

HARMONY GOLD MINING CO LTD

Form 20-F

October 23, 2014

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As filed with the Securities and Exchange Commission on October 23, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 20-F

(Mark One)

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

OR

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

For the fiscal year ended June 30, 2014

OR

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

OR

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

Date of event requiring this shell company report _____

For the transition period from _____ to _____

Commission file number: 001 31545

HARMONY GOLD MINING COMPANY LIMITED

(Exact name of registrant as specified in its charter)

REPUBLIC OF SOUTH AFRICA

(Jurisdiction of incorporation or organization)

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

RANDFONTEIN, SOUTH AFRICA, 1759

(Address of principal executive offices)

Riana Bisschoff, Group Company Secretary

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

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

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

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

Ordinary shares, with nominal value Rand 50 cents per share*

(Title of Class)

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

each representing one ordinary share

(Title of Class)

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

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

The number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the last full fiscal year covered by this Annual Report was:

435,825,447 ordinary shares, with nominal value of Rand 50 cents per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

YES NO

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

YES NO

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days:

YES NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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

US GAAP International Financial Reporting Standards as issued Other

by the International Accounting Standards Board

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

Item 17 Item 18

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

YES NO

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

YES NO

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

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USE OF TERMS AND CONVENTIONS IN THIS ANNUAL REPORT

Harmony Gold Mining Company Limited is a corporation organized under the laws of the Republic of South Africa. As used in this Annual Report on Form 20-F, or this annual report, unless the context otherwise requires, the terms **Harmony** and **Company** refer to Harmony Gold Mining Company Limited; the term **South Africa** refers to the Republic of South Africa; the terms **we**, **us** and **our** refer to Harmony and, as applicable, its direct and indirect subsidiaries as a **Group**.

In this annual report, references to **R**, **Rand** and **c**, **cents** are to the South African Rand, the lawful currency of South Africa, **A\$** refers to Australian dollars, **K** or **Kina** refers to Papua New Guinean Kina and references to **\$**, **US\$** and **dollars** are to United States dollars.

This annual report contains information concerning our gold reserves. While this annual report has been prepared in accordance with the regulations contained in Securities and Exchange Commission Guide 7, it is based on assumptions which may prove to be incorrect. See *Item 3. Key Information Risk Factors Estimations of Harmony's gold 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.*

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

PRESENTATION OF FINANCIAL INFORMATION

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

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

We have included the US dollar equivalent amounts of certain information and transactions in Rand, Kina and A\$. Unless otherwise stated, we have translated: (i) balance sheet items at the closing rate as reported by Reuters on the last business day of the period (R10.61 per US\$1.00 as at June 30, 2014 and R9.98 per US\$1.00 as at June 30, 2013), (ii) acquisitions, disposals and specific items such as impairments at the rate prevailing at the dates applicable to such transactions and (iii) income statement items at the average rate for the year (R10.35 per US\$1.00 for fiscal 2014, R8.82 per US\$1.00 for fiscal 2013 and R7.77 per US\$1.00 for fiscal 2012). Profit from discontinued operations included in the income statement in fiscal 2013 is translated from Rand to US dollars at the average exchange rate for the eight month period (R8.55 per US\$1.00 for the period July 1, 2012 to February 28, 2013). Capital expenditures for fiscal 2015 have been translated at the rates used for balance sheet items at June 30, 2014. By including these US

dollar equivalents in this annual report, we are not representing that the Rand, Kina and A\$ amounts actually represent the US dollar amounts, as the case may be, or that these amounts could be converted at the rates indicated. For further information, see *Item 3. Key Information Exchange Rates* .

FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995 with respect to our financial condition, results of operations, business strategies, operating efficiencies, competitive positions, growth opportunities for existing services, plans and objectives of management, markets for stock and other matters. These include all statements other than statements of historical fact, including, without limitation, any statements preceded by, followed by, or that include the words targets , believes , expects , aims intends will , may , anticipates , would , should , could , estimates , forecast , predic expressions or the

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negative thereof. In particular, among other statements, certain statements in *Item 4. Information on the Company*, *Item 5. Operating and Financial Review and Prospects* and *Item 11. Quantitative and Qualitative Disclosures About Market Risk* are forward-looking in nature. Statements in this annual report that are not historical facts are forward-looking statements for the purpose of the safe harbor provided by Section 21E of the Securities Exchange Act of 1934, as amended (the **Exchange Act**), and Section 27A of the Securities Act of 1933, as amended.

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

overall economic and business conditions in South Africa and elsewhere;

the ability to achieve anticipated efficiencies and other cost savings in connection with past and future acquisitions;

fluctuations in the market price of gold;

the occurrence of hazards associated with underground and surface gold mining;

the occurrence of labor disruptions;

availability, terms and deployment of capital;

changes in government regulation, particularly mining rights and environmental regulation;

fluctuations in exchange rates;

currency devaluations/appreciations and other macroeconomic monetary policies; and

socio-economic instability in South Africa and other countries in which we operate.

We undertake no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this annual report or to reflect the occurrence of unanticipated events.

PART I

Item 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS

Not applicable.

Item 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

**Item 3. KEY INFORMATION
SELECTED FINANCIAL DATA**

The selected consolidated financial data below should be read in conjunction with, and are qualified in their entirety by reference to, our consolidated financial statements and the notes thereto and with Item 3. Key Information Risk Factors, Item 5. Operating and Financial Review and Prospects, all included elsewhere in this annual report. Historical results are not necessarily indicative of results to be expected for any future period.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

We are a South African company and the majority of our operations are located in our home country. Accordingly, our books of account are maintained in South African Rand and our annual and interim financial statements are prepared in accordance with IFRS. This annual report includes our consolidated financial statements prepared in accordance with IFRS,

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translated into US dollars. The selected historical consolidated income statement and balance sheet data for the last five fiscal years are, unless otherwise noted, stated in accordance with IFRS, and has been extracted from the more detailed information and financial statements prepared in accordance with IFRS, including our audited consolidated financial statements as of June 30, 2014 and 2013 and for each of the years in the three years ended June 30, 2014 and the related notes, which appear elsewhere in this annual report. The historical financial data at June 30, 2013 and 2012 and for each of the two years ended June 30, 2013 have been adjusted for the adoption of IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* (discussed below). The historical consolidated financial data at June 30, 2011 and 2010, and for each of the years in the two years ended June 30, 2011, have been adjusted for discontinued operations (discussed below).

IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* (**IFRIC 20**) which became effective for periods beginning on or after January 1, 2013 clarifies the requirements for accounting for the costs of stripping activity in the production phase of surface mining when two benefits accrue: (i) usable ore that can be used to produce inventory; and (ii) improved access to further quantities of material that will be mined in future periods. Harmony has applied IFRIC 20 on a prospective basis from July 1, 2011 in compliance with the transitional requirements of IFRIC 20. See note 2.6 of the consolidated financial statements and *Item 5. Operating and Financial Review and Prospects Recent Accounting Pronouncements* .

Discontinued operations for the periods below include the Evander operations in South Africa, as well as our Mount Magnet operations in Australia. The assets and liabilities of the Evander operation were classified as held for sale in fiscal 2012 following the signing of a sale of shares and claims agreement with Pan African Resources plc (**Pan African**). The results of this operation have been presented as a discontinued operation. In fiscal 2010, Australia's Mount Magnet operations were classified as held for sale and the results of the Mount Magnet operation presented as discontinued operations when an agreement for its disposal to Ramelius Resources Limited (**Ramelius**) was concluded. The reclassifications in respect of discontinued operations were done in terms of IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations*. See note 13 of the consolidated financial statements and *Item 4. Information on the Company Business Harmony's Mining Operations Discontinued operations Evander* .

	Fiscal year ended June 30,				
	2014	2013⁽¹⁾	2012⁽¹⁾	2011	2010
	<i>(\$ in millions, except per share amounts, cash costs per ounce and all-in sustaining costs per ounce)</i>				
Income Statement Data					
Revenue	1,515	1,803	1,953	1,659	1,351
(Impairment)/reversal of impairment of assets	(135)	(274)	7	(39)	34
Operating (loss)/profit	(146)	(193)	271	23	47
(Loss)/profit from associates	(10)			(7)	7
(Loss)/profit from continuing operations before taxation	(145)	(191)	245	33	49
Taxation	27	(69)	16	55	(30)
(Loss)/profit from continuing operations	(118)	(260)	261	88	19
Profit/(loss) from discontinued operations		36	75	(2)	(43)
Net (loss)/profit	(118)	(224)	336	86	(24)
Basic (loss)/earnings per share from continuing operations (US cents)	(27)	(60)	60	21	4
	(27)	(60)	60	21	4

Diluted (loss)/earnings per share from continuing operations (US cents)

Basic (loss)/earnings per share (US cents)	(27)	(52)	78	20	(6)
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	Fiscal year ended June 30,				
	2014	2013 ⁽¹⁾	2012 ⁽¹⁾	2011	2010
	(\$ in millions, except per share amounts, cash costs per ounce and all-in sustaining costs per ounce)				
Diluted (loss)/earnings per share (US cents)	(27)	(52)	78	20	(6)
Weighted average number of shares used in the computation of basic (loss)/earnings per share	433,212,423	431,880,814	430,817,682	429,310,123	426,381,581
Weighted average number of shares used in the computation of diluted (loss)/earnings per share	434,715,373	432,716,622	432,022,229	430,420,068	427,846,547
Dividends per share (US cents) ⁽²⁾		12	14	7	6
Dividends per share (SA cents) ⁽²⁾		100	100	50	50
Other Financial Data					
Cash costs per ounce of gold from continuing operations (\$/oz) ⁽³⁾	988	1,146	1,101	1,004	788
Total cash costs per ounce of gold (\$/oz) ⁽³⁾	988	1,137	1,086	1,009	801
All-in sustaining costs per ounce of gold from continuing operations (\$/oz) ⁽³⁾	1,242	1,522	1,431	N/A	N/A
Balance Sheet Data					
<i>Assets</i>					
Property, plant and equipment	3,116	3,279	3,992	4,607	3,874
Assets of disposal groups classified as held for sale			174	40	32
Total assets	3,852	4,221	5,250	5,880	5,141
Net assets	2,925	3,229	4,139	4,450	3,828
<i>Equity and liabilities</i>					
Share capital	4,035	4,035	4,036	4,033	4,027
Total equity	2,925	3,229	4,139	4,450	3,828
Borrowings (current and non-current)	270	254	221	230	156
Liabilities of disposal groups held for sale			46	2	18
Other liabilities	657	738	844	1,198	1,139
Total equity and liabilities	3,852	4,221	5,250	5,880	5,141

(1) The 2013 and 2012 comparative figures have been restated as a result of the adoption of IFRIC 20, see note 2.6 of the consolidated financial statements and *Item 5 Operating and Financial Review and Prospects Recent Accounting Pronouncements*.

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

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

EXCHANGE RATES

Unless otherwise stated, balance sheet item amounts are translated from Rand to US dollars at the exchange rate prevailing on the last business day of the period (R10.61 per US\$1.00 as at June 30, 2014), except for acquisitions, disposals and specific items such as impairments that are converted at the exchange rate prevailing on the dates of the transactions and income statement item amounts that are translated from Rand to US dollars at the average exchange rate for the period (R10.35 per US\$1.00 for fiscal 2014). During the year, the Rand/dollar closing exchange rate ranged between R9.57 and R11.27 per US\$1.00. Profit from discontinued operations included in the income statement in fiscal 2013 is translated from Rand to US dollars at the average exchange rate for the eight month period (R8.55 per US\$1.00 for the period July 1, 2012 to February 28, 2013).

As of October 16, 2014, the exchange rate per US\$1.00 was R11.11.⁽¹⁾

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

Fiscal Year Ended June 30,	Average⁽²⁾	Period End⁽¹⁾
2010	7.58	7.63
2011	6.99	6.78
2012	7.77	8.21
2013	8.82	9.98
2014	10.35	10.61

Month of	High	Low
May 2014	10.51	10.24
June 2014	10.84	10.58
July 2014	10.77	10.50
August 2014	10.76	10.54
September 2014	11.32	10.67
October 2014 (through October 16, 2014)	11.34	11.04

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

(2) The daily average of the closing rate during the relevant period as reported by Reuters.

Fluctuations in the exchange rate between Rand and the US dollar will affect the dollar equivalent of the price of ordinary shares on the Johannesburg Stock Exchange, which may affect the market price of the American Depositary

Shares (**ADSs**) on the New York Stock Exchange. These fluctuations will also affect the dollar amounts received by owners of ADSs on the conversion of any dividends on ordinary shares paid in Rand.

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CAPITALIZATION AND INDEBTEDNESS

Not applicable.

REASONS FOR THE OFFER AND USE OF PROCEEDS

Not applicable.

RISK FACTORS

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

Risks Relating to Our Business and the Gold Mining Industry

The profitability of our operations, and cash flows generated by those operations, are affected by changes in the price of gold. A fall in the gold price below our cash cost of production for any sustained period may lead to losses and require Harmony to curtail or suspend certain operations.

Substantially all Harmony's revenues come from the sale of gold. Historically, the market price for gold has fluctuated widely and been affected by numerous factors, over which Harmony has no control, including:

demand for gold for industrial uses, jewelry and investment;

international or regional political and economic trends;

strength or weakness of the US dollar (the currency in which gold prices generally are quoted) and of other currencies;

financial market expectations on the rate of inflation;

interest rates;

speculative activities;

forward sales by gold producers;

actual or expected purchases and sales of gold bullion held by central banks or other large gold bullion holders or dealers; and

production and cost levels for gold in major gold-producing nations, such as South Africa, China, the United States and Australia.

In addition, current demand and supply affects the price of gold, but not necessarily in the same manner as current demand and supply affect the prices of other commodities. Historically, gold has retained its value in relative terms against basic goods in times of inflation and monetary crisis. As a result, central banks, financial institutions and individuals hold large amounts of gold as a store of value and production in any given year constitutes a very small portion of the total potential supply of gold. Since the potential supply of gold is large relative to mine production in any given year, normal variations in current production will not necessarily have a significant effect on the supply of gold or its price. Uncertainty on global economic conditions has impacted the price of gold significantly in fiscal 2013 and 2014, and may continue to do so in the future.

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

Annual gold price: 2004 2014

Calendar year	Price per ounce (US\$)		
	High	Low	Average
2004	454	375	410
2005	537	411	445
2006	725	525	604
2007	841	608	695
2008	1,011	713	872
2009	1,213	810	972
2010	1,421	1,058	1,225
2011	1,895	1,319	1,572
2012	1,792	1,540	1,669
2013	1,694	1,192	1,411
2014 (year to October 16, 2014)	1,385	1,196	1,284

On October 16, 2014, the afternoon fixing price of gold on the London bullion market was US\$1,238/oz.

While the aggregate effect of these factors is impossible to predict, if gold prices should fall below Harmony's cash cost of production and capital expenditure required to sustain production and remain at these levels for any sustained period, Harmony may record losses and be forced to curtail or suspend some or all of its operations. In addition, Harmony would also have to assess the economic impact of low gold prices on its ability to recover any losses that may be incurred during that period and on its ability to maintain adequate reserves.

Harmony's average cash costs per ounce of gold produced from continuing operations was US\$988 in fiscal 2014, US\$1,146 in fiscal 2013 and US\$1,101 in fiscal 2012. Harmony's average all-in sustaining cost per ounce of gold sold was US\$1,242 in fiscal 2014, US\$1,522 in fiscal 2013 and US\$1,431 in fiscal 2012.

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

Gold is priced throughout the world in US dollars and, as a result, Harmony's revenue is realized in US dollars, but most of our operating costs are incurred in Rand and other non-US currencies, including the Australian dollar and Kina. Any significant and sustained appreciation of the Rand and other non-US currencies against the dollar will materially reduce Harmony's Rand revenues and overall net income.

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

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

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

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

key suppliers could become insolvent, resulting in a break-down in the supply chain; or

the availability of credit may be reduced this may make it more difficult for Harmony to obtain financing for its operations and capital expenditure or make financing more expensive.

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Coupled with the volatility of commodity prices as well as the rising trend of input costs, such factors could result in initiatives relating to strategic alignment, portfolio review, restructuring and cost-cutting, temporary or permanent shutdowns and divestments.

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 South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves (**SAMREC Code**) and the Australian Code for the Reporting of Mineral Resources and Mineral Reserves (**JORC**), SEC Industry Guide 7 and Sarbanes-Oxley. Calculations of Harmony's mineral reserves are based on estimates of:

future cash costs;

future gold prices; and

future currency exchange rates.

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

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

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

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

locating orebodies;

geological nature of the orebodies;

identifying the metallurgical properties of orebodies;

estimating the economic feasibility of mining orebodies;

developing appropriate metallurgical processes;

obtaining necessary governmental permits; and

constructing mining and processing facilities at any site chosen for mining.

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Harmony's exploration efforts might not result in the discovery of mineralization, and any mineralization discovered might not result in an increase in proved and probable reserves. To access additional reserves, Harmony will need to successfully complete development projects, including extensions to existing mines and, possibly, new mines. Development projects would also be required to access any new mineralization discovered by exploration activities around the world. Harmony typically uses feasibility studies to determine whether to undertake significant development projects. Feasibility studies include estimates of expected or anticipated economic returns, which are based on assumptions about:

future gold and other metal prices;

anticipated tonnage, grades and metallurgical characteristics of ore to be mined and processed;

anticipated recovery rates of gold and other metals from the ore; and

anticipated total costs of the project, including capital expenditure and cash costs.

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

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

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

availability and timing of necessary environmental and governmental permits;

timing and cost of constructing mining and processing facilities, which can be considerable;

availability and cost of skilled labor, power, water and other materials;

accessibility of transportation and other infrastructure, particularly in remote locations;

availability and cost of smelting and refining arrangements;

availability of funds to finance construction and development activities; and

spot and expected future commodity prices of metals including gold, silver, copper, uranium and molybdenum.

Competition with other mining companies and individuals for specialized equipment, components and supplies necessary for exploration and development, for mining claims and leases on exploration properties and for the acquisition of mining assets also impact existing operations and potential new developments. Competitors may have greater financial resources, operational experience and technical capabilities all which could negatively affect the anticipated costs and economic returns.

Harmony currently maintains a range of focused exploration programs, concentrating mainly on a number of prospective known gold mineralized areas in Papua New Guinea (PNG). During fiscal 2013 and fiscal 2014, the bulk of exploration expenditure was allocated to activities in PNG. However, there is no assurance that any future development projects will extend the life of our existing mining operations or result in any new commercial mining operations.

Costs associated with pumping water inflows from closed mines adjacent to our operations could adversely affect Harmony s operational results.

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

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

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

Once a shaft or a processing plant has reached the end of its intended lifespan, higher than normal maintenance and care is required. Maintaining this infrastructure requires skilled human resources, capital allocation, management and planned maintenance which forms part of Harmony's comprehensive maintenance strategy. Although the aforementioned is in place, incidents resulting in production delays, increased costs or industrial accidents may occur. Such incidents may have an adverse effect on Harmony's operating results and financial condition.

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

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

Fluctuations in oil and steel prices have a significant impact on operating cost and capital expenditure estimates and, in the absence of other economic fluctuations, could result in significant changes in the total expenditure estimates for new mining projects or render certain projects non-viable.

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

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

As a result of Eskom's planned capital expansion program to deal with power constraints, an average annual tariff increase of 8% for the five-year multi-year price determination period has been approved by the National Energy Regulator South Africa (**NERSA**). The first increase was implemented on 1 April 2013. The South African Government is planning to implement a carbon tax with effect from 2016 as confirmed in the most recent budget speech given by the President of South Africa and whilst details on the determination of quantum are not available, 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 partially rely on our own diesel-generated power. The cost of this power will fluctuate with changes in the oil price.

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

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

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

our ability to identify appropriate assets for acquisition and/or to negotiate acquisitions on favorable terms;

obtaining the financing necessary to complete future acquisitions;

difficulties in assimilating the operations of the acquired business;

difficulties in maintaining our financial and strategic focus while integrating the acquired business;

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problems in implementing uniform standards, controls, procedures and policies;

increasing pressures on existing management to oversee a rapidly expanding company; and

to the extent we acquire mining operations outside South Africa, Australasia or PNG, encountering difficulties relating to operating in countries in which we have not previously operated.

Our ability to make successful acquisitions and any difficulties or time delays in achieving successful integration of any of such acquisitions could have a material adverse effect on our business, operating results, financial condition and share price.

Certain factors may affect our ability to support the carrying value of our property, plant and equipment, goodwill and other assets on our balance sheet.

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

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

As at June 30, 2014, Harmony had substantial amounts of property, plant and equipment, goodwill and other assets on its consolidated balance sheets. Impairment charges relating to property, plant and equipment, goodwill and other assets were recorded in fiscal 2014 and if any one or a combination of these uncertainties should occur, management may be required to recognize further impairment charges, which could affect Harmony's financial results and condition. See *Item 5. Operating and Financial Review and Prospects Critical Accounting Estimates Impairment of Property, Plant and Equipment* and *Item 5. Operating and Financial Review and Prospect Critical Accounting Estimates Carrying value of Goodwill*.

Given the nature of mining and the type of gold mines we operate, we face a material risk of liability, delays and increased cash costs of production from environmental and industrial accidents and pollution.

The business of gold mining involves significant risks and hazards, including environmental hazards and industrial accidents. In particular, hazards associated with underground mining include:

rock bursts;

seismic events;

underground fires;

cave-ins or fall-of-ground;

discharges of gases and toxic chemicals;

release of radioactive hazards;

flooding;

mining of pillars (integrity of shaft support structures may be compromised and cause increased seismicity);

processing plant fire and explosion;

critical equipment failures;

accidents; and

other conditions resulting from drilling, blasting and the removal and processing of material from a deep-level mine.

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

flooding of the open-pit;

collapse of open-pit walls;

processing plant fire and explosion;

accidents associated with operating large open-pit and rock transportation equipment; and

accidents associated with preparing and igniting of large-scale open-pit blasting operations.

Hazards associated with waste-rock mining include:

accidents associated with operating a waste dump and rock transportation;

production disruptions caused by weather;

processing plant fire and explosion; and

critical equipment failures.

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

The nature of our mining operations presents safety risks.

The environmental and industrial risks identified above also present safety risks for Harmony's operations and its employees and could lead to the suspension and potential closure of operations for indeterminate periods. Safety risks, even in situations where no injuries occur, can have a material adverse effect on Harmony's operations and production.

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

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

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

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

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

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

Harmony has third-party liability coverage for most potential liabilities, including environmental liabilities. While we believe that our current insurance coverage for the hazards described above is adequate and consistent with industry practice, we may be subject to liability for pollution (excluding sudden and accidental pollution) or other hazards against which we have not insured or cannot insure, including those for past mining activities. Harmony also maintains property and liability insurance consistent with industry practice, but this insurance contains exclusions and limitations on coverage. In addition, there can be no assurance that insurance will be available at economically acceptable premiums. As a result, in future, Harmony's insurance coverage may not cover the claims against it for environmental or industrial accidents or pollution.

Harmony's operations may be negatively impacted by inflation.

Harmony's operations have been materially affected by inflation. Inflation in South Africa has fluctuated widely in recent years, reaching 11.6% at the end of fiscal 2008 before decreasing within the inflation range of 3% - 6% set by the South African Reserve Bank. At the end of fiscal 2013 and fiscal 2014, inflation was 5.5% and 6.6%, respectively. However,

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working costs, especially wages, have increased in recent years, resulting in significant cost pressures for the mining industry. In addition, electricity prices rose by 25% in fiscal 2010 and fiscal 2011, 16% in fiscal 2012 and 9.6% in 2013. A further average annual increase of 8% was affected in fiscal 2014. This will have a negative effect on the profitability of our operations. There is a risk that the tariffs might, next year, increase even more than the previous few years.

The inflation rate in PNG ended fiscal 2012 at 6.9% and 2013 at 7.5%, while the annualized inflation stood at 6% at the end of fiscal 2014.

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

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

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

In PNG, a mining legislative and tax regime review has been commissioned whereby various PNG government agencies are involved in the process. The policies and legislation being reviewed are the Mining Act 1992, Mining Safety Act 1997, Mineral Policy and sector policies including offshore mining policy, sustainable development policy, involuntary relocation policy and mine closure policy. The Chamber of Mines and Petroleum of PNG, as the representative industry body, has been collating information from industry participants regarding the review of current legislation and policy as part of the response to the governments mining legislation review. Harmony is represented on the Chamber's sub-committee and is actively participating in discussions.

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's ability to service its debt will depend on its future financial performance

Harmony's financial performance will be affected by its operating performance as well as by financial and other factors, and in particular the gold price, certain of which are beyond the control of the company. Whilst we maintain low levels of debt, various financial and other factors may result in an increase in Harmony's indebtedness, which could adversely affect the company in several respects, including:

limiting its ability to access the capital markets;

hindering its flexibility to plan for or react to changing market, industry or economic conditions;

limiting the amount of cash flow available for future operations, acquisitions, dividends, or other uses;

making it more vulnerable to economic or industry downturns, including interest rate increases;

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increasing the risk that it will need to sell assets, possibly on unfavorable terms, to meet payment obligations; or

increasing the risk that it may not meet the financial covenants contained in its debt agreements or timely make all required debt payments.

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

Harmony competes with mining and other companies globally to attract and retain key human resources at all levels with the appropriate technical skills and operating and managerial experience necessary to continue operating its business. The need to recruit, develop and retain skilled employees is particularly critical with historically disadvantaged South Africans (**HDSAs**), women in mining in South Africa, and recruiting and training local landowners in PNG. The global shortage of key mining skills, including geologists, mining engineers, metallurgists and skilled artisans has been exacerbated by increased mining activity across the globe. Despite various initiatives, there can be no assurance that we will attract and retain skilled and experienced employees. Should Harmony lose any of its key personnel, its business may be harmed and its operational results and financial condition could be affected. See *Item 6. Directors, Senior Management and Employees Employees* .

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

Despite a history of constructive engagement with labor unions, there are periods when various stakeholders are unable to agree on dispute resolution processes. Disruptive activities on the part of labor, which normally differ in intensity, then become unavoidable. Due to the high level of union membership among our employees, we are at risk of production stoppages for indefinite periods due to strikes and other disputes, especially wildcat strikes. During fiscal 2013, Harmony's Kusasalethu operation was severely affected by unlawful strike action, which had a significant impact on our financial results. During September 2013, there was a four day strike relating to the wage negotiations. We are not able to predict whether we will experience significant labor disputes in future, or what the financial impact of any such disputes may be. See *Item 4. Information on the Company Business Harmony's Mining Operations Kusasalethu* and *Item 6. Employees* . South African employment law sets out minimum terms and conditions of employment for employees. Although these may be improved by agreements between us and the trade unions, prescribed minimum terms and conditions form the benchmark for all employment contracts. See *Item 6. Directors, Senior Management and Employees Employees* .

We are required to submit a report under South African employment law detailing the progress made towards achieving employment equity in the workplace. If this report is not submitted, we could incur substantial penalties.

Developments in South African employment law may increase our cash costs of production or alter our relationship with our employees and trade unions, which may have an adverse effect on our business, operating results and financial condition.

HIV/AIDS poses risks to us in terms of productivity due to sick absenteeism as a result of tuberculosis co-infection and costs.

The HIV/AIDS epidemic in South Africa and PNG poses risks to us in terms of potentially reduced productivity, and increased medical and other costs. If there is a significant increase in the incidence of HIV/AIDS infection and related diseases among the workforce over the next several years, this may have an adverse impact on our operations, projects and financial condition. See *Item 4. Information on the Company Regulation Health & Safety Matters* .

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

Harmony's operations in South Africa are subject to health and safety regulations which could impose significant cost burdens. The present Mine Health and Safety Act 29 of 1996 imposes various duties on mines and grants the authorities broad powers to, among others, close unsafe mines and order corrective action on health and safety matters. Operations in PNG are subject to the following laws and regulations: PNG Mining Act 1992, PNG Mining Safety Act 1997, PNG Mining Safety Regulation 1935 (updated 2006) and PNG Environment Act 2000.

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

The Occupational Diseases in Mines and Works Act 78 of 1973 (**ODIMWA**) governs the payment of compensation and medical costs for certain illnesses contracted by people employed in mines or at sites where activities ancillary to mining are conducted. The principles of compensation under ODIMWA were tested in the Mr. Thembekekile Mankayi v AngloGold Ashanti court case. The Constitutional Court held that the compensation Mr Mankayi received under the ODIMWA was inferior to the compensation one would receive under the Compensation for Occupational Injuries and Diseases Act 130 of 1993. As a result, the Constitutional Court decided that an employee, who was awarded compensation in terms of ODIMWA, is not precluded from claiming common law damages from an employer. Following a decision by the Constitutional Court, applications were filed at the South African High Court for a certification of a class of current and former employees who suffer from silicosis against a number of current and former gold mining companies in South Africa, including Harmony. Please see *Item 8. Financial Information Legal Proceedings* for further information. Once the class had been certified, the onus will still rest upon the plaintiff to provide evidence that the Company was negligent in causing his ailment. Should anyone bring similar claims against Harmony in future, those claimants would need to provide evidence proving that silicosis was contracted while in the employment of the Company and that it was contracted due to negligence on the Company's part. The link between the cause (negligence by the Company while in its employ) and the effect (the silicosis) will be an essential part of any case. It is therefore uncertain as to whether the Company will incur any costs related to silicosis claims in the future and due to the limited information available on any claims and potential claims and the uncertainty of the outcome of these claims, no estimation can be made for the possible obligation. Should Harmony be unsuccessful in defending any claims that may be lodged, it would have an adverse impact on the Company's financial condition.

Laws governing mineral rights affect our business.

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

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

A draft Mineral and Petroleum Resources Development Amendment Bill, 2012 was published in December 2012 for comment. On March 12, 2014 the bill was approved by the National Assembly and is awaiting the President of South Africa's approval. As a result of the uncertainties surrounding the bill, many changes are expected and we cannot yet determine the full impact that the draft bill may have on our business.

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

The Mining Charter was signed by government and stakeholders in October 2002, and contains principles relating to the transfer, over a ten-year period, of 26% of South Africa's mining assets (as equity or attributable units of production) to HDSAs as defined in the Mining Charter. In order to measure progress in meeting the requirements of the Mining Charter, companies are required to complete a scorecard, in which the levels of compliance with the objectives of the Mining Charter can be ticked off after every year. The Mining Charter and Scorecard require programs for black economic empowerment and the promotion of value-added production (beneficiation), in South Africa. In particular, targets are set out for broad-based black economic empowerment in the areas of human resources and skills development; employment equity; procurement and beneficiation. In addition, the Mining Charter addresses socio-economic issues, such as migrant labor, mine community and rural development and housing and living conditions.

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

facilitate local beneficiation of mineral commodities;

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

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; and

implement measures to improve the standards of housing and living conditions for mineworkers by converting or upgrading mineworkers' hostels into family units, attaining an occupancy rate of one person per room and facilitating home ownership options for all mineworkers in consultation with organized labor.

All these targets must be achieved by the end of calendar 2014.

Mining Charter reports have been compiled and submitted with the DMR and the Chamber of Mines of South Africa for Harmony and its subsidiaries (**Harmony Group**) South African operations and for each Mining Right. The reports cover the period January 2013 to December 2013. Areas highlighted where targets might not be achieved by December 31, 2014 were: procurement (services spend target) and housing and living conditions (one person per room target). Management is engaging with the DMR in this regard.

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

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

The MPRDA also makes reference to royalties payable to the South African state in terms of the Mineral and Petroleum Resources Royalty Act (Act 28 of 2008) (the **MPRRA**). The MPRRA provides for the payment of a royalty according to a formula based on gross sales and EBIT, as defined under the MPRRA, after the deduction of capital expenditure. This rate is then applied to revenue to calculate the royalty amount due, with a minimum of 0.5% and a maximum of 5% for gold mining companies. For fiscal 2014, the average royalty rate for our South African operations was 0.79% of gross sales.

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

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

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

We are subject to extensive environmental regulations.

As a gold mining company, Harmony is subject to extensive environmental regulation. We expect the trend of rising production costs due to compliance with South African and PNG environmental laws and regulations to continue.

The MPRDA, certain other environmental legislation and the administrative policies of the South African government regulate the impact of the Company's prospecting and mining operations on the environment. On the suspension, cancellation, termination or lapsing of a prospecting permit or mining authorization, Harmony will remain liable for compliance with the provisions of various relevant regulations, including any rehabilitation obligations until a closure certificate is issued by the DMR. This liability will continue until the appropriate authorities have certified that the Company has complied with such provisions.

Estimates of ultimate closure and rehabilitation costs are significant and based principally on current legal and regulatory requirements that may change materially. Environmental provisions are accrued when they become known, probable and can be reasonably estimated based on industry good practice. In future, Harmony may incur significant costs for compliance with increasingly stringent requirements being imposed under new legislation. This may include the need to increase and accelerate expenditure on environmental rehabilitation and to alter environmental provisions, which could have a material effect on its results and financial condition. Harmony may also face increased environmental costs should other mines in the vicinity fail to meet their obligations on pumping or treatment of water.

The South African government has reviewed requirements imposed on mining companies to ensure environmental restitution. For example, following the introduction of an environmental rights clause in South Africa's constitution, a number of environmental legislative reform processes have been initiated. Legislation passed as a result of these initiatives has tended to be materially more onerous than previous laws in South Africa. Examples of such legislation include the MPRDA, the National Nuclear Regulator Act 1999, the National Water Act of 1998 and the National Environmental Management Act 1998, which include stringent "polluter pays" provisions. The adoption of these or additional or more comprehensive and stringent requirements, particularly for the management of hazardous waste, pollution of ground and groundwater systems and duty to rehabilitate closed mines, may result in additional costs and liabilities.

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

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

Mining companies are increasingly required to consider and ensure the sustainable development of, and provide benefits to, the communities and countries in which they operate.

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

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

Existing and proposed mining operations are often located at or near existing towns and villages, natural water courses and other infrastructure. Mining operations must therefore be designed to mitigate and/or manage their impact on such communities and the environment. Specifically at our PNG operations, cognizance of landowner rights may require measures that could include agreed levels of compensation for any adverse impact the mining operation may continue to have on the community. The cost of these measures could increase capital expenditure and operating costs and therefore impact Harmony's operational results and financial condition.

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

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

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

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

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

In February 2013, the South African finance minister announced that a carbon tax would be implemented in the 2015 financial year. The proposal is to implement the tax at a fairly low level, and define a rising price path over time – at this stage, a carbon tax of US\$16/t (South African R120/t) of CO₂e for 40% of scope 1 emissions is expected in 2015, increasing annually by 10% during the first phase (January 1, 2015 to December 31, 2019) followed by Phase 2 of another five years. Implementation of Carbon Tax has been delayed to 2016 confirmed in the 2014 budget speech recently given by the President of South Africa. This was done in order to align the design of the carbon tax to the desired emissions reductions outcomes being developed by the Department of Environmental Affairs. Following extensive public consultation on the proposed tax during 2013, a number of adjustments to the policy proposal would also be made, and this includes, amongst others, using some of the revenue generated from the carbon tax to fund energy efficiency tax incentive scheme.

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

Certain of our current mines have a life expectancy of up to 25 years, by which time GHG regulations are expected to be a permanent feature of the global economy. Future climate change regulation will therefore need to be considered for all Harmony's extensions and acquisitions. All new greenfields and brownfields projects are required by company policy to consider the impact of climate change in their design and planning.

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

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

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The largest portion of GHG emissions is predominantly electricity-related, with electricity expenditure amounting to 13% of Harmony's cash costs in South Africa. While cost management is clearly a strategic issue for Harmony, of even greater importance is that energy supply be constant and reliable, given the implications of loss of energy on both production and health and safety. GHG emissions regulations, which would increase the price of energy, will affect Harmony significantly, as will regulation that stipulates emission thresholds, or sets technology standards that may result in insecure energy supply. Already certain compliance costs from power suppliers are being passed on to the Group in the form of price increases. For instance, in South Africa since 2009, Harmony has paid a levy of R0.02 - 0.035 per kilowatt hour for electricity generated by fossil fuels. These levies may increase over time and additional levies may be introduced in future in South Africa or PNG, which could result in a significant increase in our costs.

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

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

Under South African law, Harmony's local operations are subject to water use licenses that govern each operation's water use. These licenses require, among other issues, that mining operations achieve and maintain certain water quality limits for all water discharges, where these apply. The majority of our South African operations are lawful users with existing water permits in terms of the Water Act of 1954. Nevertheless, the South African operations have applied to the relevant regional directors for water use licenses in terms of the National Water Act, 1998. Submissions were made as early as 2003 and Harmony has been working closely with the regional directors in the review process. A few operations have been issued with draft licenses for review and iteration.

We anticipate that the conditions of the licenses may require Harmony to consider and implement alternate water management measures that may have a significant cost implication for our business. Any failure on Harmony's part to achieve or maintain compliance with the requirements of these licenses for any of its operations may result in Harmony being subject to penalties, fees and expenses or business interruption due to revoked water licenses. Any of these could have a material effect on our business, operating results and financial condition.

There is a possibility of the South African National Treasury instituting an environmental levy for the management of acid mine drainage (**AMD**) in future.

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

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

Due to the interconnected nature of mining operations, any proposed solution for potential flooding and decant risk posed by deep groundwater needs to be a combined one supported by all mines located in the goldfields and government in the event of legacy issues. As a result, the DMR and affected mining companies are involved in developing a regional mine closure strategy. In view of limited current information, no reliable estimate can be made for this possible obligation, which could be material and have an adverse impact on Harmony's financial condition.

Harmony has initiated analytical assessments to identify, quantify and mitigate impacts, should they arise. Numerous scientific, technical and legal studies are under way to assist in determining the magnitude of possible contamination of groundwater and to find sustainable remediation solutions. Geohydrological studies were undertaken in the Free State and Kalgold operations and the modeling confirms that there is no risk of AMD decant from any of these sites.

Harmony has instituted processes to reduce possible future potential seepage and it has been demonstrated that monitored natural attenuation by the existing environment will contribute to improvement in some instance. The ultimate outcome of the matter cannot presently be determined and no provision for any potential liability has been made in the financial statements. Should these costs be significant, this could have a material impact on Harmony's operational results and financial condition.

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

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

We are incorporated in South Africa. Each of our directors and executive officers (and our independent registered public accounting firm) resides outside the United States. Substantially all of the assets of these persons and substantially all our assets are located outside the United States. As a result, it may not be possible for investors to enforce a judgment against these persons or ourselves obtained in a court of the United States predicated upon the civil liability provisions of the federal securities or other laws of the United States or any state thereof. A foreign judgment is not directly enforceable in South Africa, but constitutes a cause of action which will be enforced by South African courts provided that:

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

the judgment is final and conclusive;

the judgment has not lapsed;

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

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

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

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

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

In terms of Section 404 of the Sarbanes-Oxley Act of 2002, we are required to furnish a report by our management on our internal control over financial reporting. The report in this annual report contains, among other matters, an assessment of the effectiveness of our internal control over financial reporting as of the end of the fiscal year,

including a statement as to whether or not our internal controls over financial reporting are effective. If we fail to maintain the adequacy of our internal controls, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with the Sarbanes-Oxley Act. The requirement to evaluate and report on our internal controls also applies to companies that we may acquire and therefore, this assessment may be complicated by any future acquisitions. While we continue to dedicate resources and management time to ensuring that we have effective controls over financial reporting, failure to achieve and maintain an effective internal control environment could have a material adverse effect on the market's perception of our business and our stock price. See *Item 15. Disclosure Controls and Procedures* for management assessment as of June 30, 2014. In addition to management's assessment of internal controls over financial reporting, we are required to have our independent registered public accounting firm publicly disclose their conclusions regarding the effectiveness of Harmony's internal controls over financial reporting.

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

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

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

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

Sanctions for failure by the company or others acting on its behalf to comply with these laws, regulations, standards and contractual obligations could include fines, penalties, imprisonment of officers, litigation, and loss of operating licenses or permits, suspensions of operations, negative effects on Harmony's reported financial results and may damage the company's reputation. Such sanctions could have a material adverse impact on the company's financial condition and results of operations.

Investors may face liquidity risk in trading our ordinary shares on the JSE Limited.

The primary listing of our ordinary shares is on the JSE Limited. Historically, the trading volumes and liquidity of shares listed on the JSE have been low relative to other major markets. The ability of a holder to sell a substantial number of our ordinary shares on the JSE in a timely manner, especially in a large block trade, may be restricted by this limited liquidity. See *Item 9. The Offer and Listing The Securities Exchange in South Africa.*

Sales of large quantities of our ordinary shares and ADSs, or the perception that these sales may occur, could adversely affect the prevailing market price of such securities.

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

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

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

or need to observe any other formalities to enable them to participate in any offering of Harmony securities.

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

We have several employee share option schemes in operation. The employee share option schemes came into effect in 2003 and 2006, while awards under an employee share ownership plan (**ESOP**) governed by a trust called the Tlhakanelo Employee Share Trust (**Tlhakanelo Trust**) for employees other than management were made in August 2012 and in March of each subsequent year. Shares were issued to the trust on August 31, 2012. Our shareholders have authorized up to 60,011,669 of the issued share capital to be used for these plans. As a result, shareholders' equity interests in us are subject to dilution to the extent of the potential future exercises of the options through share schemes.

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

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

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

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

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

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

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

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

Our jointly-controlled assets may not comply with our standards

Harmony does not have full management control over some of its assets which are controlled and managed by joint venture partnerships. Management of such assets may not comply with our management and operating standards, controls and procedures. Failure to adopt equivalent standards, controls and procedures could lead to higher costs and reduced production, which could adversely affect our results and reputation.

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

Harmony maintains global information technology (**IT**) and communication networks and applications to support our business activities. Our extensive IT infrastructure and network may experience service outages that may adversely impact the conduct of our business activities. IT security processes protecting these systems are in place and subject to regular monitoring and assessment. These security processes may not prevent future malicious action or fraud by individuals, groups or organizations resulting in the corruption of operating systems, theft of commercially sensitive data, including commercial price outlooks, mergers and acquisitions and divestment transactions, misappropriation of funds and disruptions to our business operations.

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**Item 4. INFORMATION ON THE COMPANY
BUSINESS**

History and Development of the Company

Harmony is a gold-mining and exploration company with operations in South Africa and PNG, one of the world's premier new gold regions. Established over six decades ago, we are one of the largest gold mining producers in the world and the third-largest gold producer in South Africa. At June 30, 2014 Harmony has 10 underground mines, one open-pit mine and several surface operations, mostly in South Africa's world-renowned Witwatersrand Basin, as well as in the Kraaipan Greenstone Belt. In PNG, Harmony has a 50% joint operation with Newcrest Mining Limited in the Hidden Valley open-pit gold and silver mine, the Wafi-Golpu project, and several exploration tenements as well as holding exploration tenements in its own right (100% owned). The PNG exploration portfolio focuses principally on the Papuan Fold Belt and is highly prospective for large scale porphyry related gold and copper-gold deposits.

Our gold sales were 1.17 million ounces of gold in fiscal 2014. As at June 30, 2014, our mining operations reported total proved and probable reserves of 49.46 million ounces (including gold equivalent ounces), primarily from South African sources. In fiscal 2014, we processed 20.7 million tons of ore.

In fiscal 2014, 91% of our total gold production took place in South Africa. In fiscal 2014, approximately 83% of our total gold came from our South African underground mines, and approximately 8% came from our South African surface operations (which include the Kalgold opencast operation and the Phoenix operation). For more detailed information about our activities, see *Item 4. Information on the Company Business Harmony's Mining Operations Overview* and the notes to the consolidated financial statements included in this annual report. Mining is a highly regulated industry, and we operate under a variety of statutes and regulations. For more detailed information about these statutes and regulations, see *Item 4. Information on the Company Regulation* and *Item 10. Additional Information Memorandum of Incorporation*.

The majority of our exploration and evaluation done during fiscal 2014 has been focused on PNG. Our PNG exploration and evaluation opportunities are managed through the international office in Brisbane, Australia. Exploration in South Africa focused on Kalgold.

Harmony Gold Mining Company Limited was incorporated and registered as a public company in South Africa on August 25, 1950 (under registration number 1950/038232/06). We have expanded from a single lease-bound mining operation into an independent, world-class gold producer. From 1997 to 2004, we acquired additional mineral rights in the Free State, Mpumalanga, Gauteng and North West provinces in South Africa through various mergers and acquisitions. In our most recent transaction in fiscal 2010, we acquired the President Steyn 1 and 2 shafts, Loraine 3 shaft, Freddie's 7 and 9 shafts as well as the President Steyn gold plant, collectively known as the Pamodzi Free State assets, from Pamodzi Gold Free State (Proprietary) Limited (In Liquidation) (**Pamodzi FS**). These shafts have been included in the Bambanani and Target operations. In building our international portfolio, we acquired Hill 50 and New Hampton in Western Australia in 2001 and 2002, respectively, and started our exploration portfolio in PNG with projects in the Morobe Province originally through our acquisition of Abelle in 2003. We disposed of our Australian mining operations during fiscal 2010 and 2011. In the past three years, we disposed of operations and investments in South Africa. See *Item 4. Disposals*.

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

Business overview

South African Operations

In South Africa, we operate a total of 10 underground operations, several surface operations including an opencast mine, and eight processing plants which are all located in the currently known goldfields in the Witwatersrand basin of South Africa as well as the Kraaipan Greenstone Belt. These operations produced approximately 1.066 million ounces in fiscal 2014, and South Africa represented approximately 57% (or 27.9 million ounces) of our total proved and probable reserves. The deep level gold mines are located in three provinces in this basin, being the Free State Province, the North-West Province and the West Rand Goldfields in Gauteng Province. Surface operations are located in all these provinces.

Ore from the shafts and surface material are treated at eight metallurgical plants in South Africa, located near the operations (five in the Free State Province, two in the North West Province and one in Gauteng). Each operation, consisting anywhere from a single shaft to a group of shafts or open-pit mine, is managed by a team headed up by a general manager. See *Harmony's Management Structure* below.

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

Bambanani, Doornkop, Joel, Kusasalethu, Masimong, Phakisa, Target 1, Target 3 (subsequent to June 30, 2014 Harmony announced its intention to place the Target 3 operation on care and maintenance), Tshepong and the Unisel operations (the Evander operation (sold in February 2013) has been disclosed under discontinued operations); and

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

International Operations

Our interests internationally are currently located in PNG and represent approximately 43% (or 21.51 million gold equivalent ounces) of our total proved and probable reserves as at June 30, 2014.

PNG operations

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

In August 2008, Newcrest Mining Limited (**Newcrest**) acquired a 30.01% interest in our assets and tenements in the Morobe Province through the MMJV. By the end of fiscal 2009, Newcrest had earned an additional 19.99% in terms of the farm-in agreement, resulting in Newcrest and us each owning a 50% interest in the MMJV. Through the MMJV, we operate the Hidden Valley mine. A pre-feasibility study (**PFS**) at Wafi-Golpu which commenced during fiscal 2011 has been completed and the results released in August 2012. Further work is currently being performed to optimize the PFS business case in light of changes to long-term commodity prices and changes in investor expectations. We also have several exploration projects that are wholly-owned, held through Harmony Gold (PNG) Exploration Limited (**HGEL**) although Harmony's greenfield tenement holdings were rationalized significantly in fiscal 2014. We are continuing with exploration at two key project sites, being Tari and Magavara.

Strategy

Below is an illustration of how we plan to deliver on our strategy a scorecard against which our performance can be measured in future.

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

Principal Investments

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

During fiscal 2012, we acquired a Tari tenement in PNG. This project comprises 45% of the tenement area that Harmony currently holds on its own in PNG, outside of the MMJV.

Disposals

During fiscal 2014, Harmony and Sibanye Gold Limited (**Sibanye**) entered into an agreement whereby Joel mine exchanged two portions of its mining right for two portions of Sibanye's Beatrix mine's mining right, and acquired two additional mining right portions from Beatrix (sale portions). The transaction was completed in May 2014. The purchase consideration of the sale portions acquired by Joel is payable as a royalty of 3% on gold revenue generated from these two portions.

On April 14, 2014, Harmony disposed of its investment in Witwatersrand Consolidated Gold Resources Limited (**Wits Gold**) to Sibanye Gold Limited (**Sibanye**) for a consideration of US\$5 million. The investment in Wits Gold had been accounted for as an available-for-sale financial asset.

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

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

Description of Mining Business

Exploration

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

Our gold-focused exploration program has two components:

on-mine exploration, which looks for resources within the economic radius of existing mines; and

new mine exploration, which is the global search for early to advanced stage projects.

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

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We conduct exploration activities on our own or with joint venture partners. As at June 30, 2014, our prospecting interest measured 55,854 hectares (138,013 acres) in South Africa and 318,250 hectares (786,413 acres) in PNG. We spent US\$44 million on exploration in PNG and South Africa in fiscal 2014. In fiscal 2015, we intend to continue with exploration in PNG and South Africa. See *Item 4 Information on the Company Business International Mining Operations Exploration in PNG* .

Mining

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

Accessing the orebody

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

Mining the orebody

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

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

Processing

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

The gold plant circuit consists of the following:

Comminution

Comminution is the process of breaking up the ore to expose and liberate the gold and make it available for treatment. Conventionally, this process occurs in multi-stage crushing and milling circuits, which include the use of jaw and

gyratory crushers and rod and tube and ball mills. Our more modern milling circuits include semi- or fully-autogenous milling where the ore itself is used as the grinding medium. Typically, ore must be ground to a minimum size before proceeding to the next stage of treatment.

Treatment

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

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

Harmony's Management Structure

We have a de-centralized management structure that is based on small, empowered management teams led by General Managers at each of our operations. In South Africa, the General Managers report to the Regional General Managers (three who carry responsibility for various mines), and are responsible for business optimization, mineral reserve optimization, and for developing a business culture at the operations. They also focus on long-term viability and growth of the operations. The Regional General Managers, in turn, report to the Chief Operating Officer. The General Managers are supported by an Ore Reserve Manager, a Financial Manager, a Human Resources Manager, an Engineering Manager and an Operations Committee (**OPSCO**) in ensuring the growth and long-term sustainability of the operations.

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

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

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

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

Capital Expenditures

Capital expenditures for all operations incurred for fiscal 2014 amounted to US\$244 million, compared with US\$429 million in fiscal 2013 and US\$414 million in fiscal 2012. During fiscal 2014, capital expenditure at PNG accounted for 5% of the total, with Kusasaletu accounting for 20% and Phakisa and Target 1 each accounting for 14% and 11% respectively of the total. During fiscal 2013, capital expenditure at PNG accounted for 28% of the total, with Kusasaletu accounting for 11% and Phakisa and Target 1 each accounting for 9% of the total. During fiscal 2012, capital expenditure in PNG accounted for 19% of the total, with Kusasaletu accounting for 13% while Doornkop and Phakisa accounted for 9% each. Capital development also took place at the Tshepong Sub 71 Decline. Revenue capitalized amounted to US\$1.9 million for Steyn 2 and US\$0 million for Target 3. Steyn 2 reached commercial levels of production at the end of September 2011.

The focus of our capital expenditures in recent years has been underground development and plant improvement and upgrades. Construction at these projects has been completed in certain areas, and production, if not yet at full capacity, has started from these areas at all our current growth projects. Capital will still be expended at these projects in the

next three years to complete construction. During fiscal 2014, the capital expenditure was funded from the Company's cash reserves, as well as by the loan facilities (see *Item 5. Operating and financial review and prospects - Liquidity and capital resources*).

We have budgeted approximately US\$282 million for capital expenditures in fiscal 2015. Details regarding the capital expenditures for each operation are found in the individual mine sections under *Item 4. Information on the Company - Business - Harmony's Mining Operations* . We currently expect that our planned operating capital expenditures will be financed from operations and new borrowings as needed.

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As at June 30, 2014, we have declared attributable gold equivalent proved and probable reserves of 49.46 million ounces: 27.9 million ounces gold in South Africa and 21.51 million gold and gold equivalent ounces in PNG. In instances where individual deposits may contain multiple valuable commodities with a reasonable expectation of being recovered (for example gold and copper in a single deposit) Harmony computes a gold equivalent to more easily assess the value of the deposit against gold-only mines. Harmony does this by calculating the value of each of the deposits commodities, then dividing the product by the price of gold. For example, the gold equivalent of a gold and copper deposit would be calculated as follows: ((gold ounces x gold price per ounce) + (copper pounds x copper price per pound)) / gold price per ounce. All calculations are done using metal prices as stipulated in the discussion below. Harmony assumes a 100% metallurgical recovery in its calculations unless otherwise stated. The year-on-year negative variance in mineral reserves is due to the following reasons:

normal depletion of 1.3 million ounces;

change in surface sources; and

a 2.0 million ounces decrease of reserves due to the exclusion of the Phakisa decline project and a minor increase in surface sources in South Africa.

We use the SAMREC Code, which sets out the internationally recognized procedures and standards for reporting of mineral resources and mineral reserves. We use the term mineral reserves herein, which has the same meaning as ore reserves, as defined in the SAMREC Code. Our reporting of the PNG Mineral Reserves complies with the 2012 JORC code. This code is materially the same as the SAMREC Code. In reporting of reserves, we have complied with Industry Guide 7 of the US Securities and Exchange Commission.

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

a gold price of US\$1,300 per ounce;

an exchange rate of R10.17 per US dollar,
the above parameters resulting in a gold price of R425,000/kg;

the Hidden Valley Operations and Wafi-Golpu project in the Morobe Mining Joint Venture used prices of US\$1 250/oz gold (**Au**), US\$21/oz silver (**Ag**), US\$15/lb molybdenum (**Mo**) and US\$3.10/lb copper (**Cu**)
an exchange rate of A\$0.90 per US\$;

gold equivalent ounces are calculated assuming a US\$1400/oz Au, US\$ 3.10/lb Cu and US\$23.00/oz Ag with 100% recovery for all metals. These assumptions are based on those used in the 2012 pre-feasibility study; and

gold equivalent is computed as the value of the company's gold, silver and copper from all mineral resources/reserves classifications divided by the price of gold. All calculations are done using metal prices as stipulated.

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

the database of measured and indicated resource blocks (per operation);

an assumed gold price which, for this mineral reserve statement, was taken as R425,000 per kilogram (gold price of US\$1,300 per ounce and an exchange rate of R10.17 per US dollar);

planned production rates;

the mine recovery factor which is equivalent to the mine call factor (**MCF**) multiplied by the plant recovery factor; and

planned cash costs (cost per tonne).

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

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

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

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

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

Our standard for narrow reef sampling with respect to both proved and probable reserve calculations for underground mining operations in South Africa is generally applied on a 6 meter by 6 meter grid. Average sample spacing on development ends is at 2 meter intervals in development areas. For the massive mining at the Target 1 operation, our standard for sampling with respect to both proved and probable reserves are fan drilling with B sized diamond drill holes (43mm core) sited at 50 meter spaced sections along twin access drives. The Kalgold opencast operations are sampled on diamond drill and reverse circulation drill spacing of no more than 25 meters on average. Surface mining at South African operations other than Kalgold involves recovering gold from areas previously involved in mining and processing, such as metallurgical plants, waste rock dumps and tailing dams (slimes and sand) for which random sampling is used.

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

Our mining operations reported total proved and probable reserves as of June 30, 2014 are set out below:

Mineral Reserves statement (Imperial) as at June 30, 2014									
OPERATIONS GOLD	PROVED RESERVES			PROBABLE RESERVES			TOTAL RESERVES		
	Tons (millions)	Grade (oz/ton)	Gold oz⁽¹⁾ (000)	Tons (millions)	Grade (oz/ton)	Gold oz⁽¹⁾ (000)	Tons (millions)	Grade (oz/ton)	Gold oz⁽¹⁾ (000)
South Africa Underground									
Bambanani	2.1	0.301	647				2.1	0.301	647

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Joel	2.6	0.153	403	4.8	0.171	822	7.4	0.165	1,225
Masimong	5.4	0.131	710	1.9	0.128	237	7.3	0.130	947
Phakisa	3.9	0.179	701	4.4	0.224	993	8.3	0.203	1,694
Target 1	5.5	0.123	672	6.3	0.158	1,008	11.8	0.142	1,680
Target 3 ⁽³⁾	2.7	0.174	471	4.7	0.147	684	7.4	0.157	1,155
Tshepong	22.6	0.162	3,676	2.8	0.156	419	25.4	0.162	4,095
Unisel	1.8	0.125	223	0.7	0.117	84	2.5	0.123	307
Doornkop	2.9	0.147	420	5.5	0.163	899	8.4	0.158	1,319
Kusasaletu	10.4	0.198	2,055	28.9	0.165	4,778	39.3	0.174	6,833
Total South Africa Underground	59.9	0.166	9,978	60.0	0.166	9,924	119.9	0.166	19,902

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OPERATIONS GOLD	PROVED RESERVES			PROBABLE RESERVES			TOTAL RESERVES		
	Tons (millions)	Grade (oz/ton)	Gold oz ⁽¹⁾ (000)	Tons (millions)	Grade (oz/ton)	Gold oz ⁽¹⁾ (000)	Tons (millions)	Grade (oz/ton)	Gold oz ⁽¹⁾ (000)
South Africa Surface									
Kalgold	7.7	0.026	203	11.5	0.030	341	19.2	0.028	544
Free State									
Surface Phoenix	105.0	0.008	873				105.0	0.008	873
Other	285.3	0.008	2,227	659.3	0.007	4,398	944.6	0.007	6,625
Total South Africa Surface	398.0	0.008	3,303	670.8	0.007	4,739	1,068.8	0.008	8,042
Total South Africa	457.9		13,281	730.8		14,663	1,188.7		27,944
Papua New Guinea⁽²⁾									
Hidden Valley	1.2	0.033	40	28.1	0.051	1,430	29.3	0.050	1,470
Hamata	0.0	0.028	1	1.8	0.066	117	1.8	0.065	118
Golpu				248.0	0.025	6,194	248.0	0.025	6,194
Total Papua New Guinea	1.2	0.033	41	277.8	0.028	7,741	279.1	0.028	7,782
GRAND TOTAL	459.1		13,322	1,008.7		22,404	1,467.8		35,726

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

(2) Represents Harmony's attributable interest of 50%.

(3) Subsequent to June 30, 2014, Harmony announced its intention to place the Target 3 operation on care and maintenance.

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

In addition to the gold reserves, we also report our gold equivalents for reserves for silver and copper from our PNG operations. Gold equivalent ounces are calculated assuming a US\$1,400/oz for gold, US\$3.10/lb copper and US\$23.00/oz for silver with 100% recovery for all metals.

Gold Equivalents⁽²⁾

SILVER	PROVED RESERVES		PROBABLE RESERVES		TOTAL RESERVES	
	Gold Equivalents		Gold Equivalents		Gold Equivalents	
	Tons (millions)	Gold (oz) ⁽¹⁾ (000)	Tons (millions)	Gold (oz) ⁽¹⁾ (000)	Tons (millions)	Gold (oz) ⁽¹⁾ (000)
Hidden Valley	1.2	11	28	456	29.2	467

COPPER	PROVED RESERVES		PROBABLE RESERVES		TOTAL RESERVES	
	Tons (millions)	Gold Equivalents	Tons (millions)	Gold Equivalents	Tons (millions)	Gold Equivalents

	(oz) ⁽¹⁾ (000)		(oz) ⁽¹⁾ (000)		(oz) ⁽¹⁾ (000)	
Golpu			248.0	13,265	248.0	13,265
Total Gold Equivalents	1.2	11	276.1	13,720	277.3	13,731
Total Harmony including gold equivalents	459.1	13,333	1,008.7	36,124	1,467.8	49,457

In addition to the gold reserves, we also report our attributable reserves for silver and copper from our PNG operations. Metal prices are assumed at US\$23.00/oz for silver, US\$3.10/lb for copper, and molybdenum at US\$15/lb.

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SILVER	PROVED RESERVES			PROBABLE RESERVES			TOTAL RESERVES		
	Tons (millions)	Grade (oz/ton)	Silver oz ⁽¹⁾ (000)	Tons (millions)	Grade (oz/ton)	Silver oz ⁽¹⁾ (000)	Tons (millions)	Grade (oz/ton)	Silver oz ⁽¹⁾ (000)
Hidden Valley	1.2	0.553	662	28	0.966	27,080	29.2	0.949	27,742
Golpu				248.0	0.040	9,864	248.0	0.040	9,864

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

MOLYBDENUM	Cu			Cu			Cu		
	Tons (millions)	Grade (%)	lb ⁽¹⁾ (millions)	Tons (millions)	Grade (%)	lb ⁽¹⁾ (millions)	Tons (millions)	Grade (%)	lb ⁽¹⁾ (millions)
Golpu				248.0	0.162	40	248.0	0.162	40

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

⁽²⁾ Represents Harmony's attributable interest of 50%.

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

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

OPERATIONS GOLD	UNDERGROUND OPERATIONS SURFACE AND MASSIVE MINING			
	Cut-off grade (cmg/t)	Cut-off cost (R/Tonne)	Cut-off grade (g/t)	Cut-off cost (R/Tonne)
South Africa Underground				
Bambanani	1,420	2,105		
Joel	800	1,573		
Masimong	903	1,485		
Phakisa	790	1,716		
Target 1			3.40	1,630
Target 3	850	1,700		
Tshepong	650	1,619		
Unisel	1,115	1,645		
Doornkop	650	1,392		
Kusasaletu	736	1,532		
South Africa Surface				

Kalgold			0.54	186
Free State Surface			0.162	34
	Cut-off	Cut-off cost	Cut-off grade	Cut-off cost
	% Cu	(A\$/Tonne)	(g/t)	(A\$/Tonne)
Papua New Guinea				
Hidden Valley			0.900	20.4
Hamata			0.830	20.4
Golpu	0.2	22.0		

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OPERATIONS GOLD	UNDERGROUND OPERATIONS SURFACE AND MASSIVE MINING			
	Cut-off grade (cmg/t)	Cut-off cost (R/Tonne)	Cut-off grade (g/t)	Cut-off cost (R/Tonne)
	Cut-off	Cut-off cost	Cut-off grade	Cut-off cost
	% Cu	(A\$/Tonne)	(g/t)	(A\$/Tonne)
SILVER				
Papua New Guinea				
Hidden Valley			0.860	20.4
COPPER				
Papua New Guinea				
Golpu	0.2	22.0		

Notes on Cut-off:

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

Notes on Cut-off cost:

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

Notes on Copper:

Cut-off is stated in % Cu.

Notes on Golpu:

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

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Worldwide Operations

Description of Property

The following is a map of our worldwide operations:

LOCALITY MAP OF HARMONY S OPERATIONS AND PROJECTS: JUNE 30, 2014

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Our operational mining areas in South Africa are set forth below:

	Hectares	Acres
Doornkop (includes Doornkop extension)	4,352	10,754
Kusasaletu (includes Buffelsdoorn extension)	7,023	17,354
Free State (includes Masimong and Virginia operations)	21,235	52,471
Tshepong and Phakisa	10,799	26,684
Bambanani	2,356	5,822
Joel	2,356	5,822
St Helena	5,856	14,470
Kalgold	615	1,520
Target 1 (includes Loraine 1 and 2)	7,952	19,649
Target 3 (includes Loraine 3, 7 & 9)	3,085	7,623
Steyn 1 & 2	1,888	4,665
Total	67,517	166,834

In PNG, we hold tenements as set forth below:

	Hectares	Acres
PNG (50% JV Interest)	205,700	508,296
PNG 100%	112,550	278,117
Total International Operations	318,250	786,413
TOTAL	385,767	953,247

In line with the rest of the South African mining industry, and in an effort to reduce costs, we have been rationalizing our mineral rights holdings in recent years. Accordingly, over the past three years, we have disposed of our shares and participation rights in areas within and outside of South Africa in which we have not actively pursued mining. However, in some cases we have retained certain participation rights and option clauses in properties and mining rights we have disposed of.

Geology

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

Our Hidden Valley project comprises low sulphidation carbonate-base metal-gold epithermal deposits within the Morobe Goldfield, in the Morobe Province of PNG. In the Hidden Valley project area, a batholith of Morobe Granodiorite (locally a coarse grained monzogranite) is flanked by fine metasediments of the Owen Stanley Metamorphics. Both are cut by dykes of Pliocene porphyry ranging from hornblende-biotite to feldspar-quartz porphyries. A number of commonly argillic altered and gold anomalous breccias are known, including both hydrothermal and over printing structural breccias. The Hidden Valley deposit is hosted in the Moribe Granodiorite,

dominated by a series of post-Miocene faults, both north and north-west trending, control the gold mineralization.

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

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Harmony's Mining Operations

Overview

In South Africa, we conduct underground mining at 10 operations at June 30, 2014:

Bambanani (includes Steyn 2 Shaft from February 2010 until closure in March 2014);

Doornkop;

Joel;

Kusasaletu;

Masimong;

Phakisa;

Target 1

Target 3 (previously Loraine 3) (subsequent to June 30, 2014, Harmony announced its intention to place the Target 3 operation on care and maintenance);

Tshepong; and

Unisel.

We conduct surface mining at four sites (all included in Other Surface):

Free State (comprises Phoenix and other retreatment projects);

Freegold;

Kalgold; and

Target.

Surface mining conducted at the South African operations other than Kalgold involves recovering gold from areas previously involved in mining and processing, such as metallurgical plants, waste rock dumps and tailings dams (slimes and sand). We are conducting studies to determine the feasibility of further retreatment projects in the Free State, including uranium extraction.

The Evander operation was sold on February 28, 2013. Since the decision was made to sell the Evander operation in January 2012, it was treated as a discontinued operation from that time until the transaction was concluded.

Internationally, we conduct mining activities in PNG at the Hidden Valley mine, which is a joint operation, known as the Morobe Mining Joint Venture, between Harmony and Newcrest in which we each have a 50% interest.

The following discussion is a two-part presentation of our operations:

an overview of our South African mining operations with a discussion and production analysis of each of our operating segments; and

an overview of our international (PNG) operations with a discussion and production analysis for Hidden Valley. We have also included a discussion on the exploration projects in the MMJV as well as for the wholly-owned projects.

We have translated the Rand amount budgeted for capital expenditures in fiscal 2015 into US dollars using the closing rate at the balance sheet date.

South African Mining Operations

Unless indicated otherwise, the discussions below are for continuing operations.

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HARMONY S SOUTH AFRICAN OPERATIONS: JUNE 30, 2014:

Underground

Bambanani

Introduction: Harmony acquired Bambanani in January 2002 with the Freegold operations from AngloGold Ashanti Limited (**Anglogold**) through a 50% joint venture with African Rainbow Minerals Gold Limited (**ARMGold**). In September 2003, Harmony acquired 100% of these operations when ARMGold became a wholly-owned subsidiary. During February 2010, Harmony acquired President Steyn 1 & 2 Shafts in the transaction with Pamodzi FS and these shafts have been incorporated into Bambanani. During March 2014, it was decided not to continue with mining at Steyn 2 due to safety concerns. The operations are located in the Free State Province and production from these operations is processed through Harmony 1 Plant.

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History: Exploration, development and production history in the area of the Freegold assets dates from the early 1900 s, leading to commercial production by 1932. Subsequent consolidation and restructuring led to the formation of Free State Consolidated Gold Mine (Operations) Limited, which became a wholly-owned subsidiary of AngloGold in June 1998.

In 1998, President Steyn Gold Mine (Free State) (Proprietary) Limited (**PSGM**) was formed after purchasing shafts from various individuals. During 2002, the mine was sold to Thistle Mining Inc, an international company with interests in the Philippines and South Africa. The mine struggled to make operational profits, and Thistle undertook a restructuring program in 2006, which together with an increase in the Rand gold price resulted in positive operational cash flows. In February 2008, PSGM was purchased by Pamodzi FS. The mine was operated from that time until March 2009, when Pamodzi FS was placed into liquidation.

Geology: The operations are located in the Free State Goldfield, which is on the south-western edge of the Witwatersrand basin. The Free State Goldfield is divided into two sections, cut by the north-south striking De Bron Fault. This major structure has a vertical displacement of about 1,500 meters in the region of Bambanani, as well as a lateral shift of 4 kilometers. Bambanani is to the west of the De Bron Fault. The reefs generally dip towards the east. Mining is conducted in the Basal Reef.

Mining Operations: These operations are subject to the underground mining risks detailed in the Risk Factors section. The management teams regularly revisit their mining strategy and management procedures in order to minimize risks.

Bambanani, near Welkom, has three surface shafts (Bambanani East, Steyn 2 and West). Mining is conducted at depths ranging from 1,911 and 2,234 meters. Activities at the mine focus on the Basal Reef and are limited to shaft pillar extraction. The primary mining challenges at these operations are seismic risks, ventilation and fire avoidance. Bambanani is classified as a seismically active operation with seismic activity monitoring systems installed to do active seismic risk evaluation.

In the first quarter of fiscal 2012, we decided to halt mining in the sub-shaft after Bambanani had struggled to meet production targets and curb costs for a number of quarters. As such, mining activities moved from deeper operating areas to accelerated development of the shaft pillar. Bambanani is on track to continue mining the shaft pillar for around seven years until fiscal 2021, improving both the productivity and profitability of this mine. The Steyn 2 operations were terminated in March 2014 as seismicity threatened the safety of underground workers and caused major damage to mining infrastructure. The mine s closure came six months earlier than originally planned and was finalized by the end of fiscal 2014. Normal production would have ceased in October 2014. The ore from the Bambanani shaft pillar extraction is currently hoisted at East Shaft, but will eventually be hoisted at West Shaft once the decline shaft project is completed by end February 2015.

The shaft pillar was established through a series of up-dip wide raise panels, resulting in the establishment of four mini long walls on the northern side of the shaft pillar, and breast mining in a southerly direction in a pre-determined sequence is in progress. Some mining is done in the center of the pillar as well. Backfill is used as primary support in the pillar to mitigate seismic events, with support in the face area enhanced by in-stope steel netting. A detailed seismic risk assessment was completed for the shaft pillar by the Institute of Mine Seismology of Stellenbosch, and some re-design work is under way to further mitigate identified risks. Reef development has been halted, in line with the mine plan, and all capital development has been finalized in fiscal 2014.

Grades improved from 0.290 ounces/ton in fiscal 2013 to 0.363 ounces/ton in fiscal 2014. The increase in grade resulted in an increase in ounces produced of 43%. The increased ounces produced resulted in a decrease in the cash

cost per ounce measure.

Due to additional work that was required for preparing the shaft pillar, there was a temporary increase in contractor labor crews working in the decline.

During fiscal 2014, Bambanani accounted for 8% (6% in 2013 and 3% in 2012) of our total gold production.

Safety: One seismic related fatality was recorded at Bambanani during fiscal 2014 (fiscal 2013: nil) and the lost time injury frequency rate (**LTIFR**) was reported as 8.66 per million hours worked (fiscal 2013: 6.88). This is a 21% regression year on year. Bambanani recorded 2.02 million fall-of-ground fatality-free shifts during fiscal 2014 before the fatality and 6.11 million rail-bound equipment fatality-free shifts for the 2014 fiscal year.

Plant: The ore from the operation is sent to Harmony One Plant for processing. See *Item 4. Information on the Company Business Metallurgy Harmony One Plant* for a discussion on the plant.

Table of Contents**Production analysis:**

Bambanani	Fiscal Year Ended June 30,		
	2014	2013	2012
Production			
Tons (000)	263	231	217
Recovered grade (ounces/ton) ⁽¹⁾	0.363	0.290	0.198
Gold produced (ounces) ⁽¹⁾	95,424	66,970	44,174
Gold sold (ounces) ⁽¹⁾	95,165	66,359	43,982
Results of operations (\$)			
Product sales (000)	123,534	105,705	70,748
Cash cost (000)	(65,433)	(68,648)	(76,870)
Inventory movement (000)	(322)	1,684	(41)
Production profit/(loss) (000)	57,779	38,741	(6,163)
Cash costs			
Per ounce of gold produced (\$)	686	1,025	1,787
All-in sustaining cost			
Per ounce of gold sold (\$)	797	1,025	2,221
Capex (000) (\$)	12,241	13,514	34,255

⁽¹⁾ During fiscal 2012, 1,157 ounces were produced by Steyn 2 prior to it being considered to be in production. The revenue amounting to US\$1.9 million has been credited against capital expenditure as the shaft was not considered to be in commercial production yet. The cost of these ounces has not been included in the cash cost per ounce amount. The calculation of grade also excludes these ounces.

Tons milled at Bambanani increased to 263,000 in fiscal 2014, compared with 231,000 in fiscal 2013, and the recovered grade increased from 0.290 ounces/ton in fiscal 2013 to 0.363 ounces/ton in fiscal 2014, in line with the planned build-up in the shaft pillar. Ounces produced increased from 66,970 in fiscal 2013 to 95,424 in fiscal 2014. The average tons milled in fiscal 2014 was 21,917 tons per month, compared with 19,250 tons per month for fiscal 2013.

Revenue received increased from US\$105.7 million in fiscal 2013 to US\$123.5 million in fiscal 2014, mainly as a result of the increase in ounces produced and the recovered grade. Cash costs per ounce for Bambanani were US\$686 in fiscal 2014, compared with US\$1,025 in fiscal 2013. The cash costs per ounce decreased by 33% in fiscal 2014 compared with fiscal 2013, primarily due to the increase in ounces produced following the mining activity moving into the shaft pillar area in fiscal 2013.

Tons milled at Bambanani increased to 231,000 in fiscal 2013, compared with 217,000 in fiscal 2012, and the recovered grade increased from 0.198 ounces/ton in fiscal 2012 to 0.290 ounces/ton in fiscal 2013, in line with the planned build-up in the shaft pillar. Ounces produced increased from 44,174 in fiscal 2012 to 66,970 in fiscal 2013. The average tons milled in fiscal 2013 was 19,250 tons per month, compared with 18,083 tons per month for fiscal 2012.

Revenue received increased from US\$70.7 million in fiscal 2012 to US\$105.7 million in fiscal 2013, mainly as a result of the increase in ounces produced and the recovered grade. Cash costs per ounce for Bambanani were US\$1,025 in fiscal 2013, compared with US\$1,787 in fiscal 2012. The cash costs per ounce decreased by 43% in fiscal 2013 compared with fiscal 2012, primarily due to the increase in ounces produced following the mining activity moving into the shaft pillar area in fiscal 2013.

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Assuming no additional reserves are identified, at expected production levels, it is foreseen that the reported proved and probable mineral reserves of 2.1 million tons (imperial) (0.65 million ounces) will be sufficient for Bambanani to maintain underground production until approximately 2021. Any future changes to the assumptions upon which the mineral reserves are based, as well as any unforeseen events affecting production levels, could have a material effect on the expected period of future operations.

Capital Expenditure: Bambanani incurred approximately US\$12.3 million in capital expenditure in fiscal 2014, primarily to extract the shaft pillar. The planned expenditure for fiscal 2015 is US\$8.04 million, mainly to finish the construction in the decline and electrical work so that the decline can be commissioned.

Doornkop

Introduction: Doornkop is located in the Gauteng Province of South Africa, approximately thirty kilometers west of Johannesburg. The operation is owned by Randfontein Estates Limited (**REL**). Doornkop currently operates under its own mining authorization of 2,941 hectares. Production is treated at the Doornkop plant.

History: Harmony acquired this operation when it took over REL in 2000.

Geology: These operations are situated in the West Rand Goldfield of the Witwatersrand Basin, the structure of which is dominated by the Witpoortjie and Panvlakte Horst blocks, which are superimposed over broad folding associated with the south-east plunging West Rand Syncline.

The Doornkop operation 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 southeast 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 South Reef is considered viable at this stage. The Kimberley Reef is contained in the Vlakfontein Member of the Westonaria Formation. The South Reef is approximately 900 meters below the current Kimberley Reef mined out areas, and approximately 60 meters above the Main Reef horizon. The hanging wall to the South Reef consists of siliceous quartzite with non-persistent bands of blue-shot grit and thin argillite partings. The footwall to the South Reef is a light colored 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.

Mining Operations: These operations are subject to the underground mining risks detailed in the Risk Factors section.

Doornkop uses only narrow-reef conventional mining. Due to the shallow to moderate depths of the operations, seismicity and high rock stress related problems are infrequent. There is a risk of subterranean water and/or gas intersections in some areas of the mines. However, this risk is mitigated by active and continuous management and monitoring, which includes the drilling of boreholes in advance of faces. Where water and/or gas are indicated in the

drilling, appropriate preventative action is taken. The hoisting capacity of the Doornkop shaft is 185,000 tons per month.

The Doornkop South Reef Project was announced on January 22, 2003. The project involved the deepening of the Doornkop main shaft to 1,973 meters to access the South Reef between 1,650 and 2,000 meters below surface, and includes development towards these mining areas. The current approved estimated final capital cost is US\$174.9 million with US\$171.6 million spent as at June 30, 2014. The project was mostly completed as per the current project scope by June 2014. A proposed, revised scope to include the 207 level and 212 level capital developments into the South Reef project will extend the duration of the project and increase the estimated final capital cost. The remaining work will then be for ventilation, where it is expected that the raise bore hole and required fan installations will be completed by December 2015.

The decrease in year on year production at Doornkop is mainly the result of the accident in the quarter ending March 31, 2014 and the closure of the Kimberley reef section of the mine in December 2013. The effect of the accident could also be seen in the development meters. Development decreased by 33% or 4,179 meters from the previous year. Progress of the

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6.1 meter diameter ventilation raise bore hole was hugely affected by the fire in February 2014. The access to the project area was affected and continuation of drilling work was dependent on opening up and re-establishment of infrastructure on 192 level. Drilling commenced during the first quarter of fiscal 2015.

As more mining takes place on the South Reef, the level of confidence on the geology of this reef improves. The exploration program at Doornkop is ongoing and will continue by means of development and exploration drilling. Year on year, the South Reef reserve included in the life-of-mine increased by 21%. The South Reef production is planned to build up, and is expected to increase to 17,000 m² in fiscal 2016. Full production is expected to be achieved in fiscal 2020.

An ongoing drive on safety on rail bound equipment continued during fiscal 2014. The locomotive management system was completed on 202 level. Safe behavior of employees is addressed with the Masephepheni project which is currently in its third phase. The installation of skip arrestors in shaft bottom was affected by the accidents during the 2014 fiscal year. Preparation work is currently in progress and the installation is now expected to be completed by the end of the second quarter of fiscal 2015.

During fiscal 2014, Doornkop accounted for 7% (10% in fiscal 2013 and 8% in fiscal 2012) of our total gold production.

Safety: Doornkop had a poor safety year with eleven fatalities recorded in fiscal 2014 (fiscal 2013: nil). The LTIFR regressed to 9.06 (fiscal 2013: 5.30) per million hours worked. On the positive side, the mine achieved 7.226 million fall-of-ground fatality-free shifts by the end of fiscal 2014.

Plant: The ore from the operation is sent to Doornkop Plant for processing. See *Item 4. Information on the Company Business Metallurgy Doornkop Plant* for a discussion on the plant.

Production analysis:

Doornkop	Fiscal Year Ended June 30,		
	2014	2013	2012
Production			
Tons (000)	812	1,112	1,023
Recovered grade (ounces/ton)	0.103	0.105	0.097
Gold produced (ounces)	83,687	116,738	98,863
Gold sold (ounces)	84,653	114,135	98,027
Results of operations (\$)			
Product sales (000)	108,803	183,066	165,271
Cash cost (000)	(105,775)	(122,121)	(112,936)
Inventory movement (000)	(313)	3,977	1,920
Production profit (000)	2,715	64,922	54,255
Cash costs			
Per ounce of gold produced (\$)	1,264	1,046	1,142
All-in sustaining cost			
Per ounce of gold sold (\$)	1,574	1,343	1,429

Capex (000) (\$)	22,986	32,354	37,813
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Tons milled from Doornkop were 812,000 in fiscal 2014, compared with 1,112,000 in fiscal 2013. Recovered grade decreased from 0.105 ounces per ton in fiscal 2013 to 0.103 in fiscal 2014. These decreases were mainly due to the production stoppages in the Kimberley Reef (production stopped as it was not economically viable) and the South Reef which was severely affected by the incident occurring in February 2014. South Reef production crews were re-deployed to lower grade areas during the re-establishment of the fire affected 192 level. South Reef areas accounted for 71% of total tons mined in fiscal 2014, up from 64% in fiscal 2013. Ounces produced decreased from 116,738 in fiscal 2013 to 83,687 in fiscal 2014, reflecting the losses after the incident and the suspension of the mining of the Kimberley Reef. The average tons milled in fiscal 2014 was 67,675 tons per month, compared with 92,667 tons per month in fiscal 2013.

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Revenue received decreased from US\$183.1 million in fiscal 2013 to US\$108.8 million in fiscal 2014 mainly as a result of the decrease in ounces produced and the lower gold price received. Cash costs per ounce were 21% higher at US\$1,264/oz. With a 28% decrease in ounces produced, increases in cost for labor and electricity could not be mitigated.

Tons milled from Doornkop were 1,112,000 in fiscal 2013, compared with 1,023,000 in fiscal 2012. Recovered grade improved from 0.097 ounces per ton in fiscal 2012 to 0.105 in fiscal 2013. These increases were mainly due to production build-up in the South Reef. South Reef areas accounted for 64% of total tons mined in fiscal 2013, up from 62% in fiscal 2012. Ounces produced increased from 98,863 in fiscal 2012 to 116,738 in fiscal 2013, reflecting the production build-up of the South Reef. The average tons milled in fiscal 2013 was 92,667 tons per month, compared with 85,250 tons per month in fiscal 2012.

Revenue received increased from US\$165.3 million in fiscal 2012 to US\$183.1 million in fiscal 2013 as a result of the increase in ounces produced and the higher gold price received. Cash costs per ounce were 8.4% lower at US\$1,046/oz. In terms of unit cost, the annual increases in labor rates of 8% and the 9.6% increase in electricity costs were mitigated by the 18% increase in ounces produced and the effect of the exchange rate.

On a simplistic basis, assuming no additional resources are identified, at expected production levels, it is foreseen that the reported proved and probable mineral reserve of 8.4 million tons (1.319 million ounces) will be sufficient for the Doornkop shaft to maintain production until approximately fiscal 2032. Any future changes to the assumptions upon which the mineral reserves are based, as well as any unforeseen events affecting production levels, could have a material effect on the expected period of future operations.

Capital Expenditure: Harmony incurred US\$23.0 million in capital expenditure in fiscal 2014 at Doornkop, primarily for ongoing capital development (68%), other shaft and plant capital (17%) and the South Reef project (15%). The planned capital expenditure for fiscal 2015 is US\$23.3 million, mainly for ongoing capital development, the South Reef project and other shaft and plant capital.

Joel

Introduction: Joel is located in the Free State Province, on the south-western edge of the Witwatersrand basin. The mine comprises of two shafts, North and South shafts. The ore is processed at the Joel plant, which was re-commissioned in November 2009.

History: Joel was purchased from a subsidiary of AngloGold at the same time as the rest of the Freegold assets in January 2002.

Geology: The main structures on Joel Mine are associated with the Platberg Extensional event, which formed the De Bron and associated faults. These faults are north-south striking, steeply dipping and typically have downthrows to the east in the order of 10 to 100m. These form a graben against the De Bron Fault, which has a 450m up throw to the east. East of the De Bron Fault the reef has been truncated/eroded against the Karoo.

The complex nature of the reef, with multiple pulses of detrital influx and scouring non-deposition on paleotopographic highs and the mixing between the Beatrix, Beatrix-VS5 Composite Reef and Beatrix-VS5-Aandenk, has resulted in a highly irregular distribution of gold throughout the mining area. There are broad low and high-grade zones on the scale of hundreds of meters, which are considered likely to be repeated within the reef environment beyond the limits of the current development, however, the detailed grade distribution within these zones remains very unpredictable.

For the purposes of resource estimation, a detailed facies model is used and is based on detailed sedimentological observations and absence of well-mineralized reef at paleo-topographic highs.

Mining operations: These operations are subject to the underground mining risks detailed in the Risk Factors section. The management teams regularly revisit their mining strategy and management procedures in order to minimize risks.

Scattered mining takes place on the Beatrix Reef, down to a depth of some 1,400 meters. Upgrading of the infrastructure at North Shaft is currently in progress. The upgrade was accelerated as of March 2014 after a shaft flooding incident that was experienced in February and March 2014. The rock hoisting capacity at Joel is 48,000 tons per month. The upgrade currently in process will increase the capacity to just above 52,000 tons per month.

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While production at Joel has progressively moved to the deeper portions of the mine, some 1,400 meters below surface, the North Shaft, which accesses these areas, was never fully equipped for this and adjustments to the shaft spillage arrangements are now being made retrospectively. The modifications being made include:

changing the winder from sinking to production mode;

installing larger aluminium skip, expected to be completed by the end of October 2014;

ensuring that emergency egress is available, completion of the ladder installation to be done by June 2015;

raise boring the lift shaft from 121 to 129 level, starting in November 2014 and completed by December 2014; and

improving cleaning arrangements at the shaft bottom by installing a canopy by the end of December 2014 with cleaning commencing in January 2015.

To ensure production targets are met, plans are in place to ensure the operability of North Shaft through a planned maintenance program to minimize breakdowns, maintain blast advances and assess the feasibility of mining below 129 level. A feasibility study on mining 137 level and testing the upside potential of 145 level was completed by the end of June 30, 2011. The project was approved and began in the last quarter of fiscal 2012. During fiscal 2013, the decline project to 137 level started well, reflecting good progress with development meters. The decline progress was hampered in fiscal 2014 by flooding as well as equipping delays by the contractor. The contractor was subsequently replaced by mine employees who are now tasked with completing the project. Managing the shaft and project schedules is critical for Joel, given its limited shaft flexibility.

Engineering issues during the third quarter of fiscal 2014 lead to a decrease in production performance for fiscal 2014 and lower recovered grades had a negative impact on gold recovered. Grade decreased by 19%, with a 10% decrease in volumes milled to 604,000 tons in fiscal 2014 (fiscal 2013: 674,000). This resulted in an overall decrease of 28% in gold ounces produced to 75,072.

During fiscal 2014, Harmony and Sibanye entered into an agreement whereby Joel mine exchanged two portions of its mining right for two portions of Sibanye's Beatrix mine's mining right, and acquired two additional mining right portions from Beatrix (sale portions). The transaction was completed in May 2014.

During fiscal 2014, Joel accounted for 6% of our total gold production (9% in fiscal 2013 and 7% in fiscal 2012).

Safety: Regrettably, Joel recorded two fatalities during fiscal 2014 (fiscal 2013: two). The LTIFR rate regressed to 3.25 from 2.42 in fiscal 2013. Joel plant had no lost time-or reportable injury during fiscal 2014.

Plant: The ore from the operation is sent to Joel Plant for processing. See *Item 4. Information on the Company Business Metallurgy Joel Plant* for a discussion on the plant.

Production analysis:

Joel	Fiscal Year Ended June 30,		
	2014	2013	2012
Production			
Tons (000)	604	674	614
Recovered grade (ounces/ton)	0.124	0.154	0.139
Gold produced (ounces)	75,072	103,782	85,618
Gold sold (ounces)	74,204	102,625	86,132
Results of operations (\$)			
Product sales (000)	96,087	164,584	144,750
Cash cost (000)	(66,433)	(75,645)	(71,589)
Inventory movement (000)	1,895	1,514	(1,209)
Production profit (000)	31,549	90,453	71,952
Cash costs			
Per ounce of gold produced (\$)	885	729	836
All-in sustaining cost			
Per ounce of gold sold (\$)	1,019	890	992
Capex (000) (\$)	13,999	18,100	10,822

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Tons milled decreased from 674,000 in fiscal 2013 to 604,000 in fiscal 2014 due to engineering stoppages during the year. Grade decreased by 19% to 0.124 ounces per ton and ounces produced decreased from 103,782 in fiscal 2013 to 75,072 in fiscal 2014. The average tons milled in fiscal 2014 was 45,670 tons per month, compared with 50,929 tons per month in fiscal 2013.

Revenue decreased by 42 % to US\$96 million in fiscal 2014, due to the decrease in production performance and the gold price year on year. The annual decrease in cash cost was 12%. Production volumes decreased year on year resulting in lower cash costs. Cash costs per ounce increased by 21% in fiscal 2014, primarily as a result of the decrease in ounces produced.

Tons milled increased from 614,000 in fiscal 2012 to 674,000 in fiscal 2013 due to fewer stoppages occurring in fiscal 2013 compared to fiscal 2012 and increased waste tons from the 137 decline project. Grade increased by 11% to 0.154 ounces per ton and ounces produced increased from 85,618 in fiscal 2012 to 103,782 in fiscal 2013. The average tons milled in fiscal 2013 was 50,929 tons per month, compared with 46,837 tons per month in fiscal 2012.

Revenue increased by 14% to US\$164.6 million in fiscal 2013, due to the increases in production performance and the gold price year on year. The annual increase in labor rates of 8% and the increase of the electricity cost of 9.6% as well as the increase in production volumes resulted in higher cash costs. In dollar terms, this was offset by the effect of the 14% decrease in the R/US\$ average exchange rate. Cash costs per ounce decreased by 13% in fiscal 2013, primarily as a result of the increase in ounces produced.

Assuming no additional reserves are identified, at expected production levels, it is foreseen that the reported proved and probable mineral reserves of 7.4 million tons (1.225 million ounces) will maintain Joel's underground production until approximately the year 2027. Any future changes to the assumptions upon which the mineral reserves are based, as well as any unforeseen events affecting production levels, could have a material effect on the expected period of future operations.

Capital Expenditure: We incurred US\$14.0 million in capital expenditures at Joel in fiscal 2014. This was mainly on ongoing capital requirements (US\$4.5 million) and the 137 Decline Project (US\$7.2 million). Capital budgeted for fiscal 2015 is US\$17.5 million, for ongoing capital development, shaft capital and the 137 Decline Project.

Kusasaletu

Introduction: Kusasaletu is located near Carletonville on the Gauteng/North West border in South Africa. The assets and associated liabilities were purchased during fiscal 2001 for approximately R1 billion (US\$128.4 million) from AngloGold. Ore from the operation is treated at the Kusasaletu plant.

During October 2012, an interim workers committee organized an illegal strike at the operation. This was resolved following Chamber of Mines of South Africa negotiations. Subsequent to the return to work during November 2012, sporadic incidents of illegal sit-ins and mass meetings occurred threatening the security and safety of the employees and operation. A decision was taken on December 20, 2012 to close Kusasaletu mine indefinitely. On January 7, 2013, Harmony announced that Kusasaletu would be placed on care and maintenance and that a Section 189 process would be initiated. On February 14, 2013 a ground breaking agreement was signed between all stakeholders calling for co-existence and the reopening of the mine. The start-up plan for the mine commenced on February 15, 2013 in a phased process. Despite challenges encountered during fiscal 2014, such as safety stoppages, spillage and flooding of the bottom of the return ventilation shaft and sub-shafts that restricted hoisting, production in fiscal 2014 was almost back to normal.

History: Gold mining began at Kusasalethu in 1978 following approval of the project in 1974 by Elandsrand Gold Mining Company. Two surface shafts and two adjoining sub-vertical shafts were sunk at Elandsrand. The sub-vertical shafts at Elandsrand, which accessed the deeper part of the Ventersdorp Contact Reef (the **VCR**) the lease area, were completed in 1984. The deepening of the sub-vertical shafts to approximately 3,600 meters below surface has been completed after the deepening project was commissioned in 1991. Activities are currently focused on accessing and opening up areas of the new mine and on the development and construction of support infrastructure.

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Geology: At Kusasalethu we primarily exploit the VCR and the Elsburg Reef. Only the VCR is economic to mine and has been mined at depths below surface between 1,600 and 3,300 meters at the Kusasalethu operations. The VCR consists of a narrow (20 centimeters to 2 meters) tabular orebody of quartz pebble conglomerates hosting gold, with extreme lateral continuity. The VCR strikes east-northeast and has a regional dip of 21 degrees to the south-southeast. Local variations in dip are largely due to the terrace-and-slope palaeotopography surface developed during VCR deposition.

Mining Operations: The Kusasalethu mine is subject to the underground mining risks detailed in the Risk Factors section.

The Kusasalethu mine has the challenge of developing a new mine underneath the original mine after the shaft was deepened to access the deeper part of the VCR orebody. The operation is hampered by the lack of flexibility, and is being addressed in fiscal 2014 to 2017 by increasing the development profile. Due to the operating depths of the Kusasalethu underground operations, ventilation and refrigeration, seismicity and high rock stress are significant risks at the mine. Steps were taken during fiscal 2012 to improve the quality of the pre-conditioning at the stope face and seismic management systems so as to reduce the possibility of face ejection during small, volatile seismic events. Commissioning of 109 and 113 levels bulk air coolers will be completed by December 2014, to ensure ventilation for these levels as it is developing further away from the main shaft. The second escape from 115 to 75 level is in progress, with completion scheduled for the end of October 2014.

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, started in February 2011 will be completed by the end of the 2019 calendar year.

The mine was stopped in December 2012 due to labor unrest, and was re-opened in April 2013, but only returned to normal production of around 100 000 tons in June 2013. Currently, 80% of production at Kusasalethu is from production areas below 100 level (the new mine expansion project) and 20% from production areas in the top mine, above 100 level. This ratio is planned to be maintained over the next six years, depending on cut off grades in the areas above 100 level.

In fiscal 2014, Kusasalethu operations accounted for approximately 13% (8% in fiscal 2013 and 14% in fiscal 2012) of Harmony's total gold production.

Safety: Regrettably, Kusasalethu recorded three fatalities during fiscal 2014 (fiscal 2013: two). The LTIFR deteriorated to 9.56 (fiscal 2013:4.25). The mine achieved 2.7 million fall-of-ground fatality-free shifts and 1.9 million rail-bound equipment fatality-free shifts during the year. The focus on safety and health at Kusasalethu remains a priority. The introduction of a Trigger Action Response Program during fiscal 2014 will focus on improving fall-of-ground accidents and incidents.

Plant: The ore from the operation is sent to Kusasalethu Plant for processing. See *Item 4. Information on the Company Business Metallurgy Kusasalethu Plant* for a discussion on the plant.

Production analysis:

Kusasalethu	Fiscal Year Ended June 30,		
	2014	2013	2012

Production			
Tons (000)	1,260	784	1,320
Recovered grade (ounces/ton)	0.120	0.112	0.137
Gold produced (ounces)	150,916	88,093	181,105
Gold sold (ounces)	145,673	86,742	178,726
Results of operations (\$)			
Product sales (000)	189,260	137,477	298,671
Cash cost (000)	(176,752)	(171,864)	(189,403)
Inventory movement (000)	7,432	3,702	4,149
Production profit/(loss) (000)	19,940	(30,685)	113,417
Cash costs			
Per ounce of gold produced (\$)	1,171	1,951	1,046
All-in sustaining cost			
Per ounce of gold sold (\$)	1,570	2,616	1,349
Capex (000) (\$)	49,162	47,559	53,486

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Tons milled from Kusasalethu increased from 784,000 in fiscal 2013 to 1,260,000 in fiscal 2014 mainly as a result of the mine operating closer to planned levels for fiscal 2014 compared to fiscal 2013 when the mine was affected by labor disruptions and was subsequently closed for 4 months. Ounces produced increased by 71% in fiscal 2014 to 150,916, with a 7% increase in recovered grade. The average tons milled in fiscal 2014 was 105,000 tons per month, compared with 59,228 tons per month in fiscal 2013.

Revenue was 38% higher at US\$189.2 million in fiscal 2014, mainly as a result of the mine being back in full production compared to fiscal 2013 which was affected by labor unrest that hampered the production. Cash costs increased by 3% while cash costs per ounce decreased by 40% to US\$1,171/oz as a result of the increase in ounces produced. Electricity rates are expected to continue rising by an estimated 8% annually for the next two years.

Tons milled from Kusasalethu decreased from 1,320,000 in fiscal 2012 to 784,000 in fiscal 2013. Ounces produced decreased by 51% in fiscal 2013 to 88,093, with an 18% decline in recovered grade. The decline in gold production is due to the unrest in labor relations with the concomitant shaft closure. The average tons milled in fiscal 2013 was 59,228 tons per month, compared with 100,323 tons per month in fiscal 2012.

Revenue was 54% lower at US\$137.5 million in fiscal 2013, mainly due to labor unrest that hampered the production in fiscal 2013. Cash costs per ounce increased by 87% to US\$1,951/oz as a result of the decrease in ounces produced due to the labor disruptions as well as the increase in average labor rates of 8.67% and the electricity increases of 9.6%. Electricity rates are expected to continue rising by an estimated 9.6% annually for the next two years.

Assuming no additional reserves are identified, at expected production levels, it is foreseen that the reported proved and probable mineral reserves of 39.3 million tons, or 6.8 million ounces, will be sufficient for the Kusasalethu shaft to maintain underground production until approximately calendar year 2040. Any future changes to the assumptions upon which the mineral reserves are based, as well as any unforeseen events affecting production levels, could have a material effect on the expected period of future operations.

Capital Expenditure: Harmony incurred US\$49.2 million in capital expenditure at the Kusasalethu operation in fiscal 2014, mainly for ongoing development (59%) and equipment maintenance (39%). Harmony budgeted US\$58.9 million, for capital expenditure at the Kusasalethu operation in fiscal 2015, primarily for ongoing development expenditure.

Masimong

Introduction: Masimong is located in the Free State Province, near the town of Welkom. The Masimong complex comprises an operating shaft, 5 Shaft, and a second shaft, 4 Shaft, which, although closed, is used for ventilation, pumping and as a second outlet.

History: Masimong is located in the Free State Goldfield on the south-western edge of the Witwatersrand Basin. The Company purchased the Masimong complex (formerly known as Saaiplaas Shafts 4 and 5) during September 1998.

Geology: Masimong is located in the Free State Goldfield, to the east of the De Bron Fault. The reef mostly dips towards the east at 20 degrees, although Masimong is structurally complex and dips of up to 40 degrees have been measured. The operation exploits the Basal Reef, which varies from a single pebble lag to channels of more than two meters thick (although the thicker channels greater than one meter were only seen on Masimong 4 in the Steyn facies). It is commonly overlain by shale, which thickens northwards and completely disappears again north of the North dyke. Masimong is also mining secondary reefs, most notably the B Reef (140 meters above Basal). The B Reef is a highly channelized orebody. Within the channels, grades are excellent, but this falls away to nothing outside of the

channels. Consequently, the operation has undertaken extensive exploration to locate these pay channels.

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Mining Operations: The operations are subject to the underground mining risks detailed in the Risk Factors section. Due to the shallow to moderate depths of the underground operations, seismicity related problems are relatively infrequent. We regularly revisit our mining strategy and management procedures in connection with our efforts to mitigate risks of these problems. There is a risk of subterranean water and/or gas intersections in some areas of the mine. However, this risk is mitigated by active and continuous management and monitoring, which includes the drilling of boreholes in advance of faces. Where water and/or gas are indicated in the drilling, appropriate preventative action is taken. Mining is conducted at depths ranging from 1,518 meters to 2,142 meters. Ore is treated at the Harmony 1 Plant, approximately 23 kilometers away. 5 Shaft has a hoisting capacity of 120,000 tons per month.

Grade management remains important at Masimong. The channelized nature of the B Reef has led to no significant high grade areas being discovered in the last fiscal year. Basal grade decreased due to the mining that approaches the edges of the known channels in the south western block and lower grades in the newer Southern block of the mining lease. The face grade mined declined by 8% in fiscal 2014 compared to fiscal 2013. Mine call factor declined during the year from 65.43% in fiscal 2013 to 62.57% in fiscal 2014.

The planned compressor move which started during fiscal 2013 will assist in reducing the amount of air lost from the compressor running from Saaiplaas 3 shaft and 4 Shaft. When the project is completed in March 2015, the compressor in the remote shaft can be switched off. Maintenance on the seven kilometer pipe line will then not be necessary and the effectiveness of the compression system will be improved.

In fiscal 2014, Masimong accounted for approximately 7% (10% in fiscal 2013 and 8% in fiscal 2012) of Harmony's total gold production.

Safety: Regrettably, Masimong recorded two fatal accidents in fiscal 2014 (fiscal 2013: one). The LTIFR deteriorated significantly to 15.80 per million hours worked (fiscal 2013: 7.31).

Plant: The ore from the operation is sent to Harmony One Plant for processing. See *Item 4. Information on the Company Business Metallurgy Harmony One Plant* for a discussion on the plant.

Production analysis:

Masimong Shaft Complex	Fiscal Year Ended June 30,		
	2014	2013	2012
Production			
Tons (000)	739	958	1,029
Recovered grade (ounces/ton)	0.118	0.121	0.101
Gold produced (ounces)	87,385	116,256	103,526
Gold sold (ounces)	87,064	115,679	102,978
Results of operations (\$)			
Product sales (000)	113,129	185,886	173,652
Cash cost (000)	(94,532)	(111,653)	(109,402)
Inventory movement (000)	(397)	1,169	819
Production profit (000)	18,200	75,402	65,069
Cash costs			

Per ounce of gold produced (\$)	1,082	960	1,057
All-in sustaining cost			
Per ounce of gold sold (\$)	1,353	1,222	1,408
Capex (000) (\$)	16,218	19,339	26,771

Tons milled from Masimong decreased by 23% to 739,000 in fiscal 2014, compared with 958,000 in fiscal 2013, primarily due to the decrease in production. Recovered grade decreased to 0.118 ounces per ton in fiscal 2014 from 0.121 ounces per ton in fiscal 2013 as a result of a lower face grade mined year over year, coupled with a lower mine call factor.

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Ounces produced decreased by 25% to 87,385 in fiscal 2014, compared with 116,256 in fiscal 2013. Year on year gold production decreased due to a decrease in grade and a decrease in production volume. The average tons milled in fiscal 2014 was 61,590 tons per month, compared with 79,833 tons per month in fiscal 2013.

Revenue decreased from US\$185.9 million in fiscal 2013 to US\$113.1 million in fiscal 2014. The decrease in ounces sold is a result of the decrease in the recovered grade as well as the lower production volumes and was the main contributor to the decrease in revenue. Cash costs per ounce increased by 13% mainly as a result of the 25% decrease in ounces produced. This was, however, partially offset by the 15% decrease in cash cost. Cash costs per ounce at US\$1,082 in fiscal 2014 compared with US\$960 in fiscal 2013. These increases were partially offset by a 17% weakening in the R/US\$ exchange rate.

Tons milled from Masimong decreased by 7% to 958,000 in fiscal 2013, compared with 1,029,000 in fiscal 2012 primarily due to the split of waste and reef tons. Recovered grade increased as a result of the commissioning of the waste transfer system to 0.121 ounces per ton from 0.101 ounces per ton in fiscal 2012. Ounces produced increased by 12% to 116,256 in fiscal 2013, compared with 103,526 in fiscal 2012. Year-on-year gold production increased due to an increase in grade, although this was offset by the decrease in the production volumes. The average tons milled in fiscal 2013 was 79,833 tons per month, compared with 85,750 tons per month in fiscal 2012.

Revenue increased from US\$173.6 million in fiscal 2012 to US\$185.9 million in fiscal 2013. The increase in ounces sold as a result of the increase in the recovered grade was the main contributor to the increase in revenue. Cash costs per ounce decreased by 9% mainly as a result of the increase in ounces produced. This was, however, partially offset by the increases in labor costs (the annual labor rate increases between 7.5% and 10%) and the 9.6% increase in electricity tariffs in fiscal 2013. Cash costs per ounce at US\$960 in fiscal 2013 compared with US\$1,057 in fiscal 2012.

Assuming no additional reserves are identified, at expected production levels, it is foreseen that the reported proved and probable mineral reserves of 7.3 million tons (0.947 million ounces) will be sufficient for the Masimong shaft complex to maintain underground production until approximately fiscal 2016. If the grade management process does identify any new high grade areas of the channelized B-reef, production would be sustained until fiscal 2029. Any future changes to the assumptions upon which the reserves are based, as well as any unforeseen events affecting production levels, could have a material effect on the expected period of future operations.

Capital Expenditure: Masimong incurred US\$16.2 million in capital expenditures in fiscal 2014, primarily spent on ongoing capital development, the compressor move to 5 Shaft and building a medical hub on-site. We have budgeted a total of US\$16.3 million for capital expenditure at Masimong in fiscal 2015, primarily for ongoing capital development, completion of the compressor move and medical hub, as well as an overhead electrical line between 4 Shaft and 5 Shaft.

Phakisa

Introduction: We acquired Phakisa when we, in January 2002, acquired the Freegold operations from AngloGold through a 50% joint venture with ARMGold. In September 2003, we acquired 100% of these operations when ARMGold became a wholly-owned subsidiary. The operation is located in the Free State Province. Production from the operations is processed through Harmony 1 Plant. First production took place during September 2007, with a build-up to full production expected by fiscal 2018 due to capital revisions and re-planning.

History: Exploration, development and production history in the area of the Freegold assets dates from the early 1900 s, leading to commercial production by 1932. Subsequent consolidation and restructuring led to the formation of

Free State Consolidated Gold Mine (Operations) Limited, which became a wholly-owned subsidiary of AngloGold in June 1998.

Sinking at Phakisa started in February 1994 and was suspended in May 1999, 2,357 m below collar. It was acquired by Harmony in 2002 and sinking recommenced in July 2003. The mine came into production in fiscal 2008.

Geology: The operation is located in the Free State goldfield, which is on the south-western edge of the Witwatersrand basin. The goldfield is divided into two sections, cut by the north-south striking De Bron Fault. The Phakisa mine is located to the west of the De Bron Fault. Mining is conducted in the Basal Reef. The reefs generally dip towards the east.

Mining Operations: These operations are subject to the underground mining risks detailed in the Risk Factors section. The management teams regularly revisit their mining strategy and management procedures in order to minimize risks.

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The shaft depth is currently at 2,427 meters below collar and is building up to a monthly capacity of 70,000 reef tons. Phakisa includes the Nyala shaft, five kilometers away, which is used to hoist rock and as a second escape route. All rock is transported via a rail system on 55 level to the Nyala shaft for hoisting to surface. Phakisa produces 2,400 tons of ice per day, resulting in water temperatures of <14°C which, in turn, improved both ventilation and productivity. The production build-up was affected by the failure of the shaft lining, brattice wall and certain buntons sets within sections of the Freddie's no. 3 ventilation shaft during fiscal 2013. The failure resulted in the surface fan at the ventilation shaft having to be stopped and alternative temporary ventilation solutions had to be sought until the rehabilitation was completed. Rehabilitation was completed in fiscal 2014. The build-up of the production profile had been negatively affected by the Freddie's no. 3 ventilation shaft failure and has impacted on the initially expected full production steady state of fiscal 2014. With the ventilation fan back in commission, work is progressing well and there is a tangible improvement in the underground working conditions.

Development at Phakisa is starting to access the higher grade blocks to the north of the shaft. The major drive is on developing the area to the north of the shaft as well as the far south in order 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. Grade variability remains a risk. Opening up face length quickly to the north and far south high grade blocks is a challenge but will mitigate the variability of the grade.

During fiscal 2014 year, an impairment US\$130.3 million was recognized on Phakisa, resulting from the removal of the decline project from the business plan after the completion of a feasibility study on the proposed decline shaft in fiscal 2014. This resulted in a decrease in the reserves of Phakisa of two million ounces.

The mine received integrated ISO 14001, OHSAS 18000 and ISO 9000 certification during fiscal 2012. Phakisa maintained the certification during fiscal 2014. Re-certification will be done in fiscal 2015.

During fiscal 2014, Phakisa accounted for 8% (7% in fiscal 2013 and 6% in fiscal 2012) of our total gold production.

Safety: The LTIFR for fiscal 2014 was 7.73 per million hours worked (2013: 8.80). Regrettably Phakisa had one fatality during fiscal 2014 (fiscal 2013: one). Phakisa has shown a positive trend reducing LTI injuries. The continuous reduction of rail-bound injuries reflects both internal initiatives and the mine's success as an implementation site for the related MOSH initiative. Management is also concentrating on reducing fall-of-ground incidents by implementing best-practice standards. Early shift visible felt leadership drives made a profound improvement on the fall-of-ground accident trends, employees were made aware of management's commitment to reducing these accidents.

Plant: The ore from the operation is sent to Harmony One Plant for processing. See *Item 4. Information on the Company Business Metallurgy Harmony One Plant* for a discussion on the plant.

Production analysis:

Phakisa	Fiscal Year Ended June 30,		
	2014	2013	2012
Production			
Tons ('000)	636	565	575
Recovered grade (ounces/ton)	0.150	0.139	0.142

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Gold produced (ounces)	95,680	78,255	81,695
Gold sold (ounces)	95,263	77,902	81,276
Results of operations (\$)			
Product sales (000)	124,006	124,984	136,953
Cash cost (000)	(103,215)	(111,760)	(104,462)
Inventory movement (000)	699	411	1,124
Production profit (000)	21,490	13,635	33,615
Cash costs			
Per ounce of gold produced (\$)	1,079	1,428	1,279
All-in sustaining cost			
Per ounce of gold sold (\$)	1,463	1,937	1,732
Capex (000)	34,791	38,252	38,925

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Tons milled increased from 565,000 tons in fiscal 2013 to 636,000 tons in fiscal 2014, with ounces produced increasing from 78,255 ounces to 95,680. Grade increased from fiscal 2013 at 0.139 ounces per ton to 0.150 ounces per ton in fiscal 2014. The average tons milled in fiscal 2013 was 47 083 tons per month, compared with 53,000 tons per month in fiscal 2014.

Revenue was 1% lower at US\$124 million in fiscal 2014 as a result of a 19% decrease in the gold price received. Cash costs per ounce for Phakisa were US\$1,079 per ounce in fiscal 2014, compared with \$1,428 per ounce in fiscal 2013. This decrease is primarily attributable to the increase in ounces produced, partially offset by the increases in cost of labor and electricity.

Tons milled decreased from 575,000 tons in fiscal 2012 to 565,000 tons in fiscal 2013, with ounces produced decreasing from 81,695 ounces to 78,255 ounces. This reflects the impact of the underground fire and failure of the Freddie's no.3 ventilation shaft. Grade was lower in fiscal 2013 at 0.139 ounces per ton, compared to 0.142 in fiscal 2012. The average tons milled in fiscal 2013 was 47,083 tons per month, compared with 47,917 tons per month in fiscal 2012.

Revenue was 9% lower at US\$124.9 million in fiscal 2013 as a result of lower production. Cash costs per ounce for Phakisa were US\$1,428 per ounce in fiscal 2013, compared with \$1,279 per ounce in fiscal 2012. This increase is primarily attributable to the decrease in tons mined, as well as the increase in cost of labor and electricity.

Assuming no additional reserves are identified, at expected production levels, it is foreseen that the reported proved and probable mineral reserves of 8.3 million tons (1.69 million ounces) will be sufficient for the Phakisa shaft to maintain production until approximately fiscal 2025. Any future changes to the assumptions upon which the reserves are based, as well as any unforeseen events affecting production levels, could have a material effect on the expected period of future operations.

Capital Expenditure: We incurred approximately US\$34.8 million in capital expenditures at the Phakisa operations in fiscal 2014, mainly for the expansion project and ongoing development. We have budgeted US\$35.2 million for capital expenditures in fiscal 2015, primarily for ongoing capital development, abnormal and shaft capital.

Target 1

Introduction: We acquired Target 1 when Avgold became a wholly-owned subsidiary in fiscal 2004. Target 1 is situated in the town of Allanridge in the Free State Province, some 270 kilometers southwest of Johannesburg. Located on the northern limit of the Welkom Goldfields, the site is accessed via the R30 motorway situated between the towns of Bothaville and Welkom.

History: Target 1 was initially explored through surface drilling in the late 1980s with further exploration being undertaken from a 5.6 kilometer-long decline, commenced in 1995, driven from 203L at Loraine No. 1 Shaft. A positive feasibility study into the development of a 105 ktpm operation was produced in May 1998 resulting in the decision to develop Target 1. A detailed mine design was produced in 2000 and the mine officially opened in May 2002. Upon closure of the Loraine mine in August 1998, the Loraine No. 1 and No. 2 Shafts were transferred to the Target mine, becoming Target No. 1 and No. 2 Shafts, respectively. No 5 Shaft being the up-cast Ventilation Shaft.

Geology: The gold mineralization currently exploited by Target 1 is contained within a succession of Elsburg and Dreyerskuil quartz pebble conglomerate reefs hosted by the Van Heeverrust and Dreyerskuil Members of the Eldorado Formation, respectively. Additional mineral resources have been delineated in the Big Pebble Reefs of the Kimberley Formation but these are not planned to be exploited in the current life-of-mine plan.

The majority of the mineral reserves at Target 1 are contained within the Eldorado Fan, a structure with dimensions of some 135 meters vertically, 450 meters down-dip and 500 meters along strike. The Eldorado Fan is connected to the subsidiary Zuurbron Fan by a thinner and lower grade sequence of Elsburg Reefs termed the Interfan area. To the north of the Eldorado Fan, a number of fans have been intersected by surface drilling of which the Siberia and Mariasdal Fans are the most significant. These fans are subject to ongoing technical studies and do not form part of the current Target 1 life-of-mine mineral reserve.

A number of faults that displace the reefs of Target 1 have been identified, of which the most prominent are the north-south trending Eldorado Fault and the east-west trending Dam and Blast Faults. The Eldorado uplifts the more distal portions of the Elsburg and Dreyerskuil Reefs while the Blast Fault forms the northern border of Target 1.

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Target North is sub-divided into the Paradise, Siberia and Mariasdal areas by the east-west trending Siberia and Mariasdal Faults. To the north of the Siberia Fault, the Eldorado Fault continues trending more to the northwest and an additional north-south trending fault, the Twin Fault has uplifted the distal portions of the reefs. North of the Mariasdal Fault, the reef horizons are at a depth greater than 2,500 meters below surface. Resources have been delineated on strike up to 15 kilometers north of Target 1 mine.

Approximately 40 kilometers north of Target 1, surface boreholes have intersected gold bearing reefs in the Oribi area close to the town of Bothaville. Resources have been delineated at Oribi on the VCR and Elsburg at depths of approximately 2,750 meters below surface.

Mining operations: Target is subject to the risks associated with underground mining detailed in the Risk Factors section. The management teams regularly revisit their mining strategy and management procedures in order to minimize risks.

Mining operations at Target 1 comprise one primary underground mine, with a depth of approximately 2,420 meters and a hoisting capacity of 99,200 tons per month. The shaft was commissioned in May 2002, making use of information systems and mechanization, combined with process-driven organizational design that relies on a multi-skilled workforce. The majority of the production is derived from mechanized mining; however, conventional stoping is still employed primarily to de-stress areas ahead of the mechanized mining.

Target 1 managed strong results in fiscal 2014 despite the continuation of hampered loadings from the massive stopes caused by large rocks. This was as a result of the high volume of pillars that was being mined in high stress zones left in Block 1 & 2. This also negatively affected the availability of massive stopes which, in turn, affected the mining mix. The average mining grade achieved in the narrow-reef areas was significantly higher than expected during the first three quarters of fiscal 2014, which resulted in above average gold recoveries. This has enabled Target 1 to perform consistently and manage its ore reserves better, which is crucial to the mine's success.

In fiscal 2014, Target 1 accounted for 12% (11% in fiscal 2013 and 9% in fiscal 2012) of our total gold production.

Safety: Reflecting the concerted effort in recent years to improve safety, Target 1 recorded a fourth consecutive fatality-free year. During fiscal 2014, Target 1 continued on its journey to safety excellence and the LTIFR decreased by 64% to 1.30 per million hours worked (2013: 3.66) as a result of a challenging fourth quarter. The mine also achieved more than 1.9 million fall-of-ground fatality-free shifts as well as 1.9 million fatality-free shifts.

Plant: The ore from the operation is sent to Target Plant for processing. See *Item 4. Information on the Company Business Metallurgy Target Plant* for a discussion on the plant.

Production analysis:

Target 1	Fiscal Year Ended June 30,		
	2014	2013	2012
Production			
Tons ('000)	851	790	869
Recovered grade (ounces/ton)	0.170	0.161	0.134
Gold produced (ounces)	144,453	127,542	116,708
Gold sold (ounces)	144,936	126,191	117,190

Results of operations (\$)

Product sales (000)	188,157	203,388	196,397
Cash cost (000)	(101,350)	(107,398)	(109,651)
Inventory movement (000)	(165)	1,177	(380)
Production profit (000)	86,642	97,167	86,366

Cash costs

Per ounce of gold produced (\$)	702	842	940
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All-in sustaining cost

Per ounce of gold sold (\$)	939	1,193	1,262
Capex (000) (\$)	27,960	37,521	33,290

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Tonnages milled from Target 1 increased significantly from 790,000 tons in fiscal 2013 to 851,000 tons in fiscal 2014. The unexpected increase of the average mining grades in the narrow-reef areas and continuing focus on clean-up and clean mining resulted in an improved recovery grade, which increased significantly from 0.161 ounces per ton in fiscal 2013 to 0.170 ounces per ton in fiscal 2014. Ounces produced increased by 13% to 144,453 in fiscal 2014, primarily as a result of higher grades achieved in the narrow-reef areas as well as massive stopes that were mined in the remaining pillars of Block 1 & 2. The average tons milled in fiscal 2014 was 70,917 tons per month, compared with 65,833 tons per month in fiscal 2013.

Despite the increase in ounces produced, revenue decreased to US\$188.2 million in fiscal 2014 as a result of the lower average gold price. Cash costs per ounce decreased from US\$842/oz in fiscal 2013 to US\$702/oz in fiscal 2014. This was mainly due to improved production from higher grade in the massive stopes and a reduction in cash costs.

Cash costs for Target 1 were US\$101.4 million in fiscal 2014, compared with US\$ 107.3 million in fiscal 2013. This decrease was primarily attributed to a decrease in overall engineering maintenance costs on Target 1 compared to fiscal 2013 where unscheduled maintenance on key engineering infrastructure negatively impacted on cash costs.

Tonnages milled from Target 1 decreased significantly from 869,000 tons in fiscal 2012 to 790,000 tons in fiscal 2013. This decrease was mainly due to the loadings from the massive stopes being hampered by large rocks created by the high stress zones in Block 1 & 2. Maintenance of the average mining grades and continuing focus on clean-up and clean mining resulted in an improved recovery grade, which increased significantly from 0.134 ounces per ton in fiscal 2012 to 0.161 ounces per ton in fiscal 2013. Ounces produced increased by 9% to 127,542 in fiscal 2013, primarily as a result of higher grade massive stopes that were mined in the remaining pillars of Block 1 & 2. The average tons milled in fiscal 2013 was 65,833 tons per month, compared with 72,147 tons per month in fiscal 2012.

Revenue increased to US\$203.4 million in fiscal 2013 as a result of the higher average gold price and the increase in ounces produced. Cash costs per ounce decreased from US\$940/oz in fiscal 2012 to US\$842/oz in fiscal 2013. This was mainly due to improved production from higher grade in the massive stopes and a reduction in cash costs.

Cash costs for Target 1 were US\$107.3 million in fiscal 2013, compared with US\$109.6 million in fiscal 2012. This decrease was primarily attributed to a decrease in maintenance costs on Target 1 compared to fiscal 2012 where unscheduled maintenance on load-haul dumpers (**LHDs**) and dump trucks negatively impacted on cash costs.

Assuming no additional reserves are identified, at expected production levels and, at the current planned gold price, it is foreseen that the reported proved and probable mineral reserves of 11.8 million tons (1.680 million ounces) will be sufficient for Target to maintain underground production until approximately 2027. Any future changes to the assumptions upon which the mineral reserves are based, as well as any unforeseen events affecting production levels, could have an effect on the expected period of future operations.

Capital Expenditure: Target 1 incurred approximately US\$28.0 million in capital expenditures in fiscal 2014, principally for ongoing capital development (US\$20.6 million), development of Block 3 (US\$0.7 million) and the replacement of production vehicles (US\$3.2 million). We have budgeted (US\$30.4 million) in fiscal 2015, principally for ongoing capital development and the replacement of production vehicles.

Target 3

Introduction: Target 3 (previously Loraine 3) and Freddie's 7 & 9 shafts were acquired from Pamodzi FS in February 2010. Target 3 is situated near the town of Allanridge in the Free State Province, some 270 kilometers southwest of Johannesburg. Located on the northern limit of the Welkom Goldfields, the site is accessed via the R30 motorway

situated between the towns of Bothaville and Welkom.

Subsequent to year-end, it was decided to place the shaft on care and maintenance. The various processes necessary such as issuing a section 189 certificate have commenced.

History: Numerous corporate actions since the 1940 s until the 1990 s saw the Loraine 3 and Freddie's 7 & 9 shafts change ownership a number of times. Previous owners include the Free State Development and Investment Corporation, Johannesburg Consolidated Investment, Avgold and AngloGold. In 1998, PSGM was formed after purchasing Loraine 3 and Freddie's 7 & 9 shafts from various individuals. During 2002, the mine was sold to Thistle Mining Inc, an international company with interests in the Philippines and South Africa. The mine struggled to make operational profits, and Thistle undertook a restructuring program in 2006, which together with an increase in the Rand gold price resulted in positive operational cash flows. In February 2008, PSGM was purchased by Pamodzi FS. The mine was operated from that time until March 2009, when Pamodzi FS was placed into liquidation.

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Geology: At Target 3 Shaft there remains a mix of remnant ore blocks including shaft pillar blocks where scattered mining can be exploited, and a number of areas of virgin ground where conventional mining can take place, with the potential to exploit zone 3 in the Freddie's 9 Shaft area.

The gold mineralization currently exploited by Target 3 is contained within the Basal Reef, B Reef, A Reef (Kimberly Formation) and Elsburg Reef, a succession of Elsburg a pebble conglomerate reefs hosted by the Van Heeverrust (Eldorado Formation). Synclinal fold forms the major structural feature and is manifested as an asymmetric syncline whose axis trends N 15° W, with a general plunge of 10-12° north.

The dip of the western limb of the syncline is often in excess of 55° eastwards, however, due to local faulting and minor folding the reefs may be vertical in places. Below the EA1 Reef, all zones and reefs subcrop against either the Boulder Beds (Uitkyk) or against EA (van den Heeverrust) reefs. The lower EA Reefs (EA1-EA8) subcrop against either higher EA Reefs or Boulder Beds, while the upper reefs (EA12-EA15) generally appear to become more conformable with the Boulder Beds (Uitkyk). The subcrop areas also reveal evidence of alternating transgressive and regressive episodes in a relatively short space of geologic time. Below the EA1 Reef the underlying Rosedale Beds of the Eldorado Formation, the Aandenk Formation and the Dagbreek Formation all appear conformable with one another, although subtle very low angle unconformities exist between each one.

The eastern limb of the syncline has an almost constant dip of 10° to 25° dipping to the west, similar to that of the Uitkyk Beds.

North-south trending thrust faults (Rheedersdam Fault), which are confined to the western margin of the Goldfield and may have formed in response to either compressional forces or extensional forces.

The Spes Bona thrust faults of which two are major reverse faults both plunge to the north and attenuate northwards. To the south of 3 Shaft these reverse fault systems persist through the southern boundary of Loraine, and tie up with the Phillippi Fault, encountered near the western boundary of Freddie's and eventually the Rheedersdam Fault. These faults displace the Basal Reef and cut through an older set of faults which have their relative downthrows to the east. The set of Spes Bona thrust faults taken together as a reverse fault system still represent a major structural deformity.

The Target 3 Shaft orebody has characteristics that suit massive mining techniques in the Eldorados which enable design to be centered on a mechanized operation.

Mining operations: Target 3 is subject to the risks associated with underground mining detailed in the Risk Factors section. The management teams regularly revisit their mining strategy and management procedures in order to minimize risks. The depth of the mine is approximately 2,174 meters and the hoisting capacity increase from 36,000 tons to 64,000 tons after the Barlow winder was commissioned. On the B-Reef, pre-development reef drives are being used to identify high grade zones, similar to the approach employed by Masimong.

Infrastructure improvements and shaft build-up continued during fiscal 2014. The 3C shaft bottom spillage arrangement was addressed during the year which was previously not in place on the sub-shaft. Various other projects were also completed which included the surface and the truck loading structure rebuild, installation of a waste belt from the shaft to the rock dump, refurbishing one of the three ventilation main fans and upgrades on various of the underground substations.

The production plan for the year included 22 production crews, but due to the Basal reef that was inaccessible, there was not enough ground available for 22 crews to mine. This was a result of development that could not take place fast enough or at all due to unfavorable environmental conditions. In January 2014, following a re-planning session, four

crews were removed from the Basal reef stoping and the crews were reduced from 22 to 18 crews. This negatively affected the grade as the mining mix was skewed by now having 78% of the gold coming from the secondary reefs and 22% from the high grade Basal Reefs. A project plan was developed to address the challenges around improving the sub-shaft environmental conditions. The project was aimed at installing two complete reclaimed Bambanani East refrigeration plants on level 54 to improve the environmental conditions from levels 60 to 69 in the south block. The project progressed to a stage where the plants were reclaimed from Bambanani and the areas underground were in process of being prepared by the end of fiscal 2014. The new ventilation layout would avail the sub-shaft levels for equipping and construction of the Basal Reef levels on 63, 65, 67 and 69 levels. Limited access development carried on, on levels 63, 65, 67 and 69, with level 60 still

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being inaccessible due to adverse environmental conditions. In order to avail 60 Level for development, the stopping operations on the main shaft would have had to be suspended in order to redirect ventilation towards the 60th level south haulage for re-equipping and subsequent development.

In fiscal 2014, Target 3 accounted for 4% of our total gold production, compared to 5% in fiscal 2013 and 3% in fiscal 2012.

Safety: Reflecting the concerted effort from when Harmony took Target 3 over from Pamodzi in 2010 up to now, Target 3 recorded a fourth consecutive fatality-free year in fiscal 2014. Target 3 achieved 1.5 million fatality-free shifts in fiscal 2014. The LTIFR regressed by 21% from 8.75 (fiscal 2013) to 11.03 (fiscal 2014) per million hours worked.

Plant: The ore from the operation is sent to Target Plant for processing. See *Item 4. Information on the Company Business Metallurgy Target Plant* for a discussion on the plant.

Production analysis:

Target 3	Fiscal Year Ended June 30,		
	2014	2013	2012
Production			
Tons (000)	331	355	348
Recovered grade (ounces/ton)	0.137	0.147	0.104
Gold produced (ounces)	45,429	52,277	36,106
Gold sold (ounces)	45,301	51,859	36,298
Results of operations (\$)			
Product sales (000)	58,788	83,573	60,799
Cash cost (000)	(53,856)	(58,343)	(54,980)
Inventory movement (000)	60	708	(143)
Production profit (000)	4,992	25,938	5,676
Cash costs			
Per ounce of gold produced (\$)	1,185	1,116	1,523
All-in sustaining cost			
Per ounce of gold sold (\$)	1,514	1,477	1,876
Capex (000) (\$)	12,385	16,444	11,527

Tonnages milled decreased from 355,000 tons in fiscal 2013 to 331,000 tons in fiscal 2014. This was due to environmental conditions (unable to develop sub-shaft areas) and erratic grades in secondary reefs and complex geology necessitating many unplanned crew moves. The erratic grades in secondary reefs in which more than 70% of mining on Target 3 and hanging wall / footwall conditions in Basal and B-Reefs resulted in the decrease in recovery grade from 0.147 ounces per ton in fiscal 2013 to 0.137 ounces per ton in fiscal 2014. In fiscal 2014 ounces produced decreased by 13% to 45,429 ounces, primarily as a result of a decrease in recovered grade and tons generated. The average tons milled in fiscal 2014 was 27,580 tons per month, compared with 29,583 tons per month in fiscal 2013.

Revenue decreased to US\$58.8 million in fiscal 2014 as a result of the decrease in ounces produced. Cash costs per ounce increased from US\$1,116/oz in fiscal 2013 to US\$1,185/oz in fiscal 2014. This was mainly due to a decrease in

production. Cash costs for Target 3 was US\$53.9 million in fiscal 2014, compared with US\$58.3 million in fiscal 2013. Cash costs in Rand terms increased by 10% this increase was primarily attributed to an increase in electricity costs of 8% as well as an increase in contractor cost to rehabilitate the second escape to comply with safety standards and procedures, but was however negated in dollar terms due to the weakening of the Rand in fiscal 2014. Cash costs per ounce was US\$1,185/oz in fiscal 2014, compared with US\$1,116/oz in fiscal 2013. This increase was mainly due to the decrease in ounces produced.

Tonnages milled increased from 348,000 tons in fiscal 2012 to 355,000 tons in fiscal 2013. Maintenance of the average mining grades and increased grades in B and Basal Reefs in the sub-shaft resulted in an improved recovery grade which increased from 0.104 ounces per ton in fiscal 2012 to 0.147 ounces per ton in fiscal 2013. In fiscal 2013 ounces produced increased by 45% to 52,277 ounces, primarily as a result of an increase in the recovered grade. The average tons milled in fiscal 2013 was 29,583 tons per month, compared with 29,000 tons per month in fiscal 2012.

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Revenue increased to US\$83.6 million in fiscal 2013 as a result of the increase in ounces produced. Cash costs per ounce decreased from US\$1,523/oz in fiscal 2012 to US\$1,116/oz in fiscal 2013. This was mainly due to the increase in production from the sub-shaft. Cash costs for Target 3 were US\$58.3 million in fiscal 2013, compared with US\$55.0 million in fiscal 2012. This increase was primarily attributed to an increase in electricity costs of 9.6% as well as an increase in labor to meet the production profile. Cash costs per ounce were US\$1,116/oz in fiscal 2013, compared with US\$1,523/oz in fiscal 2012. This decrease was due to the increase in ounces produced as a result of the improved recovered grade in fiscal 2013.

During fiscal 2015 the operation will be placed on care and maintenance. A labor restructuring process will commence during the first quarter of fiscal 2015. This decision was taken based on the financial performance of the operation and the future capital that is still required to extend the life of the mine.

Capital Expenditure: Target 3 incurred approximately US\$12.4 million in capital expenditures in fiscal 2014, principally for ongoing capital development (US\$7.1 million) the remainder was utilized for upgrading of engineering infrastructure.

Tshepong

Introduction: We acquired Tshepong when we, in January 2002, acquired the Freegold operations from AngloGold through a 50% joint venture with ARMGold. In September 2003, we acquired 100% of these operations when ARMGold became a wholly-owned subsidiary. These operations are located in the Free State Province.

History: Exploration, development and production history in the area of the Freegold assets dates from the early 1900 s, leading to commercial production by 1932. Subsequent consolidation and restructuring led to the formation of Free State Consolidated Gold Mine (Operations) Limited, which became a wholly-owned subsidiary of AngloGold in June 1998.

Geology: The operation is located in the Free State Goldfield, which is on the south-western edge of the Witwatersrand basin. The Tshepong mine is located to the north and west of Welkom. Mining is primarily conducted in the Basal Reef, with limited exploitation of the B Reef. The reefs generally dip towards the east or northeast while most of the major faults strike north-south.

Mining Operations: The operation is subject to the underground mining risks detailed in the Risk Factors section. The management teams regularly revisit their mining strategy and management procedures in order to minimize risks.

Mining is conducted at depths ranging from 1,671 and 2,245 meters at Tshepong. The grade at Tshepong is sensitive to stoping width, and this is rigorously controlled by the under-cut mining method used at this mine.

The sub-71 project, which will connect Tshepong with Phakisa, remains on track. 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 to sink the decline to 76 level by June 2013 was achieved on target. Secondary support work is estimated to be completed by December 2014. Construction work is estimated to complete by June 2016. Reef and waste in the decline area cannot be split at this point in time, due to the infrastructure in the decline area not being completed yet, which currently affects belt and therefore recovered grade.

Production was impacted during the first five months of the financial year due to a restructuring process. Tshepong reduced its workforce during this period by more than 680 employees to bring the cost structure in line with the planned production profile. Tshepong also had two fatal accidents during the financial year. During the second quarter

of fiscal 2014, production was negatively affected by the section 54 stoppage following the fatal accident. After the section 54 stoppage was lifted, the production startup was slower than expected, leading up to the Christmas break. Production during the year was impacted by inefficiencies related to long travelling distances between workplaces and the shaft.

During fiscal 2014, approximately 90% of the mining in Tshepong was on Basal Reef and 10% on B-Reef. The majority of the Basal Reef was mined on the edges of the main high-grade pay shoot, where grades were expected to be marginal, consequent to that the remainder of the mining was done in the sub 71 level high grade areas and B-Reef pay-shoot areas which contributed to an 11% increase in recovered grade from the previous financial year. As mining continued south and north the grade values continue to be erratic, low and marginal. The continuation of the main higher grade pay shoot will be mined in the decline area once sub 71 decline reaches full production and will have a positive effect on the average mining grade going forward.

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During fiscal 2014, 519,149 resource ounces were transferred from Phakisa to Tshepong.

The mine received integrated ISO 14001, OHSAS 18000 and ISO 9000 certification during fiscal 2012 and was re-certified in fiscal 2013 and fiscal 2014. The mine will be recertified in 2015. Compliance is monitored annually in the form of comprehensive internal and external audits.

During fiscal 2014, Tshepong accounted for 12% (12% in 2013 and 13% in 2012) of our total gold production.

Safety: Tshepong received an award at the annual Mine Safe Day, held on 26 October 2013, for the best improved frequency rate second in class for the gold sector in South Africa. Tshepong also recorded 1 million fatality-free shifts on 31 October 2013. Regrettably, Tshepong recorded two fatalities during the past financial year (fiscal 2013: one). The LTIFR for fiscal 2014 was 8.33 per million hours worked and was a slight improvement on fiscal 2013 (2013: 8.67).

Plant: The ore from the operation is sent to Harmony One Plant for processing. See *Item 4. Information on the Company Business Metallurgy Harmony One Plant* for a discussion on the plant.

Production analysis:

Tshepong	Fiscal Year Ended June 30,		
	2014	2013	2012
Production			
Tons (000)	1,044	1,147	1,359
Recovered grade (ounces/ton)	0.130	0.116	0.125
Gold produced (ounces)	135,772	133,554	169,980
Gold sold (ounces)	135,161	132,944	169,177
Results of operations (\$)			
Product sales (000)	176,035	213,869	285,644
Cash cost (000)	(133,206)	(161,928)	(165,463)
Inventory movement (000)	1,331	172	1,266
Production profit (000)	44,160	52,113	121,447
Cash costs			
Per ounce of gold produced (\$)	981	1,212	973
All-in sustaining cost			
Per ounce of gold sold (\$)	1,247	1,555	1,250
Capex (000) (\$)	29,033	35,195	37,068

Tons milled decreased year on year by 9% to 1,044,000 tons in fiscal 2014 compared with 1,147,000 tons in fiscal 2013. Restructuring implemented during fiscal 2014 contributed to the reduction in volume year on year. Gold production increased by 2% from 133,554 ounces in fiscal 2013 to 135,772 ounces in fiscal 2014 as a result of the higher recovery grade. The recovery grade increased to 0.130 in fiscal 2014 compared with 0.116 in fiscal 2013. The increase in the average mining grade is in line with the life-of-mine profile. The average tons milled in fiscal 2014 was 87,000 tons per month, compared with 95,583 tons per month in fiscal 2013.

Revenue decreased by 18% to US\$176.0 million in fiscal 2014, primarily as a result of a lower gold price. Cash costs for Tshepong were US\$133.2 million in fiscal 2014, compared with US\$161.9 million in fiscal 2013. Cost was lower year on year due to the restructuring that took place. Offsetting this were the annual increase in the costs of labor (7.5% to 8.5%) and the increase in electricity rates of 8% as well as the effect of inflation on costs of materials and supply contracts. Cash costs per ounce were US\$981 in fiscal 2014, compared with US\$1,212 in fiscal 2013. This is attributable to the lower cost following the restructuring process and the increase in ounces produced.

Tons milled decreased year on year by 16% to 1,147 tons in fiscal 2013 compared with 1,359 tons in fiscal 2012. Production during the year was impacted by inefficiencies related to long travelling distances between workplaces and the shaft. During the fourth quarter of fiscal 2013, Tshepong was affected by the fire at Phakisa, during which a section was sealed off and subsequently could not produce. Gold production decreased by 21% from 169,980 ounces in fiscal 2012 to 133,554 ounces in fiscal 2013. During fiscal 2013, the grade was negatively impacted by the lower-grade areas mined around the payshoot. The recovery grade decreased to 0.116 in fiscal 2013 compared with 0.125 in fiscal 2012. The decrease in the average mining grade is in line with the life-of-mine profile. The average tons milled in fiscal 2013 was 95,583 tons per month, compared with 113,250 tons per month in fiscal 2012.

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Revenue decreased by 25% to US\$213.9 million in fiscal 2013, primarily as a result of the lower ounces produced and sold. Cash costs for Tshepong were US\$161.9 million in fiscal 2013, compared with US\$165.5 million in fiscal 2012. Cash costs were primarily impacted by the annual increase in the costs of labor (7.5% to 10%) and the increase in electricity rates of 9.6% as well as the effect of inflation on costs of materials and supply contracts. Cash costs per ounce were US\$1,212 in fiscal 2013, compared with US\$973 in fiscal 2012. The increase in unit cost is attributable primarily to the decrease in the number of ounces of gold produced.

Assuming no additional reserves are identified, at expected production levels and, at the current planned gold price, it is foreseen that the reported proved and probable mineral reserves of 25.3 million tons (4.095 million ounces) will be sufficient for Tshepong to maintain underground production until approximately 2036. Any future changes to the assumptions upon which the mineral reserves are based, as well as any unforeseen events affecting production levels, could have an effect on the expected period of future operations.

Capital Expenditure: Tshepong incurred approximately US\$29.1 million in capital expenditure during fiscal 2014. The expenditure was primarily for the decline project, ongoing development, hostel renovation and privacy conversion project, as well as the upgrade of the surface refrigeration project. For fiscal 2015 capital expenditure of US\$28.7 million is planned, primarily for ongoing capital development, the decline project, completion of the hostel renovation project, as well as the replacement of the Blair multi rope (**BMR**) rock winder ropes.

Unisel

Introduction: Unisel is located in the Free State Province, near Virginia. Unisel formed part of operations which also included the original Harmony mines, Brand 1 and 3 shafts. By the end of fiscal 2011, only Unisel was still in operation, following the closure of Merriespruit 1 during December 2010. Mining is conducted at Unisel at depths ranging from 1,000 meters to 2,000 meters. Ore is treated at the Harmony 1 Plant.

History: Our operations in the Free State began with the Harmony mine, which is an amalgamation of the Harmony, Virginia and Merriespruit mines. Beginning in 1996, we began purchasing neighboring mine shafts. The Unisel mine was purchased in September 1996, the Saaiplaas mine Shafts 2 and 3 were purchased in April 1997, the Brand mine Shafts 1, 2, 3 and 5 were purchased in May 1998. Of these operations, Unisel is the sole remaining producer.

Geology: The Unisel operation is located in the Free State Goldfield on the south-western edge of the Witwatersrand Basin. The basin, situated on the Kaapvaal Craton, has been filled by a 6 kilometer thick succession of sedimentary rocks, which extends laterally for hundreds of kilometers. The Free State goldfield is divided into two sections, cut by the north-south striking De Bron Fault.

Unisel is situated to the west of the De Bron Fault. Dips are mostly towards the east, averaging 25 - 35 degrees but become steeper approaching the De Bron Fault. The western margin area is bound by synclines and reverse thrusts faults and is structurally complex. Towards the south and west, reefs sub-crop against overlying strata, eventually cutting out against the Karoo to the west 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. It varies from a single pebble lag to channels of more than two meters thick. It is overlain by shale towards the northern boundary of the lease area. To the south, the shale is not developed. The second major reef is the Leader Reef, located 15-20 meters above the Basal Reef. Further north, it

becomes poorly developed with erratic grades. The reef consists of multiple conglomerate units, separated by thin quartzitic zones, often totaling up to 4 meters thick. A selected mining cut on the most economic horizon is often undertaken.

The Middle Reef, a secondary reef, is mined at Unisel where it comprises approximately 5% of the shaft production. The Middle Reef is a localized channel deposit and lies at irregular elevations between the Basal and the Leader reef.

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Mining Operations: The operations are subject to the underground mining risks detailed in the Risk Factors section. Due to the shallow to moderate depths of the underground operations, seismicity related problems are relatively infrequent with the exception of the deeper areas on the eastern margin of the operations where the problem receives constant attention. We regularly revisit our mining strategy and management procedures in connection with our efforts to mitigate risks of these problems. There is a limited risk of subterranean water locally and/or gas intersections in some areas of the mine. However, this risk is mitigated by active and continuous management and monitoring, which includes the drilling of boreholes in advance of faces. Where water and/or gas are indicated in the drilling, appropriate preventative action is taken. The principal challenges at the operations of achieving optimal volumes and grades of ore production are addressed by stringent mineral reserve management.

At Unisel, both Basal and Leader Reef development produced good results by focusing on areas in the E block. Although the cooling project has been completed, environmental restraints remain a concern. Middle Reef development is focused primarily on level 12 in the decline after which the focus will move to level 13. 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. Focus on underground environmental conditions and ongoing training of crews led to an increase in tons produced.

In fiscal 2014, the Unisel operation accounted for approximately 5% (5% in fiscal 2013 and 4% in fiscal 2012) of Harmony's total gold production.

Safety: Unisel recorded an improved performance across several safety indicators during the year, reflecting the benefits of an improved relationship with organized labor. The safety record during fiscal 2014 improved to an LTIFR of 11.66 (fiscal 2013: 12.27) per million hours worked. Unisel recorded no fatalities during fiscal 2014 (fiscal 2013: one). Unisel recorded over 1.7 million fall-of-ground fatality-free shifts during fiscal 2014. The mine has recorded more than 880 000 fatality-free shifts during fiscal 2014.

Plant: The ore from the operation is sent to Harmony One Plant for processing. See *Item 4. Information on the Company Business Metallurgy Harmony One Plant* for a discussion on the plant.

Production analysis:

Unisel Operations	Fiscal Year Ended June 30,		
	2014	2013	2012
Production			
Tons ('000)	450	492	434
Recovered grade (ounces/ton)	0.131	0.118	0.118
Gold produced (ounces)	59,093	58,289	51,216
Gold sold (ounces)	58,964	58,000	51,056
Results of operations (\$)			
Product sales ('000)	76,556	93,483	86,454
Cash cost ('000)	(57,970)	(64,762)	(64,186)
Inventory movement ('000)	27	455	577
Production profit ('000)	18,613	29,176	22,845
Cash costs			

Per ounce of gold produced (\$)	981	1,111	1,253
All-in sustaining cost			
Per ounce of gold sold (\$)	1,196	1,370	1,500
Capex (000) (\$)	8,271	8,833	9,150

Tons milled from the Unisel operation decreased to 450,000 in fiscal 2014, compared with 492,000 in fiscal 2013. This is mainly attributable to production constraints following on from deteriorating environmental conditions in the E-block. The ounces produced improved to 59,093 in fiscal 2014, compared with 58,289 in fiscal 2013, as a result of the higher recovery grade. Unisel's recovered grade improved to 0.131 in fiscal 2014 compared to 0.118 in fiscal 2013 ounces per ton, a result of the emphasis on clean mining practices and the mining of higher grade panels. The average tons milled in fiscal 2014 decreased to 37,500 tons per month, compared with 41,000 tons per month in fiscal 2013.

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Revenue decreased from US\$93.5 million in fiscal 2013 to US\$76.6 million in fiscal 2014. The decrease is mainly due to the decrease in the gold price by 19% from 1,612US\$/oz in fiscal 2013 to 1,298US\$/oz in fiscal 2014. Cash costs decreased with 10% in fiscal 2014 to US\$57.9 million, compared with US\$64.8 million in fiscal 2013. The decrease was mainly due to the decrease in our production from fiscal 2013 to fiscal 2014. Cash costs per ounce were US\$981 in fiscal 2014, compared with US\$1,111 in fiscal 2013. This decrease was attributable primarily to an improvement in our ounces produced by 1% for fiscal 2014.

Tons milled from the Unisel operation improved to 492,000 in fiscal 2013, compared with 434,000 in fiscal 2012, and ounces produced improved to 58,289 in fiscal 2013, compared with 51,216 in fiscal 2012. This is mainly attributable to the improvement in our production year on year as a result of improved conditions in the E block and the ongoing training program conducted at Unisel, while our recovered grade stayed constant from fiscal 2012 to 2013 at 0.118 ounces per ton. The average tons milled in fiscal 2013 was 41,000 tons per month, compared with 36,167 tons per month in fiscal 2012.

Revenue increased from US\$86.5 million in fiscal 2012 to US\$93.5 million in fiscal 2013. The increase is mainly due to the increase in tons milled and ounces produced. Cash costs increased marginally by 1% in fiscal 2013 to US\$64.8 million in fiscal 2013, compared with US\$64.2 million in fiscal 2012. The increase was mainly due to the increase in our production from fiscal 2012 to 2013. Cash costs per ounce were US\$1,111 in fiscal 2013, compared with US\$1,253 in fiscal 2012. This decrease was attributable primarily to an improvement in our ounces produced by 14% for fiscal 2013.

Assuming no additional reserves are identified, at expected production levels, it is foreseen that the reported proved and probable mineral reserves of 2.5 million tons (0.31 million ounces) will be sufficient for the Unisel operation to maintain production until approximately 2019. However, any future changes to the assumptions upon which the reserves are based, as well as any unforeseen events affecting production levels, could have a material effect on the expected period of the future operations.

Capital Expenditure: Unisel incurred approximately US\$8.3 million in capital expenditures at the Unisel operation in fiscal 2014, principally for ongoing capital development. We have budgeted US\$8.9 million in fiscal 2015. The majority of this capital will be spent on the ongoing development capital, major equipment repairs/replacements and shaft projects, as well as the hostel privatization project.

Metallurgy

Harmony has eight metallurgical plants in South Africa. Details are discussed below.

Doornkop Plant

The Doornkop metallurgical plant, commissioned in 1985, is a conventional CIP plant, which was used to treat waste rock and other surface accumulations. It is now treating all ore from underground mining at the Doornkop and some of the ore from Sibanye Gold (Gold One) Cooke (**Cooke**) operations. The plant is serviced by a surface rail network from the Cooke shafts and by a conveyor belt configuration system from Doornkop shaft. During fiscal 2010 a split-stream configuration for the milling thickening and thickener underflow process that isolates the Doornkop ore from the ore from Cooke, which is treated in terms of a toll agreement, was adopted to improve the accuracy of gold accounting to the respective companies.

The following table sets forth processing capacity and average tons milled during fiscal 2014 for the Doornkop plant:

Plant	Processing Capacity (tons/month)	Average Milled for the Fiscal Year Ended June 30, 2014 (tons/month)
Doornkop Plant	242,500	122,104 ⁽¹⁾

⁽¹⁾ The average monthly milled tons as indicated reflect the total for Doornkop plant (including Cooke). The average monthly milled tons for Doornkop were 61,395.

In fiscal 2014, the Doornkop plant recovered approximately 95.75% of the gold contained in the ore delivered for processing.

Table of Contents*Harmony One Plant*

The ore from Bambanani, Tshepong, Masimong, Unisel and Phakisa is sent to Harmony One Plant for processing. This plant, which processes underground ore, waste rock and various surface accumulations, was commissioned in 1986 and is a conventional CIP plant, processing ore that has been milled by fully-autogenous grinding. Gold is recovered from the eluate solution using zinc precipitation and a precoat vacuum filter. The precipitate recovered from the filter is calcined and smelted to bullion.

The following table sets forth processing capacity and average tons milled during fiscal 2014 for the Harmony One Plant:

Plant	Processing Capacity (tons/month)	Average Milled for the Fiscal Year Ended June 30, 2014 (tons/month)
Harmony One Plant	390,000	330,887

In fiscal 2014, Harmony One Plant recovered approximately 95.56% of the gold contained in the ore delivered for processing.

Joel Plant

The Joel Plant is a conventional CIP plant and was commissioned in 1987. During fiscal 2005, it was decided to close the Joel Plant and place the plant under care and maintenance. Joel Plant was re-commissioned in November 2009, and processed underground ore with two mills. The current monthly capacity is 80,000 tons of rock.

The following table sets forth processing capacity and average tons milled during fiscal 2014 for the operating plant:

Plant	Processing Capacity (tons/month)	Average Milled for the Fiscal Year Ended June 30, 2014 (tons/month)
Joel Plant	80,000	45,671

In fiscal 2014, the Joel Plant operations recovered approximately 94.49% of the gold ore delivered for processing.

Kalgold Plant

Ore is trucked from the pit at Kalgold and is tipped directly into the feed bin of the pre-primary crusher or stockpiled. The ore then undergoes a four phase crushing process before it reaches the Dome stockpile. Three ball mills are used to grind the ore down to less than 75 micron for the leaching process. The plant was evaluated by a team of internal and external experts, which then prepared an action plan to address outstanding maintenance and implement improvements. The activities include refurbishment of the elution plant. The plant refurbishment project will be completed in the next three years, depending on cash flow constraints.

The following table sets forth processing capacity and average tons milled during fiscal 2014 for the plant:

Plant	Processing Capacity (tons/month)	Average Milled for the Fiscal Year Ended June 30, 2014 (tons/month)
CIL	145,000	122,630

In fiscal 2014, the plant at our Kalgold operations recovered approximately 77.91% of the gold contained in the ore delivered for processing.

Table of Contents*Kusasaletu Plant*

Commissioned in 1978, the Kusasaletu Plant consists of milling in closed circuit with primary hydrocyclones, thickening and cyanide leaching in a CIP pump cell carousel circuit. The CIP was commissioned after an upgrade of the facility in 1999. Ore from Kusasaletu underground operations is delivered to the plant for treatment via conveyor belt after being hoisted from underground. Loaded carbon from the Kusasaletu Plant was transported by road to the Kinross Plant (at Evander, which was sold in February 2013) for elution, electro-winning and smelting to produce gold. During fiscal 2013 construction of an elution plant was started and was commissioned in September 2013. Elutions from the Kinross Plant were phased out systematically from the second quarter of fiscal 2014. Residues from the CIP are pumped either to a backfill plant or directly to the tailings facility.

The following table sets forth processing capacity and average tons milled during fiscal 2014 for the plant:

Plant	Processing Capacity (tons/month)	Average Milled for the Fiscal Year Ended June 30, 2014 (tons/month)
Kusasaletu Plant	165,000	95,282

In fiscal 2014, the Kusasaletu Plant recovered approximately 94.22% of the gold contained in the ore delivered for processing.

Target Plant

The ore from Target 1 and Target 3 is sent to Target Plant for processing. Target Plant was commissioned in November 2001 and currently treats both underground ore and surface sources. The process route comprise of a closed circuit Semi-Autogenous Grinding (**SAG**) mill as well as a closed circuit Run of Mine (**ROM**) mill. Both these mills are in closed circuit with hydro-cyclones. The milling circuit is followed by thickening, cyanide leaching, CIP adsorption, elution, electro-winning, smelting and tailings disposal. Both the milling circuits are incorporated in the gravity concentration circuit and the concentrates from this circuit are processed via intensive cyanidation and electro-winning.

The following table sets forth processing capacity and average tons milled during fiscal 2014 for the plant:

Plant	Processing Capacity (tons/month)	Average Milled for the Fiscal Year Ended June 30, 2014 (tons/month)
Target Plant	105,000	95,929

In fiscal 2014, the Target Plant recovered approximately 96.53% of the gold contained in the ore delivered for processing.

Other Surface

Introduction: Other Surface consists of Kalgold, Phoenix and the other tailings retreatment operations. As the results of operations for Other Surface consist primarily of the results from Kalgold and Phoenix, these two operations are discussed separately.

Kalgold

Introduction: Harmony's only opencast mining operation in South Africa is the Kalgold gold mine that is situated 60 kilometers south of Mahikeng in the North West Province of South Africa.

History: Harmony acquired Kalgold on July 1, 1999 and fully incorporated Kalgold into its existing operations in October 1999. Prior to Harmony's acquisition of the Kalgold mine, the mine had already been in operation for three years.

Geology: The Kalgold operation is located within the Kraaipan Greenstone Belt. 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. Mineralization occurs in shallow dipping quartz veins, which occur in clusters or swarms, within

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the steeply dipping magnetite-chert banded iron formation. Disseminated sulphide mineralization, dominated mostly by pyrite, occurs around and between the shallow dipping quartz vein swarms. The D Zone area is the largest exploited portion of the orebody and has been extensively mined within a single open-pit operation, along a strike length of 1,300 m. Mineralization has also been found in the Mielie Field Zone (adjacent to the D Zone), the A Zone and (along strike to the north of the D Zone), and the Watertank and Windmill areas to the north of the A Zone.

Mining Operations: The Kalgold operation is engaged in open-pit mining. This operation is subject to the opencast mining risks detailed in the Risk Factors section. Small subterranean water intersections in the pit are common and are actively managed and appropriate action is taken when necessary. The primary mining challenges at the Kalgold operations of achieving optimal volumes and grades of ore production are addressed by stringent mineral reserve management. The processing design capacity of the Kalgold operation is 145,000 tons per month.

Volumes at Kalgold increased by 5% in fiscal 2014, due to improved availability of the milling section for fiscal 2014. Gold produced decreased by 13%. The plant was evaluated by a team of internal and external experts, who then prepared an action plan to address outstanding maintenance and implementation of projects for improvement. The improvements identified included the refurbishment of the elution plant and the replacement of the A and B mill, both forming part of the phase 1 of the plant refurbishment project. The replacement of the A and B mill is planned for the end of June 2015. The second phase of the plant refurbishment project, focusing more on the upgrade of the crusher plant, is expected to be completed within next three years depending on available cash flow.

Mining was taking place from A Zone pit in fiscal 2014. Ore tons mined was 33% below plan and waste tonnage was 19% below plan mainly due to delays caused by the labor challenges experienced by the load and hauling contractor and subsequent change of contractor responsible for load and hauling.

In fiscal 2014, the Kalgold operations accounted for approximately 3% (4% in fiscal 2013 and 3% in fiscal 2012) of our total gold production.

Safety: The Kalgold operations recorded another fatality-free year during fiscal 2014. The Kalgold operations had a LTIFR of 0.9 (fiscal 2013: 3.87) per million hours worked in fiscal 2014. Kalgold also recorded more than 2.8 million fatality-free shifts during the year.

Plant: The ore from the operation is sent to Kalgold Plant for processing. See *Item 4. Information on the Company Business Metallurgy Kalgold Plant* for a discussion on the plant.

Production analysis:

Kalgold Production	Fiscal Year Ended June 30,		
	2014	2013	2012
Tons (000)	1,623	1,542	1,480
Recovered grade (ounces/ton) ⁽¹⁾	0.023	0.028	0.023
Gold produced (ounces) ⁽¹⁾	37,358	42,825	33,469
Gold sold (ounces) ⁽¹⁾	38,677	40,607	33,630
Results of operations (\$)			
Product sales (000)	50,412	64,689	56,931
Cash cost (000) ⁽¹⁾	(39,479)	(43,506)	(39,045)

Inventory movement (000)	(968)	3,164	(646)
Production profit (000) ⁽¹⁾	9,965	24,347	17,240
Cash costs			
Per ounce of gold produced (\$) ⁽¹⁾	1,057	1,016	1,167
All-in sustaining cost			
Per ounce of gold sold (\$)	1,196	1,162	1,529
Capex (000) (\$)	3,201	5,948	9,836

⁽¹⁾ *Comparative figures have been restated as a result of the adoption of IFRIC20 (see note 2 of the consolidated financial statements)*

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Tons milled increased from 1,542,000 in fiscal 2013 to 1,623,000 in fiscal 2014. Recovery grade decreased to 0.023 in fiscal 2014 from 0.028 in fiscal 2013, primarily as a result of lower feed grades from the A Zone pit and reduced recoveries from the plant. Ounces produced decreased by 13% to 37,358 in fiscal 2014, compared with 42,825 in fiscal 2013, due to the lower milled tonnage and drop in recovery grade by 18%. The average tons milled in fiscal 2014 was 122,630 tons per month, compared with 116,495 tons per month in fiscal 2013.

Revenue decreased by 22% to US\$50.4 million in fiscal 2014, due to the decrease in ounces produced. Cash costs per ounce increased by 4% to US\$1,057/oz, mainly due to the lower production costs. Cash costs reduced to US\$39.5 million in fiscal 2014 compared to US\$43.5 million in fiscal 2013.

Tons milled increased from 1,480,000 in fiscal 2012 to 1,542,000 in fiscal 2013. Recovery grade improved to 0.028 in fiscal 2013 from 0.023 in fiscal 2012, primarily as a result of higher grades from the A Zone area. Ounces produced increased by 28% to 42,825 in fiscal 2013, compared with 33,469 in fiscal 2012, due to the higher volumes and improved recovery grade. The average tons milled in fiscal 2013 was 116,495 tons per month, compared with 111,865 tons per month in fiscal 2012.

Revenue increased by 14% to US\$64.6 million in fiscal 2013, due to the increase in ounces produced. Cash costs per ounce decreased by 13% to US\$1,016/oz, mainly due to the higher ounces produced. Cash costs increased from US\$39.0 million in fiscal 2012 to US\$43.5 million in fiscal 2013 due to the increase in production as a result of opening the A Zone pit in fiscal 2013.

Assuming no additional reserves are identified and at expected production levels, it is foreseen that the reported proved and probable mineral reserves of 19.3 million tons (0.544 million ounces) of gold will be sufficient for the Kalgold operations to maintain production until approximately fiscal 2028. However, any future changes to the assumptions upon which the reserves are based, as well as any unforeseen events affecting production levels, could have a material effect on the expected period of future operations.

Capital Expenditure: Harmony incurred approximately (US\$3.2 million in capital expenditures at the Kalgold operations in fiscal 2014, primarily for plant refurbishment. Harmony budgeted US\$5.7 million for capital expenditures in fiscal 2015, primarily for plant refurbishment and tailings deposition.

Phoenix

Introduction: Phoenix is a tailings retreatment operation, located at Virginia and adjacent to our current and historical mining operations in the Free State Province. The Saaiplaas plant is used for the treatment of the material. During the year, Harmony entered into agreements to dispose of 30% of the operation to BEE shareholders. The transaction was concluded on June 25, 2013. Refer to note 33 of the consolidated financial statements for details on the accounting treatment of the transaction.

History: The project commenced during fiscal 2007 and is aimed at treating the slime from the tailings storage facilities of our operations in the Free State Province.

Safety: Safety at the Phoenix operations improved and was sustained in fiscal 2014 with no lost time injuries reported. LTIFR remained at 0 per million hours worked (fiscal 2013: nil). There were no fatalities during fiscal 2014 (2013: none). The plant recorded 2,820 reportable injury-free days in fiscal 2014.

Plant: The Saaiplaas Plant, commissioned in the late 1950 s, has been converted from the zinc precipitation filter process to the CIL. During 2007, the ROM mills were de-commissioned and the plant started treating slime from Dam

22 and Brand A tailings storage facilities. Dam 21 replaced Dam 22 in fiscal 2012. The plant currently processes reclaimed slime at 6 million tons per annum.

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The following table sets forth processing capacity and average tons milled during fiscal 2014 for the Saaiplaas plant:

Plant	Processing Capacity (tons/month)	Average Milled for the Fiscal Year Ended June 30, 2014 (tons/month)
Saaiplaas Plant	500,000	500,000

In fiscal 2014, Saaiplaas Plant recovered approximately 42.3% of the gold contained in the material delivered for processing.

Mining operations: Phoenix, which began six years ago, involves retreating around 6 million tons annually at plant capacity. Phoenix operations were severely hampered by residue deposition dam stability concerns resulting in tonnage reduction to 423,000 tons per month upon recommendation from the consultants. A major capital project to construct a new cyclone dam on the St Helena 1, 2, 3 dam footprint for depositing the full plant residue tonnage at 500,000 tons per month was completed and commissioned during March 2013.

Plant recovery dropped from 43.4% to 42.3% year-on-year, due to slow gold dissolution through the CIL circuit and reduced contact time in the CIL with the capacity return from 430,000 tons per month in fiscal 2013 to 500,000 tons per month in fiscal 2014. Soluble gold losses reduced from 0.030g/t in fiscal 2013 to 0.014g/t in fiscal 2014 by diverting the return water pipe from the new residue storage dam directly into the suction chamber of the re-mining water supply pumps. Plans to increase processed volumes up to 900,000 tons per month, at which rate the life of the project is around 12 years, remain on hold pending further investigation and consideration of options involving potentially converting Central plant to slime treatment when the surface sources are depleted.

During fiscal 2014, Phoenix accounted for 2% of our total gold production (2% in fiscal 2013 and 2% in fiscal 2012).

Production analysis:

Free State (Phoenix)	Fiscal Year Ended June 30,		
	2014	2013	2012
Production			
Tons (000)	6,697	5,908	5,509
Recovered grade (ounces/ton)	0.004	0.005	0.005
Gold produced (ounces)	26,846	26,588	26,427
Gold sold (ounces)	26,524	25,882	26,749
Results of operations (\$)			
Product sales (000)	34,535	41,397	44,939
Cash cost (000)	(23,750)	(26,212)	(25,538)
Inventory movement (000)	494	715	(443)
Production profit (000)	11,279	15,900	18,958
Cash costs			

Per ounce of gold produced (\$)	885	986	966
All-in sustaining cost			
Per ounce of gold sold (\$)	885	1,005	1,019
Capex (000) (\$)	223	17,690	3,800

Tons milled increased by 13 % year on year to 6,697,000 tons in fiscal 2014 attributed to the early commissioning of the new cyclone residue storage dam. Ounces produced increased from 26,588 ounces in fiscal 2013 to 26,846 in fiscal 2014 as a result of the increase in tons milled. The recovered grade dropped from 0.005 in fiscal 2013 to 0.004 ounces per ton in fiscal 2014 due to a change in mining mix necessitated at Brand A dam with the depletion of the exposed high grade bottom layer which effectively means future mining at this site is required at 50:50 ratio of top low grade and bottom high grade.

Revenue decreased by 17 % to US\$34.5 million in fiscal 2014 as a result of the decrease in the average gold price received in fiscal 2014. Cash costs per ounce in fiscal 2014 were US\$885/oz, compared with US\$986/oz in fiscal 2013, the drop being attributed mainly to lower reagents cost and in particular lime consumption which dropped from 2.6kg/t in fiscal 2013 to 1.8kg/t in fiscal 2014.

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Tons milled increased by 7% year on year to 5,908,000 tons attributed to the early commissioning of the new cyclone residue dam. Ounces produced increased from 26,427 ounces in fiscal 2012 to 26,588 in fiscal 2013 as a result of the increase in tons milled. The recovered grade remained consistent at 0.005 in fiscal 2013.

Revenue decreased by 8% to US\$41.4 million in fiscal 2013 as a result of the decrease in the average gold price received in fiscal 2013. Cash costs per ounce in fiscal 2013 were US\$986/oz, compared with US\$966/oz in fiscal 2012, due to an increase in labor costs, the increase in electricity tariffs and the increase in the cost of reagents.

Assuming no additional reserves are identified and at expected production levels, it is foreseen that the reported proved and probable mineral reserves of 105 million tons (0.873 million ounces) of gold will be sufficient for the Phoenix operations to maintain production until approximately fiscal 2030. However, any future changes to the assumptions upon which the reserves are based, as well as any unforeseen events affecting production levels, could have a material effect on the expected period of future operations.

Capital Expenditure: We incurred approximately US\$0.2 million capital expenditure in fiscal 2014, mainly for the reclaim pump transfer sump at Brand A and a carbon store. For fiscal 2015, US\$0.6 million is planned, mainly for the reclaim pump transfer stations at Dam 22, replacement forklift, thickener drives overhaul and residue tank rehabilitation.

Discontinued operations

Evander

Introduction: The Evander operations are located in the province of Mpumalanga in South Africa and comprise an amalgamation of the former Kinross, Bracken, Leslie and Winkelhaak mines into a mining right of 36,898 hectares, and additional adjacent prospecting rights comprising 19,933 hectares. Ore is treated at the Kinross plant. An agreement in principle to sell the Evander operations was signed on May 30, 2012. All conditions precedent in the sales agreement were met and the sale of the Evander operations to Pan African was concluded on February 28, 2013.

History: Gold mining in the Evander Basin began in 1955. Eventually, four mining operations were established at Evander. In 1996, as a result of the depletion of mineral reserves, all four mining areas were merged to form Evander Gold Mines Limited. In August 1998, Harmony acquired Evander as a wholly-owned subsidiary.

Geology: The area covered by Evander's mining authorization and mineral rights is situated within the Evander basin, a geologically discrete easterly extension of the main Witwatersrand Basin. Only one economic reef type, the Kimberley Reef, is mined at Evander. In addition to the faulting of the reef horizon, there are numerous dykes and sills that complicate the mining layouts, the most significant of which is an extensively developed dolerite footwall sill that occasionally intersects the Kimberley Reef, causing displacements within it.

Mining Operations: Due to the fact that the Evander mining operations were only included in the Harmony Group for eight months before the sale of operations was concluded, there is no comparative data to report for fiscal 2013. Therefore no discussion has been included.

Production analysis:

Fiscal Year Ended June 30,

Evander	2014	2013⁽¹⁾⁽²⁾	2012⁽²⁾
Production			
Tons (000)		430	704
Recovered grade (ounces/ton)		0.146	0.154
Gold produced (ounces)		62,855	108,317
Gold sold (ounces)		60,862	108,123
Results of operations (\$)			
Product sales (000)		102,256	180,809
Cash cost (000)		63,397	(99,549)
Inventory movement (000)			865
Production profit (000)		39,958	82,125
Cash costs			
Per ounce of gold (\$)		1,009	919
Capex (000) (\$)		16,419	22,817

(1) Amounts include results up until the end of February 2013.

(2) Amounts include production from surface sources.

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International Mining Operations

Papua New Guinean Operations and Exploration

Harmony Papua New Guinea operations: June 30, 2014

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Overview

Introduction: Fiscal 2014 was the sixth year of the Morobe Mining Joint Venture between Harmony and Newcrest. The Morobe Mining Joint Venture comprises the following three 50:50 joint ventures:

1. the Hidden Valley Joint Venture;
2. the Wafi-Golpu Joint Venture; and
3. the Morobe Exploration Joint Venture.

During fiscal 2014 Harmony's 100% owned PNG exploration portfolio outside of the Morobe province was significantly rationalized. Key changes include:

Mount Hagen project in the Western Highlands and the Amanab project in the Sandaun Province were closed out and relinquished;

Tari in the Southern Highlands Province was reduced to a single exploration license EL2310 (51,150 ha); and

A new exploration tenement EL2316 (61,400 ha) was pegged in the Milne Bay province.

In terms of regional geological setting, Harmony's tenement interests are all located within the New Guinea mobile belt. The mobile belt comprises tracts of metamorphosed Lower Jurassic and Cretaceous sediments and oceanic crust. These rocks have undergone deformation in the collision zone between the Australian and Pacific Plates and multiple intrusive events including Tertiary granodiorite and younger mineralized porphyries.

Exploration expenditure in PNG for fiscal 2014 was US\$43.7 million. This breaks down into US\$37.3 million (US\$32.7 million relates to Golpu drilling) as Harmony's 50% contribution to the Morobe Mining Joint Venture exploration program and US\$6.4 million for Harmony 100% projects. Results from exploration work have been highly encouraging, with resource drilling outlining higher grades in the upper levels of the Golpu copper-gold deposit and high-grade extensions of the deposit at depth that remain open. A number of targets with the potential for major stand-alone gold and copper/gold deposits were identified and advanced to the drill testing phase.

Hidden Valley Operation

Introduction: The Hidden Valley Mine is an open pit gold-silver mine and processing plant, managed by the Hidden Valley Joint Venture. Newcrest purchased an initial 30.01% interest in the project on June 30, 2008, and provided sole funding of the project to June 30, 2009 to earn a further 19.99%. On June 30, 2009 Newcrest formally achieved 50% ownership in the project, such that the project is now a 50:50 joint venture between Newcrest and Harmony.

The mine comprises a mining lease and access easement in the Wau District of Morobe Province, PNG and is located 210 kilometers north-northwest of Port Moresby and 90 kilometers south-southwest of Lae, the two largest cities in PNG. Access to the project is by sealed road from the deepwater port of Lae to Bulolo and an all-weather gravel road from Bulolo to the Hidden Valley mine site.

Two separate open pits are in operation, being Hidden Valley-Kaveroi (**HVK**) pit, and Hamata pit. The processing plant has been constructed to process a nominal 4.6 million tonnes of ore per year from the two pits.

History: Alluvial gold was first discovered at Hidden Valley in 1928 but it was not until the early 1980 s that the area was investigated by CRA Exploration using modern exploration techniques that resulted in the discovery of the Hidden Valley and Kaveroi gold deposits on EL 677. The Hamata deposit was discovered and first drilled by RGC Ltd in 1987 on EL497. The two tenements were subsequently acquired and combined into the one project by Australian Goldfields Ltd (**AGF**) in 1997. A number of feasibility studies have been prepared for the Hidden Valley Project by the various owners, including one by Abelle in 2003. Harmony extensively reviewed and updated the Abelle feasibility study during fiscal 2006 which was presented to the board during June 2006 with subsequent approval given for construction of the project. In late 2007, Harmony began a search for a partner to partake in all of our Morobe Province PNG mining and exploration activities, culminating in the selection of Newcrest in 2008.

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Mining operations:

The Hidden Valley Mine consists of the Hidden Valley Kaveroi and Hamata open pits located approximately 6 kilometers apart, and an ore processing facility in steep, heavily forested, mountainous terrain. Both pits employ conventional truck/excavator mining techniques with nested incremental cutbacks.

Production from the processing plant commenced in May 2009. The HVK pit is the larger pit supplying the majority of the ore and is located 6 kilometers from the processing plant. Mining operations employs conventional open pit mining techniques with back-hoe excavators and rigid dump trucks as the primary load and haul equipment. Front-end loaders are used for crusher feed and stockpile reclaim. A number of articulated smaller dump trucks are used for construction, and to a lesser extent mining in Hamata. Mining bench configuration consists of 18 m inter-berm heights, mined as 3 x 6 meter benches of 2 x 3 m flitches. Waste is designated to be disposed of in engineered valley fill waste dumps, with toes keyed in using competent non-acid producing rock.

Crushed ore is conveyed from the HVK pit via a 4.5 km long overland pipe conveyor (**OLC**). Ore from the Hamata pit is trucked to the Hamata crushing station, located next to the processing plant.

The Hidden Valley mine process plant was designed to treat nominally 4.6 million tons of gold bearing ore through a conventional SAG mill, gravity, float, Merrill Crowe (for silver) and Carbon in leach (for gold) circuit. Gold dore bars are produced on site and shipped to a refinery. The tailings are disposed of in terrestrial tailings storage facility (**TSF**) located to the south-west of the process plant. Dam-wall construction of the TSF is on-going and largely constitutes placement of suitable oxide material sourced from mining in the Hamata pit. The processing inventory in this Ore Reserve estimate is un-constrained by TSF capacity and as such, expansion of the existing TSF and construction of an additional facility will be required in order to accommodate all ore scheduled to be milled.

The Hidden Valley mine operates in accordance with a Memorandum of Agreement (**MoA**) with local landowners and government, which sets out a preference for employment of landowners and local residents ahead of those from other provinces and offshore employees when qualifications are equivalent.

A total of 4.0 million tons (100% basis) of ore was milled during fiscal 2014.

The project to upgrade and integrate the crusher and OLC system was completed during the year and during the past year truck haulage from the HVK pit to the processing plant ceased and the OLC delivered the ore to the processing plant.

The mine produced (50% Harmony share basis) 105,845 ounces of gold and 974,846 ounces of silver during the fiscal year. Current estimates are that at annual full production over 13 years, Hidden Valley will produce (50% basis) on average 112,500 ounces of gold and 1.5 Moz of silver annually.

Hidden Valley mine was connected to the national electricity grid in fiscal 2011. Seventy three percent (73%) of power consumed during fiscal 2014 was supplied from the national grid resulting in a significant decrease in operational cost for the mine by reducing the diesel requirements for power generation.

All waste rock mined at the Hidden Valley mine is either used to build the tailings storage facility or retained in waste rock dumps on site so that the potential for impacts on the environment are minimized and managed effectively. The construction of the waste dumps in challenging terrain is well established now and involves keying in a coarse hard rock toe before building the waste dump from the bottom up. The build of the waste dumps is now scheduled as part of the normal mine planning sequence and sufficient capacity has been designed for the next two stages of the pit.

Additional design will be required for later stages from fiscal 2018 onwards.

Implementation of Hidden Valley's mine policy of community engagement and local employment, as well as training local employees, continued throughout the year. The review of the MoA between Hidden Valley Joint Venture, the landowners and the government continued through the year with the provincial team reconstituted resulting in delays to process conclusion. Finalization of the review remains a priority for fiscal 2015. The review does not affect continuity of operations.

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

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The Hidden Valley and Hamata Deposits are interpreted as a low-sulphidation or adularia-sericite-type epithermal gold-silver system. The Hidden Valley deposit further forms part of the carbonate-base-metal-gold subgroup, with abundant carbonate vein-gangue. Other gold-silver deposits around the Pacific Rim in this sub-group are Kelian (Indonesia), Woodlark (PNG) and Gold Ridge (Solomon Islands).

Discrete zones of intense stockwork fracture and mineralized veining comprise individual lodes. At the Hidden Valley deposit, gold and silver are related to the flat-lying Hidden Valley Zone (**HVZ**) and steeply-dipping (Kaveroi Creek Zone, **KCZ**) sheeted vein swarms associated with an underlying shallow thrust. The Hamata deposit gold is contained with structurally controlled shallow dipping veins associated with sericite-pyrite alteration.

Safety: The continued focus on establishing a mature safety culture utilizing a comprehensive risk management strategy at the Hidden Valley mine is evident in the good safety performance for the year, with no fatalities (2013: none) and no lost-time injuries, resulting in an LTIFR of 0.0 (2013: 0.15). The role out of the Behavioral Based Safety (BBS) system was a major initiative during the year and focuses on pro-active identification of hazards for specific tasks. This system has been adopted well by the employees and will continue to take a high profile in the overall safety system during fiscal 2015.

Plant: The processing plant production rate is 4.6 million tonnes of ore per annum and operates using process routes that complement the metallurgical characteristics of the ore types mined. The processing plant operates as:

a primary crushing plant for the low silver Hamata ores;

a primary and secondary crushing plant for Hidden Valley / Kaveroi ore; and

a combined treatment of all ore through grinding, gravity gold recovery, flotation, flotation concentrate leaching and counter-current decantation circuit (**CCD**) with Merrill-Crowe zinc precipitation, CIL of flotation and CCD tailings, gold room to produce bullion bars and tailings detoxification via the INCO process.

The gravity gold recovered is processed through an intensive cyanide leach followed by electro-winning circuit to produce a high quality dore product.

Gold and silver rich carbon is processed in an elution plant and precious metals are recovered in the gold room via Merrill-Crowe zinc precipitation stream independent of the CCD circuit.

All tailings are stored in a tailings storage facility, and all water recovered is subjected to detoxification prior to being recycled or released to the environment.

The processing plant and tailings storage facility was built to meet the requirements of the International Cyanide Management Code (**Cyanide Code**). During the year, the International Cyanide Management Institute (**ICMI**) received and accepted a Detailed Audit Findings Report prepared by an independent professional third-party auditor who evaluated the Hidden Valley mine against the ICMI's Verification Protocol and found it in substantial compliance with the Cyanide Code's Principles and Standards of Practices. The operation can be fully certified once it has implemented its Corrective Action Plan and achieved full compliance with the Cyanide Code.

Production analysis (50% basis):

Hidden Valley	Fiscal Year Ended June 30,		
	2014	2013	2012
Production			
Tons milled (000)	2,207	2,033	1,948
Tons mined (000)	2,768	1,964	2,205
Recovered grade (ounces/ton)			
- Gold	0.048	0.042	0.046
- Silver	0.440	0.420	0.440
Gold produced (ounces)	105,840	85,007	88,800
Silver product (ounces)	974,846	856,309	857,540
Gold sold (ounces)	106,322	84,299	89,315
Results of operations (\$)			
Product sales (000)	138,495	134,779	149,787

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Hidden Valley	Fiscal Year Ended June 30,		
	2014	2013	2012
Cash cost (000 ³)	(104,935)	(130,309)	(111,632)
Inventory movement (000)	(340)	462	365
Production profit (000³)	33,220	4,932	38,520
Cash costs			
Per ounce of gold produced (\$) ⁽²⁾	991	1,533	1,257
All-in sustaining cost			
Per ounce of gold sold (\$)	1,244	2,711	1,970
Capex (000) (\$)	11,820	57,343	38,168

- (1) The Hidden Valley operation stockpiles low grade ore, which is accounted for as inventory. Tons milled can be greater than tons mined during the year and vice versa with stockpiles balancing the difference.
- (2) Comparative figures have been restated as a result of the adoption of IFRIC20 (see note 2 of the consolidated financial statements).

Ore tons mined increased 40.9% to 2,768,000 tons in fiscal 2014. Tons milled by the plant increased from 2,033,000 in fiscal 2013 to 2,206,000 in fiscal 2014. Ounces of gold produced increased to 105,845 in fiscal 2014 compared with 85,007 in fiscal 2013 on the back of increased throughput and improved recoveries. The increase in production was due to completion of the crusher and overland conveyor system allowing more effective transport of the ore to the process plant and general efficiency improvements across the mine. These were achieved from a formal in-house efficiency program (The Way We Work) with assistance from Partners in Performance.

Revenue increased by 2% to US\$137.5 million in fiscal 2014 due to the increase in gold production. Cash costs decreased from US\$130.3 million in fiscal 2013 to US\$104.9 million in fiscal 2014 due to the factors mentioned above.

Ore tons mined decreased 11% to 1,964,000 tons in fiscal 2013. Tons milled by the plant increased from 1,948,000 in fiscal 2012 to 2,033,000 in fiscal 2013. This was despite downtime to the overland conveyor for belt repairs and extreme wet weather events during the summer adversely affecting the haulage of ore to the mill from mining operations. Ounces of gold produced decreased to 85,007 in fiscal 2013 compared with 88,800 in fiscal 2012 due to lower gold grade and lower recoveries.

Revenue decreased by 10% to US\$134.8 million in fiscal 2013 due to the lower average gold price received and lower grades recovered. Cash costs increased from US\$111.6 million in fiscal 2012 to US\$130.3 million in fiscal 2013, primarily due to increased truck haulage and increased contractor costs. Cash costs per ounce increased by 30% to US\$1,611/oz, due to the lower produced ounces, as well as the other factors mentioned above.

Assuming no additional reserves are identified, and at expected production levels, it is foreseen that the reported proved and probable mineral reserves of 3.2 million ounces of gold (100%) will be sufficient for the operation to maintain production until approximately fiscal 2028. However, any future changes to the assumptions upon which the reserves are based, as well as any unforeseen events affecting production levels, could have a material effect on the expected period of future operations.

Capital Expenditure: Attributable capital expenditure by Harmony during the year was US\$11.8 million, which included work on primary and secondary crusher for the Hidden Valley / Kaveroi ores, TSF construction and minor

miscellaneous equipment. Harmony's portion of the capital budgeted for fiscal 2015 is US\$12.6 million.

Exploration in PNG

The Morobe JV land holding comprises some 2,057 km² 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 crystallize. Fiscal 2014 exploration expenditure for the Morobe JV totaled US\$37.3 million.

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The 2014 work program focused on the Wafi-Golpu pre-feasibility study, with a significant amount of drilling (12,162m) mostly focused the upper levels of the deposit. Outside of the Wafi-Golpu project area, greenfields exploration was scaled back, with exploration work focused on brownfields prospects in the Hidden Valley district. Exploration statistics for fiscal 2014 include:

diamond drilling 14,348m; and

2,201 surface samples (soils, rock chips, trenches).

In light of the declining gold price environment the exploration program was focused heavily on brownfields exploration:

Hidden Valley Operations;

Brownfields exploration to discover significant new high grade deposits to replace ore depletion and to displace low grade mill feed for Hidden Valley;

Wafi Area; and

Focus on development of targets within a 20km radius of Golpu to lever Wafi-Golpu project infrastructure and increase the capital utilization and efficiency.

Greenfields evaluation was scaled back during the year with principle activities including tenement maintenance and development work aimed at improving the regional geological understanding of the Morobe Province.

Work programs and results for these activities are detailed below. Several high quality targets have been developed to drill testing in fiscal 2015 and an exploration budget of US\$51.6 million has been proposed for the MMJV tenements. Harmony's share would be US\$25.8 million. This proposed expenditure includes the study work planned (US\$22.4 million Harmony's share) for Wafi-Golpu.

Wafi-Golpu Project

Introduction: The Wafi-Golpu JV is a 50:50 joint venture with Newcrest Mining Limited of Australia. Harmony's ownership is through its wholly-owned subsidiary, Wafi Mining Limited. The first exploration at Wafi-Golpu dates back to the nationwide porphyry copper search by CRA Exploration Ltd in the late 1960's. Elders Resources farmed-in to the project from 1989-1991, and AGF subsequently farmed-in to the project for a short period in 1997 prior to going into administration in 1998. Aurora subsequently acquired the project from Rio Tinto (CRA) in 1999, with ownership passing to Abelle when it merged with Aurora in 2002. We assumed control of the Wafi Project by way of the acquisition of Abelle in 2003. The project is held under 2 contiguous exploration licenses (EL 440, and EL 1105), totaling 130.5 square kilometers. The Wafi-Golpu Project comprises a porphyry and epithermal copper and gold system within a 2.5km x 2.5km area and contains numerous lodes including the Golpu copper gold porphyry, the Nambonga gold copper porphyry and the Wafi epithermal gold lodes. The Wafi gold mineralization is hosted by

sedimentary/volcanoclastic rocks of the Owen Stanley Formation which surrounds the intrusive Wafi Diatreme. Gold mineralization occurs in the form of extensive high-sulphidation epithermal alteration overprinting porphyry mineralization and epithermal style vein-hosted and replacement gold mineralization with associated wall-rock alteration.

Geography: The Wafi prospect is located near Mount Watut in the Morobe Province of PNG, approximately 60 kilometers southwest of Lae and about 60 kilometers northwest of Wau. The Wafi camp is located at an elevation of approximately 400 meters above sea level in terrain that is mountainous and forested in most areas. The site is accessed by sealed road (Lae to Bulolo) which comes within 5 kilometers of the eastern edge of the tenements and 15 kilometers from the Wafi camp. From the sealed road, a 38 kilometer dirt-base access track to the prospect is accessible during most weather conditions. The site is serviced by helicopter when the road access is cut due to extreme wet weather. Watut Valley is located immediately west of the project, and the foothills of Watut Valley provide an option for placement of ore processing and mine infrastructure.

Project Status: The fiscal 2014 drill program undertaken at Wafi-Golpu comprised 15,300m and was undertaken in order to improve orebody knowledge for the Golpu deposit and surrounds for informing various pre-feasibility studies and development concepts.

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The Wafi-Golpu deposits were developed as part of an intrusive complex localized within the Wafi transfer structure. The intrusive complex has a footprint of roughly 2.5 by 2.5 kilometer, centered on a diatreme breccia. Golpu represents a zoned multiphase porphyry copper-gold deposit off the northeastern margin of the diatreme. The potassic core (K feldspar-biotite-magnetite-bornite-chalcocopyrite) of the mineralized porphyry grade outwards into propylitic alteration (chlorite-epidote-pyrite +/- hematite). Wafi represents a high-sulphidation epithermal gold deposit. The main gold zones defined to date are located on the southern margin of the diatreme breccia. However, the epithermal gold mineralization and its associated alteration zones are widespread, and partly overprints the upperlevels of the mineralized Golpu porphyry.

At Golpu, drilling has demonstrated better continuity of the mineralized porphyries in the upper portions of the deposit and extended the known high grade zones. The fiscal 2014 drilling results have enabled more detailed geological interpretations and modeling. The high grade porphyry is now interpreted to dip 70 degrees west with an 80 degree north plunge between the major post mineralization faults. This has resulted in larger apparent throws on the thrust faults such that fault-separated domains are now modeled as independent zones in the grade estimation with no assumed grade correlation between adjacent domains.

No more resource definition drilling is planned for the Golpu deposit in the short term. The drill scope for fiscal 2015 comprises approximately 9,000m for the completion of a hydrogeology data acquisition program and geotechnical drilling focused on planned infrastructure facility design.

Pre-feasibility study:

A pre-feasibility study, completed in September 2012, presented a development approach that was considered to be capital-intensive, restricted by a long payback duration, and a high residual risk profile. These key elements were considered unfavorable to the owners and potential investors in the foreseeable investor climate at that time. A revised project development brief was aimed at optimizing capital costs and improving the enterprise risk profile to align with owner and investor expectations. A Think-Tank initiative commenced in mid 2013 with the assessment of alternative mining methods, stand-alone options and combined options in which the Golpu and Wafi resources were considered separately and collectively, and in the context of the Golpu Upper Mine and a Golpu Lower Mine.

In late 2013 a decision was taken to convert from an owner executed model to an owner managed model for ongoing study execution. This led to a reduction in the size of the owner's study team and the appointment, following a competitive tender process, of Worley Parsons TWP South Africa (**WPTWP**) to the position of lead study consultant. The scope of work for WPTWP was to complete both a Feasibility Study (**FS**) for an early underground access exploration shaft and a Pre-Feasibility Study (**PFS**) Optimization Study.

The initial design for an early access exploration shaft was completed but the change in proposed mine plan, that included mining the upper resource blocks first, meant the data acquisition for the lower mine which was the primary objective of the exploration shaft was no longer a priority. The PFS for the exploration shaft was closed out and shelved.

As part of the PFS Optimization Study, analysis of numerous options resulted in four, high grade, Sub Level Cave (**SLC**) start-up mine options developed to a conceptual level. These options are being further developed to the PFS level of accuracy by the second quarter of fiscal 2015. An additional concept study is underway in parallel with the PFS Optimization Study evaluating a block cave operation in the lower orebody to maximize the resource extraction and demonstrate the longer term potential for a large, long life operation.

The SLC start-up mine studies will form the foundation for the completion of a Golpu feasibility study which is expected to be completed in the first half of fiscal 2016.

Wafi Transfer Structure & Regional Targets

Introduction: The Wafi structural corridor is outlined by the faulted contact between the Babwa 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 mineralized gold and porphyry copper-gold systems similar to Wafi Golpu.

Geology: The Wafi Transfer structure separates the Tertiary Babwaf conglomerate in the west from Jurassic and Cretaceous metasedimentary rocks of the Owen Stanley Metamorphic group in the east. Regional magnetics show a number of magnetic intrusive centers similar to those at the Wafi-Golpu project, and suggest excellent potential for additional mineralized porphyry copper-gold and related gold deposits.

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Project Status: The work program on the Wafi structural corridor during fiscal 2014 focused on mapping and sampling the northeast strike extension of the transfer structure from the Wafi-Golpu deposit. Some 490 rock chip samples and 331 soil samples were collected in the latter part of the year with the aim of completing the systematic geochemical and geological coverage over the area. Some encouraging rock chip and soil values have been returned from the Miapilli and Zenapu areas, but the bulk of the assays from the program remain outstanding. Interpretation to put results in context with the geology is ongoing.

Hidden Valley District Exploration

Introduction: Brownfields exploration work has focused in the area encompassing the historic gold mining center at Wau, located approximately 10km to the northeast of east of the Hidden Valley mine. Results from systematic soil sampling and mapping has been highly encouraging, with several new targets defined with excellent potential for high-grade satellite resources to supplement the mill feed.

Geology: Fieldwork in the Wau-Hidden Valley district has confirmed a 2 stage alteration and mineralization history that is closely associated with the intrusion of high level porphyries and local development of hydrothermal breccia. Stage I is interpreted to represent an earlier, hotter event that formed at depths of >500-1000m while Stage 2 represents a younger, shallower level 500-100m event characteristically associated with carbonate-base metal quartz veining and argillic to adv. argillic alteration halos. While both stages are known to be associated with notable gold mineralization the later stage 2 event is inferred to have played a more important role in the development of sub-economic and economic deposits within the district with examples being: Wau, Edie Creek, Kerimenge (high grade non-refractory overprint), Hidden Valley (later gold overprint) and Kulang.

Various levels of the system are exposed. For example in the Wau area, a maar lake complex with flow banded rhyolite domes and associated aprons of crumble breccia are preserved, with epithermal gold mineralization structurally controlled and accompanied by argillic alteration. At Hidden Valley mineralization is deeper level, with carbonate base metal gold mineralization hosted in structures within granodiorite.

Project Status: Extensive mapping and surface sampling (663 samples) was conducted during the year with several targets developed to drill testing in fiscal 2015. These will include 11Peg and Upper Namie.

Wau (EL497): Drilling at Wau comprised three holes for 1,203m. The drilling was undertaken to test interpreted depth extensions from the Upper ridges lodes and outlined a sequence of altered and mineralized volcanics and volcanic breccia overlying black shale. The contact between the two units is displaced by faulting, and the sequence intruded by andesite porphyry. Although no ore grade intercepts were achieved, widespread alteration and broad anomalous gold mineralization was obtained in the overlying volcanics which ties in with results being returned in the surface mapping / sampling program.

Other Morobe regional exploration

Regional exploration activities were scaled back in favor of brownfield target development at Hidden Valley and prefeasibility work at Wafi Golpu. As a result several greenfield tenements were rationalized including EL1403, EL1630, EL1631, EL1612 which accounts for the net reduction in tenure from fiscal 2013 (4,173km²) to fiscal 2014 (2,057 km²).

Garawaria Prospect (EL1629): In fiscal 2014 two drill holes (982m) were completed to finalize the work program before the camp was placed on care and maintenance. Results included broad intervals of Au anomalism accompanied by elevated pathfinder elements including arsenic, antimony, lead and zinc. A tollgate report to put the results in

context with the geology and geophysics is planned.

100% Harmony PNG tenements

A total of A\$6.6 million (K15.3 million) was spent on greenfields exploration outside of the Morobe JV on Harmony-owned projects in fiscal 2014. Turnover and rationalization of Harmony's 100% owned greenfields portfolio has resulted in a significantly reduced tenement holding comprising 1,125 square kilometers; a 70% reduction in the size of the tenement portfolio year on year. Key changes include:

Amanab Project in the Saundaun Province of PNG: Closeout and relinquishment of the project was completed after follow-up work downgraded the bedrock potential of the system;

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Tari Project located in the Southern Highlands Province: Exploration continued with prospect turnover resulting in surrender of EL1785 and EL1786, and pegging of the adjacent Kili Teke prospect in EL2310, where previous explorers have outlined a major alteration zone over several square kilometers with associated Cu-Au porphyry and Cu-Au skarn mineralization; and

Magavara Project in the Milne Bay Province: Represents a new exploration license application encompassing one of the highest order stream sediment gold anomalies in the historic PNG dataset. Localized alluvial gold workings occur in association with the stream sediment anomalies, but to date no drill testing has been completed to date to explain the bedrock source.

During fiscal 2014 a country wide assessment of over 140 PNG prospects and projects was also completed. In light of the current gold price environment, Harmony continues to actively monitor tenement changes for new opportunities to enhance the portfolio.

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HGEL tenement portfolio:

75

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Amanab Project (Harmony 100%)

Introduction: The Amanab Project covered 464km² (114,656 acres) in the West Sepik Province and encompasses the Amanab alluvial goldfield, which is one of 17 recognized alluvial goldfields on the PNG mainland.

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

Project Status: In fiscal 2014 the tenement was relinquished after the size potential of the system was downgraded and no further work was recommended.

On ground activities were focused on drill target development at the Yup east prospect with trenching and surface sampling (475 samples) completed to outline the footprint of the main vein system. Trenching across the central section of the main obtained significant intervals of high grade gold mineralization. However, trenching along strike constrained the strike to less than 150m, and showed that vein habit was typically thin (up to 4m).

Mapping together with the vertical trench profiles through the alluvial cover indicates multiple phases of uplift/erosion and deposition in the Amanab region since the Oligocene and the earlier intrusion of the metadiorite. The apparent disparity between occurrences of widespread alluvial gold and relatively minor but high-grade insitu gold veins in the bedrock is interpreted as the result of the multiple erosional/depositional events, with successive events combining to rework and concentrate the gold into the form of the current day alluvial field.

Tari Project (Harmony 100%)

Introduction: The Tari Project comprises 511.5 square kilometers in the Southern Highlands of PNG and is focused on development of major gold and porphyry copper-gold targets. Geologically the Tari project is located in the Papuan fold belt which contains world class deposits including the Grasberg, Ok Tedi copper-gold porphyry deposits, and Porgera epithermal gold system.

Geology: The tenements are located in Miocene carbonates, intruded by Late Miocene/Pliocene dioritic to monzonitic intrusions within the Papuan Fold Belt. Intrusive centers tend to be localized on northeast trending transfer similar to the northeast trending Porgera transfer.

Project Status: During fiscal 2014 first pass sampling and mapping was conducted over a number of target areas including Kagoma, Dogoma, Koroba, and Mt Pagaruma with over 700 samples collected. First pass drill testing at Lake Kopiago (2 holes/890m) was also completed. Results obtained from this regional work were only weakly anomalous, which led to the relinquishment of EL1786 and 1785. However, over the course of the work program the ground immediately west of EL1786 encompassing the anomalous drainage area and alteration footprint over Kili Teke prospect became available, and a new exploration license EL2310 was lodged successfully.

Kili Teke Prospect (EL2310): The Kili Teke prospect lies approximately 40km west-northwest of Porgera. The area was first outlined by CRA Exploration Pty Ltd after regional drainage sampling in 1987 returned anomalous gold in float samples from the Logaiyu river. Follow-up mapping and sampling has since highlighted a potentially large Cu-Au porphyry style hydrothermal alteration system. Contact skarn mineralization has also been mapped variably developed at or adjacent to intrusive wall-rock contacts. Key aspects picked up from the work completed to date include:

High-grade potential;

Multiphase complex: several porphyry phases defined to date with additional zones of hydrothermal breccia developed;

Leached and oxidized: development of secondary copper minerals in most of the material sampled to date;

Alteration: dominated by variably developed pervasive clay \pm sericite + pyrite (phyllic) alteration, overprinted locally by fracture controlled patchy chlorite \pm pyrite \pm epidote \pm carbonate (propylitic) alteration; and

Geology and structure:

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Evidence of younger porphyry phases intruding Tertiary limestone / siliciclastic host sequence (same host stratigraphy as Ok Tedi and Grasberg);

Significant northeast trending transfers identified.

Mapping outside of the 1.5 by 0.5 km target zone defined by previous explorers suggests potential for a significantly larger system masked by limestone cover and development work planned for fiscal 2015 has been designed to vector to the hotter, copper rich parts of the mineralized system. This includes surface geochemistry and detailed mapping, geophysics including ground magnetics and a 3D induced polarization survey, and drill testing.

Magavara Project (Harmony 100%)

Introduction: The Magavara Project tenement area is located in the Milne Bay province, 100km west of Alotau. The tenement application (ELA2316) comprises 614 square kilometers and was lodged to assess potential for new gold district in PNG. Although the tenement encompasses one of the highest order gold drainage anomalies in the historic exploration data, the area remains underexplored with no previous drill testing.

Geology: Gold anomalism is associated with a number of syenite intrusive bodies, and is accompanied by anomalous base metals. The alkalic intrusives are hosted in Jurassic / Cretaceous metasediments, however mapped pockets of Pliocene conglomerates suggest an extensional setting for the mineralization, similar to the Tolokuma area and at the Wau graben.

Project Status: Mining wardens hearings were conducted as part of the tenement application process in June, with full support from local communities. At this stage reconnaissance work is scheduled for the second half of fiscal 2015.

REGULATION

Mineral Rights

South Africa

South African law no longer provides for the separate ownership of surface and mineral rights. The promulgation of the Mineral and Petroleum Resources Development Act (**MPRDA**) in May 2004, and its amendment in July 2013, provides that all mineral rights in South Africa are now vested in the South African State. The principal objectives of the Act are:

to recognize the internationally accepted right of the state of South Africa to exercise full and permanent sovereignty over all the mineral and petroleum resources within South Africa;

to give effect to the principle of South Africa's custodianship of its mineral and petroleum resources;

to promote equitable access to South Africa's mineral and petroleum resources to all the people of South Africa;

to substantially and meaningfully expand opportunities for HDSAs including women, to enter the mineral and petroleum industry and to benefit from the exploitation of South Africa's mineral and petroleum resources;

to promote economic growth and mineral and petroleum resources development in South Africa;

to promote employment and advance the social and economic welfare of all South Africans;

to provide security of tenure in respect of prospecting, exploration, mining and production operations;

to give effect to Section 24 of the South African Constitution by ensuring that South Africa's mineral and petroleum resources are developed in an orderly and ecologically sustainable manner while promoting justifiable social and economic development; and

to ensure that holders of mining and production rights contribute towards socio-economic development of the areas in which they are operating.

Under the MPRDA, tenure over established mining operations is secured for up to 30 years (and renewable for periods not exceeding 30 years each thereafter), provided that mining companies applied for new-order mining rights over existing operations within five years of May 1, 2004, or before the existing right expired, whichever was the earlier date and fulfilled requirements specified in the MPRDA, its Regulations and the Mining Charter.

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A draft Mineral and Petroleum Resources Development Amendment Bill, 2012 (**MPRDA Bill**) was published in December 2012 for comment. On March 12, 2014 the bill was approved by the National Assembly and is awaiting the President of South Africa's approval. As a result of the uncertainties surrounding the bill, many changes are expected and we cannot yet determine the full impact that the draft bill may have on our business.

The MPRDA Bill, however, raises some concerns as it relates to Harmony's business:

Concentration of rights

The MPRDA Bill seeks to amend the MPRDA to provide that the Minister must refuse to provide a mining right or an exploration right if this will result in a concentration of rights under the control of the applicant.

Ownership of tailings created before 1 May 2004

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

Mineral beneficiation

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

Issue of a closure certificate

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

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

The Mining Charter was signed by the government and stakeholders in October 2002 and contains principles relating to the transfer, over a ten-year period, of 26% of South Africa's mining assets (as equity or attributable units of production) to HDSAs, as defined in the Mining Charter. In order to measure progress in meeting the requirements of the Mining Charter, companies are required to complete a Scorecard, in which the levels of compliance with the Mining Charter can be ticked-off every year. The Mining Charter and Scorecard require programs for black economic empowerment and the promotion of value-added production (beneficiation) in South Africa. In particular, targets are set out for broad-based black economic empowerment in the areas of human resource and skills development; employment equity; procurement beneficiation and direct ownership. In addition, the Mining Charter addresses socio-economic issues such as migrant labor, mine community and rural development, and housing and living conditions.

Following a review of the progress made by the mining industry after the first five years of implementing the provisions of the Mining Charter, the DMR amended the Mining Charter and the Revised Mining Charter was released on September 13, 2010. The requirement under the Mining Charter for mining entities to achieve a 26% HDSA ownership of mining assets by the year 2014 has been retained. Amendments to the Mining Charter in the Revised Mining Charter include, inter alia, the requirements 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 HDSA suppliers (i.e. suppliers of which a minimum of 25% + 1 vote of their share capital must be owned by HDSAs) by 2014. These targets will however be exclusive of non-discretionary procurement expenditure;

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

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

implement measures to improve the standards of housing and living conditions for mineworkers by converting or upgrading mineworkers' hostels into family units, attaining an occupancy rate of one person per room and facilitating home ownership options for all mineworkers in consultation with organized labor.

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All targets must be achieved by the end of calendar 2014.

In addition, mining companies are required to monitor and evaluate their compliance with the Revised Mining Charter, and must submit annual compliance reports to the DMR. The Scorecard makes provision for a phased-in approach for compliance with the above targets over the five year period ending in 2014. For measurement purposes, the Scorecard allocates various weightings to the different elements of the Revised Mining Charter. Failure to comply with the provisions of the Revised Mining Charter will amount to a breach of the MPRDA and may result in the cancellation or suspension of a mining company's existing mining rights.

We actively carry out mining and exploration activities in all of our material mineral rights areas. Accordingly, the MPRDA has not had a significant impact on these mining and exploration activities because we applied for and were granted the conversion of all of our old-order mining rights into mining rights in terms of the MPRDA. We now have to comply with the required annual and bi-annual reporting to the DMR on the Social and Labor Plans, Environmental Management Programs, and Progress Reports on our prospecting rights.

We have already complied with the requirements of the Mining Charter, with regards to HDSA ownership, and our effective ownership, as defined by the Mining Charter, is 28%. We have been working on our program of licensing since 2004, which involved the compilation of a mineral assets register and the identification of all of our economic, mineral and mining rights. We have secured all old mining rights and validated existing mining authorizations. Our strategy has been to secure all strategic mining rights on a region-by-region basis. The conversion of mining rights for our operations was granted and all of our mining areas are secured/supported by new-order mining rights.

The Mineral and Petroleum Royalty Act 28 of 2008 and the Mineral and Petroleum Royalty Administration Act 29 of 2008 were assented to on November 21, 2008 with the commencement date set as May 1, 2009. However, the date on which royalties became payable was deferred to March 1, 2010. Royalties are payable to the government according to formula based on earnings before interest and tax. 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. For fiscal 2014, the average royalty rate for our South African operations was 0.67% of gross sales.

Papua New Guinea

According to the Mining Act of 1992 (PNG) mineral rights in PNG belong to the government of PNG, which has a statutory right to acquire up to 30% of any project at the historic exploration cost prior to grant of a mining lease.

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 key difference in PNG is that citizens have the right to carry out non-mechanized mining of alluvial minerals on land owned by them. These customary rights do not extend over a mining lease, unless an alluvial mining lease is obtained.

Almost all land in PNG is owned by a person or group of persons, and is not generally overlaid by landowner title issues. There is, however, considerable difficulty in identifying landowners of a particular area of land because land ownership may arise from both contract and inheritance, and because of the absence of a formal written registration system.

Prior to commencing exploration, compensation for loss or damage must be agreed with the landowners. Prior to commencing mining, a written agreement must be entered into with landowners dealing with compensation and other

matters.

In PNG, Morobe Consolidated Goldfields Limited and Newcrest PNG 1 Limited hold a mining lease and various exploration licenses granted by the Minerals Resource Authority for the Hidden Valley Project. Both parties have obligations under a memorandum of agreement with the state, local government and the landowners.

Wafi Mining Limited and Newcrest PNG 2 Limited hold various exploration licenses granted by the Minerals Resource Authority for the Wafi-Golpu Project, and have entered into a compensation agreement with landowners on one of its exploration licenses.

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There has been a significant rationalization of Harmony's (100%) tenement holding in PNG and Harmony now manages two main project areas, which include the Tari project in the Southern Highlands and the Magavara project in the Milne Bay Province for which a tenement application was submitted.

In PNG there are no applicable exchange control restrictions but the PNG central bank does have to be informed of all transactions and has to approve lending facilities and interests rates charged.

In PNG, a mining legislative and tax regime review has been commissioned whereby various PNG government agencies are involved in the process. The policies and legislation being reviewed are the Mining Act 1992, Mining Safety Act 1997, Mineral Policy and sector policies including offshore mining policy, sustainable development policy, involuntary relocation policy and mine closure policy. The Chamber of Mines and Petroleum of PNG as the representative industry body has been collating information from industry participants regarding the review of current legislation and policy as part of the response to the governments mining legislation review. Harmony is represented on the chamber's sub-committee and is actively participating in discussions.

Environmental Matters

We are committed to conducting our business in an ethically, morally, socially and environmentally responsible manner that will protect human health, natural resources and the environment in which we operate. We aim to balance our economic, social and environmental goals and responsibilities to achieve sustainable, profitable growth in our business and, more importantly, to work with communities and regulatory agencies to implement sound management practices which will ensure that our mining is conducted in an environmentally-safe manner. In addition, with regard to legacy mining impacts, we remain committed to identifying and implementing coordinated remediation plans that are acceptable to all relevant parties.

A board-approved environmental policy supports the strategy of optimizing environmental performance by:

managing the environment as an integral part of our business;

focusing on the effectiveness of risk controls;

reducing our environmental liability;

ensuring sustainability, especially on mine closures;

product life cycle stewardship;

create a sharing, learning, challenging and innovative environmental culture in Harmony; and

ensuring environmental compliance through internal and external audits.

Ultimate oversight for environmental strategy and performance in Harmony rests with the Social and Ethics Committee of the board. In addition to an executive environmental manager, an environmental leadership committee drives environmental improvement strategically at group level, which cascades down to the various operations. At each operation, general managers are accountable for environmental management, and each operation develops annual environmental management plans to identify opportunities to increase compliance and minimize pollution.

To ensure consistency across the group, technical and performance standards and guidelines have been developed. All group standards are incorporated into operational environmental management systems (**EMS**) and implemented via the ISO 14001 system.

During fiscal 2013, the environmental policy was updated and was approved by the board. This sets out our commitment to closing our mines in a way that ensures long-term environmental stability and a post-mining beneficial land use that promotes sustainable livelihoods in the communities where we operate. The revised policy also articulates our understanding of the total life cycle of our product – we will promote the responsible refining, beneficiation and use of our product within our sphere of influence. The policy forms the basis of the environmental system across the Harmony group.

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South Africa

To address and minimize the impact of the Company's operations on the environment, taking into account regulatory requirements, the board has approved a number of five year targets relating to emissions to air, water consumption and usage, energy consumption, recycling and land use, namely:

Compliance

The Company will maintain the number of environmental fines at zero.

Energy management and Carbon Footprint

Harmony's aggregate group target for reduction in absolute electricity consumption is 3% by fiscal 2018, based on a 2008 base year.

Harmony's aggregate group target for reduction in energy consumption per ton milled is 2% by fiscal 2018, based on a 2008 base year.

Harmony's aggregate group target for reduction in absolute Carbon Footprint in CO₂ equivalent per ton milled is 2% by fiscal 2018, based on a 2008 base year.

Biodiversity

All sites to implement 80% of biodiversity action plans by 2018.

Water Management

The aggregate group target for reducing fresh water consumption (water use for primary activities) in kiloliters (**KL**) is a 4.5% improvement by fiscal 2018, based on a 2013 base year.

The aggregate group target for reducing fresh water consumption (water use for primary activities) in KL per ton milled is a 5% improvement by fiscal 2018, based on a 2013 base year.

The aggregate group target for improving on the percentage of water recycled (intensity and absolute) is 5% by fiscal 2018, based on a 2013 base year.

Rehabilitation

The aggregate group target is to reduce land available for rehabilitation by 2% by fiscal 2018, based on a 2013 base year.

Environmental performance

Use of resources

Water

Harmony's operations use significant amounts of water, and access to this resource is vital for the growth of our assets. Although we have an adequate supply at present, water is fast becoming a scarce resource.

Similar to the previous year, internal risk assessments in fiscal 2014 identified risks and opportunities directly linked to Harmony's business strategy, with the major climate change risk being a change in rainfall patterns and the attendant risk of intermittent water supply. Intermittent water supply could pose a significant threat to the operational continuity of our mines and therefore the profitability of our business. Harmony has adjusted its strategy to reduce its dependency on existing groundwater infrastructure, and a group-wide campaign to re-use processed water continues to produce excellent results.

The holding capabilities of water dams at Kusasalethu have been upgraded to enable them to cope with the greater volumes. At Kalgold, a comprehensive geohydrical assessment informed a revision of the water balance. Technical changes were implemented at the plant and tailings storage facilities to ensure maximum recovery of water for re-use. Similar work regarding capacity management as well as water efficiency has been completed at Doornkop.

Our South African operations do not draw water directly from surface sources, such as rivers, except for Kalgold which draws water from the aquifer. Water is sourced from:

bulk water service providers and municipalities;

surface water run-off;

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water that ingresses into deep-level mining operations and is then pumped to the surface;

recycled water; and

boreholes.

The Far Western Region Dolomitic Water Association is dealing with a number of water-related issues in the area, including an exercise to remediate the impact of radiation in the Wonderfonteinspruit catchment. While Harmony is a member of the committee working to reduce the impact on this area, it has no operational involvement in the upper region of this catchment, highlighted as the first area requiring intervention. Only one site may be linked to our operations, but this was deemed of lower environmental risk by an intergovernmental team and not requiring any urgent intervention. Harmony considers that any exposure in this catchment is limited and manageable.

Both our absolute water consumption and intensity usage declined in fiscal 2014. The total amount of water used for the Harmony group's primary activities in fiscal 2014 reduced by 11% from 18,556,000 cubic meters in fiscal 2013 to 16,495,284 cubic meters.

The following drought-risk mitigation initiatives continued in fiscal 2014:

installation of additional boreholes to supplement the water supply and ensure no mine stands idle owing to lack of water;

implementation of process changes to improve water efficiency;

optimization of water separation and recycling systems; and

construction of larger return-water dams and the installation of large covered tanks to reduce evaporation.

Acid mine drainage

Acid mine drainage, or acid rock drainage, is the occurrence of highly acidic water, usually containing high concentrations of metals, sulphides and salts as a consequence of mining activity. Major potential sources of acid mine drainage are drainage from underground mine shafts, run-off and discharge from open pits and mine waste dumps, tailings and ore stockpiles.

We manage fissure water at all our operations. Where there is a risk that rising water levels underground have the potential to hinder access to our own ore reserves or those of other operations or to harm the environment, water is pumped to surface. Our water management strategy includes intercepting this water before it is polluted underground. When brought to surface, it is consumed as plant intake.

In fiscal 2012 and fiscal 2013, geo-hydrological assessments were undertaken in the Free State region, Kalgold and Doornkop. In terms of acid mine drainage, the studies confirmed there was no risk of decant from the Free State operations, or Kalgold. From the perspective of surface water pollution, rehabilitation is being prioritized at the joint

metallurgical scheme site and the acid plant site in the Free State, as well as at decommissioned shafts and infrastructure in the Free State and at Kusasalethu.

Harmony continues to work closely with regional partners to identify the longer-term risks of acid mine drainage and establish sustainable solutions.

Harmony carried a third of the costs of pumping and treating fissure water in the Klerksdorp, Orkney, Stilfontein and Hartbeesfontein (**KOSH**) Basin for nearly five years. This followed a directive from the Department of Water Affairs. Once the land in question was sold to another mining group in 2009, Harmony requested the department to withdraw the directive given that the relevant section (section 19) of the National Water Act does not provide for holding people responsible for pollution in perpetuity once they are no longer connected to the land. After the department refused to withdraw the directive, Harmony lodged an application in the High Court to have this set aside. The case was heard in October 2011 and judgment handed down in June 2012. The judge dismissed Harmony's application to have the directive set aside and made no order on cost, stating his view that Harmony was not a frivolous litigant as it raised constitutional issues of importance aimed at vindicating a constitutional principle of legality. Harmony had applied for leave to appeal. The Constitutional Court ruled on this matter, dismissing the Company's leave to appeal on the basis that there was no prospect of success. Harmony had subsequently entered into separate negotiations with the claimants. Subsequent to year-end, Harmony made payments to the two claimants in the matter as full and final settlement.

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Water is being discharged from our Doornkop operation under directive and is in the process of being licensed. Based on the draft license received, Doornkop is able to comply with its licensing conditions. An intensive water-monitoring program is in place and reporting to the regulator takes place routinely.

Energy consumption

Our energy consumption is largely in the form of electricity drawn from South Africa's power utility, Eskom, which in turn is primarily driven by coal-fired power stations. Hoisting, cooling and ventilation systems all need electrical power, making Harmony a major user of electricity. Energy is therefore a significant and growing portion of our operating costs, given rising electricity tariffs.

After the electricity supply crisis in 2008/2009, domestic tariffs have increased steadily and are scheduled to rise further in the year ahead. Following a 25% increase in fiscal 2010 and fiscal 2011, with a further 16% in fiscal 2012, 9.6% in fiscal 2013 and 8% in fiscal year 2014, these cumulative increases have catapulted energy efficiency from an environmental consideration to a business imperative. There remains a possibility that the tariffs might, next year, increase even higher than the previous few years.

South Africa's 2005 energy efficiency strategy set a national improvement target of 12% by 2015. As industrial and mining companies are the largest users of energy in South Africa, these sectors have been set a final energy demand reduction target of 15% by 2015. While this target is currently voluntary, it is effectively mandatory given the 10% demand reduction imposed by ESKOM after the electricity crisis in 2008.

NERSA approved the renewable energy feed-in tariff guidelines in April 2009. While there is still debate on certain issues in these guidelines, this is expected to stimulate the development of renewable energy in the country once it becomes more financially feasible to invest in alternative energy options.

Harmony is committed to reducing its energy consumption and has worked closely with Eskom to manage its electricity use and peak demand both before and after the energy crisis. The Company has implemented a number of efficiency projects during fiscal 2014 resulting in a saving of 61,158 MWh. More projects will be implemented during fiscal 2015. Harmony has also actively engaged with Eskom in demand-side management (**DSM**) strategies to reduce electricity consumption during peak periods such as early morning and late afternoon. This involves measures such as timing pumping to coincide with cheaper off-peak periods, making more efficient use of Eskom tariffs that reward load-shifting, and improving the efficiency of pumping operations.

We installed sophisticated equipment and variable speed motors that reduce the surge in power consumption when a pump is started. While the software supporting these systems has been complex and costly to develop and implement, significant savings are reflected in lower electrical energy consumed. We have several projects that have been approved by Eskom for partial DSM funding. By the end of fiscal 2014 13 projects have been implemented and six were ongoing. A further 15 energy efficiency projects are planned for fiscal 2015, and for which approval for Eskom funding is pending.

Renewable energy initiatives

NERSA approved renewable energy feed-in tariff guidelines in 2009. Although there is ongoing debate on certain issues in these guidelines, this is slowly stimulating the development of renewable energy in the country as it becomes more feasible to invest in these options. At present, Harmony is considering a number of renewable and alternate energy projects, prioritized below:

Bio-energy the feasibility study was concluded for a project to develop biomass capability in the Free State, and implementation began in August 2014. The intention is to convert rehabilitated land as part of the provincial rehabilitation initiative into value-creating opportunities for local communities. We will convert electrical heating (and heating by polyfuel) of elution water at our gold plants to gas heating.

The Harmony Solar Park aims to develop solar capability at Kalgold to feed into the Eskom grid. This proposal was submitted into the public tender process in August 2013. The Department of Energy (**DOE**) was still in the process of reviewing all applications.

Photovoltaic feasibility study completed for 1MW photovoltaic power plant in the Free State.

Carbon sink Harmony has completed a pre-feasibility study on establishing a plantation on impacted land. The feasibility study will resume during fiscal 2015.

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Turbines Harmony will convert its turbines at Kusasaletu to deliver power using mine water being transported underground from surface.

Solar geysers replacing electrical with solar geysers at Harmony-owned villages.

Climate change and greenhouse gas emissions

Harmony remains focused on reducing the use of fossil fuels and developing initiatives to mitigate and absorb GHGs to reduce its carbon footprint.

In fiscal 2014, Harmony increased its South African electricity consumption by 91.18 GWh and emissions by 90.63 t CO₂e (fiscal 2013: 186.6GWh and 184.767t CO₂e). Electricity consumption in fiscal 2013 was lower due to suspension of operations at Kusasaletu as a result of safety and labor unrest that occurred for a period of approximately four months. Our challenge remains to create an enabling environment and allocate adequate resources to achieve our goals and commitments.

In 2014, Harmony submitted its eighth response to the Carbon Disclosure Project. The year on year progress is encouraging; in fiscal 2013, Harmony scored a 98% Gold rating on the Disclosure Index and an A-Band Platinum rating on the Performance and Leadership Index, ranking in the top 10 out of the top 100 Johannesburg Stock Exchange Limited (**JSE**) participating companies (in fiscal 2012, we scored 98% to rank third). Harmony and Anglo American are the only two mining companies of the JSE top 100 that had achieved an A-Band performance. Of the JSE top 100, only eight companies achieved A-Band ratings.

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

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

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

Government's focus remains to actively consult with industry on developing carbon budgets to identify an optimal combination of mitigation actions to strike a balance between South Africa's socio-economic imperatives, especially creating and preserving jobs, as well as the need to manage climate change impacts and contribute to global efforts to stabilize GHG concentrations. Government has initiated the project to develop the desired emission reduction outcomes in July 2014 and expect to complete the project in December 2014, where the carbon budget will be allocated to various sectors.

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

While Harmony is not conceptually opposed to using financial instruments as incentives in reducing emissions, we remain concerned about the potential impact on the industry's competitiveness. We are working with both the industry task team on climate change and the Chamber of Mines of South Africa to understand the implications for our business and optimal mechanisms to further promote emission reduction. We also participate in the Department of Environmental Affairs' project for the development of the desired emission reduction outcomes (**DEROs**) and mix of measures for the sectors and subsectors of the economy.

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Harmony's exposure to Australian legislation is limited as the operations we owned there have been sold or are under care and maintenance.

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

The largest portion of GHG emissions is predominantly electricity-related, with electricity expenditure amounting to 13% of Harmony's operational costs in South Africa. While cost management is clearly a strategic issue for Harmony, of even greater importance is that energy supply be constant and reliable, given the implications of loss of energy on both production and health and safety. GHG emissions regulations, which would increase the price of energy, will affect Harmony significantly, as will regulation that stipulates emission thresholds, or sets technology standards that may result in insecure energy supply. Already certain compliance costs from power suppliers are being passed on to the Group in the form of price increases. For instance, in South Africa since 2009, Harmony has paid a levy of R0.02 to R0.03 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, which could result in a significant increase in our costs.

Land management, biodiversity and conservation

Radiation is a possible risk at most gold mines. At Harmony, surface radiation is managed by reducing the affected footprints, especially at legacy sites, to support legal compliance and reduce environmental liability. We are steadily improving our understanding of the groundwater and surface water regimes. In terms of surface water pollution, rehabilitation has been prioritized at the joint metallurgical scheme site and the acid plant in the Free State, as well as at decommissioned shafts in the Free State and Deelkraal plants.

Rehabilitation and closure is planned from concept stage for new operations or greenfield projects and during the life-of-mine for existing operations. We continuously identify land that we can rehabilitate to a sustainable, value-creating alternative use. Where feasible, we refurbish infrastructure for use by local communities. For decommissioned operations, we are developing comprehensive closure plans for consideration and approval by the regulators.

Biodiversity management plans are implemented at all sites, either through their respective mine closure plans, environmental management programs or environmental management plans or specific biodiversity action plans. Biodiversity action plans involve the protection and conservation of indigenous plants as well as the planned, progressive removal of alien and invasive plant species.

Harmony has around 65,000 hectares of land under management in mining rights and disturbed areas under rehabilitation. None of our producing operations are in areas of high biodiversity value, inside or outside protected areas, and only one of our operational areas affects listed species (under the International Union for Conservation of Nature and Natural Resources (**IUCN**) Red Data species). This is the vulnerable sungazer lizard (*Cordylus giganteus*) (endemic to the Free State and parts of Mpumalanga) which occurs in our Free State operating area.

In fiscal 2014, we continued implementing a rehabilitation strategy for decommissioned operations in the Free State and at Kusasaletu's Deelkraal section in Gauteng. This focuses on reducing environmental liability, eliminating potential safety and health exposures for both our people and society in general.

The following conservation projects are underway in the Free State:

The Avianator Program In partnership with BirdLife South Africa, Harmony provided the financial resources to design the curriculum and the funds for its implementation to enable BirdLife to roll out delivery of the course to ten underprivileged schools during fiscal 2014.

Conservation of the Sungazer Lizard Harmony signed a memorandum of agreement with and made a donation to the Endangered Wildlife Trust aimed at conservation of the Sungazer Lizard (*Smaug giganteus*); and

Flamingo conservation project partnership involving government, Harmony, NGOs and other private entities working towards a unified solution to flamingo conservation and protection in the Free State.

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ISO14001 implementation

An ISO14001 EMS is being introduced progressively across our operations, and it is planned that the implementation program at the longer-life operation will be completed in 2015. In fiscal 2010, Harmony reviewed its strategy on ISO 14001, deciding that all operations would comply with these standards while all new and long-life assets would be ISO-certified within three years. This decision was aligned to our business strategy for scaling down certain operations while developing others. Given that a few of our assets are nearing the end of their lives, implementing a certification system would add only short-term value. All our operations with approved environmental management programs (**EMPs**) have outlined closure principles, which will be expanded once these operations (such as Steyn 2 and Unisel) near final closure. Long-life assets that will benefit from continuous improvement were therefore prioritized for certification. These long-life assets are: Doornkop, Kusasaletu, Kalgold, Bambanani, Masimong, Phakisa, Tshepong, Saaiplaas, Target 1 and 3, Joel and all new projects. Operations currently certified are: Doornkop, Kusasaletu, Kalgold, Phakisa, Tshepong, Masimong, Target 1&3. Bambanani and Joel will be certified at the end of fiscal 2015.

In fiscal 2011, Doornkop plant and Kusasaletu were certified to ISO 14001 standards. Kalgold was certified in the first quarter. Tshepong, Phakisa, Masimong, Target shaft, Target plant and Harmony 1 plant received ISO 14001, OHSAS 18000 and ISO 9000 certification by the end of fiscal 2012. All certified operations maintained their certificates during the fiscal 2014. Implementation at other operations is ongoing, and action plans to address all high-risk impacts are under way.

The EMS forms the basis for the implementation of the environmental policy and monitoring compliance, while the Environmental Management Program Report (**EMPR**) developed in line with legislative requirements, contains specific as well as general principles governing environmental management during the life of the mine. The EMPRs identify individual impacts, mitigation measures and rehabilitation requirements.

Generic closure objectives are set and high-level closure plans formulated within the EMPR, including investigation of the potential for re-use of existing infrastructure, preparation of a rehabilitation plan, rehabilitation and vegetation of the affected area and post-closure monitoring. These EMPRs are legally binding and forms part of our submission for, and receipt, of mining rights conversions.

A group-level environmental audit as well as a number of annual compliance audits were undertaken during the year, most notably by the DMR. Areas of non-compliance identified by the audits have been and are being addressed.

Environmental management and auditing

To ensure legislative compliance, appropriate environmental management systems are being implemented at all operations to ensure a formal, systematic approach.

As required by the MPRDA, an environmental management program have been drawn up for each operation, submitted and approved by the DMR. These plans are amended when necessary and resubmitted to the department. Harmony's operations are legitimate water users, operating under associated permits, licenses or directives. At Kalgold, Harmony has applied for a water use license and requested an interim directive. The license has been recommended for issuance by the civil engineering sub-directorate of the department of water and sanitation to the licensing committee.

Integrated water use licenses were submitted for all operations as early as 2006.

Doornkop has received a draft water use license, and the final license is imminent. After initially submitting an application in 2006, a re-submission of the water use license application was lodged in August 2011 to include additional water uses.

In April 2014, integrated water use licenses for both Kusasalethu and Kalgold mines have been recommended by the Department of Water and Sanitation's civil design directorate to the Department of Water and Sanitation's water licensing committee.

Other key legislation for the Company includes compliance with the National Environmental Management Act, National Water Act and the National Nuclear Regulator Act. Harmony has received an exemption from the nuclear regulator's certificate of registration process as radiation levels are fairly low for Kalgold.

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Harmony received no environmental fines or sanctions in fiscal 2014. Issues being addressed at present include:

At Kalgold, we are re-evaluating our rehabilitation strategy and final land-use proposed for the D-zone pit. We remain in discussion with the departments of mineral resources and water affairs in reaching an agreed sustainable solution; and

an in principle approval to access the excess funds in the trust funds has been received from the DMR to support accelerated rehabilitation to reduce the environmental footprint.

Significant environmental incidents

Significant incidents are defined as those that have an impact outside the Group's boundaries, which may cause irreparable harm or which require significant expenditure to remedy. In fiscal 2014, the following significant environmental incidents were reported:

Kusasaletu return water dam overflow to Wedela stream after heavy rainfall;

Kusasaletu a third-party company operating a waste water treatment works adjacent to Harmony's pollution control dam inadvertently discharged raw sewage into the dam resulting in the death of fish;

Kusasaletu the motor on the vertical spindle pump returning water emanating from the main surface fans, failed, resulting in water overflowing at the pump sump into the storm water system; and

Hidden Valley overflow of sewage directly into the environment.

All these issues are being addressed through our EMPs.

Financial provision

In accordance with legislation, Harmony has constituted independent environmental rehabilitation trust funds to make adequate financial provision for the expected cost of environmental rehabilitation at mine closure and for the discharge of its obligations and contingent liabilities. Each operation reviews and updates the financial provision for its expected environmental closure liability annually in consultation with a consultant. This estimate is then used to calculate the contributions to be made to the rehabilitation trust funds, and, if necessary, adjustments are made to the trust fund provisions.

The accumulated amount in the various South African rehabilitation trust funds was US\$213 million at the end of June 2014 (2013: US\$201 million), while the total rehabilitation liability was estimated at US\$ 208 million (2013: US\$213 million). We have guarantees for the environmental liabilities amounting to US\$43million (2013: US\$35 million). US\$2 million was contributed to the funds, following the receipt of amounts owed to the Company by the liquidators of Pamodzi. No contributions were made to the trust funds during fiscal 2013.

The assets of each mine within each fund are ring-fenced and may not be used directly to cross-subsidize one another without the authorization from the regulator.

Papua New Guinea

Our PNG operations are in various phases of activity including exploration, pre-feasibility study and operations. We are subject to applicable environmental legislation including specific site conditions attached to the mining tenements imposed by the PNG Government Department of Environment and Conservation (**DEC**), the terms and conditions of operating licenses issued by the PNG Mineral Resources Authority (**MRA**) and DEC, and the environment permits for water extraction and waste discharge issued by DEC. In the fourth quarter of fiscal 2014, the PNG Parliament approved the change of the Department of Environment and Conservation to the Conservation Environment Protection Authority and this change is expected to be completed in early 2015.

All PNG operations have departments and personnel dedicated to environmental matters who are responsible for implementing the Company environmental management programs, monitoring the impact of mining on the environment and responding to impacts that require specific attention outside of the normal program of environmental activities.

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Environmental management and auditing

The PNG DEC commissioned a third party compliance audit of the Hidden Valley mine in 2010 following stakeholder concerns about sedimentation impacts on the Watut River. This led to the development of a DEC-approved environmental improvement plan to address compliance concerns and the appointment of an external stakeholder advisory panel. During fiscal 2014, 38 of the 40 outstanding actions were completed to implement the environmental improvement plan (**EIP**) for Hidden Valley. The outstanding actions are the implementation of a solid waste management system and the optimization of the sewage treatment plant operation to ensure all water discharged from the plant is within permit requirements. The outstanding actions will be completed during fiscal 2015. The joint venture is currently negotiating with the DEC for the inclusion of further improvement actions in the EIP. The project relationship with key stakeholders remains good and the joint-venture partners continue to be guided by advice from the stakeholder panel and the technical advisory committee (an expert, independent and multi-stakeholder body).

Use of resources

Water

The Hidden Valley mine receives an average of three meters of rain each year, coupled with annual evaporation of about one meter. The excess rainfall, combined with steep unstable topography, creates significant water management challenges for the mine. Rainfall run-off must be controlled to prevent erosion and sediment run-off to the river system. Site-water use must also be conserved to limit volumes of contaminated waste water discharged into the river system. These waste-water streams include sewage effluent and discharge water from waste rock dumps and the tailings storage facility (**TSF**).

Conserving process water is particularly important because TSF discharge water must first be treated to remove cyanide, prior to discharge. Water is discharged so as to maintain a small ponded area on the TSF which, in turn, is necessary to maintain the integrity of the TSF. The minimum volumes of raw water are therefore drawn from the river system for key processes. This draw, however, in combination with high rainfall and low evaporation creates a high positive water balance, necessitating a high rate of discharge from the TSF and limiting the opportunity for process water recycling. Minimizing raw-water use is also important in protecting the project against occasional El Nino droughts when volumes of available river water are greatly reduced.

Despite the strong focus on limiting water use, the primary water usage at the Hidden Valley mine increased during the year, from 699,000 m³ in fiscal 2013 to 768,000 m³ in fiscal 2014.

Construction of the Hidden Valley mine has contributed to sedimentation in the Watut River system. This has caused concern among downstream communities living on the river banks. In fiscal 2010, the joint venture partners commissioned a series of studies to assess current and future impacts on this river system. These sediment and biological studies indicated impacts on the Watut River, partly from activities at Hidden Valley and from other sources along the river. Evidence of acid rock drainage (low pH and elevated dissolved metals) has been observed at the toes of the waste rock dumps and the uppermost points of Kaveroi Creek just below the Hidden Valley Mine Pit. The addition of lime to Pihema Creek downstream of the mine operations helps to reduce the dissolved metal levels and maintain the alkalinity of the Watut River. The surface water run-off also contributes to the dilution of the dissolved metals downstream of the mine.

The joint venture's annual environmental report for the 2013 calendar year, as submitted to the DEC, highlighted a number of performance improvements at Hidden Valley compared to the prior year. The dissolved metal levels at Nauti are in compliance with the Environmental Permit criteria with occasional manganese spikes. The dissolved

cobalt level is a PNG criteria issue and is being addressed by the PNG Department of Environment and Conservation.

Acid Rock Drainage

In PNG, there are issues with acid rock drainage (**ARD**) being generated from waste rock dumps but any impact on the environment is mitigated by adding lime to maintain natural levels of alkalinity at the compliance point. Water sampling and studies continue to improve the understanding of ARD impacts, and enable plans to be formulated for longer-term reduction and mitigation.

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Energy consumption

In the third quarter of fiscal 2011, Hidden Valley was connected to the new hydropower transmission line, part of the PNG electricity grid. While Hidden Valley is currently drawing 70% (fiscal 2013: 60%) of its requirements from the national grid, this has already significantly reduced reliance on diesel-generated power on site and the amount of fuel to be trucked to this remote site. Management is cautiously confident of securing a higher percentage of grid power, with the target of over 90% hydro power within the next two years.

The Hidden Valley plant was designed with the latest technology to ensure optimal use of energy: photovoltaic switches control general lighting, all motors have energy efficient design and, in the semi-autogenous grinding mill (the biggest user of power), 10MW is equipped with a slip recovery drive that recovers load losses and regenerates power back into the local grid when the mill is operating below optimum efficiency.

In constructing the Wafi-Golpu site, we are drawing on lessons learned at Hidden Valley and elsewhere to develop a design tailored to be as environmentally responsible as possible with appropriate health, safety, procurement and community elements. All design criteria consider the use of energy efficient options, with the design of plant and infrastructure characterized by energy efficiency and conservation.

Climate change and greenhouse gas emissions

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

Land management, biodiversity and conservation

Land is a significant resource in the largely mountainous terrain of PNG, and any land clearing is managed by permit from the environment and community affairs department. Hidden Valley follows a strategy of progressive rehabilitation, with a high-capacity nursery continually hardening thousands of seedlings for rehabilitation planting in and around the mine.

Although Hidden Valley mine is not located in a biodiversity protected area, five IUCN Red List species could occur in the vicinity of the mine. There is no evidence that the mine has affected this critical habitat.

Significant environmental incidents

Significant environmental incidents reported in fiscal 2014 included the accidental release of untreated sewerage to the environment. Downstream sampling after the incident showed there had been no significant impacts and actions have been taken to prevent a recurrence. All incidents were fully addressed.

Financial provision

A closure plan has been developed for Hidden Valley, with a provision for rehabilitation and closure liabilities of US\$52.9 million.

Health and Safety Matters

Please note that all numbers exclude Evander, unless expressly stated otherwise.

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Legislation

For many years, the safety of persons working in South African mines and quarries was controlled by the Mines and Works Act of 1956 and then by the Minerals Act of 1991 which was replaced by the Mine Health and Safety Act. The Minerals Act of 1991 has subsequently been repealed and the MPRDA promulgated. The Mine Health and Safety Act has since been amended by the Mine Health and Safety Amendment Act, Act 74 of 2008. The objectives of the Mine Health and Safety Act (**MHSA**) are:

to protect the health and safety of persons at mines;

to require employers and employees to identify hazards and eliminate, control and minimize the risks relating to health and safety at mines;

to give effect to the public international law obligations of South Africa that concern health and safety at mines;

to provide for employee participation in matters of health and safety through health and safety representatives and the health and safety committees at mines;

to provide effective monitoring of health and safety measures at mines;

to provide for enforcement of health and safety conditions at mines;

to provide for investigations and inquiries to improve health and safety at mines;

to promote a culture of health and safety in the mining industry;

training in health and safety in the mining industry; and

co-operation and consultation on health and safety matters between the State, employers; employees and their representatives.

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

training records must be kept;

employer investigations;

permanent committees of the MHSC;

health and safety management system;

administrative fines increased from R200,000 to R1 million; and

offences applicable to the employer.

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

Management approach to safety

At Harmony, the safety and health of our employees and contractors is not only a moral imperative but essential for creating a sustainable, responsible business. Safety is our key priority and one of our five values. The safety and health of employees and contractors is of the utmost importance, as without a safe and healthy workforce we cannot be productive and profitable.

We aim to eliminate and prevent all fatalities and work-related injuries and illnesses by promoting a culture that gives priority to health and safety.

Our safety strategy includes behavioral aspects, competency training and development, and risk management as well as research and new technologies. We believe safety in the workplace can be addressed only through a co-operative approach that ensures the right infrastructure is in place from systems and planning, to communication and training. We also believe

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management and employees must accept joint responsibility for their actions. It is therefore 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. All operations have introduced a management visible felt leadership program and such visits are scheduled on a monthly basis. Coaching on safety standards is paramount on such visits.

Many operations embarked on safety behavioral and Blue Flag programs to address safety in the workplace. The Blue Flag program mainly focusses on the physical condition compliance in the workplace.

In March 2014, an executive overseeing the Harmony's safety and health strategy was appointed the Chief Operating Officer for Harmony's South African operations and another manager was appointed to continue driving our safety strategy. Each operation is monitored monthly using a formal review system, while major safety issues are reviewed annually during the health and safety workshop.

Managerial instruction drafting and review committees for mining and engineering are fully functional to establish strategic standards and procedures to enhance safety. In addition, electrical engineering procedures are frequently reviewed to keep abreast with industry best practice.

Safety is a key performance indicator for management and a key component of performance reward for our people. Historically, the safety-related bonuses were based on reactive performance measures we are now developing ways to assess safety performance on proactive measures.

All senior managers have been selected to attend a leadership development training program which is designed to equip managers with the necessary skills to address behavioral aspects which can greatly contribute to safety improvements on operations.

A review of our fire detection and prevention standards, emergency response and emergency preparedness has recently been completed by an external party. Recommendations made are being considered for improvement of our existing standards and emergency preparedness.

Guided by an occupational health and safety policy, our cooperative health and safety management framework involves the active participation of management, unions and DMR representatives at all levels, and is aligned with the MHSA.

Health and safety committees are in place at all operations, as required by the MHSA, and full-time health and safety stewards and health and safety representatives have been appointed. There were 42 full-time health and safety stewards appointed and in place at the South African operations in fiscal 2014 (fiscal 2013: 48). These committees comprise management and elected employee representatives to ensure the active participation of our people in safety and health management. All safety representatives receive additional training in line with revised Mining Qualifications Authority standards. The committees meet monthly to discuss employee health and safety issues, and formal health and safety agreements are in place at all operations to deal with related issues.

Initiated by the chief executive officer, over the past three years Harmony has instituted a focused and multifaceted drive to transform the Company's approach from reactive to proactive by improving the safety culture across all operations through a high-level internal health and safety review, adopting leading health and safety practices, improving the Harmony safety risk management system, integrating proactive key performance measures in incentive

schemes, continuously improving standards and procedures, implementing e-learning to improve safety-related training, implementing a Harmony culture alignment program and through integrating both the safety management standards (management systems) and safety culture initiatives (people) to function as one strategy.

During 2014 an international consulting company conducted an independent evaluation of Harmony's safety strategy. The audit findings recommend the establishment of a continuous improvement process which includes data analysis, identification of priority areas, improvement ideas and tracking of leading indicators. A well-structured process is required to drive safety improvement in the areas mentioned. This process must monitor systems to ensure long term sustainability. Also, it was found that the existing safety system does not support managers to effectively track and close out all safety related issues regarding unsafe conditions identified and actions required in audits.

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In an immediate effort to address the main issues that were raised, a company with the required expertise has been sourced by Harmony to facilitate and lead the process to review all the findings, to draw up an action plan to close the gaps and provide a framework for implementation at strategic and operational level.

Some operations have already implemented an electronic management safety system, while the rest of the operations are in the process of introducing the system called PIVOT. All workplace inspections, audits, accident investigations and risk assessments are electronically captured with the facility of an action manager. Certain reports will be escalated to a higher level of supervisor depending the risk ranking and all actions need to be addressed before closure of the item is executed. This safety system will be enhanced by the abovementioned process to ensure effective data analysis and remedial action implementation. This process will take place over a period of approximately one year.

Safety literacy remains a material issue. To address this, e-learning programs (spanning safety and refresher training) are in place at five operations. In addition, pictorial briefs are used at shaft level to communicate mine accidents and safety messages, and we are implementing virtual reality training to improve risk identification.

In South Africa, the DMR remains vigilant about ensuring compliance with safety legislation. Harmony continues to work closely with the department to resolve issues, minimize safety stoppages and ensure that all safety standards are implemented and enforced at our operations. In fiscal 2014 the Harmony South African operations received 204 Section 54/55 instructions. Except for the operations where fatalities occurred, no other operation was completely stopped. The majority of instructions was issued to rectify deviations to the mine standard and affected specific sections of the operation.

In fiscal 2013, Harmony initiated a three-year grant totaling R4.7 million to the University of Pretoria to establish a chair in rock engineering and numerical modeling in the mining industry. This focused research on a safer working environment in the hard-rock mining industry offers benefits all stakeholders, and will strengthen the partnership between academic institutions and our industry in developing further safety improvements. During fiscal 2014 a chairman and two lead researchers were appointed. It was also agreed that the research should focus on two main areas:

the optimal selection of mining rate and panel configurations in tabular mine design; and

the review and calibration of appropriate parameters for a limit equilibrium model of the stope fracture zone. Harmony's ground-control strategy has been converted into draft e-learning format and all blasting certificate holders were earmarked for this training at the different facilities. A test version of the e-learning material was installed at Doornkop and demonstrated in April 2013 and subsequently implemented at all training centers.

All applicable underground South African operations have adopted the entry examination and making safe and bolting with netting leading practice developed by MOSH. Bolted netting in stopes and development faces has been rolled out as a leading practice at all Harmony underground operations. A minimum standard for nets was developed and implemented through the procurement department.

Harmony's South African mines focused on the adoption of a new leading practice, the Trigger Action Response Plan (TARP), in fiscal 2014 and will see completion of implementation during the 2015 fiscal year. The TARP is a systematic process where fall-of-ground related hazards are identified, escalated if necessary and treated by the correct level of supervision. Joel served as the demonstration mine for this initiative, which proved very successful.

The installation of proximity detection systems on underground rail-bound machinery is progressing well on all operations. This system incorporates an electronic device fitted to mobile machinery that detects other mobile machinery nearby. The operator receives a visual and audible warning signal to which he can react if another vehicle approaches. Linked to this is the Guardcom system, which incorporates a handheld unit that allows the guard of a train to electronically signal the driver and stop the train by activating an emergency stop button in an emergency. The unit also has a tilting device that stops the locomotive automatically if it exceeds a certain angle, i.e. should the guard stumble and fall. It is envisaged that full implementation will be completed by December 2015 as it involves much training, changing behavior, amending infrastructure and fitting units to locomotives. This initiative will put Harmony in the forefront of this safety area in the South African gold mining industry.

Safety performance at Hidden Valley in PNG is monitored by Harmony's regional executive committee. As this is a line management responsibility, safety managers at each operation report through appropriate channels to this executive committee, which in turn reports to the Harmony executive committee, social and ethics committee and technical committee of the board. Safety strategy is guided by Harmony's health and safety policy.

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The safety performance in PNG was generally positive. No serious injuries were recorded during the year, and the operation was fatality-free for the third consecutive year. However, there were several near-miss incidents during the year that are of concern.

The mountainous terrain, high rainfall and quickly changing weather conditions in PNG are major contributing risk factors to aviation (fixed and rotary wing), vehicle use and landslides or slope failures. During fiscal 2014, the audit standards (maintenance, operation and safety management) for aviation contractors were updated and implemented. Internal operating procedures were also reviewed and updated during the year. External aviation consultants were commissioned to assist with the review and update of aviation related procedures and standards. There were no injuries related to aviation operations during the year.

Vehicle use in PNG remains a high risk activity both on site, which is within our control, and off-site, on public roads, and where contractors and employees come into contact with the public and their vehicles. In addition to natural environmental factors contributing to the risk of vehicle operations, driver skills and competency, the ability to adapt driver behavior in accordance with changing conditions; and the enforcement of standards and procedures through supervision are contributing factors that exacerbate the exposure to risk in vehicle operations within our control.

There were several near-miss vehicle use incidents during the year and several resulted in minor injuries. Further work undertaken during the year to mitigate the risk of vehicle-related incidents included:

Updating traffic management plans on each site;

Increased focus on driver fatigue management;

Reviewing road signage and conditions, and making improvements;

Improved escort control for delivery convoys;

Updating site operator license requirements and retraining of all operators; and

Increased number of communication and education sessions.

Natural landslides are a relatively common occurrence in PNG and together with potential man-made landslides (slope failures associated with open pit mining) pose a significant safety risk to our operations in PNG. During the year a significant crack appeared in the eastern wall of the Hidden Valley Kaverio open pit. After internal and external geotechnical risk assessment and input from the Chief Inspector of Mines office, work plans to mitigate the risk were implemented to allow work to continue safely. The work plans included:

Installation of additional prisms to measure movement;

Real-time measurement and alarms based on the survey prism readings;

Limiting and strict control of access to the area below the potential failure;

Ceasing work after heavy rainfall events and excessive movement over a short (check) period of time; and

Cessation of nightshift work.

All work sites in PNG have specific geotechnical risk assessments and associated mitigation plans which are updated at least once a year.

Safety performance

Regrettably, twenty two employees died in mine-related accidents in fiscal 2014 at our South African operations (fiscal 2013: nine). The majority of the fatalities occurred at Doornkop. We again extend our condolences to their families, friends and colleagues and reiterate our commitment to reaching our goal of zero fatalities.

In line with our values and policies, Harmony provides the family of the deceased with counseling and financial assistance. A fund has been established to support the educational needs of the dependents of all Harmony employees who lost their lives in the workplace. The South African operations fatal injury frequency rate (**FIFR**) regressed year on year to 0.28 (fiscal 2013: 0.11) and the LTIFR to 8.09 (fiscal 2013: 6.03) per million hours worked.

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Fatal injuries related to falls of ground and trucks and tramming regressed year on year. Doornkop recorded more than 7 million falls of ground fatality free shifts during the year.

Criminal Mining

In South Africa, illegal mining remains a concern at all gold operations. In addition to significant safety and health risks for our own employees and for the illegal miners, there is a substantial associated cost in terms of destroyed assets and infrastructure, security and loss of skills (if employees are involved). Ultimately, this impacts on investment and job creation.

Illegal mining is a complex issue, and there is no simple solution. We are encouraged by the rising level of cooperation between mine managers, authorities, unions, employees, communities and non-governmental organizations.

We continue to liaise with the Department of Mineral Resources, the South African Police Service, the South African Justice Department, private security companies and affected communities. After successful lobbying by the industry, criminal mining has recently been seen by the courts as organized crime as opposed to trespassing and have sentenced illegal miners to pay increased fines or face imprisonment. We believe that prison sentences, as opposed to monetary fines, are a greater deterrent.

While these criminal activities continued on both surface and underground operations, enhanced access control and underground security processes are proving effective. In fiscal 2013, technical and physical security measures at our metallurgical plants were upgraded. We continue to focus on communicating the risks and consequences of illegal mining and fraud to our own workforces, and our zero-tolerance approach has seen a number of employees dismissed for aiding and abetting criminal miners.

Healthcare services

Harmony values the health and well-being of all its employees and the communities affected by its activities. The Company is therefore committed to preventing all illnesses – not only occupational illnesses but other lifestyle diseases such as hypertension, diabetes and HIV – through continued medical surveillance, active case finding, early detection and treatment as part of an integrated managed healthcare system. As part of our strategy, we participate in state initiatives such as tuberculosis (**TB**) and HIV programs.

Harmony Healthcare provides tertiary, secondary and primary healthcare as well as occupational health services to around 80% of its employees through Company-managed healthcare facilities and preferred provider arrangements.

The health and well-being of the balance of Harmony employees, their dependents and contractors is ensured through medical aid membership or third-party service providers, as part of their employment benefits.

Our proactive approach to healthcare is beginning to deliver the expected benefits. As part of this R100 million investment, six new health hubs were established during fiscal 2014, with the Phakisa health hub due for commissioning in October 2014. All these hubs are staffed by multi-disciplinary teams that have a holistic approach to health. In tandem we have trebled the number of medical professionals, with teams of 25 to 35 per hub providing a 24-hour service. Each team has an occupational health practitioner, general practitioner, case manager, social worker and health educator. A very successful at-work-management program has been introduced at the hubs in collaboration with other services departments, such as human resources.

As demonstrated by the success of the pilot hub at Target, these hubs provide an integrated, proactive healthcare service to bring primary, occupational and wellness facilities closer to the mine. While improving the quality of healthcare, this model also reduces the cost of centralized healthcare services and improves labor availability and productivity. Other key benefits include:

aligned to proposed national health insurance processes and requirements;

compliant with DMR requirements;

individual risk profiling, proactively managed by significantly enlarged, multi-disciplinary team;

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active case finding;

continued surveillance;

holistic approach to providing healthcare;

proactive employee assistance program;

improved health insurance cover for most employees extended to contractors during fiscal 2013; and

improved quality assurance.

During fiscal 2014, Harmony Healthcare implemented a clinical system that will form the basis of individual disease management plans as part of an integrated management approach to proactive healthcare and wellness.

One of the most apparent benefits of our new approach is having sick leave management as part of the total absenteeism management. We continue to focus on managing absenteeism (fiscal 2014: 4.9% and fiscal 2013: 4.6%). Absenteeism due to illness decreased by 6% for various reasons, including a delay in the exit of around 100 employees diagnosed with silicosis who were removed from risk work. Acknowledging the potential economic and social impact of a rising absenteeism rate, we have established a multi-disciplinary attendance and absenteeism review boards at mine level to proactively manage sick absenteeism and absenteeism related to psychosocial issues. Benchmarking Harmony against its peers and companies of similar scale, we set 3.5% as an acceptable sick absenteeism rate.

In keeping with wellness and fitness to work, an amended return-to-work strategy is being piloted. The annualized cost of healthcare delivery is around 10% of our total labor cost. Previously fixed costs absorbed 91% of the South African healthcare budget. Under the new healthcare model, fixed costs are down significantly as are shifts lost per medical visit. The contact rate per employee per month has decreased from 4.3 when primary healthcare was still mostly nurse-driven to 2.5 currently with a doctor focus, and is expected to decrease further.

Occupational health

In compliance with South Africa's MHSAs, medical surveillance is ongoing at the Company's dedicated centers. A total of 49,214 medical surveillance examinations were conducted in fiscal 2014 (fiscal 2013: 44,321) including entry examinations (for new employees), annual examinations, exit (end of service) examinations, and out-of-cycle examinations (for transfers, for example).

In PNG, the provision of full-time primary healthcare and occupational health surveillance to employees, dependents and the local community is provided by medical centers at Hidden Valley, Wafi and Wau. The Wau center is only available to dependents and community members for emergencies, while four community health facilities provide services at Babuaf (near Wafi) and Nauti, Kwembu and Winima (near Hidden Valley).

Upper respiratory tract infections (**URTIs**) remain one of Harmony's main medical issues in PNG with nearly 3,000 presentations to the medical centers. In fiscal 2014 an occupational hygiene assessment, including of respirable dust,

respirable crystalline silica and noise monitoring, was conducted at Hidden Valley, and indicated that our activities did not exceed regulatory standards. The assessment was conducted in accordance with the occupational hygiene practice and Australian standards for noise and dust monitoring (AS 2985-2004 and AS 1269.1-1998).

An integrated business information system provides administrative functions for health, safety, risk management and human resources. Medical registers are used to track and review each patient's progress from the first visit through to the final treatment. A total of 15,726 health examinations took place at the MMJV medical centers during fiscal 2014. 3,584 of the total examinations were Random Drug and Alcohol Tests.

Harmony aligns its reporting on occupational health statistics to international standards such as the International Labour Organization code of practice on recording and notification of occupational accidents and diseases, as well as the MHSA. Where employees are diagnosed with a compensable occupational illness, Harmony submits details on their behalf of the relevant bodies, depending on the illness and associated legislation. Harmony contributes annually to The Medical Bureau for Occupational Diseases and the Compensation Commissioner of Occupational Diseases – a statutory body responsible for certification and compensation under the Occupational Diseases in Mines and Works Act of 1973 and the Rand Mutual Assurance Company – an industry body providing compensation under the Compensation for Occupational Injuries and Diseases Act of 1993.

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In South Africa, the primary occupational health risk areas in fiscal 2014 were noise-induced hearing loss (**NIHL**), occupational lung disease including silicosis, TB and other HIV-related illnesses, and heat stress. In PNG, the primary health risks at Hidden Valley were upper respiratory tract infections (**URTIs**) and malaria, neither of which are occupational illnesses. However, given the impact on our workforce and communities, we have invested considerable financial and human resources in proactively combating these conditions.

Noise-induced hearing loss: Harmony is committed to industry milestones for NIHL under the auspices of the Mine Health and Safety Council (**MHSC**):

after December 2008, the hearing conservation programs implemented by the industry must ensure no deterioration in hearing greater than 10% among occupationally-exposed individuals; and

total noise emitted by all equipment in any workplace must not exceed 110dB(A) at any location (includes individual pieces of equipment) by December 2013. Harmony complies with this milestone. All equipment has been silenced and none exceeds 110 dB(A).

The hearing conservation program at Harmony includes issuing individually molded hearing protection devices for working areas with high noise levels. This includes all categories of underground employees and selected categories of surface occupations.

Harmony's strategy is to issue all exposed employees with personalized hearing protection devices, which reduce the noise level by 25 decibels. By year end, 94% of all employees, including contractors who are exposed to noise levels above 82dB(A) had been fitted with personalized hearing protection devices. The number of personalized devices issued to date was 27,238 at the end of fiscal 2014. A high level of focus was placed on the use of the personalized hearing protection devices at the workplace during fiscal 2014.

Systems are in place on operations to monitor and report on compliance. The monitoring is done through safety inspections to workplaces and the results are reported and discussed at the monthly review sessions. More focus will therefore be placed on monitoring compliance at the workplace and reporting compliance levels. Training in the use and benefits of these devices is part of e-learning material used during annual refresher training.

Detecting hearing loss is done by audiometric testing during annual medical examinations and is measured against the employee's baseline test. Early detection enables management to counsel the employee at an early stage and to investigate the working area to prevent more serious loss of hearing. The project initiated at Oppenheimer Hospital in the Free State four years ago to detect NIHL (5 – 10% hearing loss) early is also available at our healthcare facilities. This project is monitored through annual audiograms for all employees exposed to noise risk at work.

In fiscal 2014, the number of NIHL cases compensated increased to 57 (fiscal 2013: 52). While we are committed to continuous improvement, the industry target to prevent any hearing loss of more than 10% against each exposed individual's baseline remains a challenge for Harmony.

Occupational lung disease: Silicosis and TB are the two primary occupational lung diseases in the gold mining industry in South Africa and remain long-term concerns for Harmony. Chronic obstructive airways disease does occur, but less frequently.

Silicosis

Silicosis is linked to long-term exposure to quartz silica dust and can cause increased susceptibility to TB. Under the auspices of the MHSC, Harmony committed to the following milestones:

95% of all exposure measurement results to be below the occupational exposure limit for respirable crystalline silica of $0.1\text{mg}/\text{m}^3$ by December 2008. Compliance improved steadily from 93.5% in fiscal 2013 to 98.9% in fiscal 2014. Every measurement above $0.1\text{mg}/\text{m}^3$ is investigated and addressed. Harmony has recorded a significant improvement in the year-on-year comparison of exposure groups; and

from December 2013, using present diagnostic techniques no new cases of silicosis among previously unexposed individuals (not exposed before 2008, or someone entering the industry in 2008) this milestone is monitored by the submission department and the Medical Bureau of Occupational Diseases (**MBOD**). To date, no new cases of silicosis have been reported among individuals who entered the industry since 2008. In fiscal 2014, 437 suspected (submitted) cases (fiscal 2013: 772) were reported to the MBOD, and 175 cases certified (fiscal 2013: 185). The annual rate for certified cases fluctuates depending on backlogs at the reporting authority.

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Harmony's approach to minimizing dust includes a range of engineering controls, but the following leading practices were focused on:

Installing fogger systems at strategic positions

Harmony adopted this leading practice, and has installed 66 foggers in areas of potential high dust exposure as planned. Another nine fogger systems have been planned to be installed on various operations during fiscal 2015. Fogger systems generate a fine water mist that allays small dust particles. Fogger systems are installed particularly at tips to allay dust during ore tipping operations. The fogger systems are activated, some automatically, when a train approaches the tip and ensure dust allaying during the complete tipping process.

Footwall and sidewall treatment in intake airways

Intake airways are treated to allay dust by means of spray cars at pre-determined intervals or with fixed spray systems that can be activated manually or automatically on pre-set timers.

Footwall and sidewall treatment are monitored and recorded on a quarterly basis. Meters identified is the total meters requiring treatment as measured on plan, while meters treated is the total meters treated during a quarter. Some airways are treated more than once depending on dust loading and air velocity. Eight out of ten operations exceeded the required measured treatment in fiscal 2014.

The silica quartz content of dust is highly variable. This presents a challenge in measuring the effectiveness of engineering controls to minimize dust in the workplace. Harmony thus concentrates on controlling the total respirable dust load, which will automatically reduce silica quartz exposure.

Apart from the two leading practices mentioned above, other engineering controls which have been implemented during fiscal 2014 includes airway spray systems, tip covers, tip filters and winch covers. All operations have embarked on these measures in a direct effort to decrease dust loading and exposure to dust.

Occupational Hygienists conducted Section 11.5 investigations on all dust samples exceeding the OEL (Occupational Exposure Limit) of 0.1 mg/m³ for silica quartz. The overall trend in dust sample results compared to the previous year has improved considerably.

The year on year comparison of silica exposure groups improved significantly towards the lower exposure levels. Only 2% of employees are still in the A HEG group compared to the 12.1% the previous fiscal year.

Silicosis continues to receive heightened attention and Harmony, as a member of the Chamber of Mines of South Africa, is participating in processes to address issues relating to historical silicosis cases. In August 2012, Harmony and certain of its subsidiaries were served with court papers entailing an application by three former employees requesting the South Gauteng High Court to certify a class action for silicosis sufferers. In essence, the applicants want the court to declare them as representing a class of people for purposes of instituting an action for relief and to obtain directions as to what procedure to follow in pursuing the relief required against Harmony and certain of its subsidiaries. Harmony has retained legal counsel in this regard. 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. Please see Item 8. *Financial Information - Legal Proceedings* for further information.

Tuberculosis

TB hampers the health and productivity of workers (absenteeism, treatment costs, compensation, allocated resources, etc.) and there is increasing pressure on the gold mining industry to reduce its incidence. While the trend for TB across the industry is gradually declining, incidence rates are still unacceptably high. We continue to liaise and cooperate with local departments of health on specific TB training for nursing staff, and the additional resources required to improve our collective management of this disease.

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In line with the World Health Organization (**WHO**) and the national TB strategic plan in South Africa, Harmony s comprehensive TB control program includes early case findings, directly observed therapy short-course, chemotherapy and a radiological TB screening project. Harmony exceeds the national plan in certain respects such as:

identifying early TB resistance through state of the art specialized generic and biochemical tests and analysis;

investigative diagnostic tests for early detection;

ultraviolet lights for infection control an additional 241 ultraviolet lights were installed during fiscal 2013, and during fiscal 2014 a total of 1,022 ultraviolet lights were installed;

annual X-rays of employees exposed to dusty work environments for early TB detection; and

ongoing monitoring and education.

In fiscal 2014, 353 cases were certified (fiscal 2013: 629) with a total of 568 new TB cases diagnosed in fiscal 2014 (fiscal 2013: 678). In PNG, only two cases of TB have been reported over the last fiscal year (fiscal 2013: 2).

Contractors are currently referred to state facilities for TB treatment and excluded from the calculation above. For optimal infection control, it is preferable to manage all TB cases, including contractors. As such, the TB management program will be extended to contractors to facilitate better control of contract-worker TB, certificates of fitness and potential cross-infection of Harmony employees.

From March 2013 to April 2014, we commissioned the Human Sciences Research Council, which specializes in TB and HIV research, to assess TB control in our Free State operations to identify and prioritize key attributable factors of high incidence of TB at certain operations. Key activities included:

secondary analysis using data from TB clinics;

qualitative and quantitative assessments from interviews;

review of TB documentation; and

infection control assessments in living environments and healthcare facilities.

Although TB is a curable disease the external research confirmed that the exceptionally high levels of TB at some of our operations are the result of:

The deep-rooted perceptions, behavior and beliefs of employees delayed voluntary reporting of TB symptoms and slow uptake of treatment plans;

Substandard personal hygiene, infection control and cross infections at residences and surrounding communities;

The underlying fear for loss of income if TB symptoms are reported; and

Continued risky behavior despite employee's good knowledge of HIV.

The research confirmed that testing for HIV/Aids is the best pro-active strategy to combat TB effectively.

These findings above influenced an improved HIV/Aids, TB and Silicosis (**HATS**) policy and tuberculosis management program for Harmony supported by an integrated health data system and a new tuberculosis management structure.

Multidrug-resistant TB (**MDR TB**) remains a growing concern for the industry; treatment is costly and protracted (e.g. 18 months treatment means many more shifts lost), affected employees are unlikely to return to work which involves risk, and the disease has a high mortality rate despite treatment. With 25 cases of MDR TB diagnosed in fiscal 2014 (compared to 36 in fiscal 2013), the incidence rate per 100,000 of 84 is down 25% on the 113 recorded in the prior year.

Heat stress

Extensive refrigeration and ventilation measures are in place at all operations where temperatures are above normal working ranges. These heat-tolerance testing and acclimatization programs support and protect employees exposed to excessive heat in the workplace. In fiscal 2014, 11,163 heat tolerance tests were undertaken (fiscal 2013: 16,577).

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Upper respiratory tract infections

In PNG, Hidden Valley is located approximately 3km above sea level and most employees reside in the lower, warmer areas and the regular change in altitude contributes to various respiratory ailments, mostly viral infections. Additional contributing factors include the pollen in the air during peak flowering times (thick rain forest and montane forest) affecting air quality. The heavy rainfall all year round maintains a high moisture content in the air (around 80-90%) which creates favorable conditions for fungus (spores), bacteria and viruses to proliferate.

In PNG, a total of 2 921 employees were treated for respiratory ailments in fiscal 2014 (fiscal 2013: 5 087). There has been a decreasing trend in the cases of URTI presentations since fiscal 2012, with a decrease of 43% recorded for fiscal 2014. Harmony has successfully rolled out a program to educate employees in the area on respiratory ailments and gastro-intestinal hygiene.

Malaria

Malaria is endemic to many parts of PNG, which includes work sites such as Wafi-Golpu and Lae but excludes Hidden Valley. Importantly many employees and contractors working at Hidden Valley reside in areas where malaria is endemic, and this is where our community health projects play a vital role in combatting the disease.

There has been an 80% decrease (when compared to fiscal 2013) in the presentation of patients with malaria-like symptoms to the clinics in PNG in fiscal 2014. This is primarily as a result of the following:

Continued support for provincial programs to eradicate the disease by the use of residual spraying and fogging;

Standardized testing, which allows a more consistent testing of malaria. Increased the turnaround time of the blood tests, meaning that patients are tested twice before receiving treatment, allowing the treatment provided to be appropriate;

The distribution of treated mosquito nets and treatment regimes;

On-going malaria awareness education is provided to employees, contractors and communities; and

MMJV has been issuing treated mosquito nets as standard personal protective equipment to all employees and contractors on site, as part of the malaria awareness campaign. In addition, work clothes issues at sites like Wafi-Golpu are impregnated with insecticides, and insect repellents are issues to all employees and contractors.

The MMJV malaria program is under the new management of the General Manager: Health and Safety. An action plan was implemented in consultation with a service provider called Hard Hat Health, with a focus on the following:

Review and update of the MMJV malaria policy and guidelines;

Establishing a single-point accountability for public health issues within MMJV in line with restructure of the business;

Establishing regular malaria surveillance reporting from each site to a central location for monitoring purposes;

Ensuring that diagnosis for malaria includes both the rapid detection test (**RDT**) and blood slides for microscopy;

Standardizing treatment across MMJV;

Ensuring that vector-control activities are consistent across sites and documented for audit purposes this includes fogging, residual spraying, issue of treated protective equipment and treated mosquito nets;

Establishing a day clinic at Valley View Estate (9 Mile) to treat Lae-based staff and families; and

Institute a comprehensive treatment reporting regime including treatment failures or relapses, RDT, microscopy results and type of malaria

HIV/AIDS Policy

Harmony has developed an extensive and appropriate response to HIV/AIDS over a number of years. Managing this pandemic is a critical component of our approach to sustainable development given the significant impact on our employees, their dependents, and local and labor-sending communities in South Africa. It manifests in higher absenteeism, reduced

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performance and loss of skills to the company, as well as the economic burden on households when the breadwinner becomes ill or dies. There is also an increased financial load on state healthcare facilities. See *Item 3. Key Information Risk Factors Risks Relating to Our Business and the Gold Mining Industry HIV/AIDS poses risks to as in terms of productivity due to sick absenteeism as a result of tuberculosis co-infection and costs* and *Item 3. Key Information Risk Factors Risks Relating to Our Business and the Gold Mining Industry The cost of occupational healthcare services and the potential liabilities related to occupational health diseases may increase in the future* .

Management of HIV/AIDS

In South Africa, HIV prevalence level among employees in the Group in fiscal 2014 is estimated at 22.1%. This estimate is based on best-available state information and empirical modeling undertaken for the Company in fiscal 2012. A repeat of the empirical model has been initiated during fiscal 2014 and will be completed during fiscal 2015. No prevalence testing may be undertaken by law. The model continues to suggest that prevalence levels in Harmony will decline over the next ten years as increased awareness and testing, combined early introduction of antiretroviral drugs, culminate in a reduced infection rate nationally.

We recognize that the following pillars are important in managing HIV/AIDS:

health promotion strategy aimed at changing attitudes towards HIV and AIDS using education and awareness programs;

preventative strategy to avoid or eliminate the threat of HIV and AIDS as well as associated health risks, and to significantly reduce the number of new cases;

evidence-based curative interventions to ensure appropriate treatment of all employees diagnosed with HIV and optimum outcomes at the point of care, including home-based care; and

monitoring compliance with treatment plans for affected individuals.

HIV/AIDS continues to be managed at three levels in Harmony:

at a clinical level HIV symptoms are managed at our healthcare facilities;

Company-wide and mine-specific initiatives mine-based HIV/AIDS committees are an integral part of health and safety committees, which meet monthly; and

Group policy and practice level monitored by a healthcare specialist.

The program is managed by an external provider using qualified registered professional nurses and protocols aligned with the South African Department of Health, WHO and the HIV Clinicians Society of Southern Africa.

The focus on HIV/AIDS is part of a wider range of chronic diseases managed by the Company. Because the co-infection rate between TB and HIV/Aids is high, all healthcare workers pay special attention to the needs of immune-compromised employees. HIV counseling and testing (**HCT**) facilities (previously called Voluntary counseling and testing facilities), information and education are vital elements of our prevention campaigns. Equally, we focus on early detection as early intervention greatly increases the likelihood of long and healthy lives for employees. Harmony's approach that HIV/AIDS is a chronic illness and should be managed as such (like diabetes or hypertension) has had a positive impact on the response to HCT.

Pre-counseling and voluntary counselling and testing are offered to all employees through on-going interventions at all Harmony healthcare centers. During fiscal 2014 a total of 33,531 (fiscal 2013: 17,849) employees received HIV counselling and of these, 14,060 employees confirmed their status. This is an increase of 87% in the number of employees counselled and the percentage uptake increased from 36% in fiscal 2010 to 42% fiscal 2014. Although we are making progress in terms of counseling, the poor uptake reflects the ongoing stigma attached to the pandemic. This service is offered to all Harmony employees including contractors and some community members. To ensure consistent results throughout the company in terms of HCT and uptake, we are focusing on the role of health educators, peer educators and implementing an appropriate framework for an employee assistance program. We continue to encourage HIV-positive employees to participate in Harmony's wellness program. This includes counseling on lifestyle choices and nutrition, treating opportunistic infections and antiretroviral therapy (**ART**). All employees have access to ART, either through Group healthcare facilities or private medical aid schemes. State-funded facilities in South Africa also provide ART and some employees seek treatment there because of the stigma associated with the disease. Harmony supports the national HIV counseling and testing campaign and extended this to all primary healthcare facilities and occupational healthcare centers as an ongoing service in recent years.

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In fiscal 2014, 4,640 employees participated in the highly active antiretroviral therapy program (fiscal 2013: 4,460).

Radiation

Radon exposures at all Harmony operations are well-controlled through systemic and operational controls and barriers. All South African operations comply with the dose limit of 100mSv in five years, with a maximum exposure of 50mSv in a single year. Engineering and administrative controls are in place to ensure workers do not exceed the dose limits.

The radiation quality management system identifies areas of non-conformance and focus on improvement through a program of quarterly self-inspections and annual internal audits. The quality management system is mature and a 100% compliance index was achieved in nine of the ten quality system audits conducted by the National Nuclear Regulator since 2010.

Radiological clearances are being conducted at decommissioning sites to facilitate the future declassification of these areas.

Item 4A. UNRESOLVED STAFF COMMENTS

There are no unresolved comments between the Company and the staff of the SEC's Division of Corporation Finance.

Item 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

You should read the following discussion and analysis together with the consolidated financial statements, including the related notes, appearing elsewhere in this annual report.

Overview

We are currently the third largest producer of gold in South Africa and are an important producer in PNG. Our gold sales for fiscal 2014 were 1.17 million ounces of gold. As at June 30, 2014, our mining operations and projects reported total proved and probable reserves of approximately 49.5 million gold equivalent ounces and, in fiscal 2014, we processed approximately 20.7 million tons of ore.

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

Our reportable segments are as follows:

Bambanani, Doornkop, Joel, Kusasaletu, Masimong, Phakisa, Target 1, Target 3 (subsequent to June 30, 2014 Harmony announced its intention to place the Target 3 operation on care and maintenance), Tshepong, Unisel and Hidden Valley;

the Evander operation, sold in February 2013, was classified as discontinued operations; and

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

Recent Accounting Pronouncements

Harmony's accounting policies are described in the notes to the consolidated financial statements. Recently adopted accounting policies, as well as recent accounting pronouncements with the potential for impact on the consolidated financial statements, are described in note 2 *Accounting Policies* .

(a) Change in accounting policy

IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* (IFRIC 20) which became effective for annual periods beginning on or after January 1, 2013, clarifies the requirements for accounting for the costs of stripping activity in the production phase of surface mining when two benefits accrue: (i) usable ore that can be used to produce inventory; and (ii) improved access to further quantities of material that will be mined in future periods. Harmony has applied IFRIC 20 on a prospective basis from July 1, 2011 in compliance with the transitional requirements of IFRIC 20.

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Harmony previously accounted for stripping costs incurred during the production phase to remove waste material by deferring these costs, which were then charged to production costs on the basis of the average life-of-mine stripping ratio.

A stripping activity asset shall be recognized if all of the following are met:

- (i) it is probable that the future economic benefit (improved access to the orebody) associated with the stripping activity will flow to the entity;

- (ii) the entity can identify the component of the orebody for which access has been improved; and

- (iii) the cost relating to the stripping activity associated with that component can be measure reliably.

The stripping asset shall be depreciated over the expected useful life of the identified component of the orebody based on the units-of-production method.

Where there were no identifiable components of the orebody to which the predecessor asset relates, the asset was written off to retained earnings at the beginning of the earliest period presented. An amount of US\$6.6 million was written off to opening retained earnings.

The comparative periods presented have been restated.

Refer to note 2 of the consolidated financial statements for