (g/t)**	**Silver[1] (000kg)**
Papua New Guinea[2]									
Hidden Valley	3.7	29.24	107	26.8	35.38	947	30.4	34.64	1 055
Copper	**Tonnes (Mt)**	**Grade (%)**	**Cu[1] (Mkg)**	**Tonnes (Mt)**	**Grade (%)**	**Cu[1] (000kg)**	**Tonnes (Mt)**	**Grade (%)**	**Cu[1] (000kg)**
Papua New Guinea[2]									
Golpu	–	–	–	35.4	1.10	389	35.4	1.10	389
Molybdenum	**Tonnes (Mt)**	**Grade (ppm)**	**Mo[1] (Mkg)**	**Tonnes (Mt)**	**Grade (ppm)**	**Mo[1] (Mkg)**	**Tonnes (Mt)**	**Grade (ppm)**	**Mo[1] (Mkg)**
Papua New Guinea[2]									
Golpu	–	–	–	35.4	121.00	4	35.4	121.00	4
Uranium	**Tonnes (Mt)**	**Grade (kg/t)**	**U3O8[1] (Mkg)**	**Tonnes (Mt)**	**Grade (kg/t)**	**U3O8[1] (Mkg)**	**Tonnes (Mt)**	**Grade (kg/t)**	**U3O8[1] (Mkg)**
SA underground									
Masimong	2.6	0.19	0	3.3	0.18	1	6.0	0.18	1
Tshepong	6.6	0.09	1	13.4	0.11	1	20.0	0.10	2
Phakisa	2.4	0.16	0	16.7	0.13	2	19.1	0.14	3
Total SA underground	**11.6**	**0.13**	**2**	**33.4**	**0.13**	**4**	**45.0**	**0.13**	**6**
Grand total	**11.6**	**0.13**	**2**	**33.4**	**0.13**	**4**	**45.0**	**0.13**	**6**

[1] *Metal figures are fully inclusive of all mining dilutions and gold losses, and are reported as mill delivered tonnes and head grades. Metallurgical recovery factors have not been applied to the reserve figures.*

[2] *Represents Harmony's equity portion of 50%.*

NB Rounding of numbers may result in slight computational discrepancies.

Note: 1 tonne = 1 000kg = 2 204lb.

Mineral reserves statement (imperial)

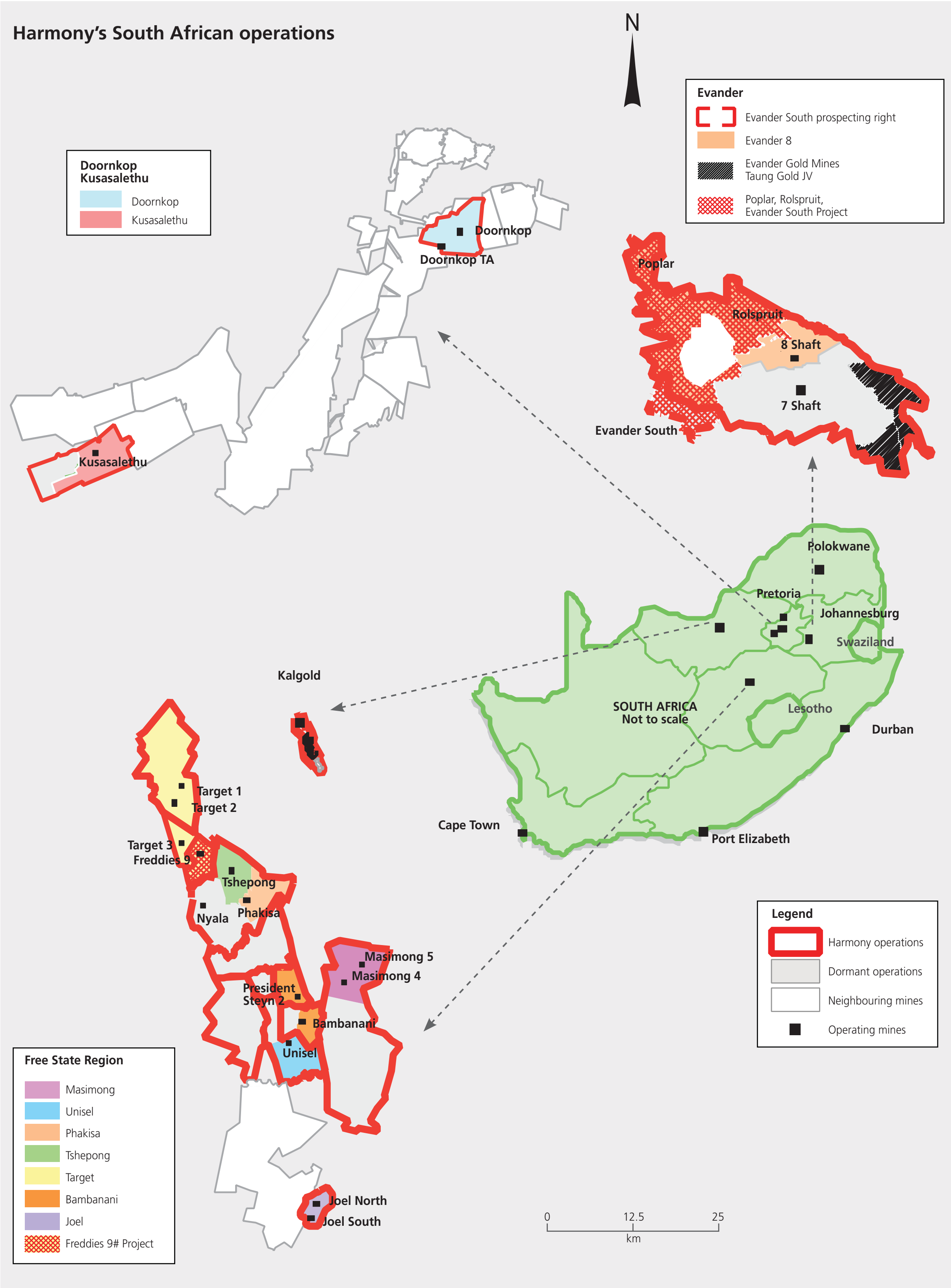
Operations	Proved reserves			Probable reserves			Total mineral reserves		
Gold	**Tons (Mt)**	**Grade (oz/t)**	**Gold[1] (000oz)**	**Tons (Mt)**	**Grade (oz/t)**	**Gold[1] (000oz)**	**Tons (Mt)**	**Grade (oz/t)**	**Gold[1] (000oz)**
SA underground									
Free State									
Bambanani	3.6	0.333	1 195	0.1	0.212	12	3.7	0.331	1 207
Joel	1.5	0.182	268	1.8	0.146	262	3.3	0.163	530
Masimong	5.7	0.159	905	1.5	0.158	245	7.2	0.159	1 150
Phakisa	1.9	0.221	421	19.1	0.248	4 743	21.0	0.246	5 164
Target									
Target 1	5.7	0.143	814	5.8	0.162	935	11.5	0.153	1 749
Target 3	2.1	0.203	429	3.4	0.163	557	5.5	0.178	986
Total	**7.8**	**0.159**	**1 243**	**9.2**	**0.162**	**1 492**	**17.0**	**0.161**	**2 735**
Tshepong	15.1	0.153	2 302	9.0	0.153	1 377	24.1	0.153	3 679
Unisel	2.0	0.139	285	1.2	0.130	149	3.2	0.136	434
Total Free State underground	**37.6**	**0.176**	**6 619**	**41.9**	**0.198**	**8 280**	**79.5**	**0.188**	**14 899**
Doornkop									
Doornkop Kimberley Reef	1.9	0.061	117	4.1	0.067	273	6.0	0.065	390
Doornkop South Reef	1.2	0.160	198	2.3	0.153	354	3.5	0.155	552
Total	**3.1**	**0.099**	**315**	**6.4**	**0.098**	**627**	**9.5**	**0.099**	**942**
Kusasalethu	13.8	0.202	2 790	23.4	0.187	4 383	37.2	0.193	7 173
Evander									
Evander 8	2.6	0.219	571	1.1	0.226	252	3.7	0.221	823
Evander (below infrastructure)									
Rolspruit	–	–	–	28.8	0.236	6 790	28.8	0.236	6 790
Total Evander	**2.6**	**0.219**	**571**	**29.9**	**0.235**	**7 042**	**32.5**	**0.234**	**7 613**
Total SA underground	**57.1**	**0.180**	**10 295**	**101.6**	**0.200**	**20 332**	**158.7**	**0.193**	**30 627**
SA surface									
Kalgold	20.5	0.024	492	7.8	0.025	193	28.3	0.024	685
Free State surface									
Phoenix	121.6	0.008	980	–	–	–	121.6	0.008	980
St Helena	284.0	0.008	2 131	–	–	–	284.0	0.008	2 131
Other: Waste rock dumps	–	–	–	7.5	0.015	115	7.5	0.015	115
Slimes dams	–	–	–	629.5	0.007	4 192	629.5	0.007	4 192
Subtotal other	**–**	**–**	**–**	**637.0**	**0.007**	**4 307**	**637.0**	**0.007**	**4 307**
Total Free State surface	**405.6**	**0.008**	**3 111**	**637.0**	**0.007**	**4 307**	**1 042.6**	**0.007**	**7 418**
Evander surface									
Libra Project	–	–	–	43.7	0.009	409	43.7	0.009	409
Total SA surface	**426.1**	**0.008**	**3 603**	**688.5**	**0.007**	**4 909**	**1 114.6**	**0.008**	**8 512**
Grand total SA	**483.2**		**13 898**	**790.1**		**25 241**	**1 273.3**		**39 139**

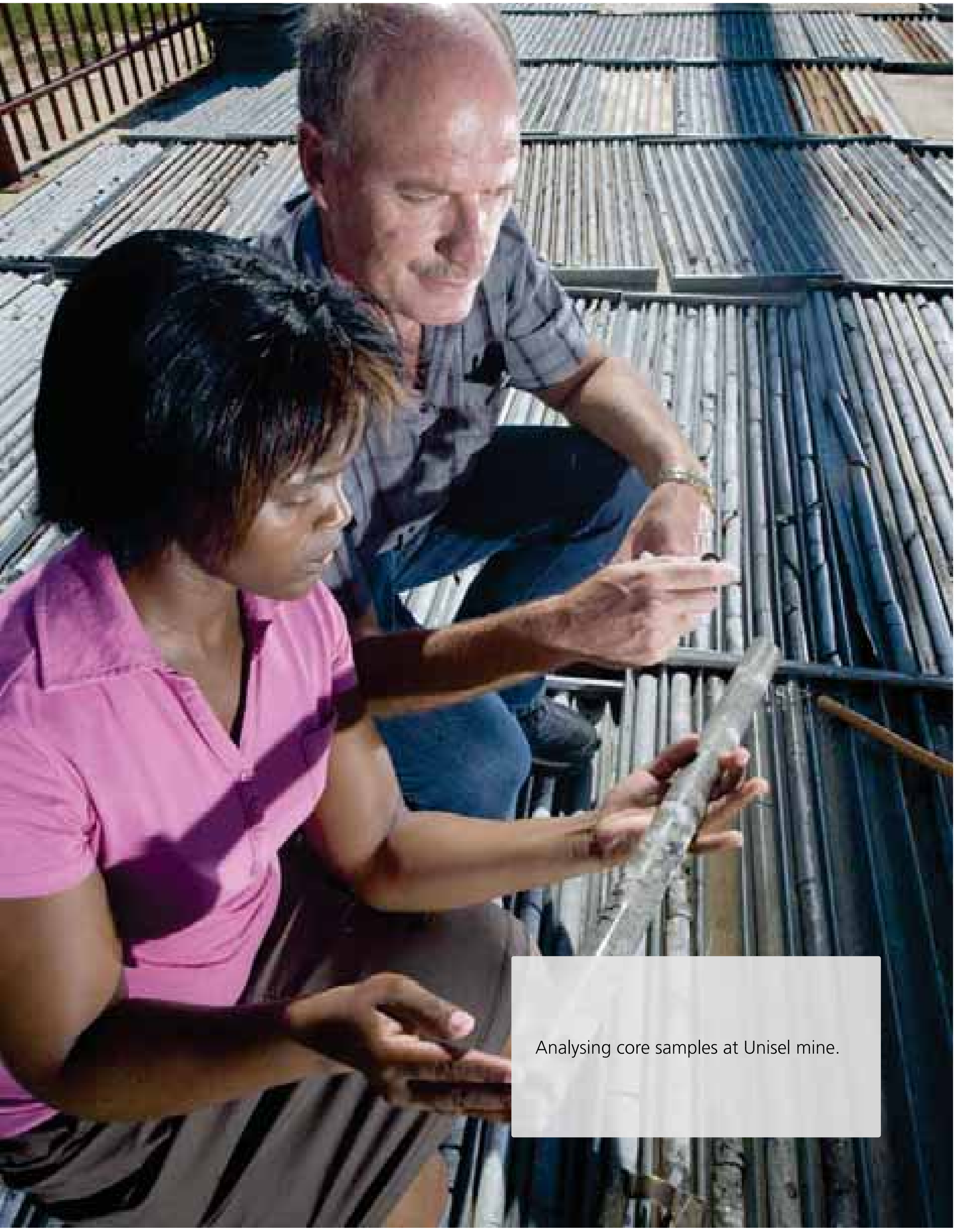
Operations	Proved reserves			Probable reserves			Total mineral reserves		
Gold	**Tons (Mt)**	**Grade (oz/t)**	**Gold[1] (000oz)**	**Tons (Mt)**	**Grade (oz/ t)**	**Gold[1] (000oz)**	**Tons (Mt)**	**Grade (oz/ t)**	**Gold[1] (000oz)**
Papua New Guinea[2]									
Hidden Valley	4.0	0.052	211	29.5	0.048	1 405	33.5	0.048	1 616
Hamata	–	–	–	2.7	0.061	166	2.7	0.061	166
Golpu	–	–	–	39.0	0.018	694	39.0	0.018	694
Total Papua New Guinea	**4.0**	**0.052**	**211**	**71.2**	**0.032**	**2 265**	**75.2**	**0.033**	**2 476**
Grand total	**487.2**		**14 109**	**861.3**		**27 506**	**1 348.5**		**41 615**
Silver	**Tons (Mt)**	**Grade (oz/t)**	**Silver[1] (000oz)**	**Tons (Mt)**	**Grade (oz/t)**	**Silver[1] (000oz)**	**Tons (Mt)**	**Grade (oz/t)**	**Silver[1] (000oz)**
Papua New Guinea[2]									
Hidden Valley	4.0	0.853	3 447	29.5	1.032	30 457	33.5	1.010	33 904
Copper	**Tons (Mt)**	**Grade (%)**	**Cu[1] (Mlb)**	**Tons (Mt)**	**Grade (%)**	**Cu[1] (Mlb)**	**Tons (Mt)**	**Grade (%)**	**Cu[1] (Mlb)**
Papua New Guinea[2]									
Golpu	–	–	–	39.0	0.998	858	39.0	0.998	858
Molybdenum	**Tons (Mt)**	**Grade (lb/t)**	**Mo[1] (Mlb)**	**Tons (Mt)**	**Grade (lb/t)**	**Mo[1] (Mlb)**	**Tons (Mt)**	**Grade (lb/t)**	**Mo[1] (Mlb)**
Papua New Guinea[2]									
Golpu	–	–	–	39.0	0.231	9	39.0	0.231	9
Uranium	**Tons (Mt)**	**Grade (lb/t)**	**U3O8[1] (Mlb)**	**Tons (Mt)**	**Grade (lb/t)**	**U3O8[1] (Mlb)**	**Tons (Mt)**	**Grade (lb/t)**	**U3O8[1] (Mlb)**
SA underground									
Masimong	2.9	0.376	1	3.7	0.355	1	6.6	0.364	2
Tshepong	7.2	0.189	1	14.8	0.217	3	22.0	0.208	4
Phakisa	2.7	0.320	1	18.4	0.269	5	21.1	0.276	6
Total SA underground	**12.8**	**0.259**	**3**	**36.9**	**0.257**	**9**	**49.7**	**0.257**	**12**
Grand total	**12.8**	**0.259**	**3**	**36.9**	**0.257**	**9**	**49.7**	**0.257**	**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 equity portion of 50%.*
NB Rounding of numbers may result in slight computational discrepancies.
Note: 1 ton = 907kg = 2 000lb.

MINERAL RESOURCES AND MINERAL RESERVES CONTINUED

Mineral resources and mineral reserves – location of mining operations





Analysing core samples at Unisel mine.

Free State operations

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

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

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

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

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

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

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

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

The A Reef is also a highly channelised reef, located some 40m above the B Reef. This was only mined at Harmony 2 and Brand, although an extensive channel lies along the western margin from Nyala to Lorraine. It consists of multiple conglomerate bands of up to 4m thick and a selected mining cut is usually required to optimise the orebody.

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

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

Gold – Mineral resources

	Measured resources				Indicated resources				Inferred resources				Total mineral resources			
Operations	**Tonnes (Mt)**	**(g/t)**	**Gold (000kg)**	**Gold (000oz)**	**Tonnes (Mt)**	**(g/t)**	**Gold (000kg)**	**Gold (000oz)**	**Tonnes (Mt)**	**(g/t)**	**Gold (000kg)**	**Gold (000oz)**	**Tonnes (Mt)**	**(g/t)**	**Gold (000kg)**	**Gold (000oz)**
Underground																
Bambanani	14.6	11.62	170	5 453	4.7	9.37	44	1 411	2.2	8.81	19	625	21.5	10.84	233	7 489
Joel	4.8	7.33	35	1 119	7.0	7.33	51	1 642	9.8	6.28	62	1 989	21.6	6.85	148	4 750
Masimong	10.4	7.81	81	2 610	5.4	6.89	37	1 198	74.2	6.02	446	14 352	90.0	6.28	565	18 160
Phakisa	1.9	11.17	21	687	21.0	10.87	228	7 336	28.1	7.83	220	7 073	51.0	9.21	470	15 096
Target																
Target 1	8.2	7.92	65	2 087	12.8	7.80	100	3 212	5.1	6.49	33	1 072	26.1	7.58	198	6 371
Target 2	0.0	15.94	1	20	0.1	15.61	2	67	–	–	–	–	0.2	15.69	3	87
Target 3	11.0	8.45	93	2 987	9.0	7.81	71	2 268	4.7	5.37	25	816	24.8	7.63	189	6 071
Total	**19.2**	**8.24**	**158**	**5 094**	**22.0**	**7.85**	**173**	**5 547**	**9.9**	**5.95**	**59**	**1 888**	**51.1**	**7.63**	**390**	**12 529**
Freddies 9	3.4	9.56	33	1 046	3.0	9.17	28	893	30.4	6.65	202	6 493	36.8	7.12	262	8 432
Tshepong	12.9	10.58	136	4 379	10.4	10.45	108	3 478	11.4	11.96	136	4 372	34.6	11.00	380	12 229
Unisel	8.0	6.07	49	1 565	7.7	5.63	43	1 385	12.1	5.50	67	2 146	27.8	5.70	158	5 096
Total Free State underground	**75.2**	**9.08**	**683**	**21 953**	**81.1**	**8.78**	**712**	**22 890**	**178.1**	**6.80**	**1 211**	**38 938**	**334.3**	**7.79**	**2 606**	**83 781**
SA surface																
Free State surface																
Phoenix	110.4	0.28	30	980	–	–	–	–	–	–	–	–	110.4	0.28	30	980
St Helena	257.6	0.26	66	2 131	–	–	–	–	–	–	–	–	257.6	0.26	66	2 131
Other:																
Waste rock dumps	–	–	–	–	6.8	0.53	4	115	31.1	0.45	14	454	37.9	0.47	18	569
Slimes dams	–	–	–	–	622.2	0.22	139	4 481	14.9	0.19	3	91	637.1	0.22	142	4 572
Subtotal	**–**	**–**	**–**	**–**	**629.0**	**0.23**	**143**	**4 596**	**46.0**	**0.37**	**17**	**545**	**675.0**	**0.24**	**160**	**5 141**
Total Free State surface	**368.0**	**0.26**	**97**	**3 111**	**629.0**	**0.23**	**143**	**4 596**	**46.0**	**0.37**	**17**	**545**	**1 043.0**	**0.25**	**257**	**8 252**
Grand total	**443.1**		**780**	**25 064**	**710.1**		**855**	**27 486**	**224.1**	**–**	**1 228**	**39 483**	**1 377.3**	**–**	**2 863**	**92 033**

Free State operations CONTINUED

Modifying factors

Underground operations	MCF (%)	SW (cm)	MW (cm)	PRF (%)
Bambanani	82	186	212	96
Joel	86	153	183	95
Masimong	69	133	153	96
Phakisa	84	110	139	96
Target 3	77	118	141	96
Tshepong	69	105	141	96
Unisel	75	179	191	96
Target 1	100			96

Surface operations	MCF (%)	PRF (%)
Free State (Phoenix)	100	48
Free State (St Helena)	100	45
Free State (other)	100	53

Gold – Mineral reserves

	Proved reserves				Probable reserves				Total mineral reserves			
Operations	Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)	Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)	Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)
Underground												
Bambanani	3.3	11.42	37	1 195	0.1	7.54	0.4	12	3.3	11.36	38	1 207
Joel	1.3	6.25	8	268	1.6	5.02	8	262	3.0	5.58	16	530
Masimong	5.2	5.45	28	905	1.4	5.42	8	245	6.6	5.44	36	1 150
Phakisa	1.7	7.56	13	421	17.3	8.50	148	4 743	19.1	8.42	161	5 164
Target												
Target 1	5.2	4.91	25	814	5.2	5.55	29	935	10.4	5.23	54	1 749
Target 3	1.9	6.97	13	429	3.1	5.58	17	557	5.0	6.11	31	986
Total	**7.1**	**5.46**	**39**	**1 243**	**8.3**	**5.56**	**46**	**1 492**	**15.4**	**5.52**	**85**	**2 735**
Tshepong	13.7	5.24	72	2 302	8.2	5.23	43	1 377	21.8	5.24	114	3 679
Unisel	1.9	4.77	9	285	1.0	4.43	5	149	2.9	4.65	13	434
Total Free State underground	**34.1**	**6.04**	**206**	**6 619**	**38.0**	**6.78**	**258**	**8 280**	**72.1**	**6.43**	**463**	**14 899**
Surface												
Free State surface												
Phoenix	110.4	0.28	30	980	–	–	–	–	110.4	0.28	30	980
St Helena	257.6	0.26	66	2 131	–	–	–	–	257.6	0.26	66	2 131
Other: Waste rock dumps	–	–	–	–	6.8	0.53	4	115	6.8	0.53	4	115
Slimes dams	–	–	–	–	571.0	0.23	130	4 192	571.0	0.23	130	4 192
Subtotal other	**–**	**–**	**–**	**–**	**577.8**	**0.23**	**134**	**4 307**	**577.8**	**0.23**	**134**	**4 307**
Total Free State surface	**368.0**	**0.26**	**97**	**3 111**	**578**	**0.23**	**134**	**4 307**	**945.7**	**0.24**	**231**	**7 418**
Grand total	**402.0**		**303**	**9 730**	**615.8**		**392**	**12 587**	**1 017.8**		**694**	**22 317**

Uranium – Mineral resources

Operations	Measured resources Tonnes (Mt)	(kg/t)	U3O8 (Mkg)	U3O8 (Mlb)	Indicated resources Tonnes (Mt)	(kg/t)	U3O8 (Mkg)	U3O8 (Mlb)	Inferred resources Tonnes (Mt)	(kg/t)	U3O8 (Mkg)	U3O8 (Mlb)	Total mineral resources Tonnes (Mt)	(kg/t)	U3O8 (Mkg)	U3O8 (Mlb)
Underground																
Masimong	3.8	0.28	1	2	8.0	0.26	2	4	72.9	0.16	12	26	84.7	0.17	15	32
Tshepong	5.1	0.20	1	2	17.2	0.21	4	8	12.3	0.09	1	3	34.6	0.17	6	13
Phakisa	2.2	0.26	1	1	17.5	0.20	4	8	27.0	0.19	5	11	46.7	0.20	9	20
Total Free State underground	**11.1**	**0.24**	**3**	**6**	**42.7**	**0.21**	**9**	**20**	**112.2**	**0.16**	**18**	**39**	**166.0**	**0.18**	**30**	**66**
Surface																
Surface	–	–	–	–	395.6	0.08	30	66	–	–	–	–	395.6	0.08	30	66
Total Free State surface	**–**	**–**	**–**	**–**	**395.6**	**0.08**	**30**	**66**	**–**	**–**	**–**	**–**	**395.6**	**0.08**	**30**	**66**
Grand total	**11.1**	**0.24**	**3**	**6**	**438.3**	**0.09**	**39**	**86**	**112.2**	**0.16**	**18**	**39**	**561.6**	**0.11**	**60**	**132**

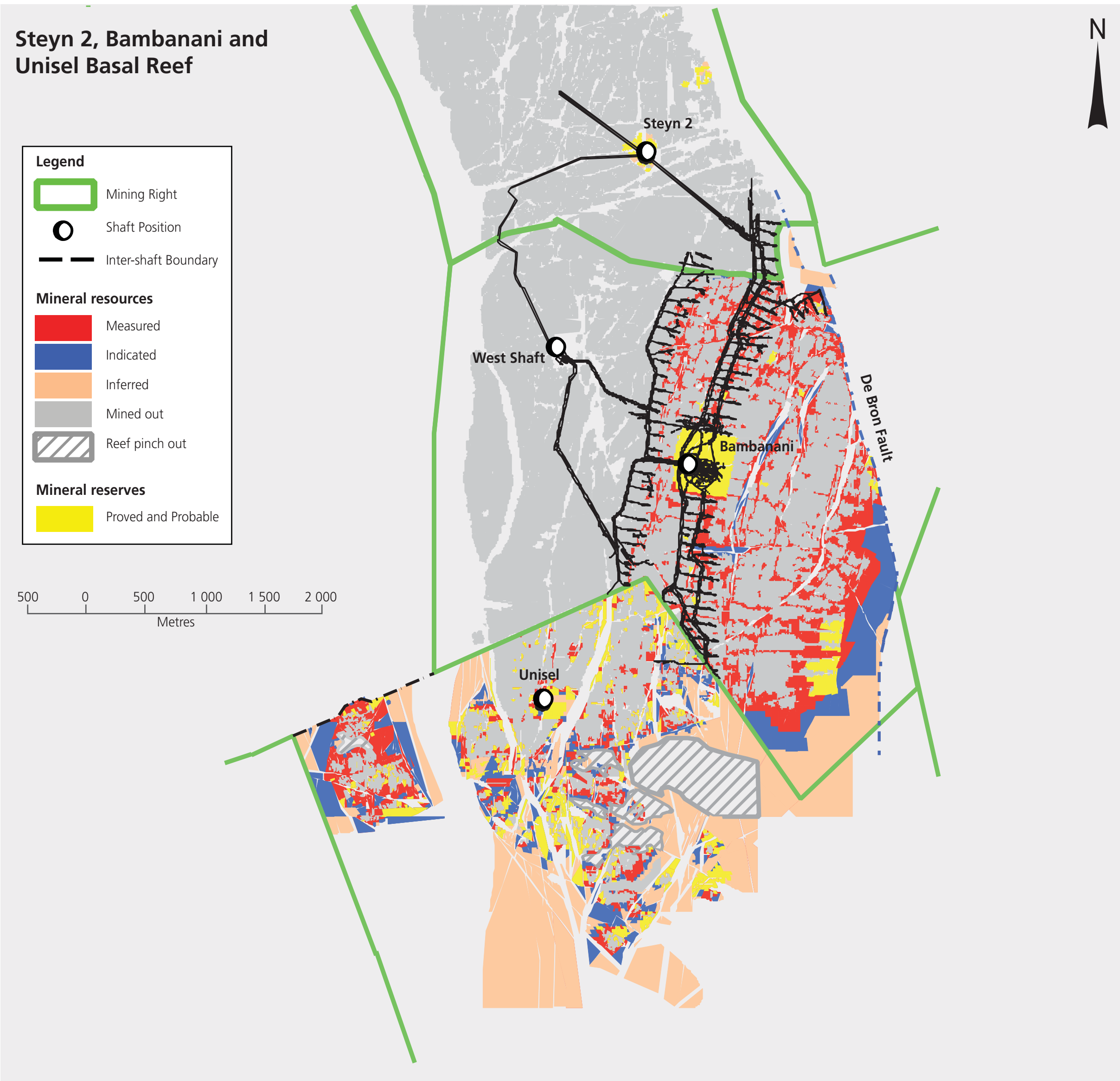
Modifying factors

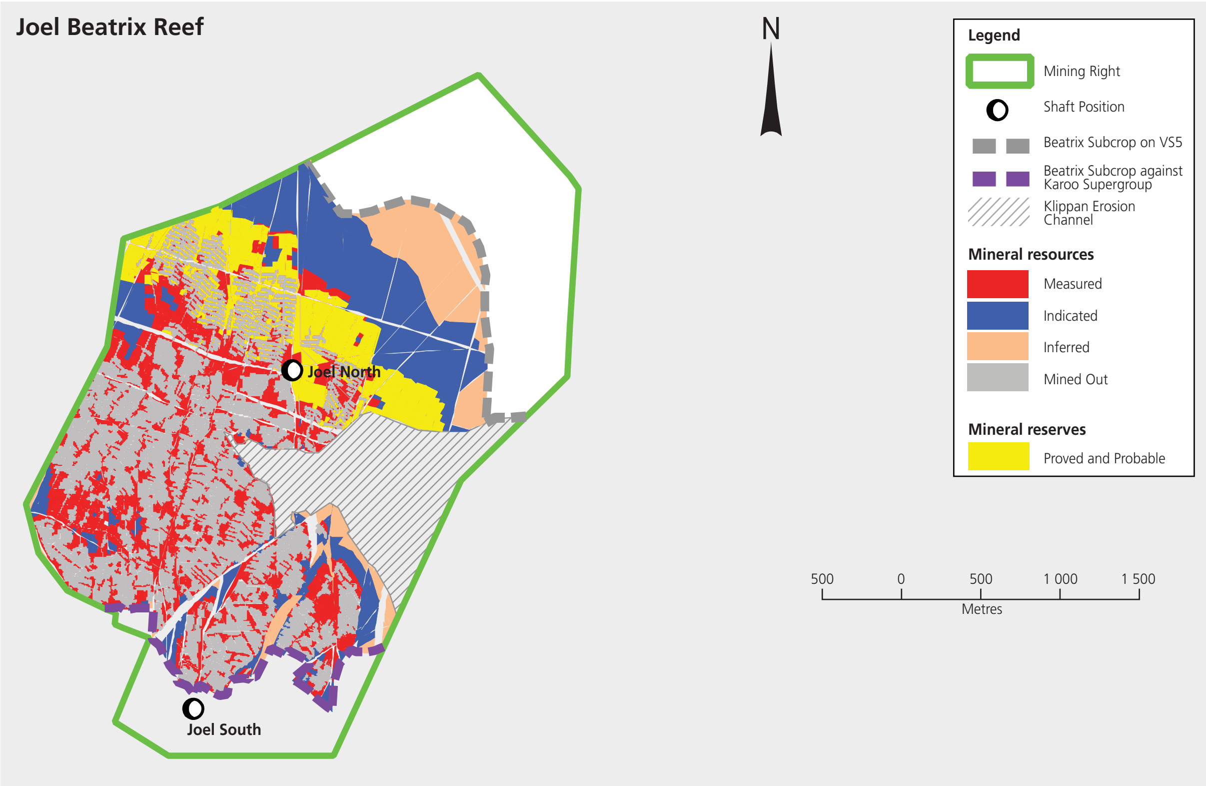
Operations	MCF (%)	PRF (%)
Masimong	69	80
Tshepong	69	80
Phakisa	84	80

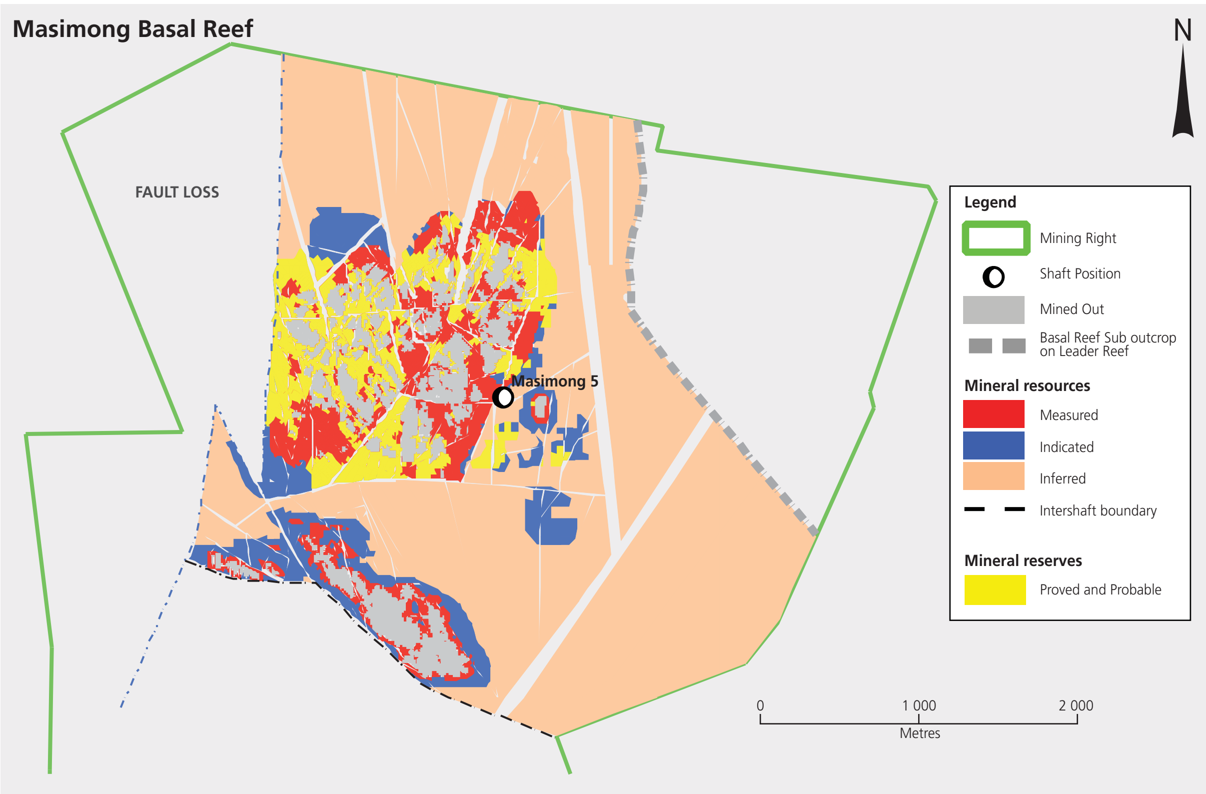
Uranium – Mineral reserves

Operations	Proved reserves Tonnes (Mt)	(kg/t)	U3O8 (Mkg)	U3O8 (Mlb)	Probable reserves Tonnes (Mt)	(kg/t)	U3O8 (Mkg)	U3O8 (Mlb)	Total mineral reserves Tonnes (Mt)	(kg/t)	U3O8 (Mkg)	U3O8 (Mlb)
Underground												
Masimong	2.6	0.19	0	1	3.3	0.18	1	1	6.0	0.18	1	2
Tshepong	6.6	0.09	1	1	13.4	0.11	1	3	20.0	0.10	2	5
Phakisa	2.4	0.16	0	1	16.7	0.13	2	5	19.1	0.14	3	6
Total Free State underground	**11.6**	**0.13**	**2**	**3**	**33.4**	**0.13**	**4**	**9**	**45.0**	**0.13**	**6**	**13**
Grand total	**11.6**	**0.13**	**2**	**3**	**33.4**	**0.13**	**4**	**9**	**45.0**	**0.13**	**6**	**13**

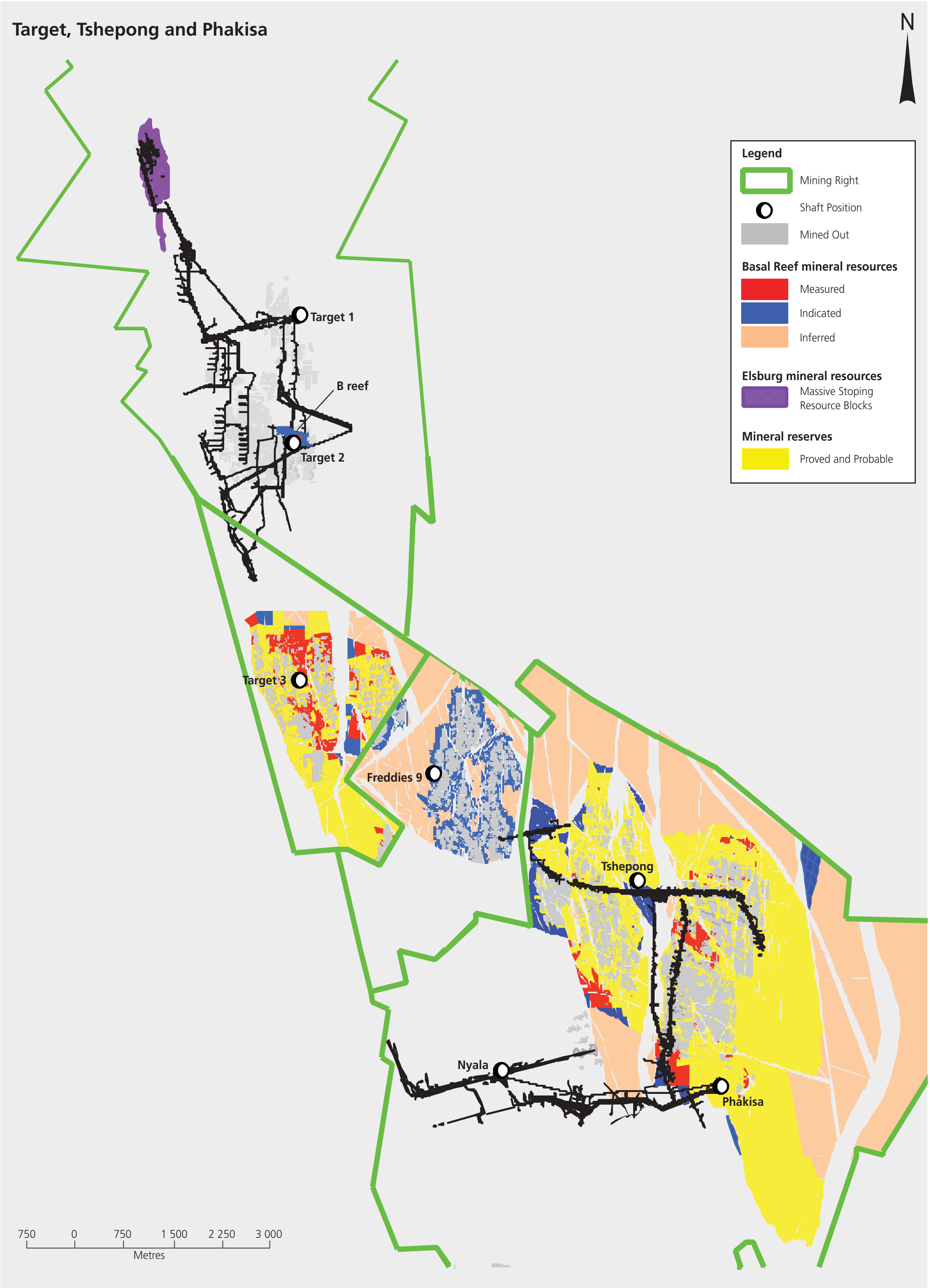
Free State operations CONTINUED




Joel Beatrix Reef
N
Legend
Mining Right
Shaft Position
Beatrix Subcrop on VS5
Beatrix Subcrop against Karoo Supergroup
Klippan Erosion Channel
Mineral resources
Measured
Indicated
Inferred
Mined Out
Mineral reserves
Proved and Probable
Joel North
Joel South
500 0 500 1 000 1 500
Metres


Masimong Basal Reef
N
FAULT LOSS
Masimong 5
Legend
Mining Right
Shaft Position
Mined Out
Basal Reef Sub outcrop on Leader Reef
Mineral resources
Measured
Indicated
Inferred
Intershaft boundary
Mineral reserves
Proved and Probable
0 1 000 2 000
Metres

Free State operations CONTINUED



Doornkop

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

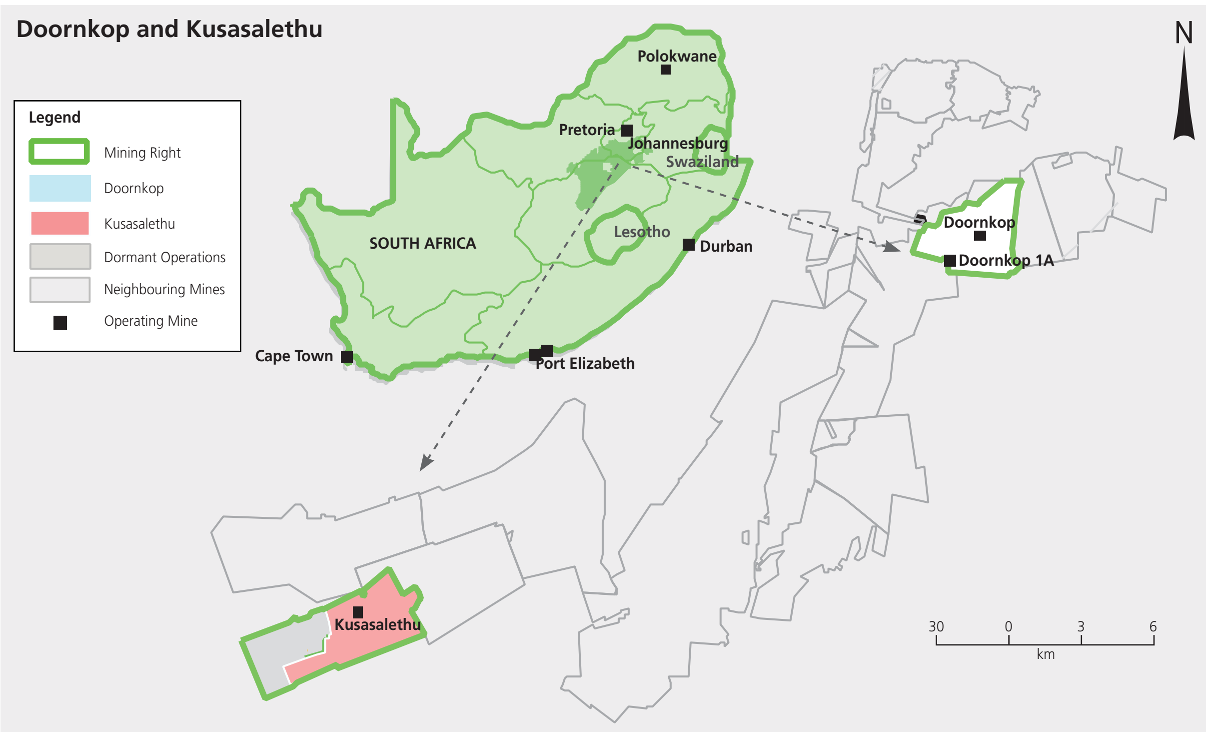
The Doornkop shaft lease area is bounded by and lies to the south-east of the major north-easterly striking Roodepoort fault, which dips to the south and constitutes the southern edge of the Witpoortjie Horst block or gap. This Horst block is comprised of the stratigraphically older sediments of the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

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

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

The South Reef is some 900m below the current Kimberley Reef mining, and between 7.5 and 60m above the Main Reef horizon. The hanging wall to the South Reef consists of siliceous quartzites with non-persistent bands of "blue-shot" grit and thin argillite partings. The footwall to the South Reef is a light coloured and fairly siliceous quartzite. Secondary conglomerate bands and stringers in the hanging wall and footwall of the South Reef may contain sporadic gold values.

The general strike of the reef is east-west, with a dip from 10 to 20 degrees. The orebody at Doornkop has a strike length of 4km and a width of 4km from west to east.



Doornkop CONTINUED

Doornkop
Gold – Mineral resources

	Measured resources				Indicated resources				Inferred resources				Total mineral resources			
Operations	Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)	Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)	Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)	Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)
Underground																
Doornkop Kimberley Reef	4.0	2.29	9	297	7.5	2.42	18	582	–	–	–	–	11.5	2.37	27	879
Doornkop South Reef	1.4	7.99	11	362	2.5	7.64	19	617	19.2	8.35	160	5 158	23.1	8.25	191	6 137
Grand total	**5.4**	**3.77**	**21**	**659**	**10.0**	**3.73**	**37**	**1 199**	**19.2**	**8.35**	**160**	**5 158**	**34.6**	**6.30**	**218**	**7 016**

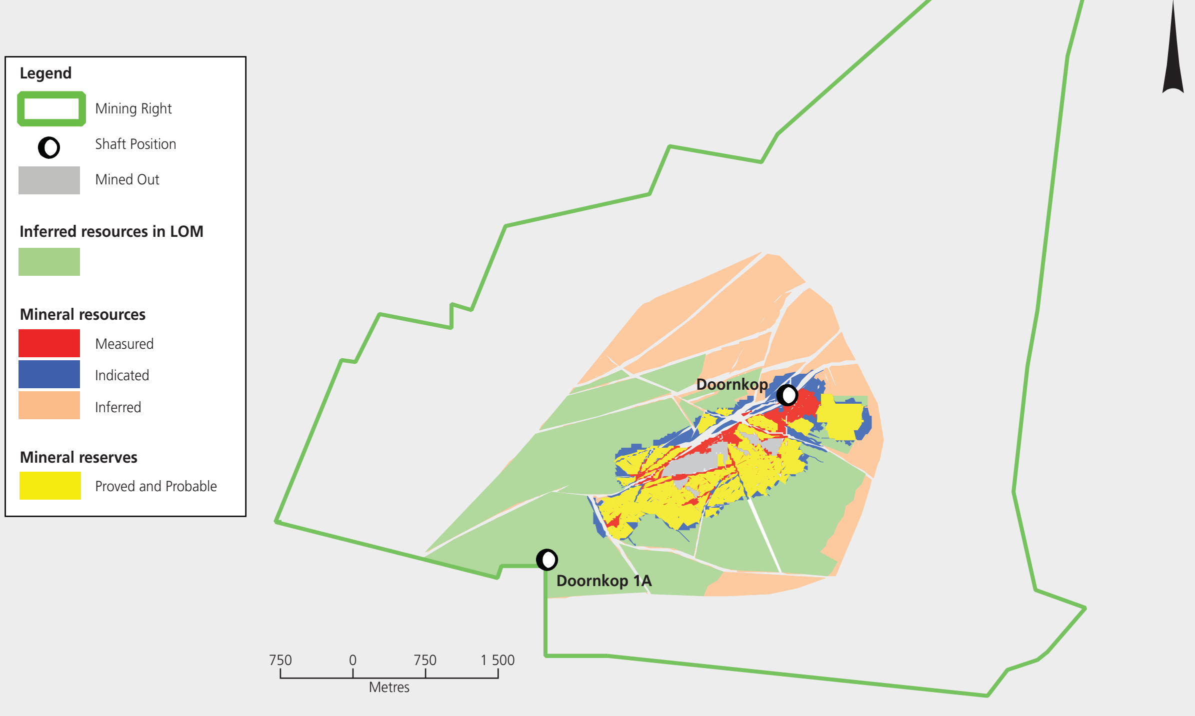
Modifying factors

Operations	MCF (%)	SW (cm)	MW (cm)	PRF (%)
Doornkop Kimberley Reef	95	357	365	95
Doornkop South Reef	80	124	153	95

Gold – Mineral reserves

	Proved reserves				Probable reserves				Total mineral reserves			
Operations	Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)	Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)	Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)
Underground												
Doornkop Kimberley Reef	1.8	2.08	4	117	3.7	2.31	8	273	5.4	2.23	12	390
Doornkop South Reef	1.1	5.48	6	198	2.1	5.25	11	354	3.2	5.33	17	552
Grand total	**2.9**	**3.41**	**10**	**315**	**5.8**	**3.38**	**20**	**627**	**8.7**	**3.39**	**29**	**942**

Doornkop South Reef



Kusasalethu

Geology: The structure of the orebody on the Far West Rand is dominated by a series of east-trending normal faults with throws of up to 40m, as well as a series of north-north-east striking normal faults with generally smaller displacements in the north-west. Faulting is generally less prevalent than in other Witwatersrand Basin goldfields. The primary reefs exploited are the Ventersdorp Contact Reef (VCR) and the Carbon Leader, separated by a distance of 900 to 1 300m, increasing from east to west. Secondary targets are the Middelvlei Reef (50 to 75m above the Carbon Leader) and the Mondeor Conglomerate Reef Zone, which sub-crops beneath the VCR at Deelkraal and on the western side of Kusasalethu.

Gold – Mineral resources

	Measured resources				Indicated resources				Inferred resources				Total mineral resources			
Operations	Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)	Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)	Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)	Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)
Underground																
Kusasalethu	10.1	10.48	105	3 391	23.2	8.96	207	6 670	1.5	9.35	14	440	34.7	9.42	327	10 501
Grand total	**10.1**	**10.48**	**105**	**3 391**	**23.2**	**8.96**	**207**	**6 670**	**1.5**	**9.35**	**14**	**440**	**34.7**	**9.42**	**327**	**10 501**

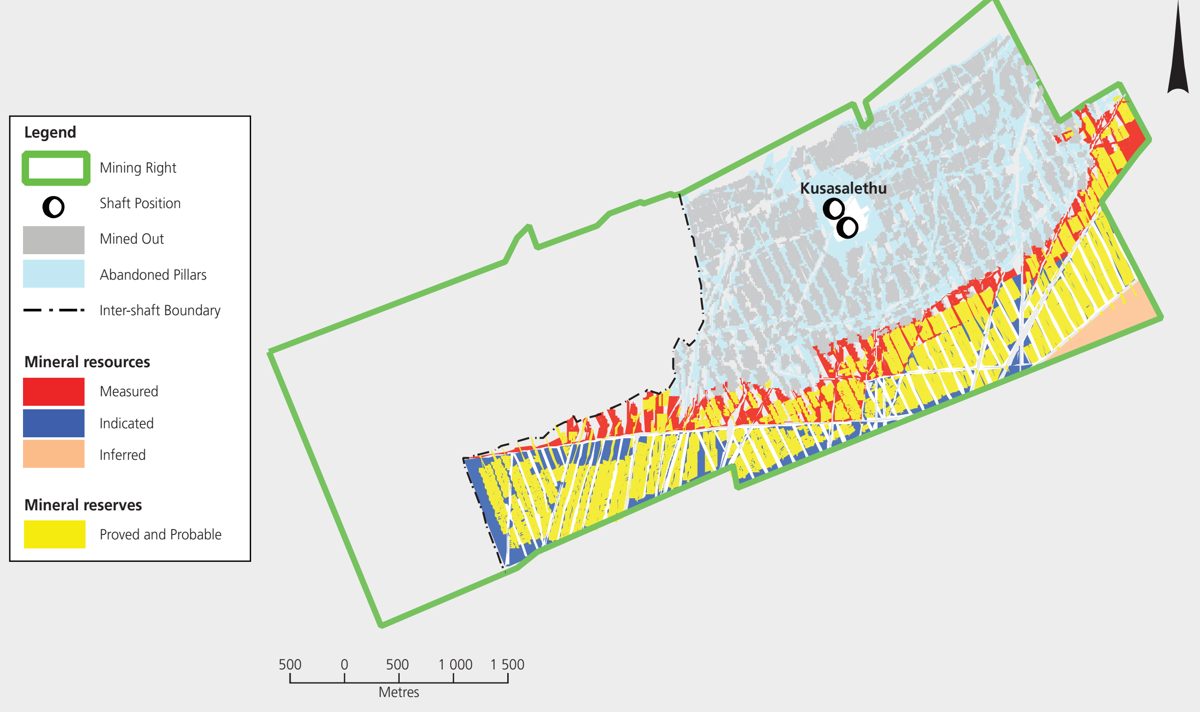
Modifying factors

Operations	MCF (%)	SW (cm)	MW (cm)	PRF (%)
Kusasalethu	87	126	161	96

Gold – Mineral reserves

	Proved reserves				Probable reserves				Total mineral reserves			
Operations	Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)	Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)	Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)
Underground												
Kusasalethu	12.5	6.94	87	2 790	21.2	6.42	136	4 383	33.8	6.61	223	7 173
Grand total	**12.5**	**6.94**	**87**	**2 790**	**21.2**	**6.42**	**136**	**4 383**	**33.8**	**6.61**	**223**	**7 173**

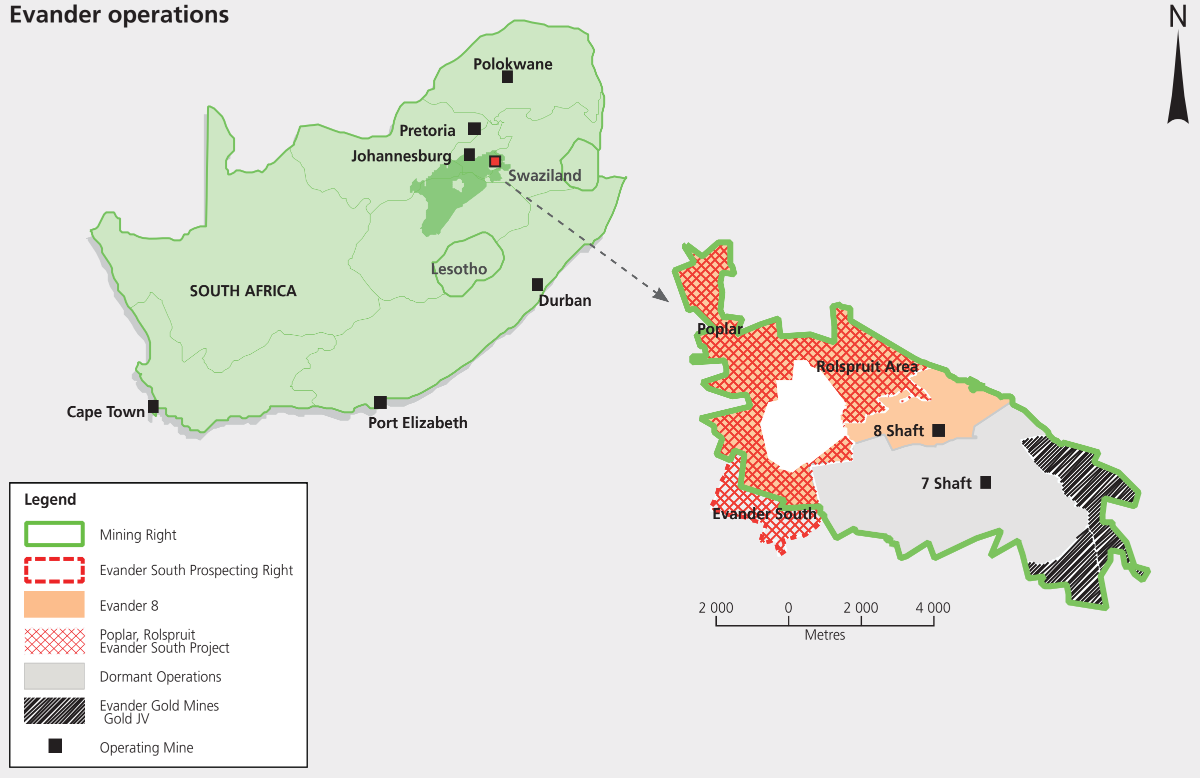
Kusasalethu Ventersdorp Contact Reef (VCR)



Evander

Geology: The Evander Basin is a tectonically preserved sub-basin outside the main Witwatersrand Basin and forms an asymmetric syncline, plunging to the north-east. It is structurally complex with a series of east-north-east striking normal faults. At the south-east margin of the basin, vertically to locally overturned reef is present. The only economic reef horizon exploited in the Evander Basin is the Kimberley Reef. The Intermediate Reef is generally poorly mineralised, except where it erodes the sub-cropping Kimberley Reef in the south and west of the basin.

Evander operations



Gold – Mineral resources

	Measured resources				Indicated resources				Inferred resources				Total mineral resources			
Operations	Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)	Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)	Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)	Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)
Underground																
Evander 8	3.0	14.10	42	1 362	2.2	15.94	34	1 104	10.4	10.01	105	3 360	15.6	11.61	181	5 826
Total	**3.0**	**14.10**	**42**	**1 362**	**2.2**	**15.94**	**34**	**1 104**	**10.4**	**10.01**	**105**	**3 360**	**15.6**	**11.61**	**181**	**5 826**
Projects – below infrastructure																
Evander South	–	–	–	–	23.9	5.35	128	4 107	40.4	3.08	125	4 006	64.3	3.92	252	8 113
Rolspruit	–	–	–	–	29.1	11.59	337	10 847	4.9	5.69	28	902	34.0	10.74	365	11 749
Poplar	–	–	–	–	21.4	6.75	145	4 653	11.6	5.84	68	2 181	33.1	6.43	213	6 834
Total	**–**	**–**	**–**	**–**	**74.4**	**8.20**	**610**	**19 607**	**57.0**	**3.87**	**221**	**7 089**	**131.4**	**6.32**	**830**	**26 696**
Subtotal	**3.0**	**14.10**	**42**	**1 362**	**76.6**	**8.41**	**644**	**20 711**	**67.4**	**4.82**	**325**	**10 449**	**147.0**	**6.88**	**1 012**	**32 522**
Surface																
Libra	–	–	–	–	202.9	0.29	59	1 897	–	–	–	–	202.9	0.29	59	1 897
Total	**–**	**–**	**–**	**–**	**202.9**	**0.29**	**59**	**1 897**	**–**	**–**	**–**	**–**	**202.9**	**0.29**	**59**	**1 897**
Grand total	**3.0**	**14.10**	**42**	**1 362**	**279.5**	**2.52**	**703**	**22 608**	**67.4**	**4.82**	**325**	**10 449**	**349.9**	**3.06**	**1 071**	**34 419**

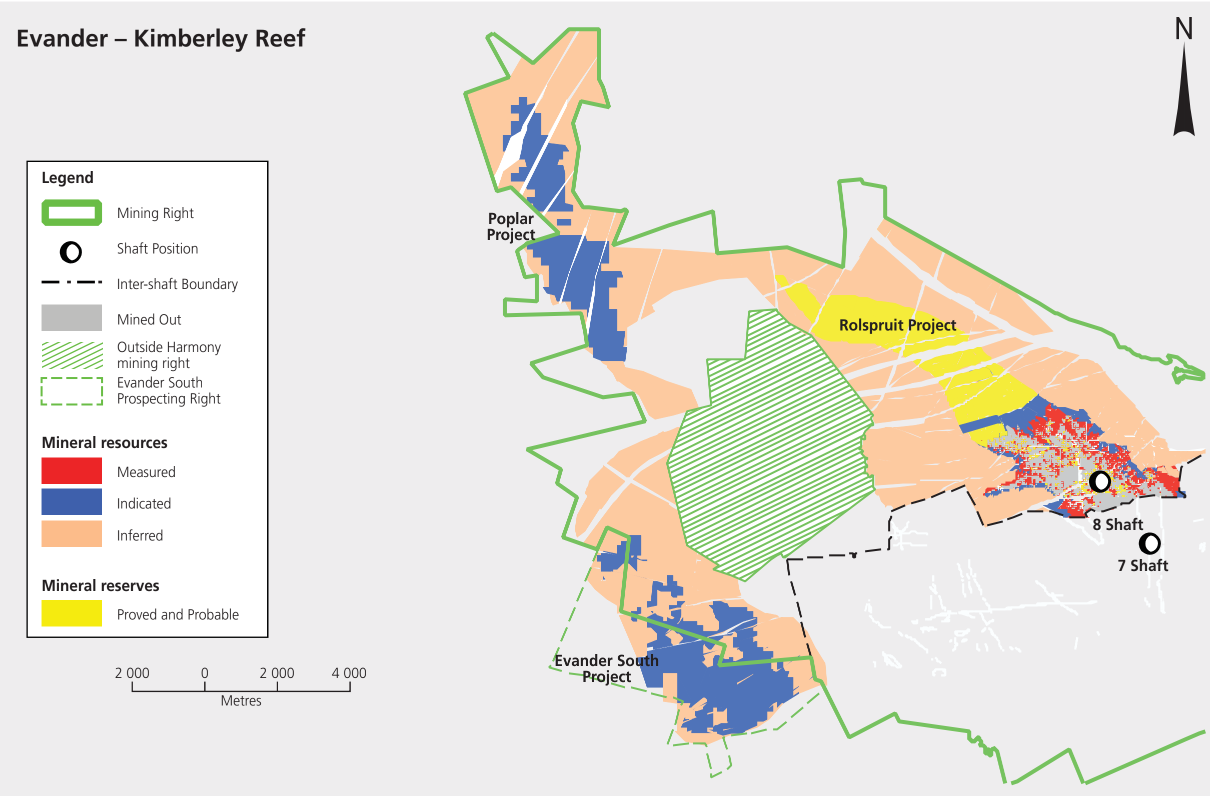
Modifying factors

Underground operations	MCF (%)	SW (cm)	MW (cm)	PRF (%)
Evander 8	74	121	177	96
Rolspruit	80	110	137	95

Surface operations	MCF (%)	PRF (%)
Libra	100	49

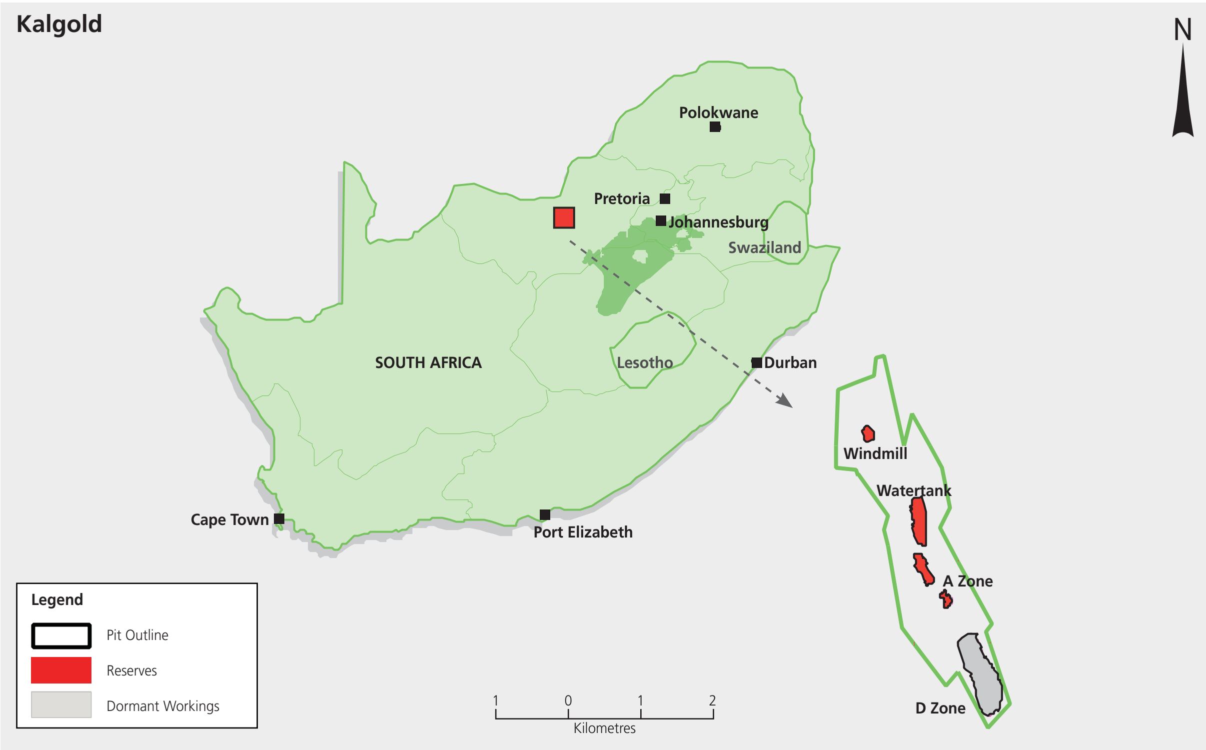
Gold – Mineral reserves

	Proved reserves				Probable reserves				Total mineral reserves			
Operations	Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)	Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)	Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)
Underground												
Evander 8	2.4	7.52	18	571	1.0	7.74	8	252	3.4	7.59	26	823
Total	**2.4**	**7.52**	**18**	**571**	**1.0**	**7.74**	**8**	**252**	**3.4**	**7.59**	**26**	**823**
Projects – below infrastructure												
Rolspruit	–	–	–	–	26.2	8.08	211	6 790	26.2	8.08	211	6 790
Total	**–**	**–**	**–**	**–**	**26.2**	**8.08**	**211**	**6 790**	**26.2**	**8.08**	**211**	**6 790**
Subtotal	**2.4**	**7.52**	**18**	**571**	**27.2**	**8.06**	**219**	**7 042**	**29.5**	**8.02**	**237**	**7 613**
Surface												
Libra	–	–	–	–	39.6	0.32	13	409	39.6	0.32	13	409
Total	–	–	–	–	39.6	0.32	13	409	39.6	0.32	13	409
Grand total	**2.4**	**7.52**	**18**	**571**	**66.8**	**3.47**	**232**	**7 451**	**69.1**	**3.61**	**249**	**8 022**



Kalgold

Geology: The Kalgold operation is located within the Kraaipan Greenstone Belt, 60km south of Mahikeng. This is part of the larger Amalia-Kraaipan Greenstone terrain, consisting of north-trending linear belts of Archaean meta-volcanic and metasedimentary rocks, separated by granitoid units. Mineralisation occurs in shallow dipping quartz veins, which occur in clusters or swarms, within the steeply dipping magnetite-chert banded iron formation. Disseminated sulphide mineralisation, dominated mostly by pyrite, occurs around and between the shallow dipping quartz vein swarms. The D zone is the largest orebody encountered and has been depleted. Mineralisation has also been found in the Mielie Field zone (adjacent to the D zone), the A zone and A zone west (along strike to the north of the D zone), and the Watertank and Windmill areas to the north of the A zone. Current operations are focused on mining the Watertank and A zone open pits.



Gold – Mineral resources

	Measured resources				Indicated resources				Inferred resources				Total mineral resources			
Operations	Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)	Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)	Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)	Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)
Kalgold	25.1	0.97	24	779	58.7	0.94	55	1 766	36.3	0.93	34	1 085	120.1	0.94	113	3 630
Grand total	**25.1**	**0.97**	**24**	**779**	**58.7**	**0.94**	**55**	**1 766**	**36.3**	**0.93**	**34**	**1 085**	**120.1**	**0.94**	**113**	**3 630**

Modifying factors

Operations	MCF (%)	Dilution (%)	PRF (%)
Kalgold	100	2	85

Gold – Mineral reserves

	Proved reserves				Probable reserves				Total mineral reserves			
Operations	Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)	Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)	Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)
Kalgold	18.6	0.82	15	492	7.1	0.85	6	193	25.7	0.83	21	685
Grand total	**18.6**	**0.82**	**15**	**492**	**7.1**	**0.85**	**6**	**193**	**25.7**	**0.83**	**21**	**685**

Papua New Guinea

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

Papua New Guinea

Note: Mineral resources and mineral reserves detailed in the following tables represent Harmony Newcrest Joint Venture 100% portion.

Gold – Mineral resources

	Measured resources				Indicated resources				Inferred resources				Total mineral resources			
Operations	Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)	Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)	Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)	Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)
Hidden Valley	8.1	1.74	14	452	90.2	1.53	138	4 444	16.1	1.16	19	598	114.3	1.50	171	5 494
Hamata	0.0	1.37	0	2	5.8	2.19	13	408	1.1	2.53	3	88	6.9	2.24	15	498
Wafi	–	–	–	–	63.2	1.98	125	4 024	40.0	1.73	69	2 224	103.2	1.88	194	6 248
Golpu	–	–	–	–	749.0	0.66	494	15 894	119.7	0.89	107	3 424	868.7	0.69	601	19 318
Nambonga	–	–	–	–	–	–	–	–	39.8	0.79	31	1 010	39.8	0.79	31	1 010
Grand total	**8.1**	**1.74**	**14**	**454**	**908.1**	**0.85**	**770**	**24 770**	**216.6**	**1.05**	**229**	**7 344**	**1 132.9**	**0.89**	**1 013.0**	**32 568**

Modifying factors

Operations	MCF (%)	PRF (%)
Hidden Valley	100	89
Hamata	100	89
Golpu	100	56

Gold – Mineral reserves

	Proved reserves				Probable reserves				Total mineral reserves			
Operations	Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)	Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)	Tonnes (Mt)	(g/t)	Gold (000kg)	Gold (000oz)
Hidden Valley	7.3	1.79	13	422	53.5	1.63	87	2 810	60.9	1.65	101	3 232
Hamata	–	–	–	–	4.9	2.09	10	332	4.9	2.09	10	332
Golpu	–	–	–	–	70.8	0.61	43	1 388	70.8	0.61	43	1 388
Grand total	**7.3**	**1.79**	**13**	**422**	**129.3**	**1.09**	**141**	**4 530**	**136.6**	**1.13**	**154**	**4 952**

Silver – Mineral resources

	Measured resources				Indicated resources				Inferred resources				Total mineral resources			
Operations	Tonnes (Mt)	(g/t)	Silver (000kg)	Silver (000oz)	Tonnes (Mt)	(g/t)	Silver (000kg)	Silver (000oz)	Tonnes (Mt)	(g/t)	Silver (000kg)	Silver (000oz)	Tonnes (Mt)	(g/t)	Silver (000kg)	Silver (000oz)
Hidden Valley	8.1	28.81	232	7 474	90.2	31.24	2 816	90 534	16.1	23.84	383	12 312	114.3	30.03	3 431	110 320
Grand total	**8.1**	**28.81**	**232**	**7 474**	**90.2**	**31.24**	**2 816**	**90 534**	**16.1**	**23.84**	**383**	**12 312**	**114.3**	**30.03**	**3 431**	**110 320**

Silver as gold equivalent oz*

	Measured	Indicated	Inferred	Total
Operations	(000oz)	(000oz)	(000oz)	(000oz)
Hidden Valley	87	1 062	144	1 293
Grand total	**87**	**1 062**	**144**	**1 293**

Modifying factors

Operations	MCF (%)	PRF (%)
Hidden Valley	100	88

Silver – Mineral reserves

	Proved reserves				Probable reserves				Total reserves			
Operations	Tonnes (Mt)	(g/t)	Silver (000kg)	Silver (000oz)	Tonnes (Mt)	(g/t)	Silver (000kg)	Silver (000oz)	Tonnes (Mt)	(g/t)	Silver (000kg)	Silver (000oz)
Hidden Valley	7.3	29.24	214	6 894	53.5	35.38	1 895	60 914	60.9	34.64	2 109	67 808
Grand total	**7.3**	**29.24**	**214**	**6 894**	**53.5**	**35.38**	**1 895**	**60 914**	**60.9**	**34.64**	**2 109**	**67 808**

Silver as gold equivalent oz*

	Proved	Probable	Total
Operations	(000oz)	(000oz)	(000oz)
Hidden Valley	80	714	794
Grand total	**80**	**714**	**794**

* Gold equivalent is calculated using a pricing of US$1 150/oz (gold) and $13.50/oz (silver).

Papua New Guinea CONTINUED

Copper – Mineral resources

	Measured resources				Indicated resources				Inferred resources				Total mineral resources			
Operations	Tonnes (Mt)	(%)	Cu (Mkg)	Cu (Mlb)	Tonnes (Mt)	(%)	Cu (Mkg)	Cu (Mlb)	Tonnes (Mt)	(%)	Cu (Mkg)	Cu (Mlb)	Tonnes (Mt)	(%)	Cu (Mkg)	Cu (Mlb)
Golpu	–	–	–	–	749.0	1.02	7 640	16 842	119.7	1.10	1 317	2 903	868.7	1.03	8 956	19 745
Nambonga	–	–	–	–	–	–	–	–	39.8	0.21	84	184	39.8	0.21	84	184
Grand total	**–**	**–**	**–**	**–**	**749.0**	**1.02**	**7 640**	**16 842**	**159.5**	**0.88**	**1 400**	**3 087**	**908.5**	**1.00**	**9 040**	**19 929**

Copper as gold equivalent oz*

	Measured	Indicated	Inferred	Total
Operations	(000oz)	(000oz)	(000oz)	(000oz)
Wafi-Golpu Project	–	36 604	6 712	43 316
Grand total	**–**	**36 604**	**6 712**	**43 316**

Modifying factors

Operations	MCF (%)	PRF (%)
Golpu	100	88

Copper – Mineral reserves

	Proved reserves				Probable reserves				Total mineral reserves			
Operations	Tonnes (Mt)	(%)	Cu (Mkg)	Cu (Mlb)	Tonnes (Mt)	(%)	Cu (Mkg)	Cu (Mlb)	Tonnes (Mt)	(%)	Cu (Mkg)	Cu (Mlb)
Golpu	–	–	–	–	70.8	1.10	779	1 716	70.8	1.10	779	1 716
Grand total	**–**	**–**	**–**	**–**	**70.8**	**1.10**	**779**	**1 716**	**70.8**	**1.10**	**779**	**1 716**

Copper as gold equivalent oz*

	Proved	Probable	Total
Operations	(000oz)	(000oz)	(000oz)
Wafi-Golpu Project	–	3 732	3 732
Grand total	**–**	**3 732**	**3 732**

* *Gold equivalent is calculated using a pricing of US$1 150/oz (gold) and $2.50/lb (copper).*

Molybdenum – Mineral resources

	Measured resources				Indicated resources				Inferred resources				Total mineral resources			
Operations	Tonnes (Mt)	(ppm)	Mo (Mkg)	Mo (Mlb)	Tonnes (Mt)	(ppm)	Mo (Mkg)	Mo (Mlb)	Tonnes (Mt)	(ppm)	Mo (Mkg)	Mo (Mlb)	Tonnes (Mt)	(ppm)	Mo (Mkg)	Mo (Mlb)
Golpu	–	–	–	–	749.0	99.00	74	163	119.7	76.00	9	20	868.7	95.83	83	184
Grand total	**–**	**–**	**–**	**–**	**749.0**	**99.00**	**74**	**163**	**119.7**	**76.00**	**9**	**20**	**868.7**	**95.83**	**83**	**184**

Modifying factors

Operations	MCF (%)	PRF (%)
Golpu	100	36

Molybdenum – Mineral reserves

	Proved reserves				Probable reserves				Total reserves			
Operations	Tonnes (Mt)	(ppm)	Mo (Mkg)	Mo (Mlb)	Tonnes (Mt)	(ppm)	Mo (Mkg)	Mo (Mlb)	Tonnes (Mt)	(ppm)	Mo (Mkg)	Mo (Mlb)
Golpu	–	–	–	–	70.8	121.00	9	18	70.8	121.00	9	18
Grand total	**–**	**–**	**–**	**–**	**70.8**	**121.00**	**9**	**18**	**70.8**	**121.00**	**9**	**18**

Total mineral resources gold and equivalent oz

	Measured	Indicated	Inferred	Total
Operations	(000oz)	(000oz)	(000oz)	(000oz)
Gold	454	24 770	7 344	32 568
Silver	87	1 062	144	1 293
Copper	–	36 604	6 712	43 316
Grand total	**541**	**62 436**	**14 200**	**77 177**

Total mineral reserves gold and equivalent oz

	Proved	Probable	Total
Operations	(000oz)	(000oz)	(000oz)
Gold	422	4 530	4 952
Silver	80	714	794
Copper	–	3 732	3 732
Grand total	**502**	**8 976**	**9 478**

Appendix

Reporting code

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

Definitions as per the SAMREC code

Mineral resources

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

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

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

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

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

Mineral reserves

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

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

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

Harmony reporting in compliance with SAMREC

To meet the requirements of the SAMREC code that the material reported as a mineral resource should have "reasonable and realistic prospects for eventual economic extraction", Harmony has determined an appropriate cut-off grade which has been applied to the quantified mineralised body according to a process incorporating a long-term view on future economic modifying factors. In applying this process, Harmony uses a gold price of R390 000/kg to derive a cut-off grade to determine the mineral resources at each of its South African underground operations. Mineral resources have been estimated on the basis of geoscientific knowledge with input from the company's mineral reserve managers, geologists and geostatistical staff. Each mine's mineral resources are categorised, blocked-out and ascribed an estimated value. At all our mines computerised geostatistical estimation processes are used.

To define that portion of a measured and indicated mineral resource that can be converted to a proved and probable mineral reserve, Harmony applies the concept of a cut-off grade. At our underground South African mines, this is done by defining the optimal cut-off as the lowest grade at which an orebody can be mined such that the total profits, under a specified set of mining parameters, are maximised. The cut-off grade is determined using the company's Optimiser software which requires the following as input: the database of measured and indicated resource blocks (per shaft section); an assumed gold price which, for this mineral reserve statement, was taken as R280 000/kg; planned production rates; the mine recovery factor (MRF) which is equivalent to the mine call factor (MCF) multiplied by the plant recovery factor (PRF); and planned cash operating costs (rand per tonne). Rand per tonne cash operating costs are historically based but take cognisance of distinct changes in the cost environment such as restructuring, right-sizing, and other cost-reduction initiatives, and for below-infrastructure ounces, an estimate of capital expenditure.

The block cave reserve at Golpu in PNG uses PCBC software to define the optimal mine plan and sequencing. The open-pit reserve at Hidden Valley in PNG is constrained by the capacity of the tailings storage facility with the Whittle optimisation programme guiding the most efficient mine design given this constraint.

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

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

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

Glossary of geological terms

Below infrastructure	That part of a company's mineral reserve that can only be accessed following certain capital expenditure which has yet to be approved
Craton	A part of the earth's crust that has attained stability and has been little deformed for a long period of geological time
Diorite	A group of plutonic rocks intermediate in composition between acidic and basic
Felsic	An igneous rock having abundant light-coloured minerals
Graben	A block of rock that lies between two faults, and has moved downward to form a depression between two adjacent fault blocks
Greenstone	A field term for any compact dark green altered or metamorphosed basic igneous rock that owes its colour to chlorite
Horst	A block of rock that lies between two faults and has moved upward relative to the two adjacent fault blocks
Kaapvaal Craton	The ancient protocontinental basement of South Africa
Lacustrine	Pertaining to sediments formed in lakes
Mafic	An igneous rock composed chiefly of dark, ferromagnesium minerals
Ophiolite	A group of mafic and ultramafic igneous rocks derived by metamorphism, whose origin is associated with an early phase of the development of a geosyncline
Plunge	The inclination of a fold axis or other linear feature, measured in the vertical plane
Sub-outcrop	A rock stratum that unconformably underlies another rock stratum
Syncline	Concave fold in stratified rock, in which strata dip down to meet in a trough
Witwatersrand Basin	A sedimentary basin in South Africa

CORPORATE GOVERNANCE

The board of directors takes ultimate responsibility for Harmony's adherence to sound corporate governance standards and ensures that all business judgements are made with reasonable care, skill and diligence. Sound corporate governance structures and processes are applied at Harmony and considered by the board to be pivotal in delivering sustainable growth in the interests of all stakeholders.

Governance structures and processes are reviewed regularly and adapted to accommodate internal developments and reflect national and international best practice to the extent considered in the best interests of the company. The board believes that, for the period under review, the company has applied the recommendations of the code of governance principles contained in the King Report on Governance for South Africa, 2009 (King III), the provisions of the Companies Act of 1973, the Corporate Laws Amendment Act (No 24 of 2006) and the new Companies Act (No 71 of 2008) which came into effect on 1 May 2011. Deviations from the King III governance principles are explained throughout the report.

The board considers corporate governance a priority that requires more attention than merely establishing the steps to be taken to demonstrate compliance with codes, legal, regulatory or listings requirements. The board has therefore carefully considered the extent to which the implementation of new corporate governance concepts will be in the best interests of the company. The audit committee and the board continue to review and benchmark the company's governance structures and processes to ensure the directors and the board exercise effective leadership, based on an ethical foundation and the principles of responsible corporate citizenship and sustainability. Harmony is committed to achieving high standards of business integrity and ethics across all its activities. Issues of governance will continue to receive the consideration and attention of the board and its committees in the year ahead.

Board of directors

Harmony is governed by a unitary board which, at 30 June 2011, comprised 15 members, nine of whom were independent non-executive directors (determined on the basis of both King III and the Sarbanes-Oxley Act in the United States) and three of whom were executive directors.

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

At 30 June 2011, the members of Harmony's board of directors were:

Non-independent non-executive chairman

Patrice Motsepe (reappointed on 12 August 2011 in terms of King III)

Lead independent non-executive director

Fikile De Buck (reappointed on 12 August 2011 in terms of King III)

Executive directors

Graham Briggs (chief executive officer)
Hannes Meyer (financial director)
Harry Ephraim 'Mashego' Mashego (executive director)

Independent non-executive directors

Joaquim Chissano
Ken Dicks
Cathie Markus
Mavuso Msimang
Modise Motloba
David Noko
Simo Lushaba
Cedric Savage

Dr Cheick Diarra resigned as independent non-executive director on 31 May 2011 and John Wetton was appointed as independent non-executive director post year end on 1 July 2011.

Non-independent non-executive directors

Frank Abbott
André Wilkens

Board purpose and function

The board is guided in its actions by the board charter (www.harmony.co.za) which is reviewed annually. The charters of the board and its committees have been revised to align these with the wording and concepts of King III. The charters are reviewed annually.

The board charter requires that directors exercise leadership, enterprise, integrity and good judgement, accountability, responsibility, due care and transparency. The charter serves as a guide to members on the board's:

- Purpose and role
- Responsibilities and authority
- Composition
- Meetings
- Self-assessment.

The board provides strategic direction to the company at quarterly board meetings and by delegating authority to board committees. It reviews and directs the company's strategic objectives, annual budget and plans. The board also guides and reviews Harmony's non-financial performance.

A number of duties, responsibilities and personal liabilities are imposed on Harmony's directors under both common and statutory law, not only in South Africa, but also in the United States, Australia, PNG and the United Kingdom.

Board appointments and resignations

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

David Noko and Mavuso Msimang were appointed to the board on 26 March 2011 and John Wetton was appointed on 1 July 2011. Dr Cheick Diarra resigned as a director on 31 May 2011.

Board meetings

Five board meetings were held during the period under review and a strategy session was held on 26 March 2011. The board charter requires that at least one board meeting be held every quarter. Attendance at these meetings is reflected below. Resolutions requiring urgent decisions were passed by means of round-robin resolutions and confirmed at the next board meeting.

PT Motsepe	5
GP Briggs	5
HO Meyer	5
F Abbott	5
HE Mashego	5
JA Chissano	5
FFT De Buck	5
CM Diarra[1]	0
KV Dicks	5
DS Lushaba	5
CE Markus	5
MJ Motloba	4
CML Savage	5
AJ Wilkens	5
M Msimang[2]	1
DC Noko[2]	1

[1] *Resigned on 31 May 2011.*
[2] *Appointed as members on 26 March 2011.*

Chairman and lead independent director

Following the board's annual self-assessment, Patrice Motsepe was re-elected chairman of the board in August 2011 for a 12-month period as recommended by King III. The roles of chairman and chief executive officer are separate and distinct as required by King III. The chairman is not considered independent. The board is, however, of the view that the value added by Patrice Motsepe as chairman is significant, and that the board as a whole is predominantly independent in nature.

Fikile De Buck was reappointed lead independent non-executive director in August 2011, given the fact that the chairman is not independent. This appointment is in line with the requirements of King III to assist the board in managing any actual or perceived conflicts of interest.

Board induction and training

On appointment and as part of the company's board induction programme, new directors are briefed by the company secretary and given comprehensive company information packs including committee charters, articles of association, code of ethics, delegation of authority and a copy of the JSE listings requirements and Companies Act, 2008.

New directors are invited to meet with management at head office for a tour of the business and informal introductory meetings with various management teams.

Articles of interest and updates on corporate governance are frequently sent to the board to keep directors informed. Specific training sessions are arranged when requested by directors. The board has initiated a programme of identifying specific training needs of directors to actively address these. Board members are also invited to attend underground visits at the mines.

Access to management and operations, and independent advice

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

Delegation of authority

The board delegates authority for certain matters to specified board committees, as well as the executive directors. These matters are monitored and evaluated by the board at each meeting.

Board self-assessment

In terms of its charter, the board is required to conduct an annual self-assessment of the performance of the board as a whole, board committees, individual directors and the chairman.

These assessments are based on several factors, including expertise, enquiring attitude, objectivity and independence, judgement, understanding of Harmony's business, understanding and commitment to the board's duties and responsibilities, willingness to devote the time needed to prepare for and participate in committee deliberations, timely responses and attendance at meetings.

Harmony supports the principles and practices of sound governance. As part of this philosophy, KPMG was again appointed to assist with the annual board self-assessment. The 2011 self-assessment questions and statements considered the recommendations of King III, as well as feedback received from the board during the previous year's assessment process. Final questionnaires were approved by the chairman before distribution to board members. The questionnaires were completed by each board member. A full report based on the findings of this evaluation was circulated to the board and improvements will be made where necessary.

Executive directors

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

Executive directors participate in Harmony's share schemes and also benefit from pension contributions (or provident fund), life insurance and medical aid. Their employment contracts do not make provision for predetermined compensation on termination. The number of share options held by executive directors during the financial year is detailed in the *Remuneration report* on pages 200 to 201.

Non-executive directors

No non-executive director has a service contract with Harmony. Non-executive directors are entitled to fees as approved at Harmony's annual general meeting (AGM) and to reimbursement for out-of-pocket expenses incurred on the company's behalf. Details of directors' fees paid in the period under review appear in the *Remuneration report* on page 199.

Annual general meeting

The notice of the AGM has been distributed to shareholders either electronically or via registered post with a summary of the financial statements to be presented at the meeting.

Directors are encouraged to attend the AGM, particularly the chairmen of the various board committees. Shareholders should ideally also use this opportunity to engage with the board and members of the executive management team.

Rotation of directors

The rotation of directors is accepted as standard practice as it ensures the board remains dynamic. At the same time, this rotation is managed to ensure the board's skill and diversity is not compromised. In terms of the company's articles of association, one-third of the longest-standing directors on the board must retire from office at the next AGM. Provision is also made for the exemption from retirement of executive directors in terms of their employment contracts although, currently, both non-executive and executive directors make themselves available for retirement by rotation. In addition, directors appointed after the previous AGM are also expected to stand down for re-election by shareholders.

Accordingly, the following directors will retire, and have made themselves available for re-election, at the forthcoming AGM:
- Graham Briggs
- Frank Abbott
- Ken Dicks

In addition, David Noko, Mavuso Msimang and John Wetton, the new independent non-executive directors, will make themselves available for election at the AGM. Cedric Savage, being due for retirement by rotation, has indicated he will not be available for re-election at the AGM.

A short curriculum vitae of all directors appears on pages 26 to 29 of this report.

Board committees

To enable the board to properly discharge its duties, certain responsibilities have been delegated to board committees. At 30 June 2011, these board committees comprised:
- Audit committee
- Empowerment committee
- Investment committee
- Nomination committee
- Remuneration committee
- Sustainable development committee
- Technical committee

At a meeting in August 2011, the board resolved that the sustainable development committee be replaced by a social and ethics committee to comply with the provisions of the new Companies Act, 2008. The social and ethics committee's responsibilities will incorporate those of its predecessor which already included many of the statutory responsibilities of a social and ethics committee. As far as any other committee oversees some of the statutory responsibilities of the social and ethics committee, this committee will deliver a report to the social and ethics committee annually. The chairman of the social and ethics committee will be present at the AGM to report on matters within its mandate.

Each board committee discharges its responsibilities in accordance with its charter which can be accessed from the company's website (www.harmony.co.za). Each committee has also adopted a work plan that is approved by the board annually, and against which the committee reports to the board.

During the period under review the majority of members of all the board committees were independent non-executive directors. All board committees were chaired by an independent non-executive director, except for the technical committee. André Wilkens (a non-independent, non-executive director) is chairman of the technical committee. Appointing non-independent, non-executive directors as chairmen of board committees is not in line with the recommendations of King III. Adopting the 'apply or explain' principle set out in King III, André's appointment was based on his extensive knowledge on the specific areas and responsibilities of the technical committee, the best interests of the company and the majority of other members of that committee being independent.

The creation of the committees does not reduce the board's overall responsibility and the chairmen of all committees report and make recommendations to the board through designated reporting opportunities at each board meeting. Minutes of all committee meetings are included in information packs provided to each board member prior to meetings.

Audit committee

The role of the audit committee is to:

- Attend to its statutory duties as set out in the Companies Act, 2008
- Assist the board in discharging its duties relating to safeguarding assets
- Monitor the operation of an adequate system of internal controls and control processes
- Ensure the preparation of accurate financial reporting and statements in compliance with all applicable legal requirements, corporate governance and accounting standards.

The committee also supports the board on the risk profile and risk management of the company and its subsidiaries. The committee ensures there is an internal audit function in place and that the roles of the internal and external audit functions are properly coordinated.

The audit committee recommends the appointment of external auditors to the board and shareholders, and also approves non-audit services provided by the external auditors. The committee has reviewed the independence of the external auditors and is satisfied that they are independent from the company and its subsidiaries.

The audit committee reports and makes recommendations to the board as appropriate. The board retains responsibility for the implementation of such recommendations.

At 30 June 2011, the members of this committee were:

- Cedric Savage (chairman) – Member since 26 January 2004 and appointed chairman on 5 August 2005
- Fikile De Buck – Member since 30 March 2006
- Simo Lushaba – Member since 24 January 2003
- Modise Motloba – Member since 30 July 2004

John Wetton has been appointed a member of the audit committee from 1 July 2011 and will replace Cedric Savage as chairman of the committee from the date of the AGM.

The internal auditors, external auditors, chief executive officer, financial director and executive managers are invited to committee meetings.

Harmony does not have an individual financial expert as defined by the rules of the Securities and Exchange Commission (SEC) serving on its audit committee. The company believes that audit committee members, through their collective experience, meet the majority of the definitions of the SEC for an audit committee financial expert in both the public and private sectors. The members have served as directors and officers of numerous public companies and have over the years developed a good knowledge and understanding of IFRS, overseeing the preparation, audit and evaluation of financial statements. Harmony believes that the combined knowledge, skills and experience of the audit committee members, and their authority to engage outside experts for advice on matters relating to their responsibilities as deemed appropriate, enables them as a group to act effectively in fulfilling tasks and responsibilities required under the Sarbanes-Oxley Act.

The committee is responsible for ensuring that the combined assurance model introduced by King III is applied to provide a coordinated approach to all assurance activities.

In particular, the committee:
- Ensures the combined assurance received is appropriate to address all significant risks facing the company
- Monitors the relationship between external service providers and the company.

The audit committee oversees and monitors the governance of information technology on behalf of the board in accordance with King III. A chief information officer has been appointed to attend to information technology in the company and reports to the committee each quarter.

The committee considered the appropriateness of the expertise and experience of the financial director, as required by the JSE listings requirements, and concluded that the financial director has the necessary expertise and experience to fulfil his role. The committee has also satisfied itself that the expertise, resources and experience of the finance function are adequate, as recommended by King III.

In terms of its charter, the audit committee is required to meet at least four times a year, or more frequently as circumstances dictate. During the period under review, the committee met on five occasions.

Cedric Savage	5
Fikile De Buck	4
Simo Lushaba	5
Modise Motloba	3

Empowerment committee

The empowerment committee ensures that the company meets regulations stipulated in the Employment Equity Act, Labour Relations Act and Mineral and Petroleum Resources Development Act's (MPRDA) Mining Charter scorecard. It also ensures Harmony fulfils its own empowerment imperatives.

The responsibilities of the committee include ensuring that a sustainable organisational culture, structures and processes are in place to support the development of empowerment in the company; monitoring the development and progress of empowerment in the company; addressing inequalities that may exist in staff profiles and organisational practices; and reviewing and monitoring whether appropriate support is given to historically disadvantaged employees to equip them for successful careers in the company.

At 30 June 2011, the members of this committee were:
- Joaquim Chissano (chairman) – Member and chairman since 3 May 2006
- Cathie Markus – Member since 29 October 2007
- Modise Motloba – Member since 3 May 2006
- Mavuso Msimang – Member since 3 May 2011

During the period under review the chief executive officer and executive managers were invited to attend meetings.

The empowerment committee met on four occasions during the period under review.

Joaquim Chissano	4
Cathie Markus	4
Modise Motloba	4
Mavuso Msimang	0*

** Appointed as member after the last committee meeting in the financial year.*

Investment committee

The primary purpose of the investment committee is to consider projects, acquisitions and disposal of assets in line with the company's overall strategy. This includes performing other investment-related functions that may be designated by the board from time to time, considering the viability of capital projects or disposals and the effect these may have on the company's cash flow, as well as whether these fit into the company's overall strategy. This committee's responsibilities include ensuring that due diligence procedures are followed when acquiring or disposing of assets.

At 30 June 2011, the members of the committee were:

- Simo Lushaba (chairman) – Member since 26 January 2004 and appointed chairman on 5 August 2005
- Ken Dicks – Member since 13 February 2008
- Cathie Markus – Member since 29 October 2007
- Cedric Savage – Member since 26 January 2004
- André Wilkens – Member since 7 August 2007
- Frank Abbott – Member since 29 October 2010

During the period under review the chief executive officer, financial director and executive managers were invited to attend investment committee meetings.

The committee should meet at least four times a year but may, at its discretion, meet more often, depending on the circumstances. The committee met on six occasions during the period under review.

Simo Lushaba	5
Ken Dicks	6
Cathie Markus	6
Cedric Savage	6
André Wilkens	3
Frank Abbott	5

Nomination committee

The primary purpose of the nomination committee is to ensure that procedures governing appointments to the board are formal and transparent, by making recommendations to the board on all new board appointments and reviewing succession planning for directors. The duties and responsibilities of this committee are set out in its charter.

During the period under review the lead independent director chaired the committee. In line with King III, the chairman of the board was also a member of the committee.

At 30 June 2011, the members of this committee were:

- Fikile De Buck (chairman) – Member and chairman since 13 August 2010
- Patrice Motsepe – Member since 24 October 2003
- Frank Abbott – Member since 5 August 2005
- Joaquim Chissano – Member since 3 May 2006
- Modise Motloba – Member since 29 October 2010

Members of this committee are required to meet annually or more often at the committee's discretion, depending on prevailing circumstances. The committee met six times during the year.

Fikile De Buck	4
Patrice Motsepe	5
Frank Abbott	5
Joaquim Chissano	3
Modise Motloba	2

The chief executive officer was invited to attend all meetings of the committee.

Remuneration committee

The primary purpose of the remuneration committee is to ensure that the company's directors and executive managers are fairly rewarded for their individual contributions to Harmony's performance. The remuneration of executive managers is set by a committee of board members with no personal interest in the outcome of these decisions, and who will give due regard to the interests of shareholders and to the financial and commercial health of the company.

The committee's primary aims are to monitor and strengthen the objectivity and credibility of the remuneration system of Harmony's directors and executive managers and to make recommendations to the board on remuneration packages and policies applicable to directors. A formal remuneration and incentive awards policy has been reviewed by the committee and adopted by the board, with a summary on pages 193 to 198 and presented to shareholders for a non-binding advisory vote in the notice of AGM.

At 30 June 2011, the members of this committee were:

- Cedric Savage (chairman) – Member since 24 January 2004 and chairman from 3 May 2006
- Simo Lushaba – Member since 5 August 2005
- André Wilkens – Member since 7 August 2007
- Fikile De Buck – Member since 29 October 2010
- Frank Abbott – Member since 3 May 2011

The board elected Frank Abbott (a non-independent, non-executive director) to replace Cedric Savage who retires as chairman of the committee from the date of the AGM. Although King III recommends all chairmen be independent non-executive directors, the board considered the appointment of Frank Abbott as chairman to be in the best interests of the company given his vast knowledge of the company's remuneration policies and procedures. The lead independent director is a member of the committee and will ensure that decisions are fair and unbiased.

The chief executive officer, financial director and executive director: organisational development and transformation were invited to attend all meetings.

The remuneration committee is expected to meet at least quarterly or to pass resolutions by round robin if a formal meeting cannot be held. During the period under review, the committee met six times.

Cedric Savage	6
Simo Lushaba	6
André Wilkens	6
Fikile De Buck	2
Frank Abbott	0*

** Appointed as member after the last committee meeting in the financial year.*

Social and ethics committee previously known as the sustainable development committee

During the period under review, the role of the sustainable development committee was to supplement, support, advise and provide guidance on the effectiveness of management's efforts in sustainable development. The committee considered the following issues: occupational health, HIV/Aids, social investment and environmental management.

At 30 June 2011, the members of this committee were:

- Modise Motloba (chairman) – Member and chairman since 5 August 2005
- Joaquim Chissano – Member since 3 May 2006
- Fikile De Buck – Member since 3 May 2006
- Cathie Markus – Member since 29 October 2010
- David Noko – Member since 3 May 2011
- Mavuso Msimang – Member since 3 May 2011

The committee comprised six non-executive directors, five of whom were independent.

The chief executive officer and executive managers were invited to attend all meetings.

Five meetings were held during the period under review.

Modise Motloba	5
Joaquim Chissano	4
Fikile De Buck	4
Cathie Markus	2
David Noko	0*
Mavuso Msimang	0*

** Appointed as members after the last meeting of the committee in the financial year.*

Technical committee

The technical committee was formed in January 2008 to provide a platform for the chief executive officer to discuss the company's strategy, performance against targets, operational results and projects. During the period under review, the board agreed that the committee should also attend to safety matters. The technical committee further informs the board of key developments, progress against objectives and challenges facing operations. The company's strategic plans are considered by the committee and recommended for approval to the board. The committee also provides guidance and support to management to ensure the company remains sustainable and successful.

At 30 June 2011, the members of this committee were:

- André Wilkens (chairman) – Member and chairman since 22 January 2008
- Ken Dicks – Member since 13 February 2008
- Cedric Savage – Member since 22 January 2008
- David Noko – Member since 3 May 2011

The chief executive officer was invited to attend technical committee meetings, as were other members of executive management.

The committee met on five occasions during the period under review.

André Wilkens	5
Ken Dicks	5
Cedric Savage	4
David Noko	2

Company secretary

Harmony's company secretary plays an active role in achieving good corporate governance, supporting the chairman and the board in:

- Ensuring the effective functioning of the board
- Providing guidance to the chairman, board and directors of Harmony's subsidiaries on their responsibilities and duties in the prevailing regulatory and statutory environment
- Providing the board with guidance on how to discharge these responsibilities and duties in the best interests of Harmony
- Raising matters that may warrant the attention of the board.

The company secretary assists in ensuring that the board's decisions and instructions are clearly communicated to the relevant stakeholders, and is available as a central source of guidance and advice in Harmony on matters of ethics and good governance. In FY11, iThemba Governance and Statutory Solutions (Proprietary) Limited was appointed on 22 March 2011 following the resignation of Harmony's internal company secretary.

Other committees

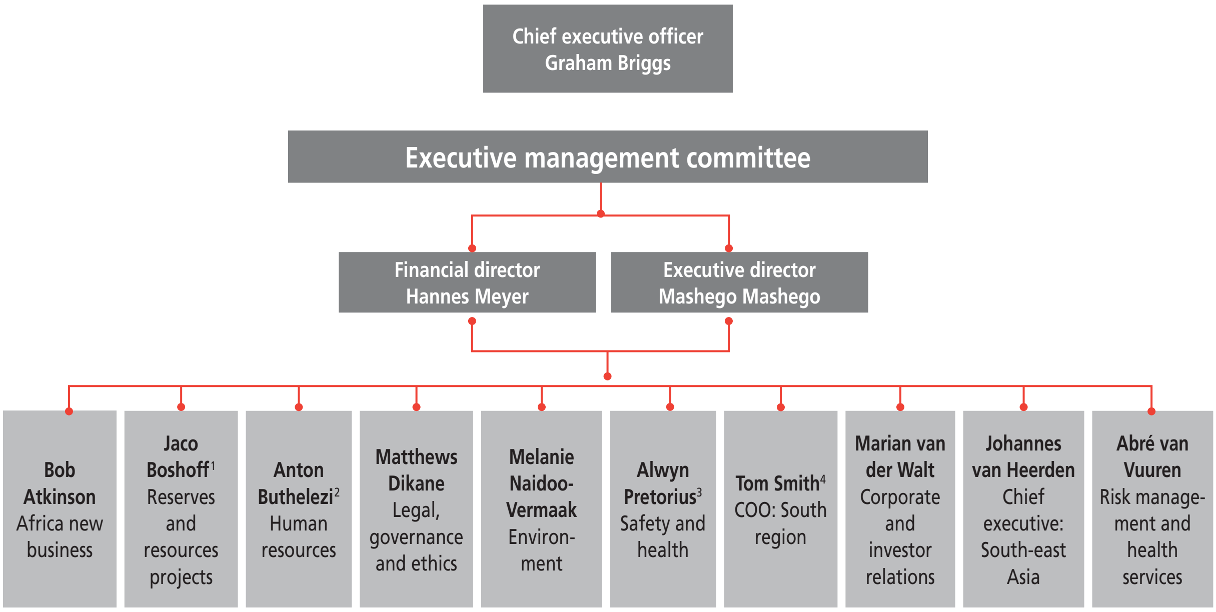
Executive management committee

Members of the executive management committee meet weekly. Standard items on the agenda include: safety, operational results, cash flow, people issues, services improvement and matters arising.

The committees below are considered vital to the functioning of the company and ensuring the appropriate control and provision of information to the board. Certain members of the executive management committee belong to the following management committees, which meet regularly:

Committee name	Members	Purpose and function	Frequency of meetings
Corporate social responsibility committee	Chief executive officer, executive management and company secretary	Considers and approves local economic development projects funded by the company	*Ad hoc* (when there are project proposals)
Ethics committee	Company secretary, corporate and investor relations, government relations, risk management, and legal and compliance executives	Monitors ethical culture and levels of integrity	Quarterly
Group operational committee	Chief operating officers and operations teams	Reviews operations, safety performance, environmental issues and human resources	Weekly
Information technology communication committee	Chief executive officer, financial director, chief operating officers and chief information officer	Oversees information technology in the company	Quarterly
Operations committee	Chief operating officers, operations teams and general managers	Oversees the execution of detailed shaft plans, employee relations, procurement, costs and cash flows	Monthly
Risk management committee	Financial director, chief operating officers, engineering and risk management executive, company secretary and the head of internal control and governance	Oversight of risk management	Bi-annually
Shaft review committee	Chief operating officers, shaft teams and executive managers	Reviews shaft-specific operational performance, major capital expenditure and forecasts	Monthly at each shaft
Sarbanes-Oxley steering committee	Financial director, head of internal control and governance, financial managers, chief information officer, payroll and supply chain managers	Reviews compliance	Monthly
Tender committee	General manager procurement and technical managers	Monitors all procurement procedures and reviews increases on contract items	Monthly
White-collar crime committee	Head of services departments	Considers confidential reports received on code of ethics violations, fraud and inappropriate behaviour	Monthly

The executive management committee is structured as follows:



Note:
[1] *Jaco Boshoff is acting COO: North region, in addition to his current responsibilities*
[2] *Anton Buthelezi was appointed executive: human resources on 1 October 2011*
[3] *Alwyn Pretorius was appointed executive: safety and health post year end*
[4] *Chief operating officer (COO).*

Harmony's existing operational reporting structure is as follows:

Code of ethics

Harmony concentrates on instilling and maintaining the highest levels of integrity in conducting its business. Through a process of constructive employee engagements, Harmony has enshrined the following values as those which the company and its employees subscribe to: honesty, transparency, trust, accountability, respect and equality.

Harmony's code of ethics (**www.harmony.co.za**) was adopted to respond to the challenge of ethical conduct in a business environment. All employees and contractors are expected to comply with its contents.

All employees are given a copy of the code of ethics and compliance is a condition of service. The code applies to all the company's suppliers, contractors and employees.

In August 2011, the board approved the establishment of a social and ethics committee in compliance with the new Companies Act (the Act). This committee will attend to the functions of a social and ethics committee as provided for in the Act and will establish a regulatory framework to assist the board in reaching and monitoring high standards of corporate governance and ethical conduct. The committee will also adhere to the recommendations of King III on ethical leadership and corporate citizenship on behalf of the board. This was previously the responsibility of the audit committee.

An ethics committee has been established by the executive committee to monitor the ethical culture and high standards of integrity in the Harmony group of companies and report to the social and ethics committee of the board.

An ethics committee meeting is held every quarter. This committee's duties and responsibilities include monitoring:

- Ethical behaviour in Harmony's business environment
- Measures implemented to ensure the code of ethics is distributed to and signed by all employees, and all contracting parties concluding any agreements with Harmony
- Disciplinary action taken against employees who do not act in accordance with the code
- The gift register, reports received from the white-collar crime committee, and the code of ethics each year.

Harmony's code of ethics is reviewed annually. To enhance awareness of the code, an ethics alert is sent to employees from the chief executive officer's desk each quarter. The ethics alert provides, among others, information on fraudulent activity in the company and how employees can assist in preventing fraud. Non-compliance with the code results in disciplinary action.

A dedicated crime line is manned 24 hours a day and managed by an external security contractor. Alleged irregularities can be reported anonymously by telephone, fax or e-mail. All cases are logged and examined by the white-collar crime committee. The Khuluma crime line number is 0800 811 811.

Harmony protects the identities of employees who report non-compliance with the code of ethics and encourages employees to use the company's whistle-blowing facility.

Restrictions on share dealings

Employees and directors are prohibited from dealing in Harmony shares during price-sensitive periods. The company secretary regularly distributes written notices, via e-mail, to advise employees and directors of restricted periods. Employees are obliged, in terms of regulatory and governance requirements, to disclose any dealings in Harmony shares by themselves or related parties to the company secretary. There is a formal clearance procedure in place for directors dealing in Harmony shares.

Risk management

The board is responsible for governing risk management processes in line with the requirements of King III. A comprehensive enterprise risk management programme is in place; this was managed by the risk management and engineering executive until September 2010, when the risk management responsibility was given to the executive: risk management and health services. The audit committee provides oversight in this respect as part of its mandate from the board.

A more formalised group-wide risk management process was initiated in FY08 with the following principal objectives:

- Providing the board with assurance that significant business risks are systematically identified, assessed and reduced to acceptable levels to achieve an optimal risk-reward balance
- Making risk identification and risk management an integral part of the daily activities of everyone in the company.

The effectiveness of the risk process is currently being reviewed.

Harmony's policy is to manage all categories of risk associated with its business operations by maintaining a formal risk policy framework. A comprehensive report on risk factors and their management is on pages 179 to 192.

Group structure and internal control

Ensuring appropriate levels of authority and responsibility are in place for all eventualities remains a key area of focus, with substantial focus on internal controls.

These controls have been integrated with the company's risk management processes to ensure that control measures for the effective mitigation of risks identified are in place, and to ensure compliance with legislation and securities exchange listings requirements.

Compliance testing, enterprise risk management and legal compliance are the responsibilities of an integrated compliance team comprising various identified assurance providers, and eliminating any duplication of compliance assurance. An integrated compliance assurance plan has been developed to provide executive management and the audit committee with assurance that internal controls and risk mitigations are appropriately designed and implemented. A compliance-based assurance plan follows the outputs of exposure identification, assessment and control evaluation processes while encouraging the allocation of assurance resources based on compliance priorities.

The implementation of this combined approach requires that Harmony's business units each have an assurance provider for every risk or compliance element. Internal audit supports this process by addressing gaps in the control effort rather than replicating management activity or that of other assurance providers. At the same time, however, the internal audit function provides objective and robust challenges on the effectiveness of management reporting and monitoring processes.

Operational compliance registers are updated by general managers and their teams each month and included in their monthly review packs. A corporate compliance risk register is updated quarterly. Information from the operational compliance registers and corporate compliance register is used to indicate compliance levels in the quarterly audit committee report.

Internal audit

Harmony has an internal audit function covering its global operations. Internal audit is an independent appraisal function established by the board to evaluate the adequacy and effectiveness of controls, disciplines, systems and procedures in Harmony, to reduce business risks to an acceptable level, cost-effectively. The internal audit function reports to the audit committee.

Harmony's internal audit function is internally managed by the head: internal control and governance with internal audit's services/staff sourced through an arrangement with KPMG Services (Proprietary) Limited.

The procedures and systems, which act as checks and balances in the provision/gathering of information, are reviewed by the audit committee from time to time. This process has been supplemented by the integrated compliance assurance plan as discussed under *Group structure and internal control*.

Internal audits are conducted in line with the code of ethics and standards of the professional practice of internal auditing, as laid down by the Institute of Internal Auditors. Although the role of internal audit is to review internal controls, systems, procedures and risks, among others, management and, ultimately, the board, retain full responsibility for ensuring Harmony maintains an appropriate framework of controls to reduce business risks to an acceptable level.

Internal audit is responsible for:
- Assisting the board and management in monitoring the adequacy and effectiveness of the company's risk management process
- Assisting the board and management in maintaining an effective internal control environment by evaluating those controls continually to determine whether they are adequately designed, operating efficiently and effectively and to recommend improvements
- Coordinating, combining and integrating the assurance provided by various parties (such as line management, internal and external assurance providers) in line with the combined assurance model introduced by King III.

Internal controls reviewed consist of strategic, operating, financial and compliance controls and encompass controls relating to the:

- Information management environment
- Reliability and integrity of financial and operating information
- Safeguarding assets
- Effective and efficient use of the company's resources.

The annual internal audit plan is based on an assessment of risk areas identified by internal audit and management, as well as focus areas highlighted by the audit committee, executive committee and management. The annual audit plan is updated as appropriate to ensure it responds to changes in the business. A comprehensive report on internal audit findings is presented to management on completion of audits and the audit committee at quarterly scheduled meetings. Follow-up audits are conducted in areas where significant internal control weaknesses are found. Internal audit's new risk-based audit plan for the 2012 financial year has been approved by the audit committee.

Corporate governance best practice requires that the internal audit function reports directly to the audit committee. Such direct reporting is ensured by the audit committee's mandate to:

- Evaluate the effectiveness of internal control
- Review and approve the internal audit charter, plans and conclusions about internal control
- Review significant internal audit findings and the adequacy of corrective action taken
- Assess the performance of the internal audit function and adequacy of available internal audit resources
- Review significant differences of opinion between management and the internal audit function
- Consider the appointment, dismissal or reassignment of the head of internal audit.

The charter of the internal audit department provides that the head of internal audit has direct access to the chief executive officer, financial director and chairman of the audit committee. The head of internal audit reports administratively to the financial director.

External audit

The appointment of external auditors is undertaken under the auspices of the audit committee, which also has oversight of and responsibility for appointing external auditors for functions other than the financial audit. The company's external auditors, PwC Inc, were engaged to undertake the following non-financial activities during the year:

- IT review (under King III)
- Non-financial (sustainable development) assurance
- Corporate tax compliance services (IT4s and IT10s) – 2006 and 2007
- ISO 14001 certification
- Remchannel survey
- Consultation and assistance on various accounting and tax matters – PNG.

Sarbanes-Oxley

Section 302

In terms of section 302 of Sarbanes-Oxley, the chief executive officer and chief financial officer are required to certify that:

- They have reviewed the annual report
- Based on their knowledge, the report contains no material misstatements or omissions
- Based on their knowledge, financial statements and other financial information included in the annual report fairly present in all material respects the financial condition, results of operations and cash flows of the issuer (being Harmony) for the periods presented in this report
- They are responsible for establishing and maintaining internal controls and procedures, and have properly designed and evaluated them
- They have advised the auditors and audit committee of all significant deficiencies and material weaknesses
- They have identified any significant changes in internal controls in the report.

Section 404

Section 404 requires management to develop and monitor procedures and controls to ensure its required assertion about the effectiveness of internal control over financial reporting. To comply with section 404, Harmony management implemented an effective and efficient assessment process to manage its reporting obligations. This process entails:

- Scoping to identify significant accounts, key risks and locations that have an impact on the financial statements
- Updating documentation and sign-off by process owners
- Testing key controls for operating effectiveness and remediating deficiencies identified
- Deficiencies are evaluated and classified into the following categories:
  - Internal control deficiency
  - Significant deficiency
  - Material weakness.

All significant deficiencies and potential material weaknesses are reported to the Sarbanes-Oxley steering committee and audit committee. This process is supported by the implementation of the integrated compliance assurance plan.

Full details of Sarbanes-Oxley processes and compliance are reported in the Form 20-F for the financial year 2011 under item 15. Refer to Harmony's website to download the Form 20-F (**www.harmony.co.za**). The Form 20-F for FY11 will be filed and available on our website towards the end of October 2011.

Employee and stakeholder participation

Harmony is committed to maintaining a positive relationship with the unions and associations represented at its operations, with employees directly and with the communities in which it operates. For and relations with employee representatives, Harmony has both formal and informal structures in place to deal with a broad range of issues. The company actively encourages open communication, consultation, and the identification and resolution of conflicts through workplace forums.

The company plays an active role in the communities in which it operates. Social and labour plans (SLPs), including local economic development (LED) plans, have been developed in line with the company's compliance with the MPRDA and Mining Charter. Further information is provided in the separate sustainability report at www.harmony.co.za.

Relations with shareholders

Effective and ongoing communication with shareholders is seen as part of the company's fundamental responsibility to inform shareholders of the company's value proposition. Harmony communicates regularly with shareholders and other stakeholders on its financial and operational performances, and strategy.

Harmony holds results presentations each quarter to announce quarterly operational results. Shareholders globally are able to view the presentation via a live webcast on Harmony's website. Harmony's management team also participates in various institutional conferences and road shows, both locally and internationally, at which it engages with current and potential investors at either one-on-one meeting sessions or corporate presentations. Shareholders are encouraged to attend the annual general meeting where interaction is welcomed. An annual investor day is held to update the market on the company's strategy, operations and exploration for the next financial year.

All presentations, webcasts and announcements are available on the company's website, as are selected media interviews with Harmony's chief executive officer. In addition, corporate presentations delivered by Harmony's management team to the investment community are posted on the website.

Information management and access to information

Records are maintained to meet Harmony's legal and financial obligations and to manage the affairs of the company. Harmony complies with the Promotion of Access to Information Act of 2002. All Harmony's shareholders and stakeholders have access to the information manual at **www.harmony.co.za**.

Sustainable development reporting

Harmony recognises that financial reporting is an important facet of its responsibility to its stakeholders and that reporting on the economic, social and environmental impacts of the company, is an important part of its responsibility to society as a whole. Since 2007, Harmony has produced a separate sustainable development report. As recommended by King III and in line with best practice, Harmony has adopted the GRI's G3 guidelines as the basis for its sustainable development reporting.

The company is committed to incremental levels of disclosure in line with GRI. During the year, key sustainability indicators were again independently assured by external auditors PwC. In FY11, the company self-declared a B+ level of reporting.

The company also submitted a response to the Carbon Disclosure Project's CDP8 questionnaire. The Carbon Disclosure Project (CDP) is an independent not-for-profit organisation holding the largest database of corporate climate change information in the world. The data is obtained from responses to CDP's annual information requests, issued on behalf of institutional investors, purchasing organisations and government bodies. Since its formation in 2000, CDP has become the standard for carbon disclosure methodology and process, providing primary climate change data to the global marketplace. Harmony's response is available at **www.cdproject.net.**

Reporting in compliance with the Mining Charter

As a South African company, Harmony recognises the importance and value of complying with the MPRDA and Mining Charter, and provides an annual report on its compliance to the Department of Mineral Resources. A summary report on the status of various issues required by the charter is provided in the company's sustainable development report at **www.harmony.co.za/sd/reports/2011** and in this report on pages 15 to 17.

Awards and recognition

Harmony again qualified for the JSE's Socially Responsible Investment Index (**www.jse.co.za/url**) in 2011 and its 2010 integrated annual report was judged by a specialist service to be among the top 20 in the country, out of some 300 companies assessed.

Sponsor

As required by the listings requirements of the JSE Limited, JP Morgan is Harmony's appointed sponsor.

Harmony's corporate governance practices in compliance with NYSE (Section 303A.11)

Foreign private issuers, such as Harmony, must briefly highlight any significant ways in which their corporate governance practices differ from those followed by US-listed companies in terms of the NYSE Listing Standards. Harmony's NYSE 303A.11 disclosure appears on the company's website at **www.harmony.co.za** under *Corporate Governance*.

RISK MANAGEMENT

Harmony has a formal risk policy framework in place, which is continually maintained and developed to assist management and the board to address systematic categories of risk associated with its business operations.

The board is satisfied there is an ongoing process to identify, assess and manage significant risks and establish internal controls. Weaknesses identified within Harmony are addressed appropriately. The board reviews and approves the risk strategy and policies formulated by management. Management is accountable to the board and has established a system of internal controls to manage significant risk in Harmony. This system assists the board in discharging its responsibility to ensure that the wide range of risks associated with Harmony's operations are effectively managed. Full reviews of risk controls and disclosure processes are undertaken regularly.

In conducting its annual review of the effectiveness of Harmony's risk management systems, the board considers key findings from the ongoing monitoring and reporting process, management assertions and independent assurance reports. The board also takes into account material changes and trends in the risk profile and considers whether the control system, including reporting, adequately supports the board's risk management objectives. The board also received assurance from the audit committee, which derives information from regular internal and external audit reports and other reports on financial risk and internal control throughout Harmony. The board has assigned the responsibility of assisting it in discharging its duties and responsibilities on risk management to the audit committee, in line with the recommendations of King III.

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

All key components of the Enterprise Risk Management – Integrated Framework issued by the Committee of Sponsoring Organisations of the Treadway Commission (COSO) have been incorporated into Harmony's process to comply with Sarbanes-Oxley section 404 dealing with Harmony's internal control system. Requirements for King III are also included.

Harmony's risk management systems meet the requirements of King III and Sarbanes-Oxley.

There may be risks in addition to those reported that Harmony does not currently know of or deems immaterial based on information available. Any of these risks could have a materially adverse effect on Harmony's business, financial condition or operational results, leading to a decline in the trading prices of Harmony's ordinary shares or its ADRs. The risks described below may be incomplete and therefore may not be the only risks to which we are exposed. Additional risks and uncertainties not presently known to us or that we now believe are immaterial (which have not been included) could also adversely affect our businesses, results of operations or financial condition. The order of presentation of the risk factors below does not indicate the likelihood of their occurrence or the magnitude or significance of individual risks. The risks described below could occur individually or cumulatively and intensify in the case of a cumulative occurrence.

Risks relating to Harmony and the gold mining industry

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 decade, 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
- 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.

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 10 years:

Annual gold price: 2001 – 2011

	Price per ounce (US$)		
Calendar year	High	Low	Average
2001	293	256	271
2002	332	278	309
2003	412	322	361
2004	427	343	389
2005	476	411	434
2006	725	525	604
2007	841	608	695
2008	1 011	713	872
2009	1 212	810	972
2010	1 421	1 058	1 225
2011	1 900	1 314	1 538

On 5 October 2011, the afternoon fixing price of gold on the London bullion market was US$1 617/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 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$1 009 in FY11, US$801 in FY10 and US$583 in FY09.

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 realised in US dollars, but most of our operating costs are incurred in rand and other non-US currencies including the Australian dollar and PNG 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 realise 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. Global economic uncertainty 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
- 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.

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 SAMREC and JORC codes, SEC Industry Guide 7 and Sarbanes-Oxley. Calculations of Harmony's mineral reserves are based on estimates of:

- Future cash costs
- Future gold prices
- 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 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 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 government permits
- Constructing mining and processing facilities at any site chosen for mining.

Harmony's exploration efforts might not result in the discovery of mineralisation, and any mineralisation 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 mineralisation 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
- Anticipated total costs of the project, including capital expenditure and cash costs.

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 labour, power, water and other materials
- Accessibility of transportation and other infrastructure, particularly in remote locations
- Availability and cost of smelting and refining arrangements
- Spot and expected future commodity prices of metals including gold, silver, copper, uranium and molybdenum.

Harmony currently maintains a range of focused exploration programmes, concentrating on areas not too distant from its operational mines, as well as a number of prospective known gold mineralised regions around the world. During FY10 and FY11, the bulk of exploration expenditure was allocated to activities in 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 in South Africa are adjacent to the mining operations of other companies. A mine closure can affect continued operations at an adjacent mine if appropriate preventive 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 Harmony's operational results and financial condition.
In South Africa, each of our mining operations depends on electrical power generated by the state utility, Eskom, which has a monopoly in 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 FY08, 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 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 programme to deal with power constraints, an average annual tariff increase of 25% for the three-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 2010. These increases will have a negative impact on our results of operations going forward.

PNG has limited power generation and distribution capacity. This capacity is increasing but, currently, Harmony mines and projects still rely heavily on own power generation using diesel. The cost of this power will fluctuate with changes in the oil price.

Certain factors may affect Harmony's ability to support the carrying value of its property, plant and equipment, goodwill and other assets on its balance sheet.
Harmony reviews and tests the carrying value of its assets annually when events or changes in circumstances suggest that this amount may not be recoverable.

If there are indications that impairment 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 known as cash-generating units (CGUs). 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 30 June 2011, Harmony had substantial amounts of property, plant and equipment, goodwill and other assets on its consolidated balance sheets. Impairment charges relating to these assets were recorded and if any one or a combination of these uncertainties should occur, management may be required to recognise further impairment charges, which could affect Harmony's financial results and condition.

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 favourable 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
- To the extent we acquire mining operations outside South Africa or Australasia, 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.

Given the nature of mining and the type of gold mines operated by Harmony, it faces 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 falls of ground
- Discharges of gases and toxic chemicals
- Release of radioactive hazards
- Flooding
- Pillar mining
- Accidents
- Other conditions resulting from drilling, blasting and removal and processing material from a deep-level mine.

Hazards associated with open-pit mining include:

- Flooding of the open-pit
- Collapse of open-pit walls
- Accidents associated with operating large open-pits and rock transportation equipment
- Accidents associated with preparing and igniting 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.

Harmony is 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 Harmony's 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.

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 FY09, when these 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.

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 FY08 before decreasing to 6.9% at the end of FY09 and to 4.2% by the end of FY10. Levels were flat during FY11, with the inflation rate increasing slightly to 4.6% at year end. However, working costs and wages, especially, have increased more than inflation in recent years, resulting in significant cost pressures for the mining industry.
In addition, electricity prices rose by 25% in FY10 and FY11 and are expected to increase by a further 25% in FY12.

The inflation rate in PNG has been relatively flat in recent years at around 7%, ending FY11 at 9.6%. Rising fuel and food prices contributed to the result as did the historically low level of the PGK/A$ cross rate which led to imported inflation. While the central bank has implemented measures intended to reduce inflationary pressure, including entering the foreign exchange market to support the kina cross rates (including PGK/A$) and by raising the benchmark kina facility rate by +0.25% to 7.25%, higher fuel prices, ongoing government spending and rising domestic demand, along with the construction of the LNG plant, will keep upward pressure on inflation.

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 neighbouring countries could affect an investment in Harmony. 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.

Harmony competes 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 key personnel, its business may be harmed and its operational results and financial condition could be affected.

Since the South African labour force has substantial trade union participation, Harmony faces the risk of disruption from labour disputes and new South African labour laws.
Despite a history of constructive engagement with labour unions, there are periods when various stakeholders are unable to agree in dispute resolution processes. Disruptive activities on the part of labour, which normally differ in intensity, then become unavoidable. Given the high level of union membership among our employees, Harmony is at risk of production stoppages for indefinite periods due to strikes and other disputes. Significant labour disruptions have affected operations and Harmony's financial condition before and Harmony cannot predict whether it will experience significant labour disputes in future.

South African employment law sets out minimum terms and conditions of employment for employees. Although these may be improved by agreements between Harmony and the trade unions, prescribed minimum terms and conditions set the benchmark for all employment contracts.

On 2 August 2011, Harmony secured a two-year wage settlement with unions representing the majority of the company's workforce in South Africa. This provided for increases between 7.5% and 10%, depending on the category. The agreement also provides for a profit share scheme, in which all employees in the bargaining unit will share on a quarterly basis. The profit share will be based on 1% of operating profits less capital expenditure from our South African operations.

Harmony is required to submit a report under South African employment law detailing its progress towards achieving employment equity in the workplace. If this report is not submitted, Harmony could incur substantial penalties. The company has submitted its report for fiscal 2010.

Developments in South African employment law may increase the cash costs of production or alter Harmony's relationship with its employees and trade unions, which may have an adverse effect on its business, operating results and financial condition.

HIV/Aids pose risks to Harmony in terms of productivity and costs.

The HIV/Aids epidemic in South Africa and PNG poses risks in terms of potentially reduced productivity and increased medical and other costs. If there is a significant increase in HIV/Aids and related diseases in the workforce over the next several years, this may have an adverse impact on Harmony's operations, projects and financial condition.

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

Harmony's operations in South Africa are subject to health and safety regulations which could impose significant costs. The present Mine Health and Safety Act No 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 such health and safety services and implementing the various programmes 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. Harmony has embarked on a number of initiatives focused on improving the quality of life of its workforce.

The Occupational Diseases in Mines and Works Act No 78 of 1973 (ODIMWA) governs the payment of compensation and medical costs for certain illnesses contracted by employees 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. During March 2011, the Constitutional Court handed down judgment in the case, which allows Mr Mankayi's executor to proceed with the case in the High Court of South Africa. Should anyone bring similar claims against Harmony in future, those claimants would need to provide 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 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 Harmony's business.

Harmony's operations in South Africa and PNG are subject to legislation regulating mineral rights. In South Africa, Harmony is governed by the South African Mineral and Petroleum Resources Development Act 2002 (MPRDA) and in PNG by the Mining Act of 1992 (PNG).

Under the MPRDA, tenure over established mining operations is secured for a period of 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 1 May 2004 or before the existing right expired, whichever was the earlier date, and fulfils requirements specified in the MPRDA and the broad-based socio-economic empowerment charter for the South African mining industry (Mining Charter).

All Harmony's South African operations have been granted their mining licences. Harmony will be eligible to apply for new licences over existing operations provided that it complies with the MPRDA. Failure to comply with the conditions of mining licences could have a material adverse effect on operations and Harmony's financial condition.

The Mining Charter was signed by government and stakeholders in October 2002, and contains principles relating to the transfer, over a 10-year period, of 26% of South Africa's mining assets (as equity or attributable units of production) to HDSAs, as defined in the charter. An interim target of 15% HDSA participation over five years was set and the South African mining industry committed to securing financing to fund participation by HDSAs totalling R100 billion in the first five years of the 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 a target participation of 26%. To measure progress in meeting the requirements of the charter, companies are required to complete a scorecard, in which the levels of compliance with the objectives of the charter can be 'ticked off' after five and ten years, respectively. The Mining Charter and scorecard require programmes for black economic empowerment and promotion of value-added production, such as jewellery-making and other gold fabrication, in South Africa. In particular, targets are set for broad-based black economic empowerment in the areas of human resources and skills development; employment equity; procurement and beneficiation. In addition, the charter addresses socio-economic issues, such as migrant labour, 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 charter, the Department of Mineral Resources (DMR) released the revised Mining Charter on 13 September 2010. The requirement under the charter for mining entities to achieve 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:

- Facilitate local beneficiation of mineral commodities
- Procure a minimum of 40% of capital goods, 70% of services and 50% of consumer goods from BBBEE suppliers (ie suppliers with a minimum of 25% + 1 vote of their share capital owned by HDSAs) by 2014. These targets exclude non-discretionary procurement expenditure
- 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
- Invest up to 5% of annual payroll in essential skills development activities
- 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 organised labour.

All these targets must be achieved by 2014.

In addition, mining companies are required to monitor and evaluate their compliance with the revised charter, and must submit annual compliance reports to the DMR. The revised scorecard makes provision for a phased-in approach for compliance with these targets over the five-year period ending in 2014. For measurement purposes, the scorecard allocates various weightings to different elements of the revised charter. Failure to comply with the provisions of the revised charter will amount to a breach of the MPRDA and may result in the cancellation or suspension of a mining company's mining rights.

Harmony obtained all its licences three years ago and has no reason to believe these 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 (No 28 of 2008) which provides for payment of a royalty according to a formula based on earnings before interest, tax and depreciation, 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 the year ended 30 June 2011, the average royalty rate for the company's South African operations was 0.63% of gross sales.

The Mining Act of 1992 (PNG) is based on Australian legislation. Accordingly, mineral rights in PNG also belong to the government of PNG which has a statutory right to obtain a participating interest of up to 30% in mining development projects. The government then issues and 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 licence; 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 licences 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.

Harmony is 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 authorisation, Harmony will remain liable for compliance with the provisions of various relevant regulations, including any rehabilitation obligations. 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. 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. Also impacting on the financial condition of the company is the requirement by the DMR for cash collateral or guarantees for Harmony's environmental obligations.

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 the Environment Council for review. Public consultation is an integral part of this review.

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 globalisation, 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, cognisance 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 (GHG) 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. Both South Africa and PNG are non-Annex I countries and therefore do not have emission reduction targets under the Kyoto Protocol in the first commitment period, ending 2012.

After the climate summit in Copenhagen in December 2009, South Africa committed to 30% clean energy by 2025 with the vision that South Africa's GHG emissions would peak by 2020 – 2025 at the latest, plateau for a decade and then decline by 40% by 2050. The South African government published a climate change response green paper in November 2010 and a carbon tax discussion paper in December 2010. The policy process, culminating in the publication of a climate change response white paper, is expected later in 2011, with GHG legislation likely to be enacted after that. An emissions trading discussion paper is expected during 2011. It is possible that legislation to cap national emissions, introduce a trading scheme for GHG emission allowances and/or extend the current carbon tax will be enacted, though timing of this is uncertain.

The largest portion of GHG emissions is predominantly electricity related, with electricity expenditure amounting to 15% 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, within reason, will not affect Harmony as significantly as 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 company in the form of price increases. For instance, in South Africa since 2009, Harmony has paid a levy of R0.02 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.

The South African Government is exploring implementing a carbon tax to offset carbon emissions in the country. A discussion paper on carbon taxation has been published by the South African government in December 2010. This discussion paper mentions a potential carbon tax between R75 – R200 per tonne of CO_2 emitted.

The aim is to reduce emissions in terms of South Africa's commitment made at the Copenhagen conference. The proposed tax follows the undertaking by government to reduce South Africa's carbon footprint by an ambitious 34% by 2020.

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 as is 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.

Harmony is also likely to be exposed to GHG emission regulation thresholds, specifically leakage from refrigerant gas use. Harmony will therefore be required to manage CFC-free refrigerant gas, and will consider using absorption chillers. This could have cost implications for the company.

In addition, Harmony's operations could be exposed to a number of physical risks from climate change, such as increased rainfall, reduced water availability, higher temperatures and extreme weather events. Events or conditions such as flooding or inadequate water supplies could disrupt Harmony's operations and rehabilitation efforts, and could increase health and safety risks at operations. In addition, such events or conditions could have adverse effects, such as increased disease prevalence, on Harmony's workforce and communities close by.

Our operations in South Africa are subject to water use licences which could impose significant costs

Under South African law, Harmony's local operations are subject to water use licences that govern each operation's water use. These licences 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 licences in terms of the National Water Act, 1998. Submissions were made as early as 2003 and Harmony has been working closely with regional directors in the review process; a number of our operations have been issued with licences or draft licences.

We anticipate that the conditions of the licences 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 licences for any of its operations may result in Harmony being subject to penalties, fees and expenses or business interruption due to revoked water licences. Any of these could have a material effect on our business, operating results and financial condition.

Harmony may have exposure to rehabilitate potential groundwater pollution, which may include salination, and radiation contamination that may exist where Harmony has operated or continues to operate.

Due to the interconnected nature of mining operations in South Africa, 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 Department of Mineral Resources 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. Harmony has instituted processes to reduce possible future potential seepage and it has been demonstrated that monitored natural attenuation (MNA) by the existing environment will contribute to improvement in some instances. The ultimate outcome of the matter cannot presently be determined and no provision for any 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.

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

Harmony is incorporated in South Africa. Each of its directors and executive officers as well as Harmony's independent registered public accounting firm reside outside the United States. Substantially all the assets of these persons and substantially all Harmony's 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 the company 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 course 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 recognised 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 on the defendant and that the defendant was given the right to be heard and represented by counsel in a free and fair trial before an impartial tribunal
- The judgment does not involve the enforcement of a penal or revenue law
- The enforcement of the judgment is not otherwise precluded by the provisions of the Protection of Business Act No 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 Harmony's compliance policies and increases its costs of compliance.

Laws, regulations and standards relating to accounting, corporate governance and public disclosure, new SEC regulations and other listing regulations applicable to Harmony are subject to change and can create uncertainty for companies such as Harmony. 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.

The Companies Act of 2008, the King III code and section 404 of Sarbanes-Oxley require Harmony to furnish an annual management report on internal controls over financial reporting. The annual report includes an assessment of the effectiveness of Harmony's internal control over financial reporting as of the end of the financial year, including a statement on whether its internal controls over financial reporting are effective. If Harmony fails to maintain the adequacy of its internal controls, it may not be able to ensure that it can be concluded on an ongoing basis that the company has effective internal control over financial reporting in accordance with regulation. The requirement to evaluate and report on internal controls also applies to companies that Harmony may acquire and therefore, this assessment may be complicated by any future acquisitions. While Harmony continues to dedicate resources and management time to ensuring there are 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 the company's business and stock price.

Harmony is committed to maintaining high standards of corporate governance and public disclosure, and its efforts to comply with evolving laws, regulations and standards will continue to result in increased general and administrative expenses.

Sales of large quantities of our ordinary shares and ADRs, 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 ADRs could fall if large quantities of either 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 ADRs may decide to sell them at any time. The market price of our ordinary shares or ADRs could also fall as a result of any future offerings Harmony makes of ordinary shares, ADRs, or securities exchangeable or exercisable for its ordinary shares or ADRs, or the perception in the marketplace that these sales might occur. We may make such offerings of additional ADR rights, letters of allocation or similar securities at any time in future.

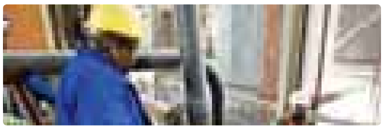
Because Harmony has a number of share options, its ordinary shares are subject to dilution.

Harmony has employee share option schemes as well as other share schemes. The existing employee share option schemes came into effect in 2001 and 2003 respectively, and a new share scheme was introduced in 2006. The Harmony board has authorised up to 14% of the issued share capital to be used for these plans. As a result, shareholders' equity interests in Harmony are subject to dilution to the extent of the potential future exercises of options through share schemes.

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

While Harmony intends to declare and pay cash dividends, it is policy to only do so if profits and funds are available for that purpose. Whether or not funds are available depends on a variety of factors, including the amount of cash available, capital expenditures and other cash requirements at that time. Under South African law, dividends may only be paid out if the company meets solvency and liquidity tests as set out in the Companies Act of South Africa and Harmony's articles of association. Cash dividends or other similar payments may not be paid in 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. This proposal is expected to be implemented in phases in the near future. Although this may reduce the tax payable by our South African operations, thereby increasing distributable earnings, the withholding tax will generally reduce the amount of dividends or other distributions received by shareholders.



Reward strategy – intent

Harmony recognises that remuneration is a business consideration as well as a human resources issue, and that the company's remuneration policies have a direct impact on operational expenditure, company culture, employee behaviour and ultimately, with correct alignment, on the sustainability of the company.

The objective of Harmony's reward strategy is to enable the business to:
- recruit high-performing skills from a limited pool of talent
- retain competent employees who continuously enhance business performance
- reinforce, encourage and promote superior performance
- direct employees' energies and activities to achieving key business goals
- achieve most effective returns (employee productivity) for total employee spend
- embrace diverse needs of employees in building the Harmony culture.

To achieve this, Harmony rewards employees in a way that fairly reflects the dynamics of the market and the context in which it operates. All components of the reward strategy are aligned to Harmony's strategic direction, business-specific value drivers and operational results.

Reward strategy – design principles

The principles that govern Harmony's reward strategy include:
- **Competitive pay levels:** Harmony is committed to paying packages that are competitive relative to the target labour market
- **Pay for performance:** Remuneration practices reward high-performing employees for their contribution to the company
- **Internal equity:** Remuneration differentiation between employees is based on criteria that are fair and objective
- **Cost management:** Harmony manages the total cost of employment for all employees
- **Holistic approach:** Harmony has adopted an integrated approach to reward strategy – a balanced design that includes the following components:
  - Guaranteed pay
  - Short-term incentive pay
  - Long-term (share-based) incentive pay
  - Performance management
  - Employee growth and development
  - Non-financial rewards and recognition
- **Regular revision:** Harmony recognises that the reward strategy and resultant remuneration policies are dynamic and should be reviewed regularly to ensure that practices keep pace with both the company's objectives and market practices
- **Communication:** Harmony is committed to ensuring employees are aware of the company's reward strategy.

Remuneration governance

The remuneration committee has been established by the board to assist in its responsibility for setting and administering remuneration policies in the company's long-term interests, and to ensure that Harmony's directors and senior executives are fairly rewarded for their individual contributions to overall performance; and to give due regard to the interests of shareholders and the financial and commercial health of Harmony.

The proceedings of the remuneration committee are governed by a charter approved by the board. The committee's primary objectives are to specifically address reward strategies for those employees who fall outside the bargaining units. The committee especially concerns itself with the remuneration of senior executives, including executive directors, and to monitor and strengthen its objectivity and credibility in linking remuneration to individual performance, Harmony's performance and market conditions. It also advises the board on the remuneration of non-executive directors.

The committee is charged to promote a culture that supports enterprise and innovation by adopting remuneration policies and practices with appropriate short- and long-term performance-related rewards that are fair and achievable, aligned with the company's strategy, and create value for the company over the long term.

The responsibilities and duties of the remuneration committee include:

- Annual review of Harmony's reward strategy and remuneration policies, for employees in general and, specifically, for senior executives' and directors' remuneration
- Annual review of the basis of calculating senior executives' and directors' remuneration to ensure it is reasonable, taking into account the measurement of performance against predetermined and agreed criteria
- Monitoring and reviewing the company's compliance with the remuneration guidelines of King III
- Review of current industry and general best practice in remuneration, including:
  - professional executive recruitment organisations' publications
  - evolving and changing methods of remunerating senior executives and directors
  - existing and developing concepts in fringe benefits and share plan architectures
  - retirement and termination payments
- Review of related-party transactions and disclosure, if any
- Review of terms and conditions of executive directors' service agreements
- Acting as trustees of the Harmony share trust and monitoring the vesting and exercise of share options in terms of the share option scheme
- Approving allocations/awards/grants of share appreciation rights/performance shares/restricted shares in terms of the 2006 Harmony share plan
- Approving payments of incentive bonuses to executives in terms of all incentive plans
- Coordinating its efforts with the chairman of the board and the executive committee
- Ensuring that the remuneration report included in Harmony's annual report fully complies with the guidelines of King III and that it will find favour with, and be approved by, shareholders in the annual general meeting.

The committee currently comprises six non-executive directors, four of whom are independent. The current chairman of the remuneration committee, Cedric Savage, is an independent non-executive director, elected on the basis of his business knowledge and experience, and familiarity with the challenges facing directors and executive managers. He has ensured that decisions were fair and unbiased. However, he will resign from office on the date of the annual general meeting to be held in November 2011, and the board has agreed to recommend that Frank Abbott be appointed as chairman in his stead.

Although Mr Abbott is a not an independent non-executive director, this recommendation is based on:

- His extensive knowledge of the company's remuneration policies and procedures
- The best interests of the company
- The lead independent director serving as a member of the committee
- A majority of the members of the committee being non-executives, the majority of whom in turn will be independent.

The chief executive officer, financial director and the executive: human resources are invited to attend all meetings. The remuneration committee is expected to meet at least quarterly or, alternatively, to pass resolutions by round robin if a formal meeting cannot be held.

Guaranteed pay considerations

In reviewing and approving levels of guaranteed pay, the remuneration committee ensures that these reflect the market sector in which Harmony operates, and the contribution of employees, particularly senior executives and executive directors.

To compete effectively for skills in a challenging employment market, Harmony identifies the target market, those organisations or companies from which skills are acquired, or to which skills are lost. Operation and technical comparisons are made predominantly to the mining and resources market, while more general comparisons are made to the national market and, at executive level, comparisons are made to top executive surveys.

For all positions other than those for which specific premiums are deemed appropriate due to scarcity or criticality of skills, Harmony will target guaranteed pay levels relative to the market median of the target market.

In the context of guaranteed pay, all other benefits including pensions, benefits in kind and other financial arrangements are scrutinised to ensure they are justified, appropriately valued and suitably disclosed. Additionally Harmony ensures that guaranteed pay is a sufficient proportion of total remuneration to allow for a fully flexible incentive scheme to operate.

Short-term incentive pay considerations

The remuneration committee ensures that Harmony's directors and senior executives are fairly rewarded for their individual contributions to overall performance. In September 2006, the committee approved an annual incentive scheme as part of Harmony's reward philosophy to benefit executive directors and members of management. This scheme was revised in 2010 to provide twice-yearly incentive bonuses for all management employees applying to corporate, Harmony central services, medical services and central operations; and quarterly incentive bonuses for designated shaft management team members as well as regional operations management teams.

Although bonuses are payable bi-annually and quarterly, they are still related to performance against annual objectives consistent with long-term value for shareholders, with both business and corporate performance targets, both financial and non-financial, and tailored to the needs of the business. They are reviewed annually to ensure they remain appropriate.

While Harmony's fundamental aim is to generate profit for its shareholders while continuing to grow, it is equally committed to ensuring that the safety, health and well-being of its employees is a primary area of focus. Therefore remuneration is linked to safety performance at all levels of the organisation to reinforce safety as a top priority.

Minimum levels of financial and operational performance are also included, with targets for threshold, expected and stretch levels of performance set and robustly monitored. Performance drivers are not duplicated, and a balance is struck between the need to reward success over the short and long terms.

Scorecards of multiple targeted performance measures are used to avoid manipulation of results or poor business decisions. Currently, the principles of the scheme are based on the key performance targets of improvements in safety, and performance against budget targets for: kilograms of gold produced, underground grade, cash cost and capital expenditure.

Throughout, the remuneration committee satisfies itself on the accuracy of recorded performance measures that govern vesting of incentives. Risk-based oversight of bonuses payable is exercised to ensure behaviours contrary to the company's risk management strategy are eliminated.

Occasionally, external factors impacting on performance outside the control of participants may be accommodated to a limited extent for executives (with board discretionary approval), but may be more generously applied at lower levels in the organisation (with executive committee discretionary approval).

Long-term (share-based) incentive considerations

Harmony has implemented various share option schemes in the past, but since the implementation of the 2006 share plan, no options have been or will be issued in terms of these schemes. Options granted prior to the 2006 share plan remain open for acceptance for ten years after the date of grant, subject to the terms of the relevant option scheme.

The Harmony 2006 share plan (the plan) was adopted by shareholders at the annual general meeting on 10 November 2006. The plan incorporates the following elements: equity-settled share appreciation rights, performance shares and performance-allocated restricted shares. The plan is in line with global and South African best practice, and rewards the required attributes of shareholder alignment and long-term, sustained performance.

In terms of the plan, executives and senior managers of Harmony and its subsidiaries and associates are awarded rights to receive shares in Harmony, when time and performance conditions have been met, the awards have vested and, in the case of share appreciation rights (SARs), the rights have been exercised.

Annual allocations of SARs, awards of performance shares, and grants of restricted shares are governed by Harmony's reward strategy, in which inter alia the 'expected value' of long-term incentive rewards is set for defined categories of executive and senior management. Participation is restricted to full-time employees and executive directors, and is subject to appropriate limits for individual participation.

Annual offers are made as this reduces the risk of unanticipated outcomes arising from share-price volatility and cyclical factors, allows the adoption of a single performance measurement period and lessens the possibility and impact of 'underwater' share appreciation rights or excessive windfall gains. There is no repricing or surrender and regrant of any offers. The rules of the scheme provide that share awards are not granted in a closed period and no backdating of awards is allowed.

Rewards are settled in shares. However, participants are able to receive, via the company-appointed share scheme administrators, payment of the cash received from the sale of the shares, less tax payable.

Performance conditions governing vesting of the scheme instruments include growth in earnings above inflation, targeted operational performance, and comparative financial/share performance against a peer group or index. They are designed to be challenging but achievable and are linked to the company's medium-term business plan over three-year performance periods.

A summary of the main elements of the share plan and performance conditions as currently implemented is set out below. Performance conditions for subsequent awards may use different performance measures and targets, but will be no less challenging in the context of the prevailing business environment.

The share appreciation right scheme (SARS)

Eligible employees receive annual allocations of share appreciation rights, which are rights to receive shares equal to the value of the difference between the exercise price and the allocation price, less tax payable on the difference.

Vesting of the SARs is phased and subject to performance conditions specified in the allocation letter. Currently, vesting occurs in equal thirds on the third, fourth and fifth anniversary of the allocation, subject to a performance condition tied to the company's performance in headline earnings per share (HEPS) above inflation.

The performance share plan (PSP)

Eligible employees receive annual conditional awards of a maximum number of performance shares.

The conditional award vests after three years if the performance conditions have been satisfied. The specific performance conditions are stated in the award letter.

The performance criteria since November 2009 for senior management are:

- 50% of the number awarded is linked to the annual gold production of the company in relation to targets set annually
- 50% of the number awarded is linked to the South African gold index.

The performance criteria for management since November 2009:

- 70% of the number awarded is linked to the annual gold production of the company in relation to targets set annually
- 30% of the number awarded is linked to the South African gold index.

Although performance shares vest in the third year, performance against the two selected metrics is assessed annually and locked in for three discrete and equal segments of each award.

On vesting of the conditional award, the company procures the delivery of shares to settle the after-tax value of the vested portion of the award. Conditional awards that do not vest at the end of the three-year period lapse.

The performance allocated restricted share plan (RSP)

Periodically, eligible employees may be granted a number of restricted shares and matching performance shares at the discretion of the board, based on their individual performance in the preceding year, or future worth or value to the company. The quantum and balance between restricted shares and matching performance shares is at the discretion of the board.

Restricted shares vest three years from the grant date, at which point the participant has 30 days to elect to exercise them or not. A request to exercise must be in writing and is subject to board approval. If the participant decides not to exercise all or a portion of the restricted shares on vesting, or does not react within 30 days from the vesting date, then the restricted shares remain restricted for a further three years, but are supplemented by a matching grant of restricted shares. All restricted shares are then only settled after the end of a further three-year period.

Reward strategy – Pay-mix considerations

The remuneration committee ensures that the mix of fixed and variable pay, in cash, shares and other elements, meets the company's needs and that incentives are based on targets that are stretching, verifiable and relevant.

Pay mix is defined as the balance targeted between the major components of remuneration, namely:

- Total cost to company guaranteed pay (TCTC)
- Variable pay for performance
  - Bonuses derived from cash incentive bonuses
  - The expected value derived from offers in terms of a long-term (share-based) incentive plan (LTIP).

Expected value is defined as the present value of the future reward outcome of an allocation/award/grant, given the targeted future performance of the company and its share price. It should not be confused with the term 'fair value' which is used to establish the accounting cost in the company's financial statements. Neither should it be confused with the term 'face value' which is used to define the current value of the underlying share at the time of allocation/award/grant.

The reward strategy – pay-mix relationship currently in place at Harmony, as it relates to the CEO, executive and general manager positions, is shown on page 198:

Non-executive directors' pay

Harmony's remuneration committee ensures that directors are fairly rewarded for their individual contributions to overall performance. The board agrees periodically to an increase in non-executive directors' fees to ensure these remain competitive. Shareholders are requested to approve the increase in fees, as set out in the notice of meeting, at the annual general meeting held in November 2011.

Non-executive director fees are awarded annually and paid on a monthly basis and vary according to factors including the level of expertise of each director. The chairman and other non-executive directors do not receive options or other incentive awards geared to share price or group performance, as such incentives would align their interests too closely with executives and may be seen to impair their ability to provide impartial oversight and advice.

Contracts, severance, termination

Contracts do not commit the company to pay on termination arising from an executive's failure, and balloon payments are not paid on termination, nor is there any automatic entitlement to bonuses or share-based payments. Contracts also make it clear that if a director is dismissed as a result of a disciplinary procedure, a shorter notice period than that given in the contract will apply.

Contracts do not compensate executives for severance as a result of change of control; however this does not preclude payments to retain key executives during a period of uncertainty. Where individuals leave voluntarily before the end of the service period, or are dismissed for good cause, any unvested share-based awards lapse.

In other cases of cessation of employment, where the remuneration committee decides that early vesting is appropriate, the extent of vesting would depend on performance criteria over the period to date as well as the time served of vesting periods.

Reward strategy – pay mix

Reward level	Designations	On-target incentive reward*	Maximum incentive reward*	Total share reward (expected value)
CEO	CEO	50%	100%	70%
Exec	Executives	50%	100%	50%
GM	General manager	30%/50%	50%/70%	35%

Notes

All percentages applied to TCTC.

* *The on-target incentive bonus percentage of 30% is generally applied to all corporate and support positions, with the 50% applied to all shaft operational positions. In both cases, the percentage is based on achieving strategy plan targets.*

Directors' and management remuneration

Name	Directors' fees (R000) FY11	Salaries and benefits (R000) FY11	Retirement contributions during the year (R000) FY11	Bonuses paid (R000) FY11	Share options exercised during the year (R000) FY11	Total (R000) FY11	Total (R000) FY10
Non-executive directors							
Patrice Motsepe	833	–	–	–	–	833	798
Frank Abbott[1]	332	–	–	–	–	332	–
Joaquim Chissano	427	–	–	–	–	427	373
Fikile De Buck[2]	609	–	–	–	–	609	455
Dr Cheick Diarra[3]	149	–	–	–	–	149	150
Ken Dicks	326	–	–	–	–	326	311
Dr Simo Lushaba[4]	452	–	–	–	–	452	373
Cathie Markus	343	–	–	–	–	343	250
Modise Motloba	534	–	–	–	–	534	480
Mavuso Msimang[5]	63	–	–	–	–	63	–
David Noko[5]	64	–	–	–	–	64	–
Cedric Savage	707	–	–	–	–	707	644
Andre Wilkens	441	–	–	–	–	441	395
Executive directors							
Frank Abbott[6]	–	472	–	801	–	1 273	3 424
Graham Briggs	–	5 274	–	2 698	2 263	10 235	6 598
Mashego Mashego	–	2 158	209	1 045	1 026	4 438	791
Hannes Meyer	–	2 675	–	1 303	–	3 978	1 805
Prescribed officers[7]							
Alwyn Pretorius*	–	2 207	234	1 239	2 507	6 187	2 950
Tom Smith	–	2 212	253	1 239	1 050	4 754	2 913
Johannes van Heerden*	–	2 730	169	1 239	1 045	5 183	3 347
Other							
Top earner X*	–	2 429	–	1 239	1 695	5 363	3 684
Executive management[8]	–	10 161	756	5 367	5 060	21 344	16 752
Total	5 280	30 318	1 621	16 170	14 646	68 035	46 493

[1] *August 2010 to June 2011 (Appointed 1 August 2010). Received additional service fee (R461 600).*
[2] *Also received fees for serving on the Rand Uranium board (R100 000).*
[3] *July 2010 to May 2011 (Resigned 31 May 2011).*
[4] *Also received fees for serving on the Rand Uranium board (R20 000).*
[5] *April 2011 to June 2011 (Appointed 26 March 2011).*
[6] *July 2010 (Retirement 31 July 2010).*
[7] *Prescribed officers are disclosed in terms of the Companies Act, section 30(4)(a).*
[8] *Includes five people for full year, and two people for a portion of the year.*
* *Part of the top three earners as required by King III.*

The information relating to directors' and management remuneration on pages 199 to 201 has been audited.

EXECUTIVE DIRECTORS' AND MANAGEMENT SHARE INCENTIVES

	Executive directors						Prescribed officers	
	Graham Briggs		Mashego Mashego		Hannes Meyer		Alwyn Pretorius*	
	Number of shares	Average price (Rands)	Number of shares	Average price (Rands)	Number of shares	Average price (Rands)	Number of shares	Average price (Rands)
Closing balance as at 30 June 2010	621 136		130 222		36 459		214 165	
Share options	91 938	48.55	–	–	–	–	29 854	46.45
Performance shares	277 424	n/a	67 912	n/a	27 902	n/a	83 495	n/a
Restricted shares	–	n/a	–	n/a	–	n/a	–	n/a
Share appreciation rights	251 774	78.09	62 310	74.81	8 557	77.28	100 816	72.89
Options granted	144 848		53 984		59 474		53 984	
Share options	–	–	–	–	–	–	–	–
Performance shares	82 424	n/a	25 322	n/a	27 898	n/a	25 322	n/a
Restricted shares	48 485	n/a	22 262	n/a	24 525	n/a	22 262	n/a
Share appreciation rights	13 939	84.81	6 400	84.81	7 051	84.81	6 400	84.81
Options exercised	26 682		24 311		–		68 545	
Share options	–	–	–	–	–	–	29 854	46.45
Performance shares	26 682	n/a	10 059	n/a	–	n/a	12 380	n/a
Restricted shares	–	n/a	–	n/a	–	n/a	–	n/a
Share appreciation rights	–	–	14 252	70.54	–	–	26 311	70.54
Options forfeited and lapsed	28 155		5 974		–		7 353	
Share options	–	–	–	–	–	–	–	–
Performance shares	28 155	n/a	5 974	n/a	–	n/a	7 353	n/a
Restricted shares	–	n/a	–	n/a	–	n/a	–	n/a
Share appreciation rights	–	–	–	–	–	–	–	–
Closing balance as at 30 June 2011	711 147		153 921		95 933		192 251	
Share options	91 938	48.55	–	–	–	–	–	–
Performance shares	305 011	n/a	77 201	n/a	55 800	n/a	89 084	n/a
Restricted shares	48 485	n/a	22 262	n/a	24 525	n/a	22 262	n/a
Share appreciation rights	265 713	78.44	54 458	77.11	15 608	80.68	80 905	74.59
Grant date								
Share options	91 938		–		–		–	
20 November 2001	–	49.60	–	49.60	–	49.60	–	49.60
27 March 2003	–	91.60	–	91.60	–	91.60	–	91.60
10 August 2004	32 340	66.15	–	66.15	–	66.15	–	66.15
26 April 2005	59 598	39.00	–	39.00	–	39.00	–	39.00
Performance shares	305 011		77 201		55 800		89 084	
5 December 2008	148 053	n/a	34 507	n/a	–	n/a	42 411	n/a
16 November 2009	74 534	n/a	17 372	n/a	27 902	n/a	21 351	n/a
15 November 2010	82 424	n/a	25 322	n/a	27 898	n/a	25 322	n/a
Restricted shares	48 485		22 262		24 525		22 262	
15 November 2010	48 485	n/a	22 262	n/a	24 525	n/a	22 262	n/a
Share appreciation rights	265 713		54 458		15 608		80 905	
15 November 2006	3 473	112.64	3 645	112.64	–	112.64	2 328	112.64
15 November 2007	159 484	70.54	28 504	70.54	–	70.54	52 623	70.54
7 March 2008	46 154	102.00	–	102.00	–	102.00	–	102.00
5 December 2008	28 377	77.81	10 582	77.81	–	77.81	13 006	77.81
16 November 2009	14 286	77.28	5 327	77.28	8 557	77.28	6 548	77.28
15 November 2010	13 939	84.81	6 400	84.81	7 051	84.81	6 400	84.81
Closing balance as at 30 June 2011	711 147		153 921		95 933		192 251	

** Part of the top three earners as required by King III*

Prescribed officers				Other							
Tom Smith		Johannes van Heerden*		Top earner X*		Executive management		Senior management		Total	
Number of shares	Average price (Rands)	Number of shares	Average price (Rands)	Number of shares	Average price (Rands)	Number of shares	Average price (Rands)	Number of shares	Average price (Rands)	Number of shares	Average price (Rands)
308 449		218 926		199 722		719 068		10 084 423		12 532 570	
124 138	52.12	34 325	44.69	14 660	66.15	132 246	53.12	1 837 424	47.86	2 264 585	48.48
83 495	n/a	83 495	n/a	83 495	n/a	328 801	n/a	2 456 381	n/a	3 492 400	n/a
–	n/a	–	n/a	–	n/a	–	n/a	–	n/a	–	n/a
100 816	72.89	101 106	73.00	101 567	73.18	258 021	74.62	5 790 618	80.70	6 775 585	79.93
53 984		53 984		53 984		172 631		2 270 505		2 917 378	
–	–	–	–	–	–	–	–	–	–	–	–
25 322	n/a	25 322	n/a	25 322	n/a	95 664	n/a	1 012 774	n/a	1 345 370	n/a
22 262	n/a	22 262	n/a	22 262	n/a	48 868	n/a	122 340	n/a	355 528	n/a
6 400	84.81	6 400	84.81	6 400	84.81	28 099	84.81	1 135 391	84.81	1 216 480	84.81
12 380		12 380		53 351		89 404		1 205 953		1 493 006	
–	–	–	–	14 660	–	35 429	39.55	753 463	45.11	833 406	45.29
12 380	n/a	12 380	n/a	12 380	n/a	41 963	n/a	344 778	n/a	473 002	n/a
–	n/a	–	n/a	–	n/a	–	n/a	–	n/a	–	n/a
–	–	–	–	26 311	–	12 012	70.54	107 712	70.54	186 598	70.54
7 353		7 353		7 353		94 029		1 627 883		1 785 453	
–	–	–	–	–	–	8 302	91.60	75 672	49.60	83 974	53.87
7 353	n/a	7 353	n/a	7 353	n/a	69 559	n/a	538 087	n/a	671 187	n/a
–	n/a	–	n/a	–	n/a	–	n/a	7 645	n/a	7 645	n/a
–	–	–	–	–	–	16 168	83.00	1 006 479	85.45	1 022 647	85.43
342 700		253 177		193 002		708 266		9 521 092		12 171 489	
124 138	52.12	34 325	44.69	–	–	88 515	54.95	1 008 289	49.78	1 347 205	50.12
89 084	n/a	89 084	n/a	89 084	n/a	312 943	n/a	2 586 290	n/a	3 693 581	n/a
22 262	n/a	22 262	n/a	22 262	n/a	48 868	n/a	114 695	n/a	347 883	n/a
107 216	73.60	107 506	73.70	81 656	74.94	257 940	75.39	5 811 818	80.28	6 782 820	79.66
124 138		34 325		–		88 515		1 008 287		1 347 203	
–	49.60	–	49.60	–	49.60	–	49.60	82 200	49.60	82 200	49.60
–	91.60	–	91.60	–	91.60	12 000	91.60	96 600	91.60	108 600	91.60
60 000	66.15	7 200	66.15	–	66.15	28 740	66.15	181 228	66.15	309 508	66.15
64 138	39.00	27 125	39.00	–	39.00	47 775	39.00	648 259	39.00	846 895	39.00
89 084		89 084		89 084		312 943		2 586 292		3 693 583	
42 411	n/a	42 411	n/a	42 411	n/a	113 824	n/a	1 352 688	n/a	1 818 716	n/a
21 351	n/a	21 351	n/a	21 351	n/a	103 455	n/a	304 685	n/a	613 352	n/a
25 322	n/a	25 322	n/a	25 322	n/a	95 664	n/a	928 919	n/a	1 261 515	n/a
22 262		22 262		22 262		48 868		114 695		347 883	
22 262	n/a	22 262	n/a	22 262	n/a	48 868	n/a	114 695	n/a	347 883	n/a
107 216		107 506		81 656		257 940		5 811 818		6 782 820	
2 328	112.64	2 618	112.64	3 079	112.64	8 643	112.64	401 922	112.64	428 036	112.64
78 934	70.54	78 934	70.54	52 623	70.54	151 870	70.54	799 398	70.54	1 402 370	70.54
–	102.00	–	102.00	–	102.00	–	102.00	–	102.00	46 154	102.00
13 006	77.81	13 006	77.81	13 006	77.81	37 603	77.81	1 542 288	77.81	1 670 874	77.81
6 548	77.28	6 548	77.28	6 548	77.28	31 725	77.28	2 029 514	77.28	2 115 601	77.28
6 400	84.81	6 400	84.81	6 400	84.81	28 099	84.81	1 038 696	84.81	1 119 785	84.81
342 700		253 177		193 002		708 266		9 521 092		12 171 489	

FINANCIALS AND ADMINISTRATION

Contents

COMPANY SECRETARY CERTIFICATION

I certify, in accordance with the Companies Act No 71 of 2008, as amended, that for the year ended 30 June 2011 Harmony Gold Mining Company Limited has lodged with the Companies and Intellectual Property Commission (CIPC) all such returns and notices as are required of a public company in terms of this Act, and that all such returns and notices appear to be true, correct and up to date.

Signed

R Bisschoff
iThemba Governance And Statutory Solutions (Proprietary) Limited
Company secretary
24 October 2011

DIRECTORS' REPORT

The Harmony group of companies has underground and surface operations and conducts mainly gold mining and exploration in South Africa and Papua New Guinea.

The company does not have a major controlling shareholder and is managed by its directors for its stakeholders.

The directors are responsible for the preparation, integrity and fair presentation of the financial statements of the company and its subsidiaries.

The directors have pleasure in submitting these financial statements, together with those of the company, for the year ended 30 June 2011. The financial statements from pages 210 to 329 have been prepared in accordance with IFRS and the Companies Act of South Africa, Act No 71 of 2008.

The group's external auditors, PricewaterhouseCoopers Incorporated, have audited the annual financial statements and their report is presented on page 209. The preparation of the financial statements was supervised by the financial director, Hannes Meyer.

The accounts include amounts based on judgements and estimates made by management. The directors consider that, in preparing the financial statements, they have used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and complying with all aspects of IFRS.

The directors are satisfied that the information in the financial statements fairly represents the results of operations for the year and the financial position for the Harmony group and company at year end. They have also prepared the additional information in the integrated report and are responsible for both its accuracy and consistency with the financial statements.

The directors are responsible for ensuring that accounting records are kept. The accounting records should disclose with reasonable accuracy the financial position of the company and group to enable the directors to ensure the financial statements comply with relevant legislation.

Harmony and its subsidiaries operate in an established financial environment, which is well documented and regularly reviewed. This incorporates risk management and internal control procedures, which are designed to provide reasonable, but not absolute, assurance that assets are safeguarded and risks facing the group are controlled. The Sarbanes-Oxley compliance process assisted in identifying potential deficiencies in controls.

The code of ethics has been adhered to and widely communicated throughout the group. Please refer to the *Corporate governance* section on page 173 for more information.

Company secretary

The company secretary's business and postal addresses appear on the inside back cover of this report. The secretary has, in terms of section 88(2)(e) of the Companies Act, 2008, certified that: "All such returns and notices as are required of a public company in terms of the Act have been made and appear to be true, correct and up to date".

Board of directors

Name	Date appointed
PT Motsepe* (chairman)	23 September 2003
FFT De Buck*^ (lead independent director)	30 March 2006
GP Briggs (chief executive officer)	7 August 2007
HO Meyer (financial director)	1 November 2009
HE Mashego (executive director)	24 February 2010
F Abbott*	1 October 1994
JA Chissano*^1	20 April 2005
KV Dicks*^	13 February 2008
Dr DS Lushaba*^	18 October 2002
CE Markus*^	31 May 2007
MJ Motloba*^	30 July 2004
M Msimang*^	26 March 2011
D Noko*^	26 March 2011
CML Savage*^	23 September 2003
AJ Wilkens*	7 August 2007
J Wetton*^	1 July 2011 (post year end)

** Non-executive*
^ Independent
1 Mozambican

Directorate

The directors noted above served on the Harmony board in FY11. Their abridged résumés appear on pages 26 to 29.

F Abbott retired as executive director at the end of July 2010 and was appointed non-executive director from 1 August 2010.

Dr CM Diarra resigned as director of the board on 31 May 2011.

John Wetton was appointed independent non-executive director of the board post year end on 1 July 2011.

In terms of the company's articles of association, Cedric Savage, Graham Briggs, Frank Abbott and Ken Dicks qualify for retirement by rotation at the forthcoming annual general meeting. The retiring directors are eligible and all, except Cedric Savage, have made themselves available for re-election to the board.

In addition, David Noko, Mavuso Msimang and John Wetton will be recommended for election as directors of the company at the annual general meeting.

Directors' shareholdings

The board of directors indicated that, at the date of this report, other than André Wilkens, neither they, nor any of their immediate families and associates, held any direct shareholding in the company's issued share capital. No executive director held or acquired any shares in the company, other than through share incentive schemes for the year under review and up to 30 June 2011. André Wilkens holds 101 303 shares in Harmony.

Going concern

We are of the view that the group's cash resources and facilities arranged with lenders will be sufficient to enable the group to continue with its day-to-day operation, in the event of any unfavourable fluctuation in the rand gold price, and/or in the event of the group not achieving its production target.

Financial results

Details of the group's financial performance are discussed in the *Financial Director's Review* on pages 46 to 51 of this report.

Share capital

Full details of the authorised, issued and unissued share capital of the company as at 30 June 2011 are set out in the statements of changes in shareholders' equity on page 213 of this report.

Shareholders

Information on shareholder spread, the range of shareholdings and public shareholders, as well as major shareholders, is presented on pages 331 to 333 of this report.

Investments

A schedule of investments in subsidiaries, associates and joint ventures appears on pages 325 to 329 of this report.

Contingencies

None of Harmony's properties is the subject of pending material legal proceedings. We have received a number of claims and are involved in legal and arbitration proceedings that are incidental to the normal conduct of our business. The directors do not, however, believe liabilities related to such claims and proceedings are likely to be material, individually or in aggregate, to the company's consolidated financial condition. Refer to note 38 of the group financial statements for further discussion.

Borrowings

(i) Movement in borrowings
See note 31 to the group financial statements.

(ii) Borrowing powers
The level of the company's borrowing powers, as determined by its articles of association, will not, except with the consent of the company's shareholders, exceed the aggregate from time to time of the issued and paid-up share capital of the company, together with the aggregate of the amounts standing to the credit of all distributable and non-distributable reserves (including interests in subsidiary companies and provisions for deferred taxation) and any share premium account of the company. At year end, total borrowings were R1 559 million (US$230 million) (FY10: R1 190 million (US$156 million)).

Special resolutions by subsidiary companies

Armgold/Harmony Joint Investment Company (Proprietary) Limited (Registration number: 2002/032163/07)

At a general meeting of shareholders of Armgold/ Harmony Joint Investment Company (Proprietary) Limited, the shareholders resolved, in accordance with section 112 of the Companies Act 71 of 2008, that the company enter into a sale of shares agreement for the sale of 800 ordinary shares with a par value of R1.00 each, constituting 40% of the entire issued share capital of Rand Uranium (Proprietary) Limited to Gold One International Limited (CAN 094265746), a company incorporated and registered in accordance with the laws of Australia and registered in South Africa as an external company.

Disposals

In September 2010, Harmony entered into an agreement with Witwatersrand Consolidated Gold Resources Limited (Wits Gold), whereby Wits Gold cancelled the option held by Freegold, a wholly owned subsidiary of Harmony. On cancellation of the option, Harmony received shares in Wits Gold to the value of R275 million (US$41 million).

In July 2010, conditions precedent to the sale of Mount Magnet became effective. A total consideration of R238 million was received from Ramelius Resources Limited in exchange for 100% of the issued shares of Mount Magnet. A total profit of R20 million (US$3 million) net of tax and accumulated foreign exchange losses was realised for the transaction.

Related-party transactions

None of the directors or major shareholders of Harmony or, to the knowledge of Harmony, their families, had interest, direct or indirectly, in any transaction during the period under review or in any proposed transaction that has affected or will materially affect Harmony or its subsidiaries, other than as stated below.

African Rainbow Minerals Limited (ARM) currently holds 14.8% of Harmony's shares. Patrice Motsepe, Andre Wilkens, Frank Abbott and Joaquim Chissano are directors of ARM.

Harmony owns a 40% interest in Rand Uranium (Proprietary) Ltd (Rand Uranium). Graham Briggs, Hannes Meyer and Alwyn Pretorius are directors of Rand Uranium and Simo Lushaba is a member of Rand Uranium's investment committee. Fikile De Buck served on the board of directors and audit committee of Rand Uranium until 17 May 2011.

Material transactions with associates, joint ventures and SPEs

All transactions with related parties are conducted at arm's length. Refer to note 37 of the group financial statements for details on transactions conducted during the period under review.

Recent developments

Dividend

On 12 August 2011, the board of directors approved a final dividend for FY11 of 60 SA cents per share. No other dividend was paid during the year. The total dividend amounts to R258 million (US$34 million on date of payment). As the dividend was declared after the reporting date, it has not been reflected in the financial statements for the year ended 30 June 2011.

Settlement of US court case

The company has subsequent to 30 June 2011 reached a mutually acceptable settlement with the lead plaintiff and as at 30 June 2011, the company's insurers had undertaken to pay under a directors and officer insurance contract. The settlement, which requires final approval from the court, will result in the dismissal of all claims against the company.

Freegold court case

The court's decision on Freegold's appeal regarding the South African Revenue Service's (SARS) application of mining tax ringfencing was received on 1 August 2011 and the court found in favour of SARS. The case was concluded in March 2011, but judgment was reserved at that time. The company has lodged an appeal to be heard by the Supreme Court of Appeal. Any additional income taxes payable are expected to be offset by additional deferred tax credits due to the impact this application will have on unredeemed capital.

US dollar loan facility

On 11 August 2011, the company entered into a US$300 million revolving credit facility. The facility has a term of four years and attracts interest at LIBOR plus 260 basis points. The facility was jointly arranged by Nedbank Limited and FirstRand Bank Limited (acting through its Rand Merchant Bank division).

Approval

The annual financial statements were approved by the board of directors on 24 October 2011 and signed on its behalf by:

Signed	**Signed**
Mr GP Briggs	**Mr HO Meyer**
Chief executive officer	Financial director
Randfontein	Randfontein
South Africa	South Africa
24 October 2011	24 October 2011

AUDIT COMMITTEE REPORT

The Companies Act No 71 of 2008 (the Act), which came into effect on 1 May 2011, requires companies to establish an audit committee and prescribes the composition and functions of such a committee.

The audit committee has been established by the board of directors to attend to its statutory duties as set out in the Act, assist the board in discharging its duties relating to safeguarding assets, monitoring the operation of an adequate system of internal controls and control processes and ensure the preparation of accurate financial reporting and statements in compliance with all applicable legal requirements, corporate governance and accounting standards. The committee is also required to oversee the combined assurance model, as envisaged in King III, in ensuring that significant risks facing Harmony are adequately addressed.

In addition, the committee supports the board in its responsibility for the governance of risk through formal processes.

In terms of the Act, the following members will be recommended to shareholders for appointment as audit committee members for the ensuing financial year at the annual general meeting:

- John Wetton (chairman)
- Fikile De Buck (lead independent non-executive)
- Simo Lushaba (independent non-executive)
- Modise Motloba (independent non-executive).

The proposed individuals satisfy the requirements to serve as members of an audit committee as provided for in the Act and ensures that the committee comprises people with adequate and relevant knowledge and experience to equip the committee to perform its functions.

As part of its function in assisting the board of directors to discharge its duties on corporate accountability during the period under review, the audit committee:

- Reviewed the annual financial statements for the year ended 30 June 2011 to ensure these present a true, balanced and understandable assessment of the financial position and performance of Harmony
- Reviewed and recommended the integrated annual report in accordance with King III, the Act and the listings requirements of the JSE for approval by the board
- Evaluated Harmony's risks, measures taken to mitigate those risks and treatment of the residual risk
- Monitored the internal control environment within Harmony and found it to be effective
- Nominated the external auditor, PricewaterhouseCoopers Incorporated (PwC) for appointment as the registered independent auditor in terms of the Act
- Ensured the appointment of PwC complied with the provisions of the Act and any other legislation relating to the appointment of auditors
- Determined the external audit fees and terms of engagement
- Evaluated the independence and effectiveness of the internal and external auditors
- Evaluated and coordinated the internal and external audit processes
- Received and considered reports from the internal auditors
- Reviewed and approved internal and external audit plans
- Considered and pre-approved non-audit services provided by the external auditors
- Considered the appropriateness and expertise of the financial director, Hannes Meyer, as well as that of the finance function and found these to be appropriate.

Accordingly, the audit committee recommended the annual financial statements for the year ended 30 June 2011 to the board for approval. The board has subsequently approved the annual financial statements which will be open for discussion at the forthcoming annual general meeting.

The committee has satisfied itself through enquiry that the external audit firm, PwC, was independent from the company.

In addition to the integrated report, the committee reviewed the annual report on Form 20-F for recommendation to the board and subsequent submission to the United States Securities and Exchange Commission (SEC). The board approved the Form 20-F for submission to the SEC.

Cedric Savage retires from the board and the audit committee at the AGM after serving seven years on this committee. He will be replaced as chairman of the committee by John Wetton.

Signed

Cedric Savage
Audit committee chairman

24 October 2011

Please note that this page does not form part of the audited information.

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

We have audited the group annual financial statements and annual financial statements of Harmony Gold Mining Company Limited, which comprise the consolidated and separate balance sheets as at 30 June 2011, and the consolidated and separate income statements and consolidated and separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and the directors' report, as set out on pages 210 to 329 and 204 to 207.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the consolidated and separate financial position of Harmony Gold Mining Company Limited as at 30 June 2011, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

PricewaterhouseCoopers Inc.
Director: FJ Lombard
Registered Auditor
2 Eglin Road, Sunninghill, 2157
Johannesburg

24 October 2011

GROUP INCOME STATEMENTS

FOR THE YEARS ENDED 30 JUNE 2011

SA rand 2010	SA rand 2011	Figures in million	Note	US dollar 2011	US dollar 2010
		Continuing operations			
11 284	**12 445**	Revenue		**1 781**	1 489
(10 484)	**(11 615)**	Cost of sales	5	**(1 664)**	(1 383)
(8 358)	**(9 170)**	Production costs		**(1 313)**	(1 103)
(1 375)	**(1 776)**	Amortisation and depreciation		**(254)**	(181)
(331)	**(264)**	Impairment of assets		**(39)**	(43)
(205)	**(158)**	Employment termination and restructuring costs		**(23)**	(27)
(215)	**(247)**	Other items		**(35)**	(29)
800	**830**	**Gross profit**		**117**	106
(382)	**(354)**	Corporate, administration and other expenditure		**(51)**	(50)
(81)	**(84)**	Social investment expenditure		**(12)**	(11)
(219)	**(353)**	Exploration expenditure	6	**(51)**	(29)
104	**29**	Profit on sale of property, plant and equipment	7	**4**	14
(58)	**(24)**	Other expenses – net	8	**(3)**	(8)
164	**44**	**Operating profit**	9	**4**	22
56	**(51)**	(Loss)/profit from associates	22	**(7)**	7
–	**(142)**	Impairment of investment in associate	22	**(20)**	–
(24)	**–**	Loss on sale of investment in subsidiary	10	**–**	(3)
38	**141**	Net gain on financial instruments	11	**20**	5
–	**273**	Gain on farm-in option	12	**38**	–
187	**140**	Investment income	13	**20**	25
(246)	**(288)**	Finance cost	14	**(41)**	(32)
175	**117**	**Profit before taxation**		**14**	24
(335)	**480**	Taxation	15	**69**	(44)
(160)	**597**	**Net profit/(loss) from continuing operations**		**83**	(20)
		Discontinued operations			
(32)	**20**	Profit/(loss) from discontinued operations	16	**3**	(4)
(192)	**617**	**Net profit/(loss)**		**86**	(24)
		Attributable to:			
(192)	**617**	Owners of the parent		**86**	(24)
–	**–**	Non-controlling interest		**–**	–
		Earnings/(loss) per share (cents)	17		
(38)	**139**	Earnings/(loss) from continuing operations		**19**	(5)
(8)	**5**	Earnings/(loss) from discontinued operations		**1**	(1)
(46)	**144**	**Total earnings/(loss) for the year**		**20**	(6)
		Diluted earnings/(loss) per share (cents)	17		
(38)	**139**	Earnings/(loss) from continuing operations		**19**	(5)
(8)	**5**	Earnings/(loss) from discontinued operations		**1**	(1)
(46)	**144**	**Total diluted earnings/(loss) for the year**		**20**	(6)

These are the consolidated financial statements of Harmony Gold Mining Company Limited and its subsidiaries. For the separate financial statements refer to pages 294 to 329.

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

GROUP STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED 30 JUNE 2011

SA rand 2010	SA rand 2011	Figures in million	Note	US dollar 2011	US dollar 2010
(192)	**617**	Net profit/(loss) for the year		**86**	(24)
(131)	**368**	Other comprehensive income/(loss) for the year, net of income tax		**540**	25
(127)	**470**	Foreign exchange translation	28	**555**	25
(4)	**(102)**	Fair value movement of available-for-sale investments	28	**(15)**	–
(323)	**985**	**Total comprehensive income/(loss) for the year**		**626**	1
		Attributable to:			
(323)	**985**	Owners of the parent		**626**	1
–	**–**	Non-controlling interest		**–**	–

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

GROUP BALANCE SHEETS
AS AT 30 JUNE 2011

SA rand 2010	SA rand 2011	Figures in million	Note	US dollar 2011	US dollar 2010
		Assets			
		Non-current assets			
29 556	**31 221**	Property, plant and equipment	18	**4 607**	3 874
2 210	**2 170**	Intangible assets	19	**320**	290
146	**31**	Restricted cash	20	**5**	19
1 742	**1 883**	Restricted investments	21	**278**	228
385	**–**	Investment in associates	22	**–**	50
1 875	**1 149**	Deferred tax assets	15	**170**	246
12	**185**	Investment in financial assets	23	**27**	2
214	**172**	Inventories	25	**25**	28
75	**23**	Trade and other receivables	26	**3**	10
36 215	**36 834**	**Total non-current assets**		**5 435**	4 747
		Current assets			
987	**837**	Inventories	25	**124**	129
932	**1 073**	Trade and other receivables	26	**158**	122
74	**139**	Income and mining taxes		**21**	10
770	**693**	Cash and cash equivalents		**102**	101
2 763	**2 742**			**405**	362
245	**268**	Assets of disposal groups classified as held-for-sale	16	**40**	32
3 008	**3 010**	**Total current assets**		**445**	394
39 223	**39 844**	**Total assets**		**5 880**	5 141
		Equity and liabilities			
		Share capital and reserves			
28 261	**28 305**	Share capital	27	**4 033**	4 027
258	**762**	Other reserves	28	**519**	(40)
690	**1 093**	Retained earnings/(accumulated loss)		**(102)**	(159)
29 209	**30 160**	**Total equity**		**4 450**	3 828
		Non-current liabilities			
5 409	**4 216**	Deferred tax liabilities	15	**623**	709
1 692	**1 971**	Provision for environmental rehabilitation	29	**291**	222
169	**174**	Retirement benefit obligation and other provisions	30	**26**	22
981	**1 229**	Borrowings	31	**181**	129
8 251	**7 590**	**Total non-current liabilities**		**1 121**	1 082
		Current liabilities			
209	**330**	Borrowings	31	**49**	27
9	**2**	Income and mining taxes		**–**	1
1 410	**1 746**	Trade and other payables	32	**258**	185
1 628	**2 078**			**307**	213
135	**16**	Liabilities of disposal groups classified as held-for-sale	16	**2**	18
1 763	**2 094**	**Total current liabilities**		**309**	231
39 223	**39 844**	**Total equity and liabilities**		**5 880**	5 141

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

GROUP STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED 30 JUNE 2011

	Number of ordinary shares issued	Share capital	Share premium	Retained earnings/ (accumu-lated loss)	Other reserves	Total
Figures in million (SA rand)						
Note		27			28	
Balance – 30 June 2009	425 986 836	213	27 878	1 095	339	29 525
Issue of shares						
– Exercise of employee share options	505 584	–	23	–	–	23
– Issued for AVRD investment	2 162 359	1	151	–	–	152
Repurchase of equity interest (note 28(f))	–	–	–	–	(98)	(98)
Share-based payments	–	–	(5)	–	148	143
Net loss for the year	–	–	–	(192)	–	(192)
Other comprehensive loss for the year	–	–	–	–	(131)	(131)
Dividends paid[1]	–	–	–	(213)	–	(213)
Balance – 30 June 2010	**428 654 779**	**214**	**28 047**	**690**	**258**	**29 209**
Issue of shares						
– Exercise of employee share options	**1 429 849**	**1**	**40**	**–**	**–**	**41**
Share-based payments	**–**	**–**	**3**	**–**	**136**	**139**
Net profit for the year	**–**	**–**	**–**	**617**	**–**	**617**
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**368**	**368**
Dividends paid[1]	**–**	**–**	**–**	**(214)**	**–**	**(214)**
Balance – 30 June 2011	**430 084 628**	**215**	**28 090**	**1 093**	**762**	**30 160**
Figures in million (US dollar)						
Note		27			28	
Balance – 30 June 2009	425 986 836	33	3 971	(108)	(72)	3 824
Issue of shares						
– Exercise of employee share options	505 584	–	3	–	–	3
– Issued for AVRD investment	2 162 359	–	21	–	–	21
Repurchase of equity interest (note 28(f))	–	–	–	–	(13)	(13)
Share-based payments	–	–	(1)	–	20	19
Net loss for the year	–	–	–	(24)	–	(24)
Other comprehensive income for the year	–	–	–	–	25	25
Dividends paid[1]	–	–	–	(27)	–	(27)
Balance – 30 June 2010	**428 654 779**	**33**	**3 994**	**(159)**	**(40)**	**3 828**
Issue of shares						
– Exercise of employee share options	**1 429 849**	**–**	**6**	**–**	**–**	**6**
Share-based payments	**–**	**–**	**–**	**–**	**19**	**19**
Net profit for the year	**–**	**–**	**–**	**86**	**–**	**86**
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**540**	**540**
Dividends paid[1]	**–**	**–**	**–**	**(29)**	**–**	**(29)**
Balance – 30 June 2011	**430 084 628**	**33**	**4 000**	**(102)**	**519**	**4 450**

[1] *Dividend per share is disclosed under the earnings per share note. Refer to note 17.*

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

GROUP CASH FLOW STATEMENTS

FOR THE YEARS ENDED 30 JUNE 2011

SA rand				US dollar	
2010	**2011**	Figures in million	Notes	**2011**	2010
		Cash flow from operating activities			
1 611	**2 418**	Cash generated by operations	33	**346**	214
184	**138**	Interest received		**20**	25
3	**2**	Dividends received		**–**	–
(90)	**(134)**	Interest paid		**(19)**	(12)
(125)	**(45)**	Income and mining taxes paid		**(7)**	(17)
1 583	**2 379**	**Cash generated by operating activities**		**340**	210
		Cash flow from investing activities			
(5)	**(10)**	Increase in amounts invested in environmental trusts		**(1)**	(1)
15	**116**	Decrease in restricted cash		**17**	2
–	**229**	Proceeds on disposal of Mount Magnet	33	**30**	–
24	**–**	Proceeds on disposal of Big Bell operation	33	**–**	3
50	**16**	Proceeds on disposal of available-for-sale financial assets		**2**	7
–	**100**	Prepayment for Evander 6 and Twistdraai transaction	16	**15**	–
(280)	**–**	Acquisition of Steyn 2 and Target 3	33	**–**	(36)
5	**12**	Disposal of investments		**2**	–
6	**9**	Decrease in Social Trust Fund		**1**	1
(18)	**(16)**	Additions to intangible assets		**(2)**	(2)
122	**18**	Proceeds on disposal of property, plant and equipment		**3**	16
(3 335)	**(3 128)**	Additions to property, plant and equipment		**(448)**	(443)
(3 416)	**(2 654)**	**Cash utilised by investing activities**		**(381)**	(453)
		Cash flow from financing activities			
1 236	**925**	Borrowings raised		**134**	168
(391)	**(546)**	Borrowings repaid		**(81)**	(57)
18	**44**	Ordinary shares issued		**6**	3
(213)	**(214)**	Dividends paid		**(30)**	(29)
650	**209**	**Cash generated/(utilised) by financing activities**		**29**	85
3	**(11)**	**Foreign currency translation adjustments**		**13**	6
(1 180)	**(77)**	Net (decrease)/increase in cash and equivalents		**1**	(152)
1 950	**770**	Cash and equivalents – beginning of year		**101**	253
770	**693**	**Cash and equivalents – end of year**		**102**	101

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

NOTES TO THE GROUP FINANCIAL STATEMENTS
FOR THE YEARS ENDED 30 JUNE 2011

1 General information
Harmony Gold Mining Company Limited (the company) and its subsidiaries (collectively Harmony or the group) are engaged in gold mining and related activities, including exploration, extraction and processing. Gold bullion, the group's principal product, is currently produced at its operations in South Africa and Papua New Guinea (PNG).

The company is a public company, incorporated and domiciled in South Africa. The address of its registered office is Randfontein Office Park, Corner Main Reef Road and Ward Avenue, Randfontein, 1759.

The consolidated and company financial statements (on page 294 to 329) were authorised for issue by the board of directors on 24 October 2011.

2 Accounting policies
The principal accounting policies applied in the preparation of the consolidated and company financial statements are set out below. These policies have been consistently applied in all years presented, unless otherwise stated.

2.1 Basis of preparation
The financial statements of the group and company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), IFRIC Interpretations and the Companies Act of South Africa applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the group and company financial statements are disclosed in note 3.

New standards, amendments to standards and interpretations to existing standards adopted by the group

The effective dates below are for financial periods beginning on or after the given date.

The following standards or amendments to standards have become effective but had no impact on the results of the group:
- IFRS 2 (Amendment) Share-based Payments – Group cash-settled and share-based payment transactions (effective 1 January 2010)

Amendments arising from the annual improvements issued in April 2009
- IFRS 2 (Amendment) Share-based Payments (effective 1 January 2010)
- IFRS 5 (Amendment) Non-current Assets Held-for-Sale and Discontinued Operations (effective 1 January 2010)
- IAS 7 (Amendment) Statement of Cash Flows (effective 1 January 2010)
- IAS 17 (Amendment) Leases (effective 1 January 2010)
- IAS 18 (Amendment) Revenue (effective I January 2010)
- IAS 36 (Amendment) Impairment of Assets (effective 1 January 2010)
- IAS 38 (Amendment) Intangible Assets (effective 1 January 2010)
- IAS 39 (Amendment) Financial Instruments: Recognition and Measurement (effective 1 January 2010)
- IFRS 8 (Amendment) Operating Segments (effective 1 January 2010)
- IFRIC 16 (Amendment) Hedges of a Net Investment in Foreign Operation (effective 1 January 2010)

2 Accounting policies continued

2.1 Basis of preparation continued

The following standards or amendments to standards have become effective but were not relevant to the group:

- IFRS 1 (Amendment) First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters (effective 1 January 2010)
- IFRS 1 (Amendment) First-time Adoption of International Financial Reporting Standards – Limited Exemptions from Comparative IFRS 7 Disclosures for First-time Adopters (effective 1 July 2010)
- IAS 32 (Amendment) Financial Instruments: Presentation – Classification of rights issues (effective 1 February 2010)
- IFRIC 15 Agreements for Construction of Real Estate (effective 1 January 2010)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective 1 July 2010)

Amendments arising from the annual improvements issued in April 2009

- IAS 1 (Amendment) Presentation of Financial Statements (effective 1 January 2010)
- IFRIC 9 (Amendment) Reassessment of Embedded Derivatives (effective 1 January 2010)

New standards, amendments to standards and interpretations to existing standards that are not yet effective and have not been early adopted

At the date of authorisation of these financial statements, the standards, amendments to standards and interpretations listed below were in issue but not yet effective. These standards and interpretations have not been early adopted by the group and the group plans on adopting these standards, amendments to standards and interpretations on the dates when they become effective.

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

- IAS 1 (Amendment) – Presentation of Financial Statements (effective for financial periods beginning on/after 1 July 2012).
- IAS 12 (Revised) – Income Taxes: Deferred Tax Recovery of Underlying Assets (effective for financial periods beginning on/after 1 January 2012).
- IAS 19 (Amendment) Employee Benefits – Recognition and Measurement of Defined Benefit Pension Expense (effective for periods beginning on/after 1 January 2013)
- IAS 24 (Revised) Related Party Disclosures (effective for periods beginning on/after 1 January 2011). The amendment clarifies and simplifies the definition of a related party and is not expected to have a significant impact on the group's financial statements.
- IFRS 1 (Amendment) – First-time Adoption of International Financial Reporting Standards: Removal of Fixed Dates for First-time Adopters (effective for financial periods beginning on/after 1 July 2011).
- IFRS 1 (Amendment) – First-time Adoption of International Financial Reporting Standards: Guidance on Severe Hyperinflation (effective for financial periods beginning on/after 1 July 2011).
- IFRIC 14 (Amendment): The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – Prepayment of Minimum Funding Requirements (effective for financial periods beginning on or after 1 January 2011).
- Improvements to IFRS 2010 (effective for periods beginning on/after 1 January 2011).

The following standards, amendments to standards and interpretations to existing standards may possibly have an impact on the group but have not yet been assessed by management:

- IAS 27 (Revised) Separate Financial Statements (effective for periods beginning on/after 1 January 2013). This standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in IFRS 10.
- IAS 28 (Revised) Investments in Associates and Joint Ventures (effective for periods beginning on/after 1 January 2013). This standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.

- IFRS 7 (Amendment) – Financial Instruments: Disclosures – Transfer of Financial Assets (effective for financial periods beginning on/after 1 July 2011).
- IFRS 9 (Amendment) Financial Instruments (effective for periods beginning on/after 1 January 2013). This IFRS is part of the IASB's project to replace IAS 39. The standard addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. The standard also includes guidance on accounting for and the presentation of financial liabilities and derecognising financial liabilities which have been relocated from IAS 39 without change, except for financial liabilities that are designated at fair value through profit or loss.
- IFRS 10 Consolidated Financial Statements (effective for periods beginning on/after 1 January 2013). This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included in the consolidated financial statements.
- IFRS 11 Joint Arrangements (effective for periods beginning on/after 1 January 2013). The standard provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. Proportional consolidation of joint ventures is no longer allowed under this standard.
- IFRS 12 Disclosure of Interest in Other Entities (effective for periods beginning on/after 1 January 2013). This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special-purpose vehicles and other off-balance sheet vehicles.
- IFRS 13 Fair Value Measurement (effective for periods beginning on/after 1 January 2013). The standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value and disclosure requirements across all IFRS.

2.2 Consolidation

The consolidated financial information includes the financial statements of the company, its subsidiaries, its proportionate interest in joint ventures, special-purpose entities (SPEs) and its interests in associates.

(i) Subsidiaries are all entities (including special-purpose entities) over which the group has power to govern the financial and operating policies generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group and are deconsolidated when that control ceases. The group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration arrangements. Cost also includes direct attributable costs of investment.

The excess of consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

2 Accounting policies continued

2.2 Consolidation continued

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the company.

(ii) **Associates** are those entities over which the group has significant influence, but not control over operational and financial policies, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in associates are accounted for by using the equity method of accounting, and are initially recognised at cost. The cost of an acquisition is measured as the fair value of the assets given, shares issued or liabilities assumed at the date of exchange plus costs directly attributable to the acquisition. The group's investment in associates includes goodwill identified on acquisition.

The group's share of the associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movement in reserves is recognised in other reserves. Cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's shares of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The carrying value of an associate is reviewed on a regular basis and, if an impairment in the carrying value has occurred, it is written off in the period in which such impairment is identified.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment that should be recognised.

Accounting policies of associates have been reviewed to ensure consistency with the policies adopted by the group.

Investments in associates are accounted for at cost and are adjusted for impairments where appropriate in the company's separate financial statements.

(iii) **Joint arrangements**. Joint venture entities are those entities in which the group holds an interest and shares joint control over strategic, financial and operating decisions with one or more other ventures under a contractual arrangement. The group's interest in jointly controlled entities is accounted for by proportionate consolidation. Under this method, the group includes its share of the joint venture's individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the group's financial statements.

The group recognises the portion of gains or losses on the sale of assets by the group to the joint venture that is attributable to the other ventures. The group does not recognise its share of profits or losses from the joint venture that result from the purchase of assets by the group from the joint venture until it resells the assets to an independent party. However, if a loss on the transaction provides evidence of a reduction in the net realisable value of current assets or an impairment loss, the loss is recognised immediately.

Where the group has contractual arrangements with other participants to engage in joint activities or invest in joint assets other than through a separate entity, the group includes its assets, liabilities and share of income and expenditure in such joint venture operations with similar items in its financial statements.

(iv) **Special-purpose entities** (SPEs) are those undertakings that are created to satisfy specific business needs of the group. These are consolidated where the group has the right to the majority of the benefits of the SPE and/or is exposed to the majority of the risk thereof. SPEs are consolidated in the same manner as subsidiaries when the substance of the relationship indicates that the SPE is controlled by the group.

(v) **Transactions and non-controlling interests.** The group treats transactions with non-controlling interests as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group directly disposed of the relates assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a portion of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2.3 Foreign currency translation

(i) **Functional and presentation currency.** Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in South African rand and US dollars for the benefit of local and international users. The company's financial statements are presented in its functional currency, being South African rand.

For translation of the rand financial statement items to US dollar, the average of R6.99 (2010: R7.58) per US$1 was used for income statement items (unless this average was not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case these items were translated at the rate on the date of the transactions) and the closing rate of R6.78 (2010: R7.63) per US$1 for asset and liability items. Equity items were translated at historic rates.

The translation effect from rand to US dollar is included in other comprehensive income in the US$ financial statements.

References to "A$" refers to Australian currency, "R" to South African currency, "$" or "US$" to United States currency and "K" or "Kina" to Papua New Guinean currency.

(ii) **Transactions and balances.** Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation to year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except where deferred in equity as qualifying cash flow hedges and qualifying investment hedges. Gains and losses recognised in the income statement are included in the determination of "other expenses – net".

2 Accounting policies continued

2.3 Foreign currency translation continued

Changes in the fair value of monetary securities denominated in a foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences related to the changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in other comprehensive income.

(iii) **Group companies.** The results and financial position of all group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the date of the transactions);
c) all resulting exchange differences are recognised as a separate component of other comprehensive income; and
d) equity items are translated at historic rates.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is sold or control is otherwise lost, cumulative exchange differences that were recorded in other comprehensive income are recognised in profit or loss in the period in which the foreign operation is sold or control is otherwise lost.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.4 Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the executive committee. Refer to note 40 for detailed guidance on the identification of an operating and reportable segment.

2.5 Property, plant and equipment

(i) **Mining assets** including mine development costs and mine plant facilities are initially recorded at cost, which after it is measured at cost less accumulated depreciation and impairment. Costs include expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably.

At the group's surface mines, when it has been determined that a mineral property can be economically developed as a result of establishing proved and probable reserves, costs incurred to develop the property are capitalised as incurred until the mine is considered to have moved into the production phase. These costs include costs to further delineate the orebody and remove overburden to initially expose the orebody. Stripping costs incurred during the production phase to remove waste ore are deferred and charged to production costs on the basis of the average life-of-mine stripping ratio. The average stripping ratio is calculated as the number of tonnes of waste material removed per tonne of ore mined. The average life-of-mine ratio is revised annually in the light of additional knowledge and change in estimates. The cost of "excess stripping" is capitalised as mine development costs when the actual stripping ratio exceeds the average life-of-mine stripping ratio. Where the average life-of-mine stripping ratio exceeds the actual stripping ratio, the cost is charged to the income statement.

At the group's underground mines, all costs incurred to develop the property, including costs to access specific ore blocks or other areas of the underground mine, are capitalised to the extent that such costs will provide future economic benefits. These costs include the cost of shaft sinking and access, the costs of building access ways, lateral development, drift development, ramps, box cuts and other infrastructure development.

During the development stage, the group may enter into arrangements whereby it agrees to transfer a part of its mineral interest in consideration for an agreement by another party (the farmee) to meet certain expenditure which would otherwise have to be undertaken by the group. Such arrangements, referred to as farm-in transactions, are accounted for as executory contracts – particularly when the expenditures to be incurred by the farmee are discretionary in nature, and the mineral interest to be transferred may vary depending upon such discretionary spend. At the date of completion of each party's obligations under the farm-in arrangement, the group derecognises the proportion of the mining assets and liabilities associated with the joint venture that it has sold to the farmee, and recognises its interest in the capital expenditure (consideration received) at fair value within operating assets. The difference between the net disposal proceeds and the carrying amount of the asset disposed of is recognised in profit or loss.

Borrowing costs are capitalised to the extent that they are directly attributable to the acquisition and construction of qualifying assets. Qualifying assets are assets that take a substantial time to get ready for their intended use. These costs are capitalised until the asset moves into the production phase. Other borrowing costs are expensed.

The net assets of operations placed on care and maintenance are impaired to their recoverable amount. Expenditure on the care and maintenance of these operations is charged against income, as incurred.

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

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

(iii) Undeveloped properties are initially valued at the fair value of resources obtained through acquisitions. The carrying value of these properties are annually tested for impairment. Once development commences, these properties are transferred to mining properties and accounted for in accordance with the related accounting policy.

(iv) Mineral and surface use rights represent mineral and surface use rights for parcels of land both owned and not owned by the group. Mineral and surface rights include acquired mineral use rights in production, development and exploration phase properties. The amount capitalised related to a mineral and surface right represents its fair value at the time it was acquired, either as an individual asset purchase or as part of a business combination, and is recorded at cost of acquisition.

2 Accounting policies continued

2.5 Property, plant and equipment continued

(iv) **Mineral and surface use rights** continued

The group's mineral use rights are enforceable regardless of whether proved or probable reserves have been established. In certain limited situations, the nature of a use changes from an exploration right to a mining right upon the establishment of proved and probable reserves. The group has the ability and intent to renew mineral use rights where the existing term is not sufficient to recover all identified and valued proved and probable reserves and/or undeveloped mineral interests.

(v) **Leased assets.** The group leases certain property, plant and equipment. Leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. The assets are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Finance lease payments are allocated using the rate implicit in the lease, which is included in finance costs, and the capital repayment, which reduces the liability to the lessor. The corresponding rental obligations, net of finance charges, are included in non-current borrowings, with the current portion included under current liabilities.

Capitalised lease assets are depreciated over the shorter of their estimated useful lives and the lease terms.

(vi) **Depreciation and amortisation** of mineral property interests, mineral and surface rights, mine development costs and mine plant facilities are computed principally by the units of production method over the life-of-mine based on estimated quantities of economically recoverable proved and probable reserves, which can be recovered in future from known mineral deposits.

In most instances, proved and probable reserves provide the best indication of the useful life of the group's mines (and related assets). However, in some instances, proved and probable reserves may not provide a realistic indication of the useful life of the mine (and related assets). This may be the case, for example, where management is confident that further resources will be converted into reserves and are approaching economic decisions affecting the mine on this basis, but has chosen to delay the work required to designate them formally as reserves. Management's confidence in the economical recovery of such resources may be based on historical experience and available geological information. In instances where management is able to demonstrate the economic recovery of such resources with a high level of confidence, such additional resources, as well as the associated future development costs of accessing those resources, are included in the calculation of depreciation and amortisation.

(vii) **Depreciation and amortisation of non-mining fixed assets.** Other non-mining fixed assets are depreciated on a straight-line basis over their estimated useful lives as follows:

- Vehicles at 20% per year;
- Computer equipment at 33.3% per year;
- Commercial, off-the-shelf software at 50% per year; and
- Furniture and equipment at 16.67% per year.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised in the income statement.

(viii) **Depreciation and amortisation of mineral and surface use rights.** Mineral rights associated with production phase mineral interests are amortised over the life-of-mine using the units-of-production method in order to match the amortisation with the expected underlying future cash flows. Mineral interests associated with development and exploration phase mineral interests are not amortised until such time as the underlying property is converted to the production stage.

For details on the group's accounting policy on impairments, refer to note 2.8.

2.6 Exploration costs

The group expenses all exploration and evaluation expenditures until it is concluded that a future economic benefit is more likely to be realised than not, ie 'probable'. The information used to make that determination depends on the level of exploration as well as the degree of confidence in the orebody.

Exploration and evaluation expenditure on greenfield sites, being those where the group does not have any mineral deposits which are already being mined or developed, is expensed as incurred until a final feasibility study has been completed. In this case future pre-commercial production expenditure is capitalised within development costs that demonstrates that future economic benefits are probable. Capitalisation of preproduction cost ceases when commercial levels of production are reached. Commercial levels of production are discussed under "production start date" in note 3.12

Exploration and evaluation expenditure on brownfield sites, being those adjacent to mineral deposits which are already being mined or developed, is expensed as incurred until the group is able to demonstrate that future economic benefits are probable through the completion of a feasibility study, after which the expenditure is capitalised as mine development cost. A 'feasibility study' consists of a comprehensive study of the viability of a mineral project that has advanced to a stage where the mining method, in the case of underground mining, or the pit configuration, in the case of an open pit, has been established, and which, if an effective method of mineral processing has been determined, includes a financial analysis based on reasonable assumptions of technical, engineering, operating economic factors and the evaluation of other relevant factors. The feasibility study, when combined with existing knowledge of the mineral property that is adjacent to mineral deposits that are already being mined or developed, allows the group to conclude that it is more likely than not that it will obtain future economic benefit from the expenditures.

Exploration and evaluation expenditure relating to extensions of mineral deposits which are already being mined or developed, including expenditure on the definition of mineralisation of such mineral deposits, is capitalised as a mine development cost following the completion of an economic evaluation equivalent to a feasibility study. This economic evaluation is distinguished from a feasibility study in that some of the information that would normally be determined in a feasibility study is instead obtained from the existing mine or development. This information when combined with existing knowledge of the mineral property already being mined or developed allow the group to conclude that more likely than not that it will obtain future economic benefit from the expenditures.

Exploration properties acquired are recognised in the balance sheet within development cost and are shown at cost less provisions for impairment determined in accordance with the group's accounting policy on impairment of non-financial assets (note 2.8).

2 Accounting policies continued

2.7 Intangible assets

Intangible assets consist of all identifiable non-monetary assets without physical substance. They are stated at cost less accumulated amortisation and accumulated impairment losses, if any. The following are the main categories of intangible assets:

(i) Intangible assets with an indefinite useful life

Intangible assets with an indefinite useful life are not amortised but tested for impairment on an annual basis. Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary, associate, joint venture or business at the date of acquisition. Goodwill on acquisition of subsidiaries, joint ventures and businesses are included in intangible assets. Goodwill on acquisition of associates is included in investments in associates and tested for impairment as part of the overall balance.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are recognised immediately in the income statement and are not reversed. The impairment testing is performed annually on 30 June or when events or changes in circumstances indicate that it may be impaired.

Goodwill is allocated to cash-generating units for the purpose of impairment testing, the largest of which is on operating segment level. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. If the composition of one or more cash-generating units to which goodwill has been allocated changes due to a reorganisation, the goodwill is reallocated to the units affected.

The gain or loss on disposal of an entity includes the carrying amount of goodwill relating to the entity sold.

(ii) Intangible assets with a finite useful life

Acquired computer software licences that require further internal development are capitalised on the basis of costs incurred to acquire and bring to use the specific software. Cost to bring to use the specific software, includes software development employee costs and attributable overheads. Development expenditure incurred that will not likely generate probable future economic benefits and cannot be reliability measured are recognised as an expense as incurred. Intangible assets with a finite useful life are amortised on a straight-line basis over their estimated useful lives, which are reviewed annually, as follows:

- Computer software at 20% per year.

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment.

Assets that are subject to amortisation are reviewed annually on 30 June for impairment or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised in the income statement for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Each operating shaft, along with allocated common assets such as plants and administrative offices, is considered to be a cash-generating unit as each shaft is largely independent from the cash flows of other shafts and assets belonging to the group.

Fair value less cost to sell is generally determined by using discounted estimated after-tax future cash flows. Future cash flows are estimated based on quantities of recoverable minerals, expected gold prices (considering current and historical prices, price trends and related factors), production levels and cash costs of production, all based on life-of-mine plans. Future cash flows are discounted to their present value using a post-tax discount rate that reflect current market assessments of the time value of money and risk specific to the asset. Refer to note 3.1 for detail.

The term "recoverable minerals" refers to the estimated amount of gold that will be obtained from reserves and resources and all related exploration stage mineral interests (except for other mine-related exploration potential and greenfields exploration potential discussed separately below) after taking into account losses during ore processing and treatment. Estimates of recoverable minerals from such related exploration stage mineral interests will be risk adjusted based on management's relative confidence in such materials. In estimating future cash flows, assets are grouped at the lowest level for which there are identifiable cash flows that are largely independent of cash flows from other asset groups. With the exception of other mine-related exploration potential and greenfields exploration potential, estimates of future undiscounted cash flows are included on an area of interest basis, which generally represents an individual operating mine, even if the mines are included in a larger mine complex.

In the case of mineral interests associated with other mine-related exploration potential and greenfields exploration potential, cash flows and fair values are individually evaluated based primarily on recent exploration results and recent transactions involving sales of similar properties, if any. Assumptions underlying future cash flow estimates are subject to significant risks and uncertainties.

Non-financial assets other than goodwill that suffered an impairment are reviewed annually for possible reversal of the impairment at 30 June. Reversal of impairments is also considered when there is objective evidence to indicate that the asset is no longer impaired. Where an impairment subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but not higher than the carrying value that would have been determined had no impairment been recognised in prior years.

2.9 Financial instruments

Financial instruments are initially measured at fair value when the group becomes a party to their contractual arrangements. Transaction costs are included in the initial measurement of financial instruments, with the exception of financial instruments classified as at fair value through profit or loss. The subsequent measurement of financial instruments is discussed below.

A financial asset is derecognised when the right to receive cash flows from the asset has expired or the group has transferred its rights to receive cash and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the assets.

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

On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss recognised in equity is recognised in profit and loss.

On derecognition of a financial liability, the difference between the carrying amount of the liability extinguished or transferred to another party and the amount paid is recognised in profit or loss.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2 Accounting policies continued

2.9 Financial instruments continued

Financial assets

The group classifies its financial assets in the following categories: loans and receivables, available-for-sale, held-to-maturity and at fair value through profit or loss. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset.

(i) **Loans and receivables** are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the group provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans and receivables are subsequently measured at amortised cost using the effective interest method. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables include trade and other receivables (excluding VAT and prepayments), restricted cash and cash and cash equivalents.

Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand, deposits held at call with banks and short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents exclude restricted cash.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. A provision for impairment of receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced through the use of a provision for impairment (allowance account) and the amount of the loss is recognised in the income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the income statement.

(ii) **Available-for-sale financial assets** are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the balance sheet date.

Available-for-sale financial assets are subsequently carried at fair value. Changes in the fair value of monetary securities denominated in a foreign currency are accounted for as described in note 2.3 (ii).

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are reclassified in the income statement as profit or loss from investment securities.

The fair values of quoted investments are based on current bid prices. If the value for a financial instrument cannot be obtained from an active market, the group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances. The valuation techniques make maximum use of market inputs and rely as little as possible on entity-specific inputs.

The group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If considered impaired, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from other reserves and recognised in the income statement. Subsequent increases in the fair value are recognised in equity – impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

(iii) Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the group's management has the positive intention and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method.

A portion of restricted investments held by the trust funds (refer note 21) are classified as held-to-maturity investments.

The group assesses at the end of each reporting period whether there is objective evidence that a held-to-maturity investment is impaired as a result of an event. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the held-to-maturity investment's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in the consolidated income statement. If a held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

(iv) Financial assets at fair value through profit or loss have two subcategories: financial assets held-for-trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management in terms of specified criteria. Derivatives are also categorised as held-for-trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held-for-trading or are expected to be realised within 12 months of the balance sheet date. These assets are subsequently measured at fair value with gains or losses arising from changes in fair value recognised in the income statement in the period in which they arise.

Financial liabilities

(i) Borrowings are initially recognised at fair value net of transaction costs incurred and subsequently measured at amortised cost, comprising original debt less principal payments and amortisation, using the effective yield method. Any difference between proceeds (net of transaction cost) and the redemption value is recognised in the income statement over the period of the borrowing using the effective interest rate method.

2 Accounting policies continued

2.9 Financial instruments continued

Financial liabilities continued

(i) **Borrowings** continued

Fees paid on the establishment of loan facilities are capitalised as a prepayment and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(ii) **Trade and other payables** are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Payables are classified as current liabilities if payment is due within a year or less. If not, they are presented as non-current liabilities.

2.10 Inventories

Inventories which include bullion on hand, gold in process, gold in lock-up, ore stockpiles and consumables, are measured at the lower of cost and net realisable value after appropriate allowances for redundant and slow-moving items. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to perform the sale.

Cost of bullion, gold in process and gold in lock-up is determined by reference to production cost, including amortisation and depreciation at the relevant stage of production. Ore stockpiles are valued at average production cost. Stockpiles and gold in lock-up are classified as a non-current asset where the stockpile exceeds current processing capacity and where a portion of static gold in lock-up is expected to be recovered more than 12 months after balance sheet date.

Gold in process inventories represent materials that are currently in the process of being converted to a saleable product. Conversion processes vary depending on the nature of the ore and the specific mining operation, but include mill in-circuit, leach in-circuit, flotation and column cells, and carbon in-pulp inventories. In-process material is measured based on assays of the material fed to process and the projected recoveries at the respective plants. In-process inventories are valued at the average cost of the material fed to process attributable to the source material coming from the mine, stockpile or leach pad plus the in-process conversion costs, including the applicable depreciation relating to the process facility, incurred to that point in the process. Gold in process includes gold in lock-up which is generally measured from the plants onwards. Gold in lock-up is estimated as described under the section dealing with critical accounting estimates and judgements (refer to note 3.9). It is expected to be extracted when plants are demolished at the end of its useful lives, which is largely dependent on the estimated useful life of the operations feeding the plants. Where mechanised mining is used in underground operations, in-progress material is accounted for at the earliest stage of production when reliable estimates of quantities and costs are capable of being made. Given the varying nature of the group’s open-pit operations, gold in process represents either production in broken ore form or production from the time of placement on heap leach pads.

Consumables are valued at weighted average cost.

2.11 Non-current assets or disposal group held-for-sale and discontinued operations

A non-current asset or disposal group (a business grouping of assets and their related liabilities) is designated as held-for-sale and stated at lower of carrying value and fair value less cost to sell, when its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The classification as held-for-sale of a non-current asset or disposal group occurs when it is available for immediate sale in its present condition and the sale is highly probable. A sale is considered highly probable if management is committed to a plan to sell the non-current asset or disposal group, an active divestiture programme has been initiated, the non-current assets or disposal group is marketed at a price reasonable to its fair value and the disposal is expected to be completed within one year from classification.

Upon classification of a non-current asset or disposal group as held-for-sale, it is reviewed for impairment. The impairment charged to the income statement is the excess of the carrying value of the non-current asset or disposal group over its expected net selling price (fair value less costs to sell). At each subsequent reporting date, the carrying values are remeasured for possible impairment. A reversal of impairment is recognised for any subsequent increase in net selling price but not in excess of the cumulative impairment loss already recognised.

No depreciation is provided on non-current assets from the date they are classified as held-for-sale. Where an investment in associate is classified as held-for-sale, the group will no longer equity account for the investment.

When a disposal group is classified as held-for-sale it is also necessary to assess whether or not the criteria for discontinued operations are met. If the criteria are met, the results of the disposal group are classified as discontinued operations in the income statement and the comparative amounts restated for all periods presented. No restatement of balance sheet comparative amounts are done.

If a non-current asset or disposal group is classified as held-for-sale but the criteria for classification as held-for-sale are no longer met, the disclosure of such non-current asset or disposal group as held-for-sale is ceased.

On ceasing such classification, the non-current assets are reflected at the lower of:
- the carrying amount before classification as held-for-sale adjusted for any depreciation or amortisation that would have been recognised had the assets not been classified as held-for-sale or
- the recoverable amount at the date the classification as held-for-sale ceases. The recoverable amount is the amount at which the asset would have been recognised after the allocation of any impairment loss arising on the cash-generating unit as determined in accordance with the group's policy on impairment of non-financial assets.

Any adjustment required to be made on reclassification is charged to the income statement on reclassification, and included in income from continuing operations.

Where the disposal group was also classified as a discontinued operation, the subsequent classification from held-for-sale also requires that the discontinued operation be included in continuing operations. Comparative information in the income statement and cash flow note disclosures relating to the classification as a discontinued operation is re-presented accordingly. Comparative information in the balance sheet is not re-presented for this change.

2.12 Environmental obligations

Estimated long-term environmental obligations, comprising pollution control, rehabilitation and mine closure, are based on the group's environmental management plans in compliance with current technological, environmental and regulatory requirements.

Based on disturbances to date, the net present value of expected rehabilitation cost estimates are recognised and provided for in full in the financial statements. The estimates are reviewed annually and are discounted using a pre-tax risk-free rate that is adjusted to reflect the current market assessments of the time value of money and the risks specific to the obligation.

2 Accounting policies continued

2.12 Environmental obligations continued

Annual changes in the provision consist of finance costs relating to the change in the present value of the provision and inflationary increases in the provision estimate, as well as changes in estimates. The present value of environmental disturbances created are capitalised to mining assets against an increase in the rehabilitation provision. If a decrease in liability exceeds the carrying amount of the asset, the excess is recognised immediately in the income statement. If the asset value is increased and there is an indication that the revised carrying value is not recoverable, an impairment test is performed in accordance with the accounting policy dealing with impairments of non-financial assets. Rehabilitation projects undertaken, included in the estimates are charged to the provision as incurred. The cost of ongoing current programmes to prevent and control pollution is charged against income as incurred. Over time, the liability is increased to reflect an interest element, and the capitalised cost is depreciated over the life of the related asset.

2.13 Environmental trust funds

Contributions are made to the group's trust funds, created in accordance with statutory requirements, to fund the estimated cost of pollution control, rehabilitation and mine closure at the end of the life of the group's mines. The trusts are consolidated into the group as the group exercises full control of the trust. The measurement of the investments held by the trust funds is dependent on their classification under financial assets and income received and fair value movements are treated in accordance with these classifications.

2.14 Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognised as a provision is the present value of the best estimate of the expenditure required to settle the present obligation at balance sheet date using a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the obligation. This estimate takes into account the associated risks and uncertainties. The increase in the provision due to the passage of time is recognised as interest expense.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic benefits will be required, the provision is reversed.

2.15 Current and deferred taxation

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The group follows the comprehensive liability method of accounting for deferred tax using the balance sheet approach. Under this method deferred income taxes are recognised for the tax consequences of temporary differences by applying expected tax rates to the differences between the tax base of all assets or liabilities and its balance sheet carrying amount, except to the extent that deferred tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and does not affect the accounting or taxable profit or loss at the time of the transaction. Deferred tax is charged to profit or loss, except where the tax relates to items recognised in other comprehensive income or directly in equity in which case the tax is also recognised in other comprehensive income or directly in equity. The effect on deferred tax of any changes in tax rates is recognised in the income statement, except to the extent that it relates to items previously charged or credited directly to equity.

The principal temporary differences arise from amortisation and depreciation on property, plant and equipment, provisions, post-retirement benefits, unutilised tax losses and unutilised capital allowances carried forward. Deferred tax assets relating to the carry forward of unutilised tax losses and unutilised capital allowances are recognised to the extent that it is probable that future taxable profits will be available against which the unutilised tax losses and unutilised capital allowances can be utilised.

Deferred income tax is provided on temporary differences arising from investments in subsidiaries, joint ventures and associates, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Interest received from and paid to the tax authorities are classified as interest income and expense.

2.16 Employee benefits

(i) **Pension and provident plans are funded through annual contributions.** The group pays fixed contributions into a separate entity in terms of the defined contribution pension and provident plans which are charged to the income statement in the year to which they relate. The group's liability is limited to its annually determined contributions and has no further liability, legal or constructive, if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

(ii) **Medical plans.** The group provides medical cover to current employees and certain retirees through certain funds. The medical accounting costs for the defined benefit plan are assessed using the projected unit credit method. The healthcare obligation is measured as the present value of the estimated future cash outflows using high quality government bond interest rates consistent with the term and risks of the obligation together with adjustments for unrecognised past service cost. Actuarial gains and losses as a result of these valuations are recognised in the income statement at revaluation date. The future liability for current and retired employees and their dependants is accrued in full based on actuarial valuations obtained annually.

(iii) **Equity compensation benefits.** The group operates an equity-settled, share-based payments plan, where the group grants share options to certain employees in exchange for services received. Equity share-based payments are measured at fair value that includes market performance conditions but excluded the impact of any service and non-market performance conditions of the equity instruments at the date of the grant. The share-based payments are expensed over the vesting period, based on the group's estimate of the shares that are expected to eventually vest. The group used an appropriate option pricing model in determining the fair value of the options granted. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the estimates of the number of options that are expected to become exercisable are revised. The impact of the revision of original estimates, if any, are recognised in the income statement, with a corresponding adjustment to equity. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(iv) **Termination benefits** are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

(v) **Leave pay.** The group accrues for the cost of the leave days granted to employees during the period in which the leave days accumulate.

2 Accounting policies continued

2.17 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.18 Leases

Leases in which a significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

For the group's policy on finance leases, refer to note 2.5 (v).

2.19 Revenue recognition

(i) **Revenue** arising from gold sales is recognised when the price is determinable, the product has been delivered in accordance with the terms of the contract, the significant risks and rewards of ownership have been transferred to the customer and collection of the sales price is reasonably assured. These criteria are typically met when the gold arrives at the refinery.

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

(ii) **Interest income:** Interest is recognised on a time-proportion basis, taking into account the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the group.

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

2.20 Dividends declared

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

3 Critical accounting estimates and judgements

The preparation of the financial statements in conformity with IFRS requires the group's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The resulting accounting estimates may differ from actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

3.1 Impairment of mining assets

The recoverable amount of mining assets is generally determined utilising discounted future cash flows. Management also considers such factors as the quality of the individual orebody, market risk, asset specific risks and country risk in determining the fair value.

Key assumptions for the calculations of the mining assets' recoverable amounts are the gold price, marketable discount rates (cost-to-sell), exchange rates and the annual life-of-mine plans. In determining the gold price to be used, management assess the long-term views of several reputable institutions on the gold price and based on this, derive the gold price. The life-of-mine plans are based on the proved and probable reserves as included in the Reserve Declaration, which are determined in terms of SAMREC and JORC, as well as resources where management has high confidence in the orebody and economical recovery of gold, based on historic and similar geological experience.

During the year under review, the group calculated the recoverable amounts (generally fair value less costs to sell) based on updated life-of-mine plans, a gold price of R310 000/kg (US$1 274/oz) and a post-tax real discount rate, which ranges between 5.09% and 8.47%, depending on the asset (2010: R275 000/kg (US$1 050/oz) and a post-tax real discount rate ranging between 5.92% and 10.72% depending on the asset). Cash flows used in the impairment calculations are based on life-of-mine plans which exceed five years for the majority of the mines. Refer to note 5 for details of impairments recorded.

Should management's estimate of the future not reflect actual events, further impairments may be identified. Factors affecting the estimates include:

- changes to proved and probable ore reserves;
- economical recovery of resources;
- the grade of the ore reserves may vary significantly from time to time;
- review of strategy;
- unforeseen operational issues at the mines;
- differences between actual commodity prices and commodity price assumptions;
- changes in the discount rates and foreign exchange rates; and
- changes in capital, operating mining, processing and reclamation costs.

Sensitivity analysis

One of the most significant assumptions that influence the life-of-mine plans and therefore impairments is the expected gold price. A 10% decrease in the gold price at the reporting date would have resulted in an additional impairment at Steyn 2 (included in Bambanani segment) of R46 million (US$6.8 million) and R187 million (US$27.6 million) at Evander. This analysis assumes that all other variables remain constant.

3.2 Impairment of investment in associates

The investments in associates are evaluated annually for impairment by comparing the entire carrying value of the investment to the recoverable amount, which is the higher of value in use or fair value less costs to sell. In 2011, the investment in Rand Uranium was classified as held-for-sale for the sale and an impairment recognised. Refer to note 16.

3.3 Valuation of available-for-sale financial assets

If the value of financial instruments cannot be obtained from an active market, the group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models refined to reflect the issuer's specific circumstances. When considering indications of an impairment, management considers a prolonged decline to be longer than 12 months. The significance of the decline is assessed for each security individually.

3.4 Estimate of exposure and liabilities with regard to rehabilitation costs

Estimated long-term environmental obligations, comprising pollution control, rehabilitation and mine closure, are based on the group's environmental management plans in compliance with current technological, environmental and regulatory requirements.

Significant judgement is applied in estimating ultimate rehabilitation cost that will be required in future to rehabilitate the group's mines. Ultimate cost may significantly differ from current estimates.

3 Critical accounting estimates and judgements continued

3.4 Estimate of exposure and liabilities with regard to rehabilitation costs continued

For the South African operations, management used an inflation rate of 6.60% (2010: 6.23 %) and the expected life of the mines according to the life-of-mine plans in the calculation of the estimated net present value of the rehabilitation liability. The discount rates used for the calculation are dependent on the shaft's life-of-mine and are as follows: for 12 months – 5.75% (2010: 6.75%); for 1 – 5 years – 7.25% (2010: 8%); for 6 – 9 years – 8.50% (2010: 8.50%) and for 10 years or more – 8.75% (2010: 9%). These estimates were based on recent yields determined on government bonds.

In calculating the rehabilitation liability in PNG for 2011, an inflation rate of 3.3% (2010: 5.4%) was used, together with a discount rate of 7% (2010: 8%).

3.5 Estimate of employee benefit liabilities

An updated actuarial valuation is carried out at the end of each financial year. Assumptions used to determine the liability included a discount rate of 9.80%, no increases in employer subsidies (in terms of the agreement) and mortality rates according to the SA 1956/62 mortality table (SA "a mf" tables) (60 years) and a medical inflation rate of 7.65% (2010: discount rate of 10.30%, 60 years and 8.14% inflation rate).

Management determined the discount rate by assessing financial instruments with similar terms to the liability. The changes to the discount rate and medical inflation rate are similar to changes in interest and inflation rates in South Africa.

3.6 Estimate of taxation

The group is subject to income tax in several jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Management has to exercise judgement with regards to deferred tax assets. Where the possibility exists that no future taxable income may flow against which these assets can be offset, the deferred tax assets are not recognised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. When different tax rates apply to different levels of taxable income, deferred tax assets and liabilities are measured using the average tax rates that are expected to apply to the taxable profit (tax loss) of the periods in which the temporary differences are expected to reverse. At the group's South African operations, such average tax rates are directly impacted by the profitability of the relevant mine. The deferred tax rate is therefore based on the current estimate of future profitability of an operation when temporary differences will reverse, based on tax rates and tax laws that have been enacted at the balance sheet date. Refer to note 15 for further detail.

The future profitability of each mine, in turn, is determined by reference to the life-of-mine (LoM) plan for that operation. The LoM plan is influenced by factors as disclosed in note 3.1, which may differ from one year to the next and ultimately result in the deferred tax rate changing from one year to the next.

3.7 Fair value of share-based payments

The fair value of options granted are being determined using either a binominal, Black-Scholes or a Monte Carlo valuation model. The significant inputs into the model are: vesting period, risk-free interest rate, volatility, price on date of grant and dividend yield. (Refer to note 36 for detail on each of the share option schemes.)

3.8 Impairment of goodwill

Due to the wasting nature of mining assets and the finite life of a mine's reserves, the allocation of goodwill to a shaft will eventually result in an impairment charge for the goodwill. The group tests annually whether separately identifiable goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2.8. These calculations require the use of estimates as stated in note 3.1.

3.9 Gold in lock-up

Gold in lock-up is carried at the lower of cost and net realisable value. The net realisable value is estimated based on the expected volumes treated and calculated plant call factor. Plant call factor is the efficiency measurement of the percentage of gold extracted from the ore. Management need to exercise judgement with regards to lock-up volumes, life-of-mine plans, gold prices, exchange rates and post-tax real discount rates. Net realisable value tests are performed at least annually.

3.10 Assessment of contingencies

Contingencies will only realise when one or more future events occur or fail to occur. The exercise of significant judgement and estimates of the outcome of future events are required during the assessment of the impact of such contingencies.

Litigation and other judicial proceedings as a rule raise difficult and complex legal issues and are subject to uncertainties and complexities including, but not limited to, the facts and circumstances of each particular case, issues regarding the jurisdiction in which the suit is brought and differences in applicable law. Upon resolution of any pending legal matter, the group may be forced to incur charges in excess of the presently established provisions and related insurance coverage. It is possible that the financial position, results of operations or cash flows of the group could be materially affected by the outcome of the litigation.

3.11 Gold mineral reserves and resources

Gold mineral reserves and resources are estimates of the amount of ounces that can be economically and legally extracted from the group's properties. In order to calculate the gold mineral reserves and resources, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, commodity prices and exchange rates.

Estimating the quantities and/or grade of the reserves and resources requires the size, shape and depth of the orebodies to be determined by analysing geological data such as the logging and assaying of drill samples. This process may require complex and difficult geological judgements and calculations to interpret the data.

Because the economic assumptions used to estimate the gold mineral reserves and resources change from year to year, and because additional geological data is generated during the course of operations, estimates of the mineral reserves and resources may change from year to year. Changes in the reserves and resources may affect the group's financial results and financial position in a number of ways, including:

- asset carrying values may be affected due to changes in estimated cash flows;
- depreciation and amortisation charged in the income statement may change as they are calculated on the units-of-production method; and
- environmental provisions may change as the timing and/or cost of these activities may be affected by the change in mineral reserves.

At the end of each financial year, the estimate of proved and probable gold mineral reserves and resources is updated. Depreciation of mining assets is prospectively adjusted, based on these changes.

3.12 Production start date

Various relevant criteria are considered in order to assess when the mine is substantially complete and ready for its intended use and moves into the production phase. Some of the criteria would include but are not limited to the following:

- the level of capital expenditure compared to the total project cost estimates;
- the ability to produce gold in a saleable form (where more than an insignificant amount of gold has been produced); and
- the ability to sustain the ongoing production of gold.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED
FOR THE YEARS ENDED 30 JUNE 2011

4 Financial risk management

The group's financial instruments expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and other price risk), credit risk and liquidity risk. The group may use derivative financial instruments to hedge certain risk exposures.

The group's financial instruments are set out below:

Figures in million (SA rand)	Loans and receivables	Available-for-sale financial assets	Held-to-maturity investments	Fair value through profit or loss financial assets	Financial liabilities at amortised cost
At 30 June 2011					
Restricted cash	**31**	–	–	–	–
Restricted investments	–	–	**201**	**1 682**	–
Investments in financial assets	–	**185**	–	–	–
Trade and other receivables	**844**	–	–	–	–
Cash and cash equivalents	**693**	–	–	–	–
Borrowings	–	–	–	–	**1 559**
Trade and other payables	–	–	–	–	**499**
At 30 June 2010					
Restricted cash	146	–	–	–	–
Restricted investments	–	–	410	1 332	–
Investments in financial assets	–	12	–	–	–
Trade and other receivables	741	–	–	–	–
Cash and cash equivalents	770	–	–	–	–
Borrowings	–	–	–	–	1 190
Trade and other payables	–	–	–	–	455

Figures in million (US dollar)	Loans and receivables	Available-for-sale financial assets	Held-to-maturity investments	Fair value through profit or loss financial assets	Financial liabilities at amortised cost
At 30 June 2011					
Restricted cash	**5**	–	–	–	–
Restricted investments	–	–	**30**	**248**	–
Investments in financial assets	–	**27**	–	–	–
Trade and other receivables	**124**	–	–	–	–
Cash and cash equivalents	**102**	–	–	–	–
Borrowings	–	–	–	–	**230**
Trade and other payables	–	–	–	–	**73**
At 30 June 2010					
Restricted cash	19	–	–	–	–
Restricted investments	–	–	53	175	–
Investments in financial assets	–	2	–	–	–
Trade and other receivables	97	–	–	–	–
Cash and cash equivalents	101	–	–	–	–
Borrowings	–	–	–	–	156
Trade and other payables	–	–	–	–	59

Risk management is carried out by a central treasury department (group treasury) under policies approved by the board of directors. Group treasury identifies, evaluates and hedges certain selected financial risks in close cooperation with the group's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and the investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar (US$). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. Harmony's revenues are sensitive to the ZAR/US$ exchange rate as all revenues are generated by gold sales denominated in US$. Harmony generally does not enter into forward sales, derivatives or other hedging arrangements to establish an exchange rate in advance for the sale of its future gold production.

The group is exposed to foreign exchange risk arising from intercompany loans denominated in a currency other than the functional currency of that entity (A$ and Kina). Harmony generally does not enter into forward sales, derivatives or other hedging arrangements to manage this risk.

Sensitivity analysis

The group has reviewed its foreign currency exposure on financial assets and financial liabilities and has identified the following sensitivities for a 10% change in the exchange rate.

SA rand			US dollar	
2010	**2011**	Figures in million	**2011**	2010
		A$ against US$		
9	**5**	Increase by 10%	**1**	1
(9)	**(5)**	Decrease by 10%	**(1)**	(1)
0.85	**1.07**	Closing rate	**1.07**	0.85
		Kina against A$		
226	**319**	Increase by 10%	**47**	30
(226)	**(319)**	Decrease by 10%	**(47)**	(30)
2.31	**2.41**	Closing rate	**2.41**	2.31

(ii) Other price risk

The group is exposed to the risk of fluctuations in the fair value of available-for-sale and fair value through profit or loss financial assets as a result of changes in market prices (other than changes in interest rates and foreign currencies). Harmony generally does not use any derivative instruments to manage this risk.

Sensitivity analysis

A 1% increase in the share price at the reporting date, with all other variables held constant, would have increased other comprehensive income by R1.9 million (US$0.3 million) (2010: Rnil; US$nil); an equal change in the opposite direction would have decreased other comprehensive income by R1.9 million (US$0.3 million) (2010: Rnil; US$nil).

A 1% increase in the Shareholder Weighted Top 40 Index (SWIX 40) on the JSE at the reporting date, with all other variables held constant, would have increased profit or loss by R8.0 million (US$1.1 million); (2010: R13.4 million (US$1.8 million)); an equal change in the opposite direction would have decreased profit or loss by R8.0 million (US$1.1 million) (2010: R13.4 million (US$1.8 million)). The analysis is performed on the same basis for 2010. The financial assets to which these sensitivities have been performed are disclosed in notes 21 and 23.

Commodity price sensitivity

The profitability of the group's operations, and the cash flows generated by those operations, are affected by changes in the market price of gold. Harmony generally does not enter into forward sales, derivatives or other hedging arrangements to establish a price in advance for the sale of future gold production.

4 Financial risk management continued

(a) Market risk continued

(iii) Cash flow and fair value interest rate risk

The group's interest rate risk arises mainly from long-term borrowings. The group has variable interest rate borrowings. Variable rate borrowings expose the group to cash flow interest rate risk. The group has not entered into any agreements to manage this risk.

Sensitivity analysis

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit before tax by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2010.

SA rand			US dollar	
2010	**2011**	Figures in million	**2011**	2010
12	**16**	Increase by 100 basis points	**2**	2
(12)	**(16)**	Decrease by 100 basis points	**(2)**	(2)

(b) Credit risk

Credit risk is the risk that a counterparty may default or not meet its obligations timeously. Financial instruments, which subject the group to concentrations of credit risk, consist predominantly of restricted cash, restricted investments, trade and other receivables (excluding non-financial instruments) and cash and cash equivalents.

Exposure to credit risk on trade and other receivables is monitored on a regular basis. The credit risk arising from restricted cash, cash and cash equivalents and restricted investments is managed by ensuring amounts are only invested with financial institutions of good credit quality. The group has policies that limit the amount of credit exposure to any one financial institution.

Cash and cash equivalents and restricted cash

Financial institutions' credit rating by exposure:

SA rand			US dollar	
2010	**2011**	Figures in million	**2011**	2010
		Credit rating		
437	**258**	AAA[1]	**38**	57
236	**276**	AA[1]	**41**	31
192	**166**	AA-[1]	**24**	25
38	**24**	A+	**4**	5
13	**–**	A	**–**	2
916	**724**	**Cash and cash equivalents and restricted cash**	**107**	120
		[1] *Includes restricted cash*		
–	**26**	AAA	**4**	–
56	**5**	AA	**1**	7
90	**–**	AA-	**–**	12
146	**31**	**Total restricted cash**	**5**	19

It is the policy of the group to renegotiate credit terms with long-standing customers who have a good credit history with the group. These customers are monitored on an ongoing basis to ensure that the customer remains within the renegotiated terms. Refer to note 26.

The group's maximum exposure to credit risk is represented by the carrying amount of all financial assets determined to be exposed to credit risk, amounting to R3 428 million (US$505.9 million) as at 30 June 2011 (2010: R3 399 million (US$445.5 million)). R2 010 million (US$297 million) of this amount, which includes the equity-linked notes and interest-bearing short-term investments (refer to note 21) are held with Nedbank Limited which has a AA- rating.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities.

In the ordinary course of business, the group receives cash from its operations and is required to fund working capital and capital expenditure requirements. The cash is managed to ensure that surplus funds are invested in a manner to achieve market-related returns and to provide sufficient liquidity at the minimum risk. The group is able to actively source financing at competitive rates.

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

SA rand			US dollar	
More than 1 year	Current	Figures in million	Current	More than 1 year
		2011		
1 212	**464**	Borrowings[1,2,3]	**69**	**179**
–	**499**	Trade and other payables (excluding non-financial liabilities)	**74**	**–**
1 212	**963**		**143**	**179**
		2010		
1 155	319	Borrowings[1,2,3]	41	152
–	455	Trade and other payables (excluding non-financial liabilities)	59	–
1 155	774		100	152

[1]*R237 million (US$35 million) is due between 0 to 6 months (2010: R160 million (US$21 million)).*
[2]*R227 million (US$34 million) is due between 6 to 12 months (2010: R155 million (US$20 million)).*
[3]*R412 million (US$61 million) is due between 1 to 2 years (2010: R305 million (US$40 million)).*

(d) Capital risk management

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

The group manages and makes adjustments to the capital structure, which consists of debt and equity as and when borrowings mature or when funding is required. This may take the form of raising equity, market or bank debt or hybrids thereof. The group may also adjust the amount of dividends paid, sell assets to reduce debt or schedule projects to manage the capital structure.

There were no changes to the group's approach to capital management during the year.

(e) Fair value determination

The carrying values (less any impairment allowance) of short-term financial instruments are assumed to approximate their fair values.

The fair value of the available-for-sale financial assets are determined by reference to quoted market prices. The fair value of other non-current financial instruments are determined using a discounted cash flow model with market observable inputs, such as market interest rates.

The carrying values of financial assets and liabilities are assumed to approximate their fair values.

4 Financial risk management continued

(e) Fair value determination continued

The following table presents the group's assets that are measured at fair value by level at 30 June 2011. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

1) Quoted prices (unadjusted) in active markets for identical assets (level 1).
2) Inputs other than quoted prices included within level 1 that are observable for the asset, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
3) Inputs for the asset that are not based on observable market data (that is, unobservable inputs) (level 3).

Assets	Level 1	Level 2	Level 3
Figures in million (SA rand)			
Available-for-sale financial assets[1]	**175**	**1**	**9**
Fair value through profit and loss financial assets[2]	**–**	**1 682**	**–**
Figures in million (US dollar)			
Available-for-sale financial assets[1]	**26**	**–**	**1**
Fair value through profit and loss financial assets[2]	**–**	**248**	**–**

The following table presents the group's assets that are measured at fair value by level at 30 June 2010.

Assets	Level 1	Level 2	Level 3
Figures in million (SA rand)			
Available-for-sale financial assets[1]	–	2	10
Fair value through profit and loss[2]	–	1 332	–
Figures in million (US dollar)	–		
Available-for-sale financial assets[1]	–	–	2
Fair value through profit and loss[2]	–	175	–

[1] *Refer to note 22. Level 1 and 2 fair values are either directly or indirectly derived from actively trading shares on the JSE.*

[2] *Level 2 fair values are indirectly derived from the Shareholder Weighted Top 40 index (SWIX 40) on the JSE, and is discounted at market interest rate.*

5 Cost of sales

SA rand			US dollar	
2010	**2011**	Figures in million	**2011**	2010
8 358	**9 170**	Production costs (a)	**1 313**	1 103
1 326	**1 704**	Amortisation and depreciation of mining properties, mine development costs and mine plant facilities	**244**	175
49	**72**	Amortisation and depreciation of assets other than mining and mining related assets (b)	**10**	6
29	**74**	Rehabilitation expenditure (c)	**11**	4
57	**124**	Care and maintenance cost of restructured shafts	**18**	8
205	**158**	Employment termination and restructuring costs (d)	**23**	27
148	**136**	Share-based payments (e)	**19**	20
331	**264**	Impairment of assets (f)	**39**	43
(19)	**(87)**	Other (g)	**(13)**	(3)
10 484	**11 615**	**Total cost of sales**	**1 664**	1 383

(a) Production costs include mine production, transport and refinery costs, applicable general and administrative costs, movement in inventories and ore stockpiles, ongoing environmental rehabilitation costs and transfers to and from deferred stripping. Ongoing employee termination costs are included however employee termination costs associated with major restructuring and shaft closures are excluded. Production costs, analysed by nature, consist of the following:

SA rand			US dollar	
2010	**2011**	Figures in million	**2011**	2010
5 776	**5 815**	Labour costs, including contractors	**832**	762
2 284	**2 493**	Consumables	**357**	302
1 212	**1 370**	Water and electricity	**196**	160
178	**111**	Insurance	**16**	24
140	**135**	Transportation	**19**	19
(20)	**240**	Changes in inventory	**34**	(3)
(1 187)	**(1 186)**	Capitalisation of mine development costs	**(170)**	(157)
6	**(41)**	Deferred stripping	**(6)**	1
(35)	**(169)**	By-products sales	**(24)**	(5)
33	**96**	Royalty expense	**14**	4
(29)	**306**	Other	**45**	(4)
8 358	**9 170**	**Total production cost**	**1 313**	1 103

(b) Amortisation and depreciation of assets other than mining and mining related assets consist of the following:

SA rand			US dollar	
2010	**2011**	Figures in million	**2011**	2010
16	**21**	Other non-mining assets	**3**	2
30	**46**	Intangible assets	**6**	4
3	**5**	Amortisation of issue costs	**1**	–
49	**72**	**Total amortisation and depreciation**	**10**	6

(c) Rehabilitation expenditure

For the assumptions used to calculate the rehabilitation costs refer to note 3.4. This expense includes the change in estimate for the rehabilitation provision as well as ongoing rehabilitation cost.

(d) Employment termination and restructuring costs consist of the following:

SA rand			US dollar	
2010	**2011**	Figures in million	**2011**	2010
72	**83**	Harmony Gold Mining Company Limited (Harmony)	**13**	9
4	**4**	Randfontein Estates Limited (Randfontein)	**1**	1
116	**22**	Evander Gold Mines Limited (Evander)	**3**	15
12	**46**	ARMGold/Harmony Freegold Joint Venture Company (Proprietary) Limited (Freegold)	**6**	2
1	**3**	Avgold Limited (Avgold)	**–**	–
205	**158**	**Total employment termination and restructuring cost**	**23**	27

During the 2011 financial year Merriespruit 1 shaft was closed and placed on care and maintenance due to mining no longer being economically viable. The voluntary retrenchment process, which the group commenced in the 2010 financial year was finalised during the latter part of the 2011 financial year.

During the 2010 financial year certain shafts in Harmony and Evander were closed and placed on care and maintenance. These closures were due to mining no longer being economically viable. The group also engaged in a voluntary retrenchment process during the 2010 financial year, resulting in retrenchment costs for various operations.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED
FOR THE YEARS ENDED 30 JUNE 2011

5 Cost of sales continued

(e) Share-based payments

Refer to note 36 for details on the share-based payment schemes operated by the group.

(f) Impairment of assets consist of the following:

SA rand			US dollar	
2010	**2011**	Figures in million	**2011**	2010
1	**–**	Australia	**–**	–
–	**99**	Steyn 1 (Bambanani)	**15**	–
–	**104**	Steyn 2 (Bambanani)	**15**	
67	**–**	Evander 2/5 (Evander)	**–**	9
3	**–**	Evander 9 (Evander)	**–**	–
–	**61**	St Helena (Other – Underground)	**9**	–
11	**–**	Freddies 7 (Target)	**–**	1
38	**–**	Harmony 2 (Virginia)	**–**	5
125	**–**	Merriespruit 1 (Virginia)	**–**	17
48	**–**	Merriespruit 3 (Virginia)	**–**	6
38	**–**	Brand 2/3 complex (Virginia)	**–**	5
331	**264**	**Total impairment of assets**	**39**	43

In 2011 impairments amounting to R104 million (US$15.3 million) (2010: R14 million (US$1.8 million)) were recognised as a result of the revised business (life-of-mine) plans, which are completed in June of each year, and included increases in electricity and labour costs and a decrease in reserves declared as a result of revised cut-off grades. The remaining R160 million (US$23.6 million) impairment in 2011 (2010: R317 million (US$41.4 million)) relates to operations where a decision was made not to mine in future. In 2010 this included impairments as a result of the shaft closures under note 5(d) above.

These adjustments impacted negatively on the recoverable amount of property, plant and equipment and contributed to the recognition of the impairments at the shafts. Impairment tests were performed as required by *IAS 36, Impairment of Assets,* and as a result these impairments were recorded. For assumptions used to calculate the recoverable amount, refer to note 3.1.

(g) Included in **Other** for the 2011 financial year are certain inventory adjustments. Refer to note 25.

6 Exploration expenditure

SA rand			US dollar	
2010	**2011**	Figures in million	**2011**	2010
219	**398**	Total expenditure	**57**	29
–	**(45)**	Expenditure capitalised[1]	**(6)**	–
219	**353**	**Exploration expenditure as per income statement**	**51**	29

Exploration expenditure was incurred as follows:

SA rand			US dollar	
2010	**2011**	Figures in million	**2011**	2010
55	**56**	South Africa	**8**	7
164	**342**	PNG	**49**	22
–	**45**	Brownfields	**6**	–
152	**231**	Greenfields	**33**	20
12	**66**	Technical and economic feasibility	**10**	2
219	**398**		**57**	29

[1] *The capitalised amount of R45 million (US$6.4 million) (2010: Rnil (US$nil)), relates to brownfields exploration at Hidden Valley.*

7 Profit on sale of property, plant and equipment

SA rand			US dollar	
2010	**2011**	Figures in million	**2011**	2010
104	**29**	Profit on sale of property, plant and equipment	**4**	14

On 24 September 2010, the group concluded the sale of a royalty right held by Aurora Gold Limited a subsidiary of Harmony (Australia) (Proprietary) Limited to Kingsrose Mining Limited (Kingsrose) for a total consideration and profit of R13 million (US$1.9 million). The consideration was received in the form of Kingsrose shares valued at R11 million (US$1.6 million) and cash of R2 million (US$0.3 million).

During June 2010, the group concluded the sale of the Jeanette prospecting right to Taung Gold Limited (Taung) for a total consideration and profit of R75 million (US$10 million), as well as the sale of royalty rights in Australia to Regis Resources Limited for a total consideration of R27 million (US$3.5 million).

8 Other expenses – net

SA rand			US dollar	
2010	**2011**	Figures in million	**2011**	2010
75	**30**	Foreign exchange loss/(gain) – net (a)	**4**	10
(16)	**24**	Bad debts provision (credit)/expense	**3**	(2)
29	**1**	Bad debts written off	**–**	4
(30)	**(31)**	Other (income)/expenses – net	**(4)**	(4)
58	**24**	**Total other expenses – net**	**3**	8

(a) During the 2011 financial year foreign exchange gains relating to the Australasia intercompany loans amounting to R4 million (US$0.7 million) (2010: loss of R93 million) (US$12.2 million), were recognised in the consolidated income statement. During 2011 one of these loans was designated as forming part of the net investment of the group's international operations.

During the 2011 financial year foreign exchange losses amounting to R44 million (US$6.2 million) were realised on the liquidation of certain dormant Australian subsidiaries. During the 2010 financial year foreign exchange gains of R22 million (US$2.9 million) were realised on liquidation of Harmony Gold Peru SA and Harmony Precious Metals Services SAS, wholly owned subsidiaries of Harmony.

9 Operating profit

The following have been included in operating profit:

SA rand			US dollar	
2010	**2011**	Figures in million	**2011**	2010
23	**29**	**Auditors' remuneration**	**4**	3
		Made up as follows:		
		External		
16	**18**	Fees – current year	**3**	2
2	**2**	Fees – other services	**–**	–
		Internal		
5	**9**	Fees – current year	**1**	1

10 Loss on sale of investment in subsidiary

SA rand			US dollar	
2010	**2011**	Figures in million	**2011**	2010
24	**–**	Loss on sale of Big Bell Operations (Proprietary) Limited	**–**	3

During January 2010 the group concluded the sale of Big Bell Operations (Proprietary) Limited (Big Bell), an operation in Western Australia, for a total consideration of R24 million (US$3.2 million). The group realised a net loss of R24 million (US$3.3 million) after recycling a foreign currency reserve of R29 million (US$4.0 million) on disposal date from other comprehensive income to the consolidated income statement.

11 Net gain on financial instruments

SA rand			US dollar	
2010	**2011**	Figures in million	**2011**	2010
		Available-for-sale		
(3)	–	Impairment recognised in profit or loss (a)	–	–
(1)	**(1)**	Loss on sale of investments	–	–
11	**6**	Realised portion of fair value movement (b)	**1**	1
7	**5**		**1**	1
		Fair value through profit or loss		
31	**136**	Fair value gain on environmental trust funds	**19**	4
31	**136**		**19**	4
38	**141**	**Total net gain/(loss) on financial instruments**	**20**	5

(a) The impairment for 2010 relates to the portion of impairment losses reclassified from other reserves to the income statement when certain investments were considered to be permanently impaired.

(b) During the 2011 financial year the group acquired and disposed of an investment in Kingsrose. The fair value gains of R3 million (US$0.4 million) relating to this investment were reclassified from other reserves to the income statement. The remaining realised portion of fair value gains related to the disposal of other listed investments.

During the 2010 financial year the group disposed of its entire shareholding in Avoca Resources Limited (Avoca), Alloy Resources Limited (Alloy) and various other smaller investments for a total consideration of R50 million (US$6.6 million). Total fair value gains of R11 million (US$1.4 million) relating to these investments were reclassified from other reserves to the income statement.

12 Gain on farm-in option

SA rand			US dollar	
2010	**2011**	Figures in million	**2011**	2010
–	**273**	Gain on farm-in option	**38**	–

During 2011, a gain of R273 million (US$38.0 million) was recognised on the cancellation of the Freegold farm-in option. The Freegold option allowed the group to acquire a beneficial interest of up to 40% in any future mines established by Witwatersrand Consolidated Gold Resources Limited (Wits Gold) on certain properties in the Southern Free State. On 5 November 2010 the group received 4 376 194 shares in Wits Gold as consideration for the cancellation of the option.

13 Investment income

SA rand			US dollar	
2010	**2011**	Figures in million	**2011**	2010
184	**138**	Interest received	**20**	25
22	**21**	Loans and receivables	**3**	3
72	**16**	Held-to-maturity investments	**3**	10
90	**51**	Cash and cash equivalents	**7**	12
–	**50**	South African Revenue Service (SARS)	**7**	–
3	**2**	Dividend income from available-for-sale investments	–	–
187	**140**	**Total investment income**	**20**	25

14 Finance cost

SA rand 2010	SA rand 2011	Figures in million	US dollar 2011	US dollar 2010
		Financial liabilities		
1	**1**	Bank and short-term facilities	**–**	–
–	**–**	Convertible unsecured fixed rate bonds	**–**	–
74	**138**	Borrowings	**20**	10
11	**3**	Other creditors	**1**	1
86	**142**	Total finance costs from financial liabilities	**21**	11
		Non-financial liabilities		
15	**16**	Post-retirement benefits	**2**	2
135	**127**	Time value of money and inflation component of rehabilitation costs	**18**	17
12	**6**	South African Revenue Service (SARS)	**1**	2
162	**149**	Total finance costs from non-financial liabilities	**21**	21
248	**291**	**Total finance cost before interest capitalised**	**42**	32
(2)	**(3)**	Interest capitalised	**(1)**	–
246	**288**	**Total finance costs**	**41**	32

The average capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation during the year is 9.7% (2010: 10.6%).

15 Taxation

SA rand 2010	SA rand 2011	Figures in million	US dollar 2011	US dollar 2010
		Taxation by region		
		SA taxation		
43	**(23)**	Mining tax (a)	**(4)**	6
44	**9**	Current year	**1**	6
(1)	**(32)**	Prior year overprovision	**(5)**	–
41	**28**	Non-mining tax (b)	**4**	5
40	**28**	Current year	**4**	5
1	**–**	Prior year underprovision	**–**	–
364	**(282)**	Deferred tax (c)	**(40)**	48
–	**85**	– Current year	**12**	–
–	**(367)**	– Previously unrecognised temporary differences	**(52)**	–
–	**7**	Secondary Tax on Companies (STC)	**1**	–
448	**(270)**		**(39)**	59
		Foreign taxation		
(113)	**(210)**	Deferred tax (d)	**(30)**	(15)
335	**(480)**	**Total taxation**	**(69)**	44

15 Taxation continued

SA rand 2010	SA rand 2011	Figures in million	US dollar 2011	US dollar 2010
		Taxation by type		
43	**(23)**	Mining tax	**(4)**	6
41	**28**	Non-mining tax	**4**	5
251	**(492)**	Deferred tax	**(70)**	33
–	**7**	STC	**1**	–
335	**(480)**		**(69)**	44

(a) Mining tax on gold mining income in South Africa is determined according to a formula, based on the taxable income, net of any qualifying capital expenditure from mining operations. 5% of total mining revenue is exempt from taxation while the remainder is taxable at a higher rate than non-mining income as a result of applying the gold mine formula. All qualifying mining capital expenditure is deducted from taxable mining income to the extent that it does not result in an assessed loss. Accounting depreciation is eliminated when calculating the South African mining tax income. Excess capital expenditure is carried forward as unredeemed capital to be claimed from future mining taxable income. The group has several tax paying entities in South Africa. In terms of the mining ringfencing application, each ringfenced mine is treated separately and deductions can normally only be utilised against mining income generated from the relevant ringfenced mine.

Gold mining companies within the group that have elected to be exempt from Secondary Tax on Companies (STC) are taxed at higher rates than those that have not made the election.

(b) Non-mining income is taxed at 35% (exempt from STC) and 28% (no election made). Non-mining companies are taxed at the statutory corporate rate of 28%.

(c) The deferred tax rate used to calculate deferred tax is based on the current estimate of future profitability when temporary differences will reverse, based on tax rates and tax laws that have been enacted at balance sheet date. Depending on the profitability of the operations, the deferred tax rate can consequently be significantly different from year to year. The only significant movement in the deferred tax rate was at Evander Gold Mines Limited, where the tax rate changed from 22.9% to 11.5%. This was due to the annual review of the life-of-mine of the operation.

(d) Mining and non-mining income of Australian and PNG operations are taxed at a standard tax rate of 30%.

Income and mining tax rates

The tax rates remained unchanged for the 2011 and 2010 financial years.

Major items causing the group's income tax provision to differ from the maximum mining statutory tax rate of 43% (2010: 43%) were:

SA rand			US dollar	
2010	**2011**	Figures in million	**2011**	2010
(75)	**(50)**	Tax on net profit from continuing operations at the maximum mining statutory tax rate	**(6)**	(10)
(144)	**(42)**	Non-allowable deductions	**(6)**	(19)
24	**(22)**	(Loss)/profit from associates	**(3)**	3
16	**20**	Difference between effective mining tax rate and statutory mining rate on mining income	**3**	2
22	**15**	Difference between non-mining tax rate and statutory mining rate on non-mining income	**2**	3
(726)	**(249)**	Effect on temporary differences due to changes in effective tax rates	**(36)**	(95)
–	**367**	Previously unrecognised temporary differences[1]	**52**	–
–	**32**	Prior year overprovision – mining and non-mining tax	**5**	–
548	**416**	Capital allowance, sale of business and other rate differences	**59**	72
–	**(7)**	STC	**(1)**	–
(335)	**480**	**Income and mining taxation**	**69**	(44)
191%	**(410%)**	**Effective income and mining tax rate**	**(493%)**	183%

[1] *The credit in 2011 of R367 million (US$53 million) is for the Freegold unredeemed capital allowance. The South African Revenue Service (SARS) previously disallowed Freegold's "post 1973 gold mine" additional capital allowance claim, and also disallowed Freegold's application of mining ringfencing. SARS withdrew the additional capital allowance claim on 10 March 2011, conceding that the Freegold operations are entitled to claim this capital allowance. The inclusion of the capital allowance caused an increase in the deferred tax asset on the balance sheet and the resulting credit in the income statement. Refer to note 38(b) for developments on the ringfencing application dispute.*

Deferred tax

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

SA rand			US dollar	
2010	**2011**	Figures in million	**2011**	2010
(1 875)	**(1 149)**	Deferred tax assets	**(170)**	(246)
(1 688)	**(1 003)**	Deferred tax asset to be recovered after more than 12 months	**(148)**	(221)
(187)	**(146)**	Deferred tax asset to be recovered within 12 months	**(22)**	(25)
5 409	**4 216**	Deferred tax liabilities	**623**	709
5 125	**3 916**	Deferred tax liability to be recovered after more than 12 months	**578**	672
284	**300**	Deferred tax liability to be recovered within 12 months	**45**	37
3 534	**3 067**	**Net deferred tax liabilities**	**453**	463

15 Taxation continued

Deferred tax continued

Deferred tax liabilities and assets on the balance sheets as at 30 June 2011 and 30 June 2010 relate to the following:

SA rand 2010	SA rand 2011	Figures in million	US dollar 2011	US dollar 2010
5 422	**5 589**	Gross deferred tax liability	**825**	711
5 406	**5 576**	Amortisation and depreciation	**823**	709
–	**(1)**	Product inventory not taxed	**–**	–
16	**14**	Other	**2**	2
(1 887)	**(2 522)**	Gross deferred tax asset	**(372)**	(248)
(1 506)	**(2 175)**	Unredeemed capital expenditure	**(321)**	(198)
(269)	**(268)**	Provisions, including non-current provisions	**(39)**	(35)
(112)	**(79)**	Tax losses	**(12)**	(15)
(1)	**–**	Disposal groups classified as held-for-sale	**–**	–
3 534	**3 067**	**Net deferred tax liability**	**453**	463

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

SA rand 2010	SA rand 2011	Figures in million	US dollar 2011	US dollar 2010
3 251	**3 534**	Balance at beginning of year	**463**	421
251	**(492)**	(Credit)/charge per income statement – continuing operations	**(70)**	33
–	**34**	Charge per income statement – discontinued operations	**5**	–
32	**(9)**	Foreign currency translation	**55**	9
3 534	**3 067**	**Balance at end of year**	**453**	463

As at 30 June, certain subsidiaries in the group had the following tax credits:

SA rand 2010	SA rand 2011	Figures in million	US dollar 2011	US dollar 2010
13 604	**16 812**	Unredeemed capital expenditure available for utilisation against future mining taxable income[1]	**2 481**	1 783
394	**409**	Tax losses carried forward utilisable against taxable income	**60**	52
469	**470**	Capital gains tax (CGT) losses available to be utilised against future CGT gains.	**69**	61
2 947	**3 225**	As at 30 June, the group has not recognised the following deferred tax asset amounts	**476**	386
		The unrecognised temporary differences are:		
8 165	**8 977**	Unredeemed capital expenditure[2]	**1 325**	1 070
114	**113**	Tax losses	**17**	15
469	**469**	CGT losses	**69**	61
1 190	**1 190**	Temporary differences relating to investments in associates	**176**	156

[1] *The three highest contributors were Avgold R8 977 million (US$1 325 million), Australia R4 684 million (US$691 million), Randfontein R1 531 million (US$226 million).*

[2] *Relates to Avgold.*

Secondary Tax on Companies (STC)

STC is a tax levied on South African companies at a rate of 10% with effect from 1 October 2007 on dividends distributed.

Current and deferred tax are measured at the tax rate applicable to undistributed income and therefore only take STC into account to the extent that dividends have been received or paid.

On declaration of a dividend, the company includes the STC on this dividend in its computation of the income tax expense in the period of such declaration.

SA rand			US dollar	
2010	**2011**	Figures in million	**2011**	2010
141	–	Available STC credits at end of year	–	18

On 12 August 2011, the board of directors approved a final dividend for the 2011 financial year of 60 (2010: 50) SA cents per share (8.3 (2010: 6.8) US cents). The total dividend amounts to R258 million (US$35.9 million at date of declaration) (2010: R214 million) (US$29.3 million) based on issued shares at 30 June 2011. As the dividends declared exceed the STC credits available, STC on the amount of R258 million (US$35.9 million) (2010: R73 million (US$9.6 million)) is payable at a rate of 10%.

16 Disposal groups classified as held-for-sale and discontinued operations

(i) Following a decision by the shareholders of Rand Uranium (Proprietary) Limited (Rand Uranium) to commence with a process to sell the company and the criteria for IFRS 5 being met subsequently, the investment in Rand Uranium and the subordinated shareholders' loan have been classified as held-for-sale. As a result the group ceased equity accounting for the investment in associate. An offer to purchase the investment was received from Gold One International (Gold One) and was accepted by the shareholders on 21 April 2011. The group's attributable portion of the sales proceeds, which includes the subordinated shareholders' loan, amounts to US$37.25 million (R252 million).

The investment does not meet the criteria to be classified as a discontinued operation. An impairment of R142 million (US$20.3 million) was recorded during the 2011 financial year to bring the investment in associate in line with its fair value less cost to sell. At the date of this report management expects the outstanding conditions precedent to be fulfilled during the 2012 financial year.

(ii) On 10 September 2010, Harmony concluded a sale of assets agreement with Taung, in which Taung acquired the Evander 6 Shaft, the related infrastructure and surface rights permits as well as a mining right over the Evander 6 and Twistdraai areas. When the criteria for IFRS 5 were met, the assets and liabilities were classified as held-for-sale. The operation did not meet the criteria to be classified as a discontinued operation. The Evander 6 operation is on-care and maintenance with a book value of Rnil. The total purchase consideration is R225 million (US$33.2 million), which will be settled in cash when all remaining conditions precedent to the transaction have been fulfilled. As at the date of this report certain conditions of the agreement had not been met and management expects the conditions precedent to be fulfilled during the 2012 financial year. In terms of an amended agreement reached between the parties, Taung paid an initial deposit of R100 million (US$15.2 million) on 29 April 2011. There is no interest on the amount and the deposit is refundable should the conditions precedent not be met. Refer to note 32(b) for additional disclosure.

(iii) On 20 July 2010, the conditions precedent for the sale of the Mount Magnet operation (operation in Western Australia) were fulfilled, this following approval of the group's management on 17 May 2010 to sell this operation. The assets and liabilities were presented as held-for-sale from this date and the operation also met the criteria to be classified as a discontinued operation.

A total purchase consideration of R238 million (US$31.6 million) was received from Ramelius Resources Limited in exchange for 100% of the issued shares of Mount Magnet. The group recognised a total profit of R104 million (US$13.8 million) net of tax before the realisation of accumulated foreign exchange losses of R84 million (US$11.2 million) from other comprehensive income to the income statement.

An amount of R31 million (US$4.1 million) was released to the group as a result of performance bonds being replaced by the purchaser. This amount was previously included in restricted cash. Refer to note 20.

16 Disposal groups classified as held-for-sale and discontinued operations continued

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

SA rand 2010	SA rand 2011	Figures in million	US dollar 2011	US dollar 2010
		Balance sheet		
		Assets of disposal groups classified as held-for-sale		
226	–	Property, plant and equipment	–	29
–	**192**	Investment in associates	**28**	–
–	**13**	Restricted investments	**2**	–
12	–	Deferred income tax	–	2
7	–	Inventories	–	1
–	**63**	Trade and other receivables	**10**	–
245	**268**	**Total assets of disposal groups classified as held-for-sale**	**40**	32
		Liabilities of disposal groups classified as held-for-sale		
13	–	Deferred income tax	–	2
119	**16**	Provision for environmental rehabilitation	**2**	16
3	–	Trade and other payables	–	–
135	**16**	**Total liabilities of disposal groups classified as held-for-sale**	**2**	18

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

SA rand 2010	SA rand 2011	Figures in million	US dollar 2011	US dollar 2010
		Income statement		
–	–	Revenue	–	–
–	–	Reversal of impairment	–	–
(33)	–	Expenses – net	–	(4)
–	**54**	Profit on sale of investment in subsidiary	**7**	–
–	–	Profit on sale of shares	–	–
1	–	Profit on sale of property, plant and equipment	–	–
(32)	**54**	Profit/(loss) from discontinued operations before tax	**7**	(4)
–	**(34)**	Taxation	**(4)**	–
(32)	**20**	**Profit/(loss) for the year from discontinued operations**	**3**	(4)
		Cash flows		
(48)	–	Operating cash flows	–	(6)
1	**229**	Investing cash flows	**30**	–
2	–	Foreign exchange translation adjustment	–	–
(45)	**229**	**Total cash flows**	**30**	(6)

17 Earnings/(loss) per share

Basic earnings/(loss) per share

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

SA rand 2010	SA rand 2011		US dollar 2011	US dollar 2010
426 382	**429 310**	Weighted average number of ordinary shares in issue ('000)	**429 310**	426 382
(160)	**597**	Net profit/(loss) from continuing operations (million)	**83**	(20)
(32)	**20**	Net profit/(loss) from discontinued operations (million)	**3**	(4)
(192)	**617**	**Total net profit/(loss) attributable to shareholders (million)**	**86**	(24)
(38)	**139**	Basic earnings/(loss) per share from continuing operations (cents)	**19**	(5)
(8)	**5**	Basic earnings/(loss) per share from discontinued operations (cents)	**1**	(1)
(46)	**144**	**Total basic earnings/(loss) per share (cents)**	**20**	(6)

Fully diluted earnings/(loss) per share

For diluted earnings per share, the weighted average number of shares in issue is adjusted to assume conversion of all potential dilutive shares as a result of share options granted to employees under the share option schemes in issue. A calculation is performed to determine the number of shares that could have been acquired at fair value, determined as the average annual market share price of the company's shares, based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

SA rand 2010	SA rand 2011	Figures in million	US dollar 2011	US dollar 2010
426 382	**429 310**	Weighted average number of shares in issue ('000)	**429 310**	426 382
1 465	**1 110**	Potential shares ('000)	**1 110**	1 465
427 847	**430 420**	**Weighted average number of shares for fully diluted earnings per share ('000)**	**430 420**	427 847
(38)	**139**	Fully diluted earnings/(loss) per share from continuing operations (cents)	**19**	(5)
(8)	**5**	Fully diluted earnings/(loss) per share from discontinued operations (cents)	**1**	(1)
(46)	**144**	**Total fully diluted earnings/(loss) per share (cents)**	**20**	(6)

The inclusion of share options issued to employees, as potential shares, has a dilutive effect on the earnings/(loss) per share. The issue price and the exercise price include the fair value of any service to be supplied to the entity in the future under the share option or other share-based payment arrangement.

17 Earnings/(loss) per share continued

Headline earnings per share

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

SA rand 2010	SA rand 2011	Figures in million	US dollar 2011	US dollar 2010
		Continuing operations		
(160)	**597**	Net profit/(loss)	**83**	(20)
		Adjusted for:		
(104)	**(29)**	Profit on sale of property, plant and equipment	**(4)**	(14)
22	**7**	Taxation effect of profit on sale of property, plant and equipment	**1**	3
(22)	**47**	Foreign exchange loss/(gain) reclassified from other comprehensive income	**7**	(3)
–	**–**	Taxation effect of foreign exchange loss/(gain) reclassified from other comprehensive income	**–**	–
–	**142**	Impairment of investment in associate*	**20**	–
24	**–**	Loss on sale of investment in subsidiary	**–**	3
(7)	**–**	Taxation effect of loss on sale of investment in subsidiary	**–**	(1)
331	**264**	Impairment of assets	**39**	43
(75)	**(66)**	Taxation effect of impairment of assets	**(10)**	(9)
(7)	**(7)**	Net (gain)/loss on financial instruments	**(1)**	(1)
2	**2**	Taxation effect of (gain)/loss on financial instruments	**–**	–
4	**957**	**Headline earnings from continuing operations**	**135**	1
		Discontinued operations		
(32)	**20**	Net profit/(loss)	**3**	(4)
		Adjusted for:		
(1)	**–**	Profit on sale of property, plant and equipment	**–**	–
–	**(54)**	Profit on sale of investment in subsidiary	**(7)**	–
–	**34**	Taxation effect of profit on sale of investment in subsidiary	**4**	–
–	**–**	Profit on sale of shares	**–**	–
–	**–**	Taxation effect of profit on sale of shares	**–**	–
–	**–**	Reversal of impairment*	**–**	–
(33)	**–**	**Headline loss from discontinued operations**	**–**	(4)
(29)	**957**	**Total headline earnings/(loss)**	**135**	(3)

* *There is no taxation effect on these items.*

SA rand 2010	SA rand 2011		US dollar 2011	US dollar 2010
1	**223**	Basic headline earnings per share from continuing operations (cents)	**31**	–
(8)	**–**	Basic headline loss per share from discontinued operations (cents)	**–**	(1)
(7)	**223**	**Total basic headline earnings/(loss) per share (cents)**	**31**	(1)
1	**222**	Fully diluted headline earnings per share from continuing operations (cents)	**31**	–
(8)	**–**	Fully diluted headline loss per share from discontinued operations (cents)	**–**	(1)
(7)	**222**	**Total fully diluted headline (loss)/earnings per share (cents)**	**31**	(1)
		Dividend		
213	**214**	Dividend declared (million)	**29**	27
50	**50**	Dividend per share (cents)	**6.8**	6.2

On 12 August 2011, the board of directors declared a dividend of 60 cents (US$8.4 cents) per share amounting R258 million (US$35.9 million) as a final dividend for the year ended 30 June 2011. This dividend is not reflected in the financial statements as it was declared after the reporting date.

18 Property, plant and equipment

SA rand 2010	SA rand 2011	Figures in million	US dollar 2011	US dollar 2010
22 198	**24 103**	Mining properties, mine development costs and mine plant facilities (a)	**3 556**	2 910
824	**663**	Mining assets under construction (b)	**98**	108
6 403	**6 276**	Undeveloped properties (c)	**926**	839
71	**121**	Deferred stripping (d)	**18**	9
60	**58**	Other non-mining assets (e)	**9**	8
29 556	**31 221**	**Total property, plant and equipment**	**4 607**	3 874

18 Property, plant and equipment continued

(a) Mining properties, mine development costs and mine plant facilities

SA rand 2010	SA rand 2011	Figures in million	US dollar 2011	US dollar 2010
		Cost		
24 991	**36 359**	Balance at beginning of year	**4 766**	3 236
280	**–**	Acquisition – Pamodzi FS assets[1]	**–**	37
2 870	**2 488**	Additions	**356**	379
(390)	**(1 742)**	Disposals[2]	**(228)**	(52)
184	**101**	Adjustment to rehabilitation asset	**15**	24
8 183	**974**	Transfers and other movements	**128**	1 060
241	**473**	Translation	**667**	82
36 359	**38 653**		**5 704**	4 766
(1 725)	**–**	Net reclassification to held-for-sale	**–**	(226)
34 634	**38 653**	Balance at end of year	**5 704**	4 540
		Accumulated depreciation and impairments		
12 417	**14 116**	Balance at beginning of year	**1 850**	1 608
330	**254**	Impairment of assets (refer to note 5(f) for detail)	**37**	43
(124)	**(1 720)**	Disposals[2]	**(226)**	(17)
1 328	**1 704**	Depreciation[3]	**244**	175
42	**–**	Depreciation capitalised to mining assets under construction	**–**	6
–	**1**	Transfers and other movements	**–**	–
123	**195**	Translation	**243**	35
14 116	**14 550**		**2 148**	1 850
(1 680)	**–**	Net reclassification to held-for-sale	**–**	(220)
12 436	**14 550**	Balance at end of year	**2 148**	1 630
22 198	**24 103**	**Net book value**	**3 556**	2 910

[1] *During the 2010 financial year the group concluded separate purchase agreements with the liquidators of Pamodzi Gold Free State (Proprietary) Limited (In Liquidation) (Pamodzi FS) for the purchase of its Free State assets and inventories (refer to note 25). The consideration paid for the mining assets was R280 million (US$36.9 million) and R120 million (US$16.0 million) was paid for the inventories.*

[2] *Included is the group's disposal of its Mount Magnet operations to Ramelius Resources Limited, on 20 July 2010. Refer to notes 16 and 33.*

[3] *For the 2010 financial year, the amounts include both continuing and discontinued operations.*

(b) Mining assets under construction

SA rand 2010	SA rand 2011	Figures in million	US dollar 2011	US dollar 2010
		Cost		
5 602	**824**	Balance at beginning of year	**108**	725
384	**645**	Additions	**92**	51
2	**3**	Finance costs capitalised[1]	**–**	–
–	**(4)**	Disposals	**(1)**	–
(5 153)	**(824)**	Transfers and other movements	**(108)**	(667)
(11)	**19**	Translation	**7**	(1)
824	**663**	**Book value**	**98**	108

[1] *The average capitalisation rate applied was 9.7% (2010: 10.6%).*

(c) Undeveloped property

SA rand 2010	SA rand 2011	Figures in million	US dollar 2011	US dollar 2010
		Cost		
10 194	**7 118**	Balance at beginning of year	**933**	1 320
(71)	**(208)**	Disposals[1]	**(27)**	(9)
(3 030)	**(626)**	Transfers and other movements	**(82)**	(393)
25	**26**	Translation	**107**	15
7 118	**6 310**		**931**	933
(211)	**–**	Net reclassification to held-for-sale	**–**	(28)
6 907	**6 310**	Balance at end of year	**931**	905
		Accumulated depreciation and impairments		
516	**533**	Balance at beginning of year	**70**	67
–	**(24)**	Disposals[1]	**(3)**	–
–	**(475)**	Transfers and other movements	**(62)**	–
17	**–**	Translation	**–**	3
533	**34**		**5**	70
(29)	**–**	Net reclassification to held-for-sale	**–**	(4)
504	**34**	Balance at end of year	**5**	66
6 403	**6 276**	**Net book value**	**926**	839

[1] *Included is the group's disposal of its Mount Magnet operations to Ramelius Resources Limited, on 20 July 2010. Refer to notes 16 and 33.*

(d) Deferred stripping

SA rand 2010	SA rand 2011	Figures in million	US dollar 2011	US dollar 2010
		Cost		
–	**71**	Balance at beginning of year	**9**	–
77	**64**	Additions	**9**	10
(6)	**(23)**	Transferred to production cost	**(3)**	(1)
–	**9**	Translation	**3**	–
71	**121**	**Book value**	**18**	9

18 Property, plant and equipment continued

(e) Other non-mining assets

SA rand 2010	SA rand 2011	Figures in million	US dollar 2011	US dollar 2010
		Cost		
382	**399**	Balance at beginning of year	**52**	49
22	**19**	Additions	**3**	3
(5)	**(2)**	Disposals	**–**	(1)
–	**2**	Transfers and other movements	**–**	–
–	**–**	Translation	**7**	1
399	**418**	**Balance at end of year**	**62**	52
		Accumulated depreciation and impairments		
324	**339**	Balance at beginning of year	**44**	41
(2)	**–**	Disposals	**–**	–
16	**21**	Depreciation	**3**	2
1	**–**	Impairment of assets	**–**	–
–	**–**	Translation	**6**	1
339	**360**	Balance at end of year	**53**	44
60	**58**	**Net book value**	**9**	8

On 3 September 2010, Harmony entered into an agreement with Witsgold for prospecting rights over Harmony's Merriespruit South area, which will be settled in cash or a combination of cash and shares in Wits Gold, when all remaining conditions precedent have been fulfilled. At 30 June 2011, it had a carrying value of Rnil.

(f) Additional disclosures for leased assets

SA rand 2010	SA rand 2011	Figures in million	US dollar 2011	US dollar 2010
110	**96**	Carrying value of capitalised leased assets (included in mining properties, mine development costs and mine plant facilities and mining assets under construction)	**14**	14
163	**175**	Cost	**26**	21
(53)	**(79)**	Accumulated depreciation	**(12)**	(7)
16	**–**	Finance lease additions	**–**	2

Except for the leased assets mentioned above, none of the assets listed above have been pledged or otherwise committed as security for any liabilities.

19 Intangible assets

SA rand 2010	SA rand 2011	Figures in million	US dollar 2011	US dollar 2010
2 163	**2 153**	Goodwill (a)	**317**	283
47	**17**	Computer software (b)	**3**	7
2 210	**2 170**	**Total intangible assets**	**320**	290

(a) Goodwill

SA rand 2010	SA rand 2011	Figures in million	US dollar 2011	US dollar 2010
		Cost		
2 373	**2 373**	Balance at beginning of year	**311**	307
–	**–**	Translation	**39**	4
2 373	**2 373**	Balance at end of year	**350**	311
		Accumulated amortisation and impairments		
210	**210**	Balance at beginning of year	**28**	27
–	**10**	Impairments recognised	**2**	–
–	**–**	Translation	**3**	1
210	**220**	Balance at end of year	**33**	28
2 163	**2 153**	**Net book value**	**317**	283
		The net book value of goodwill has been allocated to the following cash-generating units:		
224	**224**	Bambanani	**33**	29
558	**558**	Tshepong	**83**	73
1 330	**1 330**	Phakisa	**195**	174
41	**41**	Joel	**6**	5
10	**–**	St Helena (other – underground)	**–**	2
2 163	**2 153**		**317**	283

During the 2011 financial year, goodwill of R10 million (US$1.5 million) relating to St Helena was impaired. This was due to a revised life-of-mine plan. Refer to note 5 for details.

(b) Computer software

SA rand 2010	SA rand 2011	Figures in million	US dollar 2011	US dollar 2010
		Cost		
101	**117**	Balance at beginning of year	**16**	13
16	**16**	Additions	**2**	2
–	**–**	Translation	**2**	1
117	**133**	Balance at end of year	**20**	16
		Accumulated amortisation and impairments		
40	**70**	Balance at beginning of year	**9**	5
30	**46**	Amortisation charge for the year	**6**	4
–	**–**	Translation	**2**	–
70	**116**	Balance at end of year	**17**	9
47	**17**	Net book value	**3**	7

The additions in 2011 relate to a project for the implementation of a health and safety software application. The project will be finalised in the 2012 financial year and amortised over five years. The Oracle ERP software application has been fully amortised at 30 June 2011.

20 Restricted cash

SA rand			US dollar	
2010	**2011**	Figures in million	**2011**	2010
112	**26**	Environmental guarantees (a)	**4**	15
2	**3**	Security deposits (b)	**–**	–
32	**2**	Cash management account (c)	**–**	4
–	**–**	Translation	**1**	–
146	**31**	**Total restricted cash**	**5**	19

(a) The amount relates to funds set aside for guarantees made to the Department of Mineral Resources (DMR) in South Africa for environmental and rehabilitation obligations. A portion of the funds are held on call account and the rest are invested in money market funds.

During the 2011 financial year, guarantees amounting to R132 million (US$18.9 million), backed by collateral of R90 million (US$12.9 million), were cancelled and the cash was released back to the group for general corporate use. These guarantees were provided on behalf of Rand Uranium to the DMR, until such time that Rand Uranium had provided its own guarantees.

(b) The amount relates to lease security deposits on mining tenements.

(c) The amount relates to funds set aside by the international operations for the benefit of the Hidden Valley Joint Venture landowners, and proceeds received for share options exercised, which are to be distributed to beneficiaries. The decrease during 2011 relates to the disposal of Mt Magnet. Refer to note 16.

21 Restricted investments

SA rand			US dollar	
2010	**2011**	Figures in million	**2011**	2010
1 702	**1 849**	Investments held by Environmental Trust Funds (a)	**273**	223
40	**34**	Investments held by Social Trust Fund (b)	**5**	5
1 742	**1 883**	**Total restricted investments**	**278**	228

(a) Environmental Trust Funds consist of:

SA rand			US dollar	
2010	**2011**	Figures in million	**2011**	2010
370	**167**	Held-to-maturity financial assets	**25**	48
1 332	**1 682**	Fair value through profit or loss financial assets	**248**	175
1 702	**1 849**	**Total Environmental Trust Funds**	**273**	223

The Environmental Trust Funds are irrevocable trusts under the group's control. Contributions to the trusts are invested in interest-bearing short-term or medium-term equity-linked notes issued by commercial banks that provide guaranteed interest and additional interest or growth linked to the growth of the Shareholder Weighted Top 40 index (SWIX 40) of the JSE. The equity-linked notes are designated fair value through profit or loss investments and recorded at fair value whilst the interest-bearing short-term investments are classified as held-to-maturity and recorded at amortised cost. These investments provide for the estimated cost of rehabilitation at the end of the life of the group's mines. Income earned on the investments is retained in the funds and reinvested.

Reconciliation of the movement in the Environmental Trust Funds:

SA rand			US dollar	
2010	**2011**	Figures in million	**2011**	2010
1 597	**1 702**	Balance at beginning of year	**223**	207
69	**14**	Interest income	**2**	9
31	**136**	Fair value movement	**19**	4
5	**10**	Contributions made	**1**	1
–	**–**	Translation	**30**	2
1 702	**1 862**		**275**	223
–	**(13)**	Net reclassification to held-for-sale	**(2)**	–
1 702	**1 849**	Balance at end of year	**273**	223

(b) The Social Trust Fund

The Social Trust Fund is an irrevocable trust under the group's control. The group has undertaken to donate over a period of 10 years to the Harmony Gold Mining Company Social Plan Trust in terms of an agreement signed on 3 November 2003. An initial donation of R18.5 million was made during the 2004 year. Thereafter instalments of R3.5 million per annum were and will be made with the final instalment to be made in 2013. The purpose of the trust is to fund the social plan to reduce the negative effects of restructuring on the group's workforce, to put measures in place to ensure that the technical and lifeskills of the group's workforce are developed and to develop the group's workforce in such a manner to avoid or minimise the effect of job losses and a decline in employment through turnaround or redeployment strategies.

Reconciliation of the movement in the Social Trust Fund:

SA rand			US dollar	
2010	**2011**	Figures in million	**2011**	2010
43	**40**	Balance at beginning of year	**5**	5
4	**4**	Contributions made	**1**	1
3	**2**	Interest income	**–**	–
(10)	**(12)**	Claims paid	**(2)**	(1)
–	**–**	Translation	**1**	–
40	**34**	**Balance at end of year**	**5**	5

22 Investment in associates

SA rand			US dollar	
2010	**2011**	Figures in million	**2011**	2010
329	**385**	Balance at beginning of year	**50**	43
56	**(51)**	Share of (losses)/profits after tax	**(7)**	7
–	**(142)**	Impairment of investment in associate	**(20)**	–
–	**–**	Translation	**5**	–
385	**192**		**28**	50
–	**(192)**	Reclassification to held-for-sale	**(28)**	–
385	**–**	**Balance at end of year**	**–**	50
		Carrying amount before reclassification to held-for-sale consist of:		
–	**–**	Pamodzi Gold Limited (a)	**–**	–
385	**192**	Rand Uranium (Proprietary) Limited (b)	**28**	50
385	**192**	**Total investment in associates**	**28**	50

(a) Harmony acquired 32.4% of Pamodzi Gold Limited (Pamodzi) on 27 February 2008 when the group sold its Orkney operations to Pamodzi in exchange for a consideration of 30 million Pamodzi shares, initially valued at R345 million (US$46.5 million). Pamodzi was listed on the JSE and had interests in operating gold mines in South Africa.

Pamodzi was placed in liquidation in March 2009 and the trading of its shares on the JSE was suspended. At 31 December 2008 the group had already reduced the net investment in Pamodzi to Rnil, following the recording of its accumulated share in losses of R110 million (US$14.3 million) and accumulated impairment losses of R207 million (US$25.8 million). Subsequently the group has not recognised any losses.

As at 30 June 2011, the liquidation process has not been concluded. Refer to note 25(d) for details on the loans to Pamodzi. No financial information subsequent to 31 March 2009 is available and therefore no information has been disclosed for the years ended 31 December 2010 and 2009.

(b) The group owns a 40% share in Rand Uranium, which was acquired during several transactions with PRF, when the company's wholly owned subsidiary Randfontein Estates Limited disposed of its Randfontein Cooke and Old Randfontein assets to Rand Uranium. The investment was initially valued at US$139 million (R1 478 million). Rand Uranium is an unlisted company registered in South Africa, with gold mining operations in the Gauteng province of South Africa.

The investment in Rand Uranium has been classified as held-for-sale on 31 March 2011 following a decision by the shareholders to sell the company. A binding offer was accepted by shareholders on 21 April 2011, and as a result an impairment of R142 million (US$20 million) has been recognised in the income statement. The group ceased equity accounting the associate from 31 March 2011 in line with the requirements of IFRS 5. Refer to note 16 for detail.

The group recognised its share of the post-acquisition losses of R51 million (US$7.3 million) (2010: profits of R56 million (US$7 million)). Upon classification as held-for-sale, it ceased to equity account the investment.

Rand Uranium has a year end of 30 June, and the audited financial information for the years ended 2011 and 2010 is as follows:

SA rand			US dollar	
2010	**2011**	Figures in million	**2011**	2010
100%	**100%**		**100%**	100%
1 691	**1 544**	Revenue	**221**	223
(1 306)	**(1 427)**	Production costs	**(204)**	(172)
385	**117**	Gross profit	**17**	51
137	**(2 184)**	**Net (loss)/profit**	**(313)**	18
4 666	**2 299**	Non-current assets	**339**	612
206	**181**	Current assets	**27**	27
4 872	**2 480**	**Total assets**	**366**	639
766	**459**	Non-current liabilities	**68**	100
173	**271**	Current liabilities	**40**	23
939	**730**	**Total liabilities**	**108**	123

23 Investment in financial assets

SA rand			US dollar	
2010	**2011**	Figures in million	**2011**	2010
57	**12**	Balance at beginning of year	**2**	7
1	**287**	Additions (a) (b)	**42**	–
(51)	**(17)**	Disposals (a)	**(2)**	(6)
2	**(97)**	Fair value movement of available-for-sale investments	**(14)**	–
3	**–**	Translation	**(1)**	1
12	**185**	**Balance at end of year**	**27**	2
		The carrying amount consists of the following:		
		Available-for-sale financial assets		
–	**175**	Investment in Wits Gold (b)	**26**	–
12	**10**	Investment in listed and unlisted shares (c)	**1**	2
12	**185**	**Total investment in financial assets**	**27**	2

(a) On 3 March 2011, the group received R14 million (US$2 million) for the disposal of Kingsrose shares. The shares were acquired on 24 September 2010, when the group disposed of a royalty right held by Aurora Gold Limited to Kingsrose for consideration in the form of Kingsrose shares valued at R11 million (US$1.6 million) and cash of R2 million (US$0.3 million). Refer to note 7.

The group classified the shares as an available-for-sale financial asset. A gain of R3 million (US$0.4 million) was realised in the statement of comprehensive income. Refer to note 11 and 28(b).

(b) On 5 November 2010, the group received 4 376 194 shares in Wits Gold, as consideration for the cancellation of the option held by Freegold.

The value of the shares on acquisition date was R275 million (US$41 million) and represents 13% investment in Wits Gold. The group classifies the investment in Wits Gold as an available-for-sale financial asset. During the 2011 year, a loss of R100 million (US$14.3 million) was recorded in the fair value reserve. Refer to note 28(b).

(c) These investments have been valued by the directors by performing independent valuations on an annual basis to ensure that no significant prolonged decline in the value of the investments has occurred. During 2011 the group disposed of certain unlisted investments for a net profit of R2 million (US$0.2 million). Fair value gains recognised in other comprehensive income for the year totalled R2 million (US$0.3 million) (2010: R6 million (US$0.8 million)). During the 2011 financial year the group received R1 million (US$0.1 million) in income from these investments (2010: nil).

24 Investment in joint venture

Morobe Mining Joint Ventures (MMJV) partnership agreement (50%)

The group has a 50% interest in gold and copper assets located in the Morobe Province, PNG. Newcrest owns the remaining 50% interest in these assets. This partnership was formed during the 2009 financial year through a range of transactions, which included Newcrest's purchase of an initial 30.01% participating interest and a further farm-in of an additional 19.99% participating interest in the assets. The total value of the transaction was estimated at US$530 million (R3 609 million) and was completed by 30 June 2009.

The following are the group's effective share of income, expenses, assets and liabilities, which are included in the 2011 consolidated financial statements:

SA rand			US dollar	
2010	**2011**	Figures in million	**2011**	2010
50%	**50%**		**50%**	50%
79	**976**	Revenue	**140**	10
(63)	**(715)**	Production costs	**(103)**	(8)
16	**261**	Gross profit	**37**	2
(302)	**(356)**	Other costs	**(51)**	(40)
(286)	**(95)**	**Net loss**	**(14)**	(38)
2 910	**4 998**	Non-current assets	**737**	382
364	**426**	Current assets	**63**	48
3 274	**5 424**	**Total assets**	**800**	430
168	**1 234**	Non-current liabilities	**182**	22
148	**302**	Current liabilities	**45**	19
316	**1 536**	**Total liabilities**	**227**	41

25 Inventories

SA rand			US dollar	
2010	**2011**	Figures in million	**2011**	2010
205	**206**	Gold in lock-up	**30**	27
526	**363**	Gold in process, ore stockpiles and bullion on hand	**54**	68
477	**440**	Consumables at weighted average cost	**65**	63
1 208	**1 009**	Total inventories	**149**	158
(214)	**(172)**	Non-current portion of gold in lock-up and gold in-process	**(25)**	(28)
994	**837**		**124**	130
(7)	**–**	Net reclassification to held-for-sale	**–**	(1)
987	**837**	**Total current portion of inventories**	**124**	129
		Included in the balance above is:		
205	**245**	Inventory valued at net realisable value	**36**	27

During the 2011 financial year, writedowns of R41 million (US$6.1 million) were recorded for the Steyn plant demolishment project as a result of changes to the life-of-mine plan, R21 million (US$3.1 million) for the net realisable value adjustment for other gold in lock-up and R30 million (US$4.3 million) relating to certain stockpiles.

During the year, R5 million (US$0.7 million) (2010: R29 million (US$3.9 million)) was provided for slow-moving stock. The total provision at 30 June 2011 was R62 million (US$9.2 million) (2010: R57 million (US$7.5 million)).

During the 2010 financial year, the group acquired a waste rock dump valued at R20 million (US$2.7 million) and a gold plant (Steyn plant) containing gold in lock-up valued at R100 million (US$13.3 million) from Pamodzi FS, which have been included in the cost of inventory.

26 Trade and other receivables

SA rand 2010	SA rand 2011	Figures in million	US dollar 2011	US dollar 2010
		Current		
		Financial assets:		
337	**355**	Trade receivables (gold)	**52**	44
227	**234**	Other trade receivables (a)	**35**	30
(96)	**(120)**	Provision for impairment	**(18)**	(13)
468	**469**	Trade receivables – net	**69**	61
40	**27**	Loans to associates (b)	**4**	5
143	**308**	Interest and other receivables (c)	**45**	19
15	**17**	Employee receivables	**3**	2
		Non-financial assets:		
65	**39**	Prepayments	**6**	9
201	**213**	Value added tax	**31**	26
932	**1 073**	**Total current trade and other receivables**	**158**	122
		Non-current		
		Financial assets:		
179	**178**	Loans to associates (d)	**26**	23
12	**24**	Other loans receivable	**4**	2
(116)	**(116)**	Provision for impairment (e)	**(17)**	(15)
75	**86**	Total non-current trade and other receivables	**13**	10
–	**(63)**	Disposal groups classified as held-for-sale	**(10)**	–
75	**23**	**Total non-current trade and other receivables**	**3**	10

(a) Included in other trade receivables is an amount of R43 million (US$6.3 million) (2010: R6 million (US$0.7 million)) owed by Rand Uranium.

(b) A loan of R27 million (US$4 million) (2010: R40 million (US$5 million) is due from Rand Uranium for services and goods supplied in terms of the service level agreements entered into between the group and Rand Uranium.

(c) Included in 2011 financial year, interest and other receivables is an amount of R17 million (US$2.5 million) (2010: R17 million (US$2.2 million) owing by Pamodzi FS in terms of the asset purchase agreement, for rehabilitation trust funds to be released to the group.

Also included in 2011 financial year is the balance of the self-insurance fund of R90 million (US$13.2 million) and insurance claims receivable of R35 million (US$5.2 million) for the conveyor belt at Hidden Valley.

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

(d) Included in the balance for 2011 is a loan of R63 million (US$9.2 million) (2010: R63 million (US$8.3 million)) to Rand Uranium. The loan bears interest at three-month JIBAR plus 250 basis points and is repayable on 21 November 2015. The loan has been subordinated. Following the acceptance of a binding offer on 21 April 2011, the investment in Rand Uranium and the capital portion of the subordinated shareholders' loan have been presented as held-for-sale. Refer to note 16(i) for further detail.

Also included in this balance is a loan of R116 million (US$17.1 million), (2010: R116 million (US$15.2 million)) owed by Pamodzi. The interest on this loan was at prime rate until March 2009 when Pamodzi was placed into liquidation. Harmony is a concurrent creditor in the Pamodzi Orkney liquidation.

(e) The balance represents the provision for Pamodzi's irrecoverable loan.

26 Trade and other receivables continued

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

SA rand			US dollar	
2010	**2011**	Figures in million	**2011**	2010
112	**96**	Balance at beginning of year	**13**	15
13	**27**	Impairment loss recognised	**4**	2
(29)	**(3)**	Reversal of impairment loss	**(1)**	(4)
–	**–**	Translation	**2**	–
96	**120**	**Balance at end of year**	**18**	13

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

SA rand			US dollar	
2010	**2011**	Figures in million	**2011**	2010
125	**116**	Balance at beginning of year	**15**	16
(9)	**–**	Loans written off during the year	**–**	(1)
–	**–**	Translation	**2**	–
116	**116**	**Balance at end of year**	**17**	15

The ageing of trade receivables at the reporting date was:

SA rand			US dollar	
Impairment	Gross	Figures in million	Gross	Impairment
		30 June 2011		
–	**373**	Fully performing	**55**	**–**
–	**51**	Past due by 1 to 30 days	**7**	**–**
–	**7**	Past due by 31 to 60 days	**1**	**–**
–	**12**	Past due by 61 to 90 days	**2**	**–**
19	**27**	Past due by more than 90 days	**4**	**3**
101	**119**	Past due by more than 361 days	**18**	**15**
120	**589**		**87**	**18**
		30 June 2010		
–	418	Fully performing	55	–
–	21	Past due by 1 to 30 days	3	–
–	17	Past due by 31 to 60 days	2	–
–	7	Past due by 61 to 90 days	1	–
27	27	Past due by more than 90 days	4	4
69	74	Past due by more than 361 days	9	9
96	564		74	13

The ageing of loans receivable at the reporting date was:

SA rand			US dollar	
Impairment	Gross	Figures in million	Gross	Impairment
		30 June 2011		
–	**86**	Fully performing	**13**	**–**
–	**–**	Past due by 1 to 30 days	**–**	**–**
–	**–**	Past due by 31 to 60 days	**–**	**–**
–	**–**	Past due by 61 to 90 days	**–**	**–**
–	**–**	Past due by more than 90 days	**–**	**–**
116	**116**	Past due by more than 361 days	**17**	**17**
116	**202**		**30**	**17**
		30 June 2010		
–	75	Fully performing	10	–
–	–	Past due by 1 to 30 days	–	–
–	–	Past due by 31 to 60 days	–	–
–	–	Past due by 61 to 90 days	–	–
–	–	Past due by more than 90 days	–	–
116	116	Past due by more than 361 days	15	15
116	191		25	15

Based on past experience, the group believes that no impairment allowance is necessary in respect of fully performing receivables as the amount relates to customers that have a good track record with the group. Similarly, the other loans and receivables noted above, other than those provided for, are fully performing and considered to be a low credit risk.

During the year 2011 and 2010 there was no renegotiation of the terms of any receivable.

As at 30 June 2011 and 30 June 2010, there was no collateral pledged or held for any of the receivables.

27 Share capital

Authorised

1 200 000 000 (2010: 1 200 000 000) ordinary shares of SA 50 cents each.
10 958 904 (2010: 10 958 904) redeemable convertible preference shares of SA 50 cents each.

Issued

430 084 628 (2010: 428 654 779) ordinary shares of SA 50 cents each. All issued shares are fully paid.

Included in the total of issued shares is an amount of 2 314 shares held by Lydenburg Exploration Limited, a wholly owned subsidiary of the company.

10% of the authorised but unissued shares are under the control of the directors until the forthcoming annual general meeting. Note 36 set out details in respect of the share option scheme and shares held in trust for employees of the group.

Share issues

2011 Financial year

Shares issued in 2011 financial year relates to exercise of share options by employees.

2010 Financial year

On 19 March 2010, Harmony concluded an agreement with Africa Vanguard Resources (Doornkop) (Proprietary) Limited (AVRD) for the purchase of its 26% share of the mining titles on the Doornkop South Reef. Part of the purchase consideration was the issuance of 2 162 359 Harmony shares to AVRD. In terms of the purchase agreement 975 419 Harmony shares are held in escrow until 1 May 2014 for the benefit of AVRD and will revert to AVRD on that date. Refer to note 28(f).

28 Other reserves

SA rand 2010	SA rand 2011	Figures in million	US dollar 2011	US dollar 2010
(49)	**421**	Foreign exchange translation reserve (a)	**469**	(86)
4	**(98)**	Fair value movement of available-for-sale financial assets (b)	**(11)**	4
277	**277**	Equity component of convertible bond (c)	**41**	41
(381)	**(381)**	Acquisition of non-controlling interest in subsidiary (d)	**(57)**	(57)
536	**672**	Share-based payments (e)	**94**	75
(98)	**(98)**	Repurchase of equity interest (f)	**(13)**	(13)
(31)	**(31)**	Other	**(4)**	(4)
258	**762**	**Total other reserves**	**519**	(40)

(a) Foreign exchange translation reserve

SA rand 2010	SA rand 2011	Figures in million	US dollar 2011	US dollar 2010
78	**(49)**	Balance at beginning of year	**(86)**	(111)
6	**128**	Realised portion reclassified through profit or loss	**18**	1
(133)	**342**	Current year's foreign exchange movement	**537**	24
(49)	**421**	**Balance at end of year**	**469**	(86)

The balance of the foreign exchange translation reserve movement represents the cumulative translation effect of the group's off-shore operations. The US dollar amount includes the translation effect from rand to US dollar.

The realised portion reclassified through profit or loss in 2011 relates to the sale of Mount Magnet and the deregistration of dormant Australian subsidiaries. The realised portion reclassified through profit or loss in 2010 relates to the sale of Big Bell in Australia and the liquidation of Harmony Gold Peru SA and Harmony Precious Metal Services SAS. Refer to note 8 for further detail.

(b) Fair value movement of available-for-sale financial assets

SA rand 2010	SA rand 2011	Figures in million	US dollar 2011	US dollar 2010
8	**4**	Balance at beginning of year	**4**	4
3	**–**	Impairment recognised in profit or loss	**–**	–
(11)	**(6)**	Realised portion reclassified through profit or loss	**(1)**	(1)
1	**–**	Tax on realised portion	**–**	–
2	**(97)**	Fair value movement – unrealised	**(14)**	–
1	**1**	Translation	**–**	1
4	**(98)**	Balance at end of year	**(11)**	4

The balance of the fair value movement reserve represents the movement in the fair value of the available-for-sale financial assets. For details on the movement, refer to note 23. For details regarding the realised portion reclassified to profit or loss refer to note 11.

(c) Equity component of convertible bond

On 24 May 2004, the group issued a convertible bond. The amount representing the value of the equity conversion component is included in other reserves, net of deferred income taxes. The equity conversion component is determined on the issue of the bonds and is not changed in subsequent periods. The convertible bonds were repaid in 2009.

(d) Acquisition of non-controlling interest in subsidiary

On 15 March 2004 Harmony announced that it had made an off-market cash offer to acquire all the ordinary shares, listed and unlisted options of Abelle, held by non-controlling interests. The excess of the purchase price of R579 million (US$86.5 million) (A$123 million) over the carrying amount of non-controlling interest acquired, amounting to R381 million (US$57 million), has been accounted for under other reserves.

(e) Share-based payments

SA rand			US dollar	
2010	**2011**	Figures in million	**2011**	2010
388	**536**	Balance at beginning of year	**75**	55
148	**136**	Share-based payments expensed	**19**	20
536	**672**	**Balance at end of year**	**94**	75

The group issues equity-settled instruments to certain qualifying employees under an Employee Share Option Scheme to purchase shares in the company's authorised but unissued ordinary shares. Equity share-based payments are measured at the fair value of the equity instruments at the date of the grant. Share-based payments are expensed over the vesting period, based on the group's estimate of the shares that are expected to eventually vest. During the 2011 financial year, a share-based payment expense of R136 million (US$19.5 million) (2010: R148 million (US$19.5 million) was charged to the income statement. Refer to note 36 for more detail.

(f) Repurchase of equity interest

SA rand			US dollar	
2010	**2011**	Figures in million	**2011**	2010
–	**(98)**	Balance at beginning of year	**(13)**	–
(98)	–	Acquired equity interest during the year	–	(13)
(98)	**(98)**	**Balance at end of year**	**(13)**	(13)

On 19 March 2010, Harmony Gold Mining Company Limited concluded an agreement with AVRD, for the purchase of its 26% share of the mining titles of the Doornkop South Reef. From an accounting perspective, the sale of the 26% share in the mining titles was never recognised and accounted for as an in-substance call option by AVRD over the 26% mineral right. This was due to AVRD not being exposed to any losses relating to the Doornkop mineral right, and entitled at any point in time to repay the Nedbank loan guaranteed by Harmony – thereby becoming unconditionally entitled to the 'upside' in the mineral right. The agreement to purchase AVRD's 26% interest during the 2010 financial year is therefore considered to be a repurchase of the option (equity interest). The difference between the value of the shares issued of R152 million (US$20.5 million) (see note 27), the liability to African Vanguard Resources (Proprietary) Limited and transaction costs, have been taken directly to equity.

29 Provision for environmental rehabilitation

The group's mining and exploration activities are subject to extensive environmental laws and regulations. These laws and regulations are continually changing and are generally becoming more restrictive. The group has made and expects to make in the future expenditures to comply with such laws and regulations but cannot predict the full amount of such future expenditures. Estimated future reclamation costs are based principally on legal and regulatory requirements. The following is a reconciliation of the total liability for environmental rehabilitation:

SA rand			US dollar	
2010	**2011**	Figures in million	**2011**	2010
		Provision raised for future rehabilitation		
1 530	**1 811**	Balance at beginning of year	**238**	198
(45)	**(119)**	Disposal of assets	**(16)**	(6)
56	**101**	Change in estimate – Balance sheet	**15**	7
28	**56**	Change in estimate – Income statement	**8**	4
128	**–**	Acquisition of assets	**–**	17
118	**127**	Time value of money and inflation component of rehabilitation costs (a)	**18**	16
(4)	**11**	Translation	**30**	2
1 811	**1 987**	Balance at end of year	**293**	238
(119)	**(16)**	Net classification to held-for-sale	**(2)**	(16)
1 692	**1 971**	**Total provision for environmental rehabilitation**	**291**	222

(a) 2010 includes both continuing and discontinued operations. The group recognised time value of money credit adjustments of R17 million (US$2.2 million) relating to both the sale of Big Bell and reclassification of Mount Magnet to held-for-sale.

Refer to note 3.4 for the estimations and judgements used in the calculations. While the ultimate amount of rehabilitation costs to be incurred in the future is uncertain, the group has estimated that, based on current environmental and regulatory requirements, the total cost for the mines, in the current monetary terms, is approximately R2 747 million (US$405.4 million) (2010: R2 644 million (US$346.6 million)). Kalgold is working closely with the DMR to endorse the conversion of the D-zone pit into a strategic water resource and not to backfill.

SA rand			US dollar	
2010	**2011**	Figures in million	**2011**	2010
		Future net undiscounted obligations		
2 644	**2 747**	Ultimate estimated rehabilitation cost	**405**	347
(1 702)	**(1 862)**	Amounts invested in environmental trust funds (Refer to note 21)	**(275)**	(223)
942	**885**	**Total future net undiscounted obligations**	**130**	124

The group intends to finance the ultimate rehabilitation costs from the money invested in environmental trust funds, ongoing contributions, as well as the proceeds on sale of assets and gold from plant clean-up at the time of mine closure. The group has guarantees in place relating to the environmental liabilities. Refer to notes 21 and 38.

30 Retirement benefit obligation and other provisions

SA rand			US dollar	
2010	**2011**	Figures in million	**2011**	2010
		Non-current		
153	**167**	Retirement benefit obligation (Refer to note 34)	**25**	20
16	**7**	Other	**1**	2
169	**174**	**Total retirement benefit obligation and other provisions**	**26**	22

31 Borrowings

Pacific Premium Funding (Proprietary) Limited

During October 2010 and December 2010, Morobe Consolidated Goldfields (MCG) entered into two US dollar loans with Pacific Premium Funding (Proprietary) Limited to finance insurance payments. The loans totalling R25 million (US$3.6 million) were repaid during May 2011, at an average interest rate of 3.55%.

Westpac Bank

In July 2007, MCG entered into US dollar finance lease agreements with Westpac Bank for the purchase of mining fleet to be used on the Hidden Valley project. There is no debt covenant clause in the agreements.

Nedbank Limited

On 11 December 2009, the company entered into a loan facility with Nedbank Limited, comprising a term facility of R900 million (US$119.4 million) and a revolving credit facility of R600 million (US$79.6 million). The facility was utilised to fund the acquisition of the Pamodzi FS assets (refer notes 18 and 25) as well as the group's major capital projects and working capital requirements. Interest accrues on a day-to-day basis over the term of the loan at a variable interest.

On 30 November 2010, the company entered into a additional loan facility with Nedbank Limited, comprising of a term facility of R500 million (US$70.1 million) and a revolving credit facility of R250 million (US$35.0 million). Interest terms are identical to the original facility. The repayment terms of the original revolving credit facility were amended to coincide with the repayment on the new facility.

The debt covenant tests for the group are as follows:

- The group's interest cover shall not be less than two (EBIT/total interest).
- Current ratio shall not be less than one (current assets/current liabilities).
- Cash flow from operating activities shall be above R100 million for the last six months.
- Market capitalisation to facilities outstanding ratio shall not be less than six, or nine times if dividends are paid.

The debt covenant tests are performed on a quarterly basis. No breaches of the covenants were identified during the tests in the 2010 and 2011 financial years.

Terms and debt repayment schedule at 30 June 2011

<table>
<tr><th></th><th>Interest charge</th><th>Repayment terms</th><th>Maturity date</th><th>Security</th></tr>
<tr><td>Westpac Bank (Secured finance lease)</td><td>US – LIBOR plus 1.25%</td><td>Quarterly</td><td>30 June 2013</td><td>Mining fleet</td></tr>
<tr><td>Nedbank Limited (Secured loan – term facility 1)</td><td>3 month JIBAR plus 3.5%, payable quarterly</td><td>Bi-annual equal instalments of R90 million (US$13.3 million)</td><td>31 December 2014</td><td rowspan="3">Cession and pledge of operating subsidiaries' shares</td></tr>
<tr><td>Nedbank Limited (Secured loan – term facility 2)</td><td>3 month JIBAR plus 3.5%, payable quarterly</td><td>Bi-annual equal instalments of R62.5 million (US$9.2 million)</td><td>31 December 2014</td></tr>
<tr><td>Nedbank Limited (Secured loan – revolving credit facilities)</td><td>1 or 3 month JIBAR plus 3.5%, payable after interest interval</td><td>Repayable on maturity</td><td>30 November 2013</td></tr>
</table>

31 Borrowings continued

Interest-bearing borrowings

SA rand 2010	SA rand 2011	Figures in million	US dollar 2011	US dollar 2010
		Non-current borrowings		
59	**23**	Westpac Bank (Secured finance lease)	**3**	8
78	**59**	Balance at beginning of year	**8**	10
9	**–**	Draw down	**–**	1
(28)	**(29)**	Repayments	**(4)**	(4)
(4)	**4**	Transfer to current portion	**–**	–
4	**(11)**	Translation	**(1)**	1
627	**759**	Nedbank Limited (Secured loan – term facilities)	**112**	82
–	**627**	Balance at beginning of year	**82**	–
900	**500**	Draw down	**73**	120
(90)	**(242)**	Repayments	**(36)**	(12)
(9)	**(4)**	Issue cost	**(1)**	(1)
3	**3**	Amortisation of issue costs	**–**	–
(177)	**(125)**	Transfer to current portion	**(22)**	(23)
–	**–**	Translation	**16**	(2)
295	**447**	Nedbank Limited (Secured loan – revolving credit facilities)	**66**	39
–	**295**	Balance at beginning of year	**39**	–
300	**400**	Draw down	**57**	40
–	**(250)**	Repayments	**(37)**	–
(6)	**–**	Issue cost	**–**	(1)
1	**2**	Amortisation of issue costs	**–**	–
–	**–**	Translation	**7**	–
981	**1 229**	**Total non-current borrowings**	**181**	129
		Current borrowings		
32	**28**	Current portion of the finance lease from Westpac Bank	**4**	4
177	**302**	Current portion of the loans from Nedbank Limited	**45**	23
209	**330**	**Total current borrowings**	**49**	27
1 190	**1 559**	**Total interest-bearing borrowings**	**230**	156
		The future minimum lease payments for Westpac Bank finance lease are as follows:		
33	**29**	Due within one year	**4**	4
40	**21**	Due within one and two years	**3**	5
20	**2**	Due between two and five years	**–**	3
93	**52**		**7**	12
(2)	**(1)**	Future finance charges	**–**	–
91	**51**		**7**	12

SA rand 2010	SA rand 2011	Figures in million	US dollar 2011	US dollar 2010
		The maturity of borrowings is as follows:		
209	**330**	Current	**49**	27
215	**323**	Between 1 to 2 years	**48**	28
766	**906**	Between 2 to 5 years	**133**	101
–	**–**	Over 5 years	**–**	–
1 190	**1 559**		**230**	156
		Undrawn committed borrowing facilities:		
–	**–**	Expiring within one year	**–**	–
300	**400**	Expiring after one year	**59**	39
300	**400**		**59**	39

	Effective rate 2011	Effective rate 2010
Westpac Bank	**2.0%**	2.0%
Nedbank Limited	**9.1%**	10.1%

The level of the Harmony's borrowing powers, as determined by its articles of association, shall not except with the consent of the Harmony's general meeting, exceed R40 million or the aggregate from time to time of the issued and paid-up share capital of the company, together with the aggregate of the amounts standing to the credit of all distributable and non-distributable reserves (including minority interests in subsidiary companies and provisions for deferred taxation) and any share premium accounts of the company.

32 Trade and other payables

SA rand 2010	SA rand 2011	Figures in million	US dollar 2011	US dollar 2010
		Financial liabilities:		
417	**355**	Trade payables	**52**	54
38	**144**	Other liabilities	**21**	5
		Non-financial liabilities:		
333	**335**	Payroll accruals	**50**	44
260	**280**	Leave liabilities (a)	**41**	34
159	**308**	Shaft related accruals	**46**	21
175	**276**	Other accruals (b)	**41**	23
31	**48**	Value added tax	**7**	4
1 413	**1 746**		**258**	185
(3)	**–**	Net classification to held-for-sale	**–**	–
1 410	**1 746**	**Total trade and other payables**	**258**	185

32 Trade and other payables continued

(a) Leave liability

Employee entitlements to annual leave are recognised on an ongoing basis. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. The movement in the liability recognised in the balance sheet is as follows:

SA rand			US dollar	
2010	**2011**	Figures in million	**2011**	2010
236	**260**	Balance at beginning of year	**34**	31
(262)	**(281)**	Benefits paid	**(40)**	(35)
289	**299**	Total expense per income statement	**43**	38
(2)	**2**	Translation	**4**	–
261	**280**		**41**	34
(1)	**–**	Net classification to held-for-sale	**–**	–
260	**280**	**Balance at end of year**	**41**	34

(b) Other accruals

Included in the balance is an amount of R100 million (US$15.2 million) relating to the sale of assets agreement with Taung. Refer to note 16.

33 Cash generated by operations

SA rand			US dollar	
2010	**2011**	Figures in million	**2011**	2010
		All amounts disclosed include discontinued operations.		
		Reconciliation of profit before taxation to cash generated by operations		
143	**171**	Profit before taxation	**21**	20
		Adjustments for:		
1 375	**1 776**	Amortisation and depreciation	**254**	181
331	**264**	Impairment of assets	**39**	43
(104)	**(29)**	Profit on sale of property, plant and equipment	**(4)**	(14)
(14)	**(1)**	Net decrease in provision for post-retirement benefits	**–**	(3)
18	**56**	Net increase in provision for environmental rehabilitation	**8**	2
(56)	**51**	Loss/(profit) from associates	**7**	(7)
–	**142**	Impairment of investment in associate	**20**	–
148	**136**	Share-based payments	**19**	20
(38)	**(141)**	Net gain on financial instruments	**(20)**	(5)
–	**(273)**	Gain on farm-in option	**(38)**	–
24	**(54)**	(Profit)/loss on sale of investment in subsidiary	**(7)**	3
(3)	**(2)**	Dividends received	**–**	–
(184)	**(138)**	Interest received	**(20)**	(25)
229	**288**	Finance cost	**41**	30
(16)	**24**	Provision for doubtful debts	**3**	(2)
29	**1**	Bad debts written off	**–**	4
(20)	**332**	Inventory adjustments	**48**	(3)
62	**(88)**	Other non-cash transactions	**(11)**	11
		Effect of changes in operating working capital items		
(100)	**(103)**	Receivables	**(15)**	(13)
(153)	**(140)**	Inventories	**(20)**	(20)
(60)	**146**	Payables	**21**	(8)
1 611	**2 418**	**Cash generated by operations**	**346**	214

Additional cash flow information

(i) The income and mining taxes paid in the statement of cash flow represents actual cash paid less refunds received.

(ii) At 30 June 2011, R400 million (US$59.0 million) (30 June 2010: R300 million (US$39.3 million)) of borrowing facilities had not been drawn down and is therefore available for future operating activities and future capital commitments. Refer to note 31.

For the financial year ended June 2011

(a) Acquisitions and disposals of subsidiaries/businesses

Disposal of Mount Magnet

On 20 July 2010, the conditions precedent for the sale of Mount Magnet were fulfilled and the transaction became effective. A total purchase consideration of R238 million (US$31.6 million) was received from Ramelius Resources Limited in exchange for the entire issued share capital of Mount Magnet. The entire purchase consideration was settled in cash. At date of disposal, Mount Magnet had no cash and cash equivalent balances included in its net asset value. Also refer to note 16.

The aggregate fair values of assets and liabilities sold were:

SA rand			US dollar	
2010	**2011**	Figures in million	**2011**	2010
–	**206**	Property, plant and equipment	**27**	–
–	**5**	Inventory	**1**	–
–	**(119)**	Rehabilitation liability	**(16)**	–
–	**(1)**	Other liabilities	**–**	–
–	**138**	Profit on disposal	**18**	–
–	**229**	Proceeds received in cash	**30**	–

(b) Principal non-cash transactions

Disposal of Freegold farm-in option (refer to note 12).

Disposal of Kingsrose shares (refer to note 11).

Share-based payments (refer to note 36).

For the financial year ended June 2010

(a) Acquisitions and disposals of subsidiaries/businesses

(i) Disposal of Big Bell Operations

On 10 January 2010 the group concluded the sale of Big Bell for a total consideration of R24 million (US$3.2 million).

The aggregate fair values of assets and liabilities sold were:

SA rand			US dollar	
2010	**2011**	Figures in million	**2011**	2010
64	–	Property, plant and equipment	–	8
(45)	–	Rehabilitation liability	–	(6)
5	–	Profit on disposal	–	1
24	–	**Proceeds received in cash**	–	3

(ii) Acquisition of Pamodzi FS assets

On 18 February 2010, the group concluded the acquisition of the Pamodzi FS assets for a total consideration of R405 million, of which R280 million (US$36 million) is attributable to property, plant and equipment and R120 million (US$16 million) to inventories.

(b) Principal non-cash transactions

Issue of shares for the acquisition of 26% share of the mining titles on Doornkop South Reef from AVRD (refer to note 27).

Share based-payments (refer to note 36).

34 Retirement benefit obligations

(a) Pension and provident funds

The group contributes to several pension and provident funds governed by the Pension Funds Act, 1956 for the employees of its South African subsidiaries. The pension funds are multi-employer industry plans. The group's liability is limited to its annually determined contributions.

The provident funds are funded on a "money accumulative basis" with the members' and employer's contributions having been fixed in the constitution of the funds.

The Australian group companies make contributions to each employee's superannuation (pension) funds in accordance with the Superannuation Guarantee Scheme (SGS). The SGS is a Federal Government initiative enforced by law which compels employers to make regular payments to regulated funds providing for each employee on their retirement. The SGS were set at a minimum of 9% of gross salary and wages for the 2011 year (2010: 9%). The fund is a defined contribution plan.

The PNG Superannuation Act 2002 requires a compulsory employer contribution of 8.4% (2010: 8.4%) into an approved superannuation (pension) fund if an employee is appointed for a period of three months or more. The approved superannuation funds are defined contribution plans.

Substantially all the group's employees are covered by the above-mentioned retirement benefit plans. Funds contributed by the group for the 2011 financial year amounted to R436 million (US$62.4 million) (2010: R418 million (US$55.2 million)).

(b) Post-retirement benefits other than pensions

Harmony inherited a post-retirement medical benefit obligation, which existed at the time of the Freegold acquisition in 2002. The group's obligation in this regard, is to pay a subsidy of 2% for every completed year of employment up to a maximum of 50% of total medical aid contributions, commencing on date of retirement. The group also contributes to the Minemed medical scheme on behalf of employees who retired prior to 31 December 1996. The annual contributions for these employees are fixed. Should the employee die, either in service or after retirement, this benefit will transfer to his/her dependants. The medical aid tariffs are based on the Minemed Medical Scheme options. Except for the pre-mentioned employees, Harmony has no other post-retirement obligation for the other group employees.

The liability is unfunded and will be settled out of cash and cash equivalent when it becomes due. The liability is based on an actuarial valuation conducted during the year ended 30 June 2011, using the projected unit credit method. The next actuarial valuation will be performed on 30 June 2012.

The principal actuarial assumptions used to determine the present value of unfunded obligations are discussed in note 3.5. In addition the following was also considered:

- It is assumed that all Continuation and Widow Members (CAWMs) will remain on the current benefit option and income band. For employed members, post-employment contributions were assumed to be equal to the average payable for the current CAWMs membership.
- It is assumed that not all employed members will remain employed until retirement therefore estimated resignation and ill-health retirement rates are also taken into account.
- It is assumed that 90% of employed members will be married at retirement or earlier death and that wives are four years younger than their husbands. It is assumed that the only dependants will be spouses.

SA rand 2010	SA rand 2011	Figures in million	US dollar 2011	US dollar 2010
153	**167**	Present value of unfunded obligations	**25**	20
95	**103**	Current employees	**15**	13
58	**64**	Retired employees	**10**	7
		Movement in the liability recognised in the balance sheet		
152	**153**	Balance at beginning of year	**20**	20
(4)	**(5)**	Contributions paid	**(1)**	(1)
4	**4**	Staff costs/current service cost included under cost of sales	**1**	1
15	**16**	Finance cost	**2**	2
7	**(1)**	Net actuarial (gain)/loss recognised during the year[1]	**–**	1
(21)	**–**	Curtailments[2]	**–**	(3)
–	**–**	Translation	**3**	–
153	**167**	**Balance at end of year**	**25**	20

[1] *Net actuarial gains/losses are included in cost of sales in the income statement. The net actuarial loss recognised during the 2009 year was Rnil (US$nil), 2008 year was R12 million (US$1.5 million), and in the 2007 year a gain of R12 million (US$1.7 million).*

[2] *Curtailments are included in cost of sales in the income statement. During the 2010 financial year, the terms of employment of 124 members changed, resulting in a reduction of the liability of R21 million (US$2.8 million).*

SA rand 2010	SA rand 2011	Figures in million	US dollar 2011	US dollar 2010
		The net liability of the defined benefit plan is as follows:		
153	**167**	Present value of defined benefit obligation	**25**	20
–	**–**	Fair value of plan assets	**–**	–
153	**167**	Net retirement benefit obligation liability	**25**	20

The present value of the defined benefit obligation was R152 million (US$19.7 million) in 2009, R130 million (US$17 million) in 2008 and R107 million (US$15.2 million) in 2007.

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

SA rand 2010	SA rand 2011	Figures in million	US dollar 2011	US dollar 2010
1% increase	**1% increase**		**1% increase**	1% increase
		Effect on:		
4	**3**	Aggregate of service cost and interest cost	**–**	1
25	**26**	Defined benefit obligation	**4**	4
1% decrease	**1% decrease**		**1% decrease**	1% decrease
		Effect on:		
3	**3**	Aggregate of service cost and interest cost	**–**	1
20	**22**	Defined benefit obligation	**3**	4

The group expects to contribute approximately R5 million (US$0.7 million) for this obligation in 2012.

35 Employee benefits

SA rand			US dollar	
2010	**2011**	Figures in million	**2011**	2010
		Number of permanent employees as at 30 June		
		South African operations*	**34 345**	36 204
		International operations**	**1 476**	1 105
		Total number of permanent employees	**35 821**	37 309
		Aggregated earnings		
		The aggregate earnings of employees including directors were:		
5 428	**5 785**	Salaries and wages and other benefits	**828**	716
414	**428**	Retirement benefit costs	**61**	55
106	**124**	Medical aid contributions	**18**	14
5 948	**6 337**	**Total aggregated earnings*** **	**907**	785

Remuneration for directors and management is fully disclosed in the remuneration report on pages 199 to 201.

* *No employees were attributable to the discontinued operations at 30 June 2011 (2010: nil).*

** *The total number of employees in Australia, including the Brisbane office, at 30 June 2011 was 127 (2010: 56). Of this total, no employees (2010: 12) were attributable to the discontinued operations. The total for the international operations includes the joint venture employees.*

*** *These amounts have been included in production cost, corporate expenditure and capital expenditure.*

During the 2011 financial year, R29 million (US$4 million) (2010: R39 million (US$5 million)) was included in the payroll cost for termination costs. Termination cost excludes the cost relating to the voluntary retrenchment process as well as retrenchment due to the shaft closures (refer to note 5).

36 Share option scheme

The group currently has the 2001, 2003 schemes and the 2006 share plan that are active. The objective of these schemes is to recognise the contributions of senior staff to the group's financial position and performance and to retain key employees.

The details pertaining to share options issued and exercised by directors and management during the year are disclosed in the remuneration report on pages 199 to 201.

Options granted under the 2001 and 2003 schemes

A fifth of the options granted under the 2001 and 2003 schemes are exercisable annually from the grant date with an expiry date of 10 years from the grant date. The offer price of these options equalled the closing market price of the underlying shares on the trading date immediately preceding the granting of the options. The options are equity settled.

On resignation and retirement, share options which have not yet vested will lapse and share options, which have vested may be taken up at the employee's election before the last day of service. Payment of shares forfeited will therefore not be required. On death, all options vest immediately and the deceased estate has a period of 12 months to exercise these options.

	Option allocation	
	10 August 2004	26 April 2005
The share-based cost is calculated using the binomial valuation model based on the following assumptions at grant date:		
Price at date of grant (SA rand per share)	66.15	39.00
Risk-free interest rate	9.9%	8.4%
Expected volatility	40.0%	35.0%
Expected dividend yield	0.0%	0.0%
Vesting period	5 years	5 years

Share-based payments are measured at the fair value of the equity instruments at the date of the grant. The cost is expensed over the vesting period, based on the group's estimate of the options that are expected to eventually vest.

The only vesting conditions for the 2001 and 2003 schemes were that the employees should be in the employment of the group, on vesting date.

The volatility measured at the standard deviation of expected share price returns were based on statistical analysis of daily share prices over the last three years before grant date.

Following the introduction of the 2006 share plan, no further options were granted in the 2011 and 2010 year for the 2001 and 2003 option schemes, and all options are vested.

Number of share options relating to the 2001 and 2003 option schemes	**2011**	2010
Share options granted	**28 442 420**	28 442 420
Exercised	**19 967 293**	19 133 887
Vested but not exercised	**1 347 203**	2 264 585
Unvested	**–**	–
Forfeited and lapsed	**7 127 924**	7 043 948

	2011		2010	
Activity on share options granted but not yet exercised	**Number of shares**	**Weighted average option price (SA rand)**	Number of shares	Weighted average option price (SA rand)
For the year ended 30 June				
Balance at beginning of year	**2 264 585**	**48.47**	2 850 558	47.58
Options exercised	**(833 406)**	**45.29**	(562 916)	44.16
Options forfeited and lapsed	**(83 976)**	**53.87**	(23 057)	43.75
Balance at end of year	**1 347 203**	**50.12**	2 264 585	48.47

List of options granted but not yet exercised (listed by grant date)	**At 30 June 2011**	Option price (SA rand)	Remaining life (years)
20 November 2001	**82 200**	49.60	0.4
27 March 2003	**108 600**	91.60	1.7
10 August 2004	**309 508**	66.15	3.1
26 April 2005	**846 895**	39.00	3.8
Total option granted but not yet exercised	**1 347 203**		

SA rand			US dollar	
2010	**2011**	Figures in million	**2011**	2010
44	**72**	Average market value of options traded during the year	**5**	6
19	**34**	Gain realised by participants on options traded during the year	**5**	3
61	**–**	Fair value of share options vested during the year	**–**	8
3	**–**	Share-based cost recognised	**–**	–

The number of shares held by the Harmony Share Trust at year end amounted to 5 400 (2010: 63 500). This trust is considered to be an SPE and is therefore consolidated in accordance with the company's accounting policies.

36 Share option scheme continued

Options granted under the 2006 share plan

The 2006 share plan consist of share appreciation rights (SARs), performance shares (PS) and restricted shares (RS). The SARs will vest in equal thirds in year three, four and five after grant date, subject to the performance conditions having been satisfied. The SARs have an expiry date of six years from the grant date and the offer price equals the closing market price of the underlying shares on the trading date immediately preceding the grant. The PS will vest after three years from the grant date, if and to the extent that the performance conditions have been satisfied. The RS will vest after three years from grant date if the participant is still employed within the group. The share plan is equity-settled.

The aggregate number of shares which may be allocated to the share plan on any day, when added to the total number of unexercised SARs, unvested performance shares, and restricted shares which have been allocated for PS, SARs and RS, and any other employee share scheme operating by the company, shall not exceed 14% of the number of issued ordinary shares of the company from time to time. On 30 June 2011, a total of 9 208 502 SARs, 5 707 308 PS and 355 528 RS had been allocated to participating employees.

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

In the case of SARs, if employment is terminated for no fault reasons, then the value of the appreciation in all unvested and unexercised SARs is settled in shares or cash as at the date of termination of employment, after the deduction of any tax payable. The employer has no past practise of settling in cash.

In the case of PS, if employment is terminated for no fault reasons, then:
- First the maximum number conditionally awarded is pro rated for the period from grant date until the termination date;
- Then this adjusted number is reduced to a third on the assumption that Harmony's performance was a median one with one-third vesting, after taking into account any portion of shares that have banked already in terms of the 2009 issue; and
- Then settled in shares sold on the market for cash, and paid to the participant after the deduction of any tax payable.

In the case of RS, if employment is terminated for no fault reasons, then accelerated vesting occurs and all unvested and unexercised RS and all unvested matching PS are settled.

In all three cases, if employment is terminated for fault reasons, all unvested and unexercised SARs and all PS and RS not yet vested are lapsed and cancelled.

Number of share options relating to	SARs 2011	SARs 2010	PS 2011	PS 2010	RS 2011	RS 2010
Share options granted	**9 208 502**	7 992 022	**5 707 308**	4 361 938	**355 528**	–
Exercised	**186 598**	–	**473 002**	–	**–**	–
Vested but not exercised	**651 628**	185 473	**–**	–	**–**	–
Unvested	**6 131 192**	6 590 110	**3 693 583**	3 492 402	**347 883**	–
Forfeited and lapsed	**2 239 084**	1 216 439	**1 540 723**	869 536	**7 645**	–
Vesting periods of unvested shares						
Within one year	**1 240 764**	760 196	**1 818 716**	790 220	**–**	–
One to two years	**1 803 284**	1 405 124	**613 352**	2 058 372	**–**	–
Two to three years	**1 635 420**	2 084 520	**1 261 515**	643 810	**347 883**	–
Three to four years	**1 078 463**	1 492 598	**–**	–	**–**	–
Four to five years	**373 261**	847 672	**–**	–	**–**	–
Total number of unvested shares	**6 131 192**	6 590 110	**3 693 583**	3 492 402	**347 883**	–

Activity on options granted but not yet exercised	SARs Number of shares	SARs Weighted average option price (SA rand)	PS Number of shares	RS Number of shares
For the year ended 30 June 2011				
Balance at beginning of year	**6 775 583**	**78.47**	**3 492 402**	**–**
Options granted	**1 216 480**	**84.81**	**1 345 370**	**355 528**
Options exercised	**(186 598)**	**70.54**	**(473 002)**	**–**
Options forfeited and lapsed	**(1 022 645)**	**79.55**	**(671 187)**	**(7 645)**
Balance at end of year	**6 782 820**	**79.66**	**3 693 583**	**347 883**
For the year ended 30 June 2010				
Balance at beginning of year	4 552 585	79.38	3 302 164	–
Options granted	2 707 523	77.28	643 810	–
Options exercised	–	–	–	–
Options forfeited and lapsed	(484 525)	78.54	(453 572)	–
Balance at end of year	6 775 583	77.65	3 492 402	–

36 Share option scheme continued

List of shares granted but not yet exercised (listed by grant date)	Number of shares	Option price (SA rand)	Remaining life (years)
As at 30 June 2011			
Share appreciation rights			
15 November 2006	**428 036**	112.64	1.4
15 November 2007	**1 402 370**	70.54	2.4
7 March 2008	**46 154**	102.00	2.7
5 December 2008	**1 670 874**	77.81	3.4
16 November 2009	**2 115 601**	77.28	4.4
15 November 2010	**1 119 785**	84.81	5.4
	6 782 820		
Performance shares			
5 December 2008	**1 818 716**	n/a	0.4
16 November 2009	**613 352**	n/a	1.4
15 November 2010	**1 261 515**	n/a	2.4
	3 693 583		
Restricted shares			
15 November 2010	**347 883**	n/a	2.4
	347 883		
Total option granted but not yet exercised	**10 824 286**		

SA rand 2010	SA rand 2011	Figures in million	US dollar 2011	US dollar 2010
–	**31**	Gain realised by participants on options traded during the year	**4**	–
21	**35**	Fair value of share options vested during the year	**5**	3
146	**136**	Share-based cost recognised	**19**	19

The share-based cost is calculated using the Monte Carlo simulation on the market-linked PS, Black-Scholes on the SARs and spot share price on grant date for the RS. The following assumptions were applied at grant date:

	SARs	Performance shares	Restricted shares
Price at date of grant (SA rand per share)			
15 November 2006 share allocation	112.64	n/a	n/a
15 November 2007 share allocation (valuation date 21 December 2007)	68.44	n/a	n/a
15 November 2007 share allocation (valuation date 21 April 2008)	92.25	n/a	n/a
7 March 2008 share allocation	102.00	n/a	n/a
5 December 2008 share allocation (valuation date 5 December 2008)	77.81	n/a	n/a
5 December 2008 share allocation (valuation date 16 February 2009)	116.90	n/a	n/a
16 November 2009 share allocation (valuation date 27 November 2009)	81.50	n/a	n/a
16 November 2009 share allocation (valuation date 23 December 2009)	75.60	n/a	n/a
16 November 2009 share allocation (valuation date 3 May 2010)	72.14	n/a	n/a
15 November 2010 share allocation (valuation date 15 November 2010)	83.98	n/a	n/a

	SARs	Performance shares	Restricted shares
Risk-free interest rate			
15 November 2006 share allocation	8.79%	9.58%	n/a
15 November 2007 share allocation (valuation date 21 December 2007)	9.84%	10.81%	n/a
15 November 2007 share allocation (valuation date 21 April 2008)	10.68%	11.71%	n/a
7 March 2008 share allocation	10.44%	11.04%	n/a
5 December 2008 share allocation (valuation date 5 December 2008)	8.43%	8.55%	n/a
5 December 2008 share allocation (valuation date 16 February 2009)	8.30%	8.18%	n/a
16 November 2009 share allocation (valuation date 27 November 2009)	8.63%	n/a	n/a
16 November 2009 share allocation (valuation date 23 December 2009)	8.57%	n/a	n/a
16 November 2009 share allocation (valuation date 3 May 2010)	n/a	7.29%	n/a
15 November 2010 share allocation (valuation date 15 November 2010)	6.70%	6.14%	n/a
Expected volatility*			
15 November 2006 share allocation	26.37%	34.71%	n/a
15 November 2007 share allocation (valuation date 21 December 2007)	35.10%	46.32%	n/a
15 November 2007 share allocation (valuation date 21 April 2008)	41.72%	49.52%	n/a
7 March 2008 share allocation	54.50%	50.49%	n/a
5 December 2008 share allocation (valuation date 5 December 2008)	48.61%	56.62%	n/a
5 December 2008 share allocation (valuation date 16 February 2009)	49.03%	70.86%	n/a
16 November 2009 share allocation (valuation date 27 November 2009)	49.29%	n/a	n/a
16 November 2009 share allocation (valuation date 23 December 2009)	49.21%	n/a	n/a
16 November 2009 share allocation (valuation date 3 May 2010)	n/a	37.34%	n/a
15 November 2010 share allocation (valuation date 15 November 2010)	31.16%	31.16%	n/a
Expected dividend yield			
for all allocations	0.00%	0.00%	0.00%
Vesting period (from grant date)			
for all allocations	5 years	3 years	3 years

* *The volatility is measured as an annualised standard deviation of historical share price returns, using an exponentially weighted moving average (EWMA) model, with a lambda of 0.99. The volatility is calculated on the grant date, and takes into account the previous three years of historical data.*

Share-based costs are measured at the fair value of the equity instruments at the date of the grant as defined in IFRS 2. The grant date is the date of which the entity and counterparty have a shared understanding of the terms and conditions of the share-based payment arrangement. The cost is expensed over the vesting period, based on the group's estimate of the options that are expected to eventually vest within the rules of IFRS 2.

For 5 December 2008 issue

The performance criteria imposed by the board, and which must be satisfied before the settlement of any PS under this award, are linked to the group's total shareholder return (TSR) in comparison to the SA Gold Index (50%) and the SA Resource Index (50%).

The performance criteria imposed per the Harmony 2006 Share Plan which must be satisfied before the settlement of the SARs allocation is that the group's headline earnings per share must have grown since the allocation date by more than the CPI.

36 Share option scheme continued

For 16 November 2009 issue

The performance criteria imposed by the board, and which must be satisfied before the settlement of any PS under this award, are as follows:

- 50% of the number shares awarded are to be linked to the annual gold production of the group in relation to the targets set annually.
- 50% of the number shares awarded are linked to the group's TSR in comparison to the South African Gold Index.

The performance criteria imposed per the Harmony 2006 Share Plan which must be satisfied before the settlement of the SARs allocation is that the group's headline earnings per share must have grown since the allocation date by more than the CPI.

For options granted on 16 November 2009, the following fair values were used as a basis to recognise share-based payment cost:

- For options measured on 27 November 2009, the value is R44.52 per share for SARs.
- For options measured on 23 December 2009, the value is R39.26 for SARs.
- For options measured on 3 May 2010, the value is R38.49 for PS.

For 15 November 2010 issue

The performance criteria imposed by the board, and which must be satisfied before the settlement of any PS under this award, are as follows:

- 50% (senior management)/70% (management) of the number of shares awarded are to be linked to the annual gold production of the group in relation to the targets set annually.
- 50% (senior management)/30% (management) of the number of shares awarded are linked to the group's TSR in comparison to the South African Gold Index.

The performance criteria imposed per the Harmony 2006 Share Plan which must be satisfied before the settlement of the SARs allocation is that the group's headline earnings per share must have grown since the allocation date by more than the CPI.

For options granted during the year, the following fair values were used as a basis to recognise share-based payment cost:

- For options measured on 15 November 2010, the value is R32.63 per share for SARs.
- For options measured on 15 November 2010, the value is R45.20 for PS.
- For options measured on 15 November 2010, the value is R83.98 for RS.

37 Related parties

None of the directors or major shareholders of Harmony or, to the knowledge of Harmony, their families, had interest, direct or indirectly, in any transaction since 1 July 2009 or in any proposed transaction that has affected or will materially affect Harmony or its subsidiaries, other than as stated below.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the group, directly or indirectly, including any director (whether executive or otherwise) of the group. Directors' and executive management's remuneration is fully disclosed in the remuneration report included on pages 199 to 201.

African Rainbow Minerals Limited (ARM) currently holds 14.8% of Harmony's shares. Patrice Motsepe, Andre Wilkens, Joaquim Chissano and Frank Abbott are directors of ARM.

Harmony currently holds 40% of the shares of Rand Uranium. Graham Briggs, Hannes Meyer and Alwyn Pretorius are directors of Rand Uranium. Dr Simo Lushaba is a member of the Rand Uranium Investment Committee. During 2010 and 2011, Fikile de Buck served as a director and a member of the audit committee until 17 May 2011.

A list of the major shareholders can be found on page 332.

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

Material transactions with associates and joint ventures

Besides the transactions disclosed below, the group concluded the following transactions with related parties:
(a) AVRD – refer to note 28.
(b) Pamodzi – refer to notes 18 and 25.

SA rand			US dollar	
2010	**2011**	Figures in million	**2011**	2010
		Sales and services rendered to related parties		
440	**387**	Associates	**55**	58
6	**9**	Joint venture	**1**	1
446	**396**		**56**	59
		Purchases and services acquired from related parties		
30	**21**	Associates	**3**	4
		Outstanding balances due by related parties		
120	**149**	Associates	**22**	16
		Outstanding balances due to related parties		
27	**17**	Associates[1]	**3**	4

[1] *Retained from the consideration for the Pamodzi FS acquisition pending the transfer of rehabilitation trust funds.*

Interest amounting to R5 million (US$0.7 million) was accrued on the subordinated loan to Rand Uranium during 2011 (2010: R6 million (US$0.9 million).Refer to note 26 for detail on the items relating to the loans to associates and provisions raised against these loans.

38 Commitments and contingencies

(i) Commitments

SA rand			US dollar	
2010	**2011**	Figures in million	**2011**	2010
128	**151**	Contracts for capital expenditure	**22**	17
207	**43**	Share of joint venture's contract for capital expenditure	**6**	27
1 006	**1 504**	Authorised by the directors but not contracted for	**222**	132
1 341	**1 698**	**Total capital commitments**	**250**	176

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

The group is contractually obliged to make the following payments in respect of operating leases, including for land and buildings, and for mineral tenement leases:

SA rand			US dollar	
2010	**2011**	Figures in million	**2011**	2010
28	**56**	Within one year	**8**	4
9	**53**	Between one year and five years	**8**	1
37	**109**	**Total commitments for operating leases**	**16**	5

This includes R98 million (US$14.4 million) (2010: R7 million (US$0.9 million)) for the MM Joint Venture. For details on the group's finance leases, refer to note 31.

(ii) Contingent liabilities

SA rand			US dollar	
2010	**2011**	Figures in million	**2011**	2010
25	**25**	Guarantees and suretyships	**4**	3
513	**371**	Environmental guarantees[1]	**55**	67
538	**396**		**59**	70

[1] *At 30 June 2011, R26 million (US$3.8 million) (2010: R112 million (US$14.6 million)) has been pledged as collateral for environmental guarantees in favour of certain financial institutions. Refer to note 20.*

Included in the balance for the 2010 financial year is an amount of R130 million (US$17.0 million) relating to guarantees provided for the Rand Uranium transaction. These guarantees were cancelled during 2011 financial year after Rand Uranium has put its own guarantees in place.

In addition, the following contingent liabilities have been identified:

(a) On 18 April 2008, Harmony Gold Mining Company Limited was made aware that it had been named as a defendant in a lawsuit filed in the U.S. District Court in the Southern District of New York on behalf of certain purchasers and sellers of Harmony's American Depositary Receipts (ADRs) and options with regard to certain of its business practices. Harmony retained legal counsel.

The company has subsequent to 30 June 2011 reached a mutually acceptable settlement with the lead plaintiff, which as at 30 June 2011, the company's insurers had undertaken to pay under a directors and officer insurance contract. The settlement requires final approval from the court and will result in the dismissal of all claims against the company.

(b) The court's decision on Freegold's appeal regarding the South African Revenue Service's (SARS) application of mining tax ringfencing was received on 1 August 2011 and the court found in favour of SARS. The case was concluded in March 2011, but judgment was reserved at that time. The company has lodged an appeal to be heard by the Supreme Court of Appeals. Any additional income taxes payable are expected to be offset by additional deferred tax credits due to the impact this application will have on unredeemed capital.

(c) The case of Mr Thembekile Mankayi v AngloGold Ashanti Limited (AGA) regarding litigation in terms of the Occupational Diseases in Mines and Works Act (ODIMWA) was heard in the High Court of South Africa in June 2008, and an appeal heard in the Supreme Court of Appeals in 2010. In both instances judgment was awarded in favour of AGA. A further appeal that was lodged by Mr Manyaki was heard in the Constitutional Court in 2010. Judgment in the Constitutional Court was handed down on 3 March 2011. The judgment allows Mr Mankayi's executor to proceed with the case in the High Court of South Africa. Should anyone bring similar claims against Harmony in future, those claimants would need to provide 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.

(d) On 1 December 2008, we issued 3 364 675 Harmony shares to Rio Tinto for the purchase of Rio Tinto's rights to the royalty agreement entered into prior to our acquisition of the Wafi deposits in PNG. The shares were valued at R242 million (US$23 million) on the transaction date. An additional US$10 million in cash will be payable when the decision to mine is made, which has not been included in the commitments above. Of this amount, Harmony is responsible for paying the first US$6 million, with the balance of US$4 million being borne equally by the joint venture partners.

38 Commitments and contingencies continued

(e) The group may have a potential exposure to rehabilitate groundwater and radiation that may exist where the group has and/or continues to operate. The group has initiated analytical assessments to identify, quantify and mitigate impacts if and when (or as and where) they arise. Numerous scientific, technical and legal studies are under way to assist in determining the magnitude of the contamination and to find sustainable remediation solutions. The group has instituted processes to reduce future potential seepage and it has been demonstrated that Monitored Natural Attenuation (MNA) by the existing environment will contribute to improvement in some instances. The ultimate outcome of the matter cannot presently be determined and no provision for any liability that may result has been made in the financial statements. Should the group determine that any part of these contingencies require them being recorded and accounted for as liabilities, ie where they become estimable and probable it could have a material impact on the financial statements of the group.

(f) Due to the interconnected nature of mining operations in South Africa, any proposed solution for potential flooding and potential decant risk posed by deep groundwater needs to be a combined one, supported by all the mines located in these goldfields. As a result, the Department of Mineral Resource and affected mining companies are involved in the development of a Regional Mine Closure Strategy. Harmony operations have in the last year conducted a number of specialist studies and the risk of surface decant due to rising groundwater levels have been obviated at Evander, the entire Free State region and Kalgold. Therefore there is no potential contingency arising from these operations. Additional studies have been commissioned at Doornkop and Kusasalethu. In view of the limitation of current information for the accurate estimation of a liability, no reliable estimate can be made for these operations.

(g) In terms of the sale agreements entered into with Rand Uranium, Harmony retained financial exposure relating to environmental disturbances and degradation caused by it before the effective date, in excess of R75 million (US$10 million) of potential claims. Rand Uranium is therefore liable of all claims up to R75 million (US$10 million) and retains legal liability. The likelihood of potential claims cannot be determined presently and no provision for any liability has been made in the financial statements.

39 Subsequent events

(a) Refer to note 15 and 38(b) for details on the post-balance sheet date event relating to the Freegold court case.

(b) Refer to note 38(a) for details on the post-balance sheet date event relating to the US class action.

(c) On 11 August 2011, the group entered into a US$300 million syndicated revolving credit facility. The facility has a term of four years and attracts interest at LIBOR plus 260 basis points. The facility was jointly arranged by Nedbank Limited and FirstRand Bank Limited (acting through its Rand Merchant Bank division).

(d) On 12 August 2011 the board approved a payment of dividend of 60 SA cents per share for the year ended 30 June 2011.

40 Segment report

The group has only one product, being gold. In order to determine operating and reportable segments, management reviewed various factors, including geographical location as well as managerial structure. It was determined that an operating segment consists of a shaft or a group of shafts managed by a single general manager and management team.

After applying the quantitative thresholds from IFRS 8, the reportable segments were determined as:

Bambanani, Doornkop, Evander, Joel, Kusasalethu, Masimong, Phakisa, Target, Tshepong, Virginia, Papua New Guinea and Mount Magnet (classified as held-for-sale and discontinued operation). All other operating segments have been grouped together under all other surface operations, under their classification as either continuing or discontinued.

When assessing profitability, the chief operating decision-maker (CODM) considers the revenue and production costs of each segment. The net of these amounts is the operating profit or loss. Therefore, operating profit has been disclosed in the segment report as the measure of profit or loss.

The CODM does not consider depreciation or impairment and therefore these amounts have not been disclosed in the segment report, but does consider capital expenditure which has been disclosed.

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

A reconciliation of the segment totals to the group financial statements has been included in note 41.

40 Segment report continued

(SA rand/metric)

	Revenue R million		Production cost R million		Production profit R million	
	2011	2010	**2011**	2010	**2011**	2010
Continuing operations						
South Africa						
Underground						
Bambanani	**921**	1 114	**828**	745	**93**	369
Doornkop	**781**	517	**601**	410	**180**	107
Evander	**717**	910	**622**	859	**95**	51
Joel	**454**	524	**417**	379	**37**	145
Kusasalethu	**1 774**	1 392	**1 321**	1 091	**453**	301
Masimong	**1 326**	1 277	**756**	702	**570**	575
Phakisa	**551**	375	**473**	326	**78**	49
Target	**1 080**	878	**815**	664	**265**	214
Tshepong	**2 007**	1 823	**1 172**	1 147	**835**	676
Virginia	**682**	1 415	**562**	1 340	**120**	75
Surface						
All other surface operations	**1 176**	980	**888**	632	**288**	348
Total South Africa	**11 469**	11 205	**8 455**	8 295	**3 014**	2 910
International						
Papua New Guinea	**976**	79	**715**	63	**261**	16
Total international	**976**	79	**715**	63	**261**	16
Total continuing operations	**12 445**	11 284	**9 170**	8 358	**3 275**	2 926
Discontinued operations						
Mount Magnet	**–**	–	**–**	–	**–**	–
Total discontinued operations	**–**	–	**–**	–	**–**	–
Total operations	**12 445**	11 284	**9 170**	8 358	**3 275**	2 926
Reconciliation of the segment information to the consolidated income statement and balance sheet (refer to note 41)	**–**	–	**–**	–		
	12 445	11 284	**9 170**	8 358		

[1] *Excludes non-operational capital expenditure relating to PNG of R63 million and exploration capitalised of R45 million.*
* *Production statistics are unaudited.*

Mining assets R million		Capital expenditure R million		Kilograms produced* kg		Tonnes milled* t'000	
2011	2010	**2011**[1]	2010	**2011**	2010	**2011**	2010
965	954	**321**	207	**3 051**	4 137	**426**	528
3 085	2 837	**292**	342	**2 512**	1 950	**718**	540
946	922	**196**	175	**2 302**	3 475	**541**	788
183	175	**73**	88	**1 449**	2 006	**407**	439
3 220	2 974	**380**	430	**5 609**	5 444	**1 099**	1 035
899	799	**178**	177	**4 280**	4 840	**868**	899
4 317	4 065	**369**	486	**1 762**	1 371	**387**	339
2 729	2 537	**439**	382	**3 981**	3 539	**805**	777
3 589	3 645	**273**	261	**6 468**	6 749	**1 343**	1 518
672	682	**79**	180	**2 213**	5 288	**576**	1 656
155	127	**147**	84	**3 790**	3 731	**10 431**	9 140
20 760	19 717	**2 747**	2 812	**37 417**	42 530	**17 601**	17 659
4 381	3 771	**289**	541	**3 118**	1 903	**1 679**	304
4 381	3 771	**289**	541	**3 118**	1 903	**1 679**	304
25 141	23 488	**3 036**	3 353	**40 535**	44 433	**19 280**	17 963
–	226	**–**	–	**–**	–	**–**	–
–	226	**–**	–	**–**	–	**–**	–
25 141	23 714	**3 036**	3 353	**40 535**	44 433	**19 280**	17 963
14 703	15 509						
39 844	39 223						

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED
FOR THE YEARS ENDED 30 JUNE 2011

40 Segment report continued

(US dollar/imperial)

	Revenue US$ million		Production cost US$ million		Production profit US$ million	
	2011	2010	**2011**	2010	**2011**	2010
Continuing operations						
South Africa						
Underground						
Bambanani	**132**	147	**118**	98	**14**	49
Doornkop	**112**	68	**86**	54	**26**	14
Evander	**102**	120	**89**	113	**13**	7
Joel	**65**	69	**60**	50	**5**	19
Kusasalethu	**254**	184	**189**	144	**65**	40
Masimong	**190**	168	**108**	93	**82**	75
Phakisa	**79**	50	**68**	43	**11**	7
Target	**154**	116	**117**	88	**37**	28
Tshepong	**287**	241	**168**	151	**119**	90
Virginia	**98**	187	**80**	177	**18**	10
Surface						
All other surface operations	**168**	129	**127**	84	**41**	45
Total South Africa	**1 641**	1 479	**1 210**	1 095	**431**	384
International						
Papua New Guinea	**140**	10	**103**	8	**37**	2
Total international	**140**	10	**103**	8	**37**	2
Total continuing operations	**1 781**	1 489	**1 313**	1 103	**468**	386
Discontinued operations						
Cooke operations	**–**	–	**–**	–	**–**	–
Mount Magnet	**–**	–	**–**	–	**–**	–
Total discontinued operations	**–**	–	**–**	–	**–**	–
Total operations	**1 781**	1 489	**1 313**	1 103	**468**	386
Reconciliation of the segment information to the consolidated income statement and balance sheet (refer to note 41)	**–**	–	**–**	–		
	1 781	1 489	**1 313**	1 103		

[1] *Excludes non-operational capital expenditure relating to PNG of US$8 million and exploration capitalised of U$6 million.*
**Production statistics are unaudited.*

Mining assets US$ million		Capital expenditure US$ million		Ounces produced * oz		Tons milled* t'000	
2011	2010	**2011[1]**	2010	**2011**	2010	**2011**	2010
142	125	**46**	28	**98 092**	133 007	**470**	582
455	372	**42**	45	**80 763**	62 694	**792**	595
140	121	**28**	23	**74 011**	111 724	**596**	869
27	23	**11**	10	**46 586**	64 495	**448**	484
475	390	**54**	57	**180 334**	175 029	**1 212**	1 141
133	105	**26**	23	**137 605**	155 609	**957**	991
637	533	**53**	64	**56 649**	44 079	**427**	374
403	333	**63**	51	**127 992**	113 782	**888**	857
530	478	**39**	35	**207 950**	216 986	**1 481**	1 674
99	89	**11**	24	**71 149**	170 013	**636**	1 826
23	17	**21**	11	**121 851**	119 954	**11 501**	10 077
3 064	2 586	**394**	371	**1 202 982**	1 367 372	**19 408**	19 470
646	494	**42**	71	**100 246**	61 173	**1 852**	335
646	494	**42**	71	**100 246**	61 173	**1 852**	335
3 710	3 080	**436**	442	**1 303 228**	1 428 545	**21 260**	19 805
–	–	**–**	–	**–**	–	**–**	–
–	29	**–**	–	**–**	–	**–**	–
–	29	**–**	–	**–**	–	**–**	–
3 710	3 109	**436**	442	**1 303 228**	1 428 545	**21 260**	19 805
2 170	2 032						
5 880	5 141						

41 Reconciliation of segment information to consolidated income statements and balance sheet

The "reconciliation of segment data to consolidated financials" line item in the segment reports is broken down into the following elements, to give a better understanding of the differences between the income statement, balance sheet and the segment report.

SA rand			US dollar	
2010	**2011**	Figures in million	**2011**	2010
		Revenue from:		
–	–	Discontinued operations	–	–
		Production costs from:		
–	–	Discontinued operations	–	–
		Reconciliation of cash operating profit to consolidated profit/(loss) before taxation and discontinued operations		
11 284	**12 445**	Total segment revenue	**1 781**	1 489
(8 358)	**(9 170)**	Total segment production costs	**(1 313)**	(1 103)
2 926	**3 275**	Cash operating profit	**468**	386
–	–	*Less*: Discontinued operations	–	–
2 926	**3 275**		**468**	386
(2 126)	**(2 445)**	Cost of sales items other than production costs	**(351)**	(280)
(1 326)	**(1 704)**	Amortisation and depreciation of mining properties, mine development cost and mine plant facilities	**(244)**	(175)
(49)	**(72)**	Amortisation and depreciation of other than mining and mining related assets	**(10)**	(6)
(29)	**(74)**	Rehabilitation expenditure	**(11)**	(4)
(57)	**(124)**	Care and maintenance cost of restructured shafts	**(18)**	(8)
(205)	**(158)**	Employment termination and restructuring costs	**(23)**	(27)
(148)	**(136)**	Share-based payments	**(19)**	(20)
(331)	**(264)**	Impairment of assets	**(39)**	(43)
19	**87**	Other	**13**	3
800	**830**	**Gross profit**	**117**	106
(382)	**(354)**	Corporate, administration and other expenditure	**(51)**	(50)
(81)	**(84)**	Social investment expenditure	**(12)**	(11)
(219)	**(353)**	Exploration expenditure	**(51)**	(29)
104	**29**	Profit on sale of property, plant and equipment	**4**	14
(58)	**(24)**	Other expenses – net	**(3)**	(8)
164	**44**	**Operating profit**	**4**	22
56	**(51)**	(Loss)/profit from associates	**(7)**	7
–	**(142)**	Impairment of investment in associate	**(20)**	–
(24)	–	Loss on sale of investment in subsidiary	–	(3)
38	**141**	Net gain on financial instruments	**20**	5
–	**273**	Gain on farm-in option	**38**	–
187	**140**	Investment income	**20**	25
(246)	**(288)**	Finance cost	**(41)**	(32)
175	**117**	**Profit/(loss) before taxation and discontinued operations**	**14**	24

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

SA rand			US dollar	
2010	**2011**	Figures in million	**2011**	2010
		Non-current assets		
6 068	**6 080**	Property, plant and equipment	**897**	794
2 210	**2 170**	Intangible assets	**320**	290
146	**31**	Restricted cash	**5**	19
1 742	**1 883**	Restricted investments	**278**	228
385	**–**	Investment in associates	**–**	50
1 875	**1 149**	Deferred tax asset	**170**	246
12	**185**	Investment in financial assets	**27**	2
214	**172**	Inventories	**25**	28
75	**23**	Trade and other receivables	**3**	10
		Current assets		
987	**837**	Inventories	**124**	129
932	**1 073**	Trade and other receivables	**158**	122
74	**139**	Income and mining taxes	**21**	10
770	**693**	Cash and cash equivalents	**102**	101
19	**268**	Assets of disposal groups classified as held-for-sale	**40**	3
15 509	**14 703**	**Total assets**	**2 170**	2 032

COMPANY INCOME STATEMENTS

FOR THE YEARS ENDED 30 JUNE 2011

Figures in million	Note	SA rand 2011	2010
Revenue		**2 644**	3 073
Cost of sales	1	**(2 446)**	(2 978)
Production costs		**(1 819)**	(2 274)
Amortisation and depreciation		**(222)**	(283)
Impairment of assets		**(203)**	(249)
Employment termination and restructuring costs		**(82)**	(71)
Other items		**(120)**	(101)
Gross profit		**198**	95
Corporate, administration and other expenditure		**(6)**	(26)
Social investment expenditure		**(40)**	(81)
Exploration expenditure		**(4)**	(4)
Other expenses – net	2	**(1 059)**	(493)
Operating loss	3	**(911)**	(509)
Net gain on financial instruments	4	**17**	7
Impairment of investments in subsidiaries	12	**(102)**	(1)
Investment income	5	**140**	201
Finance costs	6	**(174)**	(106)
Loss before taxation		**(1 030)**	(408)
Taxation	7	**(65)**	(124)
Net loss for the year		**(1 095)**	(532)
Attributable to:			
Owners of the parent		**(1 095)**	(532)
Non-controlling interest		**–**	–

These are the separate financial statements of Harmony Gold Mining Company Limited. For the group financial statements refer to pages 210 to 293.

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

COMPANY STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED 30 JUNE 2011

Figures in million	Note	SA rand 2011	2010
Net loss for the year		**(1 095)**	(532)
Other comprehensive (loss)/income for the year, net of income tax		**(5)**	4
Fair value movement of available-for-sale investments	19	**(5)**	4
Total comprehensive loss for the year		**(1 100)**	(528)
Attributable to:			
Owners of the parent		**(1 100)**	(528)
Non-controlling interest		**–**	–

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

COMPANY BALANCE SHEETS

AS AT 30 JUNE 2011

Figures in million	Note	SA rand 2011	2010
Assets			
Non-current assets			
Property, plant and equipment	8	**2 609**	2 456
Intangible assets	9	**17**	47
Restricted cash	10	**26**	112
Restricted investments	11	**279**	265
Investments in subsidiaries	12	**22 796**	22 524
Loans to subsidiaries	12	**3 532**	4 437
Investments in financial assets	13	**2**	4
Inventories	16	**27**	53
Trade and other receivables	17	**3**	36
Total non-current assets		**29 291**	29 934
Current assets			
Inventories	16	**165**	220
Trade and other receivables	17	**521**	443
Income and mining taxes		**37**	22
Cash and cash equivalents		**434**	533
Total current assets		**1 157**	1 218
Total assets		**30 448**	31 152
Equity and liabilities			
Share capital and reserves			
Share capital	18	**28 305**	28 265
Other reserves	19	**496**	470
Accumulated loss		**(2 080)**	(771)
Total equity		**26 721**	27 964
Non-current liabilities			
Deferred tax	7	**334**	294
Provision for environmental rehabilitation	20	**471**	478
Retirement benefit obligation and other provisions	21	**40**	23
Borrowings	22	**1 206**	922
Total non-current liabilities		**2 051**	1 717
Current liabilities			
Borrowings	22	**302**	177
Loans from subsidiaries	12	**801**	740
Trade and other payables	23	**573**	554
Total current liabilities		**1 676**	1 471
Total equity and liabilities		**30 448**	31 152

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

COMPANY STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED 30 JUNE 2011

Figures in million (SA rand)	Number of ordinary shares issued	Share capital	Share premium	Accumu-lated loss	Other reserves	Total
Note		18			19	
Balance – 30 June 2009	425 986 836	213	27 878	(26)	425	28 490
Issue of shares						
– Exercise of employee share options	505 584	–	22	–	–	22
– Issued for AVRD investment (note 15)	2 162 359	1	151	–	–	152
Repurchase of equity interest (note 19(b))	–	–	–	–	3	3
Share-based payments	–	–	–	–	38	38
Net loss for the year	–	–	–	(532)	–	(532)
Other comprehensive income for the year	–	–	–	–	4	4
Dividends paid	–	–	–	(213)	–	(213)
Balance – 30 June 2010	**428 654 779**	**214**	**28 051**	**(771)**	**470**	**27 964**
Issue of shares						
– Exercise of employee share options	**1 429 849**	**1**	**39**	**–**	**–**	**40**
Share-based payments	**–**	**–**	**–**	**–**	**31**	**31**
Net loss for the year	**–**	**–**	**–**	**(1 095)**	**–**	**(1 095)**
Other comprehensive loss for the year	**–**	**–**	**–**	**–**	**(5)**	**(5)**
Dividends paid	**–**	**–**	**–**	**(214)**	**–**	**(214)**
Balance – 30 June 2011	**430 084 628**	**215**	**28 090**	**(2 080)**	**496**	**26 721**

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

COMPANY CASH FLOW STATEMENTS

FOR THE YEARS ENDED 30 JUNE 2011

		SA rand	
Figures in million	Note	**2011**	2010
Cash flow from operating activities			
Cash generated by operations	24	**481**	547
Interest received		**140**	117
Dividends received		**–**	84
Interest paid		**(132)**	(71)
Income and mining taxes paid		**(32)**	(49)
Cash generated by operating activities		**457**	628
Cash flow from investing activities			
Decrease in restricted cash		**86**	–
Additions to intangible assets		**(16)**	(16)
Increase in loans to subsidiaries		**(375)**	(1 624)
Proceeds on disposal of available-for-sale financial assets		**1**	9
Acquisition of available-for-sale financial assets		**–**	(3)
Decrease in other non-current investments		**19**	55
Proceeds on disposal of property, plant and equipment		**8**	2
Additions to property, plant and equipment		**(505)**	(934)
Cash utilised by investing activities		**(782)**	(2 511)
Cash flow from financing activities			
Borrowings raised		**900**	1 200
Borrowings repaid		**(500)**	(106)
Ordinary shares issued		**40**	22
Dividends paid		**(214)**	(213)
Cash generated by financing activities		**226**	903
Net decrease in cash and cash equivalents		**(99)**	(980)
Cash and cash equivalents – beginning of year		**533**	1 513
Cash and cash equivalents – end of year		**434**	533

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEARS ENDED 30 JUNE 2011

1 Cost of sales

Figures in million	SA rand 2011	2010
Production costs (a)	**1 819**	2 274
Amortisation and depreciation of mining properties, mine development costs and mine plant facilities	**169**	249
Amortisation and depreciation of assets other than mining and mining related assets (b)	**53**	34
Rehabilitation (credit)/expenditure (c)	**(38)**	35
Care and maintenance cost of restructured shafts	**96**	27
Employment termination and restructuring costs (d)	**82**	71
Share-based payments (e)	**31**	38
Impairment of assets (f)	**203**	249
Other (g)	**31**	1
Total cost of sales	**2 446**	2 978

(a) **Production costs** include mine production, transport and refinery costs, applicable general and administrative costs, movement in inventories and ore stockpiles and ongoing environmental rehabilitation costs. Ongoing employee termination costs are included, however employee termination costs associated with major restructuring and shaft closures are excluded. Production costs, analysed by nature, consist of the following:

Figures in million	SA rand 2011	2010
Labour costs, including contractors	**1 097**	1 512
Consumables	**402**	545
Water and electricity	**265**	281
Insurance	**21**	47
Transportation	**58**	68
Changes in inventory	**20**	(14)
Capitalisation of mine development costs	**(172)**	(239)
Royalty expense	**25**	5
Other	**103**	69
Total production cost	**1 819**	2 274

(b) **Amortisation and depreciation of assets other than mining and mining related assets,** consist of the following:

Figures in million	SA rand 2011	2010
Other non-mining assets	**2**	2
Intangible assets	**46**	30
Amortisation of issue costs	**5**	2
Total amortisation and depreciation	**53**	34

(c) **Rehabilitation (credit)/expenditure**
For the assumptions used to calculate the rehabilitation costs, refer to note 3.4 of the group financial statements.

(d) **Employment termination and restructuring costs**
During the 2011 financial year Merriespruit 1 shaft was closed and placed on care and maintenance due to mining no longer being economically viable. The voluntary retrenchment process which the company commenced in the 2010 financial year was finalised during the latter part of the 2011 financial year.

During the 2010 financial year, Brand 3, Harmony 2 and Merriespruit 3 shafts were closed and placed on care and maintenance due to mining not being economically viable. The closure contributed to the employment termination and restructuring costs. The company also engaged in a voluntary retrenchment process during the 2010 financial year resulting in additional retrenchment cost for the company.

(e) Share-based payments

Refer to note 27 for details on the share-based payment schemes operated by the group of which the company is a member.

(f) Impairment of assets

Figures in million	SA rand 2011	2010
Steyn 1	**99**	–
Steyn 2	**104**	–
Harmony 2	**–**	38
Merriespruit 1	**–**	125
Merriespruit 3	**–**	48
Brand 2/3 complex	**–**	38
Total impairment of assets	**203**	249

In 2011 impairments amounting to R104 million were recognised as a result of the revised business (life-of-mine) plans, which are completed in June of each year, and included increases in electricity and labour costs and a decrease in reserves declared as a result of revised cut-off grades. The remaining R99 million impairment in 2011 relates to Steyn 1, where a decision was made not to mine in future. In 2010 this included impairments as a result of shaft closures discussed in 1(d) above as well as the revised business (life-of-mine) plans, which affected Merriespruit 1 shaft.

These adjustments impacted negatively on the recoverable amount of property, plant and equipment and contributed to the recognition of the impairments at the shafts. Impairment tests were performed as required *by IAS 36, Impairment of Assets*, and as a result these impairments were recorded. For assumptions used to calculate the recoverable amount, refer to note 3.1 of the group financial statements.

(g) Included in **Other** for the 2011 financial year are certain inventory adjustments. Refer to note 16.

2 Other expenses – net

Figures in million	SA rand 2011	2010
Foreign exchange gain – net	**(1)**	–
Profit on sale of property, plant and equipment (a)	**(7)**	(2)
Bad debts provision expense (b)	**1 067**	475
Bad debts written off (c)	**–**	10
Other expenses – net	**–**	10
Total other expenses – net	**1 059**	493

(a) Profit on sale of property, plant and equipment relates to scrap sales.

(b) (i) The bad debts provision mainly relates to the provision for irrecoverable loans to subsidiaries. During the 2011 financial year, a provision of R1 068 million was raised for the loan to ARMGold/Harmony Joint Investment Company (Proprietary) Limited (Investment Company). The loan was impaired to its recoverable amount, which is equal to the expected proceeds of R142 million, to be received for the sale of Rand Uranium to Gold One. Refer to note 16(i) of the group financial statements as well as note 12 (c) for further detail.

(ii) The provision for the 2010 financial year mainly relates to the provision for the loan to the Investment Company of R483 million as a result of the impairment of the investment in Pamodzi held by the Investment Company. Refer to note 14 for more detail.

(c) During the 2010 financial year trade debts and loans of R10 million were written off as the company considered the debt irrecoverable.

3 Operating loss

Figures in million	SA rand 2011	SA rand 2010
The following have been included in operating loss:		
Auditors' remuneration	**8**	8
Made up as follows:		
External		
Fees – current year	**5**	5
Fees – Other services	**1**	1
Internal		
Fees – current year	**2**	2

4 Net gain on financial instruments

Figures in million	SA rand 2011	SA rand 2010
Available-for-sale		
Impairment recognised in profit or loss (a)	–	(1)
Loss on sale of investments (b)	–	(2)
Realised portion of fair value movement (b)	**(1)**	6
	(1)	3
Fair value through profit or loss		
Fair value gain on environmental trust funds	**18**	4
Total net gain on financial instruments	**17**	7

(a) The impairment in the 2010 financial year relates to various small investments, which were considered to be permanently impaired.

(b) The company disposed of a number of listed investments it held through New Africa Mining Fund during the 2011 and 2010 financial years, for a total consideration of R1.2 million (2010: R8.5 million). The total fair value loss of R1 million (2010: gain of R6 million) relating to these investment were reclassified from other reserves to the income statement.

5 Investment income

Figures in million	SA rand 2011	SA rand 2010
Interest received	**140**	117
Loans and receivables	**77**	21
Held-to-maturity investments	**4**	12
Cash and cash equivalents	**45**	84
South African Revenue Service (SARS)	**14**	–
Dividend income (a)	–	84
Total investment income	**140**	201

(a) Included in the amount for 2010 financial year is a cash dividend of R82 million received from Lydenburg Exploration Limited (Lydex), a wholly owned subsidiary of Harmony.

6 Finance costs

Figures in million	SA rand 2011	SA rand 2010
Financial liabilities		
Bank and short-term facilities	–	1
Borrowings	**137**	63
Other creditors	**5**	–
Total finance costs from financial liabilities	**142**	64
Non-financial liabilities		
Post-retirement benefit	**1**	1
Time value of money and inflation component of rehabilitation costs	**31**	32
South African Revenue Service (SARS)	–	9
Total finance costs from non-financial liabilities	**32**	42
Total finance costs	**174**	106

7 Taxation

Figures in million	SA rand 2011	2010
SA taxation		
Mining tax (a)	**(5)**	2
Current year	**–**	2
Prior year overprovision	**(5)**	–
Non-mining tax (b)	**23**	35
Current year	**23**	35
Prior year underprovision	**–**	–
Deferred tax (c)	**40**	87
STC	**7**	–
Total taxation	**65**	124

(a) Mining tax on gold mining income in South Africa is determined according to a formula, based on the taxable income, net of any qualifying capital expenditure from mining operations. 5% of total mining revenue is exempt from taxation as a result of applying the gold mine formula while the balance of profits is taxed at 34%. All qualifying mining capital expenditure is deducted from taxable mining income to the extent that it does not result in an assessed loss and accounting depreciation is eliminated when calculating the company's mining taxable income. Excess capital expenditure is carried forward as unredeemed capital to be claimed from future mining taxable income.

The company had made no election to be exempt from STC and is therefore taxed at a lower rate.

(b) Non-mining income is taxed at 28%.

(c) The deferred tax rate used to calculate deferred tax is based on the current estimate of future profitability when temporary differences will reverse, based on tax rates and tax laws that have been enacted at balance sheet date. Depending on the profitability of the operations, the deferred tax rate can consequently be significantly different from year to year. The deferred tax rate used for the 2011 financial year was 23.9% (2010: 23.1%).

Income and mining tax rates

The tax rates remained unchanged for the 2011 and 2010 financial years.

Major items causing the income tax provision to differ from the maximum mining statutory tax rate of 34% were:

Figures in million	SA rand 2011	2010
Tax on net loss at the maximum mining statutory tax rate	**359**	139
Non-allowable deductions	**(438)**	(208)
Effect on temporary differences due to changes in effective tax rate	**3**	(68)
Difference between non-mining tax rate and statutory mining rate on non-mining income	**5**	7
Difference between effective mining tax rate and statutory mining rate on mining income	**9**	6
Prior year adjustment – mining and non-mining tax	**4**	–
STC	**(7)**	–
Income and mining taxation	**(65)**	(124)
Effective income and mining tax rate	**6%**	30%

7 Taxation continued

Deferred tax

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

Figures in million	SA rand 2011	2010
Deferred tax assets	**(83)**	(88)
Deferred tax asset to be recovered after more than 12 months	**(54)**	(63)
Deferred tax asset to be recovered within 12 months	**(29)**	(25)
Deferred tax liabilities	**417**	382
Deferred tax liability to be recovered after more than 12 months	**340**	343
Deferred tax liability to be recovered within 12 months	**77**	39
Net deferred tax liability	**334**	294

The net deferred tax liabilities on the balance sheets as at 30 June 2011 and 30 June 2010, relate to the following:

Figures in million	SA rand 2011	2010
Gross deferred tax liability	**420**	380
Amortisation and depreciation	**417**	379
Other	**3**	1
Gross deferred tax assets	**(86)**	(86)
Unredeemed capital expenditure	**(3)**	(3)
Provisions, including non-current provisions	**(83)**	(83)
Net deferred tax liability	**334**	294

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

Figures in million	SA rand 2011	2010
Balance at beginning of year	**294**	207
Total charge per income statement	**40**	87
Balance at end of year	**334**	294

At 30 June 2011, the company has unredeemed capital expenditure of R11 million (2010: R13 million) and a CGT loss of R1 million (2010: Rnil) available for deduction against future mining taxable income and future CGT gains. These future deductions are utilisable against mining taxable income generated only from the company's current mining operations and does not expire unless the company ceases to trade for a period longer than one year. CGT losses are utilisable against future capital gains.

As at 30 June 2011 and 2010, the company had recognised all deferred tax assets in the determination of the net deferred tax liability.

During the financial years ended 30 June 2011 and 2010, there was no tax charged directly to equity.

Secondary Tax on Companies (STC)

STC is tax levied on South African companies at a rate of 10% with effect from 1 October 2007 on dividends distributed.

Current and deferred tax are measured at the tax rate applicable to undistributed income and therefore only take STC into account to the extent that dividends have been received or paid.

On declaration of a dividend, the company includes the STC on this dividend in its computation of the income tax expense in the period of such declaration.

	SA rand	
Figures in million	**2011**	2010
Available STC credits at end of year	–	141

On 12 August 2011, the board of directors approved a final dividend for the 2011 financial year of 60 (2010: 50) SA cents per share. The total dividend amounts to R258 million (2010: R214 million) based on issued shares at 30 June 2011. As the dividends declared exceed the STC credits available, STC on the amount of R258 million (2010: R73 million) is payable at a rate of 10%.

8 Property, plant and equipment

	SA rand	
Figures in million	**2011**	2010
Mining properties, mine development costs and mine plant facilities (a)	**2 199**	2 048
Undeveloped properties (b)	**402**	402
Other non-mining assets (c)	**8**	6
Total property, plant and equipment	**2 609**	2 456
(a) Mining properties, mine development costs and mine plant facilities		
Cost		
Balance at beginning of year	**5 099**	3 909
Acquisition – Pamodzi FS assets[1]	–	180
Acquisition – AVRD[2]	–	398
Additions[3]	**525**	515
Adjustment to rehabilitation asset	–	97
Transfers and other movements	**(2)**	–
Balance at end of year	**5 622**	5 099
Accumulated depreciation and impairments		
Balance at beginning of year	**3 051**	2 554
Impairment of assets (refer to note 1(f) for detail)	**203**	248
Depreciation	**169**	249
Balance at end of year	**3 423**	3 051
Net book value	**2 199**	2 048

[1] *During the 2010 financial year, the company concluded separate purchase agreements with the liquidators of Pamodzi FS for the purchase of its Free State South assets and inventories (refer to note 16). The consideration paid for the mining assets was R180 million and R100 million was paid for the inventories.*

[2] *During March 2010, the company acquired the 26% shares of the mining title of Doornkop South Reef from AVRD for a total consideration of R398 million. Refer to note 15 for more detail.*

[3] *Includes R22 million attributable from the Doornkop JV.*

8 Property, plant and equipment continued

Figures in million	SA rand 2011	SA rand 2010
(b) Undeveloped property		
Cost		
Balance at beginning of year	**402**	410
Disposal	**–**	(8)
Net book value	**402**	402
(c) Other non-mining assets		
Cost		
Balance at beginning of year	**48**	44
Additions	**2**	4
Transfers and other movements	**2**	–
Balance at end of year	**52**	48
Accumulated depreciation and impairments		
Balance at beginning of year	**42**	40
Depreciation	**2**	2
Balance at end of year	**44**	42
Net book value	**8**	6

9 Intangible assets

Figures in million	SA rand 2011	SA rand 2010
Computer software		
Cost		
Balance at beginning of year	**117**	101
Additions	**16**	16
Balance at end of year	**133**	117
Accumulated amortisation and impairments		
Balance at the beginning of year	**70**	40
Amortisation	**46**	30
Balance at end of year	**116**	70
Total net book value	**17**	47

The additions in 2011 relate to a project for the implementation of a health and safety software application. The project will be finalised in the 2012 financial year and amortised over five years. The Oracle ERP software application has been fully amortised at 30 June 2011.

10 Restricted cash

Figures in million	SA rand 2011	SA rand 2010
Environmental guarantees	**26**	112

The amount relates to funds set aside for guarantees made to the DMR for environmental and rehabilitation obligations. A portion of the funds are held on call account and the rest are invested in money market funds. Refer to note 20.

During the 2011 financial year, guarantees amounting to R132 million, supported by collateral of R90 million, were cancelled and the cash was released back to the company for general corporate use. These guarantees were provided on behalf of Rand Uranium to the DMR, until such time that Rand Uranium had provided its own guarantees.

11 Restricted investments

Figures in million	SA rand 2011	SA rand 2010
Investments held by Environmental Trust Fund (a)	**245**	225
– Fair value through profit or loss financial assets	**233**	177
– Held-to-maturity financial assets	**12**	48
Investments held by Social Trust Fund (b)	**34**	40
Total restricted investments	**279**	265

(a) The Environmental Trust Funds are irrevocable trusts under the company's control. Contributions to the trust are invested in interest-bearing short-term or medium-term equity-linked notes issued by commercial banks that provide guaranteed interest and additional interest or growth linked to the growth of the Shareholder Weighted Top 40 index (SWIX 40) of the JSE. The equity-linked notes are designated fair value through profit or loss investments and recorded at fair value whilst the interest-bearing short-term investments are classified as held to maturity and recorded at amortised cost. These investments provide for the estimated cost of rehabilitation at the end of the life of the company's mines. Income earned on the investments is retained in the funds and reinvested.

Figures in million	SA rand 2011	SA rand 2010
Reconciliation of the movement in the Environmental Trust Fund:		
Balance at beginning of year	**225**	212
Fair value movement	**18**	4
Interest income	**2**	9
Balance at end of year	**245**	225

(b) The Social Trust Fund is an irrevocable trust under the company's control. The company has undertaken to donate over a period of 10 years to the Harmony Gold Mining Company Social Plan Trust in terms of an agreement signed on 3 November 2003. An initial donation of R18.5 million was made during the 2004 year. Thereafter instalments of R3.5 million per annum were and will be made with the final instalment to be made in 2013. The purpose of the trust is to fund the social plan to reduce the negative effects of restructuring on the company's workforce, to put measures in place to ensure that the technical and lifeskills of the company's workforce are developed and to develop the company's workforce in such a manner to avoid or minimise the effect of job losses and a decline in employment through turnaround or redeployment strategies.

Figures in million	SA rand 2011	SA rand 2010
Reconciliation of the movement in the Social Trust Fund:		
Balance at beginning of year	**40**	43
Contributions made	**4**	4
Interest income	**2**	3
Claims paid	**(12)**	(10)
Balance at end of year	**34**	40

12 Investment in subsidiaries

	SA rand	
Figures in million	**2011**	2010
Shares at cost (a)(b)	**22 796**	22 524
Loans to subsidiary companies (c)	**3 532**	4 437
Loans from subsidiary companies	**(801)**	(740)
Total investment in subsidiaries	**25 527**	26 221

Refer to Annexure A on page 325 for a detailed listing of the company's investments in subsidiaries and the loans to and from these companies. The recoverable amount of investments in subsidiaries have been determined on the fair value less cost to sell model, by comparing the future expected cash flows from subsidiaries, represented by the net investment, with the subsidiaries' net asset value.

(a) During 2011, management approved the liquidation of various companies in the group. At 30 June liquidation orders had been granted for three direct subsidiaries and 11 indirect subsidiaries, whilst applications for liquidation for another two direct subsidiaries and two indirect subsidiaries have been submitted after year end. These companies were all dormant during the 2011 financial year. Refer to Annexure A on page 325 for a list of these companies. During 2011, the cost of the investment in Lydex was provided for as irrecoverable as the carrying value of the investments exceeded Lydex's net asset value by R101 million.

During 2010, the liquidation process of Harmony Precious Metal Services SAS, Harmony Gold (Peru) SA, Harmony Gold (Isle of Man) Limited and Harmony Gold Netherland BV was finalised. The investments in these companies, amounting to R6 million, were written off during 2009 financial year.

During the 2010 financial year the investment in the Investment Company of R0.8 million was impaired as the carrying value exceeded the Investment Company's net asset value.

(b) During the 2011 financial year, Harmony Gold (Australia) (Proprietary) Limited (Harmony Australia) issued 35.9 million (2010: 212.9 million) ordinary shares, valued at R373 million (2010: R762 million), when the loan to Harmony Australia was capitalised as part of the company's net investment in Harmony Australia.

(c) During the 2011 financial year, R1 068 million (2010: R483 million) was provided as irrecoverable for the loan to the Investment Company (refer to note 2), where the carrying value of the investment exceeded the Investment Company's net asset value, adjusted for the offer to purchase from Gold One for Rand Uranium. Refer note 16 (i) of group financial statements. The remaining loan balance of R127 million (2010: R1.2 billion) will be evaluated periodically to determine whether further provision is required.

13 Investment in financial assets

	SA rand	
Figures in million	**2011**	2010
Available-for-sale financial assets		
Balance at beginning of year	**4**	8
Additions	**1**	3
Disposals	**(2)**	(11)
Fair value movement of available-for-sale investments	**(1)**	4
Balance at end of year	**2**	4
The carrying amount consists of the following:		
Available-for-sale financial assets		
Investment in listed and unlisted shares	**2**	4

These investments have been valued by the directors by performing independent valuations on an annual basis to ensure that no permanent impairment in the value of the investments has occurred. During 2011 the company, through its investment in New Africa Mining Fund (NAMF), disposed of certain listed investments for a net loss of R1 million (2010: net loss of R2 million). Fair value movement recognised in other comprehensive income for the year totalled R1 million (2010: R10 million) with fair value losses of R1 million (2010: R6 million) reclassified to the income statement on disposal of the investment. Refer to note 4. During the 2011 financial year the company received R1 million in income from these investments (2010: Rnil).

14 Investment in associates

Harmony acquired 32.4% of Pamodzi when the company sold the Orkney operation on 27 February 2008 in exchange for a consideration of 30 million Pamodzi shares, initially valued at R345 million. Pamodzi was placed in liquidation in March 2009 and the trading of its shares on the JSE was suspended. The company had historically recognised accumulated impairments of R345 million, reducing the carrying value of the investment to Rnil. Refer to group financial statements note 22(a) for further detail.

15 Investment in joint venture

Doornkop JV agreement

During the 2010 financial year, Harmony and Randfontein, a subsidiary of Harmony, entered into a joint venture agreement for the operation of the Doornkop mine following Harmony's purchase of a 26% interest in the Doornkop mining right from AVRD.

The agreement to purchase AVRD's 26% interest during the 2010 financial year is considered to be a repurchase of a call option (equity interest). The transaction became effective on 19 March 2010. As consideration for the 26% interest in Doornkop, the company repaid the outstanding balance of R244 million of the AVRD Nedbank loan on 31 March 2010, as well as issued 2 162 359 shares to AVRD on 28 April 2010. The value of the consideration shares on the effective date was R151 million. The total purchase consideration was R398 million. In terms of the sales agreement, 975 419 consideration shares are to be held in escrow until 1 May 2014. The difference between the value of the shares issued of R151 million, the settlement of the AVR Nedbank loan and transaction costs, have been taken directly to equity.

Harmony recognised the cost of the mineral rights as part of property, plant and equipment (refer to note 8). During the 2011 financial year, depreciation of R2.1 million (2010: R1.4 million) was recorded for this asset. The joint venture agreement entitles the company to a 16% share of the operating profit or loss of the Doornkop mine. During the 2011 financial year, this amounted to a profit of R26 million (2010: profit of R5 million for three months from the effective date). In addition, ongoing capital expenditure, as defined by the joint venture agreement, amounted to R22 million.

The following are the company's effective share of income, expenses, assets and liabilities, which are included in the 2011 financial statements:

	SA rand	
Figures in million	**2011**	2010
Revenue	**125**	23
Operating expenditure	**(99)**	(18)
Operating profit	**26**	5
Non-current assets	**418**	398
Total assets	**418**	398

16 Inventories

	SA rand	
Figures in million	**2011**	2010
Gold in lock-up	**30**	25
Gold in-process and bullion on hand	**40**	106
Consumables at weighted average cost	**122**	142
Total inventories	**192**	273
Non-current portion of gold in lock-up and gold in-process	**(27)**	(53)
Total current portion of inventories	**165**	220
Included in the balance above is:		
Inventories valued at net realisable value	**55**	25

During the financial year, writedowns of R41 million were recorded for the Steyn plant demolishment project as a result of changes to the life-of-mine plan, as well as R3 million for the net realisable value adjustment for other gold in lock-up. During the 2010 financial year the company acquired Steyn plant containing gold in lock-up valued at R100 million from Pamodzi FS, which has been included in the cost of inventory. Refer to note 8.

During the 2011 financial year, R8 million was provided for slow-moving stock, while R2 million was reversed against the slow-moving stock provision during the 2010 financial year. The total provision at 30 June 2011 was R18 million (2010: R10 million).

17 Trade and other receivables

Figures in million	SA rand 2011	2010
Current		
Financial assets:		
Trade receivables (gold)	**301**	333
Other trade receivables (a)	**41**	36
Provision for impairment	**(19)**	(19)
Trade receivables – net	**323**	350
Interest and other receivables (b)	**165**	70
Employee receivables	**17**	15
Non-financial assets:		
Prepayments	**16**	8
Total current trade and other receivables	**521**	443
Non-current		
Financial assets:		
Loans receivable (c)	**119**	149
Provision for impairment (d)	**(116)**	(116)
Loans receivable – net	**3**	33
Loan to Harmony Share Trust	**–**	3
Total non-current trade and other receivables	**3**	36

(a) Included in other trade receivables is an amount of R3 million (2010: R6 million) owed by Rand Uranium, a related party (refer to note 28).

(b) Included in the 2011 financial year is an amount of R7 million (2010: R7 million) owing by Pamodzi FS in terms of the asset purchase agreements for rehabilitation trust funds to be released to the company. Also included in 2011 financial year is the balance of the self-insurance fund of R90 million.

(c) Loans comprise various loans, which have been valued by the directors. Included in this balance is a loan of R116 million (2010: R116 million) owed by Pamodzi. The interest on this loan was at prime rate until March 2009 when Pamodzi was placed into liquidation. Harmony is a concurrent creditor in the Pamodzi Orkney liquidation.

(d) The balance represents the provision for Pamodzi's irrecoverable loan.

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

Figures in million	SA rand 2011	2010
Balance at beginning of year	**19**	17
Impairment loss recognised	**–**	5
Reversal of impairment loss	**–**	(3)
Balance at end of year	**19**	19

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

Figures in million	SA rand 2011	2010
Balance at beginning of year	**116**	125
Loans written off during the year	**–**	(9)
Balance at end of year	**116**	116

Figures in million	SA rand Gross	Impairment
The ageing of trade receivables at the reporting date was:		
30 June 2011		
Fully performing	**303**	**–**
Past due by 1 to 30 days	**11**	**–**
Past due by 31 to 60 days	**2**	**–**
Past due by 61 to 90 days	**–**	**–**
Past due by more than 90 days	**8**	**5**
Past due by more than 361 days	**18**	**14**
	342	**19**
30 June 2010		
Fully performing	325	–
Past due by 1 to 30 days	11	–
Past due by 31 to 60 days	12	–
Past due by 61 to 90 days	–	–
Past due by more than 90 days	9	8
Past due by more than 361 days	12	11
	369	19
The ageing of loans receivable at the reporting date was:		
30 June 2011		
Fully performing	**3**	**–**
Past due by 1 to 30 days	**–**	**–**
Past due by 31 to 60 days	**–**	**–**
Past due by 61 to 90 days	**–**	**–**
Past due by more than 90 days	**–**	**–**
Past due by more than 361 days	**116**	**116**
	119	**116**
30 June 2010		
Fully performing	33	–
Past due by 1 to 30 days	–	–
Past due by 31 to 60 days	–	–
Past due by 61 to 90 days	–	–
Past due by more than 90 days	–	–
Past due by more than 361 days	116	116
	149	116

Based on past experience, the company believes that no impairment allowance is necessary in respect of fully performing receivables as the amount relates to customers that have a good track record with the company. Similarly, the loans and receivables noted above, other than those that have been provided for, are fully performing and considered to be a low risk.

As at 30 June 2011 and 30 June 2010 there was no collateral pledged or held for any of the receivables.

During the year 2011 and 2010 there was no renegotiation of the terms of any receivable.

18 Share capital

Authorised

1 200 000 000 (2010: 1 200 000 000) ordinary shares of SA 50 cents each.
10 958 904 (2010: 10 958 904) redeemable convertible preference shares of SA 50 cents each.

Issued

430 084 628 (2010: 428 654 779) ordinary shares of SA 50 cents each. All issued shares are fully paid.

Included in the total of issued shares is an amount of 2 314 shares held by Lydex, a wholly owned subsidiary of the company.

10% of the authorised unissued shares are under the control of the directors until the forthcoming annual general meeting. Note 27 sets out details in respect of the share option scheme and shares held in trust for employees of the company of which the company is a member.

Share issues

2011 Financial year

Shares issued in 2011 financial year relates to exercise of share options by employees.

2010 Financial year

On 19 March 2010, Harmony concluded an agreement with AVRD. Refer to group note 27 and note 15 for more detail.

19 Other reserves

	SA rand	
Figures in million	**2011**	2010
Fair value movement of available-for-sale financial assets (a)	**(1)**	4
Repurchase of equity interest (b)	**3**	3
Equity component of convertible bond (c)	**277**	277
Share-based payments (d)	**217**	186
Total other reserves	**496**	470
(a) Fair value movement of available-for-sale financial assets		
Balance at beginning of year	**4**	–
Fair value movement – unrealised	**(6)**	10
Realised portion reclassified through profit or loss	**1**	(6)
Balance at end of year	**(1)**	4

The balance of the fair value movement reserve represents the movement in the fair value of the available-for-sale financial assets. Refer to note 4 for details on the other movement.

	SA rand	
Figures in million	**2011**	2010
(b) Repurchase of equity interest		
Balance at beginning of year	**3**	–
Equity reserve on issue of shares	**–**	154
Shares issued	**–**	(151)
Balance at end of year	**3**	3

The sale of 26% of the AVRD mining titles resulted in a R3 million repurchase of a call option (equity interest) by the company. Refer to note 15.

Figures in million	SA rand 2011	2010
(c) Equity component of convertible bond		
Balance at beginning/end of year	**277**	277

Refer to note 28(c) in the group financial statements.

Figures in million	SA rand 2011	2010
(d) Share-based payments		
Balance at beginning of year	**186**	148
Share-based payments expensed	**31**	38
Balance at end of year	**217**	186

Refer to note 28(e) in the group financial statements. During the year a share-based payment expense of R31 million (2010: R38 million) was charged to the income statement.

20 Provision for environmental rehabilitation

The company's mining and exploration activities are subject to extensive environmental laws and regulations. These laws and regulations are continually changing and are generally becoming more restrictive. The company has made, and expects to make in the future, expenditures to comply with such laws and regulations, but cannot predict the full amount of such future expenditures. Estimated future reclamation costs are based principally on legal and regulatory requirements. The following is a reconciliation of the total liability for environmental rehabilitation:

Figures in million	SA rand 2011	2010
Provision raised for future rehabilitation		
Balance at beginning of year	**478**	314
Change in estimate – Balance sheet	**–**	28
Change in estimate – Income statement	**(38)**	35
Acquisition of assets	**–**	69
Time value of money and inflation component of rehabilitation costs	**31**	32
Total provision for environmental rehabilitation	**471**	478

While the ultimate amount of rehabilitation costs to be incurred in the future is uncertain, the company has estimated that, based on current environmental and regulatory requirements, the total cost for its mines, in current monetary terms, is approximately R650 million (2010: R613 million). Refer to note 3.4 of the group financial statements for estimations and judgements used in the calculation.

Figures in million	SA rand 2011	2010
Future net undiscounted obligations		
Ultimate estimated rehabilitation cost	**650**	613
Amounts invested in environmental trust funds (Refer to note 11)	**(245)**	(225)
Total future net undiscounted obligations	**405**	388

The company intends to finance the ultimate rehabilitation costs from the money invested with environmental trust funds, ongoing contributions, as well as the proceeds on sale of assets and gold in lock-up from plant clean-up at the time of mine closure. The company has guarantees in place relating to the environmental liabilities. Refer to note 10 and 29.

21 Retirement benefit obligations and other provisions

Figures in million	SA rand 2011	2010
Retirement benefit obligation (refer to note 25)	**34**	7
Other	**6**	16
Total retirement benefit obligation and other provisions	**40**	23

22 Borrowings

Nedbank Limited

On 11 December 2009, the company entered into a loan facility with Nedbank Limited, comprising a term facility of R900 million and a revolving credit facility of R600 million. The facility was utilised to fund the acquisition of the Pamodzi FS assets (refer to notes 8 and 16) as well as the company's major capital projects and working capital requirements. Interest accrues on a day-to-day basis over the term of the loan at a variable interest rate.

On 30 November 2010, the company entered into an additional loan facility with Nedbank Limited, comprising a term facility of R500 million and a revolving credit facility of R250 million. Interest terms are identical to the original facility. The repayments terms of the original revolving credit facility were amended to coincide with the repayment on the new facility.

The debt covenant tests for the group are as follows:

- The group's interest cover shall not be less than two (EBIT/total interest).
- Current ratio shall not be less than one (current assets/current liabilities).
- Cash flow from operating activities shall be above R100 million for the last six months.
- Market capitalisation to facilities outstanding ratio shall not be less than six or nine times if dividends are paid.

The debt covenant tests are performed on a quarterly basis. No breaches of the covenants were identified during the tests in the 2010 and 2011 financial years.

Terms and debt repayment schedule at 30 June 2011

	Interest charge	Repayment terms	Maturity date	Security
Nedbank Limited (Secured loan – term facility 1)	3 month JIBAR plus 3.5%, payable quarterly	Bi-annual equal instalments of R90 million	31 December 2014	Cession and pledge of operating subsidiaries shares
Nedbank Limited (Secured loan – term facility 2)	3 month JIBAR plus 3.5%, payable quarterly	Bi-annual equal instalments of R62.5 million	31 December 2014	
Nedbank Limited (Secured loan – revolving credit facilities)	1 or 3 month JIBAR plus 3.5%, payable after interest interval	Repayable on maturity	30 November 2013	

Figures in million	SA rand 2011	2010
Interest-bearing borrowings		
Non-current borrowings		
Nedbank Limited (Secured loan – term facilities)	**759**	627
Balance at beginning of year	**627**	–
Draw down	**500**	900
Repayments	**(242)**	(90)
Issue cost	**(4)**	(9)
Amortisation of issue costs	**3**	3
Net adjustments to current portion	**(125)**	(177)
Nedbank Limited (Secured loan – revolving credit facilities)	**447**	295
Balance at beginning of year	**295**	–
Draw down	**400**	300
Repayments	**(250)**	–
Issue cost	**–**	(6)
Amortisation of issue costs	**2**	1
Total non-current borrowings	**1 206**	922
Current borrowings		
Current portion of the loans from Nedbank Limited	**302**	177
Total current borrowings	**302**	177
Total interest-bearing borrowings	**1 508**	1 099
The maturity of borrowings is as follows:		
Current	**302**	177
Between 1 to 2 years	**302**	177
Between 2 to 5 years	**904**	745
Over 5 years	**–**	–
	1 508	1 099
Undrawn committed borrowing facilities:		
Expiring within one year	**–**	–
Expiring after one year	**400**	300
	400	300

	Effective rate 2011	2010
Nedbank Limited	**9.1%**	10.1%

The level of the Harmony's borrowing powers, as determined by its articles of association, shall not except with the consent of the Harmony's general meeting, exceed R40 million or the aggregate from time to time of the issued and paid-up share capital of the company, together with the aggregate of the amounts standing to the credit of all distributable and non-distributable reserves (including minority interests in subsidiary companies and provisions for deferred taxation) and any share premium accounts of the company.

23 Trade and other payables

Figures in million	SA rand 2011	2010
Financial liabilities:		
Trade payables	**81**	120
Other liabilities	**12**	28
Non-financial liabilities:		
Payroll accruals	**188**	203
Leave liabilities (a)	**68**	77
Shaft related accruals	**33**	33
Other accruals	**143**	62
Value added tax	**48**	31
Total trade and other payables	**573**	554

(a) **Leave liability**

Employee entitlements to annual leave are recognised on an ongoing basis. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. The movement in the liability recognised in the balance sheet is as follows:

Figures in million	SA rand 2011	2010
Balance at beginning of year	**77**	81
Benefits paid	**(71)**	(84)
Total expense per income statement	**62**	80
Balance at end of year	**68**	77

24 Cash generated by operations

Reconciliation of loss before taxation to cash generated by operations		
Loss before taxation	**(1 030)**	(408)
Adjustments for:		
Amortisation and depreciation	**222**	283
Impairment of assets	**203**	248
Profit on sale of property, plant and equipment	**(7)**	(2)
Net increase in provision for post-retirement benefits	**26**	1
Net (decrease)/increase in provision for environmental rehabilitation	**(38)**	35
Impairment of investments in subsidiaries	**102**	1
Share-based payments	**31**	38
Net gain on financial instruments	**(17)**	(7)
Interest received	**(140)**	(117)
Dividends received	**–**	(84)
Finance costs	**174**	106
Provision for doubtful debts	**1 058**	475
Bad debts written off	**–**	10
Inventory adjustments	**64**	13
Other non-cash transactions	**(31)**	(8)
Effect of changes in operating working capital items		
Receivables	**(112)**	(7)
Inventories	**17**	(123)
Payables	**(41)**	93
Cash generated by operations	**481**	547

Additional cash flow information

(i) The income and mining taxes paid in the statement of cash flow represents actual cash paid less refunds received.

(ii) At 30 June 2011, R400 million (30 June 2010: R300 million) of borrowing facilities had not been drawn down, and is therefore available for future operating activities and future capital commitments. Refer to note 22.

For the financial year ended June 2011

(a) Acquisitions and disposals of subsidiaries/businesses

No acquisitions or disposals of subsidiaries/businesses occurred in the 2011 financial year.

(b) Principal non-cash transactions

– Capitalisation of the Harmony Australia intercompany loan (refer to note 12(b)).

– Share based-payments (refer to note 27).

For the financial year ended June 2010

(a) Acquisitions and disposals of subsidiaries/businesses

Acquisition of Pamodzi FS (President Steyn assets)

On 18 February 2010, the company concluded the acquisition of the Pamodzi FS assets for a total consideration of R280 million of which R180 million was attributed to property, plant and equipment and R100 million to inventories.

(b) Principal non-cash transactions

– Capitalisation of the Harmony Australia intercompany loan (refer to note 12(b)).

– Issue of shares for the acquisition of 26% share of the mining titles of Doornkop South Reef from AVRD (refer to notes 15 and 18).

– Share based-payments (refer to note 27).

25 Retirement benefit obligations

Pension and provident funds: Refer to note 34(a) of the notes to the group financial statements. Funds contributed by the company for the 2011 financial year amounted to R83 million (2010: R111 million).

Post-retirement benefits other than pensions: Refer to note 34(b) of the notes to the group financial statements for a discussion of the obligation and assumptions used. The disclosure below relates to the company only.

	SA rand	
Figures in million	**2011**	2010
Present value of unfunded obligations	**34**	7
Current employees	**27**	–
Retired employees	**7**	7
Movement in the liability recognised in the balance sheet:		
Balance at beginning of year	**7**	5
Contributions paid	**(1)**	(1)
Finance cost	**1**	1
Net actuarial loss recognised during the year[1]	**–**	2
Transfer of employees[2]	**27**	–
Balance at end of year	**34**	7

[1] *Net actuarial gains/loss are included in cost of sales in the income statement. The net actuarial loss for 2009 was R2 million, net actuarial gain/(loss) for 2008 and 2007 financial years was Rnil.*

[2] *Transfers are included in cost of sales in the income statement. Certain employees were transferred from Freegold to Harmony resulting in the increase of the liability.*

25 Retirement benefit obligations continued

Figures in million	SA rand 2011	2010
The net liability of the defined benefit plan is as follows:		
Present value of defined benefit obligation	**34**	7
Fair value of plan assets	**–**	–
Net retirement benefit obligation liability	**34**	7

The present value of the defined benefit obligation was R5 million in 2009, R3 million in 2008 and R4 million in 2007.

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

Figures in million	SA rand 2011	2010
	1% increase	1% increase
Effect on:		
Aggregate of service cost and interest cost	**–**	–
Defined benefit obligation	**5**	1
	1% decrease	1% decrease
Effect on:		
Aggregate of service cost and interest cost	**–**	–
Defined benefit obligation	**4**	1

The company expects to contribute approximately R0.8 million for this obligation in 2012.

26 Employee benefits

Figures in million	SA rand 2011	2010
Number of permanent employees as at 30 June*	**7 454**	9 962
Aggregate earnings:		
The aggregate earnings of employees including directors were:		
Salaries and wages and other benefits	**1 317**	1 379
Retirement benefit costs	**113**	111
Medical aid contributions	**32**	24
Total aggregate earnings**	**1 462**	1 514

* *The decrease in the number of permanent employees is attributable to the shaft closures in 2011.*

** *These amounts have been included in production cost, corporate expenditure and capital expenditure.*

Remuneration for the directors and management is fully disclosed in the remuneration report, on pages 199 to 201.

During the 2011 financial year R9 million (2010: R10 million) was included in the payroll cost for termination costs. Termination costs excludes the costs relating to the voluntary retrenchment process as well as retrenchments due to shaft closures (refer to note 1(d)).

27 Share option scheme

The company currently has the 2001 and 2003 schemes and the 2006 share plan that are still active. The objective of these schemes is to recognise the contributions of senior staff to the company's financial position and performance and to retain key employees.

The details pertaining to share options issued and exercised by the directors and management during the year are disclosed in the remuneration report on pages 199 to 201.

Options granted under the 2001 and 2003 schemes

Refer to note 36 of the group notes for the information relating to the 2001 and 2003 schemes. The following information relates specifically to the company.

Number of share options relating to the 2001 and 2003 option schemes	**2011**	2010
Share options granted	**19 230 420**	19 298 719
Exercised	**13 959 167**	13 413 392
Vested but not exercised	**802 991**	1 498 666
Forfeited and lapsed	**4 468 262**	4 386 661

Activity on share options granted but not yet exercised	**2011** Number of shares	**2011** Weighted average option price (SA rand)	2010 Number of shares	2010 Weighted average option price (SA rand)
For the year ended 30 June				
Balance at beginning of year	**1 498 666**	**48.22**	1 836 987	47.54
Options exercised	**(545 775)**	**45.58**	(321 922)	44.55
Options forfeited and lapsed	**(81 601)**	**53.87**	(16 399)	44.09
Intercompany transfer of employees	**(68 299)**		–	
Balance at end of year	**802 991**	**49.74**	1 498 666	48.22

List of options granted but not yet exercised (listed by grant date)	**At 30 June 2011**	Option price (SA rand)	Remaining life (years)
20 November 2001	**60 000**	49.60	0.4
27 March 2003	**16 200**	91.60	1.7
10 August 2004	**262 800**	66.15	3.1
26 April 2005	**463 991**	39.00	3.8
Total options granted but not yet exercised	**802 991**		

Figures in million	SA rand **2011**	2010
Average market value of share options traded during the year	**47**	25
Gain realised by participants on options traded during the year	**22**	11
Fair value of share options vested during the year	**–**	28
Share-based cost recognised	**–**	1

27 Share option scheme continued

Options granted under the 2006 share plan

Refer to note 36 of the group notes for the information relating to the 2006 share plan. The following information relates specifically to the company.

Number of share options relating to	SARs 2011	SARs 2010	PS 2011	PS 2010	RS 2011	RS 2010
Share options granted	**4 610 526**	4 017 457	**3 476 204**	2 681 307	**240 922**	–
Exercised	**138 531**	–	**302 885**	–	**–**	–
Vested but not exercised	**381 176**	86 681	**–**	–	**–**	–
Unvested	**3 271 804**	3 545 202	**2 369 065**	2 231 202	**240 922**	–
Forfeited and lapsed	**819 015**	385 574	**804 254**	450 105	**–**	–
Vesting periods of unvested shares						
Within one year	**744 020**	457 825	**1 163 089**	501 942	**–**	–
One to two years	**1 009 993**	807 313	**447 938**	1 268 046	**–**	–
Two to three years	**816 034**	1 127 468	**758 038**	461 214	**240 922**	–
Three to four years	**518 007**	751 042	**–**	–	**–**	–
Four to five years	**183 750**	401 554	**–**	–	**–**	–
Total number of unvested shares	**3 271 804**	3 545 202	**2 369 065**	2 231 202	**240 922**	–

Activity on options granted but not yet exercised	SARs Number of shares	SARs Weighted average option price (SA rand)	PS Number of shares	RS Number of shares
For the year ended 30 June 2011				
Balance at beginning of year	**3 631 883**	**77.32**	**2 231 202**	**–**
Options granted	**593 069**	**84.81**	**794 897**	**240 922**
Options exercised	**(138 531)**	**70.54**	**(302 885)**	**–**
Options forfeited and lapsed	**(433 441)**	**81.98**	**(354 149)**	**–**
Balance at end of year	**3 652 980**	**79.08**	**2 369 065**	**240 922**
For the year ended 30 June 2010				
Balance at beginning of year	2 524 144	78.68	2 012 382	–
Options granted	1 259 451	77.28	461 214	–
Options exercised	–	–	–	–
Options forfeited and lapsed	(151 712)	79.40	(242 394)	–
Balance at end of year	3 631 883	77.32	2 231 202	–

List of shares granted but not yet exercised (listed by grant date)	Number of shares	Strike price (SA rand)	Remaining life (years)
As at 30 June 2011			
Share appreciation rights			
15 November 2006	204 848	112.64	1.4
15 November 2007	953 877	70.54	2.4
7 March 2008	46 154	102.00	2.7
5 December 2008	894 081	77.81	3.4
16 November 2009	1 002 770	77.28	4.4
15 November 2010	551 250	84.81	5.4
	3 652 980		
Performance shares			
5 December 2008	1 163 089	n/a	0.4
16 November 2009	447 938	n/a	1.4
15 November 2010	758 038	n/a	2.4
	2 369 065		
Restricted shares			
15 November 2010	240 922	n/a	2.4
	240 922		
Total options granted but not yet exercised	**6 262 967**		

	SA rand	
Figures in million	**2011**	2010
Gain realised by participants on options traded during the year	**24**	–
Fair value of share options vested during the year	**26**	10
Share-based cost recognised	**31**	38

28 Related parties

Refer to note 37 in the group financial statements for a discussion on related parties.

In addition to the transactions disclosed below, the company concluded the following transactions with related parties:

(a) Pamodzi – refer to notes 8 and 16.

(b) AVRD – refer to note 15.

Figures in million	SA rand 2011	2010
Sales and services rendered to related parties		
Direct associates	**–**	–
Indirect associates	**37**	69
Direct subsidiaries	**8 876**	9 272
Indirect subsidiaries	**407**	404
	9 320	9 745
Purchases and services acquired from related parties		
Indirect associates	**3**	22
Outstanding balances due by related parties		
Direct associates (a)	**7**	7
Indirect associates	**3**	25
Direct subsidiaries	**3 532**	4 437
	3 542	4 469
Outstanding balances due to related parties		
Direct associates (b)	**17**	27
Direct subsidiaries	**338**	296
Indirect subsidiaries	**463**	444
	818	767

(a) This amount has been included under trade and other receivables. Refer note 17(b).

(b) This amount, which has been included in Trade and Other Payables, relates to the acquisition of the President Steyn assets from Pamodzi FS and is payable when certain conditions are fulfilled. The balance has been classified as current as there is no fixed payment date.

The loans are unsecured and interest-free, with the exception of the loan to Pamodzi.

Annexure A contains a full list of the loans to and from subsidiaries. Refer to note 12 for details of provisions made against these loans.

29 Commitments and contingencies

Figures in million	SA rand 2011	2010
Capital expenditure commitments		
Contracts for capital expenditure	**32**	27
Authorised by the directors but not contracted for	**120**	–
Total commitments	**152**	27

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

Figures in million	SA rand 2011	2010
Contingent liabilities		
Environmental guarantees	**221**	201

Refer to note 38 in the group financial statements for a discussion on contingent liabilities.

30 Subsequent events

Refer to note 39 of the group financial statements.

31 Financial risk management

The company's financial instruments expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and other price risk), credit risk and liquidity risk. The company may use derivative financial instruments to hedge certain risk exposures.

The company's financial instruments are set out below:

Figures in million (SA rand)	Loans and receivables	Available-for-sale financial assets	Held-to-maturity invest-ments	Fair value through profit or loss	Financial liabilities at amortised cost
At 30 June 2011					
Restricted cash	**26**	**–**	**–**	**–**	**–**
Restricted investments	**–**	**–**	**46**	**233**	**–**
Investments in financial assets	**–**	**2**	**–**	**–**	**–**
Loans to subsidiaries	**3 532**	**–**	**–**	**–**	**–**
Trade and other receivables	**508**	**–**	**–**	**–**	**–**
Cash and cash equivalents	**434**	**–**	**–**	**–**	**–**
Borrowings	**–**	**–**	**–**	**–**	**1 508**
Loans from subsidiaries	**–**	**–**	**–**	**–**	**801**
Trade and other payables	**–**	**–**	**–**	**–**	**93**
At 30 June 2010					
Restricted cash	112	–	–	–	–
Restricted investments	–	–	88	177	–
Investments in financial assets	–	4	–	–	–
Loans to subsidiaries	4 437	–	–	–	–
Trade and other receivables	471	–	–	–	–
Cash and cash equivalents	533	–	–	–	–
Borrowings	–	–	–	–	1 099
Loans from subsidiaries	–	–	–	–	740
Trade and other payables	–	–	–	–	148

Risk management is carried out by a central group treasury department under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the company's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and the investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

The company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar (US$). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. Harmony's revenues are sensitive to the ZAR/US$ exchange rate as all revenues are generated by gold sales denominated in US$. Harmony generally, does not enter into forward sales, derivatives or other hedging arrangements to establish exchange rates in advance for the sale of its future gold production.

The company has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Harmony generally does not enter into forward sales, derivatives or other hedging arrangements to manage this risk.

Sensitivity analysis

The company has reviewed its foreign currency exposure on financial assets and financial liabilities as at 30 June 2011 and 2010 and concluded that a change of 10% in the exchange rate will not have a material effect on company balances.

31 Financial risk management continued

(a) Market risk continued

(ii) Other price risk

The company is exposed to the risk of fluctuations in the fair value of the available-for-sale and fair value through profit or loss financial assets as a result of changes in market prices (other than changes in interest rates and foreign currencies). Harmony generally does not use any derivative instruments to manage this risk.

Sensitivity analysis

A 1% change in the share price of available-for-sale financial assets at the reporting date, with all other variables held constant, would not have had an impact on other comprehensive income for 2010 and 2011.

A 1% increase in the SWIX 40 index on the JSE at the reporting date, with all other variables held constant, would have increased profit or loss by R1.1 million (2010: R1.8 million); an equal change in the opposite direction would have decreased profit or loss by R1.1 million (2010: R1.8 million).

The analysis is performed on the same basis for 2010. The financial assets to which these sensitivities have been performed are disclosed in notes 11 and 13.

Commodity price sensitivity

The profitability of the company's operations, and the cash flows generated by those operations, are affected by changes in the market price of gold. Harmony generally does not enter into forward sales, derivatives or other hedging arrangements to establish a price in advance for the sale of future gold production.

(iii) Cash flow and fair value interest rate risk

The company's interest rate risk arises mainly from long-term borrowings. The company has variable interest rate borrowings. Variable rate borrowings expose the company to cash flow interest rate risk. The company has not entered into interest rate swap agreements.

Sensitivity analysis

A change of 100 basis points in interest rates during reporting period would have increased/(decreased) loss before tax by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2010.

	SA rand	
Figures in million	**2011**	2010
Increase by 100 basis points	**15**	11
Decrease by 100 basis points	**(15)**	(11)

(b) Credit risk

Credit risk is the risk that a counterparty may default or not meet its obligations timeously. Financial instruments, which subject the company to concentrations of credit risk, consist predominantly of restricted cash, restricted investments, trade and other receivables (excluding non-financial instruments) and cash and cash equivalents.

Exposure to credit risk on trade and other receivables is monitored on a regular basis. The credit risk arising from restricted cash, cash and cash equivalents and restricted investments is managed by ensuring amounts are only invested with financial institutions of good credit quality. The company has policies that limit the amount of credit exposure to any one financial institution.

Cash and cash equivalents and restricted cash

Financial institutions' credit rating by exposure:

Figures in million	SA rand 2011	2010
Credit rating		
AAA[1]	**258**	341
AA[1]	**12**	61
AA-	**166**	192
A+	**24**	38
A	**–**	13
Cash and cash equivalents and restricted cash	**460**	645
Includes restricted cash[1]		
AAA	**26**	–
AA	**–**	22
AA-	**–**	90
Total restricted cash	**26**	112

It is the policy of the company to renegotiate credit terms with long-standing customers who have a good credit history with the company. These customers are monitored on an ongoing basis to ensure that the customer remains within the renegotiated terms. Refer to note 17.

The company's maximum exposure to credit risk is represented by the carrying amount of all financial assets determined to be exposed to credit risk, amounting to R1 247 million as at 30 June 2011 (2010: R1 381 million). R410 million of this amount, which includes the equity-linked notes and interest-bearing short-term investments (refer to note 11), is held with Nedbank Limited which has an AA- rating.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities.

In the ordinary course of business, the company receives cash from its operations and is required to fund working cost and capital expenditure requirements. The cash is managed to ensure that surplus funds are invested in a manner to achieve market-related returns and to provide sufficient liquidity at the minimum risk. The company is able to actively source financing at competitive rates.

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

Figures in million	SA rand Current	More than 1 year
2011		
Borrowings[1, 2, 3]	**435**	**1 189**
Trade and other payables (excluding non-financial liabilities)	**93**	**–**
	528	**1 189**
2010		
Borrowings[1, 2, 3]	285	1 095
Trade and other payables (excluding non-financial liabilities)	148	–
	433	1 095

[1] *R220 million (2010: R145 million) is due between 0 to 6 months.*
[2] *R215 million (2010: R140 million) is due between 6 to 12 months.*
[3] *R389 million (2010: R267 million) is due between 1 to 2 years.*

31 Financial risk management continued

(d) Fair value determination

The carrying values (less any impairment allowance) of short-term financial instruments are assumed to approximate their fair values.

The fair value of the available-for-sale financial assets are determined by reference to quoted market prices. The fair value of other non-current financial instruments are determined using a discounted cash flow model with market observable inputs, such as market interest rates.

The carrying values of financial assets and liabilities are assumed to approximate their fair values.

The following table presents the company's assets that are measured at fair value by level at 30 June 2011. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

1) Quoted prices (unadjusted) in active markets for identical assets (level 1).
2) Inputs other than quoted prices included within level 1 that are observable for the asset, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
3) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Assets	**Level 1**	**Level 2**	**Level 3**
Figures in million (SA rand)			
Available-for-sale financial assets[1]	**–**	**1**	**1**
Fair value through profit and loss financial assets[2]	**–**	**233**	**–**

The following table presents the company's assets and liabilities that are measured at fair value by level at 30 June 2010.

Assets	Level 1	Level 2	Level 3
Figures in million (SA rand)			
Available-for-sale financial assets[1]	–	2	2
Fair value through profit and loss financial assets[2]	–	177	–

[1] *Refer to note 12. Level 1 and 2 fair values are either directly or indirectly derived from actively trading shares on the JSE.*

[2] *Level 2 fair values are indirectly derived from the Shareholder Weighted Top 40 Index (SWIX 40) on the JSE and is discounted at market interest rates.*

ANNEXURE A

STATEMENT OF GROUP COMPANIES AT 30 JUNE 2011

Company		Issued share capital R'000	Effective group interest 2011 %	Effective group interest 2010 %	Cost of investment by holding company 2011 Rm	Cost of investment by holding company 2010 Rm	Loans from/(to) holding company 2011 Rm	Loans from/(to) holding company 2010 Rm
Direct subsidiaries								
Dormant								
Authentic Beverage (Proprietary) Limited	(a)	Ω	**100**	100	**–**	–	**–**	–
Coreland Property Development Company (Proprietary) Limited	(a)	#	**100**	100	**–**	–	**–**	–
Coreland Property Investment (Proprietary) Limited	(a)	#	**100**	100	**–**	–	**–**	–
Coreland Property Management (Proprietary) Limited	(a)	#	**100**	100	**–**	–	**–**	–
Harmony Engineering (Proprietary) Limited	(a)	#	**100**	100	**3**	3	**(3)**	(3)
Harmony Gold (Management Services) (Proprietary) Limited	(a)	1	**100**	100	**–**	–	**–**	–
Harmony Gold (Marketing) (Proprietary) Limited	(a)	Ω	**100**	100	**–**	–	**–**	–
Harmony Gold Limited	(b)	#	**100**	100	**–**	–	**–**	–
Harmony HIV-Aids Company (Proprietary) Limited	(a)	Ω	**100**	100	**–**	–	**–**	–
Musuku Beneficiation Systems (Proprietary) Limited	(a)	@	**100**	100	**–**	–	**–**	–
Unisel Gold Mines Limited	(a)	23 136	**100**	100	**89**	89	**(89)**	(89)
Virginia Salvage (Proprietary) Limited	(a)	@	**90**	90	**–**	–	**–**	–
Exploration								
Lydenburg Exploration Limited	(a)	42 792	**100**	100	**103**	204	**4**	1
Gold mining								
African Rainbow Minerals Gold Limited	(a)	96	**100**	100	**7 081**	7 081	**208**	196
ARMGold/Harmony Freegold Joint Venture Company (Proprietary) Limited	(a)	20	**100**	100	**17**	17	**1 063**	1 166
Avgold Limited	(a)	6 827	**100**	100	**6 935**	6 935	**762**	645
Evander Gold Mines Limited	(a)	39 272	**100**	100	**545**	545	**(220)**	(179)
Randfontein Estates Limited	(a)	19 882	**100**	100	**1 311**	1 311	**1 202**	1 127
Investment holding								
ARMGold/Harmony Joint Investment Company (Proprietary) Limited	(a)	#	**100**	100	**–**	–	**127**	1 200
Harmony Gold Australia (Proprietary) Limited	(c)	6 391 122	**100**	100	**6 391**	6 018	**–**	–
West Rand Consolidated Mines Limited	(a)	17 967	**100**	100	**321**	321	**(26)**	(25)

ANNEXURE A CONTINUED

STATEMENT OF GROUP COMPANIES AT 30 JUNE 2011

Company		Issued share capital R'000	Effective group interest 2011 %	Effective group interest 2010 %	Cost of investment by holding company 2011 Rm	Cost of investment by holding company 2010 Rm	Loans from/(to) holding company 2011 Rm	Loans from/(to) holding company 2010 Rm
Direct subsidiaries continued								
Mining related services								
Harmony Pharmacies (Proprietary) Limited	(a)	#	**99**	99	–	–	**166**	102
Property holding and development								
La Riviera (Proprietary) Limited	(a)	#	**100**	100	–	–	–	–
Indirect subsidiaries								
Dormant								
Arai Liki Offshore (Proprietary) Limited	(c)	293	**100**	100	–	–	–	–
Aurora Custodians (Proprietary) Limited	(c)	#	**100**	100	–	–	–	–
Aurora Gold (WA) (Proprietary) Limited	(c)	163 115	**100**	100	–	–	–	–
Aurora Gold (Wafi) (Proprietary) Limited	(c)	#	**100**	100	–	–	–	–
Aurora Gold Administration (Proprietary) Limited	(c)	293	**100**	100	–	–	–	–
Aurora Gold Australia (Proprietary) Limited	(c)	58	**100**	100	–	–	–	–
Aurora Gold Finance (Proprietary) Limited	(c)	#	**100**	100	–	–	–	–
Aurora Gold Limited	(c)	685 006	**100**	100	–	–	–	–
Aurora Gold Services (Proprietary) Limited	(c)	#	**100**	100	–	–	–	–
Australian Ores & Minerals (Proprietary) Limited	(c)	8 766	**100**	100	–	–	–	–
Bracken Mines Limited	(a)	Ω	**100**	100	–	–	–	–
Carr Boyd Minerals (Proprietary) Limited	(c)	402 414	**100**	100	–	–	–	–
Clidet No. 790 (Proprietary) Limited	(a)	#	**100**	100	–	–	–	–
Clidet No. 791 (Proprietary) Limited	(a)	#	**100**	100	–	–	–	–
Clidet No. 804 (Proprietary) Limited	(a)	#	**100**	100	–	–	–	–
Cogent (Proprietary) Limited	(a)	Ω	**100**	100	–	–	–	–
Evander Stone Holdings (Proprietary) Limited	(a)	1	**100**	100	–	–	–	–
Evander Township Development Limited	(a)	3	**100**	100	–	–	–	–

Company		Issued share capital R'000	Effective group interest 2011 %	2010 %	Cost of investment by holding company 2011 Rm	2010 Rm	Loans from/(to) holding company 2011 Rm	2010 Rm
Garden Gully (Proprietary) Limited	(c)	^	**–**	100	**–**	–	**–**	–
Garnkirk (Proprietary) Limited	(c)	^	**–**	100	**–**	–	**–**	–
Harmony Gold Investments (Proprietary) Limited	(c)	^	**–**	100	**–**	–	**–**	–
Harmony Gold Securities (Proprietary) Limited	(c)	#	**100**	100	**–**	–	**–**	–
Harmony Gold WA (Proprietary) Limited	(c)	#	**100**	100	**–**	–	**–**	–
Harmony Precision Casting Company (Proprietary) Limited	(a)	@	**100**	100	**–**	–	**(1)**	(1)
Harmony Victoria (Proprietary) Limited	(c)	^	**–**	100	**–**	–	**–**	–
Jubilee Minerals (Proprietary) Limited	(c)	Ω	**100**	100	**–**	–	**–**	–
KwaZulu Gold Mining Company (Proprietary) Limited	(a)	Ω	**100**	100	**–**	–	**–**	–
Leslie Gold Mines Limited	(a)	Ω	**100**	100	**–**	–	**–**	–
Loraine Gold Mines Limited	(a)	Ω	**100**	100	**–**	–	**–**	–
Middelvlei Development Company (Proprietary) Limited	(a)	#	**100**	100	**–**	–	**–**	–
New Hampton Goldfields Limited	(c)	196 248	**100**	100	**–**	–	**–**	–
NHG Investments (Proprietary) Limited	(c)	^	**–**	100	**–**	–	**–**	–
Portions 1 and 3 Wildebeestfontein (Proprietary) Limited	(a)	Ω	**100**	100	**–**	–	**–**	–
Potchefstroom Gold Areas Limited	(a)	8 407	**100**	100	**–**	–	**–**	–
Potchefstroom Gold Holdings (Proprietary) Limited	(a)	2	**100**	100	**–**	–	**–**	–
Remaining Extent and Portion 15 Wildebeestfontein (Proprietary) Limited	(a)	@	**90**	90	**–**	–	**–**	–
Selcast Nickel (Proprietary) Limited	(c)	^	**–**	100	**–**	–	**–**	–
South Kal Mines (Proprietary) Limited	(c)	6	**100**	100	**–**	–	**–**	–
Swaziland Gold (Proprietary) Limited	(d)	#	**100**	100	**–**	–	**–**	–

ANNEXURE A CONTINUED
STATEMENT OF GROUP COMPANIES AT 30 JUNE 2011

Company		Issued share capital R'000	Effective group interest 2011 %	Effective group interest 2010 %	Cost of investment by holding company 2011 Rm	Cost of investment by holding company 2010 Rm	Loans from/(to) holding company 2011 Rm	Loans from/(to) holding company 2010 Rm
Indirect subsidiaries continued								
The Kunana Mining Company (Proprietary) Limited	(a)	Ω	**100**	100	**–**	–	**–**	–
Trodex Platinum (Proprietary) Limited	(a)	Ω	**100**	100	**–**	–	**–**	–
Vadessa (Proprietary) Limited	(c)	#	**100**	100	**–**	–	**–**	–
Venda Gold Mining Company (Proprietary) Limited	(a)	Ω	**100**	100	**–**	–	**–**	–
Winkelhaak Mines Limited	(a)	Ω	**100**	100	**–**	–	**–**	–
Exploration					**–**			
Harmony Gold (Exploration) (Proprietary) Limited	(a)	10	**100**	100	**–**	–	**(4)**	(3)
Harmony Gold PNG (Exploration) Limited	(e)	#	**100**	100	**–**	–	**–**	–
Morobe Exploration Limited	(e)	1 104	**100**	100	**–**	–	**–**	–
Gold mining								
Harmony Gold PNG Limited	(e)	#	**100**	100	**–**	–	**–**	–
Kalahari Goldridge Mining Company Limited	(a)	1 275	**100**	100	**–**	–	**(456)**	(438)
Mt Magnet Gold NL	(c)	v	**–**	100	**–**	–	**–**	–
Investment								
Abelle Limited	(c)	488 062	**100**	100	**–**	–	**–**	–
Harmony Gold Operations Limited	(c)	405 054	**100**	100	**–**	–	**–**	–
Mineral right investment								
Morobe Consolidated Goldfields Limited	(e)	#	**100**	100	**–**	–	**–**	–
Wafi Mining Limited	(e)	#	**100**	100	**–**	–	**–**	–
Property holding and development								
Evander Township Limited	(a)	1 340	**100**	100	**–**	–	**(2)**	(2)
Quarrytown Limited	(a)	#	**100**	100	**–**	–	**–**	–
Salt Holdings Limited	(a)	Ω	**100**	100	**–**	–	**–**	–

Company		Issued share capital R'000	Effective group interest 2011 %	2010 %	Cost of investment by holding company 2011 Rm	2010 Rm	Loans from/(to) holding company 2011 Rm	2010 Rm
Mining related services								
Harmony Gold (PNG Services) (Proprietary) Limited	(c)	#	**100**	100	–	–	–	–
Total					**22 796**	22 524	**2 731**	3 697
Total investments							**25 527**	26 221

Joint venture operations – indirect

Company		Issued share capital R'000	Effective group interest 2011 %	2010 %	Cost of investment by holding company 2011 Rm	2010 Rm	Loans from/(to) holding company 2011 Rm	2010 Rm
Morobe Exploration Services Limited	(e)	$	**50**	50	**–**	–	–	–
Hidden Valley Services Limited	(e)	$	**50**	50	**–**	–	–	–
Wafi Golpu Services Limited	(e)	$	**50**	50	**–**	–	–	–

The company's interest in jointly controlled operations is accounted for by proportionate consolidation. Under this method the group includes its share of the joint venture's individual income and expenses, assets and liabilities in the relevant components of the financial statements on a line-by-line basis.

Associate company – direct

Gold mining company

Company		Issued share capital R'000	Effective group interest 2011 %	2010 %	Cost of investment by holding company 2011 Rm	2010 Rm	Loans from/(to) holding company 2011 Rm	2010 Rm
Pamodzi Gold Limited	(a)	30	**32**	32	**–**	–	**–**	–
Associate company – indirect:								
Gold and uranium mining								
Rand Uranium	(a)	#	**40**	40	**–**	–	**–**	25

Investments in associates are accounted for by using the equity method of accounting. Equity accounting involves recognising in the income statement the group's share of the associates' profit or loss for the period. The group's interest in the associate is carried on the balance sheet at an amount that reflects the cost of the investment, the share of post-acquisition earnings and other movement in the reserves.

(a) Incorporated in the Republic of South Africa

(b) Incorporated in the Isle of Man

(c) Incorporated in Australia

(d) Incorporated in Swaziland

(e) Incorporated in Papua New Guinea

\# *Indicates issued share capital of less than R1 000*
^ *These companies were deregistered in the 2011 financial year*
Ω *Liquidation order granted during the 2011 financial year*
@ *Liquidation application submitted subsequent to 30 June 2011 year end*
v *The company was sold during the 2011 year*
$ *Indicates a share in the joint venture's capital assets*

The above investments are valued by the directors at carrying value.

INVESTOR RELATIONS

Contacts

E-mail
harmonyIR@harmony.co.za

Henrika Basterfield
Investor relations officer
Telephone: +27 11 411 2314
Fax: +27 11 692 3879
Mobile: +27 82 759 1775
E-mail: henrika@harmony.co.za

Marian van der Walt
Executive: Corporate & investor relations
Telephone: +27 11 411 2037
Fax: +27 86 614 0999
Mobile: +27 82 888 1242
E-mail: marian@harmony.co.za

General e-mail enquiries
corporate@harmony.co.za

Harmony website
www.harmony.co.za

The integrated annual report for 2011 is available in electronic format at www.harmony.co.za and may also be requested in printed format from Harmony's investor relations contacts above. The sustainable development report 2011 is available as an online report.

In addition, Harmony has produced the Form 20-F, an annual report which is required to file with the United States' Securities and Exchange Commission in accordance with its listing on the NYSE. Electronic copies will be available towards the end of October 2011 free of charge on EDGAR at www.sec.gov and on our corporate website: www.harmony.co.za.

Stock exchange listings and ticker codes

Harmony's primary listing is on the JSE Limited. The company's shares are also listed on the London Stock Exchange. They are quoted in the form of American depositary receipts (ADRs) on the New York Stock Exchange and as international depositary receipts (IDRs) on the Berlin and Brussels exchanges.

Harmony's quoted share codes on these exchanges are as follows:

JSE Limited	HAR
NYSE Euronext	HMY
London Stock Exchange	HRM
Berlin Stock Exchange	HAM1
Brussels Stock Exchange	HMY

Share information

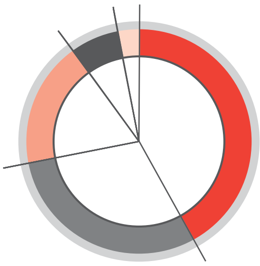
Sector		Resources
Sub-sector		Gold
Nature of business		Harmony Gold Mining Company Limited and its subsidiaries are engaged in underground and open-pit gold mining, exploration and related activities in South Africa and Papua New Guinea.
Issued share capital as at 30 June 2011		430 084 628 shares in issue
Market capitalisation		
	at 30 June 2011	R38.7 billion or US$5.7 billion
	at 30 June 2010	R34.9 billion or US$4.5 billion
Share price statistics – FY 2011		
JSE:	12-month high	R103.25
	12-month low	R71.90
	Closing price	R89.95
NYSE:	12-month high	U$15.57
	12-month low	US$9.72
	Closing price	US$13.22
Free float		100%
ADR ratio		1:1
Performance on JSE in FY11		
Number of shares traded		392 million
Total issued shares		430 084 628
Value of shares traded		R33.2 billion
ADR performance in FY11		
Number of ADRs traded		647 million
Total number of ADRs outstanding		131 million
Value of ADRs traded		US$7.9 billion

Shareholder spread as at 30 June 2011

	Number of shareholders	% of shareholders	Number of issued shares held	% of issued shares held
Public	12 268	99.98	366 329 819	85.18
Non-public	3	0.02	63 754 809	14.82
Holdings exceeding 10%	1	0.01	63 632 922	14.80
Directors*	1	0.01	101 303*	0.02
Long-term share incentive scheme	1	0.00	20 584	0.00
Totals	12 271	100.00	430 084 628	100.00

** Held by AJ Wilkens*

Geographic distribution of shareholders – 30 June 2011



Ownership summary as at 30 June 2011

Rank	Institution	Current combined position	% total shares outstanding
1	ARM Ltd	63 632 922	14.87
2	Blackrock Investment Management (UK) Ltd	46 062 952	10.77
3	Allan Gray Unit Trust Management Ltd	39 282 219	9.18
4	Public Investment Corporation of South Africa	27 261 749	6.37
5	First Eagle Investment Management LLC	22 172 485	5.18
6	Van Eck Global	14 983 954	3.50
7	Capital International Research & Management	14 081 735	3.29
8	Investec Asset Management Pty Ltd (South Africa)	12 162 827	2.84
9	Dimensional Fund Advisors Inc	10 964 483	2.56
10	Vanguard Group Inc	8 503 699	1.99
11	BlackRock Fund Advisors	8 474 763	1.98
12	Fidelity Management & Research	8 421 072	1.97
13	FIL Investments International	7 017 268	1.64
14	Regarding Capital Management (Pty) Ltd	6 204 366	1.45
15	BlackRock Advisors LLC	6 014 935	1.41
16	Government of Singapore Investment Corp Pte Ltd (Investment Management)	5 759 973	1.35
17	Absa Capital Prime Brokerage Account	5 656 559	1.32
18	Soges Fiducem (IDRs)	5 390 925	1.26
19	Retail Brokers (ADR)	5 284 931	1.24
20	Domestic broker dealers	4 256 186	0.99

Analysis of ordinary shares (Strate) as at 30 June 2011

	Number of shareholders	% of shareholders	Number of shares held	% of issued shared held
1 to 10 000	11 695	95.31	4 813 486	1.12
10 001 to 100 000	353	2.88	13 962 565	3.25
100 001 to 1 000 000	179	1.46	52 710 747	12.26
1 000 001 and more	44	0.36	358 597 830	83.38
Total	12 271	100.0	430 084 628	100.0

Historical performance of shares on the JSE

	FY11	FY10
As at 30 June: (R/share)	**89.95**	81.40
Year high (R/share)	**103.25**	87.51
Year low (R/share)	**71.90**	68.65
Number of ordinary shares issued (000)	**430 085**	428 655
Volume of shares traded (000)	**392 035**	463 826
Volume of shares traded as % of total issued shares	**91**	108

Historical performance of shares on the ADR program

	FY11	FY10
As at 30 June: (US$/share)	**13.22**	10.57
Year high (US$/share)	**15.73**	12.96
Year low (US$/share)	**10.26**	8.73
Number of ADRs issued (000)	**19 213**	11 978
Volume of ADRs traded (000)	**647 222**	850 096
ADRs outstanding	**131 048 775**	120 922 003

Shareholders' diary

Financial year end	30 June
Annual financial statements issued	24 October 2011
Form 20-F issued	24 October 2011
Annual general meeting	30 November 2011
Dividend dates:	
Dividend declared	12 August 2011
Quarterly results presentations FY12:	
Quarter 1	31 October 2011
Quarter 2	6 February 2012
Quarter 3	10 May 2012
Quarter 4	15 August 2012

GLOSSARY OF TERMS

$	United States dollar.
A$	Australian dollar.
Available-for-sale financial asset	A financial asset designated as available-for-sale or one other than those classified as loans and receivables, held-to-maturity investments or derivative instruments.
BEE/BBBEE	Black economic empowerment/broad-based black economic empowerment.
By-products	Any products emanating from the core process of producing gold, including silver and uranium in South Africa and copper, silver and molybdenum in Papua New Guinea.
Calc-silicate rock	A metamorphic rock consisting mainly of calcium-bearing silicates such as diopside and wollastonite, and formed by metamorphism of impure limestone or dolomite.
Capital expenditure (capex)	Expenditure on tangible assets – includes ongoing and project capital. In particular, capex includes spending on ongoing development, abnormal expenditure, shaft projects and major projects, and covers both sustaining and growing operations.
Carbon-in-leach (CIL)	Gold is leached from a slurry of gold ore with cyanide in agitated tanks and adsorbed on to carbon granules in the same circuit. Granules are separated from the slurry and treated to remove the gold.
Carbon-in-pulp (CIP)	Gold is leached conventionally from a slurry of gold ore with cyanide in agitated tanks. The leached slurry passes into the CIP circuit where carbon granules are mixed with the slurry and gold is adsorbed on to the carbon. Granules are separated from the slurry and treated to remove the gold.
Cash costs	Total cash costs include site costs for all mining, processing and administration, reduced by contributions from by-products and include royalties and production taxes. Amortisation, rehabilitation, corporate administration, retrenchment, capital and exploration costs are excluded. Total cash costs per ounce are attributable total cash costs divided by attributable ounces of gold produced.
CDP	Carbon Disclosure Project – an independent not-for-profit organisation that acts as an intermediary between shareholders and corporations on all climate change-related issues, providing primary climate change data from the world's largest corporations to the global marketplace.
CLR	Carbon leader reef.
CO_2 emissions	Total CO_2 emissions calculated from direct emissions generated from petrol and diesel consumption and indirect emissions generated from electricity consumption (expressed in tonnes).
Cyanide Code	International management code for the manufacture, transport and use of cyanide in the production of gold. The aim is to promote responsible management of cyanide used in gold mining; to protect human health and reduce the potential for environmental impacts.
Cut-off grade	Minimum grade at which a unit of ore will be mined to achieve the desired economic outcome.
Depletion	Decrease in quantity of ore in a deposit or property due to extraction or production.

Development	Process of accessing an orebody through shafts or tunnelling in underground mining operations.
Discontinued operation	A component of an entity that has been disposed of or abandoned or classified as held-for-sale until conditions precedent to the sale have been fulfilled.
DMR	Department of Mineral Resources.
EBITDA	Earnings before interest, tax, depreciation and amortisation.
Effective tax rate	Current and deferred taxation as a percentage of profit before taxation.
Electricity use	Energy use calculated from electricity purchased and diesel and petrol consumed during the reporting period.
Employment equity	Percentage of black employees (as defined by die DTI Codes) per occupational level.
Equity	Shareholders' equity adjusted for other comprehensive income and deferred taxation.
FIFR	Fatal injury frequency rate, the number of fatalities per million hours worked.
Financial asset	Cash or cash equivalents, an equity instrument, a contractual right to receive cash, or a contractual right to exchange a financial instrument under favourable conditions.
Financial liability	A contractual obligation to pay cash or transfer other benefits or a contractual obligation to exchange a financial instrument under unfavourable conditions. This includes debt.
GHG	Greenhouse gas – a gas that contributes to the greenhouse effect by absorbing infrared radiation, such as carbon dioxide and chlorofluorocarbons (CFCs).
Gold produced	Refined gold derived from the mining process, measured in ounces or kilograms in saleable form.
Grade	Quantity of gold contained in a unit weight of gold-bearing material generally expressed in ounces per short ton of ore (oz/t), or grams per metric tonne (g/t).
g/TEC	Grams per total employee costed.
HAART	Highly active antiretroviral treatment.
HDSAs	Historically disadvantaged South Africans – all people and groups who were discriminated against on the basis of race, gender and disability as per the MPRDA definition.
Indicated mineral resource	Part of a mineral resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information using appropriate techniques from outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but close enough for continuity to be assumed.
Inferred mineral resource	Part of a mineral resource for which tonnage, grade resource and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from outcrops, trenches, pits, workings and drill holes that may be limited or of uncertain quality and reliability.

Interest cover	EBITDA divided by finance costs and unwinding of obligations.
ISO 14001	Published in 1996 by the International Organisation for Environmental Standardisation, it specifies actual requirements for an environmental management system.
JIBAR	Johannesburg interbank agreed rate.
JORC	Australian code for reporting exploration results, mineral resources and mineral reserves.
JSE	JSE Limited
Kina	Papua New Guinea currency.
King III	King report on corporate governance for South Africa published in 2010.
Leaching	Dissolution of gold from crushed or milled material, including reclaimed slime, prior to adsorption on to activated carbon.
LED spend	Local economic development project spend.
LIBOR	London interbank offer rate.
Life-of-mine (LOM)	Number of years an operation is scheduled to mine and treat ore, based on current mine plan.
Loans and receivables	A financial asset with fixed or determinable repayments that are not quoted in an active market, other than a derivative instrument or a financial asset classified as available-for-sale.
LTIFR	Lost-time injury frequency rate per million hours, refers to work-related injuries which result in the employee being unable to perform his/her normal occupation on the next scheduled work day or shift.
m^2/TEC	Square metres per total employee costed.
Measured mineral resource	Part of a mineral resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from outcrops, trenches, pits, workings and drill holes. Locations are spaced closely enough to confirm geological and grade continuity.
Mine call factor	The ratio, expressed as a percentage, of the total quantity of recovered and unrecovered mineral product after processing with the amount estimated in the ore based on sampling.
Mineral resource	A concentration or occurrence of material of intrinsic economic interest in/on the earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral resources are sub-divided, in order of increasing geological confidence, into inferred, indicated and measured categories.

Mineral reserve	The economically mineable part of a measured and/or indicated mineral resource. It includes diluting materials and allowances for losses, which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate that at the time of reporting, extraction could reasonably be justified. Mineral reserves are sub-divided in order of increasing confidence into probable and proved ore reserves.
Mining Charter	Broad-based social-economic empowerment charter for the South African mining industry. The goal of the charter is to create an industry that reflects the promise of a non-racial South Africa.
MMJV	Morobe Mining Joint Ventures, the 50:50 partnership between Harmony and Newcrest Mining Company Limited.
MPRDA	Mineral and Petroleum Resources Development Act No 28 of 2002.
Ongoing capital	Capital expenditure to maintain existing production assets. This includes replacement of vehicles, plant and machinery, ore reserve development and capital expenditure related to safety, health and the environment.
Pay limit	The grade of a unit of ore at which revenue from the recovered mineral content of the ore is equal to the total cash cost, including ore reserve development and stay-in-business capital. This grade is expressed as an in situ value in grams per tonne or ounces per short ton (before dilution and mineral losses).
PNG	Papua New Guinea.
Probable mineral reserve	Economically mineable part of an indicated, and in some cases, a measured mineral resource. It includes diluting materials and allowances for losses that may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified.
Productivity	An expression of labour productivity based on the ratio of grams of gold produced per month to the total number of employees in underground mining operations.
Proved reserve	Economically mineable part of a measured mineral resource. It includes diluting materials and allowances for losses that may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified.
Project capital	Capital expenditure to either bring a new operation into production; to materially increase production capacity; or to materially extend the productive life of an asset.
Reclamation	In South Africa, reclamation describes the process of reclaiming slimes (tailings) dumps using high-pressure water cannons to form a slurry that is pumped back to metallurgical plants for processing.

GLOSSARY OF TERMS CONTINUED

Reef	A gold-bearing sedimentary horizon, normally a conglomerate band that may contain economic levels of gold.
SAMREC	South African code for the reporting of exploration results, mineral resources and mineral reserves.
Stripping ratio	Ratio of waste tonnes to ore tonnes mined, calculated as total tonnes mined less ore tonnes mined divided by ore tonnes mined.
Tailings	Finely ground rock of low residual value from which valuable minerals have been extracted. Discarded tailings stored in dam facilities.
Tonne (t)	Metric = 1 000 kilograms.
Ton	Imperial = 2 000 pounds (1 016kg). Referred to as a short ton.
Tpa(d/m)	Tonnes/tons per annum (day/month).
US	United States.
Waste	Material with insufficient mineralisation for future treatment and discarded.
Water consumption from primary activities	Total new or make-up water entering the operation and used for the operation's primary activities which include those activities in which the operation engages to produce their product and includes dust suppression within the operational area.
Weighted average number of ordinary shares	Number of ordinary shares in issue at the beginning of the year, increased by shares issued during the year, weighted on a time basis for the period in which they have participated in the income of the company, and increased by share options that are virtually certain to be exercised.
Yield	Amount of valuable mineral or metal recovered from each unit mass of ore expressed as ounces per short ton or grams per metric tonne.

DIRECTORATE AND ADMINISTRATION

Harmony Gold Mining Company Limited

Corporate office
Randfontein Office Park
PO Box 2, Randfontein, 1760
South Africa
Corner Main Reef Road and Ward Avenue
Randfontein, 1759
South Africa
Telephone: +27 11 411 2000
Website: www.harmony.co.za

Directors

1. PT Motsepe (Chairman)

2. GP Briggs (Chief executive officer)
3. HO Meyer (Financial director)
4. HE Mashego (Executive director)
5. FFT De Buck*^ (Lead independent director)
6. F Abbott*
7. JA Chissano*[1]^
8. Dr C Diarra*†^ (Resigned – 31 May 2011)
9. KV Dicks*^
10. Dr DS Lushaba*^
11. C Markus*^
12. M Motloba*^
13. M Msimang*^
14. D Noko*^
15. CML Savage*^
16. J Wetton*^ (appointed in new financial year on 1 July 2011)
17. AJ Wilkens*

** Non-executive*
^ Independent
[1] Mozambican
† US/Mali Citizen

Investor relations

E-mail: harmonyIR@harmony.co.za

Henrika Basterfield
Investor relations officer
Telephone: +27 11 411 2314
Fax: +27 11 692 3879
Mobile: +27 82 759 1775
E-mail: henrika@harmony.co.za

Marian van der Walt
Executive: Corporate and investor relations
Telephone: +27 11 411 2037
Fax: +27 86 614 0999
Mobile: +27 82 888 1242
E-mail: marian@harmony.co.za

Company secretary

iThemba Governance and Statutory Solutions (Proprietary) Limited
Riana Bisschoff
Telephone: +27 11 411 2019
Fax: +27 11 411 2070
Mobile: +27 83 629 4706
E-mail: riana@ithembaonline.co.za
compliance@harmony.co.za

South African share transfer secretaries

Link Market Services South Africa (Proprietary) Limited
(Registration number 2000/007239/07)
13th Floor, Rennie House
Ameshoff Street
Braamfontein
PO Box 4844
Johannesburg, 2000
South Africa
Telephone: +27 86 154 6572
Fax: +27 86 674 4381

United Kingdom registrars

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
United Kingdom
Telephone: 0871 664 0300 (UK)
(calls cost 10p a minute plus network extras, lines are open 8:30 am to 5:30 pm, Monday to Friday)
or +44 (0) 20 8639 3399 (calls from overseas)
Fax: +44 (0) 20 8639 2220

ADR depositary

Deutsche Bank Trust Company Americas
c/o American Stock Transfer and Trust Company
Peck Slip Station
PO Box 2050
New York, NY 10272-2050
E-mail queries: db@amstock.com
Toll free: +1-886-249-2593;
Int: +1-718-921-8137
Fax: +1-718-921-8334

Sponsor

JP Morgan Equities Limited
1 Fricker Road, corner Hurlingham Road
Illovo, Johannesburg, 2196
Private Bag X9936, Sandton, 2146
Telephone: +27 11 507 0300
Fax: +27 11 507 0503

Trading symbols

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

BASTION GRAPHICS

HARMONY™

www.harmony.co.za