



Integrated Annual Report 2013



About this report

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



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



Go to www.harmony.co.za and click on the **investor tab** where you will find a more detailed account of the environmental, socio-economic and governance (ESG) aspects of Harmony's business for FY13.



QR code links will take you to information suitable to view on your mobile device. Download an application for your phone, take a picture of the code and the relevant page will open in your browser window.

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

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



- Supplemental information details the environmental, socio-economic and governance (ESG) aspects of Harmony's business. This data has been compiled in accordance with the G3 guidelines of the Global Reporting Initiative (GRI) and the principles of integrated reporting as recommended by King III. The full GRI index is on our website



- Harmony also produces an annual report prepared on a Form 20-F, filed with the US SEC, in compliance with the listings regulations of the NYSE. Electronic copies of this will be available from end-October 2013 free of charge on EDGAR at www.sec.gov and on our corporate website

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

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

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

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

Any restatements and changes are fully described in the relevant sections or at the beginning of the report if their impact is company-wide. *For FY13, results exclude Evander (the sale of which was concluded eight months into the review period) with the prior year restated accordingly except where stated otherwise.*

For full glossary of terms and acronyms please see our supplemental information suite at www.harmony.co.za/investors.

Throughout this report, \$ or dollar refers to US dollars, unless otherwise stated; K refers to the currency of Papua New Guinea (kina). Moz is million ounces. All production volumes are in metric tonnes (t) unless specifically stated as imperial tons.

Our story is one of rewarding
all our stakeholders.

We create opportunities
and help to build the nation.

Everyday, we dig a little
deeper and work a little harder.

ASSURANCE

Harmony is committed to accurate, meaningful reporting. Acknowledging that this is a process of continual improvement, each year key sustainability indicators are externally assured, while preparatory work is completed on other indicators to ensure we steadily expand the scope of assurance. The report of our external assurers is on page 86 and 87.



Additional information on Harmony, including its regulatory filings, press releases, stock exchange announcements and quarterly reports, is available on www.harmony.co.za

FEEDBACK

We welcome your feedback on these reports. Comments and suggestions should be directed to:

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GOVERNANCE

For the contents of the financials please see page 88

FINANCIALS

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SHAREHOLDER INFORMATION AND ADMINISTRATION

For the notice to shareholders and form of proxy see separate booklet.

Harmony in brief

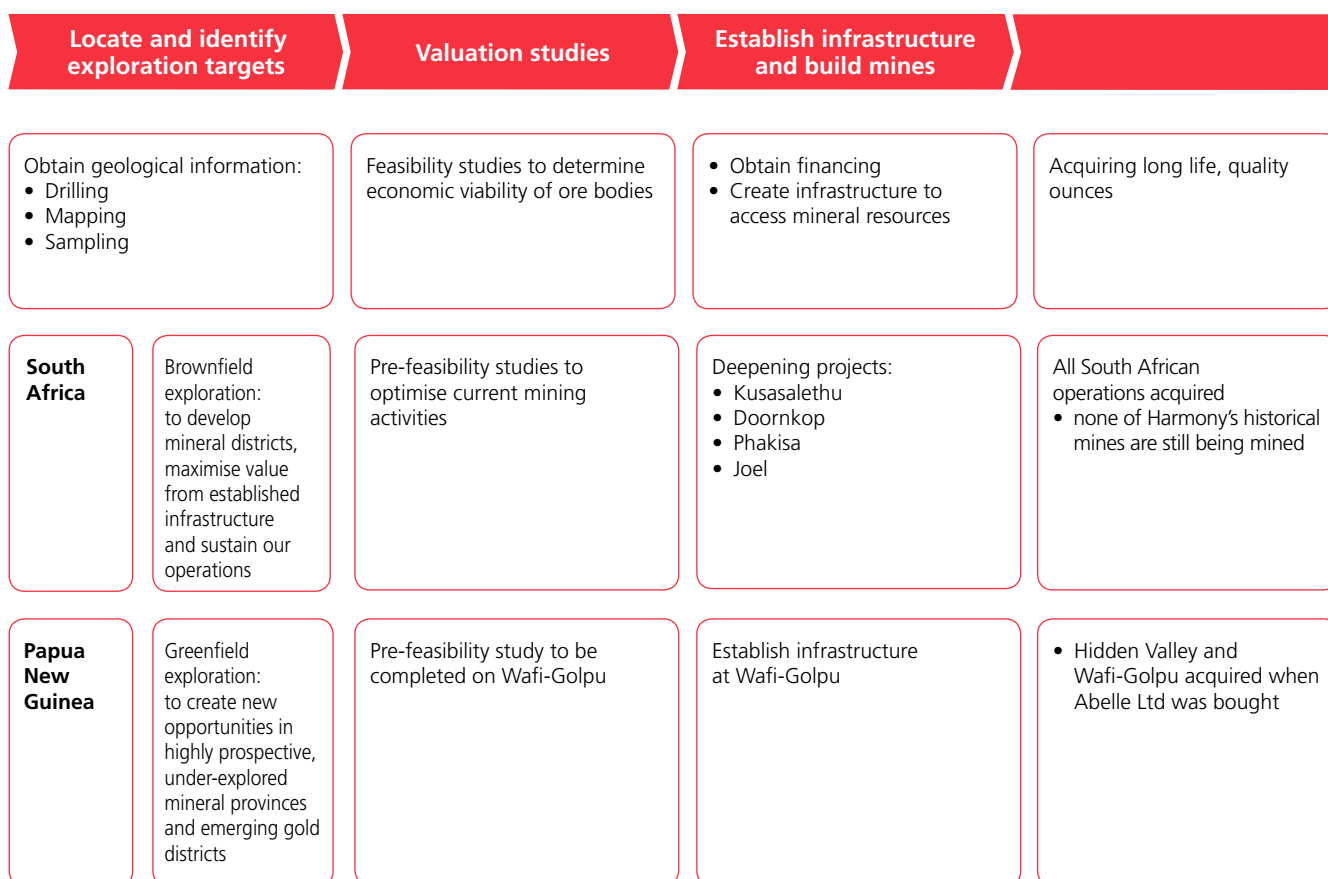
Profile

Harmony is a gold-mining and exploration company with operations in South Africa and Papua New Guinea (PNG), one of the world's premier new gold regions. Established over six decades ago, Harmony is one of the largest gold mining companies in the world and the third-largest gold producer in South Africa. The company is listed and regulated by stock exchanges in Johannesburg and New York, and is a constituent of the JSE's Socially Responsible Investment index. The company's shares are also quoted in the form of American Depositary Receipts (ADRs) on the New York Stock Exchange and as International Depositary Receipts (IDRs) on the Berlin and Brussels exchanges.

In South Africa, Harmony has 11 underground mines and one open-pit mine and several surface operations mostly in the world-renowned Witwatersrand Basin as well as in the Kraaipan Greenstone Belt. In PNG, Harmony has a 50% joint venture with Newcrest Mining Limited. The joint venture includes the Hidden Valley open-pit gold and silver mine, the Wafi-Golpu project and extensive exploration tenements. Harmony's own (100%-owned) exploration portfolio focuses principally on highly prospective areas in PNG.

Strategically, Harmony understands that delivering long-term value is a process of interlocking elements – both financial and non-financial. The balance between these elements are captured in our company values and guides our activities.

Business model



Distribution and re-investment of revenue (see value creation for FY13 on page 4)

Harmony's values



No matter the circumstances, safety is our main priority



We are all accountable for delivering on our commitments



Our aim is to build a globally competitive gold mining company – one in which experienced teams with strong values are committed to growing profits and paying dividends to shareholders.

In FY13, Harmony produced 1.14Moz of gold (FY12: 1.17Moz) and at year end employed close to 36 000 people (including some 6 000 contractors), mostly in South Africa. At 30 June 2013, the company reported attributable gold equivalent mineral reserves of 51.5Moz¹ and gold mineral resources of 147.7Moz¹ (FY12: 52.9Moz and 150.2Moz respectively). Our resource base in PNG now

represents 14% of Harmony's total gold resources (or 28% of the resource on a gold equivalent basis). Significant brownfields exploration is also under way in South Africa.

Our corporate offices are based in Randfontein, South Africa. Harmony is governed by an experienced board of directors. Skilled management teams ensure the company continues to generate robust margins and earnings, while maintaining its low debt levels.

¹ Gold equivalent based on US\$1 400/oz Au, US\$3.10/lb Cu and US\$23.00/oz Ag at 100% recovery for both metals

Mining operations	Marketing and beneficiation	Divestment and closure
Extraction of ore reserves	<ul style="list-style-type: none"> Extracting the gold from the ore and refining to 99,99% purity Selling pure gold to investor and jewellery industry, central banks and other fabrication (electronic, industrial, dental) 	<ul style="list-style-type: none"> Sold non-core assets Closed non-profitable mines Rehabilitating land
<ul style="list-style-type: none"> 11 underground mines in SA 1 opencast mine Tailings and dumps treatment 	<ul style="list-style-type: none"> 8 metallurgical plants 10.38% shareholding in Rand Refinery <p>Revenue FY13: R14 713 million</p>	<ul style="list-style-type: none"> Sold Evander 19 Headgear removed from closed operations – land rehabilitated
<ul style="list-style-type: none"> 1 opencast mine at Hidden Valley 	<ul style="list-style-type: none"> One metallurgical plant <p>Revenue FY13: R1 189 million</p>	<ul style="list-style-type: none"> n/a (new mine)

Distribution and re-investment of revenue (see value creation for FY13 on page 4)

Achievement
is core to
our success



We are all connected
as one team



We uphold honesty
in all our business
dealings and communicate
openly with stakeholders



Value creation for FY13



Dividends
FY13: R435 million



Tax and royalties
SA FY13: R462 million
PNG FY13: R29 million



Community spend
SA FY13: R113 million
PNG FY13: R14 million



Labour and contractor spend
SA FY13: R6 659 million
PNG FY13: R667 million

Revenue = R15 902 million



Rehabilitation

SA FY13: R65 million



Capital investment

SA FY13: R2 606 million
PNG FY13: R1 043 million



Electricity spend

SA FY13: R1 611 million
PNG FY13: R34 million



Consumables

SA FY13: R2 420 million
PNG FY13: R790 million



Exploration

SA FY13: R21 million
PNG FY13: R652 million

Our strategy

Our strategy is to build a globally competitive gold mining company – growing profits and paying dividends, supported by experienced teams with strong values that are committed to deliver. We are focused on optimising operational delivery, increasing margins, and sharing the rewards.

A globally competitive gold mining company – growth in profits,
paying dividends to shareholders

Optimise operational delivery

Safely delivering on projects
and operational plans

Growth

Growth in margin
(free cash flow)

Sharing rewards

Sharing profits
with stakeholders

Experienced teams with strong values;
committed to deliver

Harmony's strategy is dissected into its constituent components. The required actions are documented and monitored at board level throughout the year and the overall strategy is assessed and refined in July.

Short-term strategic goals

Safety and health – overriding imperative

Conservative business planning

- Achievable, flexible plans aligned to strategy

Maximising revenue

- Grade is vital
- Optimise volumes through debottlenecking
- Reserve base – quality (margin) before size

Managing impacts of the external environment Improving productivity in South Africa

- Continuous improvement and optimisation projects (investigate technology, mechanisation, innovation)
- Proactive health strategy

Risk mitigation

Retain balance sheet strength

Reducing costs and improving productivity

- Constant drive to lower position on the industry cost curve
- Cost (waste) sensitive culture
- Manage margin squeeze by having the right pipeline of projects that supports quality growth
- Services improvement (rightsizing corporate services)
- Rationalising at operational levels – business process re-engineering

Allocation of capital – sustaining and growth

- Balance allocation of capital/exploration expenditure vs free cash flow

Awards and recognition

EY Excellence in Integrated Reporting 2013

Harmony's 2012 report was ranked as excellent, placing it among the top 30 of the top 100 JSE-listed companies

JSE Socially responsible investment index

Harmony was included in this index for the seventh consecutive year

Masimong housing project

Launched in June 2012; and has since won:

- Govan Mbeki Award for community housing project: 1st in Free State and runner up for national award
- SA Housing Association best project for rental units (category 2B)

Carbon Disclosure Project

Harmony improved its ranking to third for 2012, up from 17th two years ago

Where we operate

SOUTH AFRICAN KEY STATISTICS

- Mining has played a key role in South Africa's economic development for over 130 years, transforming it into the most industrialised country in Africa
- Mining accounts for almost one fifth of the economy and over 1.3 million jobs – supporting 13.5 million people. The gold sector alone employs over 142 000 people with 1.4 million dependants
- Significant societal contribution spans community, enterprise and skills development as well as infrastructure investments
- Key challenges include cost of production, regulatory uncertainty, labour relations and global competitiveness

PAPUA NEW GUINEA KEY STATISTICS

- Mining accounts for 15% of GDP and up to two thirds of export earnings
- Formal employment in the sector exceeds 30 000, with a downstream multiplier estimated at 4 to 5 times
- Several world-class gold mining projects already well established
- Largest proportion of technical training in PNG stems from mining and petroleum sectors
- Key challenges from the state's perspective include investor confidence and promoting economic efficiency. For investors, key challenges include cost of production, skills development, infrastructure constraints (roads, electricity etc)



- ❶ Kalgold
- ❷ West Rand operations
- ❸ Free State operations
- ❹ Wafi-Golpu project
- ❺ Hidden Valley

Key features

STRATEGY

Majority of key strategic goals achieved (page 10)

Strategy revised to align with current gold market (page 7)

SAFETY AND HEALTH

Significant improvement in key indicators – with both fatalities and lost-time injuries at record lows (page 34)

PEOPLE

Break-through collective agreement sets new industry standard for labour relations (page 36)

COMMUNITY

Second award for Masimong community housing development

Social and labour plans for next five-year cycle submitted for approval

OPERATIONS

7% increase in underground grade

Most operations improved production year on year

Solid improvements in development grade and mine call factor

ENVIRONMENT

Key targets achieved (page 37)

FINANCIAL

Headline profit per share of 47 South Africa cents.
Derecognition of deferred tax asset for Hidden Valley in the amount of R548 million, losses from temporary closure of Kusasalethu amounting to R1.2 billion and retrenchment costs

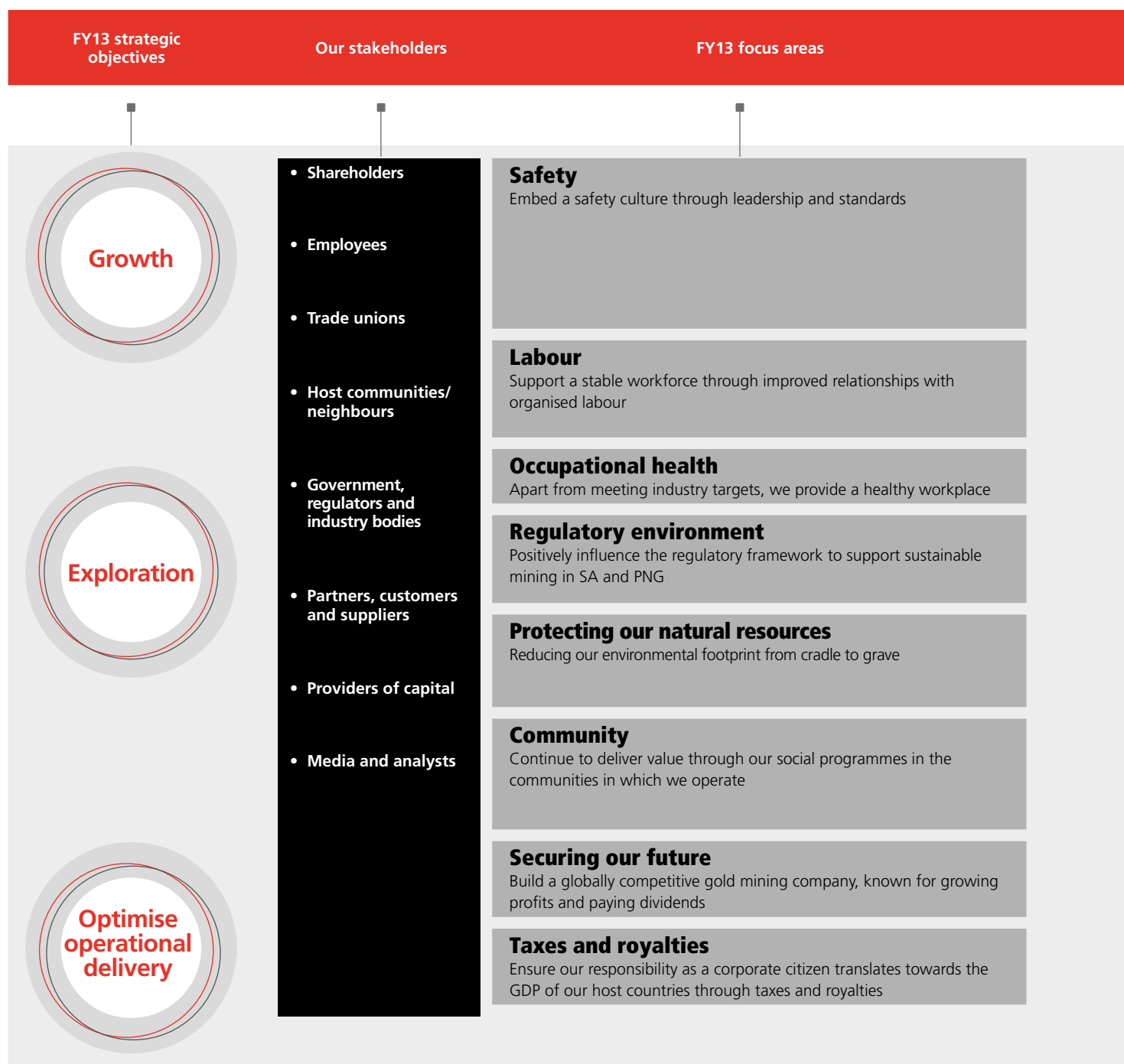
A total dividend of R218 million (US\$25 million) was paid for the year

Papua
New
Guinea

How we deliver

While the gold price, rand/dollar exchange rate, geographic and currency diversification will always be key factors in our company's performance, we are confident that the people, policies, systems and infrastructure in place will ensure Harmony's competitiveness and sustainability for many years to come.

For FY13, and despite events outside our control, good progress was made towards our strategic objectives.



Progress in FY13

- Record safety improvements
- Leading practices being implemented in fall-of-ground and rail-bound equipment management
- Aim to achieve FY14 LTIFR targets:
LTIFR: 4.75
SA: 5.21
PNG: 0.15

- Code of conduct agreed at Kusasalethu
- Constructive negotiation and ongoing engagement
- Continued human resource development and training
- Competitive remuneration and accelerated housing strategy

- Proactive healthcare strategy

- Working with government to ensure that the MPRDA, carbon pricing and other regulatory reviews under way support a responsible yet competitive mining industry in South Africa
- Exceeding Mining Charter targets

- Good progress on reducing carbon footprint
- Key targets met, new targets set to FY18
- Transforming mining land into socio-economic and ecological assets

- Ongoing responsible social investment focused on stakeholder priorities
- Active stakeholder engagement
- Partnering with provincial government in delivering housing imperatives such as Matjhabeng

- Exploration and investment in higher grade ore-bodies

- In FY13, Harmony paid R491 million (US\$56 million) in taxes and royalties

Key risks that may impact our performance and are key drivers of material issues that we focus on

- Labour disputes or labour unrest
- Safety – accidents and incidents
- Gold price and foreign exchange fluctuations
- Major environmental or infrastructure incidents
- Socio-economic, political and regulatory changes
- Potential liability for occupational health diseases
- Integrating and managing projects/ acquisitions, discovery of ore reserves
- Financing new developments and large capital projects
- Compliance with corporate governance and public disclosure requirements
- Competition for key human resources

Our FY14 strategic objectives

Optimise operational delivery

Growth in margin

Exploration

How we performed

Salient features 2013 excluding Evander

		FY13	FY12	FY11
OPERATING PERFORMANCE				
Ore milled ¹	000t	18 373	18 154	18 449
Gold produced ^{1, 2}	kg	35 374	36 273	37 801
	000oz	1 137	1 166	1 215
Operating cost ¹	R/kg	327 210	274 767	225 652
Underground grade ¹	g/t	4.54	4.26	4.63
FINANCIAL PERFORMANCE				
Revenue	R million	15 902	15 169	11 596
Production costs	R million	11 400	9 911	8 504
Operating profit ³	R million	4 502	5 258	3 092
Operating margin	%	28	35	27
Net (loss)/profit for the year ⁴	R million	(2 369)	2 645	617
Total headline earnings per share ⁴	SA cents	47	565	223
Capital expenditure ⁴	R million	3 789	3 226	3 036
Exploration spend	R million	673	500	324
Dividend spend	R million	435	431	214
Net debt	R million	(449)	(43)	(866)
MARKET PERFORMANCE				
Average gold price received ¹	R/kg	454 725	419 668	307 853
	US\$/oz	1 603	1 681	1 370
Total market capitalisation	R billion	15.6	33.0	38.7
	US\$ billion	1.6	4.0	5.7
Exchange rate	R/US\$	8.82	7.77	6.99
RESERVES				
Gold and gold equivalents	Moz	51.5	52.9	41.6
Geographical distribution of gold reserves South Africa	%	58	58	89
PNG	%	42	42	11
SAFETY				
FIFR – fatal injury frequency rate ¹	per million	0.10	0.11	0.18
LTIFR – lost-time injury frequency rate ¹	per million	5.46 [#]	6.86 [#]	8.25

		FY13	FY12	FY11
HEALTH (SOUTH AFRICA)				
– Shifts lost due to occupational illness and injury ¹		20 236	23 497	26 492
– Noise-induced hearing loss (NIHL) compensated cases ¹		52	101	365
– Silicosis cases certified ⁶		185 [#]	872	731
PEOPLE				
Number of employees and contractors ¹		36 424	36 915	36 296
Employment equity (historically disadvantaged South Africans in management) ¹	%	46 [#]	44 [#]	42 [#]
Number of people in single rooms ¹		1 102 [#]	555 [#]	2 673
Number of people sharing ¹		8 629 [#]	10 237 [#]	7 322
Number of people in critical skill positions trained (FY13 investment R5.1 million)		124 [#]	74 [#]	**
COMMUNITY – GROUP LOCAL ECONOMIC DEVELOPMENT				
	R million	119.2 [#]	61.6	
MINING CHARTER COMPLIANCE				
Meaningful economic participation*	%	28	28	36
Preferential procurement ¹	R million	2 459 [#]	2 138 [#]	2 151
ENVIRONMENT				
Mineral waste (volume disposed) ¹	000t	32 807 [#]	20 252 [#]	**
Total electricity use ¹	000MWh	2 704 [#]	3 058 [#]	3 254
CO ₂ emissions ¹	000t CO ₂ e	2 677	3 047	3 425
Water used for primary activities ⁵	000m ³	18 556 [#]	32 979 [#]	33 164
FUNDING/GUARANTEES FOR REHABILITATION AND CLOSURE				
	R million	2 330	2 386	2 466

¹ Prior-year figure re-presented to exclude discontinued operations

² Zero capitalised (2012: 36kg/1 157oz) (2011:621kg/19 967oz)

³ Operating profit compares to production profit in the segment report in the annual financial statements and not operating profit line item in the income statement

⁴ Includes discontinued operations

⁵ Definition changed for FY13 to exclude fissure water from the reported figure

⁶ The number of cases of pure silicosis confirmed by the MBOD in FY13. Previously we assured silicosis cases submitted to the MBOD

[#] Assured by independent auditors

* Percentage of production attributed to HDSA interests

** Not previously reported

Economic sustainability

Harmony is a significant participant in global gold markets, the South African economy and the economies of provinces in which it operates. Harmony is one of the world's leading producers of gold, and South Africa's third-largest gold producer. Regionally, Harmony has an even bigger impact, for example in South Africa's Free State province where mining accounts for over 90% of gross domestic product or GDP.

Our strategy is focused on ensuring that our operations are profitable to be able to pay dividends to shareholders. Coupled with that, Harmony remains an important contributor to economic activity and employment in the provinces where it operates: Gauteng, North West and Free State, as well as neighbouring labour-recruiting areas. Profitability therefore benefits all of our stakeholders.

In FY13, the company employed close to 36 000 people mostly in South Africa. A solid growth pipeline and rising grade profile underpin our expectations for a growing contribution to gold production in South Africa and PNG. Refer to Harmony's value creation for FY13 for a breakdown of payments made to various stakeholders.



ECONOMIC TRANSFORMATION AND EMPOWERMENT

Our ongoing commitment to economic transformation and empowerment in South Africa and PNG is evidenced by:

- Equity ownership by historically disadvantaged South Africans (HDSA) taking up equity interests in the company. The Mining Charter aims to facilitate meaningful HDSA participation in the mining and mineral industry. Harmony has achieved this objective through a number of transactions with HDSAs, both at shareholder and operational level. As a result, effective HDSA ownership as defined by the Mining Charter was above the 26% requirement at 30 June 2013. Harmony's Tlhakanelo

Employee Share Ownership Plan, launched in FY12, resulted in over 33 000 employees becoming eligible to be shareholders with a potential stake of 2.9% in Harmony. During the year, we also finalised an empowerment agreement and transferred 30% of our shareholding in the Phoenix operations to BEE owners.

- Empowering and transforming the procurement base in South Africa, by developing small, medium and micro enterprises (SMMEs) with broad-based black economic empowerment (BBBEE) shareholdings, based in the provinces where we operate, as well as by doing business with large BEE companies. Harmony's procurement processes and expenditure are governed by our group strategy and policy. Companies, and in particular local companies, which both comply with BEE requirements and compete on cost and efficiencies, are given preference when contracts are awarded.
- Enterprise development is a focal area in South Africa and PNG. In PNG, contracts awarded by Morobe Mining Joint Ventures (MMJV) to the company owned by three landowner groups – Nauti, Kwemba and Winima – include catering, fuel haulage, general freight, plant hire, security, labour hire and bus services. In line with the current memorandum of agreement on the Hidden Valley project, MMJV continues to comply by offering business development opportunities to landowners. These opportunities will increase as the mine moves towards full production.

ADAPTING TO A LOWER GOLD PRICE

The global gold market of 2013 is very different to prior years. Global growth concerns affected most commodity markets in FY13, with the price of gold dropping 25% by 30 June 2013. To put this volatility into context, in 2008 gold rebounded from a low of US\$680/oz to a rally that peaked just above US\$1 900/oz in September 2011.

While the average US\$/oz price decreased by 5%, the average R/kg gold price received increased by 8% year on year due to the R/US\$ exchange rate weakening by 14%.

We have accordingly refined our strategic plans based on a gold price of R400 000/kg, which we believe is both conservative and realistic. We have also addressed specific investor issues to ensure we retain their valued support. These include: focusing on growth in margins; reducing our working costs by R400 million; focusing on improved productivity through health and safety initiatives; reducing our capital guidance for FY14 by R2.1 billion (US\$222 million) and reducing exploration costs and maintaining low debt levels.

OUTLOOK

Despite short-term volatility, long-term fundamentals remain in place for continued growth in commodity demand.

Unlike other precious metals such as platinum, gold is not an industrial metal – its attraction lies in its history as a store of value, as a currency or as adornment. Since the financial crash of 2008, increased investment demand has been among the gold market's principal drivers. While demand for all other metals is subject to changing technologies and economic developments, there is always a market for every ounce of the world's newly mined gold.

The caveat to this is that as gold prices weaken, South Africa's gold mines with their rising costs remain under pressure. Their only means of remaining profitable and in production is to be cost-effective and operationally efficient. The industry's success and ability to maintain jobs depends on controlling costs and matching any increases with productivity gains. This integrated annual report illustrates that Harmony is well placed to meet these challenges.

We have been following a strategy of selling low grade high cost operations and investing in new projects with higher grade ore-bodies. Our strategic advantages include:

- Improved safety
- Increasing gold grades
- Lowest rand/tonne South African producer
- Free cash flow
- Unhedged
- Strong balance sheet – low debt
- Exposed to South African currency – 93% of our product is mined in South Africa

We are confident that the strategic foundations we have entrenched in recent years will support sustainable growth for all stakeholders as we deliver the full potential of this exciting investment proposition and remain firm believers in gold's ability to preserve value.

Leadership commentary and performance

Chairman's message

In recent years Harmony successfully executed its strategy of restructuring the company by selling or closing low grade, high cost and marginal operations.

Harmony invested in new projects with higher-grade ore-bodies and at its long life operations at Bambanani, Target, Joel and Doornkop where a significant increase in gold production was achieved.

A solid foundation has been created which will ensure that the company produces gold safely, profitably, with improved efficiencies and competitive margins.

The year under review has been challenging for gold mining companies across the world as a lower gold price and rising input costs pressured margins although South African producers benefited from a rand gold price that rose 8% year on year.

The investment community disinvested from companies that have made acquisitions or pursued growth in gold production that has not added value. The preservation and prudent use of capital is currently being emphasised.

Industry-wide labour unrest in South Africa was limited to only one of our mines, Kusasalethu, where production was halted for nine weeks to ensure the safety and security of our people following an unprotected strike. A watershed agreement was reached through effective and proactive engagement with all unions and signed by each employee at the mine, which restored Kusasalethu to normal production levels post year end.

The management team has done a good job of focusing on reducing costs and managing capital expenditure.

FINANCIAL PERFORMANCE

The excellent production performances at our operations were unfortunately offset by production stoppages at Kusasalethu which resulted in a 2% decline in overall gold production for the year.

The other operations recorded an 11% increase in underground grade and a 7% increase in gold produced. The reduction in the gold and silver prices as well as the poor production performance at Hidden Valley

resulted in an impairment of the Hidden Valley asset in Papua New Guinea at the end of the financial year.

The company's financial performance is detailed on pages 22 to page 25 while operational performance appears on pages 34 to 38.

No final dividend was declared but an interim dividend of 50 SA cents was paid in FY13.

OPERATING ENVIRONMENT

The most successful mining countries in the world are those that have created a globally attractive and competitive environment for private sector and other investments in their mining industry and other sectors of their economy.

The growth and success of the mining industry and mining companies has translated into job creation, poverty alleviation, education, the transfer of skills and expertise, the development and growth of industries that supply goods and services to the mining industry and the overall upliftment and improvement in the standards of living of the people who live in the countries where these companies operate.

The mining industry has been the backbone of the growth and development of the South African economy and will continue to be a significant and important earner of foreign exchange and an important contributor to the fiscus and GDP growth.

It is therefore imperative that the legislative, regulatory, tax and the overall governing dispensation of the mining industry and



investor

the country as a whole continues to be globally competitive.

I am confident that the ongoing discussions and negotiations between Government, business and labour will ensure that the South African mining industry will continue to be an attractive and globally competitive destination for domestic and foreign investment.

SUSTAINABILITY

Harmony is committed to global best practices in relation to sustainable development.

The company measures its performances against the guidelines from the Global Reporting Initiative (GRI) and the International Council of Mining and Metals (ICMM). The safety and health of all our employees, as well as the protection and conservation of the environment and the commitment to benefit all stakeholders is an integral part of the company's culture and the way in which it operates its mines.

Our commitment to involve and benefit communities neighbouring our mines and to contribute to their development and growth is important for the long term success of the company.

The mining industry in South Africa has for many decades been confronted with serious challenges of housing and accommodation for employees and particularly migrant employees.

Harmony received the Govan Mbeki Award for community housing projects and the South African Housing Association's best project award for rental units in recognition for the outstanding employee accommodation project at Masimong.

We are acutely aware of the developmental challenges facing South Africa and the continent, particularly poverty alleviation, job creation, education and skills development.

The mining sector in South Africa is committed to working in partnership with government, labour and all stakeholders to deal with these challenges and to contribute to improving the living conditions and standards of living of all South Africans.

GOVERNANCE

Harmony's governance structures comply with all relevant legislation and the company is committed to adhering to global best practices.

During the year, the board appointed two new board members, Vishnu Pillay and Karabo Nondumo.

We are confident that they will make significant contributions to the board and to the development and growth of the company.

OUTLOOK

We remain positive on the future and the long term demand for gold.

Harmony is well positioned given its strong balance sheet and attractive portfolio of assets to increase its profits and free cash flow.

The current annual global gold production of 97 million ounces¹ is rapidly depleting the world's ore-bodies and needs to be replaced. Over the past few years the discovery of new ore-bodies have decreased significantly and the construction of new mines requires the building of new infrastructure and high start-up costs.

It is expected that the global annual production of gold will decrease because of the high operational costs and the difficulty of discovering ore-bodies that are profitable and competitive.

The demand for gold in China and India for physical bars and jewellery is increasing and central banks have been net buyers of gold and are expected to continue purchasing gold into the future.

The capital investments that we've made in the past few years in higher-grade, long-life ore-bodies have created a solid foundation to deliver increases in grade,

gold production and profitability.

Harmony is well positioned given its strong balance sheet and attractive portfolio of assets to increase its profits and free cash flow.

THANKS

I would like to express my gratitude to all the directors, the management team and all the employees of Harmony for their commitment and contributions to the development and growth of the company.

We live in challenging times but the quality of employees and people that are associated with Harmony gives me confidence for the future.

Patrice Motsepe
Chairman

confidence

¹ Thomson Reuters GFMS, Three year gold forecast, September 2013

Leadership commentary and performance

Chief executive officer's message

FINANCIAL PERFORMANCE

Harmony is making good progress in meeting its strategic targets by generating free cash, maintaining minimal debt levels and improving grade over the last year. Eight of our 11 underground operations improved their gold production year on year, which more than offset the negative impact of the Kusasaletu closure and lower gold price. Those operations that underperformed have clear plans for meeting quarterly targets and I am pleased that these plans have progressed to a stage where I am confident these mines will deliver improved performances in the near future.

We are managing production and costs, as well as focusing on improved efficiencies across all operations and disciplines. We are also making good progress with our cost-cutting projects, reducing capital expenditure, and services, exploration, procurement and corporate costs to mitigate the effects of the lower gold price. Please see page 14 for details.

KEY DEVELOPMENTS

I am extremely proud of our record safety performance this year (page 34), with both the lost-time injury and fatality frequency rates around 50% lower than five years ago. This reflects a disciplined, proactive approach and a group-wide commitment to safety, which remains our most important corporate value. Our focused effort is a direct result of a company-wide safety initiative planned and implemented over recent years to improve our statistics.

Wage negotiations have been concluded successfully. Our focus is on maintaining a strong and healthy working environment with our employees and their respective employee unions and we have demonstrated that our commitment to meeting targets is sincere and focused on benefits for all stakeholders.

Reflecting on our long-term commitment to regional development in PNG, we have restructured the Morobe Mining Joint Venture

(MMJV), which manages Hidden Valley, Wafi-Golpu, Morobe exploration and related support services. An in-country team is now responsible for managing an integrated, independent business that will benefit investors, communities and PNG alike. The immediate focus is improved productivity and efficiencies that will enhance value at Hidden Valley. We have reduced our forecasted capital expenditure and are investigating a modular approach to the Wafi-Golpu project to optimise capital cost and improve the risk profile.

STRATEGY

Harmony's strategy has been consistent since 2007. Our strategy is to build a globally competitive gold mining company – known for growing profits and paying dividends, and backed by experienced teams with strong values that are committed to deliver. To achieve this, we are focused on optimising operational delivery, increasing margins, and sharing the rewards.

Our strategic plans were approved at a gold price of R400 000/kg – which includes all costs. We believe these plans are realistic and include possible risks in executing our strategy to ensure a sustainable business.

OPERATIONAL PERFORMANCE

Excellent performances by a number of our operations were unfortunately offset by the labour disruptions at Kusasaletu and a damaged ventilation shaft at Phakisa and Tshepong. These events contributed to a 2% reduction in total gold production and impacted on our financial performance.

Gold production and grade increased during the year at the following operations: Bambanani (54% gold, 49% grade); Target 3 (45% gold, 42% grade); Steyn 2 (45% gold, 31% grade); Joel (21% gold, 11% grade); Doornkop (18% gold, 9% grade); Masimong (12% gold, 21% grade) and Target 1 (9% gold, 20% grade).

There was a significant increase in underground grade for the year of 7% to 4.54g/t.

future

OUTLOOK

We expect that our gold production for the coming year is going to increase to between 1.3 and 1.4 million ounces based on an expected increase of 6% in underground grade and Kusasalethu returning to normal production.

We look forward to building on our strategy under the valuable guidance of our board of directors. Thank you to the people of Harmony for your hard work and dedication.

Graham Briggs
Chief Executive Officer

We are focused on optimising operational delivery, increasing margins, and sharing the rewards.



expectations

Leadership commentary and performance

Approach to sustainability

At Harmony, we are proving that mining contributes to the greater well-being of the society in which we operate while ensuring minimum impact to that environment. Please refer to page 38 which highlights how we give back to stakeholders, particularly through local economic development and related initiatives.

To secure Harmony's future for the benefit of all stakeholders, we strive at all times to balance economic development with environmental protection and social responsibility within a robust governance framework.

Sustainable development practices are now embedded in our business strategy, reflecting our belief that corporate citizenship is both a moral responsibility and a condition of our mining licences. Equally, we understand that this duty rests on the link between profitability and sustainability.

Sustainable development is woven into the way we do business, permeating our organisational practices. Across our business we have built processes (including ISO systems, group standards for environment and safety, and common procedures and definitions) to embed these in the culture and values of Harmony, and our leadership approach.

The social and ethics committee of the board oversees policy and strategies on occupational health and employee well-being, environmental management, corporate social responsibility, human resources and ethics. In line with its statutory responsibilities and mandate, the committee monitors implementation by the management team and executives for each discipline. Discipline-specific policies, in turn, are supported by guidelines and standards for developing site-specific management systems.

We review material issues in each of these disciplines to evaluate their relevance in the reporting period, and to identify additional material issues that warrant reporting, including sustainability-related key performance indicators and levels of assurance. The current review supported the assurance of key indicators identified for the period. We also decided that until Wafi-Golpu is in production, PNG will be assured every two years.

We voluntarily disclose performance against guidelines from the Global Reporting Initiative (GRI). We aim to continue improving the quality of our disclosure, and we are therefore preparing to report against the latest GRI guidelines (G4) introduced this year. In addition, Harmony measures its South African operations against the Mining



sustainability

Performance overview for 2013

The past financial year was characterised by illegal strikes in the SA mining industry.

Our investment in our people showed returns with only one of our 11 South African underground operations being affected by labour disruptions when illegal strikes started in September 2012. Kusasalethu is the largest gold producer in the Harmony portfolio and work stoppages at that mine therefore had a major impact on the company's operating profit and cash flow.

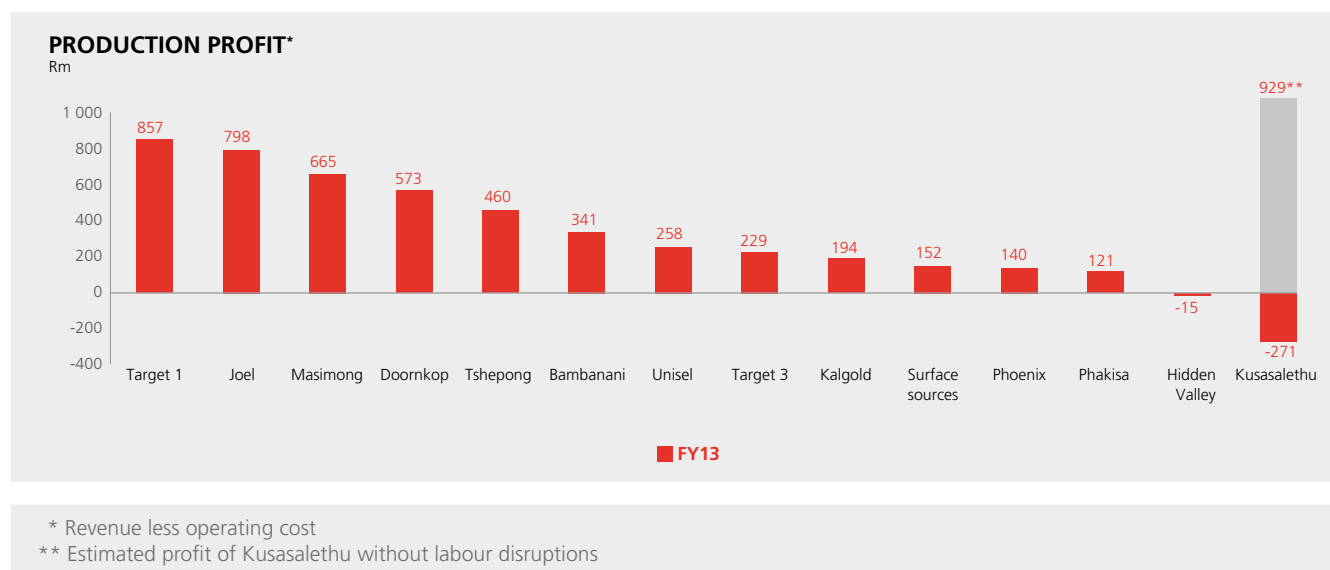
This resulted in Kusasalethu achieving less than half its planned gold production for the year and making a loss of R271 million compared to a profit of R881 million the previous year. The lower gold production also resulted in a sharp increase in the unit cost per kilogram of gold mined at Kusasalethu.

We estimate that the financial impact of these disruptions at Kusasalethu resulted in a R1.2 billion reduction in operating profit and cash flow, and an 8% increase in the average cash cost per kilogram of gold produced for the group.

The other operations in total, excluding Kusasalethu, recorded a 7% increase in production for the year, mainly due to an 11% increase in underground grade. There was a significant decrease in the US\$ gold price at the end of the financial year, which resulted in an impairment of R2.7 billion for the Hidden Valley operation in PNG.

The group maintains a solid balance sheet, with strong cash flow and minimal debt. This has enabled Harmony to fund most of its capital from cash generated by operations, with minimal debt funding required.

The graph below shows the significance of the impact the labour disruption at Kusasalethu had on the production profit for the year.



Key drivers of financial performance in 2013

	2013	2012	Change %
Gold produced (kg)	35 374	36 273	(2)
Gold price received (R/kg)	454 725	419 668	8
• Gold price received (\$/oz)	1 603	1 681	(5)
• Exchange rate (R/US\$)	8.82	7.77	14
Cash operating costs (R/kg)	327 210	274 767	(19)
Cash operating costs (R/kg) (excluding Kusasalethu)	308 223	277 270	(11)

Production during FY13 was affected as follows:

- Gold production from the other operations excluding Kusasalethu, was 7% more than the previous year.
- The kilograms produced at Kusasalethu in FY13 were 2 893kg less than FY12.
- Tshepong was affected by labour disruptions and the closure of a section for ten days due to an underground fire resulting in a decrease of 21% in production.
- Increases in volume and recovered grade at Doornkop, Unisel, Steyn 2, Bambanani, Joel and Target 3 resulted in higher production from these operations in FY13.

Gold price received (R/kg): The average gold price received in rand terms increased by 8% after the rand weakened against the US\$. The decrease of the US\$ gold price during FY13 partially offset this increase.

Cash operating costs (R/kg): Cash operating costs were negatively impacted by the temporary closure of Kusasalethu and cost increases at Hidden Valley due to problems with the overland conveyor.

Labour disruptions had a significant effect on profit for the year.



Leadership commentary and performance

Financial director's review continued

Extract from the income statement

	2013 Rm	2012 Rm	Change %
Revenue	15 902	15 169	5
Production costs	11 400	9 911	(15)
Impairment of assets	(2 733)	60	(>100)
Gross (loss)/profit	(566)	3 032	(119)
Exploration expenditure	673	500	(35)
Other expenses – net	350	50	(>100)
Taxation (expense)/credit	(655)	123	(>100)
Profit from discontinued operations	314	592	(47)
Net (loss)/profit for the period	(2 369)	2 645	(>100)

The **revenue** for FY13 of R15 902 million is 5% higher than FY12 due to a higher rand gold price received, partially offset by 2% less gold sold.

Production costs increased to R11 400 million. This reflects increases in labour costs of 9% and electricity of 8%, as well as an increase in the cost of consumables of 8%. Total production costs at Hidden Valley rose by 41% due to problems with the overland conveyor and weakening of the rand exchange rate against the PNG kina.

Impairment: An impairment of R2.7 billion was recognised against Hidden Valley due to reduced US\$ gold and silver prices and Hidden Valley's poor production performance.

The **exploration** expenditure of R673 million for FY13 relates mainly to various projects in PNG, mostly Golpu. After the optimisation process that has been agreed to by the joint venture partners the expenditure will be lower in FY14.

Other expenses: Included in the total for FY13 is R351 million (2012: R45 million) for the foreign exchange translation loss on the US\$-denominated syndicated loan facility.

The **taxation expense** increased to R655 million in FY13, mainly due to the derecognition of a deferred tax asset for the Hidden Valley operation of R548 million.

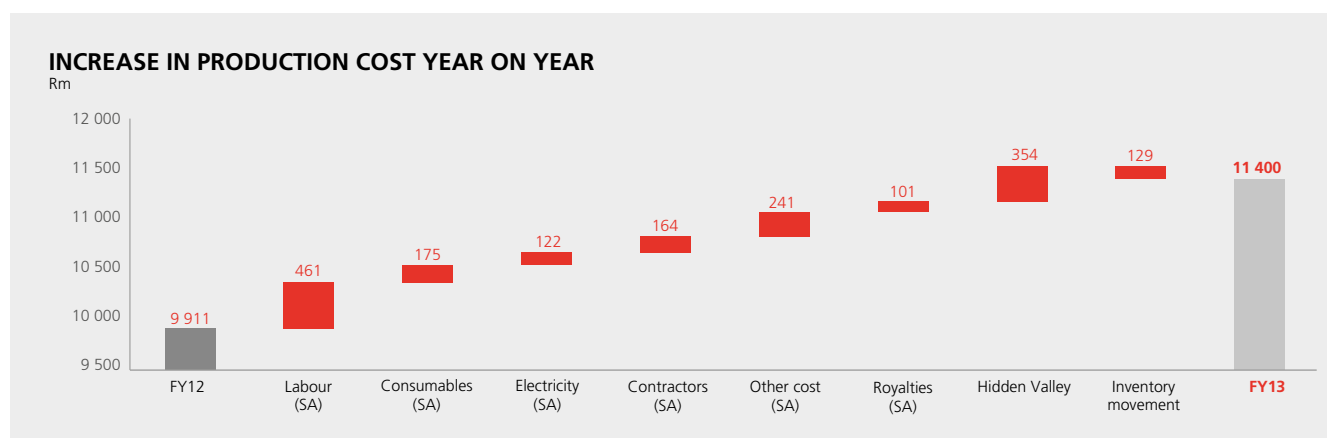
Profit from discontinued operations of R314 million in FY13 comprises a profit of R102 million on the sale of Evander and R212 million profit from the Evander operations for the eight months ended February 2013. Included in the amount for FY12 is profit on the sale of operations of R230 million.

Net loss

The net loss of the year was mainly due to the temporary closure of Kusasaletu and the impairment of the Hidden Valley asset.

Net debt

	2013 Rm	2012 Rm
Borrowings		
Long term	(2 252)	(1 503)
Short term	(286)	(313)
Total borrowings	(2 538)	(1 816)
Cash and cash equivalents	2 089	1 773
Net debt	(449)	(43)
Borrowings		
Syndicated US\$ loan facility (US\$210 million (2012: US\$130 million))	(2 076)	(1 030)
Nedbank ZAR term facilities	(458)	(759)
Other	(4)	(27)
	(2 538)	(1 816)



Net debt

During the period, the syndicated US\$ loan facility increased from US\$130 million (R1 030 million) to US\$210 million (R2 076 million).

Cash equivalents increased from R1 773 million to R2 089 million.

The R301 million decrease in Nedbank term facility reflects repayments on the term loan.

Extract from the cash flow statement

	2013 Rm	2012 Rm
Cash generated by operating activities	2 855	4 213
Net additions to property, plant and equipment	(3 713)	(3 140)
Proceeds on disposal of Evander	1 264	–
Cash utilised by investing activities	(2 478)	(2 878)
Dividends paid	(435)	(431)
Net borrowings raised	345	195
Cash utilised by financing activities	(87)	(210)
Net increase in cash and cash equivalents	316	1 080

Cash flow

Cash generated from operations decreased by 32% to R2.9 billion due to increased production costs (as noted) and the impact of production stoppages at Kusasalethu estimated to be R1.2 billion.

Capital expenditure for FY13 was R3 789 million, a 17% increase from the previous year. We plan to reduce our capital expenditure by R650 million in FY14.

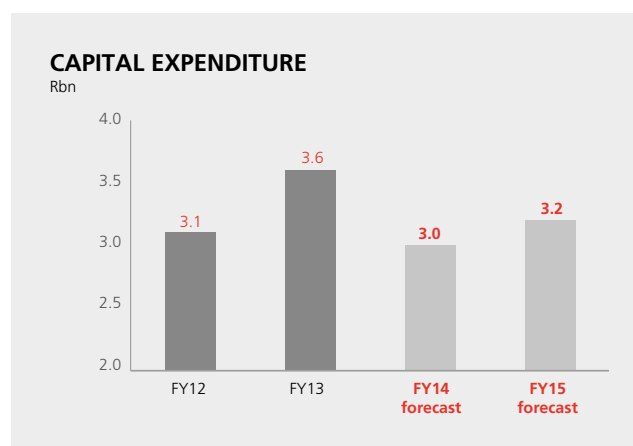
Dividend payments to shareholders for FY13 comprise the final dividend of 50 cents for FY12 and the interim dividend of 50 cents for FY13.

Net borrowings raised: During the year, we raised borrowings of R678 million, representing two drawdowns of US\$40 million each from the US\$-denominated syndicated loan facility. Borrowings repaid of R333 million comprises mainly of repayments on the Nedbank term facility.

OUTLOOK

Management will continue to focus on factors within its control such as production and cost management. Harmony operates from reserves of 51.5Moz of gold and gold equivalents, good growth projects, a solid balance sheet with strong cash flow and minimal debt.

Our strategic plan was approved based on a gold price of R400 000/kg. We expect to produce between 1.3 and 1.4Moz of gold in the next financial year, at an average cash cost, plus capital, of between R325 000/kg and R360 000/kg. This translates to US\$1 070/oz to US\$1 180/oz. We believe that our plans are realistic and we have taken into account possible risks to execute our strategy.



The graph indicates capital expenditure is planned to reduce significantly in the coming year. In PNG the expenditure on the Hidden Valley crusher has been completed in FY13 and Wafi-Golpu exploration expenditure is reduced due to the repositioning of the project.

For more information refer to the audit and risk committee report on page 73.

Frank Abbott
Financial director