FINANCIAL REPORT 2017

Harmony Gold Mining Company Limited (Harmony), a gold mining and exploration company with 67 years of experience, has operations in South Africa – one of the world's best known gold mining regions – and in Papua New Guinea – one of the world's premier new copper-gold regions. At Harmony, we understand the impact that our company has on the lives of the people we employ, the communities that surround our mines and the environment, as well as the economic contribution that we make to the countries in which we operate.

Roll out of the Harmony values at Wau

Papua New Guinea

KEY FEATURES
YEAR-ON-YEAR

FIFTH CONSECUTIVE ANNUAL INCREASE IN UNDERGROUND GRADE RECOVERED
(FY17: 5.07g/t) (FY16: 5.02g/t)

PRODUCTION GUIDANCE MET FOR SECOND CONSECUTIVE YEAR
(FY17: 1.088Moz) (FY16: 1.082Moz)

NET DEBT REDUCED TO R887 million (US$68 million) (FY16: R1.08 billion, US$74 million)

HEDGING STRATEGY SECURES CASH MARGINS (FY17: R1.7 billion (US$126 million) realised)

HEADLINE EARNINGS PER SHARE UP 35%
298 SA CENTS (21 US cents)
(FY16: 221 SA cents (15 US cents))

TOTAL DIVIDEND DECLARED FOR THE YEAR OF
85 SA CENTS (7 US cents)

OUR REPORTS ONLINE

Harmony's full set of 2017 reports and supporting documents are available at *www.har.co.za.*

The electronic reports are interactive pdfs, with links to sections within the document and to external websites. The interactive links are indicated by text in red italics.

HARMONY™

REFERENCE

A full glossary of terms is available on the website, *www.har.co.za*

Throughout this report, "$" or "dollar" refers to US dollar, unless otherwise stated.

"K" refers to kina, the currency of Papua New Guinea.

"Moz" refers to million ounces and "Mt"refers to million tonnes.

All production volumes are in metric tonnes (t), unless specifically stated as imperial tons.

Masimong

Tshepong

Tshepong

CONTENTS

WHO WE ARE

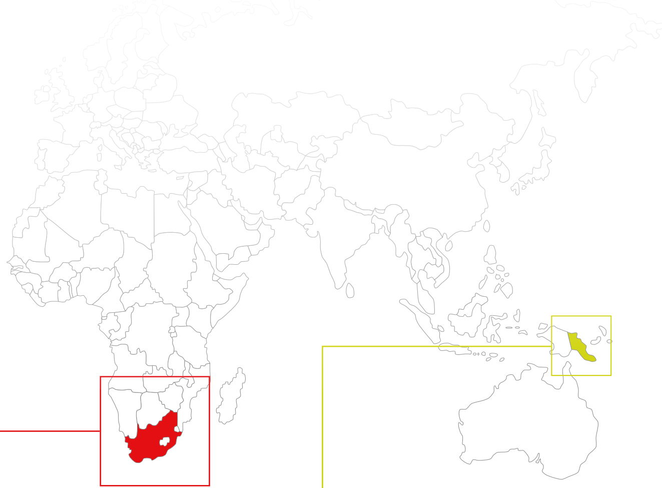
Harmony, a gold mining and exploration company, conducts its activities in South Africa, one of the world's best-known gold mining regions, and in Papua New Guinea, one of the world's premier new gold-copper regions. With 67 years of experience, Harmony is South Africa's third largest gold producer.

Headquartered in Randfontein, South Africa, Harmony is listed on the Johannesburg Stock Exchange and on the New York Stock Exchange, on which its shares are quoted as American Depositary Receipts.

WHERE WE OPERATE

In **South Africa,** our nine underground operations are on the world-renowned Witwatersrand Basin – two on the West Rand and seven in the Free State, in the southern portion of the Basin. In addition, we have an open-pit mine on the Kraaipan Greenstone Belt as well as several surface operations.

In **Papua New Guinea,** Hidden Valley is a wholly-owned open-pit gold and silver mine. Our significant gold-copper portfolio includes the wholly-owned Kili Teke prospect in the Western Highlands and a 50% stake in the Wafi-Golpu project in Morobe Province, through a 50:50 joint venture with Newcrest Mining Limited (Newcrest).



SOUTH AFRICA

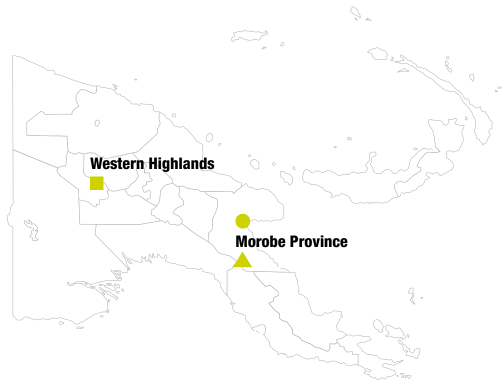
UNDERGROUND

- Tshepong operations (including Phakisa) ●
- Bambanani ●
- Target 1 ●
- Joel ●
- Masimong ●
- Unisel ●
- Doornkop ■
- Kusasalethu ■

SURFACE

- Kalgold ★
- Surface sources ▲

PAPUA NEW GUINEA



- ▲ Hidden Valley
- ● Wafi-Golpu project (50%)
- ■ Kili Teke

Harmony's equity interest 100% unless otherwise indicated

WHAT WE DO

Our activities cover the entire spectrum of the mining pipeline.

EXPLORATION AND ACQUISITION

EXPLORING FOR AND EVALUATING ECONOMICALLY VIABLE ORE BODIES AND/OR VALUE-ACCRETIVE ACQUISITIONS

Our mining activities are supported by brownfields and greenfields exploration programmes – in South Africa and Papua New Guinea respectively. Our greenfields exploration programme, which focuses on highly prospective areas has been instrumental in establishing a significant gold-copper portfolio and underpins our ability to sustain long-term value creation.

MINING AND PROCESSING

ESTABLISHING, DEVELOPING AND OPERATING MINES AND RELATED PROCESSING INFRASTRUCTURE

Our principal activities are the mining of gold-bearing ore which is then processed on site to extract gold and produce unrefined gold bars known as doré. Silver is produced as a by-product.

BENEFICIATION

REFINING AND MARKETING

All our gold is fully refined and beneficiated to final product by the Rand Refinery (Pty) Limited in South Africa and by the Perth Mint Australia for gold produced in Papua New Guinea. The refined gold, which is 99.5% pure, is sold to bullion banks and commodity houses.

REHABILITATION

REHABILITATING LAND AND CLOSURE

Once our mines have reached the end of their economic lives, mine closure plans are implemented. These plans include rehabilitation, which is ongoing throughout a mine's operating life, to restore impacted land, making it suitable for an alternative economic use.

In FY17:
Gold production totalled

1.09Moz (FY16: 1.08Moz)

Silver production totalled

1.05Moz (FY16: 1.33Moz)

At year-end:
Total gold mineral resources

104.3Moz (FY16: 105.2Moz)

Total gold mineral reserves

36.7Moz (FY16: 36.9Moz)

33 201 employees including contractors (FY16: 30 547)

OPERATING CONTEXT

Factors affecting our ability to generate value:

Globally:	• Gold market and gold price • Global economic outlook and geo-political climate • Rand-dollar exchange rate
South Africa:	• Regulatory and legislative uncertainty • Labour relations • Licence to operate – community expectations
Papua New Guinea:	• Regulatory and legislative uncertainty • Licence to operate – landowner and community expectations

For further information, see Our business context in the Integrated annual report 2017

HOW WE PERFORMED

Relevant Global Reporting Initiative indicators: G4-EC1

		FY17	FY16	FY15	FY14	FY13
Operating performance						
Ore milled	000t	**19 401**	18 373	18 063	18 784	18 373
Gold produced[1]	kg	**33 836**	33 655	33 513	36 453	35 374
	000oz	**1 088**	1 082	1 077	1 172	1 137
Operating costs	R/kg	**436 917**	392 026	369 203	328 931	324 979
	US$/oz	**1 000**	841	1 003	988	1 146
All-in sustaining costs[2]	R/kg	**516 687**	467 611	453 244	406 934	424 083
	US$/oz	**1 182**	1 003	1 232	1 223	1 495
Underground grade	g/t	**5.07**	5.02	4.75	4.77	4.54
Financial performance						
Revenue	R million	**19 264**	18 334	15 435	15 682	15 902
Production costs	R million	**14 812**	13 250	12 632	11 888	11 321
Production profit	R million	**4 452**	5 084	2 803	3 794	4 581
Operating margin	%	**23**	28	18	24	29
Net profit/(loss) for the year	R million	**362**	949	(4 536)	(1 270)	(2 349)
Total headline earnings/(loss) per share	SA cents	**298**	221	(189)	26	52
Capital expenditure[3]	R million	**3 890**	2 439	2 836	2 661	3 912
Exploration spend[4,5]	R million	**241**	191	263	458	673
Dividend paid[6]	R million	**439**	–	–	–	435
Net debt	R million	**(887)**	(1 083)	(2 332)	(1 031)	(449)
Market performance						
Average gold price received	R/kg	**570 164**	544 984	449 570	432 165	454 725
	US$/oz	**1 304**	1 169	1 222	1 299	1 603
Total market capitalisation	R billion	**9.5**	22.9	6.8	13.6	15.6
	US$ billion	**0.7**	1.6	0.56	1.3	1.6
Average exchange rate	R/US$	**13.60**	14.50	11.45	10.35	8.82
Reserves						
Gold and gold equivalents	Moz	**36.7**	36.9	42.6	49.5	51.5
Geographical distribution of gold reserves						
– South Africa	%	**44**	45	52	57	58
– Papua New Guinea	%	**56**	55	48	43	42
Safety						
Number of fatalities		**5**	10	9	22	10
FIFR – fatal injury frequency rate	per million hours worked	**0.07**	0.13	0.11	0.26	0.10
LTIFR – lost-time injury frequency rate	per million hours worked	**[17]7.21**	[7]6.23	[7]9.24	[7]7.54	[7]5.46
TIA – total injury and accidents	number of incidents	**[8]768**	[7]679	1 210	953	912
Health (South Africa)						
– Shifts lost due to occupational illness and injury		**24 026**	22 416	24 514	25 338	20 236
– Silicosis cases certified[9]		**[8]108**	[7]64	[7]197	[7]175	[7]185

[1] *Gold production of 364kg (11 713oz) capitalised in FY17. Zero gold production capitalised in FY16, FY15, FY14 and FY13*

[2] *Restated to include capitalised stripping for Kalgold*

[3] *Restated to include capitalised stripping for Kalgold and Hidden Valley*

[4] *As per income statement*

[5] *Total exploration spend including capitalised amounts are R438 million (US$32 million) (FY17), R433 million (US$30 million) (FY16), R385 million (US$34 million) ((FY15), R470 million US$45 million) (FY14) and R1.2 billion (US$136 million) (FY13)*

		FY17	FY16	FY15	FY14	FY13
People						
Total number of employees and contractors[10]		**33 201**	30 547	31 114	34 746	36 579
South Africa: Employees		**26 478**	25 861	26 000	28 991	30 867
Contractors		**4 512**	4 580	5 012	5 695	5 557
Papua New Guinea: Employees[10]		**1 300**	76	75	59	101
Contractors[10]		**911**	30	27	1	54
Employment equity (historically disadvantaged South Africans in management)[11]	%	[8] **61**	[7]60	[7]58	[7]46	[7]46
Number of people in single rooms[12]		[8] **7 266**	[7]7 252	[7]7 436	[7]1 678	[7]1 102
Number of people sharing accommodation		[8] **0**	[7]0	[7]0	[7]6 841	[7]8 629
Number of people in critical-skill positions trained[13]		[8] **75**	[7]68	[7]69	[7]56	[7]124
Community						
Group local economic development[14]	R million	[8] **27**	[7]18	[7]64	[7]77	88
Preferential procurement (BEE-compliant spend)	R million	[8] **4 461**	[7]3 794	[7]3 849	[7]3 442	[7]2 459
Total discretionary spend	R million	**5 685**	4 978	5 565	5 595	5 956
Preferential procurement spend	%	**78**	76	69	62	41
Environment						
Mineral waste (volume disposed)	000t	[8,16] **38 392**	[7]26 170	[7]24 659	[7]33 498	[7]32 807
Total electricity use	000MWh	[8,16] **2 629**	[7]2 597	[7]2 657	[7]2 798	[7]2 704
CO_2 emissions						
– Scope 1	000t CO_2e	[8] **111**	[7]56	[7]67	[7]75	94
– Scope 2	000t CO_2e	[8,16] **2 513**	[7]2 581	[7]2 686	[7]2 745	2 648
– Scope 3	000t CO_2e	[8,16] **445**	[7]615	[7]686	[7]661	617
Water used for primary activities[15]	$000m^3$	[8] **13 124**	[7]13 689	[7]14 614	[7]16 495	[7]18 556
Land rehabilitated	ha	[8] **100**	*	*	*	*
Funding/guarantees for rehabilitation and closure	R million	**3 072**	2 933	2 796	2 708	2 354

[6] *Declared a dividend of 35 SA cents (3 US cents) post year end*

[7] *Assured by independent auditors in prior years – refer to https://www.harmony.co.za/investors/reporting/annual-reports*

[8] *Assured by independent auditors in the current year. Please refer to the Assurance report and to the Glossary of Terms on the website, www.har.co.za*

[9] *The number of cases of pure silicosis confirmed by the South Africa's Medical Bureau of Occupational Diseases in FY13, FY14 and FY15. Previously we assured silicosis cases submitted to the Medical Bureau of Occupational Diseases*

[10] *Excluding employees from the Morobe Mining Joint Ventures. FY17 includes Hidden Valley employees and contractors*

[11] *The increase in compliance indicators is due to alignment of Harmony's reporting with the Department of Labour's classification guidelines – (EEA9). For previous years, indicators were based on Patterson grade D-F only whereas C band employees are now classified as Junior Management and have been included in the 2015 employment equity percentage*

[12] *The number of single rooms only represent hostels which are 100% converted. At the end of FY15, all employees living in hostels were living in single rooms. In FY14, the total number of single rooms (including single rooms in incomplete hostels) was 5 027 (FY13: 3 214)*

[13] *We invested R1 million (US$0.1 million) in FY15 (FY14: R1.2million) (US$0.1 million)) to train people in critical-skill positions*

[14] *In addition, capital of R1 million (US$0.1 million) was spent in FY16 on the upgrading of hostel accommodation at various operations, (FY15: R89 million (US$8 million), FY14: R106 million (US$10 million))*

[15] *Definition changed for FY13 to exclude fissure water from the reported figure*

[16] *Increases recorded in FY17, a result of acquisition in full of Hidden Valley which is now included at 100% versus 50% in preceding years*

[17] *We refer you to the Assurance report issued by SizweNtsalubaGobodo Inc. and their qualification on the limited assurance on the lost time injury frequency rate.*

Inconsistencies were found in the hours worked used as input for the calculation of the lost-time injury frequency rate. Hours worked were manually obtained from our time and attendance systems on the reporting date. Thereafter, shift adjustments are made to these hours based on actual time worked, resulting in an inconsistency between the hours previously recorded and the updated hours. Harmony has developed and is in the process of implementing a computer-based system to improve the reporting of hours worked.

* *Not previously assured*

FINANCIAL DIRECTOR'S REPORT

Frank Abbott
Financial director

"Good production results for the year combined with market conditions contributed to positive earnings"

Harmony's FY17 earnings were positively impacted by the rand gold and currency hedges. Our low net debt position has created balance sheet flexibility that allows for growth.

The key outcomes achieved during FY17 were the following:

- Strengthening our balance sheet by paying down our debt
- Funding growth by acquiring our joint venture partner's 50% interest in Hidden Valley and investing in the capitalisation of the asset
- Rewarding our shareholders with an interim and final dividend totalling 85 SA cents (7 US cents) for the year

HEDGING

Hedging programmes are topped up as and when opportunities arise to lock in attractive margins for the business.

Given the increasingly volatile nature of our gold and foreign exchange markets over recent times, after careful consideration the board approved the implementation of a gold and currency hedging programme to lock in attractive margins for the business. Over the past year this has proven successful with the hedging programme contributing meaningfully to the group's overall revenue and earnings.

A summary of all the open hedging contracts as at 30 June 2017 is as follows:

		FY18				FY19				Total
		Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	
CURRENCY										
US$/ZAR	US$m	111	132	120	59					**422**
	Floor	15.00	14.40	14.00	14.00					**14.41**
	Cap	16.30	15.50	15.00	15.00					**15.53**
COMMODITY										
ZAR/gold	'000oz	54	54	54	54	54	27	27		**324**
	R'000/kg	686	700	713	728	697	630	643		**693**
US$/gold	'000oz	4	3	12	15	15	15			**64**
	US$/oz	1 265	1 270	1 272	1 275	1 278	1 281			**1 276**
Total gold	'000oz	58	57	66	69	69	42	27		**388**
US$/silver	'000oz	40	60	180	210	240	240			**970**
	Floor	17.10	17.10	17.10	17.10	17.10	17.10			**17.10**
	Cap	18.10	18.10	18.10	18.10	18.10	18.10			**18.10**

(i) Currency hedging

The foreign currency hedging is in the form of zero cost collars with a maximum term of 12 months, which establish a minimum (floor) and maximum (cap) rand/US dollar exchange rate at which to convert US dollars to rands. The nominal value of the hedging contracts as at 30 June 2017 was US$422 million (FY16: US$500 million).

The realised gain from contracts maturing in FY17 amounted to R1 003 million (US$74 million) and is included in gains on derivatives in the income statement as hedge accounting is not applied to these contracts.

(ii) Gold hedging

Rand gold hedging is in the form of gold forward sale contracts with a maximum term of 24 months. The nominal value hedged at 30 June 2017 was 324 000 ounces spread over 21 months at an average forward sale price of R693 437/kg.

Cash flow hedge accounting is applied to these contracts. A gain of R728 million (US$54 million) was realised on the contracts that matured in FY17 (6 563kg at R662 772/kg) and is included in revenue.

During June 2017 US$ gold forward sale contracts with a maximum term of 24 months were entered into for Hidden Valley for which hedge accounting is not applied. The nominal value hedged at 30 June 2017 was 64 000oz at an average of US$1 276/oz.

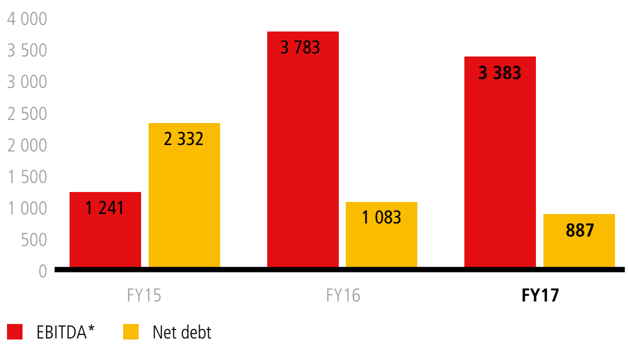
(iii) Silver hedging

Harmony also entered into silver zero cost collars during June 2017 for the silver from Hidden Valley; hedging instruments not exceeding 25% of the group's two-year silver production may be entered into. The nominal value hedged at 30 June 2017 was 970 000oz spread over 18 months. Hedge accounting is not applied to these contracts.

BALANCE SHEET FLEXIBILITY

Our low net debt position creates balance sheet flexibility that allows for growth. The net debt/EBITDA ratio decreased from 1.88 in FY15 to 0.26 in FY17.

Net debt versus EBITDA
(Rm)



* *EBITDA excludes impairment and loss on scrapping of property, plant and equipment*

As at 30 June 2017, the available revolving credit facilities (RCF) were as follows:

	USD RCF loan		ZAR RCF loan	Total
	US$	**Rm**	**Rm**	**Rm**
Facilities	250	3 278	1 000	4 278
Drawdown balance at 30 June 2017	140	1 833	300	2 133
Available facilities	110	1 445	700	2 145

On 28 July 2017 Harmony entered into an agreement for a new three-year syndicated facility of US$350 million (US$175 million term loan plus US$175 million RCF). The facility replaces the US$250 million RCF loan and is agreed on similar terms.

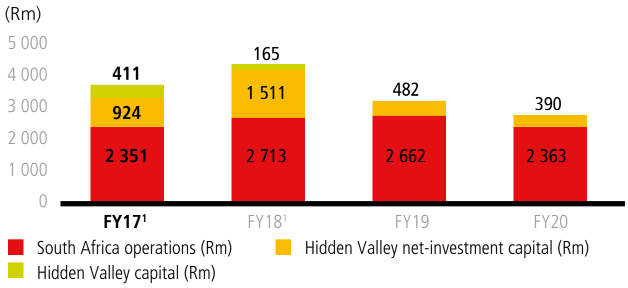
EFFECTIVE CAPITAL ALLOCATION

We have a focused capital allocation and prioritisation strategy resulting in a capital and cost structure that fits the production plan.

Capital expenditure increased by 68% in FY17 to R3 686 million (79% to US$271 million) (excluding capitalised Wafi-Golpu exploration expenditure) of which R1 335 million (US$98 million) was spent at Hidden Valley. Capital expenditure for South African operations increased by 13% or R276 million (21% or US$30 million). The planned capital expenditure for FY18 is R4 389 million (US$319 million) of which R1 676 million (US$122 million) relates to Hidden Valley.

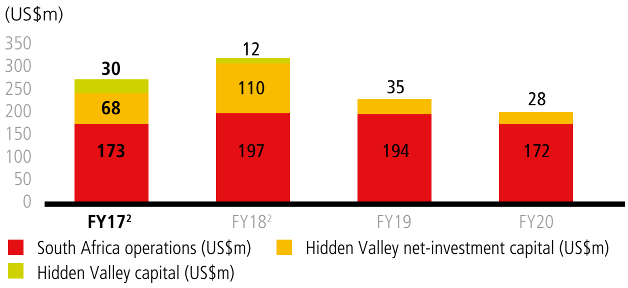
Below is the capital expenditure projection to FY20, excluding Wafi-Golpu, which is subject to an ongoing study outcome:

Capital expenditure projections (excluding Wafi-Golpu)



[1] *FY17 includes R156m (FY18: R3m) for the Central Plant retreatment project*

Capital expenditure projections (excluding Wafi-Golpu)



[2] *FY17 includes US$11m (FY18: US$0.2m) for the Central Plant retreatment project*

The exchange rate used is R13.74/US$; FY19 and FY20 excludes deferred stripping for Hidden Valley

PROVISION FOR SILICOSIS SETTLEMENT

We hope to achieve a comprehensive settlement which is fair to past, present and future employees and sustainable for the sector.

Harmony and five other South African mining companies have formed a gold mining industry working group to address issues relating to the compensation and medical care for occupational lung diseases in the gold mining industry in South Africa. In consultation with all stakeholders, the working group is seeking to find a comprehensive and sustainable solution which deals both with the legacy compensation issues and future legal frameworks.

A pre-tax charge of R917 million (US$70 million) has been recognised in other operating expenses representing Harmony's best estimate of its portion of a possible settlement of the class action claims and related costs within an acceptable range.

The ultimate outcome of these matters remains uncertain, with a possible failure to reach a settlement or to obtain the requisite court approval of the settlement. The provision recorded in the financial statements is consequently subject to adjustment or reversal in the future, depending on the progress of the working group discussions and stakeholder consultations, and the ongoing legal proceedings.

Refer to note 27 in the consolidated financial statements contained in the Financial Report 2017 for further detail.

FINANCIAL PERFORMANCE

Operations are generating operational free cash flow and the hedging strategy secures cash margins.

Key drivers of the FY17 financial performance:

		FY17	FY16	Change %
Gold produced	kg	**33 836**	33 655	1
	oz	**1 087 852**	1 082 035	1
Underground grade recovered	g/t	**5.07**	5.02	1
Gold sold	kg	**34 150**	33 642	2
	oz	**1 097 944**	1 081 615	2
Gold price received	R/kg	**570 164**	544 984	5
	US$/oz	**1 304**	1 169	12
Production profit	Rm	**4 452**	5 084	(12)
	US$m	**327**	350	(7)
All-in sustaining costs[1,2]	R/kg	**516 687**	467 611	(10)
	US$/oz	**1 182**	1 003	(18)
Operational free cash flow margin	%	**6**	16	
Exchange rate	R/US$	**13.60**	14.50	(6)

[1] *FY16 restated to include capitalised stripping*
[2] *Excludes share-based payment charge*

Extract from the income statement:

	FY17 Rm	FY16 Rm	Change %
Revenue	**19 264**	18 334	5
Production costs	**14 812**	13 250	(12)
Amortisation and depreciation	**2 519**	2 170	(16)
(Impairment)/reversal of impairment	**(1 718)**	43	>(100)
Gains on derivatives	**1 025**	446	>100
Silicosis settlement provision	**917**	–	>(100)
Gain on bargain purchase (Hidden Valley transaction)	**848**	–	>100
Taxation	**510**	(632)	>100
Net profit for the year	**362**	949	(62)
Headline earnings per share (SA cents per share)	**298**	221	35

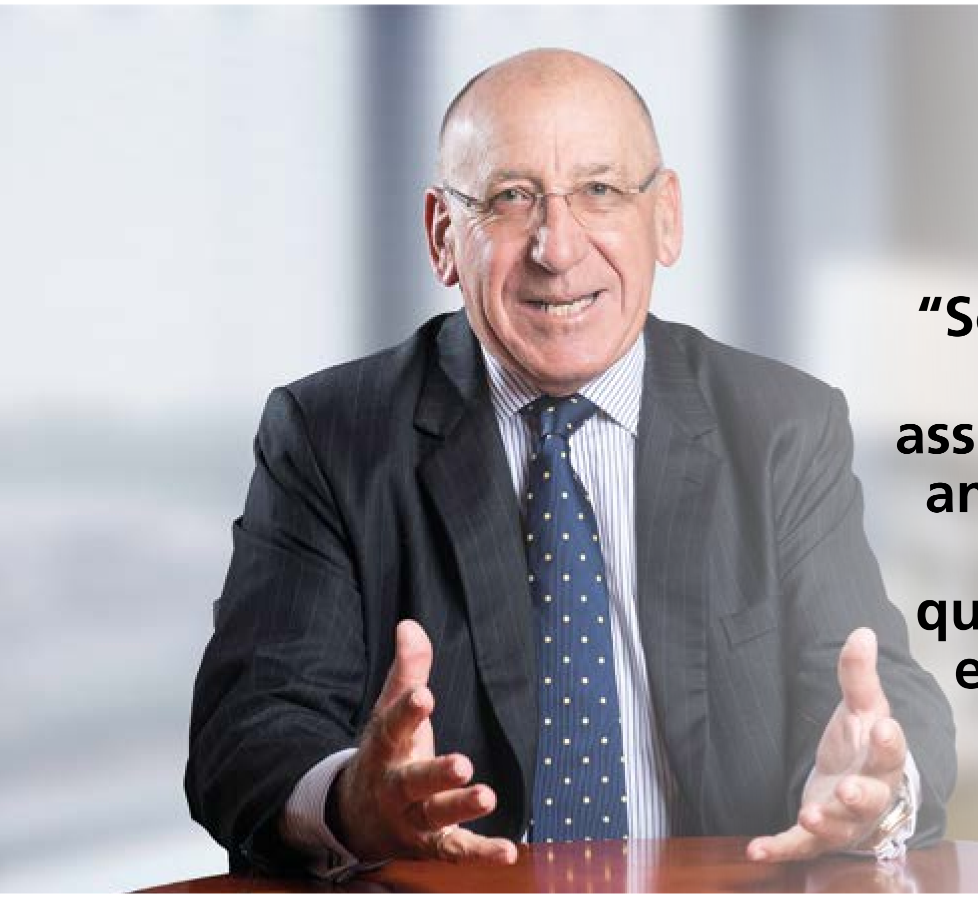
- Revenue increased by 5% in FY17 from R18.3 billion (US$1.3 billion) in FY16 to R19.3 billion (US$1.4 billion) mainly as a result of the inclusion of the realised gains on the rand gold hedges as part of revenue. The average gold price received was R570 164/kg (US$1 304/oz) compared to R544 984/kg (US$1 169/oz) received in FY16. A stable production performance resulted in a 2% increase in gold ounces sold year on year
- Production costs increased by 12% in FY17 compared to the previous year mainly as a result of the following:
  - A R749 million (US$55 million) increase in labour costs due to annual increases and a special bonus paid to all employees
  - A R358 million (US$26 million) increase in consumables due to additional expenditure on support, chemical reagents and repairs and maintenance during the year
  - As a result of the acquisition of Newcrest's 50% interest, Hidden Valley recorded a R132 million (US$10 million) increase in working costs during FY17
- Amortisation and depreciation increased by R349 million (US$26 million) in FY17 mainly due to the increase in the carrying values of depreciable assets at Doornkop following the reversal of the impairment recorded in FY16. Also contributing is the increase of on-reef reserve tonnes mined at Doornkop, Kusasalethu and Joel as well as a shorter life of mine at Kusasalethu
- Impairment of assets in FY17 includes an impairment of R785 million (US$60 million) at Target 1 resulting from the exclusion of low-grade areas from the life-of-mine plan. This, together with general pressure on margins, resulted in a decrease in the profitability of the operation over its life and contributed to the decrease in the recoverable amount. An impairment of R678 million (US$52 million) was recorded at Kusasalethu owing to the decrease in the value of the resources. In addition, an impairment of a portion of the goodwill balance for the Tshepong operations of R255 million (US$19 million) was recorded. Goodwill is tested as part of the value attributed to a cash generating unit together with the property, plant and equipment carrying values
- Gains on derivatives of R1.0 billion (US$75 million) was recorded in FY17 compared to the gain of R446 million (US$30 million) in FY16 resulting mainly from the realised gain on the foreign exchange hedging contracts
- The gain on bargain purchase relates to the Hidden Valley acquisition in FY17. Refer to note 10 in the consolidated financial statements contained in the Financial Report 2017 for further detail
- The current taxation expense increased by R365 million (US$28 million) in FY17 compared to the previous year. This was mainly due to the utilisation of the unredeemed capital balance and assessed loss in the Freegold subsidiary during FY16. Together with the gains on derivatives, which are taxed as non-mining income at a rate of 28%, this contributed to the increase in normal tax for FY17
- The weighted average deferred tax rates for most South African companies decreased as a result of decreased forecast profitability of these operations. The deferred tax rate for the Freegold subsidiary decreased from 20.0% to 12.5% and for the Randfontein subsidiary (consisting of Doornkop and Kusasalethu) decreased from 10.1% to 3.8%. The effect of these decreases resulted in the credit to the income statement in FY17
- The reconciliation of basic earnings per share to headline earnings per share is as follows:

	SA cents
Basic earnings per share	**82**
Impairment of assets*	386
Loss on scrapping of property, plant and equipment*	28
Profit on sale of property, plant and equipment*	(8)
Loss on liquidation of subsidiary	3
Gain on bargain purchase (Hidden Valley transaction)	(193)
Headline earnings per share	**298**

* *Net of tax*

Frank Abbott
Financial director
26 October 2017

AUDIT AND RISK COMMITTEE: CHAIRMAN'S REPORT



John Wetton
Chairman: audit and risk committee

"Sound governance and independent assurance confirmed an effective control environment for quality internal and external reporting and legislative compliance"

The audit and risk committee (the committee) is pleased to present its report for the financial year ended 30 June 2017. While this report is issued primarily in compliance with the statutory requirements relating to an audit committee, it also addresses certain material matters as discussed below.

Introduction

Harmony's audit and risk committee is an independent statutory committee appointed by Harmony's shareholders. In compliance with section 94 of the Companies Act of 2008 (the Act) and the principles of good governance, shareholders annually appoint certain independent directors as members of the audit committee to fulfil the statutory duties as prescribed by the Act.

In addition, Harmony's board of directors (the board) delegates specific duties to the audit committee. This report considers these statutory and delegated duties as well as the committee's responsibilities in terms of the JSE Listings Requirements. It also addresses some of the matters that the King IV Code on Corporate Governance, 2016 (King IV) advises should be considered by an audit committee.

Terms of reference

The committee has formal terms of reference, which are reviewed and updated annually as necessary (or more frequently if required) by both the committee and the board. The committee is satisfied that it has conducted its affairs in accordance with its terms of reference and has discharged its responsibilities.

The committee's terms of reference can be accessed HERE.

Composition and function

As at the date of this report, the committee comprised the following independent members:

Name	Status	Date appointed
John Wetton (chairman)	Independent non-executive director	1 July 2011 (Chairman with effect from 30 November 2011)
Fikile De Buck	Lead independent non-executive director	30 March 2006
Dr Simo Lushaba	Independent non-executive director	24 January 2003
Modise Motloba	Independent non-executive director	30 July 2004
Karabo Nondumo	Independent non-executive director	3 May 2013

For details of the qualifications, expertise and experience of the members of the audit and risk committee, refer to *Board of directors.* in the Integrated annual report 2017.

Recommendations for the appointment of members to the committee for the new financial year can be found in the notice of annual general meeting in the *Report to shareholders 2017* that accompanies the annual financial statements.

The group chief executive, the financial director, the executive: risk management and services improvement, the executive: ore reserves, the group IT manager, the external auditors, the group head of internal audit and other assurance providers attend meetings either by standing invitation or as and when required.

Roles and responsibilities

The committee is satisfied that it complied with its legal, regulatory and other responsibilities during the financial year ended 30 June 2017 (FY17). The committee's primary objective is to assist the board with its responsibilities for the management of risk, cyber security, the safeguarding of assets, oversight of financial control and reporting on internal controls, shareholder reporting and corporate governance, particularly relating to legislative and regulatory compliance.

The committee's roles and responsibilities include statutory and regulatory duties as per the Companies Act of 2008, the JSE Listings Requirements and those items recommended in the interest of good governance according to King IV. In addition, the board has assigned certain other duties to the committee, embodied in its terms of reference.

The board conducts annual reviews of the committee's duties and terms of reference as well as annual assessments of its performance, in a manner determined by the board.

No major concerns were raised by any member of the committee in FY17.

For more on the committee and its activities during the year under review, see *Corporate governance* in the Integrated annual report 2017.

The integrated annual report

The committee is responsible for overseeing the group's integrated annual report and the reporting process. This integrated annual report, which has been reviewed by the committee, focuses not only on the group's financial performance, but also its economic, social and environmental performance. This report sets out how the group has engaged with stakeholders, addressed its material issues and governed its business. The committee is satisfied with the quality and integrity of the information contained in the integrated annual report 2017 and recommended it to the board for approval.

Annual report filed on Form 20-F with the United States Securities and Exchange Commission

The committee has reviewed the annual report filed on Form 20-F for the year ended 30 June 2017 and recommended the report to the board for approval.

Annual financial statements and accounting practices

The committee has reviewed the audited annual financial statements and summarised consolidated financial statements for the year ended 30 June 2017. No significant matters were identified by the committee relating to the annual financial statements and the committee submits that they present a balanced view of the group's performance for the period under review. The statements comply with International Financial Reporting Standards and the findings as highlighted in the JSE's most recent report back on proactive monitoring of financial statements for the year ended 30 June 2017.

The committee recommended the annual financial statements and summarised consolidated financial statements to the board for approval.

External auditor appointment and independence

The audit committee is satisfied that the external auditor, PricewaterhouseCoopers (PwC), is independent of the group, as set out in section 94(8) of the Act. This opinion is based on consideration of previous appointments of the auditor and the extent of other work the auditor has undertaken for the group. In a written statement addressed to the committee, PwC confirmed that their independence complies with criteria relating to independence or conflicts of interest as prescribed by the Independent Regulatory Board for Auditors, the Public Company Accounting Oversight Board, the American Institute of Certified Public Accountants and the Securities and Exchange Commission. Requisite assurance was sought and provided by the auditor that internal governance processes within the audit firm support and demonstrate its independence.

The committee ensured that the appointment of the auditor complies with the requirements of the Act and other applicable legislation relating to the appointment of auditors. The committee, in consultation with management, agreed to the engagement letter and terms, and to the audit plan as well as scope of work performed and budgeted audit fees for the 2016/17 year.

A formal procedure has been adopted to govern the process whereby the external auditor may be considered for non-audit services and the extent of these services is closely monitored by the committee.

Fees paid to the external auditor for the year were R24 million, of which R23 million was for audit related services, R0.4 million for non-audit services and R0.6 million for tax services.

Tenure of the audit firm

PwC has been the group's external auditor for 67 years. At the annual general meeting held on 25 November 2016, PwC was reappointed as the independent external auditor and undertook to hold office until the conclusion of the 2017 annual general meeting.

The individual registered auditor responsible for the audit for the financial year ended 30 June 2017 was Mr HP Odendaal. As PwC is required to rotate the audit partner responsible for the group audit every five years, the current lead audit partner will be required to change from FY21 onwards.

Harmony further demonstrated its commitment to transformation by working with PwC to introduce an emerging black audit firm, Ngubane & Co., as part of the PwC engagement team. To facilitate the transfer of skills in the audit of mining companies and SEC registrants, Ngubane & Co. assisted PwC on the audit of Harmony's South African operations. PwC had overall responsibility for the audit and signed off the financial statements. Ngubane & Co. is a level 1 broad-based black economic empowerment company.

For the financial year ending 30 June 2018, the committee has recommended to the board that PwC be re-appointed as the group's independent external auditor and that it hold office until the conclusion of the 2018 annual general meeting.

The directors will propose the re-appointment of PwC at the annual general meeting to be held on 23 November 2017. Details can be found in the notice of annual general meeting in the *Report to shareholders 2017* that accompanies the annual financial statements.

Internal controls

The committee considers significant control deficiencies raised by management and by the internal and external auditors, and reports its findings to the board. Where weaknesses are identified, the committee ensures that management takes appropriate action.

Based on a review of the design, implementation and effectiveness of the group's system of internal financial controls conducted by the internal audit function during the year under review, and on reports made by the independent external auditors on the results of their audit and management reports, the committee is satisfied that the company's system of internal financial controls is effective and forms a basis for the preparation of reliable financial statements. No findings have come to the attention of the committee to indicate that any material breakdown in internal controls occurred during the past financial year.

Internal audit

In accordance with the requirements of King IV, the committee confirms that, having considered the effectiveness of the group head of internal audit, Ms Besky Ngunjiri, it is satisfied that she has the appropriate expertise and experience to meet the responsibilities of this position. The committee is also satisfied that the internal audit function is adequately resourced with technically competent individuals and operates both effectively and efficiently.

The committee is responsible for ensuring that the group's internal audit function is independent and has the necessary resources, standing and authority within the group to enable it to perform its duties. It oversees co-operation between the internal and external auditors, and serves as a link between the board of directors and these functions.

During FY17, the committee approved internal audit's charter and its annual audit plan. The group head of internal audit is responsible for regularly reporting the findings of the internal audit work against the agreed internal audit plan to the committee.

The group head of internal audit has direct access to the committee, primarily through its chairman. During the year, the committee met with the external auditors and with the group head of internal audit without management being present.

The committee is satisfied that the group internal audit follows an approved risk-based internal audit plan and regularly reviews the group's risk profile with necessary changes to the internal audit plan being proposed as and when deemed appropriate. Internal audit provides an overall statement as to the effectiveness of the group's governance, risk management and control processes.

Combined assurance

The committee is satisfied that the group has optimised the assurance coverage obtained from management, internal and external assurance providers, in accordance with an appropriate approved combined assurance model. The committee is also satisfied that the combined assurance model and related systems and procedures are effective in achieving the following objectives:

- Enabling an effective internal control environment
- Supporting the integrity of information used for internal decision-making by management, the board and its committees
- Supporting the integrity of external reports

Going concern

The audit committee has reviewed a documented assessment, including key assumptions prepared by management, of the going-concern status of the group. The board's statement on the going-concern status of the group, as supported by the audit committee, appears in the directors' responsibility for financial reporting section of the integrated annual report.

Governance of risk

The audit committee fulfils a dual function, being both an audit committee and a risk committee. Internal audit conducts regular and full assessments of the risk management function and framework. The committee is satisfied with the effectiveness of its oversight of the governance of risk in the group. A detailed report on risk, as recommended in King IV, is contained in this integrated annual report. See *Managing risks and opportunities* in the Integrated annual report 2017.

Information and technology governance

The committee intensified its focus on the group's governance of information and technology. The committee considered and approved a technology and information governance framework and strategy to be implemented to manage information and technology as well as to identify any associated risks.

During the period under review, inter alia, management reviewed and expanded Harmony's disaster recovery measures, implemented a streamlined systems development life cycle and ensured the availability of adequately skilled resources to support operational and project initiatives.

The committee's terms of reference were updated during May 2017 to include the King IV recommendations regarding the governance of information and technology. This will be a focus area for the committee in FY18.

Evaluation of the expertise and experience of the financial director and the finance function

The audit committee is satisfied that the financial director has the appropriate expertise and experience to execute his designated functions. The expertise, experience and adequacy of the resources making up the finance function were also considered and the committee is satisfied that these are appropriate.

Subsequent events

On 19 October 2017, Harmony announced that it would acquire AngloGold Ashanti Limited's Moab Khotsong and Great Noligwa mines together with other assets and related infrastructure for a cash consideration of the rand equivalent of US$300 million. The transaction is subject to approval from Harmony's shareholders and other conditions precedent, including regulatory approvals. The board has unanimously approved the transaction and has resolved to recommend the transaction to shareholders.

John Wetton
Chairman of the Audit and Risk Committee
26 October 2017

DIRECTORS' REPORT

OUR BUSINESS

The Harmony group of companies has underground and surface operations and conducts gold mining and exploration in South Africa and Papua New Guinea. A general review of the group's business and operations is provided in *Operational performance* in the Integrated annual report 2017.

The company does not have a controlling shareholder and is managed by its directors on behalf of all of its shareholders. The company's primary listing is in South Africa on the securities exchange operated by the JSE Limited. Harmony's ordinary shares are also listed in the form of American Depositary Receipts on the New York Stock Exchange and as International Depositary Receipts on the Berlin Exchange.

Annual integrated report 2017

As required by the King IV Report on Governance for South Africa, 2016 (King IV report) and the JSE Listings Requirements, the board has reviewed and approved the Integrated Annual Report 2017 on the recommendation of the audit and risk committee, supported by the social and ethics committee.

Statement by the board

The board of directors is of the opinion that the Integrated Annual Report 2017 and the accompanying consolidated financial statements fairly reflect the true financial position of the group at 30 June 2017 and its performance for the year.

Company secretary

The company secretary is Riana Bisschoff. Her business and postal addresses appear on the inside back cover of this report. The company secretary's certificate is found in the Integrated Annual Report 2017.

Board of directors

Cathie Markus resigned as an independent non-executive director on 9 February 2017. Peter Steenkamp was reappointed as director by the board and will be presented to the shareholders for appointment at the company's 2017 annual general meeting.

There were no further changes to the board during FY17.

Directors' shareholdings

At 30 June 2017, the financial director, Frank Abbott held 606 742 shares and executive director, Mashego Mashego, held 593 shares in Harmony while non-executive directors André Wilkens and Ken Dicks, held 101 303 and 35 000 shares in Harmony respectively. None of the directors' immediate families and associates held any direct shareholding in the company's issued share capital. No other director held or acquired any shares in the company, other than through share incentive schemes (executive directors only), during FY17. Refer to the *Remuneration report* in the Integrated Annual Report 2017 for details of share incentives awarded to executive directors.

Going concern

In accordance with the solvency and liquidity test in terms of section 4 of the Companies Act, the board is of the opinion that the company has adequate resources and that the:

- company's assets, fairly valued, exceed the fair value of its liabilities
- company will be able to pay its debts as they become due in the ordinary course of business for the 12 months following 30 June 2017

Financial results

Details of the group's financial performance are discussed in the Financial Director's Report. The audited consolidated and company annual financial statements are included in the Financial Report 2017 which is available online at *www.har.co.za/17/download/HAR-FR17.pdf.*

Share capital

Full details of the authorised, issued and unissued share capital of the company as at 30 June 2017 are set out in the consolidated statements of changes in shareholders' equity in the Financial Report 2017 (*www.har.co.za*).

Shareholders

Information on shareholder spread, the range of shareholdings and public shareholders, as well as major shareholders, is presented in the Shareholders' information section in this Integrated Annual Report 2017.

Investments

A schedule of investments in subsidiaries, associates and joint arrangements appears in the Financial Report 2017 (*www.har.co.za/17/download/HAR-FR17.pdf*).

Contingencies

None of Harmony's properties is the subject of pending material legal proceedings. We are involved in legal and arbitration proceedings that are incidental to the normal conduct of our business. Refer to note 35 of the consolidated financial statements for further discussion.

Borrowings

(i) Movement in borrowings: see note 29 to the consolidated financial statements

(ii) Borrowing powers are detailed in the company's memorandum of incorporation

Disposals

There were no material disposals during FY17.

Acquisitions

On 19 September 2016 Harmony announced the agreement to purchase Newcrest PNG 1 Ltd, the wholly owned subsidiary of Newcrest which holds Newcrest's 50% interest in the Hidden Valley joint venture, for a cash consideration of US$1. As part of the transaction, Newcrest made a once-off contribution of US$22.5 million (R309 million) towards Hidden Valley's future estimated environmental liability. The transaction was conditional upon certain regulatory approvals which were obtained on 25 October 2016 and Harmony gained control over Hidden Valley from this date.

Related party transactions

None of the directors or major shareholders of Harmony or, to Harmony's knowledge, their families, had an interest, directly or indirectly, in any transaction during the period under review or in any proposed transaction that has affected or will materially affect Harmony or its subsidiaries, other than as discussed below.

Modise Motloba, Harmony's deputy chairman, is a director of Tysys Limited. Tysys Limited entered into a contract with the group in February 2017 to provide services relating to the group's small and medium enterprise development projects. The contract has a value of up to R4.8 million (US$0.4 million) per annum, with approximately R1 million having been paid during FY17. The contract has a 30-day notice period.

Material transactions with associates, joint arrangements and structured entities

Refer to note 34 of the consolidated financial statements for details on transactions conducted during the period under review.

Recent developments

After 30 June 2017, a new increased US$350 million, three-year facility was negotiated on similar terms to the previous facility of US$250 million. The new facility matures on 15 August 2020. The syndicate consists of Nedbank Limited, ABSA Bank Limited, JP Morgan Chase Bank, Caterpillar Financial Services Corporation, HSBC Bank plc, State Bank of India, Citibank as well as the Bank of China.

On 15 August 2017, the board declared a final dividend for the 2017 year of 35 SA cents per share, payable on 16 October 2017.

On 19 October 2017, Harmony announced that it would acquire AngloGold Ashanti Limited's Moab Khotsong and Great Noligwa mines together with other assets and related infrastructure for a cash consideration of the rand equivalent of US$300 million. The transaction is subject to approval from Harmony's shareholders and other conditions precedent, including regulatory approvals. The board has unanimously approved the transaction and has resolved to recommend the transaction to shareholders.

Independent auditor's report

To the Shareholders of Harmony Gold Mining Company Limited

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Harmony Gold Mining Company Limited (the Company) and its subsidiaries (together the Group) as at 30 June 2017, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Harmony Gold Mining Company Limited's consolidated and separate financial statements set out on pages 27 to 132 comprise:

- the consolidated and separate balance sheets as at 30 June 2017;
- the consolidated and separate income statements for the year then ended;
- the consolidated and separate statements of comprehensive income for the year then ended;
- the consolidated and separate statement of changes in shareholders' equity for the year then ended;
- the consolidated and separate cash flow statements for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report.

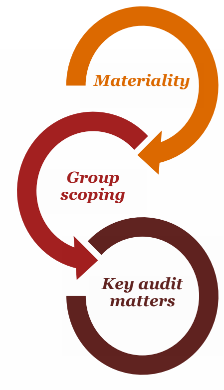
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the *Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B).

Our audit approach

Overview



Overall group materiality

- Overall group materiality: R125 million, which represents 5% of the three year adjusted average consolidated profit or loss before tax from continuing operations.

Group audit scope

- The group consists of operations in South Africa and Papua New Guinea (PNG). Full scope audits were performed for seven operating gold mining companies.

Key audit matters

- Impairment of non-financial assets and life of mine (LOM) estimation;
- Derivative financial instruments and hedge accounting;
- Hidden Valley - Acquisition of remaining interest in joint operation; and
- Provision for silicosis settlement.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated and separate financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	R125 million
How we determined it	5% of the three year adjusted average consolidated profit or loss before tax from continuing operations.
Rationale for the materiality benchmark applied	We chose the three year adjusted average consolidated profit or loss before tax from continuing operations because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users. The consolidated profit or loss before tax was adjusted to exclude exceptional once off items such as the gain on bargain purchase recorded within the financial period ended 30 June 2017, which are not reflective of the ongoing operations of the business. Also due to the fluctuations in the year-on-year consolidated profit or loss before tax, it was considered more appropriate to use a three year average consolidated profit before tax. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group operates in two countries: South Africa and PNG with seven operating gold mining companies. We conducted full scope audit procedures at all seven operating gold mining companies. We concluded that all other entities within the Group are financially inconsequential. The operating gold mining entities are split into separate mining operations, namely South Africa Underground, South Africa Surface and International operations – refer to segment information (note 37). The operating gold mining companies were identified to be in scope for a full scope audit based on scoping benchmarks such as the company's contribution to key financial statement line items (profit before tax, revenue, net assets and total assets), risk associated with the company, as well as statutory audit requirements related to the companies.

In establishing the overall approach to the group audit, we determined the type of work that needed to be performed by us, as the group engagement team, or component auditor from the other PwC network firm under our instruction. Where the work was performed by a component auditor, we determined the level of involvement we needed to have in the audit work from the component to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	*How our audit addressed the key audit matter*
Impairment of non-financial assets and life-of-mine estimation *This key audit matter relates to the consolidated financial statements.*	
Refer to note 6 (Cost of sales), note 15 (Property, plant and equipment) and note 16 (Intangible assets) to the consolidated financial statements on pages 45, 55 and 60. For the purpose of assessing impairment of non-financial assets, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units or CGUs). Management has identified each operating shaft, along with allocated common assets such as plant and administrative offices, as a CGU. In performing the impairment assessment for CGUs, management have used discounted cash flow models and/or valuation of mineral resources beyond approved mine plans.	We gained an understanding of management's process for identifying impairment indicators, as well as their conclusions reached. We further gained an understanding as to how impairments were considered by management across the long-lived assets as well as the methodologies and models used. We tested the controls over the review of the impairment and life-of-mine models, budgeting and forecasting process and determination of key estimates (including the determination of the reserves and resources used within the valuations of the CGUs, resource multiples, post-tax real discount rates applied, commodity prices and exchange rates assumptions). We evaluated management's discounted cash flow models for the CGUs against life-of-mine plans and our understanding of the operations, and tested the key estimates and assumptions used by management in each discounted cash flow model by performing procedures which included: • We verified the mathematical accuracy of the cash flow models and agreed the inputs to

Key audit matter	How our audit addressed the key audit matter
Impairment of non-financial assets and life-of-mine estimation (continued) For purposes of management's impairment assessment of the undeveloped properties the recoverable amount is based on the fair value of attributable resource values. Key assumptions for the calculations of the recoverable amounts are the commodity prices, resource values, market discount rates, exchange rates and the annual life-of-mine plans. In determining the commodity prices and resource values to be used, management assesses the long-term views of several reputable institutions on commodity prices and based on this, derives the commodity prices and resource values. The life-of-mine plans are based on the proved and probable reserves as included in the Reserve Declaration, which are determined in terms of South African Code for Reporting Exploration Results, Mineral Resources and Mineral Reserves (SAMREC) and The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC), as well as resources where management has high confidence in the orebody and economical recovery of gold, based on historic and similar geological experience. An impairment loss was recognised for three CGUs where the carrying value was greater than the estimated recoverable value. The impairment assessment was a matter of most significance to our current year audit due to the significant judgment involved in the valuation of those CGUs as well as the magnitude of the impairments recognised in the current year.	supporting documentation, such as the approved business plan and life-of-mine plan; • Tested the accuracy of the model used by management by performing an independent recalculation and comparing the results of our calculation with theirs; • Production volumes per the life-of-mine plan assumption were compared to reserves signed off by the Group's Competent Person and to existing production volumes and approved business plans; • Life-of-mine plan operating and capital costs and unit costs incurred were compared to budgeted and actual costs for reasonableness; • Making use of our valuations expertise we tested the long-term real commodity prices by benchmarking the prices against analysts' forecasts. Based on the work performed, we found management's assumption to be within a reasonable range of possible prices; • Making use of our valuations expertise we tested the long-term exchange rates (R/US$ and PGK/US$) by benchmarking the exchange rates against analysts' forecasts. Based on the work performed, we found management's assumption to be within a reasonable range; and • We further made use of our valuations expertise to independently calculate the discount rates, taking into account independently obtained data. While our discount rate is, itself, subjective, the discount rate adopted by management fell within an acceptable range from our independent calculation. We tested the outside life-of-mine resource ounces by reconciling the remaining ounces of total resources as signed off by the Group's Competent Person after the deduction of the in life-of-mine resource ounces to the outside life-of-mine resource ounces used within the valuation calculation of the CGUs. In considering the accuracy of the value of resources outside the life-of-mine plans we used our valuations expertise to independently calculate the resource multiples by benchmarking the valuation against comparable companies within the mining industry. Based on our independent calculation, management's resource multiple was found to be within an acceptable range. We assessed management's sensitivity assessments by performing our own sensitivity calculations in respect of short and long term gold and silver prices, discount rates, inflation rates and operational performance, and considered the appropriateness of related disclosures given in notes to the financial statements.

Key audit matter	How our audit addressed the key audit matter

Derivative financial instruments and hedge accounting

This key audit matter relates to the consolidated and separate financial statements.

Refer to note 4 (Financial risk management), note 5 (Revenue), note 7 (Gains on derivatives) and Note 20 (Derivative financial assets) to the consolidated financial statements on pages 39, 45, 46 and 65 and note 2 (Gains on derivative) and note 13 (Derivative financial assets) to the separate financial statements on pages 96 and 105.

The Group entered into a number of derivative financial instruments (Rand gold forward sale contracts, US dollar gold forward sale contracts, silver zero cost collars and Rand/US dollar zero cost collars) to hedge foreign currency and commodity price risks as a result of the volatile macro-economic environment. These derivative financial instruments are accounted for at fair value through profit and loss.

Cash flow hedge accounting is applied to the Rand gold forward sale derivative contracts within the consolidated financial statements. Hedge accounting is not applied to any of the other derivatives entered into during the year. Hedge accounting is not applied within the separate financial statements.

The Group has non-current and current derivative financial assets of R306 million and R1 541 million, respectively, and recognised hedging gains of R728 million within revenue, R1 025 million in Gains on derivatives and remeasurement gains for the Rand gold hedging contracts of R1 143 million within other comprehensive income.

This area was considered to be a matter of most significance to the current year audit for the following reasons:

- The accounting for these derivative financial instruments and the related hedge documentation requirements is complex and involves the application of management judgement; and
- The valuation of these derivatives financial instruments involves significant management

We tested the internal controls over the valuations of the derivative financial instruments, the accounting for Rand gold forward sale contracts and the relevant hedge accounting documentation.

We assessed the Rand gold forward sale contract hedge documentation and utilised our financial instrument expertise to consider whether the effects of hedge accounting and hedge accounting documentation are appropriately accounted for in terms of IFRS.

We utilised our internal actuarial expertise to independently calculate the value of significant open derivative financial instruments at year-end. Management's calculated fair value fell within our independently calculated fair value range.

We obtained counterparty confirmations and agreed the details per the derivative financial instruments book to the confirmations received, noting no exceptions.

We agreed premiums paid and settlements during the year to supporting documentation based on risk and materiality and recalculated the gains and losses recorded in the income statement on a sample basis, noting no exceptions.

We assessed the Group's disclosures relating to derivative financial instruments and hedge accounting in the notes to the consolidated and separate financial statements, including the sensitivities provided with respect to the Group's cash flow hedges and derivatives held for trading, against the requirements of the relevant accounting standards.

Key audit matter	How our audit addressed the key audit matter
Derivative financial instruments and hedge accounting (continued)	
judgement and the magnitude of the profits recognised from the derivatives is significant compared to the overall profit for the period.	
Hidden Valley - Acquisition of remaining interest in joint operation *This key audit matter relates to the consolidated financial statements.*	
Refer to note 10 (Gain on bargain purchase) to the consolidated financial statements on page 47. As a result of the acquisition of Hidden Valley, a gain on bargain purchase amounting to R848 million (US$60 million) was recorded within profit and loss. The gain on bargain purchase arose as the difference between the cash consideration paid of US$1 and the net fair value of identifiable assets acquired and liabilities assumed of R848 million. The determination of the fair value assets and liabilities is complex and management have applied significant estimates and judgements in determining the key assumptions. Key assumptions for the calculations of the net fair value of assets acquired and liabilities assumed are the commodity prices, resource values, market discount rates, exchange rates and the annual life-of-mine plan. The acquisition was a matter of most significance to our current year audit due to the significant judgment involved in the valuation of the net fair value of assets acquired and liabilities assumed as well as the magnitude of the gain on bargain purchase recognised in the current year.	Through inquiry and inspection of management's documented process we gained an understanding of management's process to identify all separately identifiable assets acquired and liabilities assumed and the conclusions reached. We tested the internal controls over the review of life-of-mine models, budgeting and forecasting process, purchase price allocation and determination of key estimates within the determination of the fair value of the identifiable assets acquired and liabilities assumed including the internal controls over the measurement period. We assessed the professional competence, objectivity and capabilities of management's external valuations experts involved in the valuation of the Hidden Valley operations at the transaction date. We evaluated management's discounted cash flow model against the life-of-mine plans and our understanding of the operations and tested the key estimates and assumptions used by management on the transaction date by performing the following procedures: • We verified the mathematical accuracy of the cash flow models and agreed the inputs to supporting documentation, such as the approved business plan and life-of-mine plan; • We tested the accuracy of the model used by management by performing an independent recalculation and comparing the results of our calculation with theirs; • Production volumes per the life-of-mine plan assumption were compared to reserves signed off by the Group's Competent Person and to existing production volumes and approved business plans; • Life-of-mine plan operating and capital costs and unit costs incurred were compared to budgeted and actual costs for reasonableness; • Making use of our valuations expertise we tested the long-term real gold and silver prices by benchmarking the price against analysts' forecasts. Based on the work performed, we found management's assumption to be within a reasonable range of possible prices;

Key audit matter	*How our audit addressed the key audit matter*
Hidden Valley – Acquisition of remaining interest in joint operation (continued)	
	• Making use of our valuations expertise we tested the long-term exchange rates (PGK/US$) by benchmarking the exchange rates against analysts' forecasts. Based on the work performed, we found management's assumption to be within a reasonable range; and • We further made use of our valuations expertise to independently calculate the discount rates, taking into account independently obtained data. The discount rate adopted by management fell within an acceptable range from our independent calculation. We applied our independently calculated discount rates to management's cash flows to determine the sensitivity of the fair value assessment. We tested the outside life-of-mine resource ounces by reconciling the remaining ounces of total resources as signed off by the Group's Competent Person after the deduction of the in life-of-mine resource ounces to the outside life-of-mine resource ounces used within the Hidden Valley valuation calculation. In considering the accuracy of the value of resources outside the life-of-mine plans we used our valuations expertise to independently calculate the resource multiple by benchmarking the valuation against comparable market data. Based on our independent calculation, management's resource multiple was found to be within an acceptable range. We inspected the purchase price allocation and the accounting treatment (in accordance with IFRS 3) of the Group's existing interest in the Hidden Valley Joint Venture prior to the transaction through comparison of the October 2016 and June 2016 life-of-mine plans, reference to impairment calculation performed as at 30 June 2016 and through inspection of supporting documentation such as invoices considered whether revenue and expense transactions before and after transaction date were accounted for in the correct period. We agreed the consideration paid to the relevant purchase agreement and independently recalculated the gain on bargain purchase as recorded within profit and loss for the period.
Provision for silicosis settlement *This key audit matter relates to the consolidated and separate financial statements.* Refer to note 27 (Provision for silicosis settlement) to the consolidated financial statements on page 71 and note 21 (Provision for silicosis settlement) to the separate financial statements on page 110.	We tested management's internal controls over the calculation and review of the provision for silicosis settlement.

Key audit matter	How our audit addressed the key audit matter
Provision for silicosis settlement (continued)	
Class action litigation was instituted against the Company and other gold mining companies (together the working group) during May 2016. This follows numerous previous cases brought on by individuals seeking damages allegedly having contracted silicosis and tuberculosis ("TB") underground. As a result of the progress made by the working group and the status of negotiations with affected stakeholders, management can reasonably estimate the Company's share of a possible settlement of the class action claims and related costs within an acceptable range. A pre-tax charge of R917 million has been recognised in the results for the year ending 30 June 2017 for the Group (R717 million for the Company). Management makes use of an independent external actuarial valuation expert to assist them to calculate the settlement provision. The valuation of the provision requires the use of appropriate assumptions, of which the most key include the estimated settlement amount per claimant, benefit take up rates, silicosis prevalence rates and disease progression rates. The assumptions used in determining the provision for silicosis settlement were informed by historic information, published academic research and professional opinion. This area was considered to be a matter of most significance to the current year audit given the magnitude of the provision upon initial recognition and the inherent complexity and related judgment required in the measurement of the provision for silicosis settlement.	We confirmed the provision with an independent actuary (management's external expert) with significant experience in similar calculations. We assessed the professional competence, objectivity and capabilities of this independent actuary. We made use of our internal actuarial expertise to assess the adequacy of the work of the independent actuary. This involved evaluation of the appropriateness of the model used and methodologies applied in determining the provision for silicosis settlement. Based on our work performed, we accepted the work of the independent actuary. We further made use of our internal actuarial expertise to assess the adequacy of the work of management's external expert relating to the assumptions used in calculating the provision, and in particular the benefit take up rates, the silicosis prevalence rates and the disease progression rates. We found the assumptions to be consistent with the historic information, published academic research and professional opinion that we inspected. We independently inquired from the working group's legal representative about the estimated settlement amount per claimant under negotiation which was used within the model to determine the provision for silicosis settlement. Furthermore, we made use of our internal actuarial expertise to assess the accuracy of the related sensitivity disclosures presented in note 27 to the consolidated financial statements and note 21 to the separate financial statements.

Other information

The directors are responsible for the other information. The other information comprises the Directors' Report, the Audit and Risk Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, and the other information contained in the Integrated Annual Report, which we obtained prior to the date of this auditor's report. Other information does not include the financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw

attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Harmony Gold Mining Company Limited for sixty-seven years.

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc.
Director: HP Odendaal
Registered Auditor
Sunninghill

26 October 2017

DIRECTORS' STATEMENT OF RESPONSIBILITY

FINANCIAL STATEMENTS

The directors have the pleasure in presenting the complete consolidated and company annual financial statements (collectively the annual financial statements) for the year ended 30 June 2017 and the summarised consolidated financial statements (included in the Report to Shareholders) for the same period. The annual financial statements were audited by PricewaterhouseCoopers Inc. who expressed an unmodified opinion thereon. The audited annual financial statements and the auditor's report thereon are available for inspection at the company's registered office. The summarised consolidated financial statements are extracted from audited financial statements, but are not themselves audited.

The annual financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) and IFRIC Interpretations (collectively IFRS), the SAICA Financial Reporting Guidelines as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council and the Companies Act of South Africa.

The directors are responsible for the preparation, integrity and fair presentation of the annual financial statements of the company and its subsidiaries. The annual financial statements have been prepared by Harmony Gold Mining Company Limited's corporate reporting team, headed by Herman Perry CA(SA). This process was supervised by the financial director, Frank Abbott CA(SA). The directors take full responsibility for the preparation of the summarised report and the financial information has been correctly extracted from the underlying consolidated annual financial statements.

The directors are also responsible for the maintenance of effective systems of internal control which are based on established organisational structure and procedures. These systems are designed to provide reasonable assurance as to the reliability of the annual financial statements, and to prevent and detect material misstatement and loss.

Nothing has come to the attention of the board that caused it to believe that the systems of internal controls and risk management are not effective for the period under review and that the internal financial controls do not form a sound basis for the preparation of reliable financial statements. The board's opinion is underpinned by the audit and risk committee's statement.

The annual financial statements have been prepared on a going concern basis and the directors believe that the company and group will continue to be in operation in the foreseeable future.

APPROVAL

The annual financial statements were approved by the board of directors and signed on its behalf by:

PW Steenkamp
Chief executive officer
Randfontein
South Africa

F Abbott
Financial director
Randfontein
South Africa

26 October 2017

GROUP INCOME STATEMENTS

for the years ended 30 June 2017

SA rand				US dollar	
2016	2017	*Figures in million*	Notes	2017	2016
18 334	**19 264**	Revenue	5	**1 416**	1 264
(15 786)	**(19 639)**	Cost of sales	6	**(1 448)**	(1 088)
(13 250)	**(14 812)**	Production costs		**(1 089)**	(914)
(2 170)	**(2 519)**	Amortisation and depreciation		**(185)**	(149)
43	**(1 718)**	(Impairment)/reversal of impairment of assets		**(131)**	3
(409)	**(590)**	Other items		**(43)**	(28)
2 548	**(375)**	**Gross profit/(loss)**		**(32)**	176
(409)	**(517)**	Corporate, administration and other expenditure		**(38)**	(28)
(191)	**(241)**	Exploration expenditure		**(18)**	(13)
446	**1 025**	Gains on derivatives	7	**75**	30
(802)	**(886)**	Other operating expenses	8	**(68)**	(54)
1 592	**(994)**	**Operating profit/(loss)**	9	**(81)**	111
-	**848**	Gain on bargain purchase	10	**60**	-
-	**(14)**	Loss on liquidation of subsidiaries		**(1)**	-
7	**(22)**	Profit/(loss) from associate	21	**(1)**	-
256	**268**	Investment income	11	**20**	17
(274)	**(234)**	Finance costs	12	**(17)**	(19)
1 581	**(148)**	**Profit/(loss) before taxation**		**(20)**	109
(632)	**510**	Taxation	13	**37**	(43)
949	**362**	**Net profit for the year**		**17**	66
		Attributable to:			
949	**362**	Owners of the parent		**17**	66
		Earnings per ordinary share (cents)			
218	**82**	**Total earnings**	14	**4**	15
		Diluted earnings per ordinary share (cents)			
213	**79**	**Total diluted earnings**	14	**4**	15

These are the consolidated financial statements of Harmony Gold Mining Company Limited and its subsidiaries. For the separate financial statements of the company, refer to page 91 to 129.

The accompanying notes are an integral part of these consolidated financial statements.

GROUP STATEMENTS OF COMPREHENSIVE INCOME

for the years ended 30 June 2017

SA rand 2016	SA rand 2017	Figures in million	Notes	US dollar 2017	US dollar 2016
949	**362**	Net profit for the year		**17**	66
143	**818**	Other comprehensive income/(loss) for the year, net of income tax		**309**	(375)
139	**821**	Items that may be reclassified subsequently to profit or loss	25	**309**	(375)
139	**(322)**	Foreign exchange translation gain/(loss)		**225**	(375)
-	**1 143**	Remeasurement of Rand gold hedging contracts		**84**	-
4	**(3)**	Items that will not be reclassified to profit or loss:	25	**-**	-
4	**(3)**	Remeasurement of retirement benefit obligation		**-**	-
1 092	**1 180**	**Total comprehensive income/(loss) for the year**		**326**	(309)
		Attributable to:			
1 092	**1 180**	Owners of the parent		**326**	(309)

The accompanying notes are an integral part of these consolidated financial statements.

GROUP BALANCE SHEETS

SA rand				US dollar	
At 30 June 2016	At 30 June 2017	*Figures in million*	Notes	At 30 June 2017	At 30 June 2016
		ASSETS			
		Non-current assets			
29 919	**30 044**	Property, plant and equipment	15	**2 292**	2 033
870	**603**	Intangible assets	16	**46**	59
62	**64**	Restricted cash	17	**5**	4
2 496	**2 658**	Restricted investments	18	**203**	170
-	**46**	Investments in associates	21	**4**	-
5	**4**	Investments in financial assets		**-**	-
37	**38**	Inventories	23	**3**	3
172	**185**	Trade and other receivables	19	**14**	12
-	**306**	Derivative financial assets	20	**24**	-
33 561	**33 948**	**Total non-current assets**		**2 591**	2 281
		Current assets			
1 167	**1 127**	Inventories	23	**86**	79
17	**18**	Restricted cash	17	**1**	1
660	**1 003**	Trade and other receivables	19	**76**	44
369	**1 541**	Derivative financial assets	20	**117**	25
1 256	**1 246**	Cash and cash equivalents		**95**	85
3 469	**4 935**	**Total current assets**		**375**	234
37 030	**38 883**	**Total assets**		**2 966**	2 515
		EQUITY AND LIABILITIES			
		Share capital and reserves			
28 336	**28 336**	Share capital	24	**4 036**	4 036
4 252	**5 441**	Other reserves	25	**(1 255)**	(1 591)
(4 409)	**(4 486)**	Accumulated loss		**(547)**	(531)
28 179	**29 291**	**Total equity**		**2 234**	1 914
		Non-current liabilities			
2 413	**1 702**	Deferred tax liabilities	13	**130**	164
2 183	**2 638**	Provision for environmental rehabilitation	26	**201**	148
-	**917**	Provision for silicosis settlement	27	**70**	-
169	**179**	Retirement benefit obligation	28	**14**	11
2 039	**299**	Borrowings	29	**23**	139
16	**13**	Trade and other payables	30	**1**	1
6 820	**5 748**	**Total non-current liabilities**		**439**	463
		Current liabilities			
300	**1 834**	Borrowings	29	**140**	20
1 731	**2 010**	Trade and other payables	30	**153**	118
2 031	**3 844**	**Total current liabilities**		**293**	138
37 030	**38 883**	**Total equity and liabilities**		**2 966**	2 515

The accompanying notes are an integral part of these consolidated financial statements.

GROUP STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

for the years ended 30 June 2017

	Number of ordinary shares issued	Share capital	Share premium	Accumu-lated loss	Other reserves	Total
Notes	24	24			25	
Figures in million (SA rand)						
Balance - 30 June 2015	436 187 133	216	28 108	(5 358)	3 787	26 753
Issue of shares						-
- Exercise of employee share options	1 077 346	1	-	-	-	1
- Shares issued to the Tlhakanelo Employee Share Trust	35 000	-	-	-	-	-
Share-based payments	-	-	-	-	322	322
Reversal of provision for odd lot repurchases	-	-	11	-	-	11
Net profit for the year	-	-	-	949	-	949
Other comprehensive income for the year	-	-	-	-	143	143
Balance - 30 June 2016	437 299 479	217	28 119	(4 409)	4 252	28 179
Issue of shares						
- Exercise of employee share options	**2 657 720**	**-**	**-**	**-**	**-**	**-**
Share-based payments	**-**	**-**	**-**	**-**	**371**	**371**
Net profit for the year	**-**	**-**	**-**	**362**	**-**	**362**
Other comprehensive income for the year	**-**	**-**	**-**	**-**	**818**	**818**
Dividends paid	**-**	**-**	**-**	**(439)**	**-**	**(439)**
Balance - 30 June 2017	**439 957 199**	**217**	**28 119**	**(4 486)**	**5 441**	**29 291**
Figures in million (US dollar)						
Balance - 30 June 2015	436 187 133	33	4 002	(597)	(1 238)	2 200
Issue of shares						
- Exercise of employee share options	1 077 346	-	-	-	-	-
- Shares issued to the Tlhakanelo Employee Share Trust	35 000	-	-	-	-	-
Share-based payments	-	-	-	-	22	22
Reversal of provision for odd lot repurchases	-	-	1	-	-	1
Net profit for the year	-	-	-	66	-	66
Other comprehensive loss for the year	-	-	-	-	(375)	(375)
Balance - 30 June 2016	437 299 479	33	4 003	(531)	(1 591)	1 914
Issue of shares						
- Exercise of employee share options	**2 657 720**	**-**	**-**	**-**	**-**	**-**
Share-based payments	**-**	**-**	**-**	**-**	**27**	**27**
Net profit for the year	**-**	**-**	**-**	**17**	**-**	**17**
Other comprehensive income for the year	**-**	**-**	**-**	**-**	**309**	**309**
Dividends paid	**-**	**-**	**-**	**(33)**	**-**	**(33)**
Balance - 30 June 2017	**439 957 199**	**33**	**4 003**	**(547)**	**(1 255)**	**2 234**

The accompanying notes are an integral part of these consolidated financial statements.

GROUP CASH FLOW STATEMENTS

for the years ended 30 June 2017

SA rand				US dollar	
2016	2017	*Figures in million*	Notes	2017	2016
		CASH FLOW FROM OPERATING ACTIVITIES			
4 659	**4 346**	Cash generated by operations	31	**320**	322
74	**75**	Interest received		**6**	5
(155)	**(79)**	Interest paid		**(6)**	(11)
(65)	**(538)**	Income and mining taxes paid		**(40)**	(4)
4 513	**3 804**	**Cash generated by operating activities**		**280**	312
		CASH FLOW FROM INVESTING ACTIVITIES			
(12)	**(1)**	Increase in restricted cash		**-**	(1)
39	**7**	Decrease in amounts invested in restricted investments		**1**	3
7	**-**	Loan to associate repaid		**-**	-
-	**459**	Cash on acquisition of Hidden Valley	31	**33**	-
(200)	**-**	Loan to ARM BBEE Trust		**-**	(14)
(1)	**-**	Additions to intangible assets		**-**	-
5	**42**	Proceeds from disposal of property, plant and equipment		**3**	-
(2 437)	**(3 890)**	Additions to property, plant and equipment		**(286)**	(168)
(2 599)	**(3 383)**	**Cash utilised by investing activities**		**(249)**	(180)
		CASH FLOW FROM FINANCING ACTIVITIES			
300	**699**	Borrowings raised	29	**54**	24
(2 045)	**(710)**	Borrowings paid	29	**(50)**	(138)
-	**(439)**	Dividends paid		**(33)**	-
(1 745)	**(450)**	**Cash utilised by financing activities**		**(29)**	(114)
20	**19**	**Foreign currency translation adjustments**		**8**	(21)
189	**(10)**	Net increase/(decrease) in cash and cash equivalents		**10**	(3)
1 067	**1 256**	Cash and cash equivalents - beginning of year		**85**	88
1 256	**1 246**	**Cash and cash equivalents - end of year**		**95**	85

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the years ended 30 June 2017

1 GENERAL INFORMATION

Harmony Gold Mining Company Limited (the company) and its subsidiaries (collectively Harmony or the group) are engaged in gold mining and related activities, including exploration, extraction and processing. Gold bullion, the group's principal product, is currently produced at its operations in South Africa and Papua New Guinea (PNG).

The company is a public company, incorporated and domiciled in South Africa. The address of its registered office is Randfontein Office Park, Corner Main Reef Road and Ward Avenue, Randfontein, 1759.

The consolidated and company financial statements (the annual financial statements) were authorised for issue by the board of directors on 26 October 2017.

2 ACCOUNTING POLICIES

BASIS OF PREPARATION

The principal accounting policies applied in the preparation of the annual financial statements have been consistently applied in all years presented, except for the accounting policy on hedge accounting (refer to note 2.3) which was only applicable during 2017.

The line items Social investment expenditure, Loss on scrapping of property, plant and equipment and Foreign exchange translation were presented separately in the income statement for 2016. These line items have been included within Other operating expenses for 2017. The gains arising from the foreign exchange hedging contracts were previously included as part of the foreign exchange translation gain/loss line. The derivative gains and losses are now included in the gains from derivatives. As a result, the foreign exchange translation gain/loss has been re-presented for 2016 to exclude the gains on derivatives.

The annual financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) and IFRIC Interpretations (collectively IFRS), the SAICA Financial Reporting Guidelines as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council (FRSC), the JSE Listings Requirements and the Companies Act of South Africa.

The annual financial statements have been prepared on a going concern basis.

The annual financial statements have been prepared to the nearest million and rounding may cause differences.

RECENT ACCOUNTING DEVELOPMENTS

New standards, amendments to standards and interpretations to existing standards adopted by the group

The standards and amendments to standards that became effective during the 2017 year did not have an impact on the annual financial statements with the exception of the following:

Pronouncement	Title	Effective date
IFRS 11 (Amendments)	*Joint Arrangements* - Acquisitions of interests in joint operations	1 Jaunary 2016

New standards, amendments to standards and interpretations to existing standards that are not yet affective and have not been early adopted.

At the date of authorisation of these annual financial statements, the standards, amendments to standards and interpretations listed below were in issue but not yet effective. These new standards and interpretations have not been early adopted by the group and the group plans on adopting these standards, amendments to standards and interpretations on the dates when they become effective.

The effective dates below are for the financial periods beginning on or after the given date.

The following standards or amendments to standards are not expected to have an impact on the results of the group but will affect the disclosure in the annual financial statements:

Pronouncement	Title	Effective date
IAS 7 (Amendments)	*Statement of Cash Flows* - Disclosure initiative	1 January 2017

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

for the years ended 30 June 2017

2 ACCOUNTING POLICIES continued

RECENT ACCOUNTING DEVELOPMENTS continued

The following standards, amendments to standards and interpretations to existing standards may possibly have an impact on the group:

Pronouncement	Title	Effective date
IFRS 9	*Financial Instruments* This standard on classification and measurement of financial assets and financial liabilities will replace IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 has two measurement categories: amortised cost and fair value. All equity instruments are measured at fair value. Hedge accounting The new requirements in IFRS 9 align hedge accounting more closely with risk management, and establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39. Expected credit losses IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. The new rules mean that entities will have to record a day one loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Disclosures Extensive disclosures are required, including reconciliations from opening to closing amounts of the ECL provision, assumptions and inputs and a reconciliation on transition of the original classification categories under IAS 39 to the new classification categories in IFRS 9. The group does not expect the standard to have a significant impact on its balance sheet. The group expects to apply the simplified approach to record expected credit losses. This will lead to earlier recognition of credit losses, as lifetime expected losses will be recorded at recognition. The standard requires additional disclosure and changes in presentation, which may be extensive in the year of adoption of the standard.	1 January 2018
IFRS 15	*Revenue from Contracts with Customers* The core principle is that revenue must be recognised when goods or services are transferred to the customer, at the transaction price. The standard is not expected to have a significant impact on the timing or amount of the group's revenue recognition. By-product revenue will no longer be credited to production cost, resulting in an increase to cost of sales. It will be recognised as part of product sales and therefore will not have an impact on gross profit or loss.	1 January 2018
IFRS 16	*Leases* The new standard requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts (with limited exceptions), whereas previously, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). The guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts) has been updated, affecting lessors, although the accounting remains almost unchanged. The new accounting model for lessees is expected to impact negotiations between lessors and lessees. The group is still assessing the impact. In general, it is expected that assets and liabilities will increase as right of use assets and lease liabilities will be recognised for most of the group's leases. This is expected to lead to an increase in depreciation and interest expense and a change in the classification of cash flows.	1 January 2019

2 ACCOUNTING POLICIES continued

MEASUREMENT BASIS

The annual financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and financial liabilities at fair value through profit or loss and cash-settled share-based payments.

GROUP ACCOUNTING POLICIES

Accounting policies are included in the relevant notes to the consolidated financial statements and have been highlighted in grey shading in the notes to the consolidated financial statements. The accounting policies below are applied throughout the annual financial statements:

2.1 Consolidation

The group recognises that control is the single basis for consolidation for all types of entities in accordance with IFRS 10 - *Consolidated Financial Statements* .

The consolidated financial information includes the financial statements of the company, its subsidiaries, interest in associates and joint arrangements and structured entities. Where the group has no control over an entity, that entity is not consolidated.

Control

The group, regardless of the nature of its involvement with an entity, shall determine whether it is a parent by assessing whether it controls the investee.

The group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

(i) Subsidiaries

Subsidiaries are entities over which the group has control. Subsidiaries are fully consolidated from the date on which control is transferred to the group up until when that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the group.

The group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interests in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognised directly in the income statement below operating profit or loss.

Investments in subsidiaries in the company's separate financial statements are accounted for at cost less impairment.

(ii) Associates

Associates are entities in which the group has significant influence, but not control, over operational and financial policies. This may be when there is a shareholding of between 20% and 50% of the voting rights or when significant influence can be otherwise demonstrated, for example where the group has the right of representation on the board of directors of the entity.

Investments in associates are accounted for by using the equity method of accounting, and are initially recognised at cost. The group's investment in associates includes goodwill identified on acquisition. Cumulative post-acquisition movements are adjusted against the carrying amount of the investment. The group's share of the associates' post-acquisition profits or losses is recognised in the income statement, and its share of post acquisition movement in reserves is recognised in other reserves.

When the group's share of losses in an associate equals or exceeds its interest in the associate, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The carrying value of an associate is reviewed on a regular basis and, if impairment in the carrying value has occurred, it is written off in the period in which such impairment is identified.

Accounting policies of associates have been reviewed to ensure consistency with the policies adopted by the group.

Investments in associates are accounted for at cost and are adjusted for impairments where appropriate in the company's separate financial statements.

2 ACCOUNTING POLICIES continued

GROUP ACCOUNTING POLICIES continued

2.1 Consolidation continued

(iii) Joint arrangements
Joint arrangements are arrangements of which two or more parties have joint control and are contractually bound. The joint arrangement can either be a joint operation or a joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement and have the right to the assets, and obligations for the liabilities, relating to the arrangement. These parties are called joint operators. A joint venture is a joint arrangement where the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Those parties are called joint venturers.

For interest in joint operations, the group includes its share of the joint operations' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the group's financial statements.

Where an additional interest in a joint operation is acquired, the principles of IFRS 3 are applied to account for the transaction.

The group recognises the portion of gains or losses on the sale of assets by the group to the joint operation that is attributable to the other joint operators. The group does not recognise its share of profits or losses from the joint operation that result from the purchase of assets by the group from the joint operation until it resells the assets to an independent party. However, if a loss on the transaction provides evidence of a reduction in the net realisable value of current assets or an impairment loss, the loss is recognised immediately.

The group recognises its interest in a joint venture as an investment and accounts for it using the equity accounting method.

(iv) Structured entities
A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

The accounting treatment for a structured entity will fall into one of the aforementioned categories (I to iii) depending on whether the group has control over that structured entity.

2.2 Foreign currency translation

(i) Functional and presentation currency
Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in South African rand and US dollar for the benefit of local and international users. The company's separate financial statements are presented in its functional currency, being South African rand.

For translation of the rand financial statement items to US dollar, the average of R13.60 (2016: R14.50) per US$1 was used for income statement items (unless this average was not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case these items were translated at the rate on the date of the transactions) and the closing rate of R13.11 (2016: R14.72) per US$1 for asset and liability items. Equity items were translated at historic rates.

The translation effect from rand to US dollar is included in other comprehensive income in the US$ financial statements.

References to "A$" refers to Australian currency, "R" to South African currency, "$" or "US$" to United States currency and "K" or "kina" to Papua New Guinean currency.

(ii) Transactions and balances
Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation to year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Gains and losses recognised in the income statement are included in the determination of other operating expenses.

(iii) Group companies
The results and financial position of all group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet while equity items are translated at historic rates;
- Income and expenses for each income statement are translated at average exchange rates (the rate on the date of the transaction is used if the average is not a reasonable rate for the translation of the transaction);
- All resulting exchange differences are recognised as a separate component of other comprehensive income..

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is sold or control is otherwise lost, exchange differences that were recorded in other comprehensive income are recognised in profit or loss in the period of the disposal or change in control. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2 ACCOUNTING POLICIES continued

GROUP ACCOUNTING POLICIES continued

2.3 Derivatives and hedging activities

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

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

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

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

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

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

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

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

2.4 Exploration expenditure

The group has elected to expense all exploration and evaluation expenditures until it is concluded that the project is technically feasible and commercially viable, and that future economic benefits are therefore probable. The information used to make that determination depends on the level of exploration as well as the degree of confidence in the ore body as set out below.

Exploration and evaluation expenditure on greenfield sites, being those where the group does not have any mineral deposits which are already being mined or developed, is expensed as incurred until the technical and commercial viability of the project has been demonstrated usually through the completion of a final feasibility study. However, in certain instances, the technical and commercial viability of the deposit may be demonstrated at an earlier stage, for example where an extended feasibility study is conducted and the underlying feasibility study in respect of specific components of the mineral deposit has advanced to such a stage that significant commercially viable reserves has been established, and the other criteria for the recognition of an asset have been met.

Exploration and evaluation expenditure on brownfield sites, being those adjacent to mineral deposits which are already being mined or developed, is expensed as incurred until the group is able to demonstrate that future economic benefits are probable through the completion of a feasibility study, after which the expenditure is capitalised as mine development cost. A ‘feasibility study’ consists of a comprehensive study of the viability of a mineral project that has advanced to a stage where the mining method has been established, and which, if an effective method of mineral processing has been determined, includes a financial analysis based on reasonable assumptions of technical, engineering, operating economic factors and the evaluation of other relevant factors. The feasibility study, when combined with existing knowledge of the mineral property that is adjacent to mineral deposits that are already being mined or developed, allows the group to conclude that the project is technically feasible and commercially viable.

Exploration and evaluation expenditure relating to extensions of mineral deposits which are already being mined or developed, including expenditure on the definition of mineralisation of such mineral deposits, is capitalised as a mine development cost following the completion of an economic evaluation equivalent to a feasibility study. This economic evaluation is distinguished from a feasibility study in that some of the information that would normally be determined in a feasibility study is instead obtained from the existing mine or development. This information, when combined with existing knowledge of the mineral property already being mined or developed, allows the directors to conclude that the project is technically feasible and commercially viable.

2 ACCOUNTING POLICIES continued

GROUP ACCOUNTING POLICIES continued

2.5 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation or depreciation and are tested annually for impairment or when there is an indication of impairment.

Assets that are subject to amortisation are reviewed annually on 30 June for impairment or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised in the income statement for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Each operating shaft, along with allocated common assets such as plants and administrative offices, is considered to be a cash generating unit as each shaft is largely independent from the cash flows of other shafts and assets belonging to the group.

Fair value less cost to sell is generally determined by using discounted estimated after-tax future cash flows. Future cash flows are estimated based on quantities of recoverable minerals, expected gold prices (considering current and historical prices, price trends and related factors), production levels and cash costs of production, all based on life-of-mine plans. Future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and risk specific to the asset. Refer to note 15 for detail.

The term "recoverable minerals" refers to the estimated amount of gold that will be obtained from reserves and resources and all related exploration stage mineral interests (except for other mine-related exploration potential and greenfields exploration potential discussed separately below) after taking into account losses during ore processing and treatment. Estimates of recoverable minerals from such related exploration stage mineral interests will be risk adjusted based on management's relative confidence in such materials.

In estimating future cash flows, assets are grouped at the lowest level for which there are identifiable cash flows that are largely independent of cash flows from other asset groups. With the exception of other mine-related exploration potential and greenfields exploration potential, estimates of future undiscounted cash flows are included on an area of interest basis, which generally represents an individual operating mine, even if the mines are included in a larger mine complex.

In the case of mineral interests associated with other mine-related exploration potential and greenfields exploration potential, cash flows and fair values are individually evaluated based primarily on recent exploration results and recent transactions involving sales of similar properties, if any. Assumptions underlying future cash flow estimates are subject to significant risks and uncertainties.

Impairment losses on goodwill are recognised immediately in the income statement and are not reversed. The impairment testing is performed annually on 30 June or when events or changes in circumstances indicate that it may be impaired.

Non-financial assets other than goodwill that suffered an impairment are reviewed annually for possible reversal of the impairment at 30 June. Reversal of impairments is also considered when there is objective evidence to indicate that the asset is no longer impaired. Where an impairment subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but not higher than the carrying value that would have been determined had no impairment been recognised in prior years.

2.6 Operating profit

The group defines operating profit as the profit earned from the normal core mining operations. In reporting operating profit in the income statement, transactions for capital transactions involving subsidiaries, joint arrangements and associates are excluded from operating profit as these are not considered to be part of the mining operations of the Harmony. Any gains or losses on capital transactions are presented below the operating profit line.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the annual financial statements in conformity with IFRS requires the group's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

- Valuation of derivative asset – note 4;
- Valuation of acquired assets and assumed liabilities for Hidden Valley – note 10;
- Estimate of taxation – note 13;
- Gold mineral reserves and resources – note 15;
- Production start date – note 15;
- Impairment of assets – note 15;
- Depreciation of property plant and equipment – note 15;
- Impairment of goodwill – note 16;
- Valuation of loans receivable – note 19;
- Valuation of interest in associate – note 21;
- Estimate of exposure and liabilities with regard to rehabilitation costs – note 26;

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS continued

- Estimate of provision for silicosis settlement – note 27;
- Estimate of employee benefit liabilities – note 28;
- Fair value of share-based payments – note 33;
- Assessment of contingencies – note 35.

Please refer to the specific notes for further information on the key accounting estimates and assumptions applied.

4 FINANCIAL RISK MANAGEMENT

The group's financial instruments expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk and other price risk), credit risk and liquidity risk. The group may use derivative financial instruments to hedge certain risk exposures.

The group's financial assets and liabilities are set out below:

Figures in million (SA rand)	Loans and receivables	Available-for-sale financial assets	Held-to-maturity investments	Hedging instruments	Fair value through profit or loss	Financial liabilities at amortised cost
At 30 June 2017						
Financial assets						
Restricted cash	**82**	**-**	**-**	**-**	**-**	**-**
Restricted investments	**32**	**-**	**1 787**	**-**	**839**	**-**
Investments in financial assets	**-**	**4**	**-**	**-**	**-**	**-**
Other non-current receivables	**185**	**-**	**-**	**-**	**-**	**-**
Derivative financial assets	**-**	**-**	**-**	**1 378**	**469**	**-**
Trade and other receivables	**517**	**-**	**-**	**-**	**-**	**-**
Cash and cash equivalents	**1 246**	**-**	**-**	**-**	**-**	**-**
Financial liabilities						
Borrowings	**-**	**-**	**-**	**-**	**-**	**2 133**
Other non-current payables	**-**	**-**	**-**	**-**	**-**	**13**
Trade and other payables	**-**	**-**	**-**	**-**	**-**	**610**
At 30 June 2016						
Financial assets						
Restricted cash	79	-	-	-	-	-
Restricted investments	3	-	1 854	-	639	-
Investments in financial assets	-	5	-	-	-	-
Other non-current receivables	172	-	-	-	-	-
Derivative financial assets	-	-	-	-	369	-
Trade and other receivables	378	-	-	-	-	-
Cash and cash equivalents	1 256	-	-	-	-	-
Financial liabilities						
Borrowings	-	-	-	-	-	2 339
Other non-current payables	-	-	-	-	-	16
Trade and other payables	-	-	-	-	-	431

Figures in million (US dollars)	Loans and receivables	Available-for-sale financial assets	Held-to-maturity investments	Hedging instruments	Fair value through profit or loss	Financial liabilities at amortised cost
At 30 June 2017						
Financial assets						
Restricted cash	**6**	**-**	**-**	**-**	**-**	**-**
Restricted investments	**2**	**-**	**137**	**-**	**64**	**-**
Other non-current receivables	**14**	**-**	**-**	**-**	**-**	**-**
Derivative financial assets	**-**	**-**	**-**	**105**	**36**	**-**
Trade and other receivables	**39**	**-**	**-**	**-**	**-**	**-**
Cash and cash equivalents	**95**	**-**	**-**	**-**	**-**	**-**
Financial liabilities						
Borrowings	**-**	**-**	**-**	**-**	**-**	**163**
Other non-current payables	**-**	**-**	**-**	**-**	**-**	**1**
Trade and other payables	**-**	**-**	**-**	**-**	**-**	**47**
At 30 June 2016						
Financial assets						
Restricted cash	5	-	-	-	-	-
Restricted investments	-	-	126	-	44	-
Other non-current receivables	12	-	-	-	-	-
Derivative financial assets	-	-	-	-	25	-
Trade and other receivables	26	-	-	-	-	-
Cash and cash equivalents	85	-	-	-	-	-
Financial liabilities						
Borrowings	-	-	-	-	-	159
Other non-current payables	-	-	-	-	-	1
Trade and other payables	-	-	-	-	-	29

4 FINANCIAL RISK MANAGEMENT continued

Risk management is carried out by a central treasury department (Group treasury) under policies approved by the board of directors. Group treasury identifies, evaluates and hedges certain selected financial risks in close cooperation with the group's operating units. The audit and risk committee and the board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and the investment of excess liquidity.

MARKET RISK

(i) Foreign exchange risk

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar (US$). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. Harmony's revenues are sensitive to the R/US$ exchange rate as all revenues are generated by gold sales denominated in US$. During 2016, Harmony started a foreign currency hedging programme in order to manage the foreign exchange risk. The limit currently set by the Board is $500 million, which amounts to approximately 35% of the group's foreign exchange risk exposure. Refer to note 20 for details of the contracts. The audit and risk committee review the details of the programme quarterly.

The group is exposed to foreign exchange risk arising from borrowings and cash denominated in a currency other than the functional currency of that entity.

The group has reviewed its foreign currency exposure on financial assets and financial liabilities and has identified the following sensitivities for a 10% change in the exchange rate that would affect profit or loss. Management considers a range between 10% and 20% to be a reasonable change given the volatility in the market.

SA rand			US dollar	
2016	**2017**	*Figures in million*	**2017**	2016
		Sensitivity analysis - borrowings		
		Rand against US$		
2 039	**1 831**	Balance at 30 June	**140**	139
204	**183**	Strengthen by 10%	**14**	14
(204)	**(183)**	Weaken by 10%	**(14)**	(14)
14.72	**13.11**	**Closing rate**	**13.11**	14.72
		Sensitivity analysis - financial assets		
		Rand against US$		
369	**449**	Balance at 30 June	**34**	25
474	**519**	Strengthen by 10%	**40**	32
(556)	**(450)**	Weaken by 10%	**(34)**	(38)
14.72	**13.11**	**Closing rate**	**13.11**	14.72
		US$ against Kina		
207	**89**	Balance at 30 June	**7**	14
19	**8**	Strengthen by 10%	**1**	1
(23)	**(10)**	Weaken by 10%	**(1)**	(2)
0.32	**0.32**	**Closing rate**	**0.32**	0.32

(ii) Commodity price sensitivity

The profitability of the group's operations, and the cash flows generated by those operations, are affected by changes in the market price of gold, and in the case of Hidden Valley, silver as well. During July 2017, Harmony started entering into derivative contracts to manage the variability in cash flows from the group's production, in order to create cash certainty and protect the group against lower commodity prices. The limits currently set by the Board are for 20% of the production from gold and 25% from silver over a 24-month period. Management continues to top up these programmes as and when opportunities arise to lock in attractive margins for the business, but are not required to maintain hedging at these levels. The audit and risk committee review the details of the programme quarterly.

The exposure to the variability in the price of gold is managed by entering into gold forward sales contracts for a portion of the group's production. A portion of the production of the South African operations is linked to Rand gold forward contracts. These contracts have been designated as cash flow hedging instruments and hedge accounting has been applied. US$ gold forward contracts were entered into for the production from Hidden Valley, which were not designated as hedging instruments for hedge accounting and the gains and losses are accounted for in the income statement.

The exposure to the variability in the price of silver for Hidden Valley is managed by entering into US$/silver zero cost collars. These contracts have not been designated as hedging instruments for hedge accounting and the gains and losses are accounted for in the income statement.

Refer to note 7 and 20 and the fair value determination for financial assets and liabilities section below for further detail on these contracts.

4 FINANCIAL RISK MANAGEMENT continued

MARKET RISK continued

(ii) Commodity price sensitivity continued

The group has reviewed its exposure to commodity linked instruments and has identified the following sensitivities for a 10% change in the commodity price specified per contract that would affect other comprehensive income and profit or loss. Management considers a range between 10% and 20% to be a reasonable change given the recent volatility in the market.

SA rand			US dollar	
2016	2017	*Figures in million*	2017	2016
		Sensitivity analysis		
		Rand gold derivatives		
		Other comprehensive income		
-	**(532)**	Increase by 10%	**(41)**	-
-	**524**	Decrease by 10%	**40**	-
		US$ gold derivatives		
		Profit or loss		
-	**(104)**	Increase by 10%	**(8)**	-
-	**104**	Decrease by 10%	**8**	-
		US$ silver derivatives		
		Profit or loss		
-	**(19)**	Increase by 10%	**(1)**	-
-	**19**	Decrease by 10%	**1**	-

(iii) Other price risk

The group is exposed to the risk of fluctuations in the fair value of the available-for-sale financial assets and fair value through profit or loss financial assets as a result of changes in market prices (other than changes in interest rates and foreign currencies). Harmony generally does not use any derivative instruments to manage this risk.

Sensitivity analysis

Certain of the restricted investments are linked to the Top 40 Index on the JSE. A 10% increase in the Top 40 index at the reporting date, with all other variables held constant, would have increased profit or loss by R31 million (US$2.4 million) (2016 R28 million (US$1.9 million)); an equal change in the opposite direction would have decreased profit or loss by R20 million (US$1.6 million) (2016 R24 million (US$1.6 million)).

(iv) Interest rate risk

The group's interest rate risk arises mainly from long-term borrowings. The group has variable interest rate borrowings. Variable rate borrowings expose the group to cash flow interest rate risk. The group has not entered into interest rate swap agreements as this is a risk that management is prepared to take. The audit and risk committee reviews the exposures quarterly.

Interest rate risk arising from long-term borrowings is offset by cash, restricted cash and restricted investments held at variable rates.

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit or loss before tax by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2016.

SA rand			US dollar	
2016	2017	*Figures in million*	2017	2016
		Sensitivity analysis - borrowings (finance costs)		
(23)	**(21)**	Increase by 100 basis points	**(2)**	(2)
23	**21**	Decrease by 100 basis points	**2**	2
		Sensitivity analysis - financial assets (interest received)		
32	**31**	Increase by 100 basis points	**2**	2
(32)	**(31)**	Decrease by 100 basis points	**(2)**	(2)

4 FINANCIAL RISK MANAGEMENT continued

CREDIT RISK

Credit risk is the risk that a counterparty may default or not meet its obligations timeously. Financial instruments, which subject the group to concentrations of credit risk, consist predominantly of restricted cash, restricted investments, derivative financial assets, trade and other receivables (excluding non-financial instruments) and cash and cash equivalents.

Credit ratings downgrade

In April 2017, two of the three international rating agencies, Standard and Poor's and Fitch, downgraded South Africa's long-term sovereign credit rating due to increased perception of political risk and the risk of policy shifts that could undermine fiscal and economic growth in South Africa. Fitch downgraded the national and foreign currency rating to sub-investment grade whereas Standard and Poor's only downgraded the foreign currency rating to sub-investment grade and downgraded the national currency rating by one notch which is still investment grade. Moody's has kept the sovereign credit risk of South Africa as investment grade. This has led to the downgrade of various financial and parastatal institutions and companies in South Africa. This was largely limited to international scale ratings, not the national scale ratings. The group has identified the following risks as a result of this downgrade, which are:

Increased credit risk;
Increased cost of capital; and
Difficulty in obtaining funding.

Despite this, the group was still able to refinance its US$ syndicated facility. Refer to note 36.

In assessing the credit worthiness of local institutions, management uses the national scale long-term ratings which are unchanged. Management will continue monitoring these ratings.

Assessment of credit risk

Exposure to credit risk on trade and other receivables is monitored on a regular basis. Refer to note 19 for management's assessment. The credit risk arising from restricted cash, cash and cash equivalents and restricted investments is managed by ensuring amounts are only invested with financial institutions of good credit quality. The contracts for derivative financial assets were entered into with counterparties of good credit quality. The group has policies that limit the amount of credit exposure to any one financial institution. The audit and risk committee reviews the exposure on a quarterly basis.

The group's maximum exposure to credit risk is represented by the carrying amount of all financial assets determined to be exposed to credit risk, amounting to R6 539 million (US$498.7 million) as at 30 June 2017 (2016: R4 750 million (US$322.7 million)).

The social plan trust fund of R37 million (US$2.8 million)(2016: R42 million (US$2.8 million)) has been invested in unit trusts comprising shares in listed companies.

Financial institutions' credit rating by exposure (Source: Fitch Ratings and Global Credit Ratings)

SA rand			US dollar	
2016	**2017**	*Figures in million*	**2017**	2016
		Cash and cash equivalents		
723	**565**	AA+	**43**	49
174	**396**	AA	**30**	12
359	**285**	AA-	**22**	24
1 256	**1 246**		**95**	85
		Restricted cash		
39	**80**	AA	**6**	2
40	**2**	AA-	**-**	3
79	**82**		**6**	5
		Restricted investments (environmental trusts)		
750	**1 129**	AA+	**86**	51
1 475	**1 181**	AA	**90**	100
229	**311**	AA-	**24**	16
2 454	**2 621**		**200**	167
		Derivative financial assets		
-	**715**	AA+	**54**	-
122	**21**	AA	**2**	8
247	**1 111**	AA-	**85**	17
369	**1 847**		**141**	25

4 FINANCIAL RISK MANAGEMENT continued

LIQUIDITY RISK

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities.

In the ordinary course of business, the group receives cash from its operations and is required to fund working capital and capital expenditure requirements. Management prepares cash flow forecasts weekly and ensures that surplus funds are invested in a manner to achieve market-related returns and to provide sufficient liquidity at the minimum risk. The group maintains and refinances committed credit facilities as medium-term forecasts require. The audit and risk committee reviews the updated forecasts quarterly.The group is able to actively source financing at competitive rates. Where neccassary, funds will be drawn from its revolving credit facilities (refer to note 29).

The following are the contractual maturities of financial liabilities (including principal and interest payments):

SA rand			US dollar	
More than 1 year	Current	*Figures in million*	Current	More than 1 year
		2017		
13	**-**	Other non-current payables	**-**	**1**
-	**610**	Trade and other payables (excluding non-financial liabilities)	**47**	**-**
		Borrowings		
-	**55**	Due between 0 to six months	**4**	**-**
-	**1 864**	Due between six to 12 months	**142**	**-**
31	**-**	Due between one to two years	**-**	**2**
321	**-**	Due between two to five years	**-**	**24**
365	**2 529**		**193**	**27**
		2016		
16	-	Other non-current payables	-	1
-	431	Trade and other payables (excluding non-financial liabilities)	29	-
		Borrowings		
-	354	Due between 0 to six months	24	-
-	38	Due between six to 12 months	3	-
2 106	-	Due between one to two years	-	143
-	-	Due between two to five years	-	-
2 122	823		56	144

CAPITAL RISK MANAGEMENT

The primary objective of managing the group's capital is to ensure that there is sufficient capital available to support the funding requirements of the group, in a way that optimises the cost of capital and matches the current strategic business plan.

The group manages and makes adjustments to the capital structure, which consists of debt and equity, as and when borrowings mature or when funding is required. This may take the form of raising equity, market or bank debt or hybrids thereof. In doing so, the group ensures it stays within the debt covenants agreed with lenders. The group may also sell assets to reduce debt or schedule projects to manage the capital structure.

The group follows a conservative approach to debt and prefers to maintain low levels of gearing. Net debt is as follows:

SA rand			US dollar	
2016	**2017**	*Figures in million*	**2017**	2016
1 256	**1 246**	Cash and cash equivalents	**95**	85
(2 339)	**(2 133)**	Borrowings	**(163)**	(159)
(1 083)	**(887)**	**Net debt**	**(68)**	(74)

There were no changes to the group's approach to capital management during the year.

FAIR VALUE DETERMINATION FOR FINANCIAL ASSETS AND LIABILITIES

The fair value levels of hierarchy are as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets;
Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset, either directly (that is, as prices) or indirectly (that is, derived from other prices);
Level 3: Inputs for the asset that are not based on observable market data (that is, unobservable inputs).

4 FINANCIAL RISK MANAGEMENT continued

FAIR VALUE DETERMINATION FOR FINANCIAL ASSETS AND LIABILITIES continued

The following table presents the group's financial assets and liabilities that are measured at fair value by level at reporting date.

Figures in million (SA rand)	Fair value hierarchy level	At 30 June 2017	At 30 June 2016
Available-for-sale financial assets			
Investment in financial assets[1]	**Level 3**	**4**	**5**
Fair value through profit or loss financial assets			
Restricted investments[2]	**Level 2**	**839**	**639**
Derivative financial assets[3]		**1 847**	**369**
Forex hedging contracts	**Level 2**	**449**	**369**
Rand gold hedging contracts	**Level 2**	**1 378**	**-**
US$ gold hedging contracts	**Level 2**	**20**	**-**
Silver hedging contracts	**Level 2**	**-**	**-**

Figures in million (US dollar)	Fair value hierarchy level	At 30 June 2017	At 30 June 2016
Fair value through profit and loss financial assets			
Restricted investments[2]	**Level 2**	**64**	**44**
Derivative financial assets[3]		**141**	**25**
Forex hedging contracts	**Level 2**	**34**	**25**
Rand gold hedging contracts	**Level 2**	**105**	**-**
US$ gold hedging contracts	**Level 2**	**2**	**-**
Silver hedging contracts	**Level 2**	**-**	**-**

[1] Level 3 fair values have been valued by the directors by performing independent valuations on an annual basis.

[2] The majority of the level 2 fair values are directly derived from the Top 40 index on the JSE, and are discounted at market interest rate. This relates to equity-linked deposits in the group's environmental rehabilitation trust funds. The balance of the environmental trust funds are held to maturity and therefore not disclosed here.

[3] The fair value measurements are derived as follows:

Forex hedging contracts (zero cost collars)**:** a Black-Scholes valuation technique, derived from spot rand/US$ exchange rate inputs, implied volatilities on the rand/US$ exchange rate, rand/US$ inter-bank interest rates and discounted at market interest rate (zero-coupon interest rate curve).

Rand gold hedging contracts (forward sale contracts): spot rand/US$ exchange rate, rand and dollar interest rates (forward points), spot US$ gold price, differential between the US interest rate and gold lease interest rate which is discounted at market interest rate.

US$ gold hedging contracts (forward sale contracts): spot US$ gold price, differential between the US interest rate and gold lease interest rate and discounted at market interest rate.

Silver hedging contracts (zero cost collars): a Black-Scholes valuation technique, derived from spot US$ silver price, strike price, implied volatilities, time to maturity and interest rates and discounted at market interest rate.

The carrying values (less any impairment allowance) of short-term financial instruments are assumed to approximate their fair values.

The fair values of borrowings are not materially different to their carrying amounts since the interest payable on those borrowings is at floating interest rates. The fair value of borrowings are based on discounted cash flows using a current borrowing rate. The determination of the fair values are level 3 in the fair value hierarchy due to the use of unobservable inputs, including own credit risk.

5 REVENUE

ACCOUNTING POLICY

The group has determined that gold is its primary product and other metals produced as part of the extraction process are considered to be by-products of gold. Revenue arising from metal sales is only recognised when the significant risks and rewards of ownership have been transferred, neither continuing managerial involvement nor effective control over the metals sold has been retained, the amount of revenue and costs incurred can be measured reliably and it is probable that the economic benefits associated with the sale will flow to the group. These conditions are satisfied when the gold has been delivered in terms of the contract and the sales price fixed, as evidenced by the certificate of sale issued by the refinery. The sales price for the majority of the group's gold is based on the gold spot price according to the afternoon London Bullion Market fixing price for gold on the date the sale is concluded.

Revenues from by-product sales such as silver are credited to production costs as a by-product credit.

The effective portion of gains or losses on the derivatives designated as cash flow hedging items (forecast sales transactions) are recognised in revenue when the forecast sales transactions occurs. See the accounting policy for derivatives and hedging activities in note 2.

SA rand			US dollar	
2016	2017	*Figures in million*	2017	2016
18 334	**18 536**	Gold sales	**1 363**	1 264
-	**728**	Hedging gain[1]	**53**	-
18 334	**19 264**	**Total revenue**	**1 416**	1 264

[1] Relates to the realised effective portion of the Rand gold hedge. Refer to note 20 for further information.

6 COST OF SALES

SA rand			US dollar	
2016	2017	*Figures in million*	2017	2016
13 250	**14 812**	Production costs (a)	**1 089**	914
2 092	**2 441**	Amortisation and depreciation of mining assets	**179**	144
78	**78**	Amortisation and depreciation of assets other than mining assets (b)	**6**	5
(41)	**23**	Rehabilitation expenditure/(credit) (c)	**2**	(3)
114	**109**	Care and maintenance costs of restructured shafts	**8**	8
16	**74**	Employment termination and restructuring costs (d)	**5**	1
329	**391**	Share-based payments (e)	**29**	23
(43)	**1 718**	Impairment/(reversal of impairment) of assets (f)	**131**	(3)
(9)	**(7)**	Other	**(1)**	(1)
15 786	**19 639**	**Total cost of sales**	**1 448**	1 088

(a) Production costs include mine production and transport and refinery costs, applicable general administrative costs, movement in inventories and ore stockpiles, ongoing environmental rehabilitation costs and transfers for stripping activities. Employee termination costs are included, except for employee termination costs associated with major restructuring and shaft closures, which are separately disclosed. Production costs, analysed by nature, consist of the following:

SA rand			US dollar	
2016	2017	*Figures in million*	2017	2016
8 109	**9 006**	Labour costs, including contractors[1]	**662**	559
3 331	**3 614**	Consumables	**266**	230
2 145	**2 316**	Water and electricity	**170**	148
99	**91**	Insurance	**7**	7
171	**177**	Transportation	**13**	12
99	**370**	Change in inventory[2]	**27**	7
(1 348)	**(1 321)**	Capitalisation of mine development costs	**(97)**	(93)
(46)	**(77)**	Stripping activities	**(6)**	(3)
(333)	**(230)**	By-product sales	**(17)**	(23)
171	**211**	Royalty expense	**16**	12
852	**655**	Other	**48**	58
13 250	**14 812**	**Total production costs**	**1 089**	914

[1] Labour costs increased as a result of annual increases and bonuses.
[2] The change in 2017 relates primarily to the effect of treating the run-of-mine stockpiles at Hidden Valley when the mining of stage 4 concluded.

(b) Amortisation and depreciation of assets other than mining assets includes the amortisation of intangible assets.

(c) For the assumptions used to calculate the rehabilitation costs, refer to note 26. This expense includes the change in estimate for the rehabilitation provision where an asset no longer exists as well as costs related to the rehabilitation process. For 2017, R96 million (US$7.1 million) (2016: R69 million (US$4.8 million)) was spent on rehabilitation in South Africa. R38 million (US$2.8 million) was spent on investigations (including geotechnical drilling) to determine cost effective methods for eventual mine closure at Hidden Valley.

6 COST OF SALES continued

(d) Employment termination and restructuring costs include contractor fees for the optimisation of the Hidden Valley operation of R61 million (US$4.5 million).

(e) Refer to note 33 for details on the share-based payment schemes implemented by the group.

(f) The impairment of assets consists of the following:

SA rand			US dollar	
2016	2017	*Figures in million*	2017	2016
-	**785**	Target 1 (i)	**60**	-
-	**678**	Kusasalethu (ii)	**52**	-
-	**255**	Tshepong (iii)	**19**	-
466	**-**	Hidden Valley (iv)	**-**	32
(738)	**-**	Doornkop (v)	**-**	(50)
229	**-**	Masimong (vi)	**-**	15
(43)	**1 718**	**Total impairment/(reversal on impairment) of assets**	**131**	(3)

The impairment assessment performed on all cash generating units resulted in an impairment loss of R1.7 billion (US$131.0 million) for the 2017 financial year. The slight decrease in the gold price used in the life-of-mine plans, together with cost inflation, impacted negatively on margins. This, as well as increases in the discount rates used, contributed to the lower recoverable amounts. There were no reversals recorded in the 2017 financial year.

(i) In the 2017 financial year, an impairment of R785 million (US$59.9 million) was recorded for Target 1, resulting in a recoverable amount of R2.0 billion (US$152.5 million) using a discount rate of 10.8%. Information gained from the underground drilling during the year indicated that some areas of the bottom reef of the Dreyerskuil are highly channelised, which negatively impacted on the overall grade for the operation. These areas were subsequently excluded from the life-of-mine plan. This, together with the general pressure on margins, reduced the profitability of the operation over its life and contributed to the decrease in the recoverable amount.

(ii) In the 2017 financial year, an impairment of R678 million (US$51.7 million) was recorded for Kusasalethu mainly following a reduction in the additional attributable resource value as a result of a decrease in the ounces. The company investigated the viability of a decline to extend the life. The business case showed that the option was not feasible and therefore the resource ounces were reduced. The recoverable amount of the operation is R 2.8 billion (US$213.5 million) using a discount rate of 10.8%.

(iii) In the 2017 financial year, an impairment of R255 million (US$19.4 million) was recorded for Tshepong operations resulting in a recoverable amount of R7.8 billion (US$594.9 million) using a discount rate of 9.2%. Had the discount rate increased by 1%, an additional impairment of R284 million (US$21.7 million) would have been recognised. Due to the integration of Tshepong and Phakisa as of 1 July 2017, the two cash generating units (CGUs) were combined for impairment testing for the first time. The shafts have been integrated to take advantage of their close proximity, which allows for existing infrastructure to be optimised. The restriction on hoisting capacity at Phakisa will be addressed by hoisting through Tshepong. The integration proof-of-concept was completed during 2017 and the integrated life-of-mine plan approved during June 2017. The carrying amount of the combined CGU included goodwill of R581 million (US$44.3 million). The planned improvement to the environmental conditions at the operation resulted in additional capital expenditure, which impacted on the recoverable amount. The impairment has been allocated to the CGU's goodwill, which is included in intangible assets. Refer to note 16.

(iv) For the 2016 financial year, an impairment of R466 million (US$31.7 million) was recognised on Hidden Valley following a change in the life-of-mine plan during the annual planning process. The updated life-of-mine plan for Hidden Valley resulted in lower production for the 2017 financial year as the mine would only process ore stockpiles followed by an extended period of care and maintenance, compared to the previous plan. Stripping activities for stage 5 were planned to recommence in the 2018 financial year according to the year-end life-of-mine plan. The recoverable amount of Hidden Valley was R319 million (US$21.7 million).

(v) During the 2016 year, a reversal of R738 million (US$50.1 million) was recognised for Doornkop. The higher recoverable amount for Doornkop, which resulted in the reversal was mainly due to the increased rand gold price assumption, improvements in operational efficiencies during the 2016 financial year that resulted in increased production levels in the updated life-of-mine plan and new mining areas included in the life-of-mine plan based on additional exploration performed during 2016. The recoverable amount of Doornkop was R2.80 billion (US$190.1 million).

(vi) For the 2016 financial year, an impairment of R229 million (US$15.6 million) was recorded for Masimong, which is a low margin operation and had a remaining life of three years at the time. The exploration programme to locate additional areas of the higher grade B Reef proved unsuccessful and was stopped during the 2016 financial year. In addition, the grade estimation of the Basal Reef decreased and as a result a portion of the resource was abandoned at 30 June 2016. The lower resource value resulted in a lower recoverable amount and the recognition of an impairment. The recoverable amount of Masimong was R472 million (US$32.1 million).

The recoverable amounts for these assets have been determined on a fair value less costs to sell basis using the assumptions per note 15 in discounted cash flow models and attributable resource values. These are fair value measurements classified as level 3.

7 GAINS ON DERIVATIVES

Gains on derivatives include the fair value movements of derivatives which have not been designated as hedging instruments for hedge accounting purposes, the amortisation of day one gains and losses for derivatives and the hedging ineffectiveness. The day one adjustment arises from the difference between the contract price and market price on the day of the transaction.

7 GAINS ON DERIVATIVES continued

SA rand 2016	SA rand 2017	Figures in million	US dollar 2017	US dollar 2016
446	**1 103**	Derivative gain[1]	**81**	30
-	**16**	Hedge ineffectiveness[2]	**1**	-
-	**(94)**	Day one loss amortisation	**(7)**	-
446	**1 025**	**Total gains on derivatives**	**75**	30

[1] Relates primarily to foreign exchange collars (refer to note 20).
[2] Refer to note 20 for further information.

8 OTHER OPERATING EXPENSES

SA rand 2016	SA rand 2017	Figures in million	US dollar 2017	US dollar 2016
(7)	**(42)**	Profit on sale of property, plant and equipment (a)	**(3)**	-
58	**74**	Social investment expenditure	**6**	4
64	**140**	Loss on scrapping of property, plant and equipment (refer to note 15)	**10**	4
638	**(194)**	Foreign exchange translation (b)	**(14)**	43
-	**917**	Silicosis settlement provision (refer to note 27)	**70**	-
49	**(9)**	Other (income)/expenses - net (c)	**(1)**	3
802	**886**	**Total other operating expenses**	**68**	54

(a) The total for 2017 includes the sale of the Ernest Oppenheimer Hospital for R37 million (US$2.7 million).

(b) Refer to note 29 for details on the total for US$ revolving credit facility.

(c) The total for 2017 includes the provision for the loan to the ARM Broad Based Economic Empowerment Trust (ARM BBEE Trust) of R13 million (US$1.0 million)(2016: R33 million (US$2.2 million)). The total for 2016 includes the provision for the loans to ARM BBEE Trust and Rand Refinery (Pty) Ltd (Rand Refinery) of R25 million (US$1.6 million). Refer to note 19 for details.

9 OPERATING PROFIT/(LOSS)

The following have been included in operating profit/(loss):

SA rand 2016	SA rand 2017	Figures in million	US dollar 2017	US dollar 2016
		Auditor's remuneration		
		Made up as follows:		
		External		
22	**23**	Fees - current year	**2**	2
2	**1**	Fees - other services	**-**	-
24	**24**	**Total auditor's remuneration**	**2**	2

10 GAIN ON BARGAIN PURCHASE

ACQUISITION OF FULL OWNERSHIP OF HIDDEN VALLEY

Background prior to the transaction

The group had a 50% interest in the mining and exploration assets located in the Morobe province, PNG. Newcrest Mining Limited (Newcrest) owned the remaining 50% interest in these assets. The assets include the Hidden Valley mine and the Wafi-Golpu project. This partnership was formed during the 2009 financial year through a range of transactions and was completed by 30 June 2009. This partnership was considered a joint arrangement and accounted for as a joint operation.

Hidden Valley transaction

On 19 September 2016 Harmony announced the agreement to purchase Newcrest PNG 1 Ltd, the wholly owned subsidiary of Newcrest which holds Newcrest's 50% interest in the Hidden Valley joint venture, for a cash consideration of US$1. As part of the transaction, Newcrest made a once-off contribution of US$22.5 million (R309 million) towards Hidden Valley's future estimated environmental liability. The transaction was conditional upon certain regulatory approvals which were obtained on 25 October 2016 and Harmony gained control over Hidden Valley from this date.

The completion of the transaction gives Harmony 100% ownership of the Hidden Valley mine and surrounding exploration tenements. The acquisition of the additional 50% interest in the Hidden Valley mine is aligned with the group's growth aspirations. The Hidden Valley operation is an open-pit gold and silver mining operation which includes the processing plant. The mine reached commercial levels of production in the 2009 financial year. There is an established quality management team that has good relationships with key stakeholders including the community and a stable workforce. Full ownership of the mine has enabled management to commit to the re-investment of capital at the operation (previously delayed by the joint venture partners) and commence the stripping of stages 5 and 6 which will extend the life of mine of the operation.

10 GAIN ON BARGAIN PURCHASE continued

ACQUISITION OF FULL OWNERSHIP OF HIDDEN VALLEY continued

Since the close of the transaction, the additional 50% interest in Hidden Valley contributed revenue of R583 million (US$43.6 million) and R52 million (US$3.9 million) profit to the group. If the acquisition had occurred on 1 July 2016, the group's unaudited consolidated revenue would have increased by R533 million (US$ 38.0 million) and profit would have decreased by R34 million (US$2.4 miilion).

IFRS does not currently provide guidance how to account for step-up transactions from joint operations to control and the group has elected to apply the principles and disclosure requirements of IFRS 3 *Business Combinations* to such transactions. The purchase price allocation was initially prepared on a provisional basis in accordance with IFRS 3.

No new information has been obtained since the acquisition date about facts and circumstances that existed at the acquisition date requiring adjustments to the below amounts, or any additional provisions that existed at the date of acquisition, and therefore accounting for the acquisition has been concluded.

CONSIDERATION TRANSFERRED

The cash consideration paid to acquire Newcrest's 50% interest in Hidden Valley amounted to US$1. The group acquired a cash balance of R459 million (US$33.1 million) which is presented within the cash flow statement as a net inflow of cash from investing activities. The cash paid by Newcrest as a once-off contribution to the rehabilitation liability is included in the cash balance presented as part of the net assets acquired in the transaction.

ACQUISITION RELATED COSTS

The group incurred acquisition related costs of R4 million (US$0.3 million) on advisory and legal fees. These costs are recognised as transaction costs as part of corporate and administrative expenses.

IDENTIFIABLE ASSETS ACQUIRED AND LIABILITIES ASSUMED

The fair value of the identifiable net assets acquired was determined on the expected discounted cash flows based on the life-of-mine plan of Hidden Valley at a post-tax real discount rate of 12.53%, exchange rate of PGK/US$3.17, gold price of US$1 189/oz and silver price of US$17.80/oz. The valuation was performed at 26 October 2016. The fair values are as follows:

	Previously held interest	Acquired interest[1]	Total (100%)
Figures in million		SA rand	
Fair value of identifiable net assets acquired			
Property, plant and equipment	636	636	1 272
Inventories (current)	491	491	982
Trade and other receivables (current)	22	19	41
Cash and cash equivalents	54	459	513
Provision for environmental rehabilitation	(483)	(483)	(966)
Trade and other payables (current)	(114)	(274)	(388)
	606	848	1 454
Less fair value of previously held interest[2]			(606)
Net fair value of identifiable net assets acquired			**848**
Figures in million		US dollar	
Fair value of identifiable net assets acquired			
Property, plant and equipment	46	46	92
Inventories (current)	35	35	70
Trade and other receivables (current)	2	1	3
Cash and cash equivalents	4	33	37
Provision for environmental rehabilitation	(35)	(35)	(70)
Trade and other payables (current)	(8)	(20)	(28)
	44	60	104
Less fair value of previously held interest[2]			(44)
Net fair value of identifiable net assets acquired			**60**

[1] Harmony acquired the legal entity which held Newcrest's interest in Hidden Valley. This subsidiary contained certain assets and liabilities which were different to those held by Harmony with respect to its interest in Hidden Valley.

[2] The fair value of the previously held interest equalled the carrying amount of the assets and liabilities recognised by Harmony relating to the previously held interest at the date of acquisition and no gain or loss was recognised with respect to the deemed disposal of the previously held interest.

10 GAIN ON BARGAIN PURCHASE continued

IDENTIFIABLE ASSETS ACQUIRED AND LIABILITIES ASSUMED continued

The fair value of the previously held interest at 30 June 2016 was R615 million (US$41.8 million) which consisted of Harmony's long term assets and related rehabilitation provision for its interest in Hidden Valley totalling R319 million (US$21.7 million) and the working capital relating to Harmony's interest in Hidden Valley totalling R296 million (US$20.1 million).

On the date of acquisition, the fair value of the previously held interest does not equal 50% of the fair value of the total identifiable assets and liabilities assumed primarily because the acquired legal entity which held Newcrest's interest in Hidden Valley included the cash paid by Newcrest (R309 million or US$22.5 million) and other assets and liabilities which differed from the assets and liabilities held in Harmony's previously held interest.

GAIN ON BARGAIN PURCHASE

SA rand 2016	SA rand 2017	Figures in million	US dollar 2017	US dollar 2016
-	**-**	Consideration paid	**-**	-
-	**848**	Fair value of identifiable net assets acquired	**60**	-
-	**848**	**Gain on bargain purchase**	**60**	-

Since Harmony only paid US$1 for the 50% share, a gain on bargain purchase results. A strategic review of the Hidden Valley operation conducted by Newcrest resulted in their decision to exit the operation as it represented a non-core asset.

11 INVESTMENT INCOME

ACCOUNTING POLICY

Interest income is recognised on the effective interest method, taking into account the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the group.

Dividend income is recognised when the shareholder's right to receive payment is established. This is recognised at the last date of registration.

Cash flows from dividends and interest received are classified under operating activities in the cash flow statement.

SA rand 2016	SA rand 2017	Figures in million	US dollar 2017	US dollar 2016
241	**264**	Interest income	**20**	16
31	**7**	Loans and receivables	**1**	2
129	**154**	Held-to-maturity investments	**11**	9
78	**103**	Cash and cash equivalents	**8**	5
3	**-**	South African Revenue Services (SARS)	**-**	-
15	**4**	Net gain on financial instrument	**-**	1
256	**268**	**Total investment income**	**20**	17

12 FINANCE COSTS

ACCOUNTING POLICY

Borrowing costs are capitalised to the extent that they are directly attributable to the acquisition and construction of qualifying assets. Qualifying assets are assets that take a substantial time to get ready for their intended use. These costs are capitalised until the asset moves into the production phase. Other borrowing costs are expensed. The foreign exchange translation loss is included in the borrowing cost calculation to the extent that it is considered to be a part of interest.

SA rand 2016	SA rand 2017	Figures in million	US dollar 2017	US dollar 2016
		Financial liabilities		
171	**110**	Borrowings	**8**	12
1	**-**	Other creditors and liabilities	**-**	-
172	**110**	Total finance costs from financial liabilities	**8**	12

12 FINANCE COSTS continued

SA rand			US dollar	
2016	**2017**	*Figures in million*	**2017**	2016
		Non-financial liabilities		
14	**16**	Post-retirement benefits	**1**	1
162	**173**	Time value of money and inflation component of rehabilitation costs	**13**	11
176	**189**	Total finance costs from non-financial liabilities	**14**	12
348	**299**	Total finance costs before interest capitalised	**22**	24
(74)	**(65)**	Interest capitalised (a)	**(5)**	(5)
274	**234**	**Total finance costs**	**17**	19

(a) The capitalisation rate used to determine capitalised borrowing costs is:

	2017 %	2016 %
Capitalisation rate	**4.2**	10.5

The change in the rate from 2016 to 2017 is due to the effect of the foreign exchange translation gain in 2017 compared with a loss in 2016 on the calculation of the rate.

13 TAXATION

ACCOUNTING POLICY

Taxation is made up of current and deferred taxation. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred taxation is recognised on temporary differences existing at each reporting date between the tax base of all assets and liabilities and their carrying amounts. Substantively enacted tax rates are used to determine future anticipated effective tax rates which in turn are used in the determination of deferred taxation, except to the extent that deferred tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and does not affect the accounting or taxable profit or loss at the time of the transaction. Deferred tax is charged to profit or loss, except where the tax relates to items recognised in other comprehensive income or directly in equity in which case the tax is also recognised in other comprehensive income or directly in equity. The effect on deferred tax of any changes in tax rates is recognised in the income statement, except to the extent that it relates to items previously charged or credited directly to equity.

The principal temporary differences arise from amortisation and depreciation on property, plant and equipment, provisions, unutilised tax losses, unutilised capital allowances carried forward and unrealised gains and losses on the gold forward sale contracts. Deferred tax assets relating to the carry forward of unutilised tax losses and unutilised capital allowances are recognised to the extent that it is probable that future taxable profit will be available against which the unutilised tax losses and unutilised capital allowances can be utilised. The recoverability of these assets is reviewed at each reporting date and adjusted if recovery is no longer probable.

Deferred income tax is provided on temporary differences arising from investments in subsidiaries, joint ventures and associates, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The group is subject to income tax in several jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Management has to exercise judgement with regard to deferred tax assets. Where the possibility exists that no future taxable income may flow against which these assets can be offset, the deferred tax assets are not recognised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. When different tax rates apply to different levels of taxable income, deferred tax assets and liabilities are measured using the average tax rates that are expected to apply to the taxable profit (tax loss) of the periods in which the temporary differences are expected to reverse. At the group's South African operations, such average tax rates are directly impacted by the profitability of the relevant mine. The deferred tax rate is therefore based on the current estimate of future profitability of an operation when temporary differences will reverse, based on tax rates and tax laws that have been enacted at the balance sheet date. The future profitability of each mine, in turn, is determined by reference to the life-of-mine (LoM) plan for that operation. The LoM plan is influenced by factors as disclosed in note 15, which may differ from one year to the next and normally result in the deferred tax rate changing from one year to the next.

13 TAXATION continued

The taxation credit/(expense) for the year is as follows:

SA rand 2016	SA rand 2017	Figures in million	US dollar 2017	US dollar 2016
		SA taxation		
(48)	**(230)**	Mining tax (a)	**(17)**	(3)
(59)	**(230)**	- current year	**(17)**	(4)
11	**-**	- prior year	**-**	1
(75)	**(258)**	Non-mining tax (b)	**(19)**	(5)
(75)	**(256)**	- current year	**(19)**	(5)
-	**(2)**	- prior year	**-**	-
(508)	**998**	Deferred tax (c)	**73**	(35)
(508)	**998**	- current year	**73**	(35)
(631)	**510**		**37**	(43)
		Foreign taxation		
(1)	**-**	Deferred tax (d)	**-**	-
(1)	**-**	- current year	**-**	-
(632)	**510**	**Total taxation credit/(expense)**	**37**	(43)
		Taxation by type		
(48)	**(230)**	Mining tax	**(17)**	(3)
(75)	**(258)**	Non-mining tax	**(19)**	(5)
(509)	**998**	Deferred tax	**73**	(35)
(632)	**510**		**37**	(43)

(a) Mining tax on gold mining taxable income in South Africa is determined according to a formula, based on the taxable income from mining operations. 5% of total revenue is exempt from taxation while the remainder is taxable at a higher rate (34%) than non-mining income (28%) as a result of applying the gold mining formula.

All qualifying mining capital expenditure is deducted from taxable mining income to the extent that it does not result in an assessed loss. Accounting depreciation is eliminated when calculating the South African mining tax income. Excess capital expenditure is carried forward as unredeemed capital to be claimed from future mining taxable income. The group has several tax paying entities in South Africa. In terms of the mining ring-fencing application, each ring-fenced mine is treated separately and deductions can normally only be utilised against mining income generated from the relevant ring-fenced mine.

(b) Non-mining taxable income of mining companies and the taxable income for non-mining companies are taxed at the statutory corporate rate of 28% (2016: 28%).The expense relates to non-mining tax arising from derivative gains (realised and unrealised) recognised on the foreign currency derivatives as well as the realised gains on the gold forward sale contracts. Refer to note 5 and 7 for details on the group's derivative gains recorded.

(c) The deferred tax rate used to calculate deferred tax is based on the current estimate of future profitability when temporary differences will reverse based on tax rates and tax laws that have been enacted at the balance sheet date. Depending on the profitability of the operations, the deferred tax rate can consequently be significantly different from year to year.

The deferred tax credit in the year 2017 is mainly a result of a decrease in the weighted average deferred tax rate due to reduced estimated profitability at most South African operations, as well as the provision for silicosis settlement raised in the current year. The expense in 2016 includes the unwinding of the deferred tax asset related to the utilisation of unredeemed capital expenditure for Freegold (Harmony) Pty Ltd (Freegold) against mining taxable income due to increased profitability for Freegold during 2016.

(d) Mining and non-mining income of Australian entities and PNG operation are taxed at a standard rate of 30% (2016: 30%).

13 TAXATION continued

INCOME AND MINING TAX RATES

The tax rate remains unchanged for the 2016 and 2017 years.

Major items causing the group's income tax provision to differ from the South African mining statutory tax rate of 34% (2016: 34%) were:

SA rand 2016	SA rand 2017	*Figures in million*	US dollar 2017	US dollar 2016
(538)	**50**	Tax on net (profit)/loss at the mining statutory tax rate	**6**	(37)
(302)	**(77)**	Non-allowable deductions	**(6)**	(20)
-	**288**	Gain on bargain purchase	**21**	-
(88)	**(104)**	Share-based payments	**(8)**	(6)
(111)	**(87)**	Impairment of assets	**(6)**	(8)
(56)	**(50)**	Exploration expenditure	**(4)**	(4)
(42)	**(37)**	Finance costs	**(3)**	(3)
(5)	**(87)**	Other	**(6)**	1
117	**143**	Difference between effective mining tax rate and statutory mining rate on mining income	**10**	8
16	**55**	Difference between non-mining tax rate and statutory mining rate on non-mining income	**4**	1
(219)	**(126)**	Effect on temporary differences due to changes in effective tax rates[1]	**(10)**	(15)
11	**7**	Prior year adjustment	**-**	1
485	**588**	Capital allowance, sale of business and other rate differences[2]	**43**	33
(202)	**(130)**	Deferred tax asset not recognised[3]	**(10)**	(14)
(632)	**510**	**Income and mining taxation**	**37**	(43)
40	**347**	**Effective income and mining tax rate (%)**	**185**	40

[1] This mainly relates to the decrease in the deferred tax rate related to Freegold (20.0% to 12.5%), Randfontein Estates Limited (Randfontein) (10.1% to 3.8%) and Harmony Gold Mining Company Limited (Harmony) (21.1% to 19.4%) mainly due to a lower estimated profitability. In 2016, the increase in the deferred tax rates related to Harmony (12.5% to 21.1%) and Freegold (16.7% to 20.0%) mainly due to higher estimated profitability, partially offset by a decrease in the deferred tax rates for Randfontein (14.3% to 10.1%) mainly due to lower estimated profitability.

[2] This relates to the additional capital allowance that may be deducted from taxable income from mining operations in South Africa. A significant portion relates to Avgold Limited (Avgold) which has a 0% effective tax rate.

[3] This relates primarily to the Hidden Valley operation and the PNG exploration operations and represents tax losses and deductible temporary difference arising in the year for which future taxable profits are not considered probable.

DEFERRED TAX

The analysis of deferred tax assets and liabilities is as follows:

SA rand 2016	SA rand 2017	*Figures in million*	US dollar 2017	US dollar 2016
(596)	**(419)**	Deferred tax assets	**(32)**	(40)
(507)	**(199)**	Deferred tax asset to be recovered after more than 12 months	**(15)**	(34)
(89)	**(220)**	Deferred tax asset to be recovered within 12 months	**(17)**	(6)
3 009	**2 121**	Deferred tax liabilities	**162**	204
2 816	**1 772**	Deferred tax liability to be recovered after more than 12 months	**135**	191
193	**349**	Deferred tax liability to be recovered within 12 months	**27**	13
2 413	**1 702**	**Net deferred tax liability**	**130**	164

Deferred tax liabilities and assets on the balance sheet as of 30 June 2017 and 30 June 2016 relate to the following:

SA rand 2016	SA rand 2017	*Figures in million*	US dollar 2017	US dollar 2016
3 009	**2 121**	Gross deferred tax liabilities	**162**	204
3 005	**1 834**	Amortisation and depreciation	**140**	204
-	**285**	Derivative assets	**22**	-
4	**2**	Other	**-**	-
(596)	**(419)**	Gross deferred tax assets	**(32)**	(40)
(216)	**(127)**	Unredeemed capital expenditure	**(10)**	(15)
(145)	**(265)**	Provisions, including non-current provisions	**(20)**	(9)
(235)	**(27)**	Tax losses	**(2)**	(16)
2 413	**1 702**	**Net deferred tax liability**	**130**	164

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

for the years ended 30 June 2017

13 TAXATION continued

DEFERRED TAX continued

Movement in the net deferred tax liability recognised in the balance sheet as follows:

SA rand 2016	SA rand 2017	Figures in million	US dollar 2017	US dollar 2016
1 906	**2 413**	Balance at beginning of year	**164**	157
509	**(998)**	Expense/(credit) per income statement	**(73)**	35
(1)	**287**	Tax directly charged to other comprehensive income[1]	**21**	-
(1)	**-**	Foreign currency translation	**18**	(28)
2 413	**1 702**	**Balance at end of year**	**130**	164

[1] Movement in 2017 relates to the derivative assets.

As at 30 June, the group had the following potential future tax deductions:

SA rand 2016	SA rand 2017	Figures in million	US dollar 2017	US dollar 2016
24 270	**34 164**	Unredeemed capital expenditure available for utilisation against future mining taxable income[1]	**2 606**	1 649
4 703	**4 951**	Tax losses carried forward utilisable against mining taxable income[2]	**378**	320
575	**570**	Capital Gains Tax (CGT) losses available to be utilised against future CGT gains	**43**	39
8 225	**11 580**	As at 30 June, the group has not recognised the following deferred tax asset amounts	**883**	559
		The unrecognised temporary differences are:		
22 228	**31 845**	Unredeemed capital expenditure[3]	**2 429**	1 510
3 035	**4 317**	Tax losses[2]	**329**	206
575	**570**	CGT losses[4]	**43**	39

[1] Includes Avgold R15 100 million (US$1 151.6 million) (2016: R13 467 million (US$915.0 million)), Randfontein R2 059 million (US$157.0 million) (2016: R1 956 million (US$132.9 million)) and Hidden Valley R16 745 million (US$1 277.1 million) (2016: R8 761 million (US$595.3 million)). These have an unlimited carry-forward period.
[2] Relates mainly to Hidden Valley and the PNG exploration operations. These have an unlimited carry-forward period.
[3] Relates to Avgold and Hidden Valley.
[4] The CGT losses relate to the gross CGT losses available to be utilised against future CGT gains.

DIVIDEND TAX (DT)

The withholding tax on dividends changed from 15% in 2016 to 20% in 2017.

14 EARNINGS PER SHARE

BASIC EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net income attributable to shareholders by the weighted number of ordinary shares in issue during the year.

2016	2017		2017	2016
437 299	**439 957**	Ordinary shares in issue ('000)	**439 957**	437 299
(624)	**(1 077)**	Adjustment for weighted number of ordinary shares in issue ('000)	**(1 077)**	(624)
436 675	**438 880**	Weighted number of ordinary shares in issue ('000)	**438 880**	436 675
(936)	**(437)**	Treasury shares ('000)	**(437)**	(936)
435 739	**438 443**	**Basic weighted average number of ordinary shares in issue ('000)**	**438 443**	435 739

SA rand 2016	SA rand 2017		US dollar 2017	US dollar 2016
949	**362**	**Total net earnings attributable to shareholders (millions)**	**17**	66
218	**82**	**Total basic earnings per share (cents)**	**4**	15

14 EARNINGS PER SHARE continued

DILUTED EARNINGS PER SHARE

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potential dilutive ordinary shares as a result of share options granted to employees under the share option schemes in issue. A calculation is performed to determine the number of shares that could have been acquired at fair value, determined as the average annual market share price of the company's shares, based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

2016	2017		2017	2016
435 739	**438 443**	Weighted average number of ordinary shares in issue ('000)	**438 443**	435 739
10 659	**20 777**	Potential ordinary shares ('000)	**20 777**	10 659
446 398	**459 220**	**Weighted average number of ordinary shares for diluted earnings per share ('000)**	**459 220**	446 398

SA rand			US dollar	
2016	2017		2017	2016
213	**79**	**Total diluted earnings per share (cents)**	**4**	15

The inclusion of share options issued to employees, as potential ordinary shares, has a dilutive effect on the earnings per share. The issue price and the exercise price include the fair value of any service to be supplied to the entity in the future under the share option or other share-based payment arrangement.

HEADLINE EARNINGS PER SHARE

The calculation of headline earnings, net of tax, per share is based on the basic earnings per share calculation adjusted for the following items:

SA rand			US dollar	
2016	2017	*Figures in million*	2017	2016
949	**362**	Net profit	**17**	66
		Adjusted for:		
-	**(848)**	Gain on bargain purchase[1]	**(60)**	-
-	**14**	Loss on liquidation of subsidiary[1]	**1**	-
(43)	**1 718**	Impairment/(Reversal of impairment) of assets	**131**	(3)
12	**(26)**	Taxation effect on impairment/(reversal of impairment) of assets	**(2)**	1
(7)	**(42)**	Profit on sale of property, plant and equipment	**(3)**	-
1	**7**	Taxation effect on profit of sale of property, plant and equipment	**-**	-
64	**140**	Loss on scrapping of property, plant and equipment	**10**	4
(12)	**(19)**	Taxation effect on loss on scrapping of property, plant and equipment	**(1)**	(1)
964	**1 306**	**Headline earnings**	**93**	67

[1] There is no taxation effect on these items.

SA rand			US dollar	
2016	2017		2017	2016
221	**298**	**Basic headline earnings per share (cents)**	**21**	15
216	**284**	**Diluted headline earnings per share (cents)**	**20**	15

DIVIDENDS

ACCOUNTING POLICY

Dividends declared are recognised in the period in which they are approved by the board of directors. Dividends are payable in South African rand.

Cash flows from dividends paid are classified under financing activities in the cash flow statement.

On 15 August 2016, the board declared a dividend of 50 SA cents (4 US cents) for the year ended 30 June 2016. R218 million (US$14.9 million) was paid on 19 September 2016. On 31 January 2017, the board declared an interim dividend of 50 SA cents (4 US cents). R221 million (US$17.5 million) was paid on 20 March 2017. Refer to note 36 for events after the reporting date.

SA rand			US dollar	
2016	2017		2017	2016
-	439	Dividend declared (millions)	33	-
-	100	Dividend per share (cents)	8	-

15 PROPERTY, PLANT AND EQUIPMENT

SA rand			US dollar	
2016	**2017**	*Figures in million*	**2017**	2016
22 681	**21 307**	Mining assets (a)	**1 625**	1 541
1 579	**3 104**	Mining assets under construction (b)	**237**	107
5 453	**5 428**	Undeveloped properties (c)	**414**	371
206	**205**	Other non-mining assets (d)	**16**	14
29 919	**30 044**	**Total property, plant and equipment**	**2 292**	2 033

(a) Mining assets

ACCOUNTING POLICY

Mining assets including mine development costs and mine plant facilities are initially recorded at cost, where after they are measured at cost less accumulated depreciation and impairment. Costs include expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably.

The net assets of operations placed on care and maintenance are impaired to their recoverable amount. Expenditure on the care and maintenance of these operations is charged against income, as incurred. Mineral and surface use rights represent mineral and surface use rights for parcels of land both owned and not owned by the group. Mineral and surface rights include acquired mineral use rights in production, development and exploration phase properties. The amount capitalised related to a mineral and surface right, either as an individual asset purchase or as part of a business combination, is the cost of acquisition.

The group's mineral use rights are enforceable regardless of whether proved or probable reserves have been established. In certain limited situations, the nature of use changes from an exploration right to a mining right upon the establishment of proved and probable reserves. The group has the ability and intent to renew mineral use rights where the existing term is not sufficient to recover all identified and valued proved and probable reserves and/or undeveloped mineral interests.

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

In most instances, proved and probable reserves provide the best indication of the useful life of the group's mines (and related assets). However, in some instances, proved and probable reserves may not provide a realistic indication of the useful life of the mine (and related assets). This may be the case, for example, where management is confident that further inferred resources will be converted into measured and indicated resources and if they are economically recoverable, they can also be classified as proved and probable reserves. Management is approaching economic decisions affecting the mine on this basis, but has chosen to delay the work required to designate them formally as reserves.

In assessing which resources to include so as to best reflect the useful life of the mine, management considers resources that have been included in the life-of-mine plan. To be included in the life-of-mine plan, resources need to be above the cut-off grade set by management, which means that the resource can be economically mined and is therefore commercially viable. This consistent systematic method for inclusion in the life-of-mine plan takes management's view of the gold price, exchange rates as well as cost inflation into account. In declaring the resource, management would have had to obtain a specified level of confidence of the existence of the resource through drilling as required by the South African Code for Reporting Exploration Results, Mineral Resources and Mineral Reserves (SAMREC).

Additional confidence in the existence, commercial viability and economical recovery of such resources may be based on historical experience and available geological information, such as geological information obtained from other operations that are contiguous to the group's as well as where the group mines continuations of these other operations' orebodies and reefs. This is in addition to the drilling results obtained by the group and management's knowledge of the geological setting of the surrounding areas, which would enable simulations and extrapolations to be done with a reasonable degree of accuracy.

In instances where management is able to demonstrate the economic recovery of such resources with a high level of confidence, such additional resources, which may also include certain, but not all, of the inferred resources, as well as the associated future development costs of accessing those resources, are included in the calculation of depreciation. The future development costs are those costs that need to be incurred to access these inferred resources, for example the costs to complete a decline or level, which may include infrastructure and equipping costs. These amounts have been extracted from the cash flow projections for the life-of-mine plans.

Mineral rights associated with production phase mineral interests are amortised over the life of mine using the units-of-production method in order to match the amortisation with the expected underlying future cash flows.

Impairment
Testing for impairment is done in terms of the group policy as discussed in note 2.5.

Stripping activities
The removal of overburden and other mine waste materials is often necessary during the initial development of a mine site, in order to access the mineral ore deposit. The directly attributable cost of this activity is capitalised in full within mining assets under construction, until the point at which the mine is considered to be capable of commercial production.

The removal of waste material after the point at which a mine is capable of commercial production is referred to as production stripping.

When the waste removal activity improves access to ore extracted in the current period, the costs of production stripping are charged to the income statement as operating costs in accordance with the principles of IAS 2 *Inventories* .

15 PROPERTY, PLANT AND EQUIPMENT continued

(a) Mining assets continued

ACCOUNTING POLICY continued

Stripping activities continued

Where production stripping activity both produces inventory and improves access to ore in future periods the associated costs of waste removal are allocated between the two elements. The portion which benefits future ore extraction is capitalised within stripping and development capital expenditure. If the amount to be capitalised cannot be specifically identified it is determined based on the volume of waste extracted compared with expected volume for the identified component of the orebody. Components are specific volumes of a mine's orebody that are determined by reference to the life-of-mine plan.

In certain instances significant levels of waste removal may occur during the production phase with little or no associated production. The cost of this waste removal is capitalised in full.

All amounts capitalised in respect of waste removal are depreciated using the units-of-production method based on proved and probable ore reserves of the component of the orebody to which they relate.

The effects of changes to the life-of-mine plan on the expected cost of waste removal or remaining reserves for a component are accounted for prospectively as a change in estimate.

Scrapping of assets

Where significant adverse changes have taken place relating to the useful life of an asset, that asset is tested for impairment in terms of the group policy as discussed in note 2.5. Whether or not an impairment is recognised, it is then necessary to review the useful lives and residual values of the assets within the CGU – this is reviewed at least annually. Where necessary, the useful lives and residual values of the individual assets are revised.

Where the useful life of an asset is nil as a result of no future economic benefit expected from the use or disposal of that asset, it is necessary to derecognise the asset. The loss arising from the derecognition is included in profit or loss in the period in which the asset was derecognised.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS – GOLD MINERAL RESERVES AND RESOURCES

Gold mineral reserves and resources are estimates of the amount of ounces that can be economically and legally extracted from the group's properties. In order to calculate the gold mineral reserves and resources, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, commodity prices and exchange rates.

Estimating the quantities and/or grade of the reserves and resources requires the size, shape and depth of the orebodies to be determined by analysing geological data such as the logging and assaying of drill samples. This process may require complex and difficult geological judgements and calculations to interpret the data.

Because the economic assumptions used to estimate the gold mineral reserves and resources change from year to year, and because additional geological data is generated during the course of operations, estimates of the mineral reserves and resources may change from year to year. Changes in the reserves and resources may affect the group's financial results and financial position in a number of ways, including:

- Asset carrying values may be affected due to changes in estimated cash flows;
- Scrapping of assets to be recorded in the income statement, following the derecognition of assets as no future economic benefit expected;
- Depreciation and amortisation charged in the income statement may change as they are calculated on the units-of-production method;
- Environmental provisions may change as the timing and/or cost of these activities may be affected by the change in mineral reserves; and
- Useful life and residual values may be affected by the change in mineral reserves.

At the end of each financial year, the estimate of proved and probable gold mineral reserves and resources is updated. Depreciation of mining assets is prospectively adjusted, based on these changes.

SENSITIVITY ANALYSIS - GOLD MINERAL RESERVES AND RESOURCES EFFECT ON DEPRECIATION

The group includes certain inferred resources in the denominator and future development costs in the numerator when performing the depreciation calculation for certain of its operations, where proved and probable reserves alone do not provide a realistic indication of the useful life of mine (and related assets). During 2017, this related to Doornkop (2016: Doornkop and Masimong). Had the group only used proved and probable reserves in its calculations, depreciation for 2017 would have amounted to R2 727 million (US$200.6 million) (2016: R2 258 million (US$153.4 million)) compared with the reported totals of R2 519 million (US$185.3 million) (2016: R2 173 million (US$149.9 million)).

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS – PRODUCTION START DATE

Various relevant criteria are considered in order to assess when the mine is substantially complete and ready for its intended use and moves into the production phase. Some of the criteria would include but are not limited to the following:

- The level of capital expenditure compared to the total project cost estimates;
- The ability to produce gold in a saleable form (where more than an insignificant amount of gold has been produced); and
- The ability to sustain the ongoing production of gold.

15 PROPERTY, PLANT AND EQUIPMENT continued

(a) Mining assets continued

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS – IMPAIRMENT OF ASSETS

The recoverable amount of mining assets is generally determined utilising real discounted future cash flows. Management also considers such factors as the quality of the individual orebody, market risk, asset specific risks and country risk in determining the fair value.

Key assumptions for the calculations of the mining assets' recoverable amounts are the commodity prices, resource values, marketable discount rates, costs to sell, exchange rates and the annual life-of-mine plans. In determining the commodity prices and resource values to be used, management assesses the long-term views of several reputable institutions on commodity prices and based on this, derives the commodity prices and resource values. The life-of-mine plans are based on the proved and probable reserves as included in the Reserve Declaration, which are determined in terms of SAMREC and The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC), as well as resources where management has high confidence in the orebody and economical recovery of gold, based on historic and similar geological experience.

During the year under review, the group calculated the recoverable amounts (generally fair value less costs to sell) based on updated life-of-mine plans and the following gold price, silver price and exchange rates assumptions:

	2017	2016
US$ gold price per ounce	**1 200**	**1 189**
US$ silver price per ounce	**17.00**	**17.80**
Exchange rate (R/US$)	**13.61**	**13.86**
Exchange rate (PGK/US$)	**3.16**	**3.10**
Rand gold price (R/kg)	**525 000**	**530 000**

The post-tax real discount rate for Hidden Valley was 11.92% (2016: 11.77%) and the post-tax real discount rates for the South African operations ranged between 8.98% and 11.81% (2016: 8.43% and 11.48%), depending on the asset, were used to determine the recoverable amounts (generally fair value less costs to sell). Cash flows used in the impairment calculations are based on life-of-mine plans which exceed five years for the majority of the mines. Refer to note 6 for details of impairments and reversals of impairments recorded. The following is the attributable gold resource value assumption:

	South Africa		**Hidden Valley**	
US Dollar per ounce	2017	2016	2017	2016
Measured	32.69	40.86	n/a	n/a
Indicated	18.68	23.35	5.84	5.84
Inferred	4.67	5.84	5.84	5.84

Should management's estimate of the future not reflect actual events, further impairments may be identified.

Factors affecting the estimates include:
- Changes to proved and probable ore reserves;
- Economical recovery of resources;
- The grade of the ore reserves may vary significantly from time to time;
- Review of strategy;
- Unforeseen operational issues at the mines;
- Differences between actual commodity prices and commodity price assumptions;
- Changes in the discount rate and foreign exchange rates; and
- Changes in capital, operating mining, processing and reclamation costs.

SENSITIVITY ANALYSIS - IMPAIRMENT OF ASSETS

One of the most significant assumptions that influence the life-of-mine plans and therefore impairments is the expected commodity prices. The sensitivity scenario of a 10% decrease or increase in the commodity price used in the discounted cash flow models and the resource values used (with all other variables held constant) would have resulted in additional impairments and reversal of impairment as follows:

	- 10% decrease Additional impairment		**+ 10% increase Reversal of impairment ***	
Figures in million	SA rand	US dollar	SA rand	US dollar
Tshepong operations	3 439	262	n/a	n/a
Kusasalethu	1 374	105	n/a	n/a
Hidden Valley	1 041	79	1 694	129
Target 1	1 006	77	n/a	n/a
Doornkop	934	71	194	15
Masimong	395	30	92	7
Other surface operations	257	20	n/a	n/a
Unisel	221	17	n/a	n/a
Bambanani	128	10	n/a	n/a

* The increase would have resulted in Rnil impairment being recognised for the 2017 financial year.

15 PROPERTY, PLANT AND EQUIPMENT continued

(a) Mining assets continued

The movement in the mining assets balance is as follows:

SA rand 2016	SA rand 2017	Figures in million	US dollar 2017	US dollar 2016
		Cost		
45 368	**46 932**	Balance at beginning of year	**3 189**	3 731
(839)	**(4 012)**	Fully depreciated assets no longer in use derecognised	**(295)**	(69)
1 924	**2 146**	Additions	**158**	133
-	**(4 594)**	Deemed disposal of 50% of Hidden Valley	**(332)**	-
-	**1 056**	Acquisition of 100% of Hidden Valley	**76**	-
(27)	**(9)**	Disposals	**(1)**	(2)
(133)	**(301)**	Scrapping of assets	**(23)**	(9)
(103)	**(9)**	Adjustment to rehabilitation asset	**(1)**	(7)
301	**283**	Transfers and other movements	**21**	21
441	**(922)**	Translation	**302**	(609)
46 932	**40 570**	**Balance at end of year**	**3 094**	3 189
		Accumulated depreciation and impairments		
22 730	**24 251**	Balance at beginning of year	**1 648**	1 869
(839)	**(4 012)**	Fully depreciated assets no longer in use derecognised	**(295)**	(69)
695	**1 463**	Impairment of assets	**112**	47
(738)	**-**	Reversal of impairment of assets	**-**	(50)
-	**(4 066)**	Deemed disposal of 50% of Hidden Valley	**(294)**	-
(26)	**(8)**	Disposals	**(1)**	(2)
(69)	**(161)**	Scrapping of assets	**(12)**	(5)
2 128	**2 545**	Depreciation	**187**	147
370	**(749)**	Translation	**124**	(289)
24 251	**19 263**	**Balance at end of year**	**1 469**	1 648
22 681	**21 307**	**Net carrying value**	**1 625**	1 541

Deemed disposal and acquisition of Hidden Valley

On 26 October 2016 the group obtained 100% ownership of Hidden Valley. Included in this acquisition was property, plant and equipment with a fair value of R1 272 million (US$92.6 million). Of the acquisition R1 056 million (US$76.2 million) relates to mining assets and R216 million (US$15.6 million) relates to assets under construction respectively. Refer to note 10 for more information relating to the acquisition.

Loss on scrapping of property, plant and equipment

During the 2017 financial year, an amount of R140 million (US$10.3 million) resulted in derecognition of property, plant and equipment due to the abandonment of individual surface assets that are no longer core to the business or in use as no future economic benefits are expected from their use or disposal. The amount in 2016 of R64 million (US$4.4 million) relates to the abandonment of unprofitable areas in certain of the South African operations' life-of-mine plans.

Stripping activities

Included in the balance for mining assets is an amount of R98 million (US$7.2 million) (2016: R24 million (US$1.6 million)) for stripping activities. The movement for 2017 relates to Kalgold. Depreciation of R5 million (US$0.4 million) (2016: R13 million (US$0.9 million)) and impairment for 2016 financial year amounting to R36 million (US$2.4 million) related to Hidden Valley were recorded for these activities.

(b) Mining assets under construction

ACCOUNTING POLICY

At the group's surface mines, when it has been determined that a mineral property can be economically developed as a result of establishing proved and probable reserves, costs incurred to develop the property are capitalised as incurred until the mine is considered to have moved into the production phase. These costs include costs to further delineate the orebody and remove overburden to initially expose the orebody. At the group's underground mines, all costs incurred to develop the property, including costs to access specific ore blocks or other areas of the underground mine, are capitalised to the extent that such costs will provide future economic benefits. These costs include the cost of shaft sinking and access, the costs of building access ways, lateral development, drift development, ramps, box cuts and other infrastructure development.

Where a depreciable asset is used in the construction or extension of a mine, the depreciation is capitalised against the mine's cost.

Exploration properties acquired are recognised in the balance sheet within development cost and are shown at cost less provisions for impairment determined in accordance with the group's accounting policy on impairment of non-financial assets.

Mineral interests associated with development and exploration phase mineral interests are not amortised until such time as the underlying property is converted to the production stage.

Capitalisation of pre-production costs ceases when commercial levels of production are reached. Commercial levels of production are discussed under "production start date" above.

15 PROPERTY, PLANT AND EQUIPMENT continued

(b) Mining assets under construction continued

The movement in the mining assets under construction balance is as follows:

SA rand 2016	SA rand 2017	*Figures in million*	US dollar 2017	US dollar 2016
		Cost		
1 266	**1 579**	Balance at beginning of year	**107**	104
450	**1 651**	Additions	**121**	31
68	**101**	Depreciation capitalised	**7**	5
-	**(108)**	Deemed disposal of 50% of Hidden Valley	**(8)**	-
-	**216**	Acquisition of 100% of Hidden Valley	**16**	-
74	**65**	Finance costs capitalised[1]	**5**	5
(301)	**(274)**	Transfers and other movements	**(20)**	(21)
22	**(126)**	Translation	**9**	(17)
1 579	**3 104**	**Balance at end of year**	**237**	107

[1] Refer to note 12 for further detail on the capitalisation rate applied.

Refer to mining assets above for information relating to the acquisition of assets under construction.

(c) Undeveloped properties

ACCOUNTING POLICY

Undeveloped properties are initially recognised at cost, which is generally based on the fair value of resources obtained through acquisitions. The carrying values of these properties are tested annualy for impairment. Once development commences, these properties are transferred to mining properties and accounted for in accordance with the related accounting policy.

The movement in the undeveloped properties balance is as follows:

SA rand 2016	SA rand 2017	*Figures in million*	US dollar 2017	US dollar 2016
		Cost		
5 422	**5 468**	Balance at beginning of year	**372**	446
46	**(26)**	Translation	**43**	(74)
5 468	**5 442**	**Balance at end of year**	**415**	372
		Accumulated depreciation and impairments		
13	**15**	Balance at beginning of year	**1**	1
2	**(1)**	Translation	**-**	-
15	**14**	**Balance at end of year**	**1**	1
5 453	**5 428**	**Net carrying value**	**414**	371

(d) Other non-mining assets

ACCOUNTING POLICY

Land is shown at cost and not depreciated. Other non-mining fixed assets are shown at cost less accumulated depreciation and accumulated impairment losses.

Other non-mining fixed assets are depreciated on a straight-line basis over their estimated useful lives as follows:
• Vehicles at 20% per year.
• Computer equipment at 33.3% per year.
• Furniture and equipment at 16.67% per year.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

15 PROPERTY, PLANT AND EQUIPMENT continued

(d) Other non-mining assets continued

The movement in the non-mining assets balance is as follows:

SA rand 2016	SA rand 2017	*Figures in million*	US dollar 2017	US dollar 2016
		Cost		
418	**421**	Balance at beginning of year	**29**	34
(15)	**(22)**	Fully depreciated assets no longer in use derecognised	**(1)**	(1)
15	**45**	Additions	**3**	1
-	**(1)**	Transfers and other movements	**-**	-
3	**(2)**	Translation	**3**	(5)
421	**441**	**Balance at end of year**	**34**	29
		Accumulated depreciation and impairments		
183	**215**	Balance at beginning of year	**15**	15
(15)	**(22)**	Fully depreciated assets no longer in use derecognised	**(1)**	(1)
44	**44**	Depreciation	**3**	3
-	**1**	Transfers and other movements	**-**	-
3	**(2)**	Translation	**1**	(2)
215	**236**	**Balance at end of year**	**18**	15
206	**205**	**Net carrying value**	**16**	14

16 INTANGIBLE ASSETS

ACCOUNTING POLICY

Intangible assets consist of all identifiable non-monetary assets without physical substance. They are stated at cost less accumulated amortisation and accumulated impairment losses, if any. The following are the main categories of intangible assets:

Goodwill

Goodwill is an intangible asset with an indefinite useful life which is not amortised but tested for impairment on an annual basis, or when there is an indication of impairment. The excess of consideration transferred over the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. Goodwill on acquisition of subsidiaries, joint ventures and businesses is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates and tested for impairment as part of the overall balance.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Goodwill is allocated to cash generating units for the purpose of impairment testing. The allocation is made to those cash generating units or groups of cash generating units that are expected to benefit from the business combination in which the goodwill arose. If the composition of one or more cash generating units to which goodwill has been allocated changes due to a re-organisation, the goodwill is re-allocated to the units affected.

The gain or loss on disposal of an entity includes the carrying amount of goodwill relating to the entity sold.

Technology-based assets

Acquired computer software licences that require further internal development are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These technology-based assets are classified as intangible assets with a finite useful life. These assets are amortised on a straight-line basis over their estimated useful lives, which are reviewed annually, as follows:

- Computer software at 20% per year.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS - IMPAIRMENT OF GOODWILL

Due to the wasting nature of mining assets and the finite life of a mine's reserves, the allocation of goodwill to a shaft will eventually result in an impairment charge for the goodwill. The group tests annually whether separately identifiable goodwill has suffered any impairment in accordance with the accounting policy stated in note 2.5. These calculations use estimates as per note 15.

SA rand 2016	SA rand 2017	*Figures in million*	US dollar 2017	US dollar 2016
846	**591**	Goodwill (a)	**45**	57
24	**12**	Technology-based assets (b)	**1**	2
870	**603**	**Total**	**46**	59

16 INTANGIBLE ASSETS continued

(a) Goodwill

SA rand 2016	SA rand 2017	Figures in million	US dollar 2017	US dollar 2016
		Cost		
2 373	**2 373**	Balance at beginning of year	**161**	195
-	**-**	Translation	**20**	(34)
2 373	**2 373**	**Balance at end of year**	**181**	161
		Accumulated amortisation and impairments		
1 527	**1 527**	Balance at beginning of year	**104**	125
-	**255**	Impairment[1]	**19**	-
-	**-**	Translation	**13**	(21)
1 527	**1 782**	**Balance at end of year**	**136**	104
846	**591**	**Net carrying value**	**45**	57
		The net carrying value of goodwill has been allocated to the following cash generating units:		
224	**224**	Bambanani	**17**	15
581	**326**	Tshepong[1]	**25**	39
41	**41**	Joel	**3**	3
846	**591**	**Net carrying value**	**45**	57

[1] An amount to R255 million (US$19.4 million), was impaired on Tshepong's goodwill 30 June 2017 as the carrying value exceeded the fair value less costs to sell of the cash generating unit of the Tshepong Operations, which includes Phakisa. Refer to note 6 for further details on the impairment assessment.

(b) Technology-based assets

SA rand 2016	SA rand 2017	Figures in million	US dollar 2017	US dollar 2016
		Cost		
196	**197**	Balance at beginning of year	**13**	16
-	**(164)**	Fully depreciated assets no longer in use derecognised	**(11)**	-
1	**-**	Additions	**-**	-
-	**-**	Translation	**1**	(3)
197	**33**	**Balance at end of year**	**3**	13
		Accumulated amortisation and impairments		
157	**173**	Balance at beginning of year	**11**	13
-	**(164)**	Fully depreciated assets no longer in use derecognised	**(11)**	-
16	**12**	Amortisation charge	**1**	1
-	**-**	Translation	**1**	(3)
173	**21**	**Balance at end of year**	**2**	11
24	**12**	**Net carrying value**	**1**	2

ACCOUNTING POLICY - FINANCIAL ASSETS (APPLICABLE TO NOTES 17, 18, 19 AND 20)

Financial assets are initially measured at fair value when the group becomes a party to their contractual arrangements, with the exception of loans and receivables which are recognised on origination date. Transaction costs are included in the initial measurement of financial instruments, with the exception of financial instruments classified as at fair value through profit or loss. The subsequent measurement of financial assets is discussed below.

A financial asset is derecognised when the right to receive cash flows from the asset has expired or the group has transferred its rights to receive cash and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the assets.

On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss recognised in equity is recognised in profit or loss.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

ACCOUNTING POLICY - FINANCIAL ASSETS (APPLICABLE TO NOTES 17, 18, 19 AND 20) continued

The group classifies financials assets as follows:

- **Loans and receivables** are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the group provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans and receivables are subsequently measured at amortised cost using the effective interest method. Loans and receivables include trade and other receivables (excluding VAT and prepayments), restricted cash and cash and cash equivalents.

  - **Cash and cash equivalents** are defined as cash on hand, deposits held at call with banks and short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents exclude restricted cash.

  - **Trade and other receivables** are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced through the use of a provision for impairment (allowance account) and the amount of the loss is recognised in the income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the income statement.

- **Available-for-sale financial assets** are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the balance sheet date. Available-for-sale financial assets are subsequently carried at fair value. The fair values of quoted investments are based on current bid prices. If the fair value for a financial instrument cannot be obtained from an active market, the group establishes fair value by using valuation techniques. The group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

- **Held-to-maturity** investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the group's management has the positive intention and ability to hold to maturity. The group's held-to-maturity investments are subsequently measured at amortised cost using the effective interest method. The group assesses at the end of each reporting period whether there is objective evidence that a held-to-maturity investment is impaired as a result of an event.

  A portion of restricted investments held by the trust funds (refer to note 18) are classified as held-to-maturity investments.

- **Financial assets at fair value through profit or loss** have two sub-categories: financial assets held-for-trading, and those designated at fair value through profit or loss at inception. Derivative assets are categorised as held for trading unless designated as hedging instruments (refer to note 2.3). These assets are subsequently measured at fair value with gains or losses arising from changes in fair value recognised in the income statement in the period in which they arise.

17 RESTRICTED CASH

SA rand			US dollar	
2016	2017	*Figures in million*	2017	2016
62	**64**	Non-current (a)	**5**	4
17	**18**	Current (b)	**1**	1
79	**82**	**Total restricted cash**	**6**	5

(a) The amount primarily relates to funds set aside to serve as collateral against guarantees made to the Department of Mineral Resources (DMR) in South Africa for environmental and rehabilitation obligations. Refer to note 26. The funds are invested equally in short term money market funds and call accounts.

(b) The amount relates to monies released from the environmental trusts as approved by the DMR. These funds may only be used for further rehabilitation.

18 RESTRICTED INVESTMENTS

SA rand			US dollar	
2016	2017	*Figures in million*	2017	2016
2 454	**2 621**	Investments held by environmental trust funds (a)	**200**	167
42	**37**	Investments held by social trust funds (b)	**3**	3
2 496	**2 658**	**Total restricted investments**	**203**	170

18 RESTRICTED INVESTMENTS continued

(a) Environmental trust funds

ACCOUNTING POLICY

Contributions are made to the group's environmental trust funds, created in accordance with statutory requirements, to fund the estimated cost of pollution control, rehabilitation and mine closure at the end of the life of the group's mines. The trusts are consolidated into the group as the group exercises control of the trusts. The measurement of the investments held by the trust funds is dependent on their classification under financial assets. Income received and gains are treated in accordance with these classifications.

The environmental trust funds are irrevocable trusts under the group's control. Contributions to the trusts are invested in interest-bearing short-term and medium-term cash investments and medium term equity-linked notes issued by commercial banks that provide guaranteed interest and additional interest or growth linked to the growth of the Top 40 index of the JSE. The equity-linked notes are designated as fair value through profit or loss investments and recorded at fair value whilst the interest-bearing short-term investments are classified either as held-to-maturity and recorded at amortised cost or as cash and cash equivalents and recorded at fair value. These investments provide for the estimated cost of rehabilitation at the end of the life of the group's mines. Income earned on the investments is retained in the funds and reinvested.

The environmental trust funds consist of:

SA rand 2016	SA rand 2017	*Figures in million*	US dollar 2017	US dollar 2016
1 854	**1 787**	Held-to-maturity financial assets	**137**	126
3	**32**	Cash and cash equivalents (loans and receivables)	**2**	-
597	**802**	Fair value through profit or loss financial assets	**61**	41
2 454	**2 621**	**Total environmental trust funds**	**200**	167

Reconciliation of the movement in the investments held by environmental trust funds:

SA rand 2016	SA rand 2017	*Figures in million*	US dollar 2017	US dollar 2016
2 338	**2 454**	Balance at beginning of year	**167**	192
135	**154**	Interest income	**11**	9
15	**5**	Fair value gain	**-**	1
(34)	**-**	Withdrawal of funds	**-**	(2)
90	**200**	Equity-linked deposits matured/(acquired)	**15**	6
392	**(220)**	Maturity/(acquisition) of held-to-maturity investments	**(16)**	27
(482)	**28**	Net (disposal)/acquisition of cash and cash equivalents	**2**	(33)
-	**-**	Translation	**21**	(33)
2 454	**2 621**	**Balance at end of year**	**200**	167

(b) The social trust fund

The social trust fund is an irrevocable trust under the group's control. The purpose of the trust is to fund the social plan to reduce the negative effects of restructuring on the group's workforce, to put measures in place to ensure that the technical and life skills of the group's workforce are developed and to develop the group's workforce in such a manner as to avoid or minimise the effect of job losses and a decline in employment through turnaround or redeployment strategies.

The social trust fund investment comprises a unit trust portfolio that is exposed to the fair value changes in the equity market and is classified as a fair value through profit or loss investment.

19 TRADE AND OTHER RECEIVABLES

SA rand 2016	SA rand 2017	*Figures in million*	US dollar 2017	US dollar 2016
		Non-current assets		
		Financial assets		
116	**116**	Loans to associates (b)	**9**	8
205	**229**	Loan to ARM BBEE Trust (c)	**17**	14
-	**2**	Other loans receivable	**-**	-
(149)	**(162)**	Provision for impairment (b) (c)	**(12)**	(10)
172	**185**	**Total non-current trade and other receivables**	**14**	12

19 TRADE AND OTHER RECEIVABLES continued

SA rand 2016	SA rand 2017	Figures in million	US dollar 2017	US dollar 2016
		Current assets		
		Financial assets		
164	**359**	Trade receivables (gold)	**27**	11
112	**112**	Other trade receivables	**9**	8
(36)	**(51)**	Provision for impairment	**(4)**	(2)
240	**420**	Trade receivables - net	**32**	17
64	**84**	Interest and other receivables (a)	**6**	4
62	**-**	Loan to associate (net) (b)	**-**	4
12	**13**	Employee receivables	**1**	1
		Non-financial assets		
35	**73**	Prepayments	**6**	2
241	**398**	Value added tax	**30**	16
6	**15**	Income and mining taxes	**1**	-
660	**1 003**	**Total current trade and other receivables**	**76**	44

(a) No impairment allowance is necessary in respect of any balances included in interest and other receivables as all amounts are classified as fully performing.

(b) (i) Rand Refinery drew down on the facility provided by its shareholders. Harmony's portion of the shareholder's loan was R120 million (US$10.0 million). A cumulative provision of R58 million (US$4.4 million) was provided for up to 2016. During 2017 the Rand Refinery loan was converted to preference shares. Refer to note 21 for more details.

(ii) The balance in 2017 comprises R116 million (US$8.8 million) (2016: R116 million (US$7.9 million)) owed by Pamodzi Gold Limited (Pamodzi). Pamodzi was placed into liquidation during 2009 and the loan was provided in full. Harmony is a concurrent creditor in the Pamodzi Orkney liquidation.

(c) During 2016, Harmony advanced R200 million (US$13.5 million) to the ARM BBEE Trust, shareholder of African Rainbow Minerals Limited (ARM). The trust is controlled and consolidated by ARM, who holds 14.6% of Harmony's shares. Harmony is a trustee of the ARM BBEE Trust. The loan is subordinated and unsecured. The interest is market related (3 month JIBAR plus 4.25%) and is receivable on the maturity of the loan on 31 December 2022. At year end, the loan was tested for impairment following the decrease in the ARM share price since advancing the loan to the ARM BBEE Trust and an amount of R13 million (US$1.0 million) (2016: R33 million (US$2.2 million)) was provided for. The recoverable amount of R183 million (US$14.0 million) (2016: R172 million (US$11.7 million)) was calculated using the cash flow model. The cash flows in the model includes projected interest payments and projected ARM share price on the expected repayment date.

The movement in the provision for impairment of current trade receivables during the year was as follows:

SA rand 2016	SA rand 2017	Figures in million	US dollar 2017	US dollar 2016
58	**36**	Balance at beginning of year	**2**	5
11	**16**	Impairment loss recognised	**1**	1
(33)	**(1)**	Reversal of impairment loss	**-**	(2)
-	**-**	Translation	**1**	(2)
36	**51**	**Balance at end of year**	**4**	2

The movement in the provision of loans receivable during the year was as follows:

SA rand 2016	SA rand 2017	Figures in million	US dollar 2017	US dollar 2016
131	**189**	Balance at beginning of year	**13**	10
58	**13**	Impairment loss recognised	**1**	4
-	**(40)**	Derecognition of impairment loss	**(3)**	-
-	**-**	Translation	**1**	(1)
189	**162**	**Total provision of loans receivable**	**12**	13
149	**162**	Total provision of non-current loans receivable	**12**	10
40	**-**	Total provision of current loans receivable	**-**	3

19 TRADE AND OTHER RECEIVABLES continued

The ageing of current trade receivables at the reporting date was:

SA rand			US dollar	
Impairment	Gross	*Figures in million*	Gross	Impairment
		30 June 2017		
-	**399**	Fully performing	**31**	**-**
-	**19**	Past due by 1 to 30 days	**1**	**-**
-	**2**	Past due by 31 to 60 days	**-**	**-**
11	**11**	Past due by 61 to 90 days	**1**	**1**
13	**13**	Past due by more than 90 days	**1**	**1**
27	**27**	Past due by more than 361 days	**2**	**2**
51	**471**		**36**	**4**
		30 June 2016		
-	226	Fully performing	15	-
-	5	Past due by 1 to 30 days	-	-
-	2	Past due by 31 to 60 days	-	-
-	7	Past due by 61 to 90 days	1	-
12	12	Past due by more than 90 days	1	-
24	24	Past due by more than 361 days	2	2
36	276		19	2

The ageing of non-current loans receivable at the reporting date was:

SA rand			US dollar	
Impairment	Gross	*Figures in million*	Gross	Impairment
		30 June 2017		
46	**231**	Fully performing	**18**	**4**
-	**-**	Past due by 1 to 30 days	**-**	**-**
-	**-**	Past due by 31 to 60 days	**-**	**-**
-	**-**	Past due by 61 to 90 days	**-**	**-**
116	**116**	Past due by more than 361 days	**9**	**9**
162	**347**		**27**	**13**
		30 June 2016		
73	307	Fully performing	21	5
-	-	Past due by 1 to 30 days	-	-
-	-	Past due by 31 to 60 days	-	-
-	-	Past due by 61 to 90 days	-	-
116	116	Past due by more than 361 days	8	8
189	423		29	13

Based on past experience, the group believes that no impairment allowance is necessary in respect of fully performing receivables as the amount relates to customers that have a good track record with the group. The majority of fully performing trade receivables are indirectly associated with financial institutions of good credit quality. Provisions for the other loans and receivables have been raised following an assessment of their credit risk by management.

During the 2016 and 2017 there was no renegotiation of the terms of any receivable.

As at 30 June 2017 and 30 June 2016, there was no collateral pledged or held for any of the receivables.

20 DERIVATIVE FINANCIAL ASSETS

SA rand			US dollar	
2016	2017	*Figures in million*	2017	2016
-	**306**	**Non-current**	**24**	-
-	**298**	Rand gold hedging contracts (a)	**23**	-
-	**8**	US$ commodity contracts (b)	**1**	-
369	**1 541**	**Current**	**117**	25
-	**1 080**	Rand gold hedging contracts (a)	**82**	-
-	**12**	US$ commodity contracts (b)	**1**	-
369	**449**	Foreign exchange hedging contracts (c)	**34**	25
369	**1 847**	**Total derivative financial assets**	**141**	25

20 DERIVATIVE FINANCIAL ASSETS continued

a) During the year Harmony started a hedging programme and entered into Rand gold forward sale derivative contracts (Rand gold hedging contracts) to hedge the risk of lower Rand gold prices. Cash flow hedge accounting is applied to these contracts, resulting in the effective portion of the unrealised gains and losses being recorded in other comprehensive income (other reserves), see note 25. Hedge ineffectiveness is measured by comparing the change in the expected cash flows from a forward sale contract versus the sale of an equivalent quantity of gold in the open market. Ineffectiveness results when the changes in the fair values in the hedging instruments exceed the fair value changes in the hedged item. During the year ended 30 June 2017, the contracts that matured realised a gain of R744 million (US$54.7 million), of which R728 million (US$53.5 million) has been included in revenue and the ineffective portion of R16 million (US$1.2 million) in gains on derivatives. The unamortised portion of the day one gain or loss amounted to R34 million (US$2.6 million) on 30 June 2017.

b) During May 2017, Harmony began a hedging programme for Hidden Valley by entering into commodity hedging contracts. The contracts comprise of US$ gold forward sale derivative contracts as well as silver zero cost collars which establish a minimum (floor) and maximum (cap) silver sales price. Hedge accounting is not applied and the resulting gains and losses are recorded in gains on derivatives in the income statement.

c) Harmony maintains a foreign exchange hedging programme in the form of zero cost collars, which establish a floor and cap US$/Rand exchange rate at which to convert US dollars to Rands. As hedge accounting is not applied, the resulting gains and losses have been recorded in gains on derivatives in the income statement (refer to note 7).

The following table shows the open position at the reporting date:

	FY18				FY19			TOTAL
2017	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	
US$ZAR								
US$m	**111**	**132**	**120**	**59**				**422**
Floor	**15.00**	**14.40**	**14.00**	**14.00**				**14.41**
Cap	**16.30**	**15.50**	**15.00**	**15.00**				**15.53**
R/gold								
'000 oz	**54**	**54**	**54**	**54**	**54**	**27**	**27**	**324**
R'000/kg	**686**	**700**	**713**	**728**	**697**	**630**	**643**	**693**
US$/gold								
'000 oz	**4**	**3**	**12**	**15**	**15**	**15**		**64**
US$/oz	**1265**	**1270**	**1272**	**1275**	**1278**	**1281**		**1276**
Total gold								
'000 oz	**58**	**57**	**66**	**69**	**69**	**42**	**27**	**388**
US$/silver								
'000 oz	**40**	**60**	**180**	**210**	**240**	**240**		**970**
Floor	**17.10**	**17.10**	**17.10**	**17.10**	**17.10**	**17.10**		**17.10**
Cap	**18.10**	**18.10**	**18.10**	**18.10**	**18.10**	**18.10**		**18.10**

Refer to note 4 for the details on the fair value measurements.

21 INVESTMENTS IN ASSOCIATES

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The investments in associates are evaluated for impairment by comparing the entire carrying value of the investment (including loans to associates and preference shares) to the recoverable amount, which is the higher of value in use or fair value less costs to sell. Discounted cash flow models are used to calculate the net present value of the investments. The cash flows in the models include expected interest and capital payments on loans, dividends, redemption amounts and proceeds on disposal.

(a) Harmony acquired a 32.4% interest in Pamodzi on 27 February 2008, initially valued at R345 million (US$46.5 million). Pamodzi was listed on the JSE and had interests in operating gold mines in South Africa. Pamodzi was placed in liquidation in March 2009. As at 30 June 2017, the liquidation process has not been concluded. Refer to note 19(b)(i) for details of the loan and provision of impairment of the loan.

(b) Rand Refinery provides precious metal smelting and refining services in South Africa. Harmony holds a 10.38% share in Rand Refinery. This investment is a strategic investment for the group as Rand Refinery is the only company that provides such services in South Africa. Although the group holds less than 20% of the equity shares of Rand Refinery, the group is able to exercise significant influence by virtue of having a right to appoint a director on the board. Through the 10.38% shareholding and the right to appoint a director on the board, the investment has been accounted for as an associate.

Rand Refinery's shareholders extended Rand Refinery an irrevocable, subordinated loan facility of up to R1.2 billion (US$114.2 million) on 23 July 2014. In December 2014, Rand Refinery drew down R1.02 billion (US$88.1 million) on the shareholders' loan. Harmony's portion of the shareholders' loan was R120 million (US$10.4 million). Interest on the facility is JIBAR plus a margin of 3.5%. During the 2017 financial year, interest received on the loan amounted to R6 million (US$0.4 million) (2016: R12 million (US$0.8 million)).The loan formed part of the net investment in associate and was included in Trade and other receivables.

for the years ended 30 June 2017

21 INVESTMENTS IN ASSOCIATES continued

(b) Rand Refinery continued

The original loan facility agreement allowed for any unpaid balance to be converted to equity after two years. An amended agreement was concluded on 5 June 2017, converting the loan to cumulative, redeemable preference shares of no par value. The fair value of the loan on the date of conversion was R71 million (US$5.6 million), resulting in a loss of R15 million (US$1.2 million). The fair value was determined using a discounted cash flow model which included expected dividends and redemption amounts at a discount rate of 17.6%. The fair value measurement is classified as a level 3 model and is non-recurring.

Rand Refinery has a 31 August year-end.

The net investment in associate consists of:

SA rand 2016	SA rand 2017	*Figures in million*	US dollar 2017	US dollar 2016
-	**46**	Investment in associate	**4**	-
-	**-**	Investment in ordinary shares[1]	**-**	-
-	**46**	Redeemable preference shares[2]	**4**	-
62	**-**	Trade and other receivables	**-**	4
62	**-**	Loans to associates[2]	**-**	4
62	**46**	**Net investments in associates**	**4**	4

[1] Carried at cost less accumulated impairment
[2] Includes cumulative share of losses of R25 million (US$1.9 million) (2016: R15 million (US$1.0 million)).

The movement in the investments in associates during the year is as follows:

SA rand 2016	SA rand 2017	*Figures in million*	US dollar 2017	US dollar 2016
-	**-**	Balance at beginning of year	**-**	-
-	**46**	Conversion to preference shares	**4**	-
-	**46**	**Balance at end of year**	**4**	-

22 INVESTMENT IN JOINT OPERATIONS

MOROBE MINING JOINT VENTURES (MMJV) PARTNERSHIP AGREEMENT

The group has a 50% interest in the mining and exploration assets located in the Morobe province, PNG. Newcrest owns the remaining 50% interest in these assets. This partnership was formed during the 2009 financial year through a range of transactions and was completed by 30 June 2009. The assets included the Hidden Valley operation and the Wafi-Golpu project. During the 2017 year, Harmony purchased Newcrest's 50% interest in Hidden Valley. Refer to note 10 for further information on the transaction. The joint arrangement is accounted for as a joint operation. The key remaining asset in the joint arrangement is the Wafi-Golpu project.

23 INVENTORIES

ACCOUNTING POLICY

Inventories, which include bullion on hand, gold-in-process, gold in lock-up, ore stockpiles and consumables, are measured at the lower of cost and net realisable value. Net realisable value is assessed at each reporting date and is determined with reference to relevant market prices.

The cost of bullion, gold-in process and gold in lock-up is determined by reference to production cost, including amortisation and depreciation at the relevant stage of production. Ore stockpiles are valued at average production cost. Stockpiles and gold in lock-up are classified as non-current assets where the stockpile exceeds current processing capacity and where a portion of static gold in lock-up is expected to be recovered more than 12 months after balance sheet date.

Gold in-process inventories represent materials that are currently in the process of being converted to a saleable product. In-process material is measured based on assays of the material fed to process and the projected recoveries at the respective plants. In-process inventories are valued at the average cost of the material fed to process attributable to the source material coming from the mine or stockpile plus the in-process conversion costs, including the applicable depreciation relating to the process facility, incurred to that point in the process. Gold in-process includes gold in lock-up which is generally measured from the plants onwards. Gold in lock-up is expected to be extracted when plants are demolished at the end of their useful lives, which is largely dependent on the estimated useful life of the operations feeding the plants. Where mechanised mining is used in underground operations, in-progress material is accounted for at the earliest stage of production when reliable estimates of quantities and costs are capable of being made. At the group's open pit operations, gold in-process represents production in broken ore form.

Consumables are valued at weighted average cost value after appropriate allowances for slow moving and redundant items.

23 INVENTORIES continued

SA rand			US dollar	
2016	2017	*Figures in million*	2017	2016
37	**38**	Gold in lock-up	**3**	3
526	**275**	Gold in-process, ore stockpiles and bullion on hand[1]	**21**	36
641	**852**	Consumables at weighted average cost (net of provision)[2]	**65**	43
1 204	**1 165**	Total inventories	**89**	82
(37)	**(38)**	Non-current portion of gold in lock-up and gold in-process	**(3)**	(3)
1 167	**1 127**	**Total current portion of inventories**	**86**	79
		Included in the balance above is:		
274	**203**	Inventory valued at net realisable value	**15**	19

[1] The depletion of run-of-mine stockpiles at Hidden Valley was the main reason for the decrease in ore stockpiles.
[2] The increase in consumables is mainly as a result of the Hidden Valley acquisition. Refer to note 10 for more information.

During the year, an increase of R37 million (US$2.8 million) (2016: R91 million (US$6.2 million) to the provision for slow moving and redundant stock was made. The increase in 2017 and 2016 in the provision was primarily the result of additional redundant stock items identified in PNG and provided for. The total provision at 30 June 2017 was R250 million (US$19.0 million) (2016: R213 million (US$14.5 million)).

24 SHARE CAPITAL

ACCOUNTING POLICY

Ordinary shares are classified as equity, incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

The cost of treasury shares is eliminated against the share capital balance.

AUTHORISED

1 200 000 000 (2016: 1 200 000 000) ordinary shares of 50 SA cents each.

ISSUED

439 957 199 (2016: 437 299 479) ordinary shares of 50 SA cents each. All issued shares are fully paid.

Annexure B and note 33 set out details in respect of the share option scheme and shares held in trust for the employees of the group.

SHARE ISSUES

Shares issued in the 2016 and 2017 financial years relate to the exercise of share options by employees. In the 2016 year, 35 000 shares were issued to the Tlhakanelo Employee Share Trust (Tlhakanelo Trust), the vehicle used for the employee share ownership plan (ESOP). Annexure B of this report and note 33 set out the details in respect of the share option scheme.

TREASURY SHARES

Included in the total of issued shares is an amount of 335 shares held by Lydenburg Exploration Limited, a wholly owned subsidiary of the company.

During August 2012, 3.5 million shares were issued to the Tlhakanelo Trust. As the trust is controlled by the group, the shares are treated as treasury shares. In the 2016 financial year, an additional 35 000 shares were issued to the Tlhakanelo Trust for purposes of settling the 2014 and 2015 offers of ESOP share appreciation rights that vested during the 2016 financial year. During 2017, 496 408 (2016: 537 757) shares were exercised by employees and the remaining 28 507 shares are still held as treasury shares.

25 OTHER RESERVES

SA rand			US dollar	
2016	2017	*Figures in million*	2017	2016
2 718	**2 395**	Foreign exchange translation reserve (a)	**(1 528)**	(1 753)
-	**1 143**	Hedge reserve (b)	**84**	-
1 789	**2 160**	Share-based payments (c)	**224**	197
(22)	**(25)**	Post-retirement benefit actuarial gain/(loss) (d)	**(2)**	(2)
(381)	**(381)**	Acquisition of non-controlling interest in subsidiary (e)	**(57)**	(57)
277	**277**	Equity component of convertible bond (f)	**41**	41
(98)	**(98)**	Repurchase of equity interest (g)	**(13)**	(13)
(2)	**(2)**	Fair value movement of available-for-sale financial assets	**-**	-
(29)	**(28)**	Other	**(4)**	(4)
4 252	**5 441**	**Total other reserves**	**(1 255)**	(1 591)

25 OTHER RESERVES continued

(a) The balance of the foreign exchange translation reserve movement represents the cumulative translation effect of the group's off-shore operations. The US dollar amount includes the translation effect from rand to US dollar.

(b) During the year, Harmony entered into Rand gold hedging contracts. Cash flow hedge accounting is applied to these contracts, resulting in the effective portion of the unrealised gains and losses being recorded in other comprehensive income (other reserves). Refer to note 20 for further information. The reconciliation of the hedge reserve is as follows:

SA rand			US dollar	
2016	2017	*Figures in million*	2017	2016
-	-	Balance at beginning of year	-	-
	1 739		128	-
-	2 172	Unrealised gain on Rand gold contracts	160	-
-	(433)	Deferred tax thereon	(32)	-
	(583)		(43)	-
-	(728)	Released to revenue	(54)	-
-	145	Deferred tax thereon	11	-
	(13)		(1)	-
-	(16)	Released to gains on derivatives (hedge ineffectiveness)	(1)	-
-	3	Deferred tax thereon	-	-
-	**1 143**	**Balance at end of year**	**84**	-

(c) Share-based payments

SA rand			US dollar	
2016	2017	*Figures in million*	2017	2016
1 467	1 789	Balance at beginning of year	197	175
321	371	Share-based payments expensed (i)	27	22
1	-	ESOP awards settled with shares (ii)	-	-
1 789	**2 160**	**Balance at end of year**	**224**	197

(i) The group issues equity-settled instruments to certain qualifying employees under an employee share option scheme and employee share ownership plan (ESOP) to purchase shares in the company's authorised but unissued ordinary shares. Equity share-based payments are measured at the fair value of the equity instruments at the date of the grant. Share-based payments are expensed over the vesting period, based on the group's estimate of the shares that are expected to eventually vest. Refer to note 33 for more details.

(ii) The 2014 and 2015 offers of ESOP share appreciation rights that vested during the 2016 financial year were settled through the issue of ordinary shares to the Tlhakanelo Trust as a result of the positive share price appreciation since grant date, and therefore resulted in the change in classification from cash-settled to equity-settled.

(d) The actuarial gains or losses related to the post-retirement benefit obligation will not be reclassified to the income statement. The reconciliation is as follows:

SA rand			US dollar	
2016	2017	*Figures in million*	2017	2016
(26)	(22)	Balance at beginning of year	(2)	(2)
3	(2)	Actuarial gain/(loss)	-	-
1	(1)	Deferred tax[1]	-	-
(22)	**(25)**	**Balance at end of year**	**(2)**	(2)

[1] The deferred tax movement includes the changes in the deferred tax rates on the opening balance.

(e) On 15 March 2004, Harmony announced that it had made an off-market cash offer to acquire all the ordinary shares, listed and unlisted options of Abelle Limited, held by non-controlling interests. The excess of the purchase price of R579 million (US\$86.5 million) (A\$123 million) over the carrying amount of non-controlling interest acquired, amounting to R381 million (US\$57 million), has been accounted for under other reserves.

(f) On 24 May 2004, the group issued a convertible bond. The amount representing the value of the equity conversion component is included in other reserves, net of deferred income taxes. The equity conversion component is determined on the issue of the bonds and is not changed in subsequent periods. The convertible bonds were repaid in 2009.

(g) On 19 March 2010, Harmony Gold Mining Company Limited concluded an agreement with African Vanguard Resources (Proprietary) Limited (AVRD), for the purchase of its 26% share of the mining titles of the Doornkop South Reef. The original sale of the 26% share in the mining titles was accounted for as an in-substance call option by AVRD over the 26% mineral right. The agreement to purchase AVRD's 26% interest during the 2010 financial year is therefore considered to be a repurchase of the option (equity interest). The 26% interest was transferred from AVRD to Harmony in exchange for Harmony repaying the AVRD Nedbank loan and the issue of 2 162 359 Harmony shares. The difference between the value of the shares issued of R152 million (US\$20.5 million), the liability to the AVRD and transaction costs, have been taken directly to equity.

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

for the years ended 30 June 2017

ACCOUNTING POLICY - PROVISIONS (APPLICABLE TO NOTES 26, 27, 28 AND 30)

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognised as a provision is the net present value of the best estimate of the expenditure required to settle the present obligation at balance sheet date using a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the obligation. The estimate takes into account the associated risks and uncertainties. The increase in the provision due to the passage of time is recognised as interest expense.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic benefits will be required, the provision is reversed.

26 PROVISION FOR ENVIRONMENTAL REHABILITATION

ACCOUNTING POLICY

Estimated long-term environmental obligations, comprising pollution control, rehabilitation and mine closure, are based on the group's environmental management plans in compliance with current technological, environmental and regulatory requirements.

Based on disturbances to date, the net present value of expected rehabilitation cost estimates is recognised and provided for in full in the financial statements. The estimates are reviewed annually and are discounted using a pre-tax risk-free rate that is adjusted to reflect the current market assessments of the time value of money and the risks specific to the obligation.

Annual changes in the provision consist of finance costs relating to the change in the present value of the provision and inflationary increases in the provision estimate, as well as changes in estimates. The present value of environmental disturbances created are capitalised to mining assets against an increase in the rehabilitation provision. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in the income statement. If the asset value is increased and there is an indication that the revised carrying value is not recoverable, impairment is performed in accordance with the accounting policy dealing with impairments of non-financial assets. Rehabilitation projects undertaken, included in the estimates are charged to the provision as incurred. The cost of ongoing current programmes to prevent and control pollution is charged against income as incurred. Over time, the liability is increased to reflect an interest element, and the capitalised cost is depreciated over the life of the related asset.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Significant judgement is applied in estimating ultimate rehabilitation cost that will be required in future to rehabilitate the group's mines. Ultimate cost may significantly differ from current estimates. The following rates were used in the calculation of the provision:

	2017 %	2016 %
South African operations		
Inflation rate	**6.50**	6.75
Discount rates		
- 12 months	**7.50**	8.00
- one to five years	**7.60**	8.40
- six to nine years	**8.40**	9.00
- ten years or more	**9.10**	9.20
PNG		
Inflation rate	**6.60**	5.00
Discount rates	**6.25**	6.25

The group's mining and exploration activities are subject to extensive environmental laws and regulations. The group has made, and expects to make in the future, expenditures to comply with such laws and regulations, but cannot predict the full amount of such future expenditures. Estimated future reclamation costs are based principally on legal and regulatory requirements.

The following is a reconciliation of the total liability for environmental rehabilitation:

SA rand 2016	SA rand **2017**	*Figures in million*	US dollar **2017**	US dollar 2016
		Provision raised for future rehabilitation		
2 218	**2 183**	Balance at beginning of year	**148**	182
(103)	**(9)**	Change in estimate - Balance sheet	**(1)**	(7)
(41)	**(15)**	Change in estimate - Income statement	**(1)**	(2)
(69)	**(96)**	Utilisation of provision	**(7)**	(5)
162	**173**	Time value of money and inflation component of rehabilitation costs	**13**	11
-	**483**	Acquisition of Hidden Valley (refer to note 10)	**35**	-
16	**(81)**	Translation	**14**	(31)
2 183	**2 638**	**Total provision for environmental rehabilitation**	**201**	148

The provision for environmental rehabilitation for PNG amounts to R969 million (US$73.9 million) (2016: R511 million (US$34.7 million) and is unfunded.

26 PROVISION FOR ENVIRONMENTAL REHABILITATION continued

While the ultimate amount of rehabilitation costs to be incurred in the future is uncertain, the group has estimated that, based on current environmental and regulatory requirements, the total undiscounted cost for the mines, in the current monetary terms, is as follows:

SA rand			US dollar	
2016	2017	*Figures in million*	2017	2016
		Future net undiscounted obligation		
2 998	**3 574**	Ultimate estimated rehabilitation cost	**273**	204
(2 454)	**(2 621)**	Amounts invested in environmental trust funds (refer to note 18)	**(200)**	(167)
544	**953**	**Total future net undiscounted obligation**	**73**	37

With the introduction of the National Environmental Management Act (NEMA) Regulations on Financial Provisioning, effective from February 2019, there may be changes to the estimate of the liability and the way in which the group funds the obligation.

The group intends to finance the ultimate rehabilitation costs from the money invested in environmental trust funds as well as the proceeds on sale of assets and gold from plant clean-up at the time of mine closure. The group has guarantees in place, some cash-backed, relating to some of the environmental liabilities. Refer to notes 17 and 35.

27 PROVISION FOR SILICOSIS SETTLEMENT

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Significant judgement is applied in estimating the cost that will be required in future to settle any claims against the group's mines. The ultimate cost may differ from current estimates.

The provision amount was based on estimates of number of potential claimants, levels of disease progression and take-up rates. These estimates were informed by historic information, published academic research and professional opinion.

The key assumptions that were made in the determination of the provision amount include:
- Silicosis prevalence rates;
- Estimated settlement per claimant;
- Benefit take-up rates; and
- Disease progression rates.

A discount rate of 8% was used, based on government bond with similar terms to the obligation.

There is uncertainty with regard to the rate at which potential claims would be reported as well as the benefit take-up rates. Refer to sensitivity analysis on the key assumptions below.

On 3 March 2011, judgement was handed down in the Constitutional Court, in the case of Mr Thembekile Mankayi v AngloGold Ashanti Limited regarding litigation in terms of the Occupational Diseases in Mines and Works Act (ODIMWA). The judgement allows claimants, such as Mr Mankayi, to institute action against their current and former employers for damages suffered as a result of them contracting occupational diseases which result from their exposure to harmful quantities of dust whilst they were employed at a controlled mine as referred to in ODIMWA. In this regard, should anyone bring similar claims against Harmony in future, those claimants would need to prove that silicosis, as an example, was contracted whilst in the employ of the company and that it was contracted due to negligence on the company's part to provide a safe and healthy working environment. The link between the cause (negligence by the company in exposing the claimant to harmful quantities of dust whilst in its employ) and the effect (the silicosis) will be an essential part of any case.

i) Consolidated class action.
On 23 August 2012, Harmony and certain of its subsidiaries (Harmony group) were served with court papers in terms of which three former employees made application to the South Gauteng High Court to certify a class for purposes of instituting a class action against the Harmony group. In essence, the applicants want the court to declare them as suitable members to represent a class of current and former mineworkers for purposes of instituting a class action for certain relief and to obtain directions from the court as to what procedure to follow in pursuing the relief required against the Harmony group. Similar applications were also brought against various other gold mining companies for similar relief during August 2012.

On 8 January 2013, the Harmony group, alongside other gold mining companies operating in South Africa (collectively the respondents), was served with another application to certify two classes of persons representing a class of current and former mine workers who work or have worked on gold mines owned and/or controlled by the respondents and who allegedly contracted silicosis and/or other occupational lung diseases, and another class of dependents of mine workers who have died of silicosis and who worked on gold mines owned and/or controlled by the respondents. The Harmony group opposed both applications and instructed its attorneys to defend the application.

Following receipt of the aforesaid application, the Harmony group was advised that there was a potential overlap between the application of 23 August 2012 and the application of 8 January 2013. On 17 October 2013, the five certification applications were consolidated by order of court.

The applications were heard in October 2015. On 13 May 2016, the Johannesburg High Court ordered the certification of a silicosis class and a tuberculosis class, which are to proceed as a single class against the mining companies acted in the application. The companies requested leave to appeal to the Supreme Court of Appeal, which was granted on 13 September 2016 and is scheduled to be heard on 19 - 23 March 2018.

27 PROVISION FOR SILICOSIS SETTLEMENT continued

ii) Individual claims.
On 3 May 2013, Harmony and one of its subsidiaries received a summons from Richard Spoor Attorneys on behalf of an employee. The plaintiff is claiming R25 million (US$1.7 million) in damages plus interest from Harmony and one of its subsidiaries, and another gold mining group of companies. The plaintiff alleges to have contracted silicosis with progressive massive fibrosis during the course of his employment. Harmony continues to defend this litigation.

iii) Working group.
A gold mining industry working group consisting of African Rainbow Minerals Limited, Anglo American South Africa Limited, AngloGold Ashanti Limited, Gold Fields Limited, Sibanye-Stillwater and Harmony (collectively the working group) was formed in November 2014 to address issues relating to the compensation and medical care for occupational lung diseases in the gold mining industry in South Africa. Essentially, the companies are seeking a comprehensive and sustainable solution which deals with both the legacy compensation issues and future legal frameworks which, while being fair to employees, also ensures the future sustainability of companies in the industry. The working group has engaged all stakeholders on these matters, including government, organised labour, other mining companies and legal representatives of claimants who have filed legal suits against the companies. The working group believes that achieving a comprehensive settlement which is fair to past, present and future employees and sustainable for the sector is preferable to protracted litigation.

iv) Change from contingent liability to provision.
The facts of the matter have previously been disclosed as a contingent liability as an amount could not be reliably determined. As a result of the progress made by the working group and the status of negotiations with affected stakeholders, management is now in a position to reasonably estimate Harmony's share of a possible settlement of the class action claims and related costs within an acceptable range. The nominal amount for Harmony group is R1.3 billion (US$98.6 million).

A pre-tax charge of R917 million (US$69.9 million) has been recognised in other operating expenses for the year ending 30 June 2017. Going forward, annual changes in the provision are expected to consist of time value of money (recognised as finance costs) and changes in estimates (other operating expenses). The expected contributions (cash flows) to the vehicle that will manage the settlement process have been discounted over the expected period of contributions. The contributions are expected to be settled by cash flows from the group's South African operations and will occur over a number of years.

The following is a reconciliation of the total provision for the silicosis settlement:

SA rand			US dollar	
2016	2017	*Figures in million*	2017	2016
		Provision raised for settlement		
-	**-**	Balance at beginning of year	**-**	-
-	**917**	Initial recognition	**70**	-
-	**917**	**Total provision for silicosis settlement**	**70**	-

Sensitivity analysis

The impact of a reasonable change in certain key assumptions would increase or decrease the provision amount by the following amounts:

SA rand			US dollar	
2016	2017	*Figures in million*	2017	2016
		Effect of an increase in the assumption:		
-	**83**	Change in benefit take-up rate[1]	**6**	-
-	**83**	Change in silicosis prevalence[2]	**6**	-
-	**37**	Change in disease progression rates[3]	**3**	-
		Effect of a decrease in the assumption:		
-	**(83)**	Change in benefit take-up rate[1]	**(6)**	-
-	**(83)**	Change in silicosis prevalence[2]	**(6)**	-
-	**(37)**	Change in disease progression rates[3]	**(3)**	-

[1] Change in benefit take-up rate: the take-up rate does not affect the legal cost allocation, but a 10% change results in a proportionate change in the other values.
[2] Change in the silicosis prevalence: the assumptions that will result in a change in the estimated number of cases are either a 10% change in the assumed labour number or a 10% change in the disease risk.
[3] Change in disease progression rates: a one year shorter/longer disease progression period was used. This assumption is not applicable to the dependant or TB classes.

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

A change in the settlement claim amount would result in a change in the provision amount on a rand for rand basis.

The ultimate outcome of these matters remains uncertain, with a possible failure to reach a settlement or to obtain the requisite court approval of the settlement. The provision recorded in the financial statements is consequently subject to adjustment or reversal in the future, depending on the progress of the working group discussions and stakeholder consultations, and the ongoing legal proceedings.

28 RETIREMENT BENEFIT OBLIGATION

ACCOUNTING POLICY

The group provides medical cover to current employees and certain retirees through certain funds. The medical accounting costs for the defined benefit plan are assessed using the projected unit credit method. The health care obligation is measured at the present value of the estimated future cash outflows using government bond interest rates consistent with the terms and risks of the obligation. Actuarial gains and losses as a result of these valuations are recognised in other comprehensive income (OCI) at revaluation date. Actuarial gains and losses recognised in OCI will not be recycled to profit or loss. The future liability for current and retired employees and their dependants is accrued in full based on actuarial valuations obtained annually.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

An updated actuarial valuation is carried out at the end of each financial year. Assumptions used to determine the liability include a discount rate of 10%, no increases in employer subsidies (in terms of the agreement) and mortality rates according to the SA 1956/62 mortality table (SA “”a mf”” tables) (retirement age of 60 years) and a medical inflation rate of 8% (2016: discount rate of 9.7%, retirement age of 60 years and 7.7% inflation rate).

Management determined the discount rate by assessing government bonds with similar terms to the liability. The changes to the discount rate and medical inflation rate are similar to changes in interest and inflation rates in South Africa.

(a) Pension and provident funds

The group contributes to several pension and provident funds governed by the Pension Funds Act, 1956 for the employees of its South African subsidiaries. The pension funds are multi-employer defined contribution industry plans. The group’s liability is therefore limited to its monthly determined contributions. The provident funds are funded on a “monetary accumulative basis” with the member’s and employer’s contributions having been fixed in the constitution of the funds.

The Australian group companies make contributions to each employee’s superannuation (pension) funds in accordance with the Superannuation Guarantee Scheme (SGS). The SGS is a Federal Government initiative enforced by law which compels employers to make regular payments to regulated funds providing for each employee on their retirement. The SGS were set at a minimum of 9.5% of gross salary and wages for the 2017 year (2016: 9.5%). The fund is a defined contribution plan.

The PNG Superannuation Act 2002 requires a compulsory employer contribution of 8.4% (2016: 8.4%) into an approved superannuation (pension) fund if an employee is appointed for a period of three months or more. The approved superannuation funds are defined contribution plans.

Substantially all the group’s employees are covered by the above mentioned retirement benefit plans. Funds contributed by the group for the 2017 financial year amounted to R551 million (US$40.6 million) (2016: R497 million (US$34.3 million)).

(b) Post-retirement benefits other than pensions

Harmony inherited a post-retirement medical benefit obligation, which existed at the time of the Freegold acquisition in 2002. The group’s obligation in this regard is to pay a subsidy of 2% for every completed year of employment up to a maximum of 50% of total medical aid contributions, commencing on date of retirement. Should the employee die, either in service or after retirement, this benefit will transfer to his/her dependants. The medical aid tariffs are based on the Bestmed medical scheme (Bestmed) options. Except for the abovementioned employees, Harmony has no other post-retirement obligation for the other group employees.

The liability is unfunded and will be settled out of cash and cash equivalents when it becomes due. The liability is based on an actuarial valuation conducted during the year ended 30 June 2017, using the projected unit credit method. The next actuarial valuation will be performed on 30 June 2018.

The principal actuarial assumptions used to determine the present value of unfunded obligations are discussed above. In addition the following was also considered:

- It is assumed that all Continuation and Widow Members (CAWMs) will remain on the current benefit option and income band. For employed members, post-employment contributions were assumed to be equal to the average payable for the current CAWMs membership;
- It is assumed that not all employed members will remain employed until retirement therefore estimated resignation and ill-health retirement rates are also taken into account;
- It is assumed that 90% of employed members will be married at retirement or earlier death and that wives are four years younger than their husbands. It is assumed that the only dependants will be spouses.

Through the post-employment medical plan, the group is exposed to a number of risks, the most significant of which are discussed below:

- **Change in bond yields:** A decrease in the bond yields will increase the plan liability.
- **Inflation risk:** The obligation is linked to inflation and higher inflation will lead to a higher liability.
- **Life expectancy:** The obligation is to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan’s liabilities.

The net actuarial loss for 2017 was mainly due to exists of employed and retired members being lower than expected and actual subsidy inflation being higher than assumed (2016: net actuarial gain was mainly exits of current employees being higher than expected, partially offset by exits of CAWMS being lower than expected and the actual subsidy inflation being higher than assumed).

28 RETIREMENT BENEFIT OBLIGATION continued

(b) Post-retirement benefits other than pensions continued

SA rand 2016	SA rand 2017	Figures in million	US dollar 2017	US dollar 2016
169	**179**	Present value of unfunded obligations	**14**	11
60	**57**	Current employees	**5**	4
109	**122**	Retired employees	**9**	7
		Movement in the liability recognised in the balance sheet		
163	**169**	Balance at beginning of year	**11**	13
(8)	**(9)**	Contributions paid	**(1)**	(1)
3	**2**	Other expenses included in staff costs/current service cost	**-**	-
14	**16**	Finance costs	**1**	1
(3)	**1**	Net actuarial (gain)/loss recognised during the year[1]	**-**	-
-	**-**	Translation	**3**	(2)
169	**179**	**Balance at end of year**	**14**	11

[1] The net actuarial (gain)/loss has been recorded in other comprehensive income.

SA rand 2016	SA rand 2017	Figures in million	US dollar 2017	US dollar 2016
		The net liability of the defined benefit plan is as follows:		
169	**179**	Present value of defined benefit obligation	**14**	11
-	**-**	Fair value of plan assets	**-**	-
169	**179**	**Net liability of defined benefit plan**	**14**	11

The effect of a percentage point increase and decrease in the assumed medical cost trend rate is as follows:

SA rand 2016	SA rand 2017	Figures in million	US dollar 2017	US dollar 2016
		Effect of a 1% increase on:		
2	**2**	Aggregate of service cost and finance costs	**-**	-
21	**22**	Defined benefit obligation	**2**	1
		Effect of a 1% decrease on:		
(2)	**(2)**	Aggregate of service cost and finance costs	**-**	-
(18)	**(18)**	Defined benefit obligation	**(1)**	(1)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. The analysis is performed on the same basis for 2016.

The group expects to contribute approximately R10 million (US$0.7 million) to the benefit plan in 2018.

The weighted average duration of the defined benefit obligation is 14.9 years.

ACCOUNTING POLICY - FINANCIAL LIABILITIES (APPLICABLE TO NOTES 29 AND 30)

Financial liabilities are initially measured at fair value when the group becomes a party to their contractual arrangements. Transaction costs are included in the initial measurement of financial liabilities, with the exception of financial liabilities classified at fair value through profit or loss. The subsequent measurement of financial liabilities is discussed below. A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. The group classifies financial liabilities as follows:

- **Borrowings** are initially recognised at fair value net of transaction costs incurred and subsequently measured at amortised cost, comprising original debt less principal payments and amortisation, using the effective yield method. Any difference between proceeds (net of transaction cost) and the redemption value is recognised in the income statement over the period of the borrowing using the effective interest rate method.

  Fees paid on the establishment of the loan facilities are capitalised as a pre-payment and amortised over the period of the facility to which it relates, to the extent it is probable that some or all of the facility will be drawn down. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is expensed.

  Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

- **Trade and other payables** are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Payables are classified as current liabilities if payment is due within a year or less. If not, they are presented as non-current liabilities.

29 BORROWINGS

FACILITIES

Nedbank Limited

On 20 December 2013, the company entered into a loan facility with Nedbank Limited, comprising a revolving credit facility of R1 300 million (US$125.6 million). The facility matured during February 2017 and was replaced with a new R1 billion (US$76.7 million) three-year revolving credit facility with similar terms to the previous facility on 20 February 2017. Interest accrues on a day-to-day basis over the term of the loan at a variable interest rate.

US dollar revolving credit facilities

In February 2015 the company concluded a loan facility agreement which was jointly arranged by Nedbank Limited and Barclays Bank Plc, comprising a revolving credit facility of up to US$250 million (R2 892 million). Interest accrues on a day-to-day basis over the term of the loan at a variable interest rate.

Refer to note 36 for details of events after the reporting date.

TERMS AND DEBT REPAYMENT SCHEDULE AT 30 JUNE 2017

	Interest charge	Repayment terms	Repayment date	Security
Nedbank Limited (Secured loan - rand revolving credit facility)	1, 3 or 6 month JIBAR plus 3.15%, payable at the elected interest interval	Repayable on maturity	20 February 2020	Cession and pledge of operating subsidiaries' shares and claims
US dollar revolving credit facility (Secured loan)	3 or 6 month LIBOR plus 3%, payable at the elected interest interval	Repayable on maturity	6 February 2018	Cession and pledge of operating subsidiaries' shares and claims

DEBT COVENANTS

The debt covenant tests for both the rand and US dollar revolving credit facilities are as follows:

- The group's interest cover ratio shall not be less than five (EBITDA[1]/Total interest paid);
- Tangible Net Worth[2] to total net debt ratio shall not be less than six times or eight times when dividends are paid;
- Leverage[3] shall not be more than 2.5 times.

[1] Earnings before interest, taxes, depreciation and amortisation (EBITDA) as defined in the agreement excludes unusual items such as impairment and restructuring cost.
[2] Tangible Net Worth is defined as total equity less intangible assets.
[3] Leverage is defined as total net debt to EBITDA.

The debt covenant tests are performed on a quarterly basis. No breaches of the covenants were identified during the tests in the 2016 and 2017 financial years.

INTEREST BEARING BORROWINGS

SA rand 2016	SA rand 2017	Figures in million	US dollar 2017	US dollar 2016
		Non-current borrowings		
-	-	Nedbank Limited (secured loan - R1.3 billion revolving credit facilities)	-	-
398	-	Balance at beginning of year	-	33
300	-	Draw down	-	24
(400)	-	Repayments	-	(28)
2	-	Amortisation of issue costs	-	-
(300)	-	Transferred to current liabilities	-	(20)
-	-	Translation	-	(9)
-	**299**	Nedbank Limited (secured loan - R1.0 billion revolving credit facility)	**23**	-
-	-	Balance at beginning of year	-	-
-	**300**	Draw down	**24**	-
-	**2**	Issue cost	-	-
-	**(3)**	Transferred to current liabilities	-	-
-	-	Translation	**(1)**	-
2 039	-	US dollar revolving credit facility (secured loan)	-	139
3 001	**2 039**	Balance at beginning of year	**139**	247
-	**399**	Draw down	**30**	-
(1 645)	**(410)**	Repayments	**(30)**	(110)
18	**18**	Amortisation of issue costs	**1**	2
-	**(1 831)**	Transferred to current liabilities	**(140)**	-
665	**(215)**	Translation	-	-
2 039	**299**	**Total non-current borrowings**	**23**	139

29 BORROWINGS continued

INTEREST BEARING BORROWINGS continued

SA rand 2016	SA rand 2017	Figures in million	US dollar 2017	US dollar 2016
		Current borrowings		
300	**3**	Nedbank Limited (secured loan)	**-**	20
-	**300**	Balance at beginning of year	**20**	-
-	**(300)**	Repayments	**(20)**	
300	**3**	Transferred from non-current liabilities	**-**	20
-	**1 831**	US dollar revolving credit facility (secured loan)	**140**	-
-	**-**	Balance at beginning of year	**-**	-
-	**1 831**	Transferred from non-current liabilities	**140**	-
300	**1 834**	**Total current borrowings**	**140**	20
2 339	**2 133**	**Total interest-bearing borrowings**	**163**	159
		The maturity of borrowings is as follows:		
300	**1 834**	Current	**140**	20
2 039	**-**	Between one to two years	**-**	139
-	**299**	Between two to five years	**23**	-
2 339	**2 133**		**163**	159
		Undrawn committed borrowing facilities:		
1 000	**1 442**	Expiring within one year	**110**	68
1 619	**700**	Expiring after one year	**53**	110
2 619	**2 142**		**163**	178

EFFECTIVE INTEREST RATES

	2017 %	2016 %
Nedbank Limited - rand revolving credit facility	**10.5**	10.4
US dollar revolving credit facility	**3.9**	3.5

30 TRADE AND OTHER PAYABLES

ACCOUNTING POLICY

The group accrues for the cost of the leave days granted to employees during the period in which the leave days accumulate.

SA rand 2016	SA rand 2017	Figures in million	US dollar 2017	US dollar 2016
		Non-current liabilities		
		Financial liabilities		
14	**13**	Sibanye Beatrix ground swap royalty (a)	**1**	1
2	**-**	Other	**-**	-
16	**13**	**Total non-current trade and other payables**	**1**	**1**

30 TRADE AND OTHER PAYABLES continued

SA rand 2016	SA rand 2017	Figures in million	US dollar 2017	US dollar 2016
		Current liabilities		
		Financial liabilities		
353	**521**	Trade payables	**40**	24
78	**89**	Other liabilities	**7**	5
		Non-financial liabilities		
377	**372**	Payroll accruals	**28**	26
341	**395**	Leave liabilities (b)	**30**	23
357	**486**	Shaft related accruals	**37**	24
116	**92**	Other accruals	**7**	8
14	**-**	ESOP share-based payment liability (c)	**-**	1
55	**54**	Value added tax	**4**	4
40	**1**	Income and mining taxes	**-**	3
1 731	**2 010**	**Total current trade and other payables**	**153**	118

During the 2017 financial year, Harmony acquired Newcrest's interest in the Hidden Valley operation. Refer to note 10 for details of the transaction and the balances taken on as a result.

(a) Sibanye Beatrix ground swap royalty

During 2014, Harmony and Sibanye-Stilwater entered into an agreement whereby the Joel mine exchanged two portions of its mining right for two portions of Sibanye's Beatrix mine's mining right, as well as acquiring two additional 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. The royalty liability recorded is the net present value of 3% of future gold revenue of the sale portions. An amount of R15 million (US$1.1 million) (2016: R6 million (US$0.4 million)) has been reclassified as current. Refer to note 15 for further details on the key assumptions for the calculation of the provision, which is based on the life-of-mine plan of Joel.

(b) Leave liabilities

Employee entitlements to annual leave are recognised on an ongoing basis. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. The movement in the liability recognised in the balance sheet is as follows:

SA rand 2016	SA rand 2017	Figures in million	US dollar 2017	US dollar 2016
318	**341**	Balance at beginning of year	**23**	26
(371)	**(401)**	Benefits paid	**(29)**	(26)
389	**425**	Total expense per income statement	**31**	27
-	**40**	Acquisition of Hidden Valley	**3**	-
5	**(10)**	Translation	**2**	(4)
341	**395**	**Balance at end of year**	**30**	23

(c) ESOP share-based payment liability

The liability relates to the cash-settled share-based payment transaction following the award of ESOP SARs to qualifying employees through the Tlhakanelo Trust. Refer to note 33 for more details.

31 CASH GENERATED BY OPERATIONS

SA rand			US dollar	
2016	2017	*Figures in million*	2017	2016
		Reconciliation of profit/(loss) before taxation to cash generated by operations:		
1 581	**(148)**	Profit/(loss) before taxation	**(20)**	109
		Adjustments for:		
2 170	**2 519**	Amortisation and depreciation	**185**	149
(43)	**1 718**	(Reversal of impairment)/impairment of assets	**131**	(3)
329	**391**	Share-based payments	**29**	23
(8)	**(9)**	Net decrease in provision for post-retirement benefits	**(1)**	(1)
(110)	**(111)**	Net increase/(decrease) in provision for environmental rehabilitation	**(8)**	(7)
(7)	**(42)**	Profit on sale of property, plant and equipment	**(3)**	-
64	**140**	Loss on scrapping of property, plant and equipment	**10**	4
(7)	**22**	(Profit)/loss from associates	**1**	-
-	**(848)**	Gain on bargain purchase	**(60)**	-
(256)	**(268)**	Interest received	**(20)**	(17)
274	**234**	Finance costs	**17**	19
98	**422**	Inventory adjustments	**31**	7
652	**(224)**	Foreign exchange translation difference	**(16)**	45
(369)	**(100)**	Non cash portion of gains on derivatives	**(7)**	(25)
-	**94**	Day one loss amortisation	**6**	-
-	**917**	Silicosis claim provision	**70**	-
26	**(88)**	Other non-cash adjustments	**(5)**	1
		Effect of changes in operating working capital items		
174	**(409)**	Receivables	**(30)**	12
74	**24**	Inventories	**2**	5
17	**112**	Payables	**8**	1
4 659	**4 346**	**Cash generated by operations**	**320**	322

ADDITIONAL CASH FLOW INFORMATION

The income and mining taxes paid in the statement of cash flow represents actual cash paid less refunds received.

At 30 June 2017, R2 142 million (US$163.4 million) (2016: R2 619 million (US$177.9 million)) of borrowing facilities had not been drawn down and is therefore available for future operation activities and future capital commitments. Refer to note 29.

a) Acquisitions of investments/business

The conditions precedent for the acquisition of full ownership of Hidden Valley were fulfilled and the transaction was completed. Refer to note 10 for details on the acquired assets, included cash acquired, and assumed liabilitities.

b) Principal non-cash transactions

Share-based payments (refer to note 33).

32 EMPLOYEE BENEFITS

ACCOUNTING POLICY

- **Pension, provident and medical benefit plans** are funded through monthly contributions. The group pays fixed contributions into a separate entity in terms of the defined contribution pension, provident and medical plans which are charged to the income statement in the year to which they relate. The group's liability is limited to its monthly determined contributions and it has no further liability, legal or constructive, if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Refer to note 28 for details of the post-retirement medical benefit plan.

- **Termination benefits** are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

	2017	2016
Number of permanent employees as at 30 June:		
South African operations	**26 478**	25 861
International operations[1]	**1 403**	1 339
Total number of permanent employees	**27 881**	27 200

SA rand 2016	SA rand 2017	Figures in million	US dollar 2017	US dollar 2016
		Aggregate earnings		
		The aggregate earnings of employees including directors were:		
6 660	**7 657**	Salaries and wages and other benefits	**563**	459
497	**556**	Retirement benefit costs	**41**	34
192	**210**	Medical aid contributions	**15**	13
7 349	**8 423**	**Total aggregated earnings[2]**	**619**	506

[1] The MMJV employees included in the total is 103 (2016: 1 267). The acquisition of Newcrest's 50% of Hidden Valley operation resulted in the decrease as the Hidden Valley employees are now Harmony employees.
[2] These amounts have been included in cost of sales, corporate expenditure and capital expenditure

Remuneration for directors and executive management is fully disclosed in Annexure B of this report.

During the 2017 financial year R88 million (US$6.5 million) (2016: R95 million (US$6.5 million)) was included in the payroll costs for termination costs. Termination costs include the cost relating to the voluntary retrenchment and restructuring process as well as retrenchments due to shaft closures (refer to note 6).

33 SHARE-BASED PAYMENTS

ACCOUNTING POLICY

The group operates the following employee share incentive plans:
- Equity-settled share-based payments plan where the group grants share options to certain employees in exchange for services received;
- Equity-settled and cash-settled employee share ownership plan.

Equity-settled share-based payments are measured at fair value that includes market performance conditions but excludes the impact of any service and non-market performance conditions of the equity instruments at the date of the grant. The share-based payments are expensed over the vesting period, based on the group's estimate of the shares that are expected to eventually vest. The group used an appropriate option pricing model in determining the fair value of the options granted. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the estimates of the number of options that are expected to become exercisable are revised. The impact of the revision of original estimates, if any, is recognised in the income statement, with a corresponding adjustment to equity. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Cash-settled share-based payments are measured at fair value. The liability is remeasured at each balance sheet date until the date of settlement.

33 SHARE-BASED PAYMENTS continued

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The fair value of options granted is being determined using either a binomial, Black-Scholes or a Monte Carlo valuation model. The significant inputs into the model are: vesting period, risk free interest rate, volatility, price on date of grant and dividend yield.

EMPLOYEE SHARE-BASED PAYMENTS

The group has the 2012 employee share ownership plan (ESOP) and the 2006 share plan that are active. The objective of these schemes is to recognise the contributions of employees to the group's financial position and performance and to retain key employees.

The total cost relating to employee share-based payments is made up as follows:

SA rand			US dollar	
2016	**2017**	*Figures in million*	**2017**	2016
28	**11**	2012 employee share ownership plan (a)	**1**	2
301	**380**	2006 share plan (b)	**28**	21
329	**391**	**Total employee share-based payments included in cost of sales**	**29**	23

The directors are authorised to issue up to 60 011 669 ordinary shares to participants who have received awards in accordance with Harmony's employee share incentive schemes.

Subsequent to the annual general meeting held on 1 December 2010, 6 218 067 share option awards have been issued in terms of the 2006 share plan. 49 990 794 outstanding share option awards have been granted in terms of the 2006 share plan.

(a) 2012 employee share ownership plan

During August 2012, Harmony issued the first awards under its ESOP. The ESOP is overseen by the Tlhakanelo Trust. In terms of the ESOP rules, qualifying employees are offered one scheme share for every two share appreciation rights (SARs).

The scheme shares are accounted for as equity-settled.

The vesting of the SARs is linked to the positive share appreciation of Harmony's share price from the grant of the award. The SARs incorporate a cash bonus with a minimum pay-out guarantee of R18 (applicable where there is no share appreciation or share appreciation less than R18) and a maximum pay-out ceiling of R32 per SAR over the vesting period. The SARs include an equity-settled portion as well as a cash-settled portion related to the cash bonus. The cash-settled portion has been recognised as a liability in the balance sheet (refer to note 30), the fair value of which was remeasured at each reporting date.

The Tlhakanelo Trust is now wound up and the remaining shares will be sold. Refer to note 24.

The total cost relating to the 2012 ESOP is made up as follows:

SA rand			US dollar	
2016	**2017**	*Figures in million*	**2017**	2016
		2012 employee share ownership plan		
20	**6**	Equity-settled	**1**	1
8	**5**	Cash-settled	**-**	1
28	**11**		**1**	2

Activity on awards

All the awards were settled in 2017.

SA rand			US dollar	
2016	**2017**	*Figures in million*	**2017**	2016
49	**33**	Gain realised by participants on awards traded during the year	**2**	3
49	**33**	Fair value of awards exercised during the year	**2**	3

33 SHARE-BASED PAYMENTS continued

EMPLOYEE SHARE-BASED PAYMENTS continued

(a) 2012 employee share ownership plan continued

Measurement

Cash-settled liability

SA rand 2016	SA rand 2017	Figures in million	US dollar 2017	US dollar 2016
		Movement in the cash-settled liability recognised in the balance sheet:		
23	**14**	Balance at beginning of year	**1**	2
8	**4**	IFRS 2 share-based payment charge for the year	**-**	1
(16)	**(18)**	Awards paid	**(1)**	(1)
(1)	**-**	ESOP awards settled with shares	**-**	-
-	**-**	Translation	**-**	(1)
14	**-**	**Balance at end of year**	**-**	1

(b) Options granted under the 2006 share plan

The 2006 share plan consists of share appreciation rights (SARs), performance shares (PS) and restricted shares (RS). The share plan is equity-settled.

Award	Vesting	Performance criteria
SARs	SARs will vest in equal thirds in year three, four and five, subject to the performance conditions having been satisfied. The SARs will have an expiry date of six years from the grant date and the offer price equals the closing market prices of the underlying shares on the trading date immediately preceding the grant.	*2009 to 2013 allocation:* The group's headline earnings per share must have grown since the allocation date by more than the South African Consumer Price Index (CPI).
PS	The PS will vest after three years from the grant date, if and to the extent that the performance conditions have been satisfied.	*2015 to 2016 allocation:* ● 50% of the number of rights awarded are linked to the total shareholder return of the group on an absolute basis. ● 50% of the number of rights awarded are linked to the total shareholder return of the group as compared to that of the South African gold index. *2014 allocation:* ● the number of the rights awarded are linked to the group's performance in comparison to the South African Gold Index.
RS	The RS will vest after three years from grant date.	The participant is still employed within the group.

Termination of employees' participation in the share plan is based on "no fault" and "fault" definitions.

- Fault — All unvested and unexercised SARs and all PS and RS not yet vested are lapsed and cancelled.
- No fault — Accelerated vesting occurs and all unvested and unexercised share options are settled in accordance with the rules of the plan.

Executive management is encouraged to retain performance shares when they vest and a minimum shareholding requirement has been introduced to achieve this. This shareholding is meant to align shareholder and executive objectives to grow total shareholder return.

33 SHARE-BASED PAYMENTS continued

(b) Options granted under the 2006 share plan continued

Activity on share options

	SARs		PS	RS
Activity on options and rights granted but not yet exercised	**Number of options and rights**	**Weighted average option price (SA rand)**	**Number of rights**	**Number of rights**
For the year ended 30 June 2017				
Balance at beginning of year	**14 156 782**	**34.74**	**34 978 038**	**859 974**
Options granted and accepted	**-**	**-**	**9 320 599**	**-**
Options accepted	**113 899**	**21.88**	**-**	**-**
Rights vested and locked up	**-**	**-**	**(160 271)**	**-**
Options exercised	**(451 187)**	**27.49**	**(2 171 953)**	**(158 562)**
Options forfeited and lapsed	**(1 342 797)**	**47.39**	**(4 117 840)**	**-**
Balance at end of year	**12 476 697**	**32.60**	**37 848 573**	**701 412**
For the year ended 30 June 2016				
Balance at beginning of year	16 419 967	38.86	14 322 508	677 102
Options granted and accepted	-	-	25 652 631	508 920
Options granted	669 824	18.42	-	-
Options exercised	(432 650)	24.58	(803 301)	(272 482)
Options forfeited and lapsed	(2 500 359)	59.21	(4 193 800)	(53 566)
Balance at end of year	14 156 782	34.74	34 978 038	859 974

	SARs		PS		RS	
Options and rights vested but not exercised at year end	**2017**	2016	**2017**	2016	**2017**	2016
Options and rights vested but not exercised	**2 869 859**	1 427 179	**-**	-	**-**	-
Weighted average option price (SA rand)	**57.52**	85.22	**n/a**	n/a	**n/a**	n/a

List of options and rights granted but not yet exercised (listed by grant date)	**Number of options and rights**	**Award price (SA rand)**	**Remaining life (years)**
As at 30 June 2017			
Share appreciation rights			
15 November 2011	**549 843**	**104.79**	**0.4**
16 November 2012	**1 281 918**	**68.84**	**1.4**
15 November 2013	**4 396 213**	**33.18**	**2.4**
17 November 2014	**6 248 723**	**18.41**	**3.4**
	12 476 697		
Performance shares			
17 November 2014	**6 093 253**	**n/a**	**0.4**
16 November 2015	**22 288 019**	**n/a**	**1.4**
17 February 2016	**512 000**	**n/a**	**1.4**
29 November 2016	**8 955 301**	**n/a**	**2.4**
	37 848 573		
Restricted shares [1]			
15 November 2011	**64 000**	**n/a**	**0.4**
16 November 2012	**143 353**	**n/a**	**1.4**
17 November 2014	**64 000**	**n/a**	**0.4**
16 November 2015	**430 059**	**n/a**	**1.4**
	701 412		
Total options and rights granted but not yet exercised	**51 026 682**		

[1]The 2010, 2011 and 2012 restricted shares vested in November 2013, November 2014 and November 2015 respectively. Restricted shares that were not exercised, partially or fully, at that time remain restricted for a further three years, but were supplemented by a matching grant of restricted shares. All restricted shares are then only settled after the end of a further three year period.

33 SHARE-BASED PAYMENTS continued

(b) Options granted under the 2006 share plan continued

Activity on share options continued

SA rand			US dollar	
2016	**2017**	*Figures in million*	**2017**	2016
36	**107**	Gain realised by participants on options and rights traded during the year	**8**	2
47	**113**	Fair value of options and rights exercised during the year	**8**	3

Measurement

The fair value of equity instruments granted during the year was valued using the Monte Carlo simulation on the market-linked PS, Cox-Ross-Rubinstein binomial tree on the SARs and spot share price on grant date for the RS.

(i) Assumptions applied at grant date for awards granted during the year

	Performance shares
29 November 2016 allocation	
Risk-free interest rate:	7.94%
Expected volatility: [1]	63.87%
Expected dividend yield:	0.00%
Vesting period (from grant date)	3 years

[1] The volatility is measured as annualised standard deviation of historical share price returns, using an exponentially weighted moving average (EWMA) model, with a lambda of 0.99. The volatility is calculated on the grant date, and takes into account the previous three years of historical data.

OTHER SHARE-BASED PAYMENTS

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

The awards to the BEE partners have been accounted for as in-substance options as the BEE partners will only share in the upside, and not the downside of their equity interest in PhoenixCo until the date the financing provided by Harmony is fully repaid. On this date the options will be exercised and a non-controlling interest in PhoenixCo will be recognised. The award of the options to the BEE partners is accounted for by the group as an equity-settled share-based payment arrangement. The in-substance options carry no vesting conditions and the fair value of the options of R23 million (US$2.3 million) was expensed on the grant date, 25 June 2013.

34 RELATED PARTIES

None of the directors or major shareholders of Harmony or, to the knowledge of Harmony, their families, had an interest, directly or indirectly, in any transaction from 1 July 2015 or in any proposed transaction that has affected or will materially affect Harmony or its subsidiaries, other than as stated below.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the group, directly or indirectly, including any director (whether executive or otherwise) of the group. The remuneration of directors, prescribed officers and executive management is fully disclosed in Annexure B of this report.

The following directors and prescribed officers own shares in Harmony at year-end:

	Number of shares	
Name of director/prescribed officer	**2017**	2016
Directors		
Andre Wilkens	**101 301**	101 301
Frank Abbott [1]	**606 742**	521 790
Harry 'Mashego' Mashego	**593**	593
Ken Dicks	**35 000**	35 000
Prescribed officers		
Beyers Nel [2]	**17 553**	2 907
Johannes van Heerden [2]	**25 000**	-
Philip Tobias	**11 750**	11 750

[1] During the 2017 financial year, 84 952 shares issued on the vesting of performance shares were voluntarily locked-up in terms of the minimum shareholding requirement of the 2006 Share Plan but remains beneficially owned.
[2] The shares for 2017 relate to performance shares that vested and the resulting shares retained.

Modise Motloba, Harmony's deputy chairman, is a director of Tysys Limited. Tysys Limited entered into a contract with the group in February 2017 to provide services relating to the group's small and medium enterprise development projects. The contract has a value of up to R4.8 million (US$0.4 million) per annum, with approximately R1 million having been paid during FY17. The contract has a 30-day notice period.

All the production of the group's South African operations is sent to Rand Refinery in which Harmony holds a 10.38% interest. Refer to note 21.

Refer to note 10 for the details of the transaction related to the Hidden Valley acquisition.

A list of the group's subsidiaries, associates and joint operations has been included in Annexure A of this report.

SA rand				US dollar	
2016	**2017**	*Figures in million*	Notes	**2017**	2016
		Sales and services rendered to related parties			
8	**6**	Joint operations		**-**	1
12	**6**	Associates[1]		**-**	1
20	**12**	**Total**		**-**	2
		Purchases and services acquired from related parties			
24	**31**	Associates		**2**	2
-	**1**	Directors		**-**	-
20	**32**	**Total**		**2**	2
		Outstanding balances due by related parties			
62	**-**	Associates[1]		**-**	4

[1] Refer to note 19 and 21 for details relating to the loan to associate. During 2017, the loan was converted to redeemable preferance shares.

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

for the years ended 30 June 2017

35 COMMITMENTS AND CONTINGENCIES

COMMITMENTS AND GUARANTEES

SA rand			US dollar	
2016	**2017**	*Figures in million*	**2017**	2016
		Capital expenditure commitments		
204	**161**	Contracts for capital expenditure	**12**	11
60	**208**	Share of joint venture's contract for capital expenditure	**16**	2
516	**789**	Authorised by the directors but not contracted for	**60**	21
780	**1 158**	**Total capital commitments**	**88**	34

Contractual obligations in respect of mineral tenement leases amount to R170 million (US$13.0 million) (2016: R253 million (US$17.2 million)). This includes R166 million (US$12.7 million) (2016: R247 million (US$16.8 million)) for the MMJV.

SA rand			US dollar	
2016	**2017**	*Figures in million*	**2017**	2016
		Guarantees		
14	**14**	Guarantees and suretyships	**1**	1
479	**479**	Environmental guarantees[1]	**37**	33
493	**493**	**Total guarantees**	**38**	34

[1] At 30 June 2017, R61 million (US$4.7 million) (2016: R59 million (US$4.0 million)) has been pledged as collateral for environmental guarantees in favour of certain financial institutions. Refer to note 17.

CONTINGENT LIABILITIES

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Contingencies will only realise when one or more future events occur or fail to occur. The exercise of significant judgement and estimates of the outcome of future events are required during the assessment of the impact of such contingencies.

Litigation and other judicial proceedings as a rule raise difficult and complex legal issues and are subject to uncertainties and complexities including, but not limited to, the facts and circumstances of each particular case, issues regarding the jurisdiction in which the suit is brought and differences in applicable law. Upon resolution of any pending legal matter, the group may be forced to incur charges in excess of the presently established provisions and related insurance coverage. It is possible that the financial position, results of operations or cash flows of the group could be materially affected by the outcome of the litigation.

The following contingent liabilities have been identified:

(a) On 13 May 2016, the Johannesburg High Court ordered the certification of a silicosis class and a tuberculosis class, which are to proceed as a single class against several mining companies including the Harmony group. Developments in the negotiations and progress made by the industry working group have led to a provision being recognised as at 30 June 2017 in respect of the estimated settlement amount (refer to note 27).

(b) On 1 December 2008, Harmony issued 3 364 675 Harmony shares to Rio Tinto Limited (Rio Tinto) for the purchase of Rio Tinto's rights to the royalty agreement entered into prior to Harmony's acquisition of the Wafi deposits in PNG. The shares were valued at R242 million (US$23 million) on the transaction date. An additional US$10 million in cash will be payable when the decision to mine is made. Of this amount, Harmony is responsible for paying the first US$6 million, with the balance of US$4 million being borne equally by the joint operators.

(c) The group may have a potential exposure to rehabilitate groundwater and radiation that may exist where the group has and/or continues to operate. The group has initiated analytical assessments to identify, quantify and mitigate impacts if and when (or as and where) they arise. Numerous scientific, technical and legal studies are underway to assist in determining the magnitude of the contamination and to find sustainable remediation solutions. The group has instituted processes to reduce future potential seepage and it has been demonstrated that Monitored Natural Attenuation (MNA) by the existing environment will contribute to improvement in some instances.

As at 30 June 2017, water treatment facilities were successfully implemented at both Doornkop and Kusasalethu. These facilities are now assisting in reducing our dependency on Rand Water and will be key in managing any post closure decant should it arise.

In terms of Free State operations, Harmony has taken the initiative to develop a comprehensive regional closure plan which will ensure that there is sufficient water for our organic growth initiatives. The geohydrological studies confirm that there is no risk of decant in Welkom.

Should the group determine that any part of these contingencies require them being recorded and accounted for as liabilities, that is where they become estimable and probable, it could have a material impact on the financial statements of the group.

(d) Due to the interconnected nature of mining operations in South Africa, any proposed solution for potential flooding and potential decant risk posed by deep groundwater needs to be a combined one, supported by all the mines located in these goldfields. As a result, the Department of Mineral Resource and affected mining companies are involved in the development of a regional mine closure strategy. Harmony operations have conducted a number of specialist studies and the risk of surface decant due to rising groundwater levels has been obviated at the entire Free State region and Kalgold. Therefore there is no contingency arising from these operations. Additional studies have been commissioned at Doornkop and Kusasalethu. In view of the limitation of current information for accurate estimation of a liability, no reliable estimate can be made for these operations.

35 COMMITMENTS AND CONTINGENCIES continued

CONTINGENT LIABILITIES continued

(e) The individual Harmony mining operations have applied for the respective National Water Act, Section 21 Water Use Licenses (WUL) to the Department of Water and Sanitation (DWS). As part of the Water Use License Application (WULA) process for the respective operations, Harmony has requested certain exemptions (relevant to the respective mining operations) from GNR 704 of 4 June 1999, "Regulations on the use of water for mining and related activities aimed at the protection of water resources". The respective WULA's have subsequently not yet been approved by DWS. Two Water Use Licences have been issued by DWS for Kalgold and Kusasalethu, with neither licence having any material impact to the operation. The remaining WULA's have not yet been approved by DWS. The WUL conditions for the respective operations are subsequently not yet known and the subsequent potential water resource impact liability as part of the mine rehabilitation and closure process (to which DWS is an important participant and decision maker) is uncertain.

(f) In terms of the sale agreements entered into with Rand Uranium, Harmony retained financial exposure relating to environmental disturbances and degradation caused by it before the effective date, in excess of R75 million (US$5.1 million) of potential claims. Rand Uranium is therefore liable for all claims up to R75 million (US$5.1 million) and retains legal liability. The likelihood of potential claims cannot be determined presently and no provision for any liability has been made in the financial statements.

(g) Legal proceedings commenced in December 2010 against the Hidden Valley mine in PNG over alleged damage to the Watut River (which runs adjacent to the Hidden Valley mine), alleged to have been caused by waste rock and overburden run-off from the mine. The damages sought by the plaintiffs were not specified. The defendants intend to defend the claims. No active steps have been taken by the plaintiffs in this proceeding for more than five years. It is not practicable to make any reasonable assessment of the prospects of the plaintiffs succeeding should they proceed with these claims, nor the potential liability of the defendants if the plaintiffs were to succeed. As a result, no provision has been recognised in the financial statements for this matter.

36 SUBSEQUENT EVENTS

(a) Subsequent to 30 June 2017, a new increased US$350 million, three-year facility was negotiated on similar terms to the previous facility of US$250 million. The new facility matures on 15 August 2020. The syndicate consists of Nedbank Limited, ABSA Bank Limited, J.P.Morgan Chase Bank, Caterpillar Financial Services Corporation, HSBC Bank Plc, State Bank of India, Citibank as well as the Bank of China.

The key terms of the new facility are:

Term Facility:	$175 million
Margin on term facility:	3.15% over 3 month LIBOR
Revolving facility:	$175 million
Margin on revolving facility:	3.00% over 3 month LIBOR
Maturity	Three years from close
Security	Same as existing facility

(b) On 15 August 2017, the board declared a final dividend for the 2017 year of 35 SA cents per share, payable on 16 October 2017.

(c) On 19 October 2017, Harmony announced that it would acquire Anglogold Ashanti Limited's Moab Khotsong and Great Noligwa mines together with other assets and related infrastructure for a cash consideration of the Rand equivalent of US$300 million. The transaction is subject to approval from Harmony's shareholders and other conditions precedent, including regulatory approvals. The Board of Harmony has unanimously approved the transaction and has resolved to recommend the transaction to its shareholders.

US$100 million of the consideration will be settled from Harmony's existing US$350 million syndicated loan facility. The remaining US$200 million will be funded through a fully underwritten US$200 million bridge facility, which has a 12-month term with similar terms and covenants as the existing loan facilities. Harmony is assessing various alternatives to optimally repay the bridge, including a potential rights issue. The mandated bridge providers are UBS Limited, Nedbank Limited, Absa Bank Limited and JP Morgan Securities plc.

The assets and liabilities will be acquired by a wholly-owned subsidiary of Harmony. When all conditions precedent have been met, Harmony will apply the principles of IFRS 3, *Business Combinations* and the process of a purchase price allocation of the assets acquired and liabilities assumed will begin.

37 SEGMENT REPORT

ACCOUNTING POLICY

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (CODM). The chief operating decision-maker has been identified as the CEO's office.

The group has one main economic product, being gold. In order to determine operating and reportable segments, management reviewed various factors, including geographical location as well as managerial structure. It was determined that an operating segment consists of a shaft or a group of shafts or open pit mine managed by a single general manager and management team.

After applying the qualitative and quantitative thresholds from IFRS 8, the reportable segments were determined as: Tshepong, Phakisa, Bambanani, Joel, Doornkop, Target 1, Kusasalethu, Masimong and Unisel. Target 3 was placed on care and maintenance in October 2014 and its mining assets have been included in the reconciling items for 2016 and 2017. All other operating segments have been grouped together under all other surface operations.

37 SEGMENT REPORT continued

When assessing profitability, the CODM considers the revenue and production costs of each segment. The net of these amounts is the production profit or loss. Therefore, production profit has been disclosed in the segment report as the measure of profit or loss. The CODM also considers capital expenditure when assessing the overall economic sustainability of each segment. The CODM, however, does not consider depreciation or impairment and therefore these amounts have not been disclosed in the segment report.

Segment assets consist of mining assets and mining assets under construction included under property, plant and equipment which can be attributed to the segment. Current and non-current group assets that are not allocated at a segment level form part of the reconciliation to total assets.

A reconciliation of the segment totals to the group financial statements has been included in note 38.

The CODM has previously been identified as the executive committee (Exco). During April 2017, the top management structure was changed, creating a group CEO's office consisting of the chief executive officer, financial director, director corporate affairs chief operating officer: new business, chief executive officer: South-east Asia and chief operating officer: South Africa. The group CEO's office has replaced Exco as the CODM. There has been no change to the information reported to the CODM.

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

for the years ended 30 June 2017

37 SEGMENT REPORT continued

	Revenue 30 June		Production cost 30 June		Production profit 30 June		Mining assets 30 June		Capital expenditure# 30 June		Kilograms produced* 30 June		Tonnes milled* 30 June	
	2017 R million	2016	2017 R million	2016	2017 R million	2016	2017 R million	2016	2017 R million	2016	2017 kg	2016	2017 t'000	2016
South Africa														
Underground														
Tshepong[(a)]	**2 760**	2 756	**2 029**	1 844	**731**	912	**4 332**	4 161	**387**	307	**4 819**	5 031	**1 027**	1 088
Phakisa[(a)]	**2 302**	2 186	**1 642**	1 375	**660**	811	**4 134**	4 246	**330**	323	**4 009**	3 988	**668**	686
Bambanani	**1 576**	1 617	**871**	811	**705**	806	**745**	807	**77**	106	**2 750**	3 013	**231**	232
Joel	**1 309**	1 220	**936**	831	**373**	389	**909**	728	**243**	215	**2 246**	2 278	**514**	542
Doornkop	**1 553**	1 480	**1 241**	1 047	**312**	433	**2 979**	2 984	**243**	208	**2 673**	2 730	**641**	630
Target 1	**1 506**	1 833	**1 345**	1 250	**161**	583	**2 021**	2 826	**324**	322	**2 669**	3 387	**745**	739
Kusasalethu	**2 575**	2 078	**2 080**	1 816	**495**	262	**2 846**	3 766	**289**	360	**4 394**	3 863	**607**	668
Masimong	**1 452**	1 318	**1 113**	1 038	**339**	280	**433**	485	**119**	110	**2 538**	2 432	**640**	650
Unisel	**915**	925	**838**	754	**77**	171	**529**	543	**78**	62	**1 595**	1 704	**394**	424
Surface														
All other surface operations	**1 816**	1 601	**1 404**	1 272	**412**	329	**486**	448	**261**	62	**3 178**	2 972	**11 045**	10 985
Total South Africa	**17 764**	17 014	**13 499**	12 038	**4 265**	4 976	**19 414**	20 994	**2 351**	2 075	**30 871**	31 398	**16 512**	16 644
International														
Hidden Valley	**1 500**	1 320	**1 313**	1 212	**187**	108	**2 290**	650	**1 335**	121	**2 965**	2 257	**2 889**	1 729
Total international	**1 500**	1 320	**1 313**	1 212	**187**	108	**2 290**	650	**1 335**	121	**2 965**	2 257	**2 889**	1 729
Total operations	**19 264**	18 334	**14 812**	13 250	**4 452**	5 084	**21 704**	21 644	**3 686**	2 196	**33 836**	33 655	**19 401**	18 373
Reconciliation of the segment information to the consolidated income statements and balance sheets (refer to note 38).	**-**	-	**-**	-			**17 179**	15 386						
	19 264	18 334	**14 812**	13 250	**4 452**	5 084	**38 883**	37 030	**3 686**	2 196	**33 836**	33 655	**19 401**	18 373

#The capital expenditure for 2017 includes the cost for stripping activities and therefore the figures for 2016 have been restated for Hidden Valley and All other surface assets, which includes Kalgold.
(a)Tshepong and Phakisa are two separate segments for the 2017 year. As of 1 July 2017, they have been integrated into Tshepong Operations and will be treated as one segment for the 2018 year. Refer to note 6.
*Production statistics are unaudited.

37 SEGMENT REPORT continued

	Revenue		Production cost		Production profit		Mining assets		Capital expenditure#		Ounces produced*		Tons milled*	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	US$ million		US$ million		US$ million		US$ million		US$ million		oz		t'000	
South Africa														
Underground														
Tshepong[(a)]	**203**	190	**149**	127	**54**	63	**330**	283	**28**	21	**154 934**	161 751	**1 132**	1 200
Phakisa[(a)]	**169**	151	**121**	95	**48**	56	**315**	288	**24**	22	**128 893**	128 217	**737**	756
Bambanani	**116**	112	**64**	56	**52**	56	**57**	55	**6**	7	**88 415**	96 870	**254**	256
Joel	**96**	84	**69**	57	**27**	27	**69**	49	**18**	15	**72 211**	73 239	**567**	597
Doornkop	**114**	102	**91**	72	**23**	30	**227**	203	**18**	14	**85 939**	87 772	**706**	695
Target 1	**111**	126	**99**	86	**12**	40	**154**	192	**24**	22	**85 809**	108 895	**822**	814
Kusasalethu	**189**	143	**153**	125	**36**	18	**217**	256	**21**	25	**141 270**	124 198	**670**	736
Masimong	**107**	91	**82**	72	**25**	19	**33**	33	**9**	8	**81 599**	78 190	**706**	716
Unisel	**67**	64	**62**	52	**5**	12	**40**	37	**6**	4	**51 280**	54 785	**436**	467
Surface														
All other surface operations	**134**	110	**102**	88	**32**	22	**37**	30	**19**	5	**102 175**	95 553	**12 179**	12 112
Total South Africa	**1 306**	1 173	**992**	830	**314**	343	**1 479**	1 426	**173**	143	**992 525**	1 009 470	**18 209**	18 349
International														
Hidden Valley	**110**	91	**97**	84	**13**	7	**175**	44	**98**	8	**95 327**	72 565	**3 186**	1 906
Total international	**110**	91	**97**	84	**13**	7	**175**	44	**98**	8	**95 327**	72 565	**3 186**	1 906
Total operations	**1 416**	1 264	**1 089**	914	**327**	350	**1 654**	1 470	**271**	151	**1 087 852**	1 082 035	**21 395**	20 255
Reconciliation of the segment information to the consolidated income statement and balance sheet (refer to note 38)	-	-	-	-			1 312	1 045						
	1 416	1 264	**1 089**	914	**327**	350	**2 966**	2 515	**271**	151	**1 087 852**	1 082 035	**21 395**	20 255

#The capital expenditure for 2017 includes the cost for stripping activities and therefore the figures for 2016 have been restated for Hidden Valley and All other surface assets, which includes Kalgold.
[(a)]Tshepong and Phakisa are two separate segments for the 2017 year. As of 1 July 2017, they have been integrated into Tshepong Operations and will be treated as one segment for the 2018 year. Refer to note 6.
*Production statistics are unaudited.

38 RECONCILIATION OF SEGMENT INFORMATION TO CONSOLIDATED INCOME STATEMENTS AND BALANCE SHEETS

SA rand			US dollar	
2016	**2017**	*Figures in million*	**2017**	2016
		Reconciliation of production profit to consolidated profit/(loss) before taxation		
18 334	**19 264**	Total segment revenue	**1 416**	1 264
(13 250)	**(14 812)**	Total segment production costs	**(1 089)**	(914)
5 084	**4 452**	Production profit	**327**	350
(2 536)	**(4 827)**	Cost of sales items other than production costs	**(359)**	(174)
(2 092)	**(2 441)**	Amortisation and depreciation of mining assets	**(179)**	(144)
(78)	**(78)**	Amortisation and depreciation of assets other than mining assets	**(6)**	(5)
41	**(23)**	Rehabilitation credit (net)	**(2)**	3
(114)	**(109)**	Care and maintenance cost of restructured shafts	**(8)**	(8)
(16)	**(74)**	Employment termination and restructuring costs	**(5)**	(1)
(329)	**(391)**	Share-based payments	**(29)**	(23)
43	**(1 718)**	(Impairment) of assets/reversal of impairment	**(131)**	3
9	**7**	Other	**1**	1
2 548	**(375)**	Gross profit/(loss)	**(32)**	176
(409)	**(517)**	Corporate, administration and other expenditure	**(38)**	(28)
(191)	**(241)**	Exploration expenditure	**(18)**	(13)
446	**1 025**	Gain on derivatives	**75**	30
(802)	**(886)**	Other operating expenses	**(68)**	(54)
1 592	**(994)**	Operating profit/(loss)	**(81)**	111
-	**848**	Gain on bargain purchase	**60**	-
-	**(14)**	Loss on liquidation of subsidiaries	**(1)**	-
7	**(22)**	Profit/(loss) on associate	**(1)**	-
256	**268**	Investment income	**20**	17
(274)	**(234)**	Finance costs	**(17)**	(19)
1 581	**(148)**	**Profit/(loss) before taxation**	**(20)**	109
		Reconciliation of total segment assets to consolidated assets includes the following:		
		Non-current assets		
8 275	**8 340**	Property, plant and equipment	**638**	563
870	**603**	Intangible assets	**46**	59
62	**64**	Restricted cash	**5**	4
2 496	**2 658**	Restricted investments	**203**	170
5	**4**	Investments in financial assets	**-**	-
-	**46**	Investments in associates	**4**	-
37	**38**	Inventories	**3**	3
172	**185**	Other non-current receivables	**14**	12
-	**306**	Derivative financial asset	**24**	-
		Current assets		
1 167	**1 127**	Inventories	**86**	79
17	**18**	Restricted cash	**1**	1
660	**1 003**	Trade and other receivables	**76**	44
369	**1 541**	Derivative financial assets	**117**	25
1 256	**1 246**	Cash and cash equivalents	**95**	85
15 386	**17 179**		**1 312**	1 045

COMPANY INCOME STATEMENTS

for the years ended 30 June 2017

Figures in million	Notes	SA rand 2017	SA rand 2016
Revenue		**2 606**	2 704
Cost of sales	1	**(2 727)**	(2 759)
Production costs		**(2 239)**	(2 110)
Amortisation and depreciation		**(377)**	(470)
Impairment of assets		**-**	(77)
Other items		**(111)**	(102)
Gross loss		**(121)**	(55)
Corporate, administration and other expenditure		**(53)**	(47)
Exploration expenditure		**-**	(1)
Gains on derivatives	2	**421**	66
Other operating expenses	3	**(590)**	(731)
Operating loss	4	**(343)**	(768)
Impairment of investment in subsidiaries	14	**-**	(1 217)
Reversal of impairment of investments in subsidiaries	14	**287**	876
Loss on conversion of loan to associate	15	**(15)**	-
Investment income	5	**176**	513
Finance costs	6	**(153)**	(215)
Loss before taxation		**(48)**	(811)
Taxation	7	**10**	64
Net loss for the year		**(38)**	(747)

These are the separate financial statements of Harmony Gold Mining Company Limited. For the group financial statements refer to page 27 to 90.

The accompanying notes are an integral part of these financial statements.

COMPANY STATEMENTS OF COMPREHENSIVE INCOME

for the years ended 30 June 2017

Figures in million	Notes	SA rand 2017	SA rand 2016
Net loss for the year		**(38)**	(747)
Other comprehensive income for the year, net of income tax		**1**	2
Fair value of available-for-sale financial assets		**(1)**	-
Remeasurement of retirement benefit obligation			
Actuarial gain recognised during the year*	19	**2**	2
Total comprehensive loss for the year		**(37)**	(745)

The accompanying notes are an integral part of these financial statements.

* This item in other comprehensive loss will not be reclassified to profit or loss.

COMPANY BALANCE SHEETS

Figures in million	Notes	SA rand At 30 June 2017	At 30 June 2016
ASSETS			
Non-current assets			
Property, plant and equipment	8	**1 898**	1 819
Intangible assets	9	**12**	24
Restricted cash	10	**61**	59
Restricted investments	11	**429**	408
Investments in subsidiaries	14	**27 100**	25 743
Investments in associates	15	**71**	-
Investment in financial assets		**3**	4
Inventories	17	**2**	2
Loans to subsidiaries	14	**131**	188
Trade and other receivables	12	**217**	229
Derivative financial assets	13	**40**	-
Total non-current assets		**29 964**	28 476
Current assets			
Inventories	17	**213**	189
Loans to subsidiaries	14	**2 671**	2 752
Trade and other receivables	12	**444**	322
Derivative financial assets	13	**204**	55
Cash and cash equivalents		**959**	897
Total current assets		**4 491**	4 215
Total assets		**34 455**	32 691
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	18	**28 336**	28 336
Other reserves	19	**1 751**	1 379
Accumulated loss		**(4 502)**	(4 025)
Total equity		**25 585**	25 690
Non-current liabilities			
Deferred tax liabilities	7	**31**	40
Provision for environmental rehabilitation	20	**521**	503
Provision for silicosis settlement	21	**717**	-
Retirement benefit obligation	22	**23**	24
Other non-current liabilities	23	**112**	106
Borrowings	24	**299**	2 039
Total non-current liabilities		**1 703**	2 712
Current liabilities			
Borrowings	24	**1 834**	300
Loans from subsidiaries	14	**4 695**	3 387
Trade and other payables	25	**638**	602
Total current liabilities		**7 167**	4 289
Total equity and liabilities		**34 455**	32 691

The accompanying notes are an integral part of these financial statements.

COMPANY STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

for the years ended 30 June 2017

Figures in million (SA rand)	Number of ordinary shares issued	Share capital	Share premium	Accumulated loss	Other reserves	Total
Notes	18	18			19	
Balance - 30 June 2015	436 187 133	216	28 108	(3 278)	1 062	26 108
Issue of shares						
- Exercise of employee share options	1 077 346	1	-	-	-	1
- Shares issued to the Tlhakanelo Employee Share Trust	35 000	-	-	-	-	-
Reversal of provision for odd lot repurchases	-	-	11	-	-	11
Share-based payments	-	-	-	-	315	315
Net loss for the year	-	-	-	(747)	-	(747)
Other comprehensive income for the year	-	-	-	-	2	2
Balance - 30 June 2016	437 299 479	217	28 119	(4 025)	1 379	25 690
Issue of shares						
- Exercise of employee share options	**2 657 720**	**-**	**-**	**-**	**-**	**-**
Share-based payments	**-**	**-**	**-**	**-**	**371**	**371**
Net loss for the year	**-**	**-**	**-**	**(38)**	**-**	**(38)**
Other comprehensive income for the year	**-**	**-**	**-**	**-**	**1**	**1**
Dividends paid[1]	**-**	**-**	**-**	**(439)**	**-**	**(439)**
Balance - 30 June 2017	**439 957 199**	**217**	**28 119**	**(4 502)**	**1 751**	**25 585**

[1] Dividends per share is disclosed under the earnings per share note. Refer to note 14 of the group financial statements.

The accompanying notes are an integral part of these financial statements.

COMPANY CASH FLOW STATEMENTS

for the years ended 30 June 2017

Figures in million	Notes	SA rand 2017	2016
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated by operations	26	**225**	717
Interest received		**114**	154
Dividends received		**4**	305
Interest paid		**(82)**	(158)
Income and mining taxes refunded		**-**	22
Cash generated by operating activities		**261**	1 040
CASH FLOW FROM INVESTING ACTIVITIES			
Increase in restricted cash		**(1)**	(11)
Decrease in amounts invested in restricted investments		**7**	39
Decrease in loans to subsidiaries		**687**	1 067
Loan to associate repaid		**-**	7
Loan to ARM BBEE Trust	12	**-**	(200)
Proceeds from sale of property, plant and equipment		**-**	4
Additions to intangible assets		**-**	(1)
Additions to property, plant and equipment		**(442)**	(238)
Cash generated by investing activities		**251**	667
CASH FLOW FROM FINANCING ACTIVITIES			
Borrowings raised	24	**699**	300
Borrowings repaid	24	**(710)**	(2 045)
Dividends paid		**(439)**	-
Cash utilised by financing activities		**(450)**	(1 745)
Net increase/(decrease) in cash and cash equivalents		**62**	(38)
Cash and cash equivalents - beginning of year		**897**	935
Cash and cash equivalents - end of year		**959**	897

The accompanying notes are an integral part of these financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the years ended 30 June 2017

ACCOUNTING POLICIES

The accounting policies applied in the company financial statements are consistent with the group accounting policies. Refer to note 2 of the group financial statements as well as the relevant notes for the detailed discussions.

1 COST OF SALES

	SA rand	
Figures in million	**2017**	2016
Production costs (a)	**2 239**	2 110
Amortisation and depreciation of mining assets	**320**	417
Amortisation and depreciation of assets other than mining assets (b)	**57**	53
Rehabilitation expenditure (c)	**18**	7
Care and maintenance costs of restructured shafts	**39**	35
Share-based payments (d)	**56**	51
Impairment of assets (e)	**-**	77
Other	**(2)**	9
Total cost of sales	**2 727**	2 759

(a) Production costs include mine production and transport and refinery costs, applicable general administrative costs, movement in inventories and ore stockpiles and ongoing environmental rehabilitation costs. Employee termination costs are included, except for employee termination costs associated with major restructuring and shaft closures, which are separately disclosed. Production costs, analysed by nature, consist of the following:

	SA rand	
Figures in million	**2017**	2016
Labour costs, including contractors	**1 493**	1 315
Consumables	**482**	412
Water and electricity	**337**	318
Transportation	**41**	44
Change in inventory	**8**	(11)
Capitalisation of mine development costs	**(168)**	(151)
Royalty expense	**13**	34
Other	**33**	149
Total production costs	**2 239**	2 110

[1] Labour costs increased as a result of annual increases and bonuses.

(b) Amortisation and depreciation of assets other than mining assets relates to the following:

	SA rand	
Figures in million	**2017**	2016
Other non-mining assets	**24**	19
Intangible assets	**12**	16
Amortisation of issue costs	**21**	18
Total amortisation and depreciation of assets other than mining assets	**57**	53

(c) For the assumptions used to calculate the rehabilitation costs, refer to note 26 of the group financial statements. This expense includes the change in estimate for the rehabilitation provision where an asset no longer exists as well as rehabilitation costs. During 2017, rehabilitation costs incurred amounted to R38 million (2016: R23 million).

(d) Refer to note 28 for details on the share-based payment schemes implemented by the company.

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

for the years ended 30 June 2017

1 COST OF SALES continued

(e) The impairment assessment performed on all cash generating units resulted in no impairment being recognised for the 2017 financial year.

During the 2016 financial year, a reversal of impairment of R152 million was recognised on the company's effective share of the recoverable amount attributable to the Doornkop Joint Venture (Doornkop JV). The higher recoverable amount for Doornkop, which resulted in the reversal was mainly due to the increased rand gold price assumption, improvements in operational efficiencies that resulted in increased production levels in the updated life-of-mine plan and new mining areas included in the life-of-mine plan based on additional exploration performed during 2016.

The recoverable amounts for Doornkop and Masimong were determined on a fair value less costs to sell basis using the assumptions per note 15(a) of the group financial statements in discounted cash flow models and attributable resource values. These are fair value measurements classified as level 3.

2 GAINS ON DERIVATIVES

Gains on derivatives include the fair value movements of derivatives which have not been designated as hedging instruments for hedge accounting purposes and the amortisation of day one gains and losses for derivatives. Refer to note 13 for further information on the company derivatives. The day one adjustment arises from the difference between the contract price and market price on the day of the transaction.

	SA rand	
Figures in million	**2017**	2016
Foreign exchange hedging contracts	**139**	66
Rand gold contracts	**295**	-
Day one loss amortisation	**(13)**	-
Total gains on derivatives	**421**	66

3 OTHER OPERATING EXPENSES

	SA rand	
Figures in million	**2017**	2016
Bad debts provision expense/(credit) (a) (b)	**31**	(18)
Social investment expenditure	**12**	10
Loss on scrapping of property, plant and equipment (refer to note 8)	**20**	29
Foreign exchange translation (refer to note 24)	**(196)**	647
Silicosis settlement provision (refer to note 21)	**717**	-
Other (income)/expenses - net (b)	**6**	63
Total other operating expenses	**590**	731

(a) The total for 2017 includes a provision for the ARM BBEE Trust of R13 million (2016: R33 million) and African Rainbow Minerals Gold Limited of R16 million (2016: R1 million). Refer to notes 12 for further details.

(b) During 2016 the liquidation of Harmony Gold Marketing (Proprietary) Limited was completed. A reversal of provision of bad debt of R53 million was recorded, while the loss on liquidation of R53 million was included in other expenses - net.

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

for the years ended 30 June 2017

4 OPERATING LOSS

The operating loss includes R3 million (2016: R3 million) for the current year's external audit fee.

5 INVESTMENT INCOME

	SA rand	
Figures in million	**2017**	2016
Interest income	**172**	206
Loans and receivables (a)	**49**	114
Held-to-maturity investments	**25**	22
Cash and cash equivalents	**98**	69
South African Revenue Services (SARS)	**-**	1
Dividend income (b)	**4**	305
Net gain on financial instruments	**-**	2
Total investment income	**176**	513

(a) Included in the total interest income is an amount of R8 million (2016: R44 million) related to interest on-charged to Harmony's subsidiaries at an interest rate of JIBAR + 3.15% plus 0.5%.

Interest income on the loans to Tswelopele Beneficiation Operation (Proprietary) Limited (TBO) and the BEE partners to purchase their portion of TBO amounted to R26 million (2016: R30 million) and R8 million (2016: R10 million) respectively in the 2017 financial year. Refer to notes 12, 14 and 28.

(b) During the 2017 financial year, dividends of R4 million (2016: R5 million) were received from TBO. R300 million was received from Avgold in the 2016 financial year. These companies are subsidiaries of the company.

6 FINANCE COSTS

	SA rand	
Figures in million	**2017**	2016
Financial liabilities		
Borrowings	**110**	171
Other creditors and liabilities	**-**	1
Loan from subsidiary (a)	**3**	2
Total finance costs from financial liabilities	**113**	174
Non-financial liabilities		
Post-retirement benefits	**2**	2
Time value of money and inflation component of rehabilitation costs	**38**	39
Total finance costs from non-financial liabilities	**40**	41
Total finance costs	**153**	215

(a) Relates to interest on outstanding net amounts received on behalf of TBO charged at overnight call money-market related interest rates. This loan cannot be offset against the amount owed for the purchase of the Phoenix operation.

7 TAXATION

Figures in million	SA rand 2017	2016
Mining tax (a)		
- prior year	**-**	3
Deferred tax (b)		
- current year	**10**	61
Total taxation credit	**10**	64

(a) Mining tax on gold mining taxable income in South Africa is determined according to a formula, based on the taxable income from mining operations, net of any qualifying capital expenditure from mining operations. 5% of total mining revenue is exempt from taxation as a result of applying the gold mining formula while the balance is taxed at 34%. All qualifying mining capital expenditure is deducted from taxable mining income to the extent that it does not result in an assessed loss and accounting depreciation is eliminated when calculating the company's mining taxable income. Excess capital expenditure is carried forward as unredeemed capital to be claimed from future mining taxable income.

(b) The deferred tax rate used to calculate deferred tax is based on the current estimate of future profitability when temporary differences will reverse based on tax rates and tax laws that have been enacted at the balance sheet date. Depending on the profitability of the operations, the deferred tax rate can consequently be significantly different from year to year.

INCOME AND MINING TAX RATES

The tax rate remained unchanged for the 2017 and 2016 years.

Major items causing the income statement provision to differ from the mining statutory tax rate of 34% were:

Figures in million	SA rand 2017	2016
Tax on net loss at the mining statutory tax rate	**16**	276
Non-allowable deductions		
(Impairment) of impairment of investments in subsidiaries	**-**	(414)
Reversal of impairment of investments in subsidiaries	**98**	298
Finance costs	**(37)**	(42)
Impairment of assets	**-**	52
Other	**(15)**	31
Effect on temporary differences due to changes in effective tax rate[1]	**(52)**	(140)
Prior year adjustment	**-**	3
Income and mining taxation	**10**	64
Effective income and mining tax rate (%)	**21**	8

[1] The deferred tax rate used for the 2017 financial year was 19.4% (2016: 21.1%).

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

for the years ended 30 June 2017

7 TAXATION continued

DEFERRED TAX

The analysis of deferred tax assets and liabilities is as follows:

	SA rand	
Figures in million	**2017**	2016
Deferred tax assets	**(247)**	(198)
Deferred tax asset to be recovered after more than 12 months	**(76)**	(167)
Deferred tax asset to be recovered within 12 months	**(171)**	(31)
Deferred tax liabilities	**278**	238
Deferred tax liability to be recovered after more than 12 months	**250**	231
Deferred tax liability to be recovered within 12 months	**28**	7
Net deferred tax liability	**31**	40

The net deferred tax liabilities on the balance sheet at 30 June 2017 and 30 June 2016 relate to the following:

	SA rand	
Figures in million	**2017**	2016
Gross deferred tax liability	**278**	238
Amortisation and depreciation	**242**	237
Derivative assets	**35**	-
Other	**1**	1
Gross deferred tax assets	**(247)**	(198)
Unredeemed capital expenditure	**(41)**	(7)
Provisions, including non-current provisions	**(199)**	(64)
Tax losses	**(7)**	(127)
Net deferred tax liability	**31**	40

Movement in the net deferred tax liability recognised in the balance sheet is as follows:

	SA rand	
Figures in million	**2017**	2016
Balance at beginning of year	**40**	101
Tax charged directly to other comprehensive income	**1**	-
Total credit per income statement	**(10)**	(61)
Balance at end of year	**31**	40

As at 30 June 2017, the company has non-mining tax losses of R34 million (2016: R602 million), available for utilisation against future taxable income and future non-mining taxable income respectively. These have an unlimited carry forward period.

As at 30 June 2017, the company has a capital gains tax (CGT) loss of R231 million (2016: R227 million) available for utilisation against future capital gains.

As at 30 June 2017 and 30 June 2016, the company had recognised all deferred tax assets in the determination of the deferred tax liability, except for the CGT loss.

DIVIDEND TAX (DT)

The withholding tax on dividends changed from 15% in 2016 to 20% in 2017.

8 PROPERTY, PLANT AND EQUIPMENT

	SA rand	
Figures in million	**2017**	2016
Mining assets (a)	**1 823**	1 758
Other non-mining assets (b)	**75**	61
Total property, plant and equipment	**1 898**	1 819
(a) Mining assets		
Cost		
Balance at beginning of year	**5 178**	5 024
Fully depreciated assets no longer in use derecognised	**(540)**	-
Additions[1]	**401**	226
Adjustment to rehabilitation asset	**-**	(20)
Scrapping of assets[2]	**(81)**	(52)
Transfers	**3**	-
Balance at end of year	**4 962**	5 178
Accumulated depreciation and impairments		
Balance at beginning of year	**3 420**	2 949
Fully depreciated assets no longer in use derecognised	**(540)**	-
Impairment of assets[3]	**-**	229
Reversal of impairment of assets[4]	**-**	(152)
Scrapping of assets[2]	**(61)**	(23)
Depreciation[5]	**320**	417
Balance at end of year	**3 139**	3 420
Net carrying value	**1 823**	1 758
(b) Other non-mining assets		
Cost		
Balance at beginning of year	**88**	84
Fully depreciated assets no longer in use derecognised	**(4)**	(8)
Additions	**41**	12
Transfers	**(3)**	-
Balance at end of year	**122**	88
Accumulated depreciation and impairments		
Balance at beginning of year	**27**	16
Fully depreciated assets no longer in use derecognised	**(4)**	(8)
Depreciation	**24**	19
Balance at end of year	**47**	27
Net carrying value	**75**	61

[1] Includes R25 million (2016: R22 million) attributable to Doornkop JV.
[2] During 2017 financial year, the abandonment of individual surface assets that are no longer core to the business or in use and unprofitable areas resulted in derecognition of property, plant and equipment as no future economic benefits are expected from their use or disposal. Refer to note 15 of the group financial statements for more details.
[3] The total for 2016 relates to assets attributable to Masimong. Refer to note 1.
[4] The 2016 reversal relates to assets attributable to Doornkop JV. Refer to note 1 and 16.
[5] Includes R15 million (2016: R8 million) attributable to Doornkop JV. Refer to note 16.

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

for the years ended 30 June 2017

9 INTANGIBLE ASSETS

	SA rand	
Figures in million	**2017**	2016
Cost		
Balance at beginning of year	**197**	196
Fully depreciated assets no longer in use derecognised	**(164)**	-
Additions	**-**	1
Balance at end of year	**33**	197
Accumulated amortisation and impairments		
Balance at beginning of year	**173**	157
Fully depreciated assets no longer in use derecognised	**(164)**	-
Amortisation charge	**12**	16
Balance at end of year	**21**	173
Net carrying value	**12**	24

Technology-based assets include computer software and intellectual property which has been acquired and developed for the group. These assets are amortised over five years.

10 RESTRICTED CASH

	SA rand	
Figures in million	**2017**	2016
Environmental guarantees	**61**	59

The amount relates to funds set aside to serve as collateral against guarantees made to the Department of Mineral Resources (DMR) in South Africa for environmental and rehabilitation obligations. Refer to note 20. The majority of the funds are invested in money market funds and the rest held on call account.

11 RESTRICTED INVESTMENTS

	SA rand	
Figures in million	**2017**	2016
Investments held by environmental trust fund (a)	**392**	366
Held-to-maturity financial assets	**278**	276
Cash and cash equivalents (loans and receivables)	**1**	2
Fair value through profit and loss financial assets	**113**	88
Investments held by social trust fund (b)	**37**	42
Total restricted investments	**429**	408

(a) Environmental trust fund

The environmental trust fund is an irrevocable trust under the company's control. Contributions to the trust are invested in interest-bearing short-term and medium-term cash investments and medium-term equity-linked notes issued by commercial banks that provide guaranteed interest and additional interest or growth linked to the growth of the Top 40 index of the JSE. The equity-linked notes are designated fair value through profit or loss investments and recorded at fair value whilst the interest-bearing short-term investments are classified either as held-to-maturity and recorded at amortised cost or as cash and cash equivalents and recorded at fair value. These investments provide for the estimated cost of rehabilitation at the end of the life of the company's mines. Income earned on the investments is retained in the funds and reinvested.

11 RESTRICTED INVESTMENTS continued

(a) Environmental trust fund continued

Reconciliation of the movement in the investments held by environmental trust fund:

	SA rand	
Figures in million	**2017**	2016
Balance at beginning of year	**366**	376
Interest income	**25**	22
Fair value gain	**-**	2
Equity-linked deposits matured	**23**	8
Acquisition/(maturity) of held-to-maturity investments	**(21)**	72
Net (disposal)/acquisition of cash and cash equivalents	**(1)**	(80)
Withdrawal of funds	**-**	(34)
Balance at end of year	**392**	366

(b) Social trust fund

The social trust fund is an irrevocable trust under the company's control. The purpose of the trust is to fund the social plan to reduce the negative effects of restructuring on the group's workforce, to put measures in place to ensure that the technical and life skills of the group's workforce are developed and to develop the group's workforce in such a manner as to avoid or minimise the effect of job losses and a decline in employment through turnaround or redeployment strategies.

The social trust fund investment comprises a unit trust portfolio that is exposed to the fair value changes in the equity market and is classified as a fair value through profit or loss investment.

Reconciliation of the movement in the investment held by the social trust fund:

	SA rand	
Figures in million	**2017**	2016
Balance at beginning of year	**42**	46
Interest income	**2**	2
Claims paid	**(7)**	(6)
Balance at end of year	**37**	42

12 TRADE AND OTHER RECEIVABLES

	SA rand	
Figures in million	**2017**	2016
Non-current assets		
Financial assets		
Loans to associates (a)	**116**	116
Loan to ARM BBEE Trust (c)	**229**	205
Other loans receivable (b)	**34**	57
Provision for impairment (a) (c)	**(162)**	(149)
Total non-current trade and other receivables	**217**	229

12 TRADE AND OTHER RECEIVABLES continued

	SA rand	
Figures in million	**2017**	2016
Current assets		
Financial assets		
Trade receivables (gold)	**351**	165
Other trade receivables	**12**	10
Provision for impairment	**(3)**	(2)
Trade receivables - net	**360**	173
Loan to associate (a)	**-**	80
Interest and other receivables	**39**	30
Employee receivables	**13**	12
Other loans receivable (b)	**23**	23
Non financial assets		
Prepayments	**9**	4
Total current trade and other receivables	**444**	322

(a) (i) During 2015, Rand Refinery drew down on the facility provided by its shareholders. Harmony's share of the loan was R120 million. A cumulative provision of R40 million was provided for up to 2016. During 2017 the Rand Refinery loan was converted to preference shares. Refer to note 15 for more details.

(ii) Included in the 2017 balance is a loan of R116 million (2016: R116 million) owed by Pamodzi. Pamodzi was placed into liquidation during 2009 and the loan was provided in full. The company is a concurrent creditor in the Pamodzi Orkney liquidation.

(b) These loans relate to the funding given to the BEE partners to purchase their portion of TBO. Refer to note 28 for further details. The fair values of the loans are not materially different to their carrying amounts since interest charged is at a floating interest rate. The fair value of the loans is based on discounted cashflows using a current interest rate. The determination of the fair values is level 3 in the fair value hierarchy due to the use of unobservable inputs.

(c) During 2016, Harmony advanced R200 million to the ARM BBEE Trust, shareholder of ARM. The trust is controlled and consolidated by ARM, which holds 14.6% of Harmony's shares. The loan is subordinated and unsecured. The interest is market related (3 month JIBAR plus 4.25%) and is receivable on the maturity of the loan on 31 December 2022. At year end, the loan was tested for impairment following the decrease in the ARM share price since advancing the loan to the trust and an amount of R13 million was provided for (2016: R33 million). The recoverable amount of R183 millon (2016: R172 million) was calculated using a discounted cash flow model. The cash flows in the model includes projected interest payments and projected ARM share price on the expected repayment date.

The movement in the provision for impairment of current trade and other receivables during the year was as follows:

	SA rand	
Figures in million	**2017**	2016
Balance at beginning of year	**2**	3
Impairment loss recognised	**2**	-
Reversal of impairment loss	**(1)**	(1)
Balance at end of year	**3**	2

12 TRADE AND OTHER RECEIVABLES continued

The movement in the provision of non-current loans receivable during the year was as follows:

Figures in million	SA rand 2017	2016
Balance at beginning of year	**189**	156
Impairment loss recognised	**13**	33
Impairment loss derecognised (refer to (a)(i) above)	**(40)**	-
Balance at end of year	**162**	189
Total provision of non-current loans receivable	**162**	149
Total provision of current loans receivable	**-**	40

The ageing of current trade receivables at the reporting date was:

	30 June 2017 SA rand		**30 June 2016** SA rand	
Figures in million	Gross	Impairment	Gross	Impairment
Fully performing	**356**	**-**	172	-
Past due by 1 to 30 days	**1**	**-**	-	-
Past due by 31 to 60 days	**1**	**-**	-	-
Past due by 61 to 90 days	**1**	**-**	1	-
Past due by more than 90 days	**3**	**2**	1	1
Past due by more than 361 days	**1**	**1**	1	1
	363	**3**	175	2

The ageing of non-current loans receivable at the reporting date was:

	30 June 2017 SA rand		**30 June 2016** SA rand	
Figures in million	Gross	Impairment	Gross	Impairment
Fully performing	**263**	**46**	405	73
Past due by 1 to 30 days	**-**	**-**	-	-
Past due by 31 to 60 days	**-**	**-**	-	-
Past due by 61 to 90 days	**-**	**-**	-	-
Past due by more than 90 days	**-**	**-**	-	-
Past due by more than 361 days	**116**	**116**	116	116
	379	**162**	521	189

Based on past experience, the company believes that no impairment allowance is necessary in respect of fully performing receivables as the amount relates to customers that have a good track record with the company. The majority of fully performing trade receivables are indirectly associated with financial institutions of good credit quality. Similarly, the loans and receivables noted above, other than those that have been provided for, are fully performing and considered to be a low risk. The company does not hold any collateral in respect of these receivables.

During the 2017 and 2016 years there was no renegotiation of the terms of any receivable.

13 DERIVATIVE FINANCIAL ASSETS

Figures in million	SA rand 2017	2016
Non current		
Rand gold contracts (a)	**40**	-
Current	**204**	55
Rand gold contracts (a)	**144**	-
Foreign exchange hedging contracts (b)	**60**	55
Total derivative financial assets	**244**	55

a) During 2017, Harmony entered into gold forward sale contracts (rand gold contracts), the purpose of which is to create cash certainty and protect Harmony against lower gold prices. At 30 June 2017, the volume of open contracts is 1 341 kg (43 124 oz) spread over 21 months at an average forward sale price of R693 437/kg.

b) Harmony has entered into foreign exchange hedging contracts (forex hedging contracts) in the form of zero cost collars, which establish a floor and cap US$/Rand exchange rate at which to convert US dollars to Rands. The nominal value of open forex hedging contracts at 30 June 2017 is US$56 million (30 June 2016: US$74 million). The weighted average prices for the foreign exchange contracts are as follows: cap R15.53 and floor R14.41.

As hedge accounting was not applied to any of the derivatives, the resulting gains have been recorded in gains on derivatives in the income statement (refer to note 2).

The derivatives are classified as held for trading and the fair value is based upon market valuations. Refer to note 31 for details of the fair value measurements.

The derivative financial instruments are subject to enforceable master netting arrangements, as the company and the counterparty have both elected to settle the derivative contracts on a net basis.

14 INVESTMENTS IN SUBSIDIARIES AND LOANS TO/FROM SUBSIDIARIES

Figures in million	SA rand 2017	2016
Shares at cost less accumulated impairment (a)	**27 100**	25 743
Shares at cost	**27 625**	27 773
Accumulated impairment	**(525)**	(2 030)
Loans to subsidiaries	**2 802**	2 940
Gross non-current loan to subsidiary (b)(i)	**131**	188
Gross current loans to subsidiary companies (b)(i) and (ii)	**4 342**	4 406
Provision for irrecoverable loans (b)(ii)	**(1 671)**	(1 654)
Loans from subsidiaries	**(4 695)**	(3 387)
Total investments in subsidiaries	**25 207**	25 296

Refer to Annexure A on page 128 for a detailed listing of the company's investments in subsidiaries and the loans to and from these companies. The recoverable amount of investments in subsidiaries has been determined on the fair value less costs to sell model, by comparing the future expected cash flows from subsidiaries, represented by the net investment, with the subsidiaries' net asset value.

(a) (i) At 30 June 2017, Harmony tested the recoverability of its investments in subsidiaries. The recoverable amount of its investment in African Rainbow Minerals Gold Limited (ARMgold) exceeded ARMgold's carrying value and resulted in a reversal of impairment of R287 million (2016: a reversal of R876 million). The reversal mainly relates to the increased estimated profitability of the Freegold operations. The recoverable amount of the net assets was R6.3 billion and determined using the fair value less costs to sell method. Refer to note 15(a) of the group financial statements for the assumptions used in the calculation.

14 INVESTMENTS IN SUBSIDIARIES AND LOANS TO/FROM SUBSIDIARIES continued

(a) Shares continued

(ii) In August 2016 Harmony sold its investment in Harmony Australia to Harmony Copper Limited (Copper), a wholly owned subsidiary in a share exchange transaction and the principles common control were applied. Harmony Australia is now classified as an indirect subsidiary.

During the 2016 financial year the loan to Harmony Australia was capitalised as part of the company's net investment in Harmony Australia through the issue of 488.8 million Harmony Australia ordinary shares valued at R558 million.

In 2016 the carrying value of its investment in Harmony Gold (Australia) (Proprietary) Limited (Harmony Australia) exceeded Harmony Australia's recoverable amount by R1.21 billion. The recoverable amount of the net assets of R10.2 billion was determined using the fair value less cost to sell method, based on discounted cash flow models for the Golpu project and Hidden Valley operation and attributable resource values of Golpu and Kili Teke.

(iii) At 30 June 2017, Harmony capitalised R758 million of the loan to Copper in exchange for 116 983 no par value shares.

(iv) The amounts relating to the share-based payment expense for the subsidiary companies' employees have been recognised as a capital contribution. Refer to note 28. Any amount recharged to the subsidiaries is offset against the capital contribution.

(b) (i) Included in loans to subsidiaries is a loan to TBO of R194 million (2016: R248 million). The non-current portion of this loan is R131 million (2016: R188 million). Refer to note 28 for details on the Phoenix transaction. The fair value of the loan is not materially different to its carrying amount since interest charged is at a floating interest rate. The fair value of the loan is based on discounted cashflows using a current interest rate. The determination of the fair value is level 3 in the fair value hierarchy due to the use of unobservable inputs.

(ii) An amount of R17 million (2016: R3 million) was provided for on the loans to subsidiaries during the year.

15 INVESTMENTS IN ASSOCIATES

(a) Pamodzi was a gold mining company listed on the JSE with operations in South Africa. Harmony acquired 32.4% of Pamodzi when the group sold the Orkney operation in 2008 in exchange for a consideration of 30 million Pamodzi shares, initially valued at R345 million. Pamodzi was placed in liquidation in March 2009. The company had historically recognised accumulated impairments of R345 million reducing the carrying value of the investment to Rnil. Refer to note 21 of the group financial statements for further details. Refer to note 12 for detail of loans and receivables provided for by the company.

(b) Rand Refinery provides precious metal smelting and refining services in South Africa. The company indirectly holds a total shareholding of 10.38% in Rand Refinery. The company is able to exercise significant influence by virtue of having a right to appoint a director on the board. Through the 10% shareholding and the right to appoint a director on the board, the investment has been accounted for as an associate.

Rand Refinery's shareholders extended Rand Refinery an irrevocable, subordinated loan facility of up to R1.2 billion on 23 July 2014. In December 2014, Rand Refinery drew down R1.02 billion on the shareholders' loan. Harmony's portion of the shareholders' loan was R120 million. Interest on the facility is JIBAR plus a margin of 3.5%. During the 2017 financial year, interest received on the loan amounted to R6 million (2016: R12 million).The loan was included in Trade and other receivables.

The original loan facility agreement allowed for any unpaid balance to be converted to equity after two years. An amended agreement was concluded on 5 June 2017, converting the loan to cumulative, redeemable preference shares of no par value. The fair value of the loan on the date of conversion was R71 million, resulting in a loss of R15 million. The fair value was determined using a discounted cash flow model which included expected dividends and redemption amounts at a discount rate of 17.6%. The fair value measurement is classified as a level 3 model and is non-recurring.

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

for the years ended 30 June 2017

15 INVESTMENTS IN ASSOCIATES continued

Figures in million	SA rand 2017	2016
Investment in associate	**71**	-
Investment in ordinary shares[1]	**-**	-
Redeemable preference shares	**71**	-
Trade and other receivables	**-**	80
Loan to associate	**-**	80
Total net investments in associates	**71**	80

[1] Carried at cost less accumulated impairment.

The movement in the investment in associate during the year is as follows:

Figures in million	SA rand 2017	2016
Balance at beginning of year	**-**	-
Conversion to preference shares	**71**	-
Balance at end of year	**71**	-

16 INVESTMENT IN JOINT OPERATIONS

DOORNKOP JV AGREEMENT

During the 2010 financial year, Harmony and Randfontein Estates Limited, a subsidiary of Harmony, entered into a joint arrangement for the operation of the Doornkop mine following Harmony's purchase of a 26% interest in the Doornkop mining right from African Vanguard Resources (Proprietary) Limited (AVRD) for a purchase consideration of R398 million. Harmony recognised the cost of the mineral rights as part of property, plant and equipment. The joint venture agreement entitles the company to a 16% share of the production profit or loss of the Doornkop mine.

For the 2016 financial year, a reversal of impairment of R152 million was recognised on the company's effective share of the recoverable amount attributable to the Doornkop JV. Refer to note 1 for details.

17 INVENTORIES

Figures in million	SA rand 2017	2016
Current assets		
Gold in-process and bullion on hand	**24**	29
Consumables at weighted average cost (net of provision)	**189**	160
Total current inventories	**213**	**189**
Included in the balance above is:		
Inventory valued at net realisable value	**13**	21

During the 2017 financial year, a revaluation of Rnil (2016: R7 million) was recorded for the net realisable value adjustment for gold in lock-up. The balance at 30 June 2017 is R2 million (2016: R2 million) and is classified as non-current.

The total provision for slow moving and redundant stock at 30 June 2017 was R12 million (2016: R10 million).

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

for the years ended 30 June 2017

18 SHARE CAPITAL

AUTHORISED

1 200 000 000 (2016: 1 200 000 000) ordinary shares of 50 SA cents each.

ISSUED

439 957 199 (2016: 437 299 479) ordinary shares of 50 SA cents each. All issued shares are fully paid.

SHARE ISSUES

Shares issued in the 2016 and 2017 financial years relate to the exercise of share options by employees. In the 2016 financial year, 35 000 shares were issued to the Tlhakanelo Trust, the vehicle used for the employee share ownership plan (ESOP). Annexure B of this report and note 28 set out details in respect of the share option scheme.

TREASURY SHARES

Included in the total of issued shares is an amount of 335 shares held by Lydenburg Exploration Limited, a wholly owned subsidiary of the company.

During August 2012, 3.5 million shares were issued to the Tlhakanelo Trust. As the trust is controlled by the group, the shares are treated as treasury shares. In the 2016 financial year, an additional 35 000 shares were issued to the Tlhakanelo Trust for purposes of settling the 2014 and 2015 offers of ESOP share appreciation rights that vested during 2016. During 2017, 496 408 (2016: 537 757) shares were exercised by employees and the remaining 28 507 shares are still held as treasury shares.

19 OTHER RESERVES

	SA rand	
Figures in million	**2017**	2016
Fair value movement of available-for-sale financial assets	**(2)**	(1)
Repurchase of equity interest (a)	**3**	3
Equity component of convertible bond (b)	**277**	277
Share-based payments (c)	**1 471**	1 100
Post-retirement benefit actuarial gain/(loss) (d)	**2**	-
Total other reserves	**1 751**	1 379

(a) The sale of 26% of the AVRD mining titles resulted in a R3 million (2016: R3 million) repurchase of a call option (equity interest) by the company. Refer to note 25 of the group financial statements.

(b) Refer to note 25 of the group financial statements.

(c) Share-based payments

	SA rand	
Figures in million	**2017**	2016
Balance at beginning of year	**1 100**	785
Share-based payments expensed (i)	**53**	49
Subsidiary employees share-based payments (ii)	**318**	265
ESOP awards settled with shares	**-**	1
Balance at end of year	**1 471**	1 100

(i) Refer to note 33 in the group financial statements as well as note 28 in the company's financial statements.

(ii) Awards offered to employees providing services related to their employment in the group resulted in an increase in investment in subsidiaries. Refer to note 14.

19 OTHER RESERVES continued

(d) The actuarial gains or losses related to the post-retirement benefit obligation will not be reclassified to the income statement.

	SA rand	
Figures in million	**2017**	2016
Balance at beginning of year	**-**	(2)
Actuarial gain for the year	**3**	2
Deferred tax	**(1)**	-
Balance at end of year	**2**	-

20 PROVISION FOR ENVIRONMENTAL REHABILITATION

The company's mining and exploration activities are subject to extensive environmental laws and regulations. The company has made, and expects to make in the future, expenditures to comply with such laws and regulations, but cannot predict the full amount of such future expenditures. Estimated future reclamation costs are based principally on legal and regulatory requirements.

The following is a reconciliation of the total liability for environmental rehabilitation:

	SA rand	
Figures in million	**2017**	2016
Provision raised for future rehabilitation		
Balance at beginning of year	**503**	500
Change in estimate - Balance sheet	**-**	(20)
Change in estimate - Income statement	**18**	7
Utilisation of provision	**(38)**	(23)
Time value of money and inflation component of rehabilitation costs	**38**	39
Total provision for environmental rehabilitation	**521**	503

Refer to note 26 of the group financial statements for estimations and judgements used in the calculation.

While the ultimate amount of rehabilitation costs to be incurred in the future is uncertain, the company has estimated its undiscounted cost for the mines, based on current environmental and regulatory requirements, as follows:

	SA rand	
Figures in million	**2017**	2016
Future net undiscounted obligation		
Ultimate estimated rehabilitation cost	**623**	605
Amounts invested in environmental trust funds (refer to note 11)	**(392)**	(366)
Total future net undiscounted obligation	**231**	239

The company intends to finance the ultimate rehabilitation costs from the money invested with environmental trust funds, as well as the proceeds on sale of assets and gold from plant clean-up at the time of mine closure. The company has guarantees, some cash-backed, in place relating to some of the environmental liabilities. Refer to note 10 and 30.

21 PROVISION FOR SILICOSIS SETTLEMENT

Refer to note 27 of the group financial statements for a discussion on the settlement provision. The following is a reconciliation of the company's provision for the silicosis settlement:

	SA rand	
Figures in million	**2017**	2016
Provision raised for settlement		
Balance at beginning of year	**-**	-
Initial recognition	**717**	-
Total provision for silicosis settlement	**717**	-

The group's obligation has been allocated to the companies within the group based on the number of employees at an operation over a period of time. As holding company of the group, Harmony will be obligated to settle the portion of companies that no longer form a part of the group, but is liable for.

Sensitivity analysis
The impact of a reasonable change in certain key assumptions would increase or decrease the provision amount by the following:

	SA rand	
Figures in million	**2017**	2016
Effect of an increase in the assumption:		
Change in benefit take-up rate[1]	**65**	-
Change in silicosis prevalence[2]	**65**	-
Change in disease progression rates[3]	**29**	-
Effect of a decrease in the assumption:		
Change in benefit take-up rate[1]	**(65)**	-
Change in silicosis prevalence[2]	**(65)**	-
Change in disease progression rates[3]	**(29)**	-

[1] Change in benefit take-up rate: the take-up rate does not affect the legal cost allocation, but a 10% change results in a proportionate change in the other values.

[2] Change in silicosis prevalence: the assumptions that will result in a change in the estimated number of cases are either a 10% change in the assumed labour number or a 10% change in the disease risk.

[3] Change in disease progression rates: a one year shorter/longer disease progression period was used. This assumption is not applicable to the dependant or TB classes.

22 RETIREMENT BENEFIT OBLIGATION

Pension and provident funds: Refer to note 28(a) of the group financial statements. Funds contributed by the company for the 2017 financial year amounted to R127 million (2016: R119 million).

Post-retirement benefits other than pensions: Refer to note 28(b) of the group financial statements for a discussion of the obligation, risk and assumption used. The disclosure below relates to the company only.

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

for the years ended 30 June 2017

22 RETIREMENT BENEFIT OBLIGATION continued

	SA rand	
Figures in million	**2017**	2016
Present value of unfunded obligations	**23**	24
Current employees	**14**	15
Retired employees	**9**	9
Movement in the liability recognised in the balance sheet:		
Balance at beginning of year	**24**	23
Contributions paid	**(1)**	(1)
Other expenses included in staff costs/current service costs	**1**	2
Finance costs	**2**	2
Net actuarial gain recognised during the year[1]	**(3)**	(2)
Balance at end of year	**23**	24

[1] The net actuarial gain has been recorded in other comprehensive income.

	SA rand	
Figures in million	**2017**	2016
The net liability of the defined benefit plan is as follows:		
Present value of defined benefit obligation	**23**	24
Fair value of plan assets	**-**	-
Balance at end of year	**23**	24

The impact of a percentage point increase and decrease in the assumed medical cost trend rate is as follows:

	SA rand	
Figures in million	**2017**	2016
Effect of a 1% increase on:		
Aggregate of service cost and finance costs	**-**	-
Defined benefit obligation	**3**	3
Effect of a 1% decrease on:		
Aggregate of service cost and finance costs	**-**	-
Defined benefit obligation	**(2)**	(2)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. The analysis is performed on the same basis for 2016.

The weighted average duration of the defined benefit obligation is 14.9 years. The company expects to contribute approximately R1 million to the benefit plan in 2018.

23 OTHER NON-CURRENT LIABILITES

	SA rand	
Figures in million	**2017**	2016
Non-financial liabilities		
TBO share-based payment liability	**112**	106
Total other non-current liablities	**112**	106

23 OTHER NON-CURRENT LIABILITES continued

The liability relates to the disposal of an equity interest of TBO to BEE shareholders by Harmony on 25 June 2013. The award to the BEE partners has been accounted for as in-substance options, as the BEE partners will only share in the upside, and not the downside, of their equity interest in TBO until the date the financial assistance provided by Harmony is fully paid. The award of the options to the BEE partners is accounted for as a cash-settled share-based payment arrangement in the company. The R6 million increase in the 2017 financial year (2016: R80 million) is mainly as a result of the increase in the TBO business value arising from increased volatility used as an input in the valuation of the equity interest as well as good cash generation resulting in quicker repayment of the BEE partner shareholder loans. Refer to note 15 in the group financial statements for further details on key assumptions included in the life-of-mine plan.

24 BORROWINGS

FACILITIES

Nedbank Limited

On 20 December 2013, the company entered into a loan facility with Nedbank Limited, comprising a revolving credit facility of R1 300 million. The facility matured during February 2017 and was replaced with a new R1 billion three-year revolving credit facility with similar terms to the previous facility on 20 February 2017. Interest accrues on a day-to-day basis over the term of the loan at a variable interest rate.

US dollar revolving credit facilities

In February 2015 the company concluded a loan facility agreement which was jointly arranged by Nedbank Limited and Barclays Bank Plc, comprising a revolving credit facility of up to US$250 million (R2 892 million). Interest accrues on a day-to-day basis over the term of the loan at a variable interest rate.

Refer to note 33 for details of events after the reporting date.

TERMS AND DEBT REPAYMENT SCHEDULE AT 30 JUNE 2017

	Interest charge	Repayment terms	Repayment date	Security
Nedbank Limited (Secured loan - rand revolving credit facility)	1, 3 or 6 month JIBAR plus 3.15%, payable at the elected interest interval	Repayable on maturity	20 February 2020	Cession and pledge of operating subsidiaries' shares and claims
US dollar revolving credit facility (Secured loan)	3 or 6 month LIBOR plus 3%, payable at the elected interest interval	Repayable on maturity	6 February 2018	Cession and pledge of operating subsidiaries' shares and claims

DEBT COVENANTS

The debt covenant tests for both the rand and US dollar revolving credit facilities are as follows:

- The group's interest cover ratio shall not be less than five (EBITDA[1]/Total interest paid);
- Tangible Net Worth[2] to total net debt ratio shall not be less than six times or eight times when dividends are paid;
- Leverage[3] shall not be more than 2.5 times.

[1] Earnings before interest, taxes, depreciation and amortisation (EBITDA) as defined in the agreement excludes unusual items such as impairment and restructuring cost.
[2] Tangible Net Worth is defined as total equity less intangible assets.
[3] Leverage is defined as total net debt to EBITDA.

The debt covenant tests are performed on a quarterly basis. No breaches of the covenants were identified during the tests in the 2016 and 2017 financial years.

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

for the years ended 30 June 2017

24 BORROWINGS continued

INTEREST BEARING BORROWINGS

	SA rand	
Figures in million	**2017**	2016
Non-current borrowings		
Nedbank Limited (secured loan - R1.3 billion revolving credit facilities)	**-**	-
Balance at beginning of year	**-**	398
Draw down	**-**	300
Repayments	**-**	(400)
Amortisation of issue costs	**-**	2
Transferred to current liabilities	**-**	(300)
Nedbank Limited (secured loan - R1.0 billion revolving credit facility)	**299**	-
Balance at beginning of year	**-**	-
Draw down	**300**	-
Issue cost	**2**	-
Transferred to current liabilities	**(3)**	-
US dollar revolving credit facility (secured loan)	**-**	2 039
Balance at beginning of year	**2 039**	3 001
Draw down	**399**	-
Repayments	**(410)**	(1 645)
Amortisation of issue costs	**18**	18
Transferred to current liabilities	**(1 831)**	-
Translation	**(215)**	665
Total non-current borrowings	**299**	2 039
Current borrowings		
Nedbank Limited (secured loan - revolving credit facilities)	**3**	300
Balance at beginning of year	**300**	-
Repayments	**(300)**	-
Transferred from non-current liabilities	**3**	300
US dollar revolving credit facility (secured loan)	**1 831**	-
Balance at beginning of year	**-**	-
Transferred from non-current liabilities	**1 831**	-
Total current borrowings	**1 834**	300
Total interest-bearing borrowings	**2 133**	2 339
The maturity of borrowings is as follows:		
Current	**1 834**	300
Between one to two years	**-**	2 039
Between two to five years	**299**	-
	2 133	2 339

24 BORROWINGS continued

INTEREST BEARING BORROWINGS continued

Figures in million	SA rand 2017	2016
Undrawn committed borrowings facilities:		
Expiring within one year	**1 442**	1 000
Expiring after one year	**700**	1 619
	2 142	2 619

EFFECTIVE INTEREST RATES

	2017 %	2016 %
Nedbank Limited - rand revolving credit facility	**10.5**	10.4
US dollar revolving credit facility	**3.9**	3.5

25 TRADE AND OTHER PAYABLES

Figures in million	SA rand 2017	2016
Financial liabilities		
Trade payables	**162**	95
Other liabilities	**26**	41
Non-financial liabilities		
Payroll accruals including leave liability (a)	**306**	313
Shaft related and other accruals	**92**	85
ESOP share-based payment liability (b)	**-**	14
Value added tax	**52**	54
Total trade and other payables	**638**	602

(a) Leave liabilities

Employee entitlements to annual leave are recognised on an ongoing basis. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. The movement in the liability recognised in the balance sheet is as follows:

Figures in million	SA rand 2017	2016
Balance at beginning of year	**72**	72
Benefits paid	**(82)**	(79)
Total expense per income statement	**84**	79
Balance at end of year	**74**	72

(b) ESOP share-based payment liability

The liability relates to the cash-settled share-based payment transaction following the award of ESOP SARs to qualifying employees through the Tlhakanelo Trust. Refer to note 28 for more details.

26 CASH GENERATED BY OPERATIONS

Figures in million	SA rand 2017	2016
Reconciliation of loss before taxation to cash generated by operations:		
Loss before taxation	**(48)**	(811)
Adjustments for:		
Amortisation and depreciation	**377**	470
Impairment of assets	**-**	77
Share-based payments	**56**	51
Net decrease provision for environmental rehabilitation	**(20)**	(16)
Loss on scrapping of property, plant and equipment	**20**	29
Loss on conversion of loan to associate	**15**	-
Impairment of investment in subsidiaries	**-**	1 217
Reversal of impairment of investments in subsidiaries	**(287)**	(876)
Dividends received	**(4)**	(305)
Interest received	**(172)**	(206)
Finance costs	**153**	215
Provision for doubtful debts expense	**29**	18
Silicosis settlement provision	**717**	-
Foreign exchange translation	**(217)**	666
Non-cash portion of gains on derivatives	**(188)**	(55)
Other non-cash adjustments	**(35)**	(3)
Effect of changes in operating working capital items		
Receivables	**(24)**	266
Inventories	**(31)**	1
Payables	**(116)**	(21)
Cash generated by operations	**225**	717

ADDITIONAL CASH FLOW INFORMATION

The income and mining taxes paid in the statement of cash flow represents actual cash paid less refunds received.

At 30 June 2017, R2 142 million (2016: R2 619 million) of borrowing facilities had not been drawn down and is therefore available for future operating activities and future capital commitments. Refer to note 24.

Principal non-cash transactions

Share-based payments (refer to note 28).
Investment in subsidiaries arising from share-based payments (refer to note 14).
Disposal of the Harmony Australia investment in 2017 (refer to note 14).
Capitalisation of the Harmony Copper intercompany loan in 2017 (refer to note 14).
Capitalisation of the Harmony Australia intercompany loan in 2016 (refer to note 14).

27 EMPLOYEE BENEFITS

Figures in million	SA rand 2017	2016
Aggregate earnings		
The aggregate earnings of employees including directors were:		
Salaries and wages and other benefits	**1 649**	1 446
Retirement benefit costs	**132**	119
Medical aid contributions	**49**	46
Total aggregated earnings*	**1 830**	1 611
Number of permanent employees as at 30 June	**5 677**	5 655

* These amounts have been included in cost of sales, corporate expenditure and capital expenditure.

27 EMPLOYEE BENEFITS continued

Remuneration for directors and executive management is fully disclosed in Annexure B of this report. During the 2017 financial year R23 million (2016: R21 million) was included in the payroll cost for termination costs. Termination costs include the costs relating to the voluntary retrenchment process as well as retrenchments due to shaft closures.

28 SHARE-BASED PAYMENTS

EMPLOYEE SHARE-BASED PAYMENTS

The group has the 2012 employee share ownership plan (ESOP) and the 2006 share plan that are active. The objective of these schemes is to recognise the contributions of employees to the group's financial position and performance and to retain key employees.

The total cost relating to employee share-based payments for the company is made up as follows:

	SA rand	
Figures in million	**2017**	2016
2012 employee share ownership plan (a)	**2**	6
2006 share plan (b)	**54**	45
Total employee share-based payments included in cost of sales	**56**	51

(a) 2012 employee share ownership plan

Refer to note 33 of the group financial statements for the information relating to the 2012 ESOP. The following information relates specifically to the company.

The total cost relating to employee share-based payments arising from ESOP is made up as follows:

	SA rand	
Figures in million	**2017**	2016
2012 employee share ownership plan		
Equity-settled	**1**	4
Cash-settled	**1**	2
	2	6

Activity on awards

All awards were settled in 2017.

	SA rand	
Figures in million	**2017**	2016
Gain realised by participants on awards traded during the year	**6**	9
Fair value of awards exercised during the year	**6**	9

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

for the years ended 30 June 2017

28 SHARE-BASED PAYMENTS continued

EMPLOYEE SHARE-BASED PAYMENTS continued

(a) 2012 employee share ownership plan continued

Measurement

	SA rand	
Figures in million	**2017**	2015
Cash-settled liability		
Current	**-**	14
Total cash-settled liability	**-**	14

(b) Options granted under the 2006 share plan

Refer to note 33 of the group financial statements for the information relating to the 2006 share plan. The following information relates specifically to the company.

Activity on share options

Activity on options and rights granted but not yet exercised

	SARs		PS	RS
	Number of options and rights	Weighted average option price (SA rand)	Number of rights	Number of rights
For the year ended 30 June 2017				
Balance at beginning of year	**6 957 329**	**35.18**	**19 766 660**	**527 216**
Options and rights granted	**25 960**	**22.84**	**5 351 482**	**-**
Rights vested and locked up	**-**	**-**	**(160 271)**	**-**
Options and rights exercised	**(168 720)**	**28.16**	**(1 211 343)**	**(68 168)**
Options and rights forfeited and lapsed	**(522 640)**	**57.99**	**(1 653 798)**	**-**
Balance at end of year	**6 291 929**	**32.83**	**22 092 730**	**459 048**
For the year ended 30 June 2016				
Balance at beginning of year	8 337 707	38.98	8 741 610	474 904
Options and rights granted and accepted	-	-	14 304 860	341 772
Options and rights accepted	154 317	18.47	-	-
Options and rights exercised	(319 396)	24.51	(555 468)	(261 766)
Options and rights forfeited and lapsed	(1 215 299)	78.67	(2 724 342)	(27 694)
Balance at end of year	6 957 329	35.18	19 766 660	527 216

28 SHARE-BASED PAYMENTS continued

EMPLOYEE SHARE-BASED PAYMENTS continued

(b) Options granted under the 2006 share plan continued

Options and rights vested but not exercised at year end

	SARs		PS		RS	
	2017	2016	**2017**	2016	**2017**	2016
Options and rights vested but not exercised	**1 461 530**	743 465	**-**	-	**-**	-
Weighted average option price (SA rand)	**58.11**	85.33	**n/a**	n/a	**n/a**	n/a

List of options and rights granted but not yet exercised (listed by allocation date)

	Number of options and rights	Award price (SA rand)	Remaining life (years)
As at 30 June 2017			
Share appreciation rights			
15 November 2011	**290 538**	**104.79**	**0.4**
16 November 2012	**657 506**	**68.84**	**1.4**
15 November 2013	**2 197 964**	**33.18**	**2.4**
17 November 2014	**3 145 921**	**18.41**	**3.4**
	6 291 929		
Performance shares			
17 November 2014	**3 611 552**	**n/a**	**0.4**
16 November 2015	**12 677 985**	**n/a**	**1.4**
17 February 2016	**512 000**	**n/a**	**1.4**
29 November 2016	**5 291 193**	**n/a**	**2.4**
	22 092 730		
Restricted shares [1]			
15 November 2011	**44 000**	**n/a**	**0.4**
16 November 2012	**92 762**	**n/a**	**1.4**
17 November 2014	**44 000**	**n/a**	**0.4**
17 November 2015	**278 286**	**n/a**	**1.4**
	459 048		
Total options and rights granted but not yet exercised	**28 843 707**		

[1] The 2010, 2011 and 2012 restricted shares vested in November 2013, November 2014 and November 2015 respectively. Restricted shares that were not exercised, partially or fully, at that time remain restricted for a further three years, but were supplemented by a matching grant of restricted shares. All restricted shares are then only settled after the end of a further three year period.

	SA rand	
Figures in million	**2017**	2016
Gain realised by participants on options and rights traded during the year	**56**	30
Fair value of options and rights exercised during the year	**58**	38

28 SHARE-BASED PAYMENTS continued

OTHER SHARE-BASED PAYMENTS

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

The awards to the BEE partners have been accounted for as in-substance options as the BEE partners will only share in the upside, and not the downside of their equity interest in TBO until the date the financing provided by Harmony is fully repaid. On this date the options will be exercised. The award of the options to the BEE partners is accounted for by the company as a cash-settled share-based payment arrangement, as the company is settling the transaction in TBO's shares and not its own equity instruments.

The cash-settled share-based payment has been recognised as a liability in the balance sheet, the fair value of which will be remeasured at each reporting date. Any changes in fair value are recognised against the company's investment in TBO.

At 30 June 2017, the carrying value of the liability is R112 million (2016: R106 million). Refer to note 23.

Measurement

The share-based cost was calculated using the Monte Carlo simulation. The fair value of the option is the difference between the expected future enterprise value of TBO and the expected loan balances at redemption date, and the present value of the trickle dividend determined in accordance with the cash flow waterfall per the signed transaction and funding arrangements.

The following assumptions were applied:

	2017	2016
Business value (R'million)	**469**	532
Exercise price (R'million)	**2**	2
Risk-free interest rate	**7.36%**	7.79%
Expected volatility*	**41.00%**	36.60%
Expected dividend yield	**8.43%**	8.40%
Vesting period (from grant date)	**7.5 years**	7.5 years
Equity value attributable to the BEE partners	**25.00%**	25.00%
Expected redemption date	**31 December 2020**	31 December 2020

* The volatility is measured in relation to a comparable listed company's share price volatility.

29 RELATED PARTIES

Refer to note 34 in the group financial statements for a discussion on related parties. The services rendered to the subsidiary companies relate primarily to general administration and financial functions.

All the production of the company is sent to Rand Refinery in which Harmony holds a 10.38% interest. Refer to note 15.

All loans are unsecured and interest-free and there are no special terms and conditions that apply.

Annexure A of this report contains a full list of the loans to and from subsidiaries. Refer to note 14 for details of provisions made against these loans.

On 30 August 2016, Harmony sold its interest in Harmony Australia to Copper. Refer to note 14.

29 RELATED PARTIES continued

Figures in million	SA rand 2017	2016
Sales and services rendered to related parties		
Direct subsidiaries	**15 209**	13 346
Indirect subsidiaries	**738**	660
Associates[1]	**6**	12
Total	**15 953**	14 018
Purchases and services acquired from related parties		
Direct subsidiaries	**1**	-
Directors	**1**	-
Total	**2**	-
Outstanding balances due by related parties		
Associates[1]	**-**	80
Direct subsidiaries	**2 802**	2 940
Total	**2 802**	3 020
Outstanding balances due to related parties		
Direct subsidiaries	**4 085**	2 762
Indirect subsidiaries	**610**	625
Total	**4 695**	3 387

[1] Refer to note 15 for details relating to the loan to associate. In 2017, the loan was converted to redeemable preference shares.

30 COMMITMENTS AND CONTINGENCIES

COMMITMENTS AND GUARANTEES

Figures in million	SA rand 2017	2016
Capital expenditure commitments		
Contracts for capital expenditure	**47**	102
Authorised by the directors but not contracted for	**38**	148
Total capital commitments	**85**	250

This expenditure will be financed from existing resources and, where appropriate, borrowings.

Figures in million	SA rand 2017	2016
Guarantees		
Guarantees and suretyships	**5**	5
Environmental guarantees	**317**	317
Total guarantees	**322**	322

30 COMMITMENTS AND CONTINGENCIES continued

COMMITMENTS AND GUARANTEES continued

At 30 June 2017, R61 million (2016: R59 million) has been pledged as collateral for environmental guarantees in favour of certain financial institutions. Refer to note 10.

Refer to note 35 of the group financial statements for a discussion on contingent liabilities.

31 FINANCIAL RISK MANAGEMENT

The company's financial instruments expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk and other price risk), credit risk and liquidity risk. The company may use derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a central treasury department (Group treasury) under policies approved by the board of directors. Group treasury identifies, evaluates and hedges certain selected financial risks in close cooperation with the group's operating units. The audit and risk committee and the board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and the investment of excess liquidity.

The company's financial assets and liabilities are set out below:

Figures in million (SA rand)	Loans and receivables	Available-for-sale financial assets	Held-to-maturity investments	Fair value through profit or loss	liabilities at amortised cost
At 30 June 2017					
Financial assets					
Restricted cash	**61**	**-**	**-**	**-**	**-**
Restricted investments	**1**	**-**	**278**	**150**	**-**
Investments in financial assets	**-**	**3**	**-**	**-**	**-**
Loans to subsidiaries	**2 802**	**-**	**-**	**-**	**-**
Other non-current receivables	**217**	**-**	**-**	**-**	**-**
Derivative financial assets	**-**	**-**	**-**	**244**	**-**
Trade and other receivables	**435**	**-**	**-**	**-**	**-**
Cash and cash equivalents	**959**	**-**	**-**	**-**	**-**
Financial liabilities					
Borrowings	**-**	**-**	**-**	**-**	**2 133**
Loans from subsidiaries	**-**	**-**	**-**	**-**	**4 695**
Trade and other payables	**-**	**-**	**-**	**-**	**188**
At 30 June 2016					
Financial assets					
Restricted cash	59	-	-	-	-
Restricted investments	2	-	276	130	-
Investments in financial assets	-	4	-	-	-
Loans to subsidiaries	2 940	-	-	-	-
Non current receivables	229	-	-	-	-
Derivative financial assets	-	-	-	55	-
Trade and other receivables	318	-	-	-	-
Cash and cash equivalents	897	-	-	-	-
Financial liabilities					
Borrowings	-	-	-	-	2 339
Loans from subsidiaries	-	-	-	-	3 387
Trade and other payables	-	-	-	-	136

31 FINANCIAL RISK MANAGEMENT continued

MARKET RISK

(i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The company has certain investments in foreign operations, where net assets are exposed to foreign currency translation risk. There is also foreign exchange risk arising from borrowings denominated in a currency other than the functional currency of that entity. In addition, foreign exchange risk arises from various currency exposures, primarily with respect to the US dollar (US$). Harmony's revenues are sensitive to the R/US$ exchange rate as all revenues are generated by gold sales denominated in US$.

During 2016, Harmony started a foreign currency hedging programme in order to manage the foreign exchange risk. Refer to note 13 for details of the contracts. The audit and risk committee review the details of the programme quarterly. The group is exposed to foreign exchange risk arising from borrowings and cash denominated in a currency other than the functional currency of that entity.

The company has reviewed its foreign currency exposure on financial assets and financial liabilities as at 30 June 2017 and 2016 and has identified the following sensitivities for a change of 10% in the exchange rate that would affect profit or loss. Management considers a range between 10% and 20% to be a reasonable change given the recent volatility in the market.

	SA rand	
Figures in million	**2017**	20165
Sensitivity analysis - borrowings		
Rand against US$		
Balance at 30 June	**1 831**	2 039
Strengthen by 10%	**183**	204
Weaken by 10%	**(183)**	(204)
Closing rate	**13.11**	14.72
Sensitivity analysis - financial assets		
Rand against US$		
Balance at 30 June	**60**	55
Strengthen by 10%	**69**	71
Weaken by 10%	**(60)**	(63)
Closing rate	**13.11**	14.72

(ii) Commodity price sensitivity

The profitability of the company's operations, and the cash flows generated by those operations, are affected by changes in the market price of gold, During July 2017, Harmony started entering into derivative contracts to manage the variability in cash flows from the company's production, in order to create cash certainty and protect the company against lower commodity prices. The limits currently set by the Board are for 20% of the production from gold for the group. Management continues to top up these programmes as and when opportunities arise to lock in attractive margins for the business, but are not required to maintain hedging at those levels. The audit and risk committee reviews the detail of the programme quarterly.

The exposure to the variability in the price of gold is managed by entering into gold forward sales contracts for the portion of the company's production. The production of the South African operations is linked to Rand gold forward contracts. These contracts have not been designated as hedging instruments for hedge accounting for the company and the gains and losses are accounted for in the income statement.

Refer to note 2 and 13 and the fair value determination for financial assets and liabilities section below for further detail on these contracts.

31 FINANCIAL RISK MANAGEMENT continued

MARKET RISK continued

(ii) Commodity price sensitivity continued

The company has reviewed its exposure to commodity linked instruments and has identified the following sensitivities for a 10% change in the commodity price specified per contract that would affect profit or loss. Management considers a range between 10% and 20% to be a reasonable change given the recent volatility in the market.

	SA rand	
Figures in million	**2017**	2016
Sensitivity analysis		
Rand gold derivatives		
Increase by 10%	**(71)**	-
Decrease by 10%	**70**	-

(iii) Other price risk

The company is exposed to the risk of fluctuations in the fair value of the available-for-sale financial assets and fair value through profit or loss financial assets as a result of changes in market prices (other than changes in interest rates and foreign currencies). Harmony generally does not use any derivative instruments to manage this risk.

Sensitivity analysis

Certain of the restricted investments are linked to the Top 40 Index on the JSE. A 10% increase in the Top 40 index at the reporting date, with all other variables held constant, would have increased profit or loss by R4 million (2016 R4 million); an equal change in the opposite direction would have decreased profit or loss by R3 million (2016 R4 million).

(iv) Interest rate risk

The company's interest rate risk arises mainly from long-term borrowings. The company has variable interest rate borrowings. Variable rate borrowings expose the company to cash flow interest rate risk. The company has not entered into interest rate swap agreements as this is a risk that management is prepared to take. The audit and risk committee reviews the exposures quarterly.

Interest rate risk arising from long-term borrowings is offset by cash, restricted cash and restricted investments held at variable rates.

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit or loss before tax by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2016.

	SA rand	
Figures in million	**2017**	2016
Sensitivity analysis - borrowings (finance costs)		
Increase by 100 basis points	**(21)**	(23)
Decrease by 100 basis points	**21**	23
Sensitivity analysis - financial assets (interest received)		
Increase by 100 basis points	**13**	12
Decrease by 100 basis points	**(13)**	(12)

31 FINANCIAL RISK MANAGEMENT continued

CREDIT RISK

Credit risk is the risk that a counterparty may default or not meet its obligations timeously. Financial instruments which subject the company to concentrations of credit risk consist predominantly of restricted cash, restricted investments, derivative financial assets, trade and other receivables (excluding non-financial instruments) and cash and cash equivalents.

Exposure to credit risk on trade and other receivables is monitored on a regular basis. Refer to note 12 for management's assessment. The credit risk arising from restricted cash, cash and cash equivalents and restricted investments is managed by ensuring amounts are only invested with financial institutions of good credit quality. The contracts for derivative financial assets were entered into with counter parties that satisfy the criterion set by the board. The company has policies that limit the amount of credit exposure to any one financial institution. The audit and risk committee reviews the exposure on a quarterly basis.

Refer to note 4 in the group financial statements for a discussion on South Africa's credit ratings.

Financial institutions' credit rating by exposure (Source: Fitch Ratings and Global Credit Ratings)

	SA rand	
Figures in million	**2017**	2016
Cash and cash equivalents		
AA+	**565**	723
AA	**394**	174
	959	897
Restricted cash		
AA	**61**	22
AA-	**-**	37
	61	59
Restricted investments (environmental trust funds)		
AA+	**250**	149
AA	**142**	217
	392	366
Derivative financial assets		
AA+	**94**	-
AA	**3**	18
AA-	**147**	37
	244	55

The social plan trust fund of R37 million (2016: R42 million) has been invested in unit trusts comprising shares in listed companies.

The company's maximum exposure to credit risk is represented by the carrying amount of all financial assets determined to be exposed to credit risk, amounting to R2 345 million as at 30 June 2017 (2016: R1 966 million).

LIQUIDITY RISK

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities.

31 FINANCIAL RISK MANAGEMENT continued

LIQUIDITY RISK continued

In the ordinary course of business, the company receives cash from its operations and is required to fund working capital and capital expenditure requirements. Management prepares cash flow forecasts weekly and ensures that surplus funds are invested in a manner to achieve market related returns and to provide sufficient liquidity at the minimum risk. The group maintains and refinances committed credit facilities as medium-term forecasts require. The audit and risk committee reviews the updated forecasts quarterly. The company is able to actively source financing at competitive rates. Where necessary, funds will be drawn from its revolving credit faciltities (refer to note 24).

The following are the contractual maturities of financial liabilities (including principal and interest payments):

	SA rand	
Figures in million	**Current**	**More than 1 year**
2017		
Trade and other payables (excluding non-financial liabilities)	**188**	**-**
Borrowings		
Due between 0 to six months	**55**	**-**
Due between six to 12 months	**1 864**	**-**
Due between one to two years	**-**	**31**
Due between two to five years	**-**	**321**
	2 107	**352**
2016		
Trade and other payables (excluding non-financial liabilities)	136	-
Borrowings		
Due between 0 to six months	354	-
Due between six to 12 months	38	-
Due between one to two years	-	2 106
Due between two to five years	-	-
	528	2 106

CAPITAL RISK MANAGEMENT

The primary objective of managing the company's capital is to ensure that there is sufficient capital available to support the funding requirements of the company, in a way that optimises the cost of capital and matches the current strategic business plan.

The company manages and makes adjustments to the capital structure, which consists of debt and equity as and when borrowings mature or when funding is required. This may take the form of raising equity, market or bank debt or hybrids thereof. In doing so, the group ensures it stays within the debt covenants agreed with lenders (refer to note 24 for details on the covenants). The company may also sell assets to reduce debt or schedule projects to manage the capital structure.

The company follows a conservative approach to debt and prefers to maintain low levels of gearing. Net debt is as follows:

	SA rand	
Figures in million	**2017**	2016
Cash and cash equivalents	**959**	897
Borrowings	**(2 133)**	(2 339)
Net debt	**(1 174)**	(1 442)

There were no changes to the company's approach to capital management during the year.

31 FINANCIAL RISK MANAGEMENT continued

FAIR VALUE DETERMINATION OF FINANCIAL ASSETS AND LIABILITIES

The fair value levels of hierarchy are as follows:

Level 1:	Quoted prices (unadjusted) in active markets for identical assets;
Level 2:	Inputs other than quoted prices included within level 1 that are observable for the asset, either directly (that is, as prices) or indirectly (that is, derived from other prices);
Level 3:	Inputs for the asset that are not based on observable market data (that is, unobservable inputs).

The following table presents the company's financial assets and liabilities that are measured at fair value by level at reporting date.

Figures in million (SA rand)	Fair value hierarchy level	At 30 June 2017	At 30 June 2016
Available-for-sale financial assets			
Investment in financial assets[1]	Level 3	**3**	4
Fair value through profit and loss financial assets			
Restricted investments[2]	Level 2	**150**	130
Derivative financial assets[3]	Level 2	**243**	55
Forex hedging contracts		**60**	**55**
Rand gold hedging contracts		**183**	**-**

[1] Level 3 fair values have been valued by the directors by performing independent valuations on an annual basis.

[2] The majority of the level 2 fair values are directly derived from the Top 40 index on the JSE, and are discounted at market interest rate. This relates to equity-linked deposits in the group's environmental rehabilitation trust funds. The balance of the environmental trust funds are held to maturity and therefore not disclosed here.

[3] The fair value measurements are derived as follows:

Forex hedging contracts: (Zero cost collars) a Black-Scholes valuation technique, derived from spot rand/US$ exchange rate inputs, implied volatilities on the rand/US$ exchange rate, rand/US$ inter-bank interest rates and discounted at market interest rate (zero-coupon interest rate curve).

Rand gold hedging contracts (forward sale contracts): spot rand/US$ exchange rate, rand and dollar interest rates (forward points), spot US$ gold price, differential between the US interest rate and gold lease interest rate which is discounted at market interest rate.

The carrying values (less any impairment allowance) of short-term financial instruments are assumed to approximate their fair values.

The fair values of borrowings are not materially different to their carrying amounts since the interest payable on those borrowings is at floating interest rates. The fair value of borrowings are based on discounted cash flows using a current borrowing rate. The determination of the fair values are level 3 in the fair value hierarchy due to the use of unobservable inputs, including own credit risk.

32 GOING CONCERN

The financial statements are prepared on a going concern basis. In accordance with the solvency and liquidity test in terms of section 4 of the Companies Act, the board is of the opinion that the company has adequate resources and that:

* the company's assets, fairly valued, exceeds its liabilities, fairly valued; and
* the company will be able to pay its debts as they become due in the ordinary course of business for the 12 months following 30 June 2017.

33 SUBSEQUENT EVENTS

(a) Subsequent to the reporting date, a new increased US$350 million, three-year facility was negotiated on similar terms to the previous facility of US$250 million. The new facility matures on 15 August 2020. The syndicate consists of Nedbank Limited, ABSA Bank Limited, J.P Morgan Chase Bank, Caterpillar Financial Services Corporation, HSBC Bank Plc, State Bank of India, Citibank as well as the Bank of China. The key terms of the new facility are:

Term Facility:	$175 million
Margin on term facility:	3.15% over 3 month LIBOR
Revolving facility:	$175 million
Margin on revolving facility:	3.00% over 3 month LIBOR
Maturity	Three years from close
Security	Same as existing facility

(b) On 15 August 2017, the board declared a final dividend for the 2017 year of 35 SA cents per share, payable on 16 October 2017.

(c) On 19 October 2017, Harmony announced that it would acquire Anglogold Ashanti Limited’s Moab Khotsong and Great Noligwa mines together with other assets and related infrastructure for a cash consideration of the Rand equivalent of US$300 million. The transaction is subject to approval from Harmony’s shareholders and other conditions precedent, including regulatory approvals. The Board of Harmony has unanimously approved the transaction and has resolved to recommend the transaction to its shareholders.

US$100 million of the consideration will be settled from Harmony's existing US$350 million syndicated loan facility. The remaining US$200 million will be funded through a fully underwritten US$200 million bridge facility, which has a 12-month term with similar terms and covenants as the existing loan facilities. Harmony is assessing various alternatives to optimally repay the bridge, including a potential rights issue. The mandated bridge providers are UBS Limited, Nedbank Limited, Absa Bank Limited and JP Morgan Securities plc.

The assets and liabilities will be acquired by a wholly-owned subsidiary of Harmony. When all conditions precedent have been met, Harmony will apply the principles of IFRS 3, *Business Combinations* and the process of a purchase price allocation of the assets acquired and liabilities assumed will begin.

ANNEXURE A

Statement of group companies at 30 June 2017

Company	Country incorporated in	Issued share capital R'000	Effective group interest 2017 %	Effective group interest 2016 %	Cost of investment by holding company 2017 Rm	Cost of investment by holding company 2016 Rm	Loans from/(to) holding company 2017 Rm	Loans from/(to) holding company 2016 Rm
Direct subsidiaries:								
Dormant								
Coreland Property Investment (Proprietary) Limited	(a)	#	**100**	100	**-**	-	**-**	-
Coreland Property Management (Proprietary) Limited	(a)	#	**100**	100	**-**	-	**-**	-
Harmony Engineering (Proprietary) Limited	(a)	#	**100**	100	**2**	2	**(4)**	(4)
Harmony Gold (Management Services) (Proprietary) Limited [1]	(a)	#	**100**	100	**-**	-	**-**	-
Harmony Gold Limited	(b)	#	**100**	100	**-**	-	**-**	-
Harmony Pharmacies (Proprietary) Limited [1]	(a)	#	**100**	100	**-**	-	**-**	-
Harmony Precision Casting Company (Proprietary) Limited	(a)	358	**100**	100	**-**	-	**-**	-
Musuku Benefication Systems (Proprietary) Limited	(a)	#	**100**	100	**-**	-	**-**	-
Unisel Gold Mines Limited	(a)	23 136	**100**	100	**89**	89	**(89)**	(89)
Virginia Salvage (Proprietary) Limited [2]	(a)	#	**90**	90	**-**	-	**-**	-
Exploration								
Lydenburg Exploration Limited	(a)	42 792	**100**	100	**103**	103	**(106)**	(106)
Gold mining								
African Rainbow Minerals Gold Limited	(a)	96	**100**	100	**6 307**	6 019	**-**	-
Avgold Limited	(a)	6 827	**100**	100	**7 057**	7 025	**67**	(127)
Freegold (Harmony) (Proprietary) Limited	(a)	20	**100**	100	**474**	333	**(3 860)**	(2 410)
Randfontein Estates Limited	(a)	19 882	**100**	100	**1 572**	1 505	**2 541**	2 692
Tswelopele Beneficiation Operation (Proprietary) Limited [1]	(a)	5 996	**100**	100	**116**	110	**194**	248
Investment holding								
ARMgold/Harmony Joint Investment Company (Proprietary) Limited	(a)	#	**100**	100	**-**	-	**-**	-
Harmony Copper Limited	(a)	#	**100**	100	**10 903**	-	**-**	-
Own Kind Mineral Resources (Pty) Limited	(d)	#	**100**	-	**-**	-	**-**	-
West Rand Consolidated Mines Limited	(a)	17 967	**100**	100	**321**	321	**(26)**	(26)
Property holding and development								
Coreland Property Development Company (Proprietary) Limited	(a)	#	**100**	100	**-**	-	**-**	-
La Riviera (Proprietary) Limited	(a)	#	**100**	100	**-**	-	**-**	-
Indirect subsidiaries:								
Dormant								
Aurora Gold (WA) (Proprietary) Limited	(c)	163 115	**100**	100	**-**	-	**-**	-
Aurora Gold Australia (Proprietary) Limited	(c)	58	**100**	100	**-**	-	**-**	-
Australian Ores & Minerals (Proprietary) Limited	(c)	8 766	**100**	100	**-**	-	**-**	-
Carr Boyd Minerals (Proprietary) Limited	(c)	402 414	**100**	100	**-**	-	**-**	-
Friedshelf 1541 (Proprietary) Limited	(a)	#	**100**	100	**-**	-	**-**	-
Harmony Gold No.1 Limited	(e)	#	**100**	100	**-**	-	**-**	-
Harmony Gold Securities (Proprietary) Limited	(c)	#	**100**	100	**-**	-	**-**	-
Harmony Gold WA (Proprietary) Limited	(c)	#	**100**	100	**-**	-	**-**	-
Jeanette Gold Mines (Proprietary) Limited	(a)	#	**87**	87	**-**	-	**-**	-
Loraine Gold Mines Limited	(a)	#	**100**	100	**-**	-	**-**	-
Middelvlei Development Company (Proprietary) Limited	(a)	#	**100**	100	**-**	-	**-**	-
New Hampton Goldfields Limited	(c)	196 248	**100**	100	**-**	-	**-**	-
Platistone Kalgold (Proprietary) Limited	(a)	#	**100**	100	**-**	-	**-**	-
Potchefstroom Gold Areas Limited	(a)	8 407	**100**	100	**-**	-	**-**	-
Potchefstroom Gold Holdings (Proprietary) Limited	(a)	2	**100**	100	**-**	-	**-**	-
Remaining Extent and Portion 15 Wildebeestfontein (Proprietary) Limited [1]	(a)	#	**90**	90	**-**	-	**-**	-
South Kal Mines (Proprietary) Limited	(c)	6	**100**	100	**-**	-	**-**	-
Vadessa (Proprietary) Limited	(c)	#	**100**	100	**-**	-	**-**	-
Venda Gold Mining Company (Proprietary) Limited [2]	(a)	#	**100**	100	**-**	-	**-**	-
Exploration								
Harmony Gold (Exploration) (Proprietary) Limited	(a)	10	**100**	100	**-**	-	**(3)**	(3)
Harmony Gold (PNG) Exploration Limited	(e)	#	**100**	100	**-**	-	**-**	-
Morobe Exploration Limited	(e)	1 104	**100**	100	**-**	-	**-**	-

Statement of group companies at 30 June 2017 continued

Company	Country incorporated in	Issued share capital R'000	Effective group interest 2017 %	Effective group interest 2016 %	Cost of investment by holding company 2017 Rm	Cost of investment by holding company 2016 Rm	Loans from/(to) holding company 2017 Rm	Loans from/(to) holding company 2016 Rm
Gold mining								
Harmony Gold PNG Limited	(e)	#	**100**	100	**-**	-	**-**	-
Kalahari Goldridge Mining Company Limited	(a)	1 275	**100**	100	**36**	23	**(607)**	(622)
Investment								
Abelle Limited	(c)	488 062	**100**	100	**-**	-	**-**	-
Aurora Gold Finance (Proprietary) Limited	(c)	#	**100**	100	**-**	-	**-**	-
Aurora Gold Limited	(c)	685 006	**100**	100	**-**	-	**-**	-
Aurora Gold (Wafi) (Proprietary) Limited	(c)	#	**100**	100	**-**	-	**-**	-
Harmony Gold Australia (Proprietary) Limited [3, 6]	(c)	11 360 754	**100**	100	**120**	10 213	**-**	-
Harmony Gold Operations Limited	(c)	405 054	**100**	100	**-**	-	**-**	-
Mineral right investment								
Harmony PNG 20 Limited [4]	(e)	#	**100**		**-**	-	**-**	-
Morobe Consolidated Goldfields Limited [4]	(e)	#	**100**	100	**-**	-	**-**	-
Wafi Mining Limited	(e)	#	**100**	100	**-**	-	**-**	-
Property and development								
Quarrytown Limited	(a)	#	**100**	100	**-**	-	**-**	-
Mining related services								
Harmony Gold (PNG Services) (Proprietary) Limited	(c)	#	**100**	100	**-**	-	**-**	-
Harmony Gold Morobe Province Services Limited	(e)	#	**100**	100	**-**	-	**-**	-
Hidden Valley Services Limited [4]	(e)	#	**100**	50	**-**	-	**-**	-
Total					**27 100**	25 743	**(1 893)**	(447)
Total investments							**25 207**	25 296
Joint operations - indirect:								
Morobe Exploration Services Limited	(e)	$	**50**	50	**-**	-	**-**	-
Wafi Golpu Services Limited	(e)	$	**50**	50	**-**	-	**-**	-
Morobe Mining JV Services (Australia) (Proprietary) Limited	(c)	$	**50**	50	**-**	-	**-**	-

For its interest in joint operations, the group includes its share of the joint operations' individual income and expenses, assets and liabilities in the relevant components of the financial statements on a line-by-line basis.

Company	Country incorporated in	Issued share capital R'000	2017 %	2016 %	2017 Rm	2016 Rm	2017 Rm	2016 Rm
Associate company - direct:								
Gold mining company								
Pamodzi Gold Limited	(a)	30	**32**	32	**-**	-	**-**	-
Associate company - indirect:								
Gold refining								
Rand Refinery [5]	(a)	786	**10**	10	**71**	-	**-**	80

Investments in associates are accounted for by using the equity method of accounting. Equity accounting involves recognising in the income statement the group's share of associates' profit or loss for the period. The group's interest in the associate is carried on the balance sheet at an amount that reflects the cost of the investment, the share of post-acquisition earnings and other movement in the reserves.

[1] Liquidation process commenced
[2] In final stages of liquidation order
[3] In August 2016, Harmony sold its interest in Harmony Australia to Copper. The amounts for 2016 are included for comparative purposes as Harmony Australia was a direct subsidiary at 30 June 2016.
[4] As of 1 July 2017, Harmony PNG 20 Limited and Hidden Valley Services Limited have been amalgamated into Morobe Consolidated Gold Flields Limited.
[5] In June 2017, the shareholder's loan to Rand Refinery was converted into redeemable preference shares. Refer to note 15.
[6] The R120 million relates to the share based payments from Harmony to employees of its indirect subsidiary, shown as an investment.

$ Indicates a share in the joint venture's capital assets
 # Indicates issued share capital of R1 000 or less
(a) Incorporated in the Republic of South Africa
(b) Incorporated in the Isle of Man
(c) Incorporated in Australia
(d) Incorporated in Zimbabwe
(e) Incorporated in Papua New Guinea

The above investments are valued by the directors at carrying value.

ANNEXURE B

Non-executive directors' fees

During May 2017, the remuneration committee considered an industry benchmark on non-executive directors' fees. On the recommendation of the remuneration committee, the board proposed an increase in fees for all non-executive directors, to be considered for approval by the shareholders at the forthcoming annual general meeting. For more information on the notice of the annual general meeting refer to the *Report to shareholders 2017.*

Directors' emoluments (R000)

Name	Directors' fees FY17	Salaries and benefits FY17	Retirement savings and contributions during the year (FY17)	[1]Bonuses paid FY17	Total FY17	Total FY16
Non–executive						
Patrice Motsepe	1 150	–	–	–	**1 150**	1 105
Joachim Chissano	610	–	–	–	**610**	463
Fikile De Buck	1 080	–	–	–	**1 080**	970
Ken Dicks	682	–	–	–	**682**	606
Dr Simo Lushaba	828	–	–	–	**828**	718
Cathie Markus[2]	438	–	–	–	**438**	694
Modise Motloba	1 142	–	–	–	**1 142**	971
Mavuso Msimang	582	–	–	–	**582**	545
Karabo Nondumo	796	–	–	–	**796**	544
Vishnu Pillay	622	–	–	–	**622**	593
John Wetton	1 040	–	–	–	**1 040**	956
Andre Wilkens	721	–	–	–	**721**	784
Executive						
Frank Abbott	–	5 136	516	1 882	**7 534**	7 064
Mashego Mashego	–	3 751	488	1 358	**5 597**	5 285
Peter Steenkamp[3]	–	7 260	1 188	2 784	**11 232**	4 022
Prescribed officers						
Beyers Nel	–	4 483	646	1 448	**6 577**	1 683
Phillip Tobias	–	4 264	526	1 448	**6 238**	1 590
Johannes van Heerden[4]	–	5 988	308	1 354	**7 650**	8 626
Former						
G Briggs[5]						6 915
A Pretorius[6]						402
Total	**9 691**	**30 882**	**3 672**	**10 274**	**54 519**	**[7]44 536**

[1] Reflects amounts paid and not earned during the year

[2] Resigned as non–executive director on 9 February 2017

[3] Appointed January 2016

[4] Salary is paid in AUS$ and is influenced by the movement in the exchange rate

[5] CEO until December 2015

[6] Prescribed officer until July 2015

[7] FY16 total restated to exclude executive management

EXECUTIVE DIRECTORS AND MANAGEMENT SHARE INCENTIVES

As at 30 June 2017

	Executive directors						Prescribed officers						Other			
	Peter Steenkamp		Frank Abbott		Mashego Mashego		Johannes van Heerden		Beyers Nel		Phillip Tobias		Other management		Total	
Movements on share incentives	Number of awards	Average price (SA rand)	Number of awards	Average price (SA rand)	Number of awards	Average price (SA rand)	Number of awards	Average price (SA rand)	Number of awards	Average price (SA rand)	Number of awards	Average price (SA rand)	Number of awards	Average price (SA rand)	Number of awards	Average price (SA rand)
Performance shares																
Opening balance at 1 July 2016	512 000	n/a	1 116 937	n/a	730 077	n/a	730 077	n/a	361 318	n/a	327 882	n/a	31 199 747	n/a	34 978 038	n/a
Awards granted	420 423	n/a	245 881	n/a	152 091	n/a	152 091	n/a	177 366	n/a	177 366	n/a	7 835 110	n/a	9 160 328	n/a
Matched awards granted[1]	–	n/a	84 952	n/a	–	n/a	–	n/a	–	n/a	–	n/a	75 319	n/a	160 271	n/a
Awards exercised/pledged	–	n/a	(84 952)	n/a	(61 306)	n/a	(61 306)	n/a	(25 470)	n/a	–	n/a	(2 099 190)	n/a	(2 332 224)	n/a
– Average sales price	–	n/a	–	43.36	–	43.36	–	43.36	–	43.36	–	n/a	–	43.05	–	40.11
– Gain realised on awards exercised and settled (SA rand)		–		–		2 657 928		2 657 928		1 104 254		–		87 127 662		93 547 772
Awards forfeited and lapsed	–	n/a	(87 714)	n/a	(63 298)	n/a	(63 298)	n/a	(26 298)	n/a	–	n/a	(3 877 232)	n/a	(4 117 840)	n/a
Closing balance at 30 June 2017	**932 423**	**n/a**	**1 275 104**	**n/a**	**757 564**	**n/a**	**757 564**	**n/a**	**486 916**	**n/a**	**505 248**	**n/a**	**33 133 754**	**n/a**	**37 848 573**	**n/a**
Restricted shares																
Opening balance at 1 July 2016	–	n/a	100 544	n/a	62 776	n/a	107 300	n/a	40 084	n/a	–	n/a	549 270	n/a	859 974	n/a
Awards granted	–	n/a	–	n/a	–	n/a	–	n/a	–	n/a	–	n/a	–	n/a	–	n/a
Awards exercised	–	n/a	–	n/a	–	n/a	(44 524)	n/a	–	n/a	–	n/a	(114 038)	n/a	(158 562)	n/a
– Average sales price	–	n/a	–	n/a	–	n/a	–	43.36	–	n/a	–	n/a	–	43,36	–	43.36
– Gain realised on awards exercised and settled (SA rand)		–		–		–		1 930 342		–		–		4 944 129		6 874 471
Awards forfeited and lapsed	–	n/a	–	n/a	–	n/a	–	n/a	–	n/a	–	n/a	–	n/a	–	n/a
Closing balance at 30 June 2017	**–**	**n/a**	**100 544**	**n/a**	**62 776**	**n/a**	**62 776**	**n/a**	**40 084**	**n/a**	**–**	**n/a**	**435 232**	**n/a**	**701 412**	**n/a**
Share appreciation rights																
Opening balance at 1 July 2016	–	n/a	139 362	33.97	107 580	37.39	107 580	37.39	80 909	36.72	46 850	18.41	13 674 501	34.68	14 156 782	34.74
Rights accepted	–	n/a	–	n/a	–	n/a	–	n/a	–	n/a	–	n/a	113 899	21.88	113 899	21.88
Rights exercised	–	n/a	–	n/a	–	n/a	–	n/a	–	n/a	–	n/a	(451 187)	n/a	(451 187)	n/a
– Average sales price	–	n/a	–	n/a	–	n/a	–	n/a	–	n/a	–	n/a	–	43.66	–	43.66
– Gain realised on awards exercised and settled (SA rand)		–		–		–		–		–		–		6 106 954		6 106 954
Rights forfeited and lapsed	–	n/a	–	n/a	(6 400)	84.81	(6 400)	84.81	(4 329)	84.81	–	n/a	(1 325 668)	47.67	(1 342 797)	47.39
Closing balance at 30 June 2017	**–**	**n/a**	**139 362**	**33.97**	**101 180**	**34.39**	**101 180**	**34.39**	**76 580**	**34.01**	**46 850**	**18.41**	**12 011 545**	**32.60**	**12 476 697**	**32.60**
Gain realised on awards exercised (SA rand)		–		–		2 657 928		4 588 270		1 104 254		–		98 178 745		106 529 197

EXECUTIVE DIRECTORS AND MANAGEMENT SHARE INCENTIVES continued

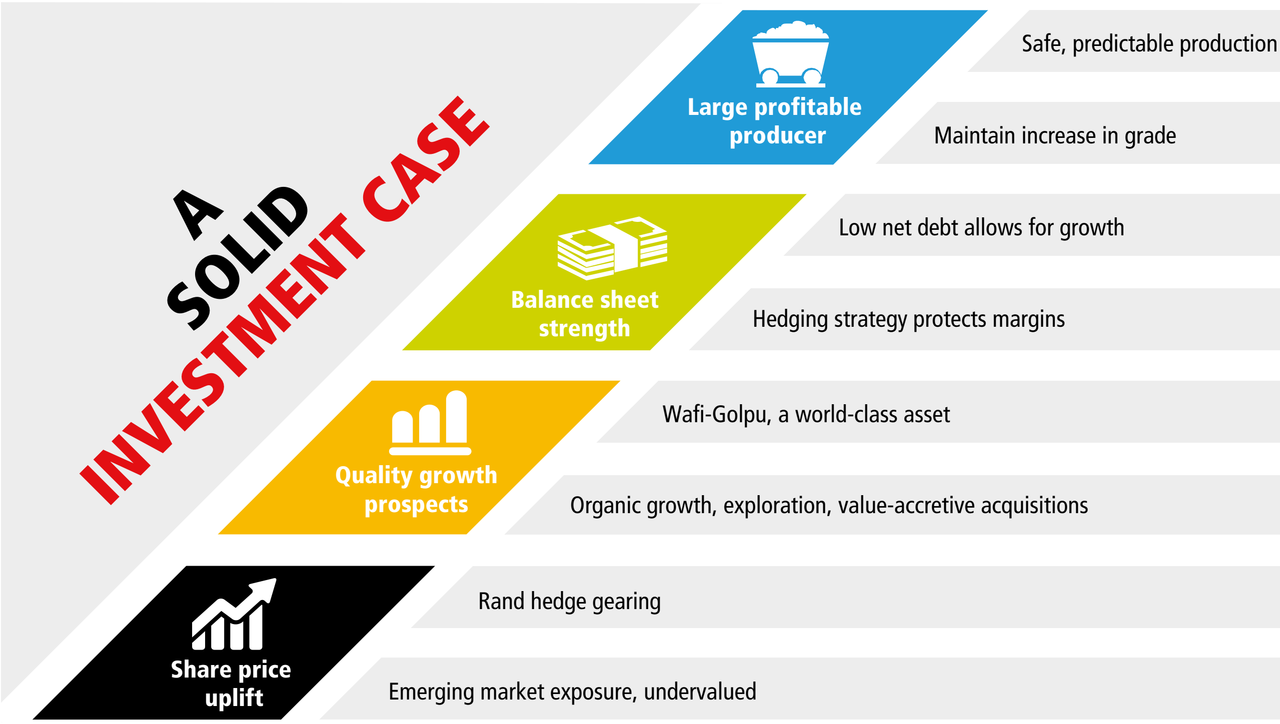
As at 30 June 2017

	Executive directors						Prescribed officers						Other			
	Peter Steenkamp		Frank Abbott		Mashego Mashego		Johannes van Heerden		Beyers Nel		Phillip Tobias		Other management		Total	
Movements on share incentives	Number of awards	Average price (SA rand)	Number of awards	Average price (SA rand)	Number of awards	Average price (SA rand)	Number of awards	Average price (SA rand)	Number of awards	Average price (SA rand)	Number of awards	Average price (SA rand)	Number of awards	Average price (SA rand)	Number of awards	Average price (SA rand)
Outstanding awards (listed by allocation date)																
Performance shares	**932 423**		**1 275 104**		**757 564**		**757 564**		**486 916**		**505 248**		**33 133 754**		**37 848 573**	
17 November 2014	–	n/a	207 462	n/a	149 715	n/a	149 715	n/a	73 330	n/a	91 662	n/a	5 421 369	n/a	6 093 253	n/a
16 November 2015	–	n/a	736 809	n/a	455 758	n/a	455 758	n/a	236 220	n/a	236 220	n/a	20 167 254	n/a	22 288 019	n/a
17 February 2016	512 000	n/a	–	n/a	–	n/a	–	n/a	–	n/a	–	n/a	–	n/a	512 000	n/a
29 November 2016	420 423	n/a	330 833	n/a	152 091	n/a	152 091	n/a	177 366	n/a	177 366	n/a	7 545 131	n/a	8 955 301	
Restricted shares	**–**		**100 544**		**62 776**		**62 776**		**40 084**		**–**		**435 232**		**701 412**	
15 November 2011	–	n/a	8 000	n/a	8 000	n/a	8 000	n/a	4 000	n/a	–	n/a	36 000	n/a	64 000	n/a
16 November 2012	–	n/a	21 136	n/a	11 694	n/a	11 694	n/a	8 021	n/a	–	n/a	90 808	n/a	143 353	n/a
17 November 2014 (2011 award – matching shares)	–	n/a	8 000	n/a	8 000	n/a	8 000	n/a	4 000	n/a	–	n/a	36 000	n/a	64 000	n/a
16 November 2015 (2012 award – matching shares)	–	n/a	63 408	n/a	35 082	n/a	35 082	n/a	24 063	n/a	–	n/a	272 424	n/a	430 059	n/a
Share appreciation rights	**–**		**139 362**		**101 180**		**101 180**		**76 580**		**46 850**		**12 011 545**		**12 476 697**	
15 November 2011	–	n/a	6 585	104.79	5 361	104.79	5 361	104.79	4 620	104.79	–	n/a	527 916	104.79	549 843	104.79
16 November 2012	–	n/a	16 204	68.84	11 694	68.84	11 694	68.84	8 021	68.84	–	n/a	1 234 305	68.84	1 281 918	68.84
15 November 2013	–	n/a	52 951	33.18	38 212	33.18	38 212	33.18	26 459	33.18	–	n/a	4 240 379	33.18	4 396 213	33.18
17 November 2014	–	n/a	63 622	18.41	45 913	18.41	45 913	18.41	37 480	18.41	46 850	18.41	6 008 945	18.41	6 248 723	18.41
Closing balance at 30 June 2017	**932 423**		**1 515 010**		**921 520**		**921 520**		**603 580**		**552 098**		**45 580 531**		**51 026 282**	

[1] *Performance shares granted in terms of vested awards pledged pursuant to the minimum shareholding requirement.*

SHAREHOLDER INFORMATION

OUR INVESTMENT CASE



STOCK EXCHANGE LISTINGS AND TICKER CODES

Harmony's primary listing is on the Johannesburg Stock Exchange. It is also quoted in the form of American depositary receipts on the New York Stock Exchange.

Harmony's ticker codes on these exchanges are as follows:

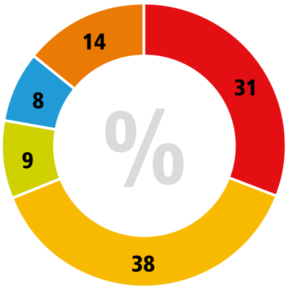
Johannesburg Stock Exchange	HAR
New York Stock Exchange Euronext	HMY

SHARE INFORMATION

Sector		**Resources**
Sub-sector		Gold
Issued share capital as at 30 June 2017		439 957 199 shares in issue
Market capitalisation		
at 30 June 2017		R9.5 billion or US$728 million
at 30 June 2016		R22.9 billion or US$1.6 billion
Share price statistics – FY17		
Johannesburg Stock Exchange:	12-month high	R66.65
	12-month low	R20.68
	Closing price as at 30 June 2017	R21.68
New York Stock Exchange:	12-month high	US$4.81
	12-month low	US$1.59
	Closing price as at 30 June 2017	US$1.65
Free float		100%
ADR ratio		1:1

SHAREHOLDER INFORMATION CONTINUED

Geographic distribution of shares (%)
as at 30 June 2017



Shareholder spread as at 30 June 2017

	Number of shareholders	% of shareholders	Number of shares	% of issued share capital
Public	**9 142**	**99.92**	**375 504 751**	**85.26**
Non-public	**7**	**0.08**	**819 526**	**0.19**
Share option scheme	2	0.03	75 553	0.02
Holding 10% +	1	0.00	63 632 922	14.55
Directors*	4	0.05	743 638	0.17
Subsidiaries	1	0.00	335	0.00
Totals	**9 150**	**100.00**	**439 957 199**	**100.00**

** Held by Frank Abbott, Ken Dicks, Mashego Mashego and André Wilkens*

Analysis of ordinary shares

	Number of shareholders	% of shareholders	Number of shares	% of issued share capital
Range				
1 – 10 000	8 639	94.42	5 652 924	1.28
10 001 – 100 000	373	4.08	11 638 648	2.65
100 001 – 1 000 000	107	1.17	31 770 862	7.22
1 000 001 – And more	31	0.33	390 894 765	88.85
Totals	**9 150**	**100.00**	**439 957 199**	**100.00**

Ownership summary as at 30 June 2017 – top 10 shareholders

Rank	Institution	% Total shares outstanding 30 June 2017
1	African Rainbow Minerals Ltd	14.55
2	VanEck Global	8.96
3	Public Investment Corporation of South Africa	5.91
4	Dimensional Fund Advisors, Inc.	3.77
5	The Vanguard Group, Inc.	2.70
6	BlackRock Investment Management – Index	2.40
7	Acadian Asset Management, LLC	2.02
8	RMB Morgan Stanley	2.02
9	BlackRock Investment Management (United Kingdom) Limited	1.55
10	Fairtree Capital	1.49

SHAREHOLDER INFORMATION CONTINUED

DIVIDEND POLICY

In considering the payment of dividends, the board will, with the assistance of the audit and risk, and the investment committees, take into account the following:

- The current financial status of the company and the payment of a proposed dividend subject to the successful application of the solvency and liquidity test as set out in section 4 of the Companies Act of 2008
- The future funding and capital requirements of the company

Dividends declared

FY17:

Interim: Dividend of 50 South African cents per share (4 US cents per share)
Final: Dividend of 35 South African cents per share (3 US cents per share)

FY16:

Final: Dividend of 50 South African cents per share (3 US cents per share)

SHAREHOLDERS' DIARY

Financial year-end	**30 June**	**Results presentations FY18**	
Annual financial statements issued	26 October 2017	Interim results for the half-year	5 February 2018
Form 20-F issued	26 October 2017	Full-year results	15 August 2018
Annual general meeting	23 November 2017		

CONTACT

Telephone: +27 11 411 2314
E-mail: harmonyIR@harmony.co.za
Website: www.harmony.co.za

FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements within the meaning of the safe harbour provided by Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended, 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", "predict", "continue" or similar expressions or the negative thereof.

These forward-looking statements, including, among others, those relating to our future business prospects, revenues and income, wherever they may occur in this report and the exhibits to this report, are essentially 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 report. Important factors that could cause actual results to differ materially from estimates or projections contained in the forward-looking statements include, without limitation: overall economic and business conditions in South Africa, Papua New Guinea, Australia and elsewhere, estimates of future earnings, and the sensitivity of earnings to the gold and other metals prices, estimates of future gold and other metals production and sales, estimates of future cash costs, estimates of future cash flows, and the sensitivity of cash flows to the gold and other metals prices, statements regarding future debt repayments, estimates of future capital expenditures, the success of our business strategy, development activities and other initiatives, estimates of reserves statements regarding future exploration results and the replacement of reserves, the ability to achieve anticipated efficiencies and other cost savings in connection with past and future acquisitions, fluctuations in the market price of gold, the occurrence of hazards associated with underground and surface gold mining, the occurrence of labour disruptions, power cost increases as well as power stoppages, fluctuations and usage constraints, supply chain shortages and increases in the prices of production imports, availability, terms and deployment of capital, changes in government regulation, particularly mining rights and environmental regulation, fluctuations in exchange rates, the adequacy of the Group's insurance coverage and socio-economic or political instability in South Africa and Papua New Guinea and other countries in which we operate.

For a more detailed discussion of such risks and other factors (such as availability of credit or other sources of financing), see the company's latest Integrated Annual Report and Form 20-F which is on file with the Securities and Exchange Commission, as well as the company's other Securities and Exchange Commission filings. The company undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this report or to reflect the occurrence of unanticipated events, except as required by law.

DIRECTORATE AND ADMINISTRATION

HARMONY GOLD MINING COMPANY LIMITED

Harmony Gold Mining Company Limited was incorporated and registered as a public company in South Africa on 25 August 1950

Registration number: 1950/038232/06

Corporate office

Randfontein Office Park
PO Box 2
Randfontein, 1760
South Africa

Corner Main Reef Road and Ward Avenue
Randfontein, 1759
South Africa

Telephone: +27 11 411 2000
Website: www.harmony.co.za

DIRECTORS

PT Motsepe* (chairman)
FFT De Buck*^ (lead independent director)
JM Motloba*^ (deputy chairman)
PW Steenkamp (chief executive officer)
F Abbott (financial director)
JA Chissano*[1]^
KV Dicks*^
Dr DSS Lushaba*^
HE Mashego**
M Msimang*^
KT Nondumo*^
VP Pillay*^
JL Wetton*^
AJ Wilkens*

** Non-executive*
*** Executive*
^ Independent
[1] Mozambican

INVESTOR RELATIONS

E-mail: harmonyIR@harmony.co.za
Telephone: +27 11 411 2314
Website: www.harmony.co.za

COMPANY SECRETARY

Telephone: +27 11 411 2094
E-mail: companysecretariat@harmony.co.za

TRANSFER SECRETARIES

Link Market Services South Africa (Proprietary) Limited

(Registration number 2000/007239/07)
13th Floor, Rennie House,
Ameshoff Street, Braamfontein
PO Box 4844
Johannesburg, 2000
South Africa

Telephone: +27 11 713 0800
E-mail: info@linkmarketservices.co.za
Fax: +27 86 674 2450

ADR* DEPOSITARY

Deutsche Bank Trust Company Americas c/o American Stock Transfer and Trust Company

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New York, NY 10272-2050
E-mail queries: db@amstock.com

Toll free: +1-800-937-5449
Int: +1-718-921-8137
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**ADR: American Depositary Receipts*

SPONSOR

JP Morgan Equities South Africa (Pty) Ltd
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TRADING SYMBOLS

JSE: HAR
New York Stock Exchange: HMY
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