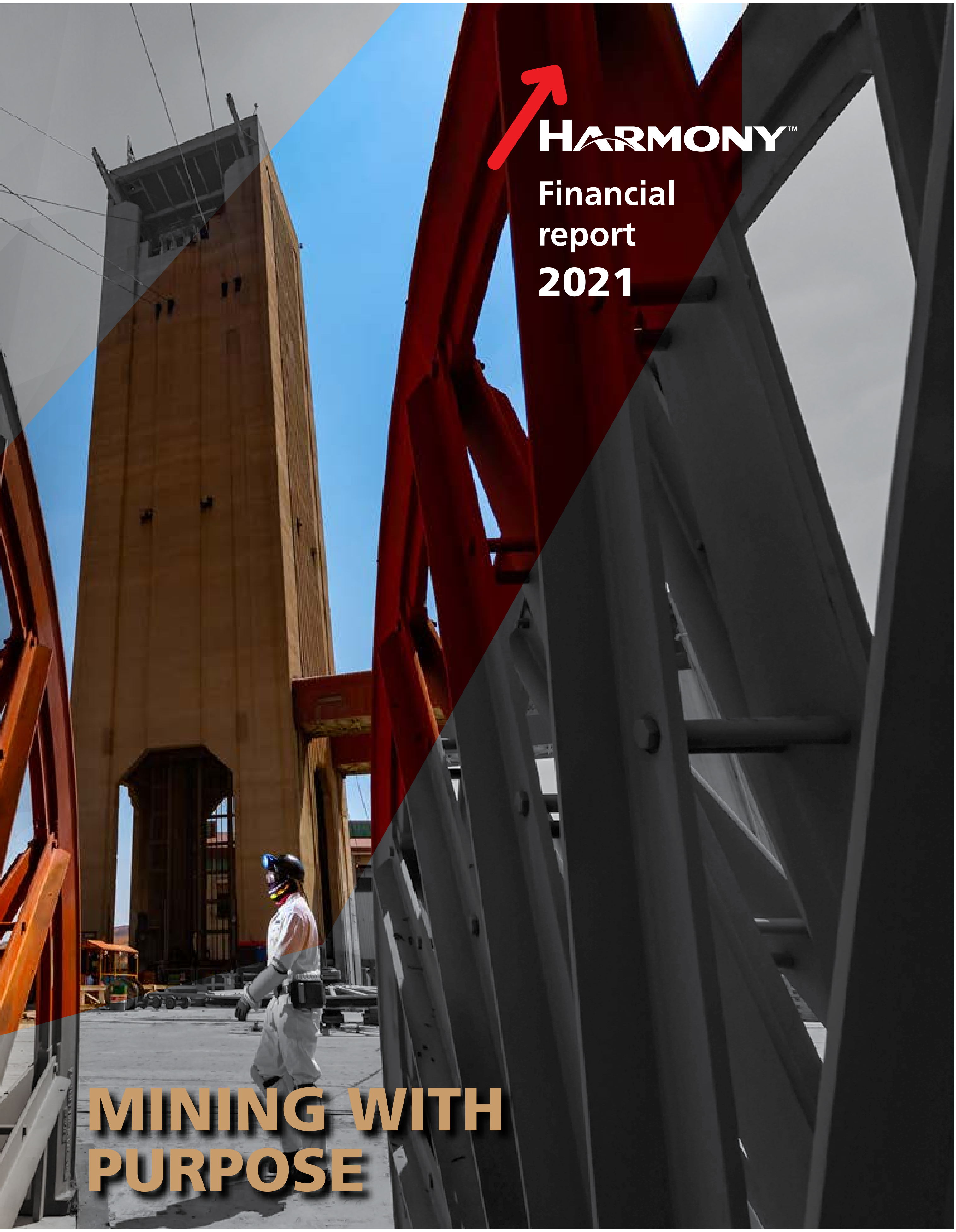


HARMONY™

Financial report 2021

MINING WITH PURPOSE

CONTENT

About this report

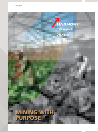
This Financial Report 2021 covers the financial year ended 30 June 2021 (FY21) and presents the complete consolidated and company annual financial statements (collectively the annual financial statements) for Harmony Gold Mining Company Limited (Harmony) for the period.

These 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 Committee (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.

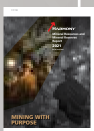
The Harmony board of directors is responsible for the preparation, integrity and fair presentation of these annual financial statements. The directors are also responsible for the maintenance of effective systems of internal control which are based on established organisational structure and procedures. See the Directors' statement of responsibility in this report. These annual financial statements were audited by PricewaterhouseCoopers Inc – their report is included in this report.

Our 2021 suite of reports:

Integrated annual report 2021

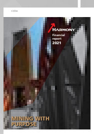


Environment, social and governance report *(ESG report)* 2021



Mineral Resources and Mineral Reserves 2021

Report to shareholders 2021



Financial report 2021

Operational report 2021

Climate-related financial disclosures 2021*

** Referred to in our reporting suite as TCFD report.*

Other reports:

Form 20-F
Annual report filed with the United States Securities and Exchange Commission, in compliance with the listing requirements of the New York Stock Exchange

Mining with purpose

We are a global, sustainable gold producer, creating shared value for all stakeholders while leaving a lasting positive legacy by:

- Creating a profitable, sustainable company
- Committing to safe, ethical, social and ecologically responsible mining
- Positioning our business to contribute to a low-carbon future.

Creating shared value is the golden thread that links our purpose to our business model to our strategy. It drives our pursuit of operational excellence and ensures an inclusive approach to stakeholders. This guides the way we manage our capitals – ensuring that at all times we create and preserve value, generating infinite opportunities from a finite resource.

Scan QR code to download our full suite of 2021 annual reports

These reports and supporting documents are available online at **www.har.co.za**.

Other additional information can be found at **www.harmony.co.za**.

Note: All photographs in this report were taken under strict Covid-19 safety protocols, including social distancing and the use of facial masks to ensure the safety and wellbeing of our employees.

REFERENCE

Indicates a reference of information which can be found elsewhere in the report.

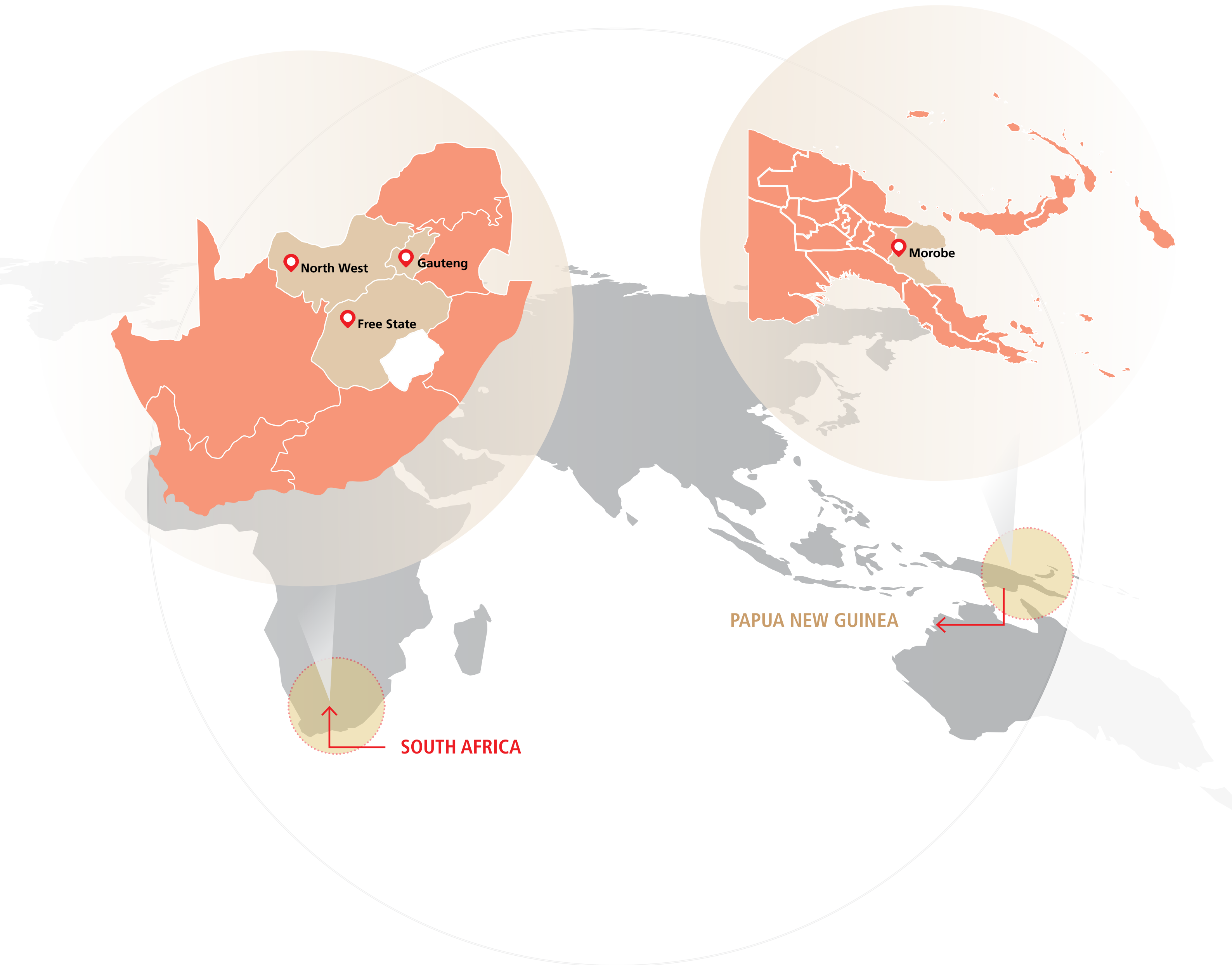
Indicates a reference for information available online at **www.harmony.co.za**.

Data in this report reflects nine months of Mponeng operations and related assets for 2021

Our business

Harmony is a world-class gold mining and exploration company, with a copper footprint

We have supplemented seven decades of experience with value-accretive acquisitions, revitalising our company as the largest gold producer by volume in South Africa. With a significant portion of the group's Mineral Resources and Reserves in Papua New Guinea, one of the world's premier new gold-copper regions, Harmony is also an acknowledged emerging-market specialist.



South Africa

Production:

1.38Moz (90%)

Located on the Witwatersrand Basin and Kraaipan Greenstone Belt, our South African operations accounted for 71% of group Mineral Resources (gold and gold equivalent ounces) and 58% of group Mineral Reserves at year end.

UNDERGROUND

West Rand[1]

Doornkop
LoM* 14 years
4 146 employees
Annual production 117 993oz
Grade 4.31g/t

Kusasalethu
LoM 3 years
4 260 employees
Annual production 128 570oz
Grade 5.65g/t

Mponeng[2]
LoM 8 years
5 308 employees
Annual production 175 092oz
Grade 7.97g/t

Klerksdorp goldfield[3]

Moab Khotsong
LoM 24 years[4]
6 209 employees
Annual production 230 391oz
Grade 7.94g/t

Free State

Tshepong Operations
LoM 20 years
9 164 employees
Annual production 238 526oz
Grade 4.76g/t

Bambanani
LoM 3 years
1 639 employees
Annual production 64 044oz
Grade 8.78g/t

Joel
LoM 9 years
2 032 employees
Annual production 45 783oz
Grade 3.97g/t

Masimong
LoM 1.5 years
2 064 employees
Annual production 64 687oz
Grade 3.95g/t

Target 1
LoM 7 years
1 865 employees
Annual production 51 536oz
Grade 3.28g/t

SURFACE

North West

Kalgold
LoM 12 years
700 employees
Annual production 35 655oz
Grade 0.74g/t

Mine Waste Solutions[2]
LoM: 17 years
1 276 employees
Annual production 66 133oz
Grade 0.116g/t

Waste-rock dumps
Annual production 41 250oz
Grade 0.285g/t

West Rand[1]

Waste-rock dumps
Annual production 41 506oz
Grade 0.324g/t

Free State

Central Plant Reclamation
LoM 14 years
249 employees
Annual production 18 101oz
Grade 0.140g/t

Phoenix
LoM 7 years
333 employees
Annual production 25 046oz
Grade 0.126g/t

Waste-rock dumps
Annual production 32 343oz
Grade 0.616g/t

[1] *The West Rand is on the border between Gauteng and North West.*
[2] *Production for nine months from October 2020 to June 2021.*
[3] *North West.*
[4] *Includes Zaaiplaats.*
* *LoM – life-of-mine.*

Papua New Guinea

Production:

~150 755oz (10%)

Located on the New Guinea Mobile Belt, in Morobe Province, our PNG operation accounted for 29% of group Mineral Resources (gold and gold equivalent ounces) and 42% of group Mineral Reserves at year end.

Hidden Valley

Open-pit gold and silver mine
LoM 6 years
2 228 employees
Annual production 150 755oz
Grade 1.37g/t

Wafi-Golpu

Proposed underground copper-gold joint operation – 50%
LoM 28 years
Projected grade 1.27% copper, 0.9g/t gold

Multiple exploration areas

Safety equipment collection before heading underground.

HOW WE PERFORMED

FIVE-YEAR SUMMARY

		FY21	FY20	FY19	FY18	FY17
Operating performance						
Ore milled	000t	**49 253**	25 429	25 976	22 441	19 401
Gold produced[1]	kg	**47 755**	37 863	44 734	38 193	33 836
	000oz	**1 535**	1 217	1 438	1 228	1 088
Operating costs	R/kg	**600 592**	553 513	439 722	421 260	436 917
	US$/oz	**1 213**	1 099	965	1 018	1 000
All-in sustaining costs	R/kg	**723 054**	651 356	550 005	508 970	516 687
	US$/oz	**1 460**	1 293	1 207	1 231	1 182
Underground grade	g/t	**5.51**	5.45	5.59	5.48	5.07
Financial performance						
Revenue	Rm	**41 733**	29 245	26 912	20 452	19 494
Production costs	Rm	**29 774**	22 048	20 324	15 084	15 042
Production profit	Rm	**11 959**	7 197	6 588	5 368	4 452
Operating margin	%	**29**	25	24	26	23
Net profit/(loss) for the year	Rm	**5 124**	(850)	(2 607)	(4 473)	362
Total headline earnings/(loss) per share	SA cents	**987**	(154)	204	171	298
Capital expenditure	Rm	**5 142**	3 610	5 036	4 687	4 280
Exploration spend[2]	Rm	**177**	205	148	135	241
Dividend paid	Rm	**677**	–	–	154	439
Net debt	Rm	**(542)**	(1 361)	(4 922)	(4 908)	(887)
Market performance						
Average gold price received	R/kg	**851 045**	735 569	586 653	570 709	570 164
	US$/oz	**1 719**	1 461	1 287	1 380	1 304
Total market capitalisation	Rbn	**32.5**	43.3	17.1	10.6	9.5
	US$bn	**2.3**	2.5	1.2	0.8	0.7
Average exchange rate	R/US$	**15.40**	15.66	14.18	12.85	13.6
Reserves						
Gold and gold equivalents	Moz	**42.5**	36.5	36.5	36.9	36.7
Geographical distribution						
– South Africa	%	**58**	48	47	46	44
– Papua New Guinea	%	**42**	52	53	54	56
Safety						
Number of fatalities		**11**	6	11	13	5
Group FIFR – fatal injury frequency rate	per million hours worked	**0.11**	0.08	0.13	0.16	0.07
Group LTIFR – lost-time injury frequency rate[3]	per million hours worked	**6.18**	6.33	6.16	6.26	7.21
Total – injuries and accidents	number	**720**	623	696	769	768
Health (South Africa)						
– Shifts lost due to injury		**28 943**	25 205	25 388	23 769	24 026
– Silicosis cases certified[4]		**54**	67	58	179	108

[1] *Gold production of 2 068kg (66 499oz) capitalised in FY18. Zero gold production capitalised for all other years.*
[2] *As per income statement*
[3] *FY21 assured by independent assurance providers. Please refer to the assurance report and to the glossary of terms on the website at www.harmony.co.za.*
The assured indicators include the results of Mponeng for the period 1 October 2020 to 30 June 2021. The Mponeng results were not assured in FY21 and detailed assurance work will be performed for the FY22 period when 12 month results are available.
[4] *The number of cases of pure silicosis confirmed by South Africa's Medical Bureau of Occupational Diseases.*

On 1 October 2020, Harmony acquired AngloGold Ashanti Limited's remaining South African operations (Mponeng operations and related assets). Due to their inclusion in the metrics reported in the table for nine months of the financial year, there has been an increase in FY21 compared to FY20.

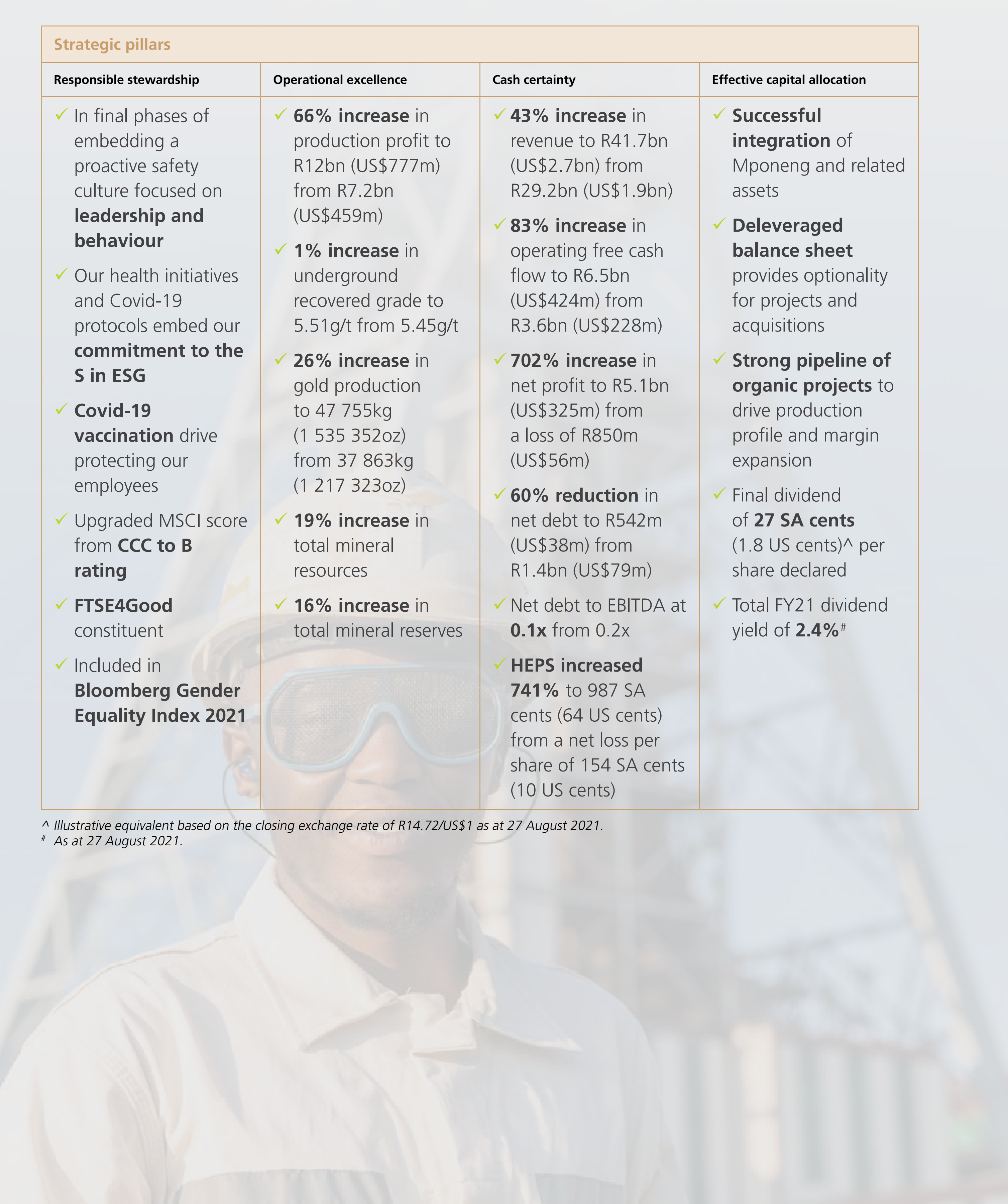
		FY21	FY20	FY19	FY18	FY17
People						
Total employees and contractors[5]		**48 113**	39 714	39 773	40 686	33 201
South Africa: Employees		**36 860**	31 502	31 201	32 520	26 478
South Africa: Contractors		**8 874**	5 841	6 159	5 951	4 512
Papua New Guinea: Employees		**1 599**	1 589	1 675	1 397	1 300
Papua New Guinea: Contractors		**780**	782	738	818	911
Employment equity (historically disadvantaged South Africans in management)[3]	%	**65**	64	62	60	61
Number of people in single rooms[3 6]		**8 547**	7 350	8 019	6 739	7 266
Number of people sharing accommodation[3]		**0**	0	0	0	0
Number of people in critical-skill positions trained[3]		**83**	81	109	106	75
Community						
South Africa – local economic development[3]	Rm	**60**	65	56	20	27
Papua New Guinea – socio-economic investment	Rm	**4**	36	14	1	3
Total group community spend	Rm	**64**	101	70	20	30
Group procurement	Rm	**26 659**	14 321	12 060	9 416	8 385
South Africa						
Total discretionary spend	Rm	**10 667**	7 682	8 470	6 436	5 685
Preferential procurement (BEE-compliant spend)[3]	Rm	**7 938**	5 084	6 340	5 120	4 461
Preferential procurement spend	%	**74**	66	75	80	78
Papua New Guinea						
Total spend	Rm	**3 890**	3 900	3 590	2 980	2 700
Expenditure in country	Rm	**2 316**	2 470	2 200	1 600	1 000
Expenditure in Morobe Province	Rm	**489**	697	1 100	1 100	725
Environment						
Mineral waste (volume disposed)[3 7]	000t	**71 014**	51 817	52 691	50 798	38 392
Total electricity use (purchased)[3]	000MWh	**4 123**	3 171	3 326	2 518	2 629
CO_2 emissions						
– Scope 1[3]	000t CO_2e	**136**	126	133	131	111
– Scope 2[3]	000t CO_2e	**4 251**	3 316	3 193	2 442	2 513[3]
– Scope 3[3]	000t CO_2e	**748**	570	533	440	445
Water used for primary activities[3]	000m³	**30 306**	19 692	23 158	15 473	18 125
Funding/guarantees for rehabilitation and closure	Rm	**6 865**	4 266	3 752	3 717	3 072

[5] *FY18 includes employees from the Moab Khotsong operations. Excludes employees from the Wafi-Golpu Joint Venture.*
[6] *The number of single rooms only represent hostels which are 100% converted.*
[7] *The year-on-year increase in mineral waste in FY18 was due to waste stripping of cutbacks at Hidden Valley.*

SALIENT FEATURES

Strategic pillars			
Responsible stewardship	**Operational excellence**	**Cash certainty**	**Effective capital allocation**
✓ In final phases of embedding a proactive safety culture focused on **leadership and behaviour** ✓ Our health initiatives and Covid-19 protocols embed our **commitment to the S in ESG** ✓ **Covid-19 vaccination** drive protecting our employees ✓ Upgraded MSCI score from **CCC to B rating** ✓ **FTSE4Good** constituent ✓ Included in **Bloomberg Gender Equality Index 2021**	✓ **66% increase** in production profit to R12bn (US$777m) from R7.2bn (US$459m) ✓ **1% increase** in underground recovered grade to 5.51g/t from 5.45g/t ✓ **26% increase** in gold production to 47 755kg (1 535 352oz) from 37 863kg (1 217 323oz) ✓ **19% increase** in total mineral resources ✓ **16% increase** in total mineral reserves	✓ **43% increase** in revenue to R41.7bn (US$2.7bn) from R29.2bn (US$1.9bn) ✓ **83% increase** in operating free cash flow to R6.5bn (US$424m) from R3.6bn (US$228m) ✓ **702% increase** in net profit to R5.1bn (US$325m) from a loss of R850m (US$56m) ✓ **60% reduction** in net debt to R542m (US$38m) from R1.4bn (US$79m) ✓ Net debt to EBITDA at **0.1x** from 0.2x ✓ **HEPS increased 741%** to 987 SA cents (64 US cents) from a net loss per share of 154 SA cents (10 US cents)	✓ **Successful integration** of Mponeng and related assets ✓ **Deleveraged balance sheet** provides optionality for projects and acquisitions ✓ **Strong pipeline of organic projects** to drive production profile and margin expansion ✓ Final dividend of **27 SA cents** (1.8 US cents)^ per share declared ✓ Total FY21 dividend yield of **2.4%**#

^ *Illustrative equivalent based on the closing exchange rate of R14.72/US$1 as at 27 August 2021.*
# *As at 27 August 2021.*



FINANCIAL DIRECTOR'S REPORT

"With a number of projects in the pipeline, our investment in our growth strategy continues into FY22 with the recent approval of significant investment in organic growth."

Boipelo Lekubo
Financial director

FINANCIAL HIGHLIGHTS OF THE YEAR UNDER REVIEW

- In the nine months since their acquisition the Mponeng operations and related assets have generated free cash flow of **R1 863 million** (US$121 million)
- **43%** increase in revenue to **R41 733 million** (US$2 710 million) mainly due to the operational expansion from the acquisition of Mponeng operations and related assets as well as an increase in the average gold price received
- Net gain of **R1 022 million** (US$66 million) reported on derivatives compared to a net loss of **R1 678 million** (US$107 million) in the previous year
- Foreign exchange gain of **R670 million** (US$44 million) compared to a loss of **R892 million** (US$57 million) in the previous year, predominantly caused by the favourable translation of US dollar loan balances due to the strengthening of the rand/US$ exchange rate
- **741%** increase in headline earnings per share to **987 SA cents** (64 US cents) from a loss of **154 SA cents** (10 US cents) in the previous year
- Net debt to EBITDA at **0.1x** from **0.2x** with net debt decreasing by **R819 million** (US$41 million)
- The declaration of an interim and final dividend of **110 SA cents** (7.7 US cents) and **27 SA cents** (1.8 US cents)^ per share respectively.

^ *Illustrative equivalent based on the closing exchange rate of 14.72/US$1 as at 27 August 2021.*

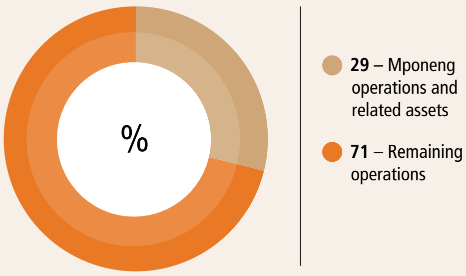
Acquisition of Mponeng operations and related assets

On 1 October 2020, Harmony acquired the Mponeng operations and related assets with the strategic intention of enhancing the group's recovered grade, all-in sustaining costs and operating free cash flow.

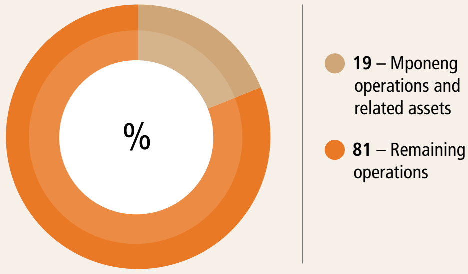
On 24 June 2020, Harmony raised US$200 million (R3 466 million) by way of a share placement to fund the US$200 million cash portion of the consideration. The fair value of the acquired assets and liabilities exceeded the consideration paid, resulting in a bargain purchase gain of R303 million (US$18 million).

Since the acquisition, the acquired assets and operations have contributed 8 948kg (287 685oz) in production, or 19% of the group's total production. This added revenue of R7 920 million (US$514 million) and generated free cash flows of R1 863 million (US$121 million).

Free cash flows



Total revenue



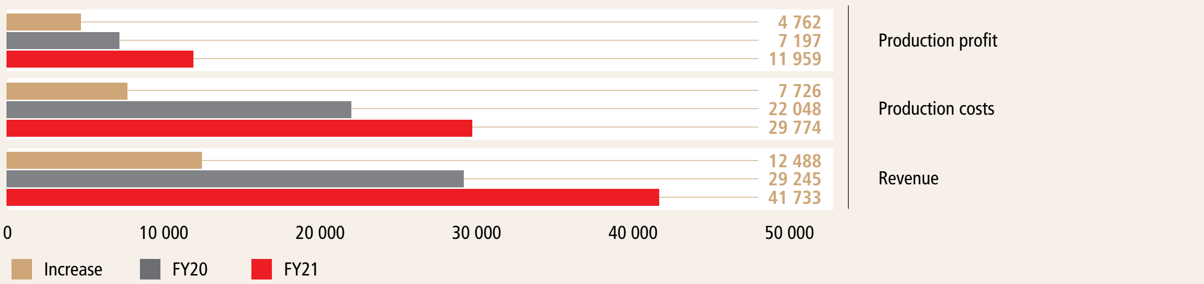
A combination of senior management's proactive leadership along with the group's inclusive culture has ensured the successful integration of these assets.

Key financial results against strategic pillars

Operational excellence

Despite challenges in FY21 from the ongoing Covid-19 pandemic, which impacted on mining flexibility at our South African underground mines and affected production at Hidden Valley, we achieved our production guidance for the year. The improvement of our operating free cash flow margin from 13% to 16% in the current financial year is evidenced by our earnings quality and ability to expand our asset base and create long-term shareholder value. The group's all-in sustaining costs have increased by 11% to R723 054/kg (US$1 460/oz) mainly on lower-than-expected production at Target 1, Joel, Kalgold and Hidden Valley. The group produced and sold higher quantities of gold at an improved underground grade of 5.51g/t (up 1% from 5.45g/t in FY20).

Production profit margin (R million)



Cash certainty

We have been intentional in meeting our operational plans while exhibiting a strong financial discipline. We have persisted in deleveraging our balance sheet by reducing our borrowings and consequently our net debt by R819 million (US$41 million). The 64% increase in EBITDA to R9 752 million (US$633 million), along with our reduction in net debt to R542 million (US$38 million), translated to an improved net debt to EBITDA ratio of 0.1x (FY20: 0.2x).

Effective capital allocation and dividends

Our capital and exploration spend increased to R5 319 million (US$345 million) from R3 815 million (US$244 million) in the prior financial year. We continue to evaluate and prioritise organic growth opportunities by only pursuing projects that generate superior returns. Our return on capital employed has improved from 6% in FY20 to 15% in the current financial year, evidencing our effective use of available capital. We have approved several new projects in our FY22 budgeting process, including the Zaaiplaats project at Moab Khotsong, Kareerand extension at Mine Waste Solutions and Hidden Valley extension in PNG.

Responsible stewardship is a core strategic objective entrenched in Harmony's identity, demonstrated by our desire to produce sustainable returns. Our strong financial performance and cash generated from operations have allowed us to declare both an interim and final dividend of 110 SA cents (7.7 US cents) per share and 27 SA cents (1.8 US cents) per share respectively.

We maintain a healthy balance sheet in line with our objective of providing flexibility for growth which will create long-term value for our stakeholders.

Derivatives and hedging

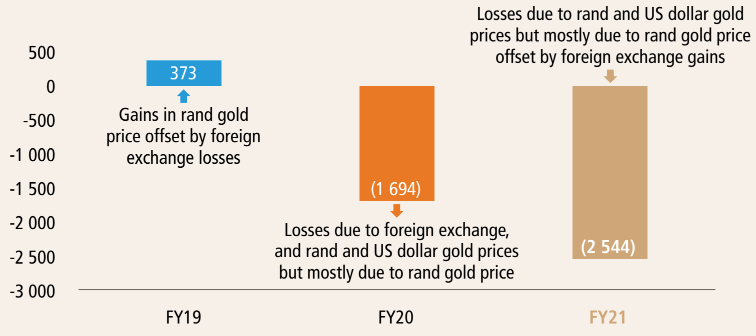
Harmony's derivative programme stands at a net asset value of R1 587 million (US$111 million) at 30 June 2021, compared to a net liability value of R4 935 million (US$285 million) in the prior year. This is mainly due to hedging performed in the first half of the year, capitalising on a higher gold price to lock in a margin of at least 25% above cost.

Revenue includes a hedging loss of R2 296 million (US$149 million) in FY21 and R1 397 million (US$89 million) in FY20 relating to the realised effective portion of hedge-accounted gold derivatives. The current period includes a net gain on derivatives of R1 022 million (US$66 million) compared to a net loss of R1 678 million (US$107 million) in the prior year due to the rand strengthening against the US dollar in FY21.

Overall, the group's derivatives recorded a net realised cash outflow of R2 544 million (US$165 million) in FY21 mainly due to a R2 210 million (US$143 million) cash outflow on rand gold derivatives. Despite the derivative cash outflows, Harmony continues to enjoy favourable commodity and foreign exchange pricing on the unhedged portion of its exposure, while locking in on available higher prices as part of its derivative programme.

Derivatives – swings and round abouts

(R million)



Our derivative programmes cover 20% of gold production and 25% of foreign exchange

Financial performance

Key drivers of financial performance FY21

		FY21	FY20	Change %
Gold produced	kg	**47 755**	37 863	26
	oz	**1 535 352**	1 217 323	26
Underground grade	g/t	**5.51**	5.45	1
Gold price received	R/kg	**851 045**	735 569	16
	US$/oz	**1 719**	1 461	18
All-in sustaining costs	R/kg	**723 054**	651 356	(11)
	US$/oz	**1 460**	1 293	(13)
Production profit	R million	**11 959**	7 197	66
	US$ million	**777**	459	69
Net debt	R million	**542**	1 361	60
	US$ million	**38**	79	52
Net debt/EBITDA ratio[1]	times	**0.1**	0.2	
Average exchange rate	R:US$	**15.40**	15.66	(2)

[1] *The calculation of EBITDA is based on definitions included in our debt facility agreements which exclude certain exceptional items such as impairments, translation differences and gains/losses on derivatives.*

Revenue
Revenue increased by R12 488 million or 43% to R41 733 million, mainly due to operational expansion from the acquisition of the Mponeng operations and related assets as well as an increase in the gold price received. The acquired assets contributed R7 920 million (US$514 million) while the average gold price received increased by 16% to R851 045/kg from R735 569/kg in FY20. In US dollar terms, revenue increased by US$843 million or 45% to US$2 710 million. The average gold price received increased by 18% to US$1 719/oz from US$1 461/oz in FY20.

Production costs
Production costs increased by R7 726 million or 35% to R29 774 million in FY21, predominantly due to operational expansion and annual price increases. In US dollar terms, production costs increased US$524 million or 37% to US$1 933 million.

Amortisation and depreciation
Amortisation and depreciation increased by R367 million or 10% for FY21, mainly due to operational expansion and increased production levels relative to last year's lower levels (impacted by Covid-19 restrictions). In US dollar terms, amortisation and depreciation increased by US$28 million to US$252 million for FY21.

Impairment of assets
An impairment loss of assets of R1 124 million (US$79 million), attributable to Bambanani, Target 3 and Tshepong Operations, has been recognised for FY21. The recoverable amounts were below their net asset values due to factors such as a lower projected grade and the impact on forecast discounted cash flows.

Refer to **Accounting considerations for material transactions** in this report.

Gains and expenses included in operating profit
A foreign exchange translation gain of R670 million (US$44 million) compared to a R892 million loss (US$57 million) in FY20 is predominantly caused by favourable translations on US dollar-denominated loan balances, as the rand strengthened against the US dollar, evidenced by an improved average and closing exchange rate of R15.40/US$1 (FY20: R15.66/ US$1) and R14.27/US$1 (FY20: R17.32/US$1) respectively.

Also included in operating profit is the net gain on derivatives of R1 022 million (US$66 million) compared to a net loss of R1 678 million (US$107 million) in FY20, as previously discussed, and the remeasurement gain on the contingent consideration liability of R127 million (US$8 million) recognised as part of the acquisition of the Mponeng operations and related assets.

Gain on bargain purchase
The fair value of assets and liabilities acquired from the Mponeng operations and related assets exceeded the consideration paid, resulting in a gain on bargain purchase of R303 million (US$18 million). The gain has been determined in accordance with the requirements of IFRS 3.

Refer to **Accounting considerations for material transactions** in this report.

Taxation
The taxation expense for the group increased to R1 258 million (US$82 million) from R255 million (US$17 million) for FY21. An increase in taxable profits, mainly due to the significant revenue, higher gains on derivatives and increased foreign exchange translation gains contributed to the increased current tax expense. The deferred tax expense increase is mainly caused by the utilisation of assessed losses and unredeemed capital expenditure, as well as the impact of tax rate increases on certain statutory companies across the group.

Net profit/(loss)
Harmony's financial performance reflects a net profit increase of 702% to R5 124 million (US$325 million), compared to a net loss of R850 million (US$56 million) in the previous year. Headline earnings improved to 987 SA cents per share (64 US cents) compared with a headline loss of 154 SA cents (10 US cents) per share for FY20.

Outlook

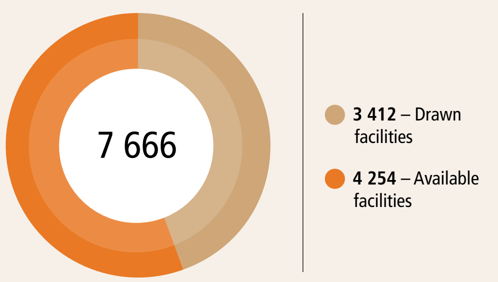
Harmony has achieved significant growth in recent years through the acquisition of Moab Khotsong and the Mponeng operations and related assets from AngloGold Ashanti, as well as further investment in Hidden Valley in Papua New Guinea. With a number of projects in the pipeline, our investment in our growth strategy continues into FY22 with the recent approval of significant investment in organic growth. The capital investments are focused on our high-quality and higher-grade assets, with the objective of moving the group down the cost curve over the next few years as these lower-cost assets contribute proportionally more to production.

Harmony is also looking to invest in renewable energy and lower its carbon footprint to support its ESG credentials and further drive down costs in the long term. In addition, Harmony remains acquisitive and is keen to make further investments in its selected geographies in the gold and copper space.

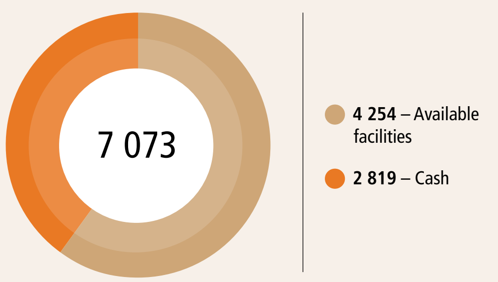
As a price taker it is imperative that we maintain financial discipline and a robust balance sheet that provides us flexibility to support the business in good times and bad times as well as enabling growth and investing in our assets. To this end we are considering renewing our banking facilities to increase corporate flexibility, and also to include sustainability metrics thereby aligning our funding facilities to the fast changing financial community landscape as well as Harmony's own sustainability goals.

Net headroom

Total facilities (R million)



Net headroom (R million)



Acknowledgement

In closing, I commend our finance team on their concerted effort to add value to all identified stakeholders. Thank you for continuously striving to produce work that displays integrity and high quality, and for adapting to a changed environment caused by the global Covid-19 pandemic. Continue to challenge and outdo yourselves with the greater intention of serving key business areas.

Boipelo Lekubo
Financial director

28 October 2021

Accounting considerations for material transactions

The fair value exercise for acquisition of Mponeng operations and related assets

Following the assessment in FY20 that the transaction meets the definition of a business combination in terms of IFRS 3, management engaged valuation specialists to assist with the fair value exercise. The audit and risk committee reviewed the outcome of this exercise, with specific attention to:

- In reviewing the reasonableness of the valuation, consideration was given to the appropriateness of critical assumptions and estimates used as well as the fair values of assets acquired and liabilities assumed that were recognised
- The transaction included some complex elements, including a streaming arrangement. Consideration was given to the accounting treatment of that arrangement
- Changes from the provisional fair value exercise reported in the December 2020 interim results to the final fair value exercise as at 30 June 2021, including relevant disclosures in the annual financial statements.

The impairment assessment of property, plant and equipment, and goodwill

For the year ended 30 June 2021, management performed an assessment of the property, plant and equipment, and goodwill with the audit and risk committee considering the following:

- Assessed whether an indicator of potential impairment existed at the reporting dates
- Assessed recoverable amounts of the assets determined by using discounted estimated after-tax future cash flows as well as resource values
- Calculated the recoverable amount for each cash-generating unit (CGU) using a discounted cash flow model
- Considered the excess of recoverable amount over the carrying value for each CGU.

Management concluded that impairments for Tshepong Operations, Bambanani and Target 3 of R759 million, R187 million and R178 million respectively were required as at 30 June 2021. Bambanani's impairment was recognised against the operation's goodwill. No reversal of previously recognised impairments was deemed necessary during the year.

AUDIT AND RISK COMMITTEE: CHAIRPERSON'S REPORT

"The world we live in will keep on changing and it is the highest standards of governance that will continue to steer Harmony as an organisation, as it adapts to these changes."

Fikile De Buck
Chairperson: audit and risk committee

DEAR SHAREHOLDER

I am pleased to represent the audit and risk committee report for the financial year ended 30 June 2021 (FY21).

This report considers those material matters on which the audit and risk committee (the committee) deliberated during the year. These matters extend beyond just statutory compliance and relate to the committee's role in supporting value creation and delivery on Harmony's strategic objectives.

Introduction

The audit and risk committee is an independent, statutory committee whose members are appointed annually by Harmony's shareholders in compliance with section 94 of the South African Companies Act of 2008, as amended (the Act), and the principles of good governance. In addition to this Act, the committee's duties are guided by the JSE Listings Requirements, the King IV Code on Corporate Governance™* 2016 (King IV) and its terms of reference. In addition, the board of directors delegates oversight of specific functions to the committee.

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Terms of reference

The formal board approved committee terms of reference (available on our corporate website, www.harmony.co.za), are reviewed and updated annually (or more frequently if required) by both the committee and the board. The committee is satisfied that it has conducted its affairs and discharged its responsibilities in accordance with its terms of reference.

Composition and function

Members: F De Buck (Chairperson); K Nondumo; Dr S Lushaba; J Wetton; G Sibiya.

The committee's diverse perspectives, independence, knowledge and experience enhance our governance structures. As at the date of this report, the committee has five members, all of whom are independent non-executive directors.

For further detail on their qualifications, expertise and experience, refer to our website at https://www.harmony.co.za/who-we-are/board.

The group chief executive officer and financial director – together with members of the executive team and senior managers representing areas relevant to the discussions at the audit committee, as well as the external auditors, the chief internal audit executive and assurance providers attend meetings either by standing invitation or as and when required.

Refer to 2021 notice of the annual general meeting in the Report to shareholders for member appointments.

Responsibilities

The committee discharged all of those functions delegated to it in terms of the Act, terms of reference and the JSE Listings Requirements:

- To ensure the integrity of financial statements and related reporting, that they comply with IFRS, the SAICA Financial Reporting Guides and other relevant regulatory bodies stated above and fairly represent the financial position of the group, the company and our operations

- To monitor internal controls, the internal audit function, combined assurance and matters pertaining to the external auditors
- To oversee corporate governance, particularly in relation to legislative and regulatory compliance
- To oversee the management of risk, as well as information technology (IT) governance and cyber security.

The committee believes that it complied with its legal, regulatory and other responsibilities during the past financial year. No major concerns were raised in FY21.

For more on the committee and its activities during the year, see **Board committees** in our **ESG report 2021**.

Reporting

The committee reviewed the following 2021 reports and their related processes:

- Integrated annual report and its related FY21 suite of reports
- Mineral Resource and Mineral Reserve statement
- Annual financial statements and accounting practices
- Annual report filed on Form 20-F with the United States Securities and Exchange Commission.

The committee submits that these reports represent a balanced view of the group's performance for FY21 and recommended them to the board for approval.

Duties discharged in FY21

- Reviewed the company's quarterly and annual financial results
- Ensured it has access to all the financial information of Harmony to allow the company to effectively prepare and report on its financial statements
- Monitored the internal control environment in Harmony and found it to be effective
- Discussed the appropriateness of accounting principles, critical accounting policies, management's judgements, estimates and impairments, all of which were found to be appropriate
- Ensured the appropriate financial reporting procedures, which include consideration of all entities included in the consolidated group IFRS financial statements, have been established and that these procedures are operating
- Considered the JSE's latest report on the proactive monitoring of financial statements
- Considered the appointment of the external auditor, PricewaterhouseCoopers Inc., as the registered independent auditor for the ensuing year
- Considered the suitability, and satisfied itself, of the external audit partner firm following assessment of the information provided by that firm, in terms of paragraph 3.84(g)(iii) and paragraph 22.15(h) of the JSE Listings Requirements, to determine the suitability of its appointment as the external audit firm and of the designated individual partner
- Ensured that the appointment of the external audit firm is presented and included as a resolution at the annual general meeting
- Satisfied itself that the external audit firm, PricewaterhouseCoopers Inc., was suitable and independent from the company
- Reviewed and approved external audit plans, terms of engagement and fees, as well as the nature and extent of non-audit services rendered by the external auditors
- Evaluated the independence and effectiveness of the internal audit function
- Reviewed and approved internal audit budget and risk-based plans
- Considered and approved the company's internal audit charter
- Evaluated and coordinated the internal audit, external audit and sustainability assurance processes
- Received and considered reports from the external and internal auditors
- Considered the appropriateness, expertise and experience of the financial director, Boipelo Lekubo, and the finance function – both were found to be adequate and appropriate
- Evaluated and considered Harmony's risks, and measures taken to mitigate those risks. In addition, the committee had a workshop for a detailed discussion on the company's enterprise risk management. The entire board was invited to this session.
- Considered whether IT risks are adequately addressed and whether appropriate controls are in place to address these risks. The committee oversees and monitors the governance of IT on behalf of the board, a task it views as a critical aspect of risk management. Additionally, the committee considered the company's IT strategy as well as the company's cyber security policy for further review later in the year
- Considered and confirmed the company as a going concern
- Reviewed and recommended the company's dividend policy for board approval
- Considered and approved the company's non-audit services policy
- Reviewed and recommended changes to the committee's terms of reference to the board for approval
- Reviewed the corporate governance and compliance policy and framework for board approval
- Reviewed the adequacy of the Group's insurance coverage
- Reviewed legal matters that could have a significant impact on the company's business.

Key focus areas in FY21

Interim and annual financial statements

The annual financial statements have been prepared in accordance with IFRS, SAICA Financial Reporting Guides, the requirements of the South African Companies Act 71 of 2008, the Listings Requirements of the JSE Limited and the recommendations of King IV.

In terms of paragraph 3.84(k) of the JSE Listings Requirements, the committee reviewed and assessed the process implemented by management to enable the chief executive officer (CEO) and the financial director (FD) to pronounce on the annual financial statements and the system of internal control over financial reporting. The results from the process were communicated to the committee. The committee considered deficiencies as well as the appropriateness of management's response including remediation, reliance on compensating controls and additional review procedures. The committee, on behalf of the board, has noted the final confirmation of the CEO and FD.

The chief executive officer and the financial director confirmation appears in this report.

Proactive monitoring

The committee oversaw the JSE proactive monitoring review, as Harmony was chosen for review in FY21. No material issues were raised and the JSE issued a closing letter wherein all responses provided by management on concerns raised were found to be satisfactory with recommendations made for future disclosures.

External auditor – appointment, independence and tenure

Having considered the external auditor's previous appointments and the extent of other work undertaken for the group, the committee is satisfied that PwC is independent of the group, as per section 94(8) of the Act. The committee also satisfied itself as to the suitability of PwC and the designated audit partner.

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. Total fees paid to the external auditor for the year were R56.2 million, of which R55.3 million was for audit-related services, R0.9 million for non-audit services and Rnil for tax services.

PwC has been Harmony's external auditor for 71 years. At the annual general meeting held on 20 November 2020, PwC was reappointed as the independent external auditor and undertook to hold office until the end of the 2021 annual general meeting on 7 December 2021.

As audit firm rotation will be mandatory from the financial year beginning on or after 1 April 2023, this will apply to the company from FY24. To ensure continuity during the company's growth phase and because audit firm rotation is not yet compulsory, the audit and risk committee is of the opinion that PwC should remain as the company's external auditor for the ensuing year.

The committee recommended to the board that PwC be re-appointed as the group's independent external auditor, to hold office until the conclusion of the 2022 annual general meeting. The directors will propose the re-appointment of PwC at the annual general meeting to be held on 7 December 2021. Details can be found in the notice of the annual general meeting.

Following the mandatory audit partner rotation required every five years for the partner responsible for the group audit, Ms L Mngadi was appointed as the lead audit partner. She was responsible for the review performed on the results of the six months ended 31 December 2020 but has since resigned from PwC. Mr S Masondo took over as the individual registered lead audit partner responsible for the audit for the financial year ended 30 June 2021. The core audit team remained unchanged. The committee assessed PwC's succession plan and found the process and plan satisfactory.

As part of Harmony's commitment to transformation, PwC continued to partner on its audit with Ngubane & Co, a level 1 broad-based black economic empowerment company. To facilitate the transfer of skills in the audit of mining companies and registrants on the Securities and Exchange Commission in the United States, Ngubane & Co assisted PwC on the audit of our South African operations. PwC had overall responsibility for the audit and signed off the financial statements.

Internal controls and internal audit

Having reviewed the design, implementation and effectiveness of the group's system of internal financial controls, the committee is satisfied that these are effective and form a reliable basis for the preparation of the financial statements. No findings came to the attention of the committee to indicate any material breakdown in internal controls during the past financial year.

In terms of internal audit, 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
- Overseeing cooperation between internal audit and the external auditors, and serving as a link between the board of directors and these functions.

In line with King IV and its recommendations, the committee has confirmed the effectiveness of the group chief audit executive, Ms Besky Maluleka-Ngunjiri, and is satisfied that she has the appropriate expertise and experience to meet the responsibilities of this position. The group chief audit executive reports quarterly, or as necessary, to the committee on internal audit and has direct access to the committee, primarily through its chairperson.

The committee is satisfied that internal audit follows an approved risk-based internal audit plan and regularly reviews the group's risk profile. Internal audit submits an overall statement on the effectiveness of the group's governance, risk management and control processes.

Combined assurance

The combined assurance framework was refined during the course of the year.

The committee is satisfied that the group has optimised the assurance coverage obtained from management, and internal and external assurance providers. The committee is also satisfied that the various external assurances that are obtained 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
- Minimising assurance fatigue.

Governance of risk

The audit and risk committee fulfils a dual function – as an audit committee and as a risk committee. Internal audit conducts regular and full assessments of the risk management function and framework, on which it reports to the committee. The committee is satisfied with the effectiveness of its oversight of risk governance in the group.

A detailed report on risk and its management, as recommended in King IV, is contained in our **Integrated annual report** in the **Our risks and opportunities** section.

A report on risk is also shared with the board on a quarterly basis.

While the committee oversees the management of risks and opportunities on behalf of the board, it also has responsibility for particular risks, namely: increasing costs and declining margins, the increasing cost of regulatory compliance and its potential to compromise our licence to operate, and the technology upgrades.

In the past year, the committee oversaw the development of a new enterprise risk management and resilience policy, risk management guidelines and a new risk management framework to ensure continued focus on the company's material risks. A risk workshop was also held with a majority of the board which included training on risks, assessing risk appetite and tolerance and the ten strategic risks of the company. The board further approved the group's risk appetite and tolerance framework.

Appropriateness and experience of Financial Director and effectiveness of the finance function

The committee confirms that it is satisfied that Ms Boipelo Lekubo, the current Financial Director, possesses the appropriate expertise and experience to meet the responsibilities of this position.

Oversight of derivative programme

The committee also monitors and reviews the group's derivative and hedging strategy. The derivative programmes currently in place were introduced in FY16. In terms of these programmes, 20% of gold production may be hedged while transactions for up to 25% of foreign exchange earnings may be entered into.

For more on how these derivative programmes have performed, see the **Financial director's report** in this report.

Technology and information governance

We recognise the increasing importance that technology has as both a source of future opportunities and as a means by which we conduct our business and improve organisational efficiencies. This committee monitors the governance of information and communication technology on a quarterly basis.

The committee has delegated responsibility to management for digitising the company, implementing the policy on enterprise-wide technology and information management, and for embedding this policy into the day-to-day, medium- and long-term decision-making activities and culture of the organisation. All of this is integral to ensuring operational excellence and delivery on our first strategic pillar.

Given the multiple critical information system changes currently being implemented simultaneously across the organisation, this was a major focus area for the committee during the year. Progress was closely monitored with management providing detailed quarterly updates on this, as well as on challenges encountered and the steps taken to address such challenges.

In particular during the past year, as part of the process to digitise the company, the committee oversaw management's implementation of two significant upgrade projects aimed at improving our operating and business efficiencies. The company completed the first phase of the centralised human resource management system (HRMS) to improve human capital management (HCM) efficiencies and continued with the upgrade of the enterprise resource planning (ERP) system. Ernst & Young (EY) provides assurance on the upgrade of the ERP system and implementation of the HRMS. No material issues or risks have been identified.

Dividend policy and dividends declaration

The board declared an interim ordinary dividend of 110 SA cents for the year ended 30 June 2021. In total, R677 million was paid on 19 April 2021. The board declared a final ordinary dividend of 27 SA cents for the year ended 30 June 2021, payable on 18 October 2021. In addition, dividend payments were made in 2021 to the non-controlling interest holders in Tswelopele Beneficiation Operation Proprietary Limited of R7 million.

Harmony declared an annual preference share dividend to the Harmony Gold Community Trust (the Trust). The board declared a preference dividend of R9 million and it was paid to the Trust on 10 August 2021.

In considering the payment of dividends, the board, with the assistance of the audit and risk committee, took into account 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 company's dividend policy is to pay a return of 20% on net free cash generated to shareholders, at the discretion of the board of directors.

Going concern

The audit and risk 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 committee, appears in the **Directors' report** in this report.

Integrated annual report

The committee has overseen the integrated reporting process, reviewed and recommended the 2021 reporting suite for approval by the board.

Events post year end

On 24 August 2021, a final dividend of 27 SA cents was declared, paid on 18 October 2021.

On 16 September 2021, the group concluded a three-year wage agreement with the unions for its South African operations.

In closing

In my final report as chairperson of the audit and risk committee and a member of the Harmony board, I wish to thank Dr Patrice Motsepe for his strong leadership and guidance since I joined the Harmony board in 2006.

Being a member of the Harmony board and the chairperson of the audit and risk committee has been most enriching, both professionally and personally. I am grateful for the opportunity I was given to so serve.

The world we live in will keep on changing and it is the highest standards of governance that will continue to steer Harmony as an organisation, as it adapts to these changes. To my fellow audit and risk committee members, board members and management, thank you for your continuous support, particularly during these unprecedented times; may you continue to create value for Harmony's stakeholders.

Fikile De Buck
Chairperson: audit and risk committee

28 October 2021

DIRECTORS' REPORT

Nature of business

The Harmony group of companies 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 the **Integrated annual report 2021**, and with more detail available in the **ESG report 2021** and **Operational report 2021**.

The company's primary listing is in South Africa on the JSE. Harmony's ordinary shares are also listed in the form of American depositary receipts (ADRs) on the New York Stock Exchange.

Integrated annual report

As required by the King IV report and the JSE Listings Requirements, the board has reviewed and approved the Integrated annual report 2021 on the recommendation of the audit and risk committee, supported by the social and ethics committee.

The **Integrated annual report 2021** is available online at **www.harmony.co.za**.

Statement by the board

The annual financial statements are drawn up in accordance with the Companies Act, JSE Listings Requirements, IFRS and the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee, and the Financial Pronouncements, as issued by Financial Reporting Standards Council.

The board of directors is of the opinion that the Integrated annual report 2021 and the accompanying consolidated financial statements fairly reflect the true financial position of the group at 30 June 2021 and its performance for the year.

Audit and risk committee and social and ethics committee reports

The **audit and risk committee: chairperson's report** appears in this report and that of the **social and ethics committee: chairperson's report** in the **ESG report**.

Company secretary

The group company secretary is Ms Shela Mohatla. Her business and postal addresses appear on the inside back cover. The certificate by the group company secretary is on page 19. Ms Mohatla was appointed group company secretary with effect from 14 August 2020, subsequent to her appointment in an acting capacity on 27 January 2020.

Board of directors

Changes to the composition of Harmony's board of directors during the review period included:

- Resignation of Messrs Ken Dicks and Max Sisulu as independent non-executive directors with effect from 30 September 2020
- Retirement of Mr Frank Abbott as an executive director with effect from 30 September 2020
- Resignation of Ms Grathel Motau as independent non-executive director with effect from 18 December 2020
- Appointment of Mr Peter Turner as an independent non-executive director with effect from 19 February 2021.

Biographical details of current directors appear online at **www.harmony.co.za**.

In terms of the Company's Memorandum of Incorporation ("**MOI**"), the directors of the Company shall rotate in accordance with the following provisions:

- At each annual general meeting, one-third (1/3) of the non-executive directors for the time being, or if their number is not three (3) or a multiple of 3, the number nearest to 1/3, but not less than 1/3, shall retire from office, provided that if a director is appointed as an executive director or as an employee of the company in any other capacity, he or she shall not, while he or she continues to hold that position or office, be subject to retirement by rotation and he or she shall not, in such case, be taken into account in determining the retirement of directors by rotation
- The non-executive directors to retire in every year shall be those who have been longest in office since their last election, but as between persons who were elected as directors on the same day, those to retire shall, unless they otherwise agree among themselves, be determined by lot
- A retiring director shall be eligible for re-election.

As part of Harmony's board composition transitional plan, Ms Fikile De Buck and Dr Simo Lushaba, who retire by rotation this year, although eligible, will not be seeking re-election to the board effective as of the conclusion of the 2021 annual general meeting.

Refer to **Governance** in our **ESG report 2021** for further information.

Directors' interests

At 30 June 2021, the CEO Peter Steenkamp held 746 085 shares, FD Boipelo Lekubo held 3 581 shares, executive director Harry Mashego held 3 319 shares and non-executive director André Wilkens held 101 301 shares in Harmony.

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 FY21.

Refer to the **Remuneration report** in the **Report to shareholders 2021** for details of share incentives awarded to executive directors.

Going concern

The annual financial statements have been 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, 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 2021.

Financial results

The audited consolidated and company annual financial statements as well as the discussion on the group's financial performance are included in this report. Confirmation of the financial statements by the CEO and FD appears in this report.

Share capital

During the June 2021 year, 12 909 491 shares were issued to settle the exercise of share options by employees relating to Harmony's management share option schemes.

Full details of the authorised, issued and unissued share capital of the company as at 30 June 2021 are set out in note 24 of the **consolidated financial statements**.

Shareholders

The company does not have a controlling shareholder. 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 report.

Dividend policy
The company's dividend policy is to pay a return of 20% on net free cash generated to shareholders, at the discretion of the board of directors.

Dividends declared
The board declared an interim dividend of 110 SA cents and a final ordinary dividend of 27 SA cents for the year ended 30 June 2021. No dividends were paid on ordinary shares by Harmony in FY20. Harmony declares an annual preference share dividend of R9 million (2020: R9 million) to the Harmony Gold Community Trust (the Trust). As the Trust is consolidated by Harmony, the dividend is eliminated on consolidation.

Investments
A schedule of investments in subsidiaries, associates and joint arrangements appears in **Annexure A – Statement of group companies** in this report.

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 38 of the **consolidated financial statements** for further discussion.

Borrowings
- Movement in borrowings: see note 32 of the **consolidated financial statements**
- Borrowing powers are detailed in the company's memorandum of incorporation.

Disposals
There were no material disposals in FY21.

Acquisitions
On 12 February 2020, Harmony announced the proposed acquisition of AngloGold Ashanti Limited's remaining South African assets (Mponeng and Mine Waste Solutions) for a US$200 million cash consideration, as well as a contingent consideration, the value of which was determined in accordance with IFRS. All conditions precedent were fulfilled in September 2020, resulting in an acquisition date of 1 October 2020.

Refer to note 14 of the **consolidated financial statements**.

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 review period 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 (Proprietary) Limited (Tysys). Tysys 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 R5 million per annum. Approximately R5 million (2020: R5 million) was paid in the 2021 financial year relating to services rendered in the current and prior financial years. The contract has a 30-day notice period.

Material transactions with associates, joint arrangements and structured entities
Refer to note 37 of the **consolidated financial statements** for details on transactions conducted during the period under review.

Compliance with the laws and memorandum of incorporation
The board believes that during the period 1 July 2020 to 30 June 2021, Harmony has complied with the provisions of the Companies Act and operated in conformity with its memorandum of incorporation and/or relevant constitutional documents.

Events subsequent to 30 June 2021
- On 24 August 2021, a final dividend of 27 SA cents was declared, paid on 18 October 2021
- On 16 September 2021, the group concluded a three-year wage agreement with the unions for its South African operations.

CHIEF EXECUTIVE OFFICER AND FINANCIAL DIRECTOR CONFIRMATION

The directors, whose names are stated below, after due, careful and proper consideration, hereby confirm that:
- the annual financial statements set out on pages 32 to 162, fairly present in all material respects the financial position, financial performance and cash flows in terms of IFRS;
- no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
- internal financial controls have been put in place to ensure that material information relating to Harmony and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the company; and
- having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King Code, the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements.

Where we are not satisfied, we have disclosed to the audit and risk committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors, and have taken the necessary remedial action.

Peter Steenkamp
Chief Executive Officer

28 October 2021

Boipelo Lekubo
Financial Director

28 October 2021

DIRECTORS' STATEMENT OF RESPONSIBILITY

Financial statements

The directors have the pleasure in presenting the consolidated and company annual financial statements (collectively the annual financial statements) for the year ended 30 June 2021 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 the 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 Committee (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 Michelle Kriel CA(SA). This process was supervised by the financial director, Boipelo Lekubo 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

BP Lekubo
Financial director
Randfontein
South Africa

28 October 2021

GROUP COMPANY SECRETARY'S CERTIFICATE

In terms of section 88(2)(e) of the Companies Act No 71 of 2008, as amended (the Act), I certify that for the year ended 30 June 2021, Harmony Gold Mining Company Limited, to the best of my knowledge and belief, has lodged with the Companies and Intellectual Property Commission all such returns and notices as are required of a public company in terms of the Act, and that all such returns and notices appear to be true, correct and up to date.

Shela Mohatla
Group company secretary

28 October 2021

pwc

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 2021, 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 32 to 162 comprise:

- the group and company balance sheets as at 30 June 2021;
- the group and company income statements for the year then ended;
- the group and company statements of comprehensive income for the year then ended;
- the group and company statements of changes in shareholders' equity for the year then ended;
- the group and company 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 corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*.

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Chief Executive Officer: L S Machaba
The Company's principal place of business is at 4 Lisbon Lane, Waterfall City, Jukskei View, where a list of directors' names is available for inspection.
Reg. no. 1998/012055/21, VAT reg.no. 4950174682.

Our audit approach

Overview

Overall group materiality

- Overall group materiality: R310 million, which represents 5% of the consolidated profit before taxation adjusted for non-recurring once off items.

Group audit scope

- We conducted full scope audit procedures at eight components located in South Africa and Papua New Guinea.

Key audit matters

- Impairment of goodwill and mining assets and investments in subsidiaries; and
- Acquisitions and business combinations.

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 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	*R310 million*
How we determined it	*We have determined materiality by using 5% of the consolidated profit before taxation adjusted for the following non-recurring once off items:* • *Acquisition-related costs; and* • *Gain on bargain purchase.*
Rationale for the materiality benchmark applied	*We chose consolidated profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. Consolidated profit before tax is adjusted for non-recurring once off items, namely, acquisition-related costs and gain on bargain purchase. These adjustments are not considered to be part of the Group's sustainable operating performance.* *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 Papua New Guinea, with ten operating gold mining companies, of which silver and uranium are by-products. The operating gold mining companies are split into separate mining operations, namely South Africa Underground, South Africa Surface and International operations – refer to segment information (note 41 to the group financial statements).

We identified seven components (2020: four) within the operating gold mining companies as significant components (as defined within the ISAs) which, in our view, required an audit of their complete financial information. We also performed a full scope audit on one (2020: two) other component, to obtain an appropriate level of coverage.

The operating gold mining companies were identified as significant based on scoping benchmarks such as the companies' contribution to key financial statement line items (consolidated revenue, consolidated total assets and consolidated profit before tax), risks associated with the particular company and considerations relating to aggregation risk within the Group. We concluded that all other entities within the Group are financially inconsequential, individually and in aggregate. We performed analytical procedures at a Group level to confirm this assessment.

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 a component auditor from another 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 at 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
This key audit matter relates to the Group and Company financial statements. **Impairment of goodwill and mining assets** Refer note 2.5 (Accounting policy), note 6 (Cost of sales), note 15 (Property, plant and equipment) and note 16 (Intangible assets) to the Group financial statements on pages 42, 46, 60, and 69. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Management conducts an impairment test for other non-financial assets whenever events or changes in circumstances indicate that the carrying amount for cash generating units ("CGU") exceeds its recoverable amount. Due to the group net asset value (prior to any impairments being recognised or the finalisation of the fair value exercise on the acquisition of the Mponeng operations and related assets) exceeding the market capitalisation of the Group as at 30 June 2021, the recoverable amounts for all CGUs were calculated. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For all CGUs the fair value less costs of disposal method was used to estimate the recoverable amount. The recoverable amount of mining assets is determined utilising real discounted future cash flows, or resource multiples in the case of undeveloped properties and certain resource bases. The key input assumptions to the discounted cash flow models used in determining the recoverable amounts are commodity prices, marketable discount rates,	**Impairment of goodwill and mining assets** We held discussions with management to obtain 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 CGUs as well as the methodologies and models used in determining the fair value less costs of disposal. We evaluated the design, implementation and operating effectiveness of the relevant internal controls over management's process to develop their estimates of the recoverable amounts of all CGUs, including controls over the preparation, review and approval of the impairment calculations and significant assumptions used in the calculations. Management engaged external and internal experts to assess the reserves and resources declared and used in the impairment calculations for reasonability. Through inspection of CVs, membership certificates from professional bodies and competent persons reports, we assessed the objectivity, competence and experience of management's experts. Using our corporate finance and financial modeling expertise, 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 assessed the valuation model used by management in their impairment assessment, by comparing it to industry norms and acceptable valuation methodology. We found that it was consistent with industry norms and acceptable valuation methodology;

exchange rates and forecasted annual life-of-mine plans. Where valuations are based on resource multiples, the key input assumptions are the resources available and the resource multiple applied.

The annual life-of-mine plans are based on the proved and probable reserves as included in the Reserve Declaration, which are determined in accordance with the South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves (SAMREC), as well as resources where management has high confidence in the orebody and economical recovery of gold, based on historic and similar geological experience.

Impairment losses of R1 124 million were recognised within the Group for three CGUs where the carrying value was greater than the estimated recoverable value.

Impairment of investments in subsidiaries

Refer note 15 (Investments in subsidiaries and loans to/from subsidiaries) to the Company financial statements on page 136.

The recoverable amount of an investment in a subsidiary is the higher of the investment's fair value less costs of disposal and value in use. The fair value less costs of disposal method was used to estimate the recoverable amount for all investments in subsidiaries and is consistent with the recoverable amounts of the calculated CGUs mentioned above or aggregation thereof.

The recoverable amounts of applicable CGUs as described above (individually or in aggregate, as appropriate) are allocated to recover firstly any loans to subsidiaries and thereafter to the investments in subsidiaries.

An impairment loss of R10 million was recognised against the investments in subsidiaries during the year under review.

These impairment assessments were considered matters of most significance to our current year audit due to the significant judgment involved in determining the recoverable amounts of CGUs, as well as the magnitude of the impairments recognised in the current year.

- We assessed the reasonableness of management's future forecasts of annual production volumes, recovery grade, capital expenditure and operating unit costs included in the cash flow forecasts by comparing them to current and historical operational results, Reserves and Resources signed off by the Group's Competent Person and final approved budgets. We evaluated differences noted against relevant documentation and explanations obtained from management;
- We used our valuations expertise to test the short-, medium and long-term real commodity prices and exchange rates (R/US$ and PGK/US$) by benchmarking them against analysts' forecasts. Based on the work performed, we found management's assumptions to be within a reasonable range of possible prices;
- We independently calculated a range of discount rates, including using relevant independent third-party sources and data such as the cost of debt, risk-free rates in the market, market risk premiums, debt/equity ratios, the beta of comparable companies, as well as the impact of economic and industry factors. In cases where discount rates determined by us differed from those used by management we gained an understanding of the differences and assessed there to be no material impact on the impairment assessment; and
- Using the assumptions tested above, we recalculated the results of management's discounted cash flow models by using independently obtained key input assumptions such as commodity prices, exchange rates and market discount rates and found management's final recoverable amounts to be within a reasonable range of possible outcomes.

We evaluated management's resource multiple valuations by performing procedures which included:

- We reconciled the outside life-of-mine resource ounces used within the valuation calculation of the resource base values in the CGUs, to the total resources signed off by the Group's Competent Person and found these to be comparable;
- For undeveloped properties and certain additional resource bases, we agreed

the resources used in management's valuation to the ounces as signed off by the Group's Competent Person, without exception; and

- We used our valuations expertise to assess the reasonableness of the resource multiple valuation used by management by benchmarking these against recent transactions within the gold mining industry, and noted no further matters for consideration.

Impairment of investments in subsidiaries

Following a similar approach as described above, we assessed the recoverable amounts of the investment in subsidiaries (including the underlying assumptions and calculations as described above). We compared the recoverable amounts to the carrying amount of investments in subsidiaries, and noted no material differences in the impairment recognised.

We evaluated the disclosures included within the notes to the consolidated and separate financial statements against the requirements of IFRS and noted no further matters for consideration.

Acquisitions and business combinations

This key audit matter relates to the Group financial statements.

Refer to note 14 (Acquisitions and business combinations) of the Group financial statements on page 57.

As a result of the acquisition of the Mponeng operations and related assets, a gain on bargain purchase amounting to R303 million was recorded in the Group income statement. The gain arose as the difference between the cash consideration paid of R3 366 million (US$200 million), the "at acquisition date" contingent consideration fair valued approximating R544 million and the fair value of identifiable net assets acquired of R4 213 million.

The last condition precedent for the acquisition was fulfilled during September 2020, resulting in an acquisition date of 1 October 2020.

During the measurement period, being the 12

We evaluated the underlying acquisition agreements to ensure the appropriate accounting treatment in terms of IFRS 3, *Business Combinations,* and the Group's accounting policies have been applied. Based on our evaluation, we accepted the application of IFRS 3 and the Group's accounting policies.

We held discussions with management and inspected the documentation supporting the acquisition process to obtain an understanding of management's process for identifying all the separately identifiable assets acquired and liabilities assumed.

We assessed the completeness and appropriateness of the identification of assets acquired and liabilities assumed by evaluating the relevant acquisition documents (including but not limited to acquisition agreements, board and committee meeting minutes, due diligence reports etc), utilising the experience of our internal valuation and sustainability and climate change experts and conducting site visits to the acquired operations. We focused on inspecting the Mponeng business, West Wits closure business, Mine Waste Solutions business and months permitted from acquisition date in terms of IFRS 3, *Business Combinations*, for the completion of the fair value exercise, management received new information relating to conditions that existed at acquisition date. As a result, management processed measurement period adjustments of R850 million resulting in a revised gain on bargain purchase from the previously reported provisional amount of R1 153 million to R303 million. The measurement period adjustments were concluded and the final fair values have been reported as at 30 June 2021.

In performing the fair value exercise, management engaged external valuation experts to assist in determining the fair value of the net assets acquired in accordance with IFRS 3, *Business Combinations*.

The determination of the fair value of the acquired assets and liabilities is complex and management have applied significant estimates and judgements in determining the key assumptions applied in the fair value exercise.

Detailed below are the key assumptions applied by management to the areas of most significance; which include the fair values of property, plant & equipment, provision for environmental rehabilitation and the streaming arrangement with Franco-Nevada:

Property, plant and equipment

The final fair value for property, plant & equipment as at the acquisition date amounts to R6 024 million.

Key assumptions applied in the valuation included gold prices, marketable discount rates, exchange rates and life-of-mine plans. Due to the volatility associated with the potential upside driven by the higher gold prices in the short to medium term, management opted to apply conservative gold price assumptions in order to cater for this, which were still in line with a market participant's view.

Streaming arrangement

The final fair value of the streaming arrangement liability as at the acquisition date

the Vaal River closure business. We did not note any material unidentified or inappropriate assets and liabilities.

We evaluated the design, implementation and operating effectiveness of the relevant internal controls over management's process to develop their estimate of the fair value of net assets, including controls over the preparation, review and approval of the final values of attributable assets and assumed liabilities, the determination of significant assumptions used in the calculations and management's controls over the work performed by management experts.

We assessed the independence, professional competence, objectivity and capabilities of management's external valuations experts involved in the valuation of the Mponeng operations and related assets at the transaction date.

In assessing the work performed by management's external valuation expert we utilised our internal valuation expertise to:

- Assess the adequacy and appropriateness of the valuation methodologies used to value the recognised assets and liabilities;
- Assess the appropriateness of the assumptions applied in determining the fair value of assets acquired and liabilities assumed with specific focus on the valuation of property, plant and equipment, provision for environmental rehabilitation and the streaming arrangement with Franco-Nevada; and
- Recompute the resulting gain on bargain purchase recognised on acquisition.

Property, plant and equipment and streaming arrangement

In evaluating the fair value of property, plant and equipment acquired and the streaming arrangement liability with Franco-Nevada, we tested the key estimates and assumptions used by management by performing, amongst others, the following procedures:

- We tested the accuracy of the life-of-mine plan models used by management through independent calculation of the models used by management's expert models and tested the valuation by comparing the forecasted production volumes, operating costs, capital costs and unit costs forecasted to historical results. We noted no further matters for consideration;

was R1 417 million of which R479 million was recorded as a current liability.

Key assumptions used in the calculation of the fair value of the streaming liability are the difference between a market analyst consensus of gold prices into the future and the fixed cash consideration to be received for gold delivered in accordance with the agreement, discounted using the post-tax real rate over the expected settlement period.

Provision for environmental rehabilitation

The final fair value of the provision for environmental rehabilitation as at the acquisition date amounted to R1 856 million.

Significant judgement was applied in estimating the ultimate rehabilitation cost that will be required in future to rehabilitate the acquired mines, related surface infrastructure and tailings dams. Management engaged external and internal experts to assess the future rehabilitation costs of the acquired businesses.

Key economic assumptions used in the calculation of the fair value of the rehabilitation liability are the pre-tax risk-free rates used for discounting the future expected cash outflows and inflation rates for cost escalation during the forecasted settlement period.

The acquisition was a matter of most significance to our current year audit due to the significant judgment involved in the valuation of the fair value of net assets acquired as well as the magnitude of the acquired net assets within the Group.

- Utilising our valuations expertise, we tested the gold prices, marketable discount rates and exchange rates by benchmarking the assumptions applied against analysts' forecasts and independently obtained economic data. Based on the procedures performed, we noted some of the valuation results to be outside of our independently determined ranges. Where the ranges determined by us differed from those used by management, we obtained an understanding of the differences and assessed the impact thereof on our final tests performed over the valuation results as noted below;
- We further utilised our valuation expertise to independently reperform the fair value calculations using our independently determined gold prices, marketable discount rates and exchange rates. The valuation results were found to be within an acceptable range; and
- Using our valuation expertise, we assessed the methodologies and information used by management's experts with reference to accepted industry practice and market benchmarks, with a specific focus on the replacement cost values, remaining useful lives assumed and economic obsolescence tests performed.

Provision for environmental rehabilitation

In testing the fair value calculations supporting the provision for environmental rehabilitation we performed, amongst others, the following procedures:

- We tested the mathematical accuracy of the calculations;
- We compared the forecasted rehabilitation costs to the report prepared by management's expert and the timing of the forecasted cash rehabilitation cost outflows to the respective at acquisition life-of-mine plans for the respective mines; and
- We assessed the reasonableness of the inflation and discount rates applied by management by benchmarking these to market-related information independently obtained. We found these to be within a reasonable range.

	With the assistance of our sustainability and climate change experts we assessed the work performed by management's expert's in determining the future cost of rehabilitation of the acquired businesses by performing the following procedures: ● Conducted site visits and obtained a detailed understanding of the acquired mines, surface infrastructure and related environmental disturbances from operational management; ● We assessed the objectivity, competence and experience of management experts by obtaining evidence relating to their qualifications and professional membership. In doing so, we inspected their CVs and considered whether the management experts, where applicable, were in good standing with the relevant professional bodies; ● We assessed the reasonableness of the methodologies followed by management's expert to determine the forecasted closure costs and found it to be in line with industry accepted practice; ● We compared the forecasted closure cost rates used by management to publicly available information, as well as ongoing rehabilitation activities undertaken by the Company, current and historical rates used by management's experts and found that the rates used by management are within a reasonable range of these benchmarks; and ● We evaluated the environmental reports prepared by management's experts to assist in the calculation of the provision for reasonableness based on our knowledge and experience of the industry, regulation and best practices. We critically evaluated the measurement period adjustments and the final fair value disclosures included within the notes to the group financial statements against the requirements of IFRS and noted no matters for further consideration.

Other information

The directors are responsible for the other information. The other information comprises the information included in the documents titled ”Harmony Financial Report 2021”, “Harmony Integrated Annual Report 2021”, “Harmony Environment, Social and Governance Report (ESG Report) 2021”, “Harmony Mineral Resources and Mineral Reserves 2021”, “Harmony Report to Shareholders 2021”, “Harmony Operational Report 2021”, and “Harmony Climate-Related Financial Disclosures 2021”, which includes the Directors’ Report, the Audit and Risk Committee: Chairperson’s Report and the Group Company Secretary’s Certificate as required by the Companies Act of South Africa. The other information does not include the consolidated or the separate 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, 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 the 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, actions taken to eliminate threats or safeguards applied.

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.

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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 seventy one years.

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc.
Director: CS Masondo
Registered Auditor
Johannesburg, South Africa

28 October 2021

The examination of controls over the maintenance and integrity of the Group's website is beyond the scope of the audit of the financial statements. Accordingly, we accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

GROUP INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2021

		SA Rand		
Figures in million	Notes	**2021**	Re-presented* 2020	Re-presented* 2019
Revenue	5	**41 733**	29 245	26 912
Cost of sales	6	**(35 489)**	(25 908)	(28 869)
Production costs		**(29 774)**	(22 048)	(20 324)
Amortisation and depreciation		**(3 875)**	(3 508)	(4 054)
Impairment of assets		**(1 124)**	—	(3 898)
Other items		**(716)**	(352)	(593)
Gross profit/(loss)		**6 244**	3 337	(1 957)
Corporate, administration and other expenditure	7	**(1 068)**	(611)	(731)
Exploration expenditure		**(177)**	(205)	(148)
Gains/(losses) on derivatives	19	**1 022**	(1 678)	484
Foreign exchange translation gain/(loss)	8	**670**	(892)	(86)
Other operating expenses	9	**(241)**	(309)	(100)
Operating profit/(loss)		**6 450**	(358)	(2 538)
Gain on bargain purchase	14	**303**	—	—
Acquisition-related costs	14	**(124)**	(45)	—
Share of profits from associate	21	**83**	94	59
Investment income	10	**331**	375	308
Finance costs	11	**(661)**	(661)	(575)
Profit/(loss) before taxation		**6 382**	(595)	(2 746)
Taxation	12	**(1 258)**	(255)	139
Net profit/(loss) for the year		**5 124**	(850)	(2 607)
Attributable to:				
Non-controlling interest		**37**	28	—
Owners of the parent		**5 087**	(878)	(2 607)
Earnings/(loss) per ordinary share (cents)				
Total earnings/(loss)	13	**842**	(164)	(498)
Diluted earnings/(loss) per ordinary share (cents)				
Total earnings/(loss)	13	**825**	(166)	(500)

**Refer to note 2 for further information on the re-presentation of financial statement line items.*

The accompanying notes are an integral part of these consolidated financial statements. For the separate financial statements of the company, please refer to pages 119 to 162.

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2021

		SA Rand		
Figures in million	Notes	2021	Re-presented* 2020	Re-presented* 2019
Net profit/(loss) for the year		**5 124**	(850)	(2 607)
Other comprehensive income for the year, net of income tax		**3 251**	(1 958)	(684)
Items that may be reclassified subsequently to profit or loss	25	**3 233**	(1 998)	(677)
Foreign exchange translation gain/(loss)		**(1 234)**	1 199	(50)
Remeasurement of gold hedging contracts		**4 467**	(3 197)	(627)
Items that will not be reclassified to profit or loss	25	**18**	40	(7)
Total comprehensive income for the year		**8 375**	(2 808)	(3 291)
Attributable to:				
Non-controlling interest		**58**	12	—
Owners of the parent		**8 317**	(2 820)	(3 291)

***Refer to note 2 for further information on the re-presentation of financial statement line items.**

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

GROUP BALANCE SHEET

AS AT 30 JUNE 2021

		SA Rand	
Figures in million	Notes	At 30 June 2021	Re-presented* At 30 June 2020
ASSETS			
Non-current assets			
Property, plant and equipment	15	**33 597**	29 186
Intangible assets	16	**365**	536
Restricted cash and investments	17	**5 232**	3 642
Investments in associates	21	**126**	146
Deferred tax assets	12	**272**	531
Other non-current assets	18	**332**	435
Derivative financial assets	19	**328**	50
Total non-current assets		**40 252**	34 526
Current assets			
Inventories	23	**2 542**	2 421
Restricted cash and investments	17	**67**	62
Trade and other receivables	20	**1 652**	1 308
Derivative financial assets	19	**1 471**	18
Cash and cash equivalents		**2 819**	6 357
Total current assets		**8 551**	10 166
Total assets		**48 803**	44 692
EQUITY AND LIABILITIES			
Share capital and reserves			
Attributable to equity holders of the parent company		**31 160**	23 371
Share capital and premium	24	**32 934**	32 937
Other reserves	25	**6 399**	3 017
Accumulated loss		**(8 173)**	(12 583)
Non-controlling interest		**54**	4
Total equity		**31 214**	23 375
Non-current liabilities			
Deferred tax liabilities	12	**2 178**	996
Provision for environmental rehabilitation	26	**4 662**	3 408
Other provisions	27	**926**	910
Borrowings	32	**2 974**	7 463
Contingent consideration liability	29	**417**	—
Other non-current liabilities	30	**178**	101
Derivative financial liabilities	19	**6**	879
Streaming contract liability	31	**695**	—
Total non-current liabilities		**12 036**	13 757
Current liabilities			
Other provisions	27	**175**	175
Borrowings	32	**387**	255
Trade and other payables	33	**4 389**	3 006
Derivative financial liabilities	19	**206**	4 124
Streaming contract liability	31	**396**	—
Total current liabilities		**5 553**	7 560
Total equity and liabilities		**48 803**	44 692

**Refer to note 2 for further information on the re-presentation of financial statement line items.*

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

GROUP STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 30 JUNE 2021

	Number of ordinary shares issued	Share capital and premium	Accumulated loss	Other reserves	Non-controlling interest	Total
Notes	24	24		25		
Figures in million (SA Rand)						
Balance – 30 June 2018	500 251 751	29 340	(9 103)	5 145	—	25 382
Impact of adopting IFRS 9	—	—	—	82	—	82
Re-presented opening balance – 1 July 2018	500 251 751	29 340	(9 103)	5 227	—	25 464
Issue of shares						
– Shares issued and fully paid	11 032 623	211	—	—	—	211
– Exercise of employee share options	21 856 821	—	—	—	—	—
– Harmony ESOP Trust	6 700 000	—	—	—	—	—
Share-based payments	—	—	—	230	—	230
Net loss for the year	—	—	(2 607)	—	—	(2 607)
Other comprehensive income for the year	—	—	—	(684)	—	(684)
Balance – 30 June 2019	539 841 195	29 551	(11 710)	4 773	—	22 614
Issue of shares						
– Shares issued and fully paid	60 278 260	3 386	—	—	—	3 386
– Exercise of employee share options	3 023 251	—	—	—	—	—
Share-based payments	—	—	—	186	—	186
Recognition of non-controlling interest	—	—	5	—	(5)	—
Net loss for the year	—	—	(878)	—	28	(850)
Other comprehensive income for the year	—	—	—	(1 942)	(16)	(1 958)
Dividends paid	—	—	—	—	(3)	(3)
Balance – 30 June 2020	603 142 706	32 937	(12 583)	3 017	4	23 375
Issue of shares						
– Exercise of employee share options	**12 909 491**	**—**	**—**	**—**	**—**	**—**
Share issue costs	**—**	**(3)**	**—**	**—**	**—**	**(3)**
Share-based payments	**—**	**—**	**—**	**156**	**—**	**156**
Partial purchase of non-controlling interest	**—**	**—**	**—**	**(4)**	**(1)**	**(5)**
Net profit for the year	**—**	**—**	**5 087**	**—**	**37**	**5 124**
Other comprehensive income for the year	**—**	**—**	**—**	**3 230**	**21**	**3 251**
Dividends paid	**—**	**—**	**(677)**	**—**	**(7)**	**(684)**
Balance – 30 June 2021	**616 052 197**	**32 934**	**(8 173)**	**6 399**	**54**	**31 214**

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

GROUP CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2021

		SA Rand		
Figures in million	Notes	**2021**	2020	2019
CASH FLOW FROM OPERATING ACTIVITIES				
Cash generated by operations	34	**9 741**	5 031	5 052
Dividends received		**85**	—	—
Interest received		**171**	86	69
Interest paid		**(234)**	(370)	(387)
Income and mining taxes paid		**(584)**	(24)	(55)
Cash generated by operating activities		**9 179**	4 723	4 679
CASH FLOW FROM INVESTING ACTIVITIES				
Increase in restricted cash and investments	17	**(48)**	(21)	(15)
Amounts refunded from restricted cash and investments	17	**34**	5	187
Redemption of preference shares from associates	21	**36**	59	32
Acquisition of Mponeng operations and related assets	14	**(3 363)**	—	—
ARM BBEE Trust loan repayment	18	**264**	—	—
ARM BBEE Trust loan advanced	18	**(264)**	—	—
Capital distributions from investments	18	**8**	7	30
Proceeds from disposal of property, plant and equipment		**11**	2	5
Additions to property, plant and equipment		**(5 142)**	(3 610)	(5 036)
Cash utilised by investing activities		**(8 464)**	(3 558)	(4 797)
CASH FLOW FROM FINANCING ACTIVITIES				
Borrowings raised	32	**—**	6 541	1 522
Borrowings repaid	32	**(3 491)**	(5 661)	(1 353)
Proceeds from the issue of shares	14	**—**	3 466	211
Partial repurchase of non-controlling interest		**(5)**	—	—
Dividend paid	13	**(684)**	(3)	—
Lease payments	28	**(119)**	(38)	—
Cash generated/(utilised) from financing activities		**(4 299)**	4 305	380
Foreign currency translation adjustments		**46**	(106)	25
Net increase/(decrease) in cash and cash equivalents		**(3 538)**	5 364	287
Cash and cash equivalents - beginning of year		**6 357**	993	706
Cash and cash equivalents - end of year		**2 819**	6 357	993

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

NOTES TO THE GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

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). Uranium and silver are produced as by-products.

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 financial statements were authorised for issue by the board of directors on 28 October 2021.

2 ACCOUNTING POLICIES

Basis of preparation

The principal accounting policies applied in the preparation of the consolidated financial statements have been consistently applied in all years presented except for the changes as described under"Recent accounting developments" below.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) and IFRS Interpretations Committee (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 Listing Requirements and the Companies Act of South Africa.

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

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

Comparative information

As a result of the acquisition of AngloGold Ashanti Limited's (AGA) remaining South African assets, collectively Mponeng operations and related assets (refer to note 14), a change in the materiality thresholds applied by management resulted in certain of the financial statement line items either being aggregated or disaggregated in the related primary financial statement as at and for the year ended 30 June 2021. As a result and in accordance with the requirements of IFRS, the comparatives were also re-presented accordingly, as noted in the table below.

Line item	Presentation in FY21 annual financial statements	Presentation in FY20 annual financial statements
Group income statement		
Foreign exchange translation gain/(loss)	Disaggregated and disclosed as a separate line item	Included in other operating expenses. The total for other operating expenses for FY20 was R1 201 million and FY19 was R186 million.
Group statement of comprehensive income		
Items that will not be reclassified to profit or loss	Aggregated	Disaggregated
Group balance sheet		
Restricted cash	Aggregated and disclosed in the restricted cash and investments line item	Disclosed as a separate line item. The FY20 balance for the non-current portion was R107 million and the balance for the current portion was R62 million.
Restricted investments	Aggregated and disclosed in the restricted cash and investments line item	Disclosed as a separate line item. The balance for FY20 was R3 535 million.
Non-current inventories	Aggregated and disclosed in the other non-current assets line item	Disclosed as a separate line item. The balance for FY20 was R47 million.
Retirement benefit obligation	Aggregated and disclosed in the other provisions line item	Disclosed as a separate line item. The balance for FY20 was R193 million.
Provision for silicosis settlement	Aggregated and disclosed in the other provisions line item	Current and non-current portion disclosed as a separate line item. The FY20 balance for the non-current portion was R717 million and the balance for the current portion was R175 million.

Recent accounting developments

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

During the financial year, the following new standards, amendments to standards and interpretations to existing standards were adopted by the group. No other standards and amendments to standards that became effective during the 2021 year were relevant to the consolidated financial statements.

Conceptual Framework for Financial Reporting

The IASB revised the Conceptual Framework for Financial Reporting (Conceptual Framework) to include further guidance on measurement, improve definitions of an asset and a liability, provide guidance on reporting financial performance and clarify the roles of stewardship, prudence and measurement uncertainty in financial reporting. The revised Conceptual Framework applies to annual periods beginning on or after 1 January 2020. The amendments did not have a material impact on the group.

2 ACCOUNTING POLICIES continued

Recent accounting developments continued

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

IFRS 3 *Business Combinations* (Amendment)

The amendments make it easier for companies to decide whether activities and assets they acquire are a business or merely a group of assets. The amendments:

- Confirm that a business must include inputs and a process, and clarified that: (i) the process must be substantive and (ii) the inputs and process must together significantly contribute to creating outputs;
- Narrow the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and
- Add a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.

The amendments apply for annual periods beginning on or after 1 January 2020. Refer to note 14 for the acquisition assessed using these amendments. The amendments did not have a material impact on the group.

IFRS 7 *Financial Instrument: Disclosures and IFRS 9 Financial Instruments* (Amendment)

The IASB issued an amendment to IFRS 9, IAS 39 and IFRS 7 insofar as they are affected by the Interest Rate Benchmark Reform and uncertainty during the reform period. The amendment addresses only the following hedge accounting requirements that are based on a forward-looking analysis:

- The highly probable requirement;
- Prospective assessments; and
- Separately identifiable risk components.

The amendments also require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. Other than these specific amendments, the hedge accounting requirements would be unchanged. The amendments apply for annual periods beginning on or after 1 January 2020. The amendments did not have a material impact on the group.

IAS 1 *Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors* (Amendment)

The amendments clarify and align the definition of "material" and provide guidance to help improve consistency in the application of materiality whenever it is used in IFRS Standards. The amendments apply for annual periods beginning on or after 1 January 2020. The amendments did not have a material impact on the group.

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

At the date of authorisation of these financial statements, the standards, amendments to standards and interpretations listed below were in issue but not yet effective. These 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.

IFRS 7 *Financial Instrument: Disclosures and IFRS 9 Financial Instruments* (Amendment)

The IASB has published 'Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) with amendments that address issues that might affect financial reporting during the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate (replacement issues). The IASB has made amendments to the requirements in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to:

- Changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities;
- Hedge accounting; and
- Disclosures

The amendments are effective for annual periods beginning on or after 1 January 2021, with earlier application permitted. After consideration of all areas impacted, Harmony concluded that the amendments are not expected to have a material impact on the group.

IFRS 9 *Financial Instruments* (Amendment)

The amendment to IFRS 9 clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. This amendment is effective for annual periods beginning on or after 1 January 2022. The amendment is not expected to have a material impact on the group.

IAS 1 *Presentation of Financial Statements* (Amendment)

The IASB issued amendments to IAS 1 Presentation of Financial Statements to clarify its requirements for the presentation of liabilities in the statement of financial position. The amendments are effective from annual reporting periods beginning on or after 1 January 2023. The amendments are not expected to have a material impact on the group.

IAS 1 *Presentation of Financial Statements* (Amendment)

The IASB amended paragraphs 117 - 122 of IAS 1 to require entities to disclose their material accounting policy information rather than their significant accounting policies. The amendments are effective from annual reporting periods beginning on or after 1 January 2023. Harmony is still assessing the impact of this amendment on the group.

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

2 ACCOUNTING POLICIES continued

Recent accounting developments continued

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

IAS 8 *Accounting policies, Changes in Accounting Estimates and Errors* (Amendment)

The amendments introduce the definition of accounting estimates and included other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023. The amendments are not expected to have a material impact on the group.

IAS 12 *Income taxes* (Amendment)

The IASB issued ***Deferred tax related to Assets and Liabilities arising from a Single Transaction*** (Amendment to IAS 12) to narrow the scope of IAS 12 recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The amendments are effective for annual reporting periods beginning on or after 1 January 2023. The amendments are not expected to have a material impact on the group.

IAS 16 *Property, Plant and Equipment* (Amendment)

The IASB issued ***Property, Plant and Equipment—Proceeds before Intended Use***, which prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. This amendment is effective for annual periods beginning on or after 1 January 2022. Harmony is currently assessing the impact that this would have on the group.

IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* (Amendment)

The IASB issued ***Onerous Contracts–Cost of Fulfilling a Contract***, which specifies which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. This amendment is effective for annual periods beginning on or after 1 January 2022. The amendment is not expected to have a material impact on the group.

Measurement basis

The financial statements have been prepared under the historical cost convention except for certain financial assets and financial liabilities which are measured at fair value through profit or loss or other comprehensive income - refer to note 39.

Group accounting policies

Accounting policies are included in the relevant notes to the consolidated financial statements and have been highlighted between red lines in the notes to the consolidated financial statements. The accounting policies that follow are applied throughout the 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 to direct the activities of 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 an acquiree 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 previously held 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.

2 ACCOUNTING POLICIES continued

Group accounting policies continued

2.1 Consolidation continued

(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, or other governing body, 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.

(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 results 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, which is the group's presentation currency.

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. This includes the gains and losses on the translation of the US$-denominated facilities

(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.

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

2 ACCOUNTING POLICIES continued

Group accounting policies continued

2.2 Foreign currency translation continued

(iii) Group companies continued

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.

2.3 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). At inception of the hedge relationship, the group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The group documents its risk management objective and strategy for undertaking its hedge transactions.

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 and US$ 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 ACCOUNTING POLICIES continued

Group accounting policies continued

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. At this point the expenditure is capitalised as mine development cost to the extent that future economic benefits are expected.

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 to the extent that future economic benefits are expected. 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.

2.5 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 unit or CGU). 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 commodity prices (considering current and historical prices, price trends and related factors), production levels and cash costs of production, all based on life-of-mine (LoM) 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. Except for 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.

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

2 ACCOUNTING POLICIES continued

Group accounting policies continued

2.5 Impairment of non-financial assets continued

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 group. Any gains or losses on capital transactions are presented below the operating profit line.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements in conformity with IFRS requires the group's management to make estimates and assumptions that affect the reported amounts of assets and liabilities as well as 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. Refer to the specific notes below for further information on the key accounting estimates and assumptions applied.

- Estimate of taxation – note 12;
- Recognition of deferred tax asset – note 12;
- Valuation of cash generating units acquired - note 14;
- Fair value of identifiable net assets acquired - note 14;
- Streaming contract liability - note 14 and 31;
- Estimate of deferred tax rates on acquisition date - note 14;
- Gold mineral reserves and resources – note 15;
- Production start date – note 15;
- Stripping activities – note 15;
- Impairment of assets – note 15;
- Depreciation of property plant and equipment – note 15;
- Exploration and evaluation assets – note 15;
- Impairment of goodwill – note 16;
- Valuation of interest in associate – note 21;
- Provision for stock obsolescence - note 23;
- Estimate of exposure and liabilities with regard to rehabilitation costs – note 26;
- Estimate of provision for silicosis settlement – note 27;
- Estimate of employee benefit liabilities – note 27;
- Leases - note 28;
- Valuation of contingent consideration liability - note 29;
- Fair value of share-based payments – note 36;
- Assessment of contingencies – note 38; and
- Valuation of derivative financial instruments – note 39.

4 COVID-19 IMPACT

South Africa

The national lockdown that began on 27 March 2020 to curb the spread of the Coronavirus (Covid-19) and allow the country time in which to prepare for the demands the pandemic would have on its health care system is still in place. Harmony continues with the risk assessment-based Covid-19 prevention strategy which was rolled out across all of its operations before the lockdown was announced. This approach has allowed management to identify, evaluate and rank the hazards associated with any exposures to Covid-19 and potential infections. It has allowed the company to reduce or eliminate the probability of an employee contracting Covid-19 and to limit the severity should an employee be infected.

Harmony's Covid-19 Standard Operating Procedure (SOP) has been adopted and rolled out, ensuring a safe return to work and work environment for each of its employees. The SOP was informed by guidelines provided by the Department of Mineral Resources and Energy, the National Council for Infectious Diseases and the World Health Organisation.

All requisite staffing, facilities and equipment are in place to ensure continuous rigorous screening of employees at work, as well as isolate or quarantine employees infected by or exposed to Covid-19, with subsequent testing and treatment. Management adapt the approach continuously as more information becomes available and new best practices evolve.

Papua New Guinea

Harmony's Hidden Valley mine in Papua New Guinea has continued to operate during the Covid-19 State of Emergency declared in the country. However restrictions on international travel and the implementation of strict Covid-19 control protocols required longer employee rosters, including rostered days off on site to manage fatigue, which has negatively impacted productivity. Work is being done to mitigate this impact. The delivery of essential supplies to the mine has continued, with strict isolation control measures in place. All non-essential staff have been temporarily removed from site and certain activities and expenditures have been curtailed to focus on safe, profitable operations during the pandemic. Protocols were adopted to allow the safe movement of personnel to and from site.

Vaccines

The roll-out of vaccine programmes globally since November 2020, despite the subsequent discovery of several mutations, or variants, is seen as a positive move to prevent severe disease and hospitalisation. Harmony has four accredited mass vaccination sites in South Africa and three in Papua New Guinea, with plans to accredit six more sites in South Africa. Harmony expects to at least partially vaccinate 80% of its employees that are willing to be vaccinated by October 2021 and can then assist with the vaccination of employees' families and the communities in which we operate.

Financial risk management

The effects of Covid-19 and other macro developments have increased financial risks such as exchange rate, interest rate and commodity price volatility, while also impacting on liquidity and credit risk. Management has put various measures in place to mitigate and/or manage the risks and continues monitoring the situation closely. Refer to note 39 for additional detail.

Market impact

Exchange rates

Due to the impact of the Covid-19 pandemic, during the 2020 financial year the Rand weakened significantly against the US dollar and the Australian dollar, closing at R17.32/US$1 and R11.96/A$1 on 30 June 2020. During the 2021 year, the Rand strengthened against the two currencies, closing at R14.27/US$1 and R10.72/A$1 on 30 June 2021. In addition, the Papua New Guinea Kina weakened against the Australian dollar from PGK2.38/A$1 at 30 June 2020 to PGK2.63/A$1 at 30 June 2021. These movements in the currencies expose the group's operations to foreign currency gains and losses on foreign-denominated receivables and liabilities, including derivatives, and also impact the group's translation of its International operating results and net assets into its Rand presentation currency, which resulted in a foreign exchange translation gain of R1.2 billion for the 2020 year, while a foreign translation loss of R1.2 billion was recognised for the 2021 year. In addition, a net foreign exchange translation gain of R670 million (R892 million net loss in FY20) was recognised in profit or loss for the 2021 year, primarily on the US$ borrowings.

Commodity prices

Gold prices have rallied to all-time highs during the 2020 and 2021 years following the global economic fallout of Covid-19 and ongoing geopolitical uncertainty supporting its safe haven status with investors. The price of gold in US$ terms closed at US$1 770/oz on 30 June 2021, relatively unchanged from the price of US$1 781/oz on 30 June 2020. However, spot gold prices have traded in a range of between US$1 681/oz and US$2 063/oz (FY20: US$1 384/oz and US$1 781/oz) during the year, which was driven by factors such as the announcement of the successful developments of vaccines as well as the various waves of the Covid-19 infections being experienced globally.

Interest rates

The United States of America (US) as well as South African market interest rates remain stable at the recent low levels and are expected to remain low for some time to come, as economies all over the world are still impacted by the economic impact of the Covid-19 pandemic. Since the US Federal Reserve dropped the Fed Funds rate to a maximum of 0.25% in March 2020, there have been no changes to the rate. Similarly in South Africa, the South African Reserve Bank (SARB) has kept the repo rate at a low of 3.50% since reducing it to that level on 23 July 2020. In 2020 the SARB lowered the repo rate by 2.75% from 6.50% to 3.75%. Management's expectation is for interest rates to remain low as inflation is well within the target band.

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

4 COVID-19 IMPACT continued

Impact on production

During the initial phase of the South African national lockdown, the underground operations were placed on care and maintenance and employees returned to their homes across the country and in other SADC countries. On 1 May 2020, the underground operations were granted concessions to start producing at a maximum capacity of 50% and as of 1 June 2020, operational restrictions were lifted further to allow the mining industry to operate at 100% of its labour capacity. By 1 September 2020, Harmony had completed the recall of all operational employees.

Management continuously monitors the crew availability and adapts the production models accordingly. The December break was shortened to allow for a catch-up on development which had been delayed during Level 4 & 5 of the national lockdown. It also allowed for extra production days.

Due to the protocols put in place to deal with an employee who has potentially been exposed to the virus, the disruption to production has been minimal. The reduction of the quarantine time from 14 to 10 days has also seen a quicker return after a potential exposure. The use of the rapid antigen test during the January 2021 return-to-work process significantly improved the process as employees could be cleared for work within an hour of testing. Those with a positive test were immediately isolated for further case management.

Impact on critical estimates and judgements

The group considered the impact of the Covid-19 pandemic on each of its significant accounting estimates and judgements as at 30 June 2021, some which relate to the key assumptions for the calculation of the mining assets' recoverable amounts. The increase in the US$ gold price impacted the short- and medium-term views in the forecasts management received from various institutions in order to determine the assumptions for impairment testing. Refer to note 15 for further details on the assumptions used in the impairment test.

With the fair value exercise that is required for the acquisition of Mponeng operations and related assets, management made certain assumptions and estimates required in the process as at 1 October 2020. These assumptions were affected by the market volatility at the time. Refer to note 14 for further detail.

5 REVENUE

Accounting policy

Revenue from metal sales include the sale of gold, silver and uranium. Revenue from metal sales is recognised when the group satisfies its performance obligations under its contract with the customer, by transferring such metals to the customer's control. Transfer of control is generally determined to be when the risk and title to the metals passes to the customer. Revenue is measured based on the consideration specified in the contract with the customer and is driven by the quoted market prices of the metals.

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 occur. See the accounting policy for derivatives and hedging activities in note 2.

	SA Rand		
Figures in million	**2021**	2020	2019
Revenue from contracts with customers	**43 632**	30 642	26 459
Gold	**42 597**	29 704	25 693
Silver[1]	**857**	839	589
Uranium[1]	**178**	99	177
Consideration from streaming contract[2]	**397**	—	—
Hedging gain/(loss)[3]	**(2 296)**	(1 397)	453
Total revenue[4]	**41 733**	29 245	26 912

[1] *Silver is derived from the Hidden Valley mine in Papua New Guinea. Uranium is derived from the Moab Khotsong operation.*
[2] *Relates to the recognition of non-cash consideration recognised as part of revenue for the streaming arrangement. Refer to note 31 for further information.*
[3] *Relates to the realised effective portion of the hedge-accounted gold derivatives. Refer to note 19 for further information.*
[4] *A geographical analysis of revenue is provided in the segment report.*

The points of transfer of control are as follows:

• Gold: South Africa (excluding streaming contract)	Gold is delivered and a certificate of sale is issued.
• Gold and silver: Hidden Valley	Metal is collected from Hidden Valley and a confirmation of collection is sent to and accepted by the customer.
• Uranium	Confirmation of transfer is issued.
• Streaming contract	Gold is delivered and credited into the Franco-Nevada designated gold account.

5 REVENUE continued

The increase in gold revenue during the 2021 financial year is mainly due to the acquisition of the Mponeng operations and related assets and a higher gold price. The acquired operations contributed R7.5 billion in revenue during the period. In addition, the average gold price received increased by 16% to R851 045/kg from R735 569/kg in the year ended 30 June 2020. Silver produced decreased by 31% to 67 295 kg from 97 332 kg in the prior year, however the average silver price increased by 49% to R12 602/kg from R8 485/kg in 2020. Uranium produced increased by 10% to 150 778 kg from 137 298 kg in the prior year and the average uranium price increased by 15% to R1 010/kg from R875/kg in 2020.

The increase in gold and silver revenue for 2020 was mainly due to the higher commodity prices. The increase in gold revenue was offset by the decrease in production of 15% from 44 734 kg in the 2019 to 37 863 kg in the 2020 financial year. Silver produced increased by 11% to 97 332 kg in 2020 from 87 325 kg in the 2019 financial year. The decrease in uranium revenue during 2020 was due to lower sales volumes as a result of the South African nationwide lockdown that took place due to Covid-19.

Below are the average commodity prices received for the financial years:

	2021	2020	2019
Gold[1]			
– US$ per ounce (US$/oz)	**1 719**	1 461	1 287
– Rand per kilogram (R/kg)	**851 045**	735 569	586 653
Silver			
– US$ per ounce (US$/oz)	**25.45**	16.85	15.00
– Rand per kilogram (R/kg)	**12 602**	8 485	6 837
Uranium			
– US$ per pound (US$/lb)	**29.76**	25.34	26.23
– Rand per kilogram (R/kg)	**1 010**	875	820

[1] *The gold price includes the realised effective portion of the hedge-accounted gold derivatives.*

6 COST OF SALES

	SA Rand		
Figures in million	**2021**	2020	2019
Production costs (a)	**29 774**	22 048	20 324
Amortisation and depreciation of mining assets (b)	**3 777**	3 409	3 961
Amortisation and depreciation of assets other than mining assets (b)	**98**	99	93
Rehabilitation expenditure (c)	**135**	47	33
Care and maintenance costs of restructured shafts	**144**	146	134
Employment termination and restructuring costs (d)	**332**	40	242
Share-based payments (e)	**114**	130	155
Impairment of assets (f)	**1 124**	—	3 898
Other	**(9)**	(11)	29
Total cost of sales	**35 489**	25 908	28 869

(a) Production costs include mine production, 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 increased by R7 726 million (35% year on year) during the year ended 30 June 2021. These costs increased mainly as a result of the acquisition of the Mponeng operations and related assets, which contributed R5 230 million to the increase. The remaining increase is mainly attributable to higher utilities and labour costs as a result of annual increases. Also contributing is the royalty expense which increased due to increased profitability as a result of the higher gold prices, which also impacted on the rates at which royalties are calculated.

Production costs increased during the 2020 year mainly in line with expectations, with the South African national lockdown from the end of March 2020 due to Covid-19 impacting on production volumes while the cost base remained mostly unchanged. Contributing to the increase for the 2020 year is a decrease of R557 million in the capitalised stripping credit related to the Hidden Valley operation.

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

6 COST OF SALES continued

(a) Production costs continued

Production costs, analysed by nature, consist of the following:

	SA Rand		
Figures in million	**2021**	2020	2019
Labour costs, including contractors	**17 585**	13 004	12 715
Consumables	**7 218**	5 441	5 532
Water and electricity	**5 138**	3 664	3 398
Insurance	**208**	154	126
Transportation	**177**	377	354
Change in inventory	**69**	(70)	(166)
Capitalisation of mine development costs	**(2 117)**	(1 485)	(1 880)
Stripping activities	**(1 047)**	(675)	(1 197)
Royalty expense	**637**	327	193
Other	**1 906**	1 311	1 249
Total production costs	**29 774**	22 048	20 324

(b) The increase for the 2021 year is as a result of the operations running for the entire year with no lockdown while the charge for 2020 was impacted by lower production due to the closure of underground operations as a result of the Covid-19 pandemic. The inclusion of the Mponeng operations and related assets in the asset base also contributes to the increase year on year.

In addition to the Covid-19 impact during the 2020 financial year, the depreciation expense was also affected by the completion of the mining of Stage 5 at Hidden Valley during the December 2019 quarter, which also contributed to the decrease. The impairments recognised on certain operations in South Africa during the 2019 year significantly impacted on the base which depreciation is calculated on and the lower carrying values contributed to the lower total compared to the comparative period.

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 2021, R15 million (2020: R47 million) (2019: R86 million) was spent on rehabilitation in South Africa. Refer to note 26. The acquisition of the Mponeng operations and related assets resulted in Harmony taking on the rehabilitation liability for these operations resulting in a R80 million increase in the rehabilitation provision expense for the year ended June 2021 as compared to June 2020.

(d) The increase in 2021 is due to a new programme for voluntary and medical severance packages offered to employees, partially related to the closure of Unisel. The employment termination and restructuring expenditure for 2020 and 2019 relates to the voluntary severance programme in place to reduce labour costs.

(e) Refer to note 36 for details on the share-based payment schemes implemented by the group.

(f) Management performed an assessment for impairment triggers as well as indications of reversal of previously recorded impairment losses at 30 June 2021. Due to the group net asset value (before any impairments being recognised or the finalisation of the fair value exercise on the acquisition of the Mponeng operations and related assets) exceeding the market capitalisation of Harmony as at 30 June 2021, the recoverable amounts for all cash-generating units (CGUs) were calculated. The recoverable amounts for these assets were determined on a fair value less cost to sell basis using assumptions per note 15 in the discounted cash flow models and attributable resource values. These are fair value measurements classified as level 3. Based on the impairment tests performed, impairments were recorded on certain operations for the 2021 year.

Where CGUs had previously been impaired, management considered whether the impairment loss (or the contributors to the previously recognised impairment loss) no longer exists or might have decreased. Management considered general and specific factors for each CGU and concluded that although overall the gold price had improved from the time that the impairment losses had been recognised, the specific circumstances that led to the original impairments had not reversed. Furthermore, the service potential of the asset has not increased. Due to the continued volatility seen in the gold prices as well as the exchange rates, coupled with the fact that the factors resulting in the previously recognised impairment losses had not reversed, as well as the market capitalisation issue noted above, management resolved it to be appropriate for no reversal of previously recognised impairment losses to be recorded for the year ended 30 June 2021. There also was no reversal of impairment for the 2020 or 2019 financial years.

Refer to note 15 for further information.

6 COST OF SALES continued

(f) Impairment of assets continued

The impairment of assets consists of the following:

	SA Rand		
Figures in million	**2021**	2020	2019
Tshepong Operations	**759**	—	2 254
Bambanani	**187**	—	6
Target 3	**178**	—	318
Kusasalethu	**—**	—	690
Target 1	**—**	—	312
Joel	**—**	—	198
Other mining assets	**—**	—	120
Total impairment of assets	**1 124**	—	3 898

The recoverable amounts of the CGUs where impairments were recognised as at 30 June 2021 are as follows:

	SA Rand Recoverable amount		
Figures in million	Life-of-mine plan	Resource base	Total
Tshepong Operations			
The updated life-of-mine plan included a reduction in planned gold resulting from lower grade. There was also a change in the mining profile in the revised life-of-mine plan, which impacted on the timing of cash flows, which were then later than in comparison to the prior year plan. These changes affected the discounted cash flows used to determine the recoverable amount of the operation.	4 847	936	5 783
Bambanani			
The impairment of goodwill on Bambanani was mainly as a result of a reduction in grade over the remainder of the operation's life. The reduction in grade is due to unexpected changes in the orebody and a lower mine call factor.	341	—	341
Target 3			
Previous plans to explore the sale of the operation have been abandoned and further development is not a viable option at this stage. Therefore management has determined a recoverable amount of Rnil.	None	—	—

During the financial year ended 30 June 2020 no impairments were recognised.

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

6 COST OF SALES continued

(f) Impairment of assets continued

The recoverable amounts of the CGUs where impairments were recognised as at 30 June 2019 are as follows:

	SA Rand		
	Recoverable amount		
Figures in million	Life-of-mine plan	Resource base	Total
Tshepong Operations			
The impairment was due to the increased costs to exploit the resource base as well as a lower expected recovered grade. The decrease in the recovery grade is as a result of the change in the dilution factors applied to the outside life of mine resources.	3 811	2 055	5 866
Kusasalethu			
The decrease in grade and increased estimated costs in the resource base resulted in a lower recoverable amount. The decrease in the recovery grade is as a result of the change in the dilution factors applied to the outside life of mine resources.	1 297	—	1 297
Target 1			
The recoverable amount decreased as a result of increased costs and decrease in grade in the resource base together with the estimated impact of carbon tax. The increase in discount rate due to increased risk factors also negatively impacted on the recoverable amount.	467	609	1 076
Target 3			
The operation remained under care and maintenance. A change in valuation method from discounted cash flow model to resource multiple approach reduced the recoverable amount.	None	182	182
Joel			
The increased capital costs in the resource base together with carbon tax negatively impacted the net present value of expected cash flows.	765	87	852
Other mining assets			
The updated life-of-mine plans for the CGUs in Freegold and Avgold resulted in the impairment of other mining assets owned by the companies.	335	None	335
Bambanani			
The impairment of goodwill reduced the carrying amount of intangible assets. As goodwill is not depreciated, it resulted in an impairment as the life of the operation shortens.	763	None	763

7 CORPORATE, ADMINISTRATION AND OTHER EXPENDITURE

	SA Rand		
Figures in million	**2021**	2020	2019
Professional and legal fees	**52**	45	54
Compliance and assurance costs	**51**	39	46
Corporate business development (a)	**221**	19	19
Corporate office expenditure (b)	**707**	486	611
Other corporate and administration expenses	**37**	22	1
Total corporate, administration and other expenditure	**1 068**	611	731

(a) The increase in corporate business development is largely attributable to the integration costs of R205 million (2020: R4 million) related to the acquisition of Mponeng operations and related assets. Refer to note 14 for further detail.

(b) The increase in corporate office expenditure in 2021 is mainly due to the increase in remuneration costs and employee incentive payments from a reduced base in the 2020 financial year following the group-wide pay cuts in response to the Covid-19 pandemic.

8 FOREIGN EXCHANGE TRANSLATION GAIN/(LOSS)

	SA Rand		
Figures in million	**2021**	2020	2019
Borrowings (a)	**894**	(970)	(99)
Other items (b)	**(224)**	78	13
Total foreign exchange translation gain/(loss)	**670**	(892)	(86)

(a) The gain in 2021 is predominantly caused by favourable translations on US dollar loan balances. The favourable translations on US dollar loans are attributable to the Rand strengthening against the US dollar evidenced by an improved average and closing exchange rate of R15.40/US$1 (2020: R15.66/US$1) (2019: R14.18/US$1) and R14.27/US$1 (2020: R17.32/US$1) (2019: R14.13/US$1) respectively.

(b) This relates mainly to the translation of metal trade receivables and cash from a foreign currency to the functional currencies of the operating entities.

9 OTHER OPERATING EXPENSES

	SA Rand		
Figures in million	**2021**	Re-presented* 2020	Re-presented* 2019
Social investment expenditure	**126**	143	155
Loss on scrapping of property, plant and equipment (a)	**161**	62	21
Silicosis settlement provision/(reversal of provision) (b)	**80**	36	(62)
Loss allowance	**47**	63	7
Remeasurement of contingent consideration (c)	**(127)**	—	—
Other (income)/expense – net	**(46)**	5	(21)
Total other operating expenses	**241**	309	100

** Refer to note 2 for further information on the re-presentation of financial statement line items.*

(a) These losses arise from the derecognition of property, plant and equipment that is no longer in use. No future economic benefits are expected from the use or disposal of these assets. Refer to note 15 for further detail on the accounting policy as well as the amounts per asset category.

(b) Refer to note 27 for details on the movement in the silicosis settlement provision.

(c) Refer to note 29 for details on the remeasurement of the contingent consideration.

10 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 interest and dividends received are classified under operating activities in the cash flow statement.

	SA Rand		
Figures in million	**2021**	2020	2019
Interest income from financial assets at amortised cost	**265**	257	244
Dividend income[1]	**23**	—	—
Net gain on financial instruments[2]	**43**	118	64
Total investment income	**331**	375	308

[1] *Comprises of R18 million received from Rand Mutual Assurance and R5 million received from equity investments held by environmental trusts (refer to note 17).*
[2] *Primarily relates to the environmental trust funds and the Social Trust Fund (refer to note 17) and also includes the fair value movement of the ARM BBEE Trust loan (refer to note 18). The gains for the 2021 year were offset by a day 1 expense of R87 million on the refinancing of the ARM BBEE Trust loan in June 2021.*

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

11 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. In a year where a foreign exchange gain is recognised on the borrowings' translation, the potential impact thereof on the rate as well as the borrowing costs is disregarded.

	SA Rand		
Figures in million	**2021**	2020	2019
Financial liabilities			
Borrowings	**228**	424	402
Other creditors and liabilities	**14**	9	2
Total finance costs from financial liabilities	**242**	433	404
Non-financial liabilities			
Time value of money for other provisions	**74**	88	96
Streaming arrangements	**71**	—	—
Time value of money and inflation component of rehabilitation costs	**296**	194	208
Total finance costs from non-financial liabilities	**441**	282	304
Total finance costs before interest capitalised	**683**	715	708
Interest capitalised (a)	**(22)**	(54)	(133)
Total finance costs	**661**	661	575

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

	2021	2020	2019
Capitalisation rate (%)	**3.8**	9.4	10.4

The decrease in the capitalisation rate for 2021 is due to the exclusion of the foreign exchange gain for the year. This impacted on the interest capitalised. The decrease in the borrowing costs capitalised in 2020 compared to 2019 is due to Joel's decline project reaching commercial levels of production as well as the cessation of capitalising borrowing costs for Wafi-Golpu. For Joel, the capitalisation of borrowing costs ceased and depreciation commenced as of 1 January 2020.

12 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.

12 TAXATION continued

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 due to the complexity of legislation. 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.

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.

Management has to exercise judgement with regard to deferred tax assets. Where it is not probable that future taxable income may flow against which these assets can be offset, the deferred tax assets are not recognised.

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

	SA Rand		
Figures in million	**2021**	2020	2019
SA taxation			
Mining tax (a)	**(464)**	(56)	(19)
– current year	**(467)**	(61)	(14)
– prior year	**3**	5	(5)
Non-mining tax (b)	**(80)**	(2)	(124)
– current year	**(81)**	(2)	(121)
– prior year	**1**	—	(3)
Deferred tax (c)	**(714)**	(197)	282
– current year	**(714)**	(197)	282
Total taxation (expense)/credit	**(1 258)**	(255)	139

(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 (up to a maximum of 34%) than non-mining income (28%) as a result of applying the gold mining formula. Mining and non-mining income of Australian entities and PNG operation are taxed at a standard rate of 30%.

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.

The movement in foreign exchange translation from losses in the prior year to gains in the current year as well as higher mining taxable income due to the increase of revenue resulted in the increase in the current tax expense during the 2021 year. This was also impacted by certain companies within the group using their unredeemed capital allowances as well as assessed losses.

(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%.The expense for the 2021 and 2019 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 commodity forward sale contracts. During 2020, the losses on the derivative contracts resulted in non-mining tax losses. See discussion on deferred tax below. Refer to note 19 for details on the group's derivative gains and losses recorded.

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

12 TAXATION continued

(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.

Following the completion of the annual life-of-mine plans, management revised the weighted average deferred tax rates for all the South African operations. The higher gold price assumption used resulted in an increase in the estimated profitability and consequently higher rates than in the prior year for certain subsidiaries. Refer to note 15 for the assumptions used. These changes, together with changes in the temporary differences, had the following impacts:

- The change in rates on temporary differences at the individual company level, other than hedge accounted derivatives, resulted in an increase in the deferred tax expense and liability to the amount of R55 million.
- Unwinding of temporary differences related to unredeemed capital expenditure balance resulted in an increase of R301 million in the deferred tax expense.
- Unwinding of temporary differences related to the assessed loss balance resulted in an increase of R144 million in the deferred tax expense.
- The Rand strengthened during the year which had the effect of reducing the loss on the Rand gold contracts that matured during the 2021 financial year as well as positively impacting those that were outstanding at 30 June 2021. Refer to notes 19 and 39 for detail. The temporary differences related to the Rand gold derivatives changed from deductible temporary differences (i.e. resulting in a deferred tax asset) to taxable temporary differences (resulting in a deferred tax liability). Management assessed the rates at which the temporary differences are expected to reverse and revised the rate from the weighted average deferred tax rate to the non-mining tax rate of 28%. This accounts for R184 million of the deferred tax expense charged directly to other comprehensive income.
- As at 30 June 2020 a deferred tax asset was recognised in Harmony Gold Mining Company Limited (Harmony Company) and Randfontein Estates Limited (Randfontein Estates). Subsequently, the net deferred tax asset balance has decreased due to the utilisation of assessed losses, unredeemed capital expenditure and a decrease in the net derivative liability. Harmony Company's deferred tax asset balance reduced to R175 million while Randfontein Estates' deferred tax asset became a deferred tax liability. Furthermore, the newly acquired Chemwes (Pty) Limited (Chemwes Company) is in a net deferred tax asset position.

  A deferred tax asset continues to be recognised for Harmony Company at 30 June 2021 as it is considered probable that sufficient future taxable profits will be available against which the remaining deductible temporary differences existing at the reporting date can be utilised. Management also believes there will be sufficient future taxable income from the operations owned by Chemwes Company and therefore the entire balance of R97 million was recognised at 30 June 2021.

12 TAXATION continued

Income and mining tax rates

The tax rate remained unchanged for the 2019, 2020 and 2021 years.

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

	SA Rand		
Figures in million	**2021**	2020	2019
Tax (expense)/credit on net profit/loss at the mining statutory tax rate	**(2 170)**	202	934
Non-allowable deductions and non-taxable items	**(153)**	(221)	(241)
Share-based payments	**(49)**	(62)	(70)
Gain on bargain purchase	**102**	—	—
Acquisition and integration costs	**(75)**	—	—
Impairment of assets	**(64)**	—	(2)
Exploration expenditure	**—**	(55)	(36)
Finance costs	**(50)**	(76)	(68)
Other	**(17)**	(28)	(65)
Movement in temporary differences related to property, plant and equipment	**378**	(355)	(1 388)
Movements in temporary differences related to other assets and liabilities	**(465)**	(452)	98
Difference between effective mining tax rate and statutory mining rate on mining income	**145**	10	(175)
Difference between non-mining tax rate and statutory mining rate on non-mining income	**17**	—	19
Effect on temporary differences due to changes in effective tax rates[1]	**(55)**	(469)	83
Prior year adjustment	**(4)**	5	(8)
Capital allowances[2]	**860**	766	684
Deferred tax asset not recognised[3]	**189**	34	133
Deferred tax asset previously not recognised now recorded[4]	**—**	225	—
Income and mining taxation (expense)/credit	**(1 258)**	(255)	139
Effective income and mining tax rate (%)	**20**	(43)	5

[1] *This mainly relates to movements in the deferred tax rate related to Harmony (29.8% to 27.4%) (2020: 25.7% to 29.8%) (2019: 10.5% to 25.7%), Freegold (11.4% to 12.1%) (2020: 8.1% to 11.4%) (2019: 8.7% to 8.1%), Randfontein Estates Limited (Randfontein) (10.1% to 5.1%) (2020: 4.5% to 10.1%) (2019: 1.8% to 4.5%) and Moab (17.3% to 17.6%) (2020: 4.7% to 17.3%) (2019: 9.1% to 4.7%).*

[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 to tax losses and deductible temporary differences for which future taxable profits are uncertain and are not considered probable.*

[4] *In 2020, the assessment on whether there would be future profits for Harmony Company as well as taxable temporary differences which the deductible temporary differences can be reversed against was performed. Management concluded that there would be and therefore the deferred tax asset not recognised in the 2019 year was recognised at 30 June 2020.*

Deferred tax

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

	SA Rand	
Figures in million	**2021**	2020
Deferred tax assets	**(1 202)**	(1 803)
Deferred tax asset to be recovered after more than 12 months	**(522)**	(1 091)
Deferred tax asset to be recovered within 12 months	**(680)**	(712)
Deferred tax liabilities	**3 108**	2 268
Deferred tax liability to be recovered after more than 12 months	**2 713**	2 034
Deferred tax liability to be recovered within 12 months	**395**	234
Net deferred tax liability	**1 906**	465

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

12 TAXATION continued

Deferred tax continued

Deferred tax liabilities and assets on the balance sheet as of 30 June 2021 and 30 June 2020 relate to the following:

	SA Rand	
Figures in million	**2021**	2020
Gross deferred tax liabilities	**3 108**	2 268
Amortisation and depreciation	**2 807**	2 211
Derivative financial instruments	**276**	—
Other	**25**	57
Gross deferred tax assets	**(1 202)**	(1 803)
Unredeemed capital expenditure[1]	**(3 540)**	(4 923)
Provisions, including non-current provisions	**(1 157)**	(1 156)
Contingent consideration liability	**(47)**	—
Streaming contract liability	**(140)**	—
Derivative financial instruments	**—**	(505)
Tax losses[2]	**(1 151)**	(1 718)
Deferred tax asset not recognised[3]	**4 833**	6 499
Net deferred tax liability	**1 906**	465

[1] *Unredeemed capital expenditure mainly consists of Hidden Valley R3 157 million (2020: R4 555 million).*
[2] *The majority of the amount relates to Hidden Valley's tax losses of R1 089 million (2020: R1 327 million).*
[3] *The majority of the deferred tax asset not recognised of R4 833 million relates to Harmony's PNG operations (2020: R6 499 million).*

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

	SA Rand	
Figures in million	**2021**	2020
Balance at beginning of year	**465**	687
Expense per income statement	**714**	197
Acquisition of Mponeng operations and related assets	**(55)**	—
Tax directly charged to other comprehensive income	**782**	(419)
Balance at end of year	**1 906**	465
Deferred tax asset per balance sheet	**(272)**	(531)
Deferred tax liability per balance sheet	**2 178**	996

	SA Rand	
Figures in million	**2021**	2020
As at 30 June, the group had the following potential future tax deductions:		
Unredeemed capital expenditure available for utilisation against future mining taxable income[1]	**41 184**	43 395
Tax losses carried forward utilisable against mining taxable income[2]	**5 746**	7 356
Capital Gains Tax (CGT) losses available to be utilised against future CGT gains[4]	**570**	570
As at 30 June, the group has not recognised the following deferred tax asset amounts relating to the above:	**13 820**	14 618
The unrecognised temporary differences are:		
Unredeemed capital expenditure[3]	**37 667**	40 330
Tax losses[2]	**4 832**	5 156
CGT losses[4]	**570**	570

[1] *Includes Avgold R24 161 million (2020: R21 483 million), Randfontein R1 268 million (2020: R2 261 million), Moab Khotsong R185 million (2020: R625 million) and Hidden Valley R13 506 million (2020: R18 847 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 remained unchanged at 20%.

13 EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share

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

	2021	2020	2019
Ordinary shares in issue ('000)	**616 052**	603 143	539 841
Adjustment for weighted number of ordinary shares in issue ('000)	**(5 582)**	(61 306)	(12 974)
Weighted number of ordinary shares in issue ('000)	**610 470**	541 837	526 867
Treasury shares ('000)	**(6 184)**	(6 501)	(3 058)
Basic weighted average number of ordinary shares in issue ('000)	**604 286**	535 336	523 809

	SA Rand		
	2021	2020	2019
Total net profit/(loss) attributable to shareholders (million)	**5 087**	(878)	(2 607)
Total basic earnings/(loss) per share (cents)	**842**	(164)	(498)

Diluted earnings/(loss) per share

For diluted earnings/(loss) 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.

	2021	2020	2019
Weighted average number of ordinary shares in issue ('000)	**604 286**	535 336	523 809
Potential ordinary shares[1] ('000)	**12 099**	11 858	9 537
Weighted average number of ordinary shares for diluted earnings per share[1] ('000)	**616 385**	547 194	533 346

	SA Rand		
	2021	2020	2019
Total diluted earnings/(loss) per share (cents)[2]	**825**	(166)	(500)

[1] *Due to the net loss attributable to shareholders in 2020 and 2019, the inclusion of the share options as potential ordinary shares had an anti-dilutive effect on the loss. The issue price and the exercise price of share options issued to employees 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.*

[2] *The dilution in 2020 and 2019 is as a result of the potential reduction in earnings attributable to equity holders of the parent company as a result of the exercise of the Tswelopele Beneficiation Operation (TBO) option. TBO contributed a profit and therefore the reduction in earnings attributable to Harmony would increase the loss and loss per share. Following the vesting of the option in December 2019, there has been no further impact.*

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

13 EARNINGS/(LOSS) PER SHARE continued

Headline earnings/(loss) per share

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

	SA Rand		
Figures in million	**2021**	2020	2019
Net profit/(loss)	**5 087**	(878)	(2 607)
Adjusted for:			
Impairment of assets[1]	**1 124**	—	3 898
Taxation effect on impairment of assets	**(93)**	—	(239)
Gain on bargain purchase[2]	**(303)**	—	—
Profit on sale of property, plant and equipment	**(11)**	(2)	(5)
Taxation effect on profit on sale of property,plant and equipment	**2**	—	—
Loss on scrapping of property, plant and equipment	**161**	62	21
Taxation effect on loss on scrapping of property, plant and equipment	**(8)**	(10)	(1)
Headline earnings/(loss)	**5 959**	(828)	1 067
Basic headline earnings/(loss) per share (cents)	**987**	(154)	204
Diluted headline earnings/(loss) per share (cents)[3]	**967**	(157)	197

[1] This total includes the impairment of goodwill which does not have a tax effect.
[2] There is no taxation effect on this item.
[3] Due to the net profit attributable to shareholders, the inclusion of the share options as potential ordinary shares had a dilutive effect on the earnings per share in 2021 and 2019, whereas the net loss in 2020 had an anti-dilutive effect. The 2020 and 2019 diluted headline earnings/(loss) per share also include the potential impact of exercising the Tswelopele Beneficiation Operation option as explained above.

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.

- The board declared an interim ordinary dividend of 110 SA cents for the year ended 30 June 2021. R677 million was paid on 19 April 2021. No dividends were paid on ordinary shares by Harmony during the 2020 and 2019 financial years. In addition, dividend payments were made in 2021 and 2020 to the non-controlling interest holders in Tswelopele Beneficiation Operation of R7 million and R3 million, respectively.
- The board declared a final ordinary dividend of 27 SA cents for the year ended 30 June 2021, payable on 18 October 2021.
- Harmony declares an annual preference share dividend to the Harmony Gold Community Trust (the Trust). The board declared a preference dividend of R9 million and was paid to the Trust on 10 August 2021 (2020: R9 million on 6 August 2020).

	SA Rand		
	2021	2020	2019
Dividend declared (millions)	**677**	—	—
Dividend per share (cents)	**110**	—	—

14 ACQUISITIONS AND BUSINESS COMBINATIONS

Acquisition of Anglogold Ashanti's remaining South African operations

On 12 February 2020, Harmony announced that it had reached an agreement with AGA to purchase the Mponeng operations and related assets. Harmony's primary goal with the acquisition is to improve the group's overall recovered grade and increase cash flow margins. The transaction includes the following assets and liabilities:

- The Mponeng, Tau Tona and Savuka mines and associated rock-dump and tailings storage facility reclamation sites, mine rehabilitation and closure activities located in the West Wits region and their associated assets and liabilities;
- Certain rock-dump reclamation, mine rehabilitation and closure activities located in the Vaal River region and their associated assets and liabilities (the VR Remaining assets);
- 100% of the share capital of First Uranium (Pty) Limited which owns Mine Waste Solutions (Pty) Limited and Chemwes (Pty) Limited as well as associated tailings assets and liabilities (the FUSA Group); and
- 100% of the share capital of Covalent Water Company (Pty) Limited (CWC), AGA Security Services (Pty) Limited and Masakhisane Investments (Pty) Limited.

The last condition precedent for the acquisition was fulfilled during September 2020, resulting in an acquisition date of 1 October 2020.

14 ACQUISITIONS AND BUSINESS COMBINATIONS continued

Acquisition of Anglogold Ashanti's remaining South African operations continued

Cash generating units identified

Based on management's assessment the transaction meets the definition of a business combination as defined by IFRS 3. The following cash generating units (CGUs) were identified in the acquisition:

- the Mponeng business, consisting of the Mponeng, Tau Tona and Savuka mines, forming a single complex, and their associated assets and liabilities, including CWC;
- the West Wits closure business, consisting of the Savuka plant and associated rock-dump and tailings storage facility reclamation sites, mine rehabilitation and closure activities located in the West Wits region and the associated assets and liabilities;
- Mine Waste Solutions;
- the Vaal River closure business, consisting of certain rock-dump reclamation, mine rehabilitation and closure activities located in the Vaal River region and their associated assets and liabilities.

Consideration transferred

Consideration for the transaction amounted to a cash payment of R3.4 billion (US$200 million), paid on 30 September 2020, and contingent consideration subject to the following criteria:

- US$260 per ounce payable on all underground production from the Mponeng, Savuka and Tau Tona mines in excess of 250 000 ounces per year for six years commencing 1 January 2021; and
- US$20 per ounce payable on underground production from the Mponeng, Savuka and Tau Tona mines sourced from levels developed in the future below the current infrastructure.

As at 1 October 2020, the contingent consideration was valued at R544 million by using the discounted cash flows valuation method, discounted at a post-tax real rate of 10.6%. The fair value calculated for the contingent consideration is level 3 in the fair value hierarchy due to the use of unobservable inputs. The contingent consideration attributable to the below infrastructure ounces of gold was valued at Rnil at 1 October 2020. Refer to note 29 for subsequent measurement disclosure.

The amount disclosed in the cash flow statement for cash paid for the acquisition of the Mponeng operation and related assets is determined as follows:

	SA Rand
Figures in million	**Total**
Cash consideration paid	**3 366**
Cash acquired	**(3)**
Net cash paid on 30 September 2020	**3 363**

Acquisition and integration costs

The total of R124 million for acquisition costs for the year ended 30 June 2021 relates to various costs directly attributable to the acquisition process. These costs include attorney and advisory fees. There have also been costs incurred for the integration of the acquired assets into Harmony's existing structures and systems. These costs include project management and consultancy fees and software licensing costs required to interface with the Harmony systems. These costs amounted to R205 million (2020: R4 million) for the year ended 30 June 2021 and have been included in Corporate, administration and other expenditure.

Identifiable assets acquired and liabilities assumed

Critical accounting estimates and judgements

Key assumptions for the valuation of the respective CGUs are the gold prices, marketable discount rates, exchange rates and life-of-mine plans. Due to the volatility associated with the potential upside driven by the higher gold prices in the short to medium term, management opted to adopt conservative gold price assumptions in order to accommodate for this, which is still in line with a market participant's view. Management has considered the impact of the Covid-19 pandemic on the valuations performed and made adjustments to the production and cost estimates for the respective CGUs.

The fair value of the identifiable net assets acquired was determined on the expected discounted cash flows based on the life-of-mine plans of the Mponeng business (Mponeng), West Wits closure business (WW), Mine Waste Solutions (MWS) and the Vaal River closure business (VR). The post-tax real discount rates used ranged from 8.5% to 11.6%, real exchange rates ranged between R14.41/US$1 and R16.75/US$1 while real gold prices ranged between US$1 308/oz and US$1 784/oz over the valuation period. The valuation was performed as at 1 October 2020.

As part of determining the fair value of the provision for environmental rehabilitation the pre-tax risk-free rates used for discounting ranged between 5.1% and 11.5% while inflation of 5.0% was used for cost escalation.

The fair value of the unfavourable contract liability which forms part of the streaming arrangement with Franco-Nevada was measured at the difference between a market analyst consensus of gold prices and the fixed cash consideration to be received for gold delivered. A post-tax real rate of 11.6% was used to discount the liability over the expected period of delivery to settle the contract.

The deferred tax rates 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 acquisition date. The calculated deferred tax rates as at 1 October 2020 were 15.0% for Mponeng and WW, 20.8% for VR and 18.4% for MWS.

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

14 ACQUISITIONS AND BUSINESS COMBINATIONS continued

Acquisition of Anglogold Ashanti's remaining South African operations continued

Fair value determination of acquired operations

For the period ended 31 December 2020, the fair value exercise was prepared on a provisional basis in accordance with IFRS 3. During the measurement period, being the 12 months permitted in terms of IFRS 3 for the completion of the fair value exercise, Harmony received new information relating to the expected production profiles of Mponeng and MWS, operating costs of the acquired operations, closure costs for environmental rehabilitation, trade and other receivables and trade and other payables that existed at acquisition date. There were changes to the life-of-mine plans which impacted the discounted cash flows used in the valuations of the CGUs.The change in the production profile of Mponeng impacted the valuation of the contingent consideration liability as at 1 October 2020. Other than changes to the expected production profiles, operating and rehabilitation closure costs, no other key valuation assumptions were revised.

Management considers the revised purchase price allocation to be final and the accounting for the acquisition to be concluded as at 30 June 2021. The final amounts for the identifiable assets acquired and liabilities assumed have been included below.

The fair values as at the acquisition date are as follows:

	SA Rand		
	2021		
Figures in million	Provisional fair value	Measurement period adjustment	Final fair value
Non-current assets			
Property, plant and equipment	**6 547**	**(523)**	**6 024**
Restricted cash and investments	**1 268**	**—**	**1 268**
Deferred tax assets	**103**	**119**	**222**
Current assets			
Inventories	**454**	**—**	**454**
Trade and other receivables[1]	**59**	**(12)**	**47**
Cash and cash equivalents	**3**	**—**	**3**
Non-current liabilities			
Deferred tax liabilities	**(251)**	**84**	**(167)**
Provision for environmental rehabilitation	**(1 442)**	**(414)**	**(1 856)**
Other non-current liabilities	**(41)**	**—**	**(41)**
Streaming contract liability	**(938)**	**—**	**(938)**
Current liabilities			
Trade and other payables	**(535)**	**211**	**(324)**
Streaming contract liability	**(479)**	**—**	**(479)**
Fair value of net identifiable assets acquired at 1 October 2020	**4 748**	**(535)**	**4 213**

[1] *The gross contractual amounts receivable is equal to the fair value of the receivables at acquisition date*

Groundwater pollution liability

During an assessment of the environmental liabilities associated with the acquisition, a risk related to the potential decant and pollution of groundwater from the tailings storage facilities was identified. Harmony has done an initial assessment and plans on using physo-remediation to assist in mitigating the risk.

A contingent liability acquired in a business combination is recognised in the acquisition accounting if it is a present obligation and its fair value can be measured reliably. Based on Harmony's assessment, a liability of R230 million has been raised as part of the provision for environmental rehabilitation assumed in the business combination.

Performance of acquired operations

For the nine months ended 30 June 2021, the operations acquired contributed revenue of R7 920 million and profit of R1 641 million. Should the acquisition have occurred on 1 July 2020, the group’s pro forma consolidated revenue would have been R44 718 million and pro forma consolidated profit would have been R6 087 million.

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

14 ACQUISITIONS AND BUSINESS COMBINATIONS continued

Acquisition of Anglogold Ashanti's remaining South African operations continued

Performance of acquired operations continued

Adjustments made to pro forma information

For the nine months, October 2020 to June 2021, the revenue and production cost figures as per the segmental operating results were used, with adjustments made to determine the profit/(loss) after tax of the acquired operations. These adjustments were:

- Non-cash consideration recognised from the streaming arrangement;
- Depreciation expensed;
- Costs incurred directly attributable to the acquisition;
- Investment income recognised from restricted investments;
- Finance costs recognised for provisions for environmental rehabilitation;
- Change in estimate of provision for environmental rehabilitation recognised in the income statement; and
- Finance costs recognised for significant financing components of the streaming arrangement.

For the three months of July to September 2020 (Q1), the segment operational results of AGA was used. Adjustments made to pro forma information to determine profit/(loss) were as follows:

- Depreciation expensed for Q1 was estimated to be the same as Q2, based on the fair values determined as at 1 October 2020. AGA did not recognise depreciation for Q1 in line with IFRS 5, *Non-Current Assets Held For Sale*.
- Non-cash consideration from the streaming arrangement, finance costs for provisions for environmental rehabilitation and the streaming arrangement for Q1 were based on the fair values determined as at 1 October 2020, using Harmony's accounting policies.

Gain on bargain purchase

Gain on bargain purchase has been recognised as follows:

	SA Rand		
	2021		
Figures in million	Provisional fair value	Measurement period adjustment	Final fair value
Consideration paid			
– Cash consideration	3 366	—	3 366
– Contingent consideration	229	315	544
Fair value of net identifiable assets acquired	(4 748)	535	(4 213)
Gain on bargain purchase	**(1 153)**	**850**	**(303)**

The gain on bargain purchase realised can be attributed to the higher gold prices and R/$ exchange rate assumptions that were used in the business valuations performed as at 1 October 2020 when compared to the assumptions used when the transaction was negotiated. The gold price and exchange rate assumptions were impacted by the market uncertainty surrounding the Covid-19 pandemic, which has had a significant impact on the short- and medium-term assumptions that were included in the valuations.

Gain on bargain purchase has been included as a separate line item in the income statement.

15 PROPERTY, PLANT AND EQUIPMENT

	SA Rand	
Figures in million	2021	2020
Mining assets	26 487	22 174
Mining assets under construction	2 732	2 714
Undeveloped properties	3 988	4 024
Other non-mining assets	390	274
Total property, plant and equipment	**33 597**	29 186

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

15 PROPERTY, PLANT AND EQUIPMENT continued

Mining assets

Accounting policy

Mining assets including mine development costs and mine plant facilities are initially recorded at cost, whereafter 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 fair value at 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 operations, 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.

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.

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

15 PROPERTY, PLANT AND EQUIPMENT continued

Mining assets continued

Accounting policy continued

Stripping activities

The removal of overburden and other mine waste materials is often necessary during the initial development of an opencast 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***.

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.

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.

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.

Critical accounting estimates and judgements – stripping activities

The determination of the volume of waste extracted and the expected volume for the identified component of the orebody is dependent on an individual mine's design and life-of-mine plan and therefore changes to the design or life-of-mine plan will result in changes to these estimates. Identification of the components of a mine's orebody is made by reference to the life-of-mine plan. The assessment depends on a range of factors including each mine's specific operational features and materiality.

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

15 PROPERTY, PLANT AND EQUIPMENT continued

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 (post tax). 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, 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:

	2021	2020	2019
US$ gold price per ounce			
– Year 1	**1 805**	1 610	1 325
– Year 2	**1 673**	1 558	1 310
– Year 3	**1 582**	1 469	1 290
– Long term (Year 4 onwards)	**1 500**	1 350	1 290
US$ silver price per ounce			
– Year 1	**25.72**	17.00	15.75
– Year 2	**23.22**	17.00	15.75
– Year 3	**21.70**	17.00	17.00
– Long term (Year 4 onwards)	**20.70**	17.00	17.00
Exchange rate (R/US$)			
– Year 1	**14.54**	16.72	14.43
– Year 2	**14.36**	15.47	14.25
– Year 3	**14.44**	15.29	14.11
– Long term (Year 4 onwards)	**14.51**	14.51	14.11
Exchange rate (PGK/US$)	**3.50**	3.45	3.34
Rand gold price (R/kg)			
– Year 1	**843 000**	865 000	615 000
– Year 2	**772 000**	775 000	600 000
– Year 3	**735 000**	722 000	585 000
– Long term (Year 4 onwards)	**700 000**	630 000	585 000

The following is the attributable gold resource value assumption:

	South Africa			Hidden Valley		
US dollar per ounce	**2021**	2020	2019	**2021**	2020	2019
Underground resources						
Measured	**16.50**	25.00	25.00	**n/a**	n/a	n/a
Indicated	**9.00**	8.00	8.00	**n/a**	n/a	n/a
Inferred	**3.60**	2.80	2.80	**n/a**	n/a	n/a
Surface resources						
Measured	**30.00**	n/a	n/a	**n/a**	n/a	n/a
Indicated	**17.50**	n/a	n/a	**9.00**	8.00	8.00
Inferred	**8.00**	n/a	n/a	**n/a**	n/a	n/a

The recoverable amount of mining assets is determined utilising real discounted future cash flows or resource multiples in the case of undeveloped properties and certain resource bases. The underground resource value has been applied to Target North and Doornkop's Kimberly Reef and the surface resource values have been applied to the Mispah Tailings resource, Vaal River and West Wits surface sources.

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

15 PROPERTY, PLANT AND EQUIPMENT continued

Mining assets continued

Critical accounting estimates and judgements – impairment of assets continued

One of the most significant assumptions that influence the group's operations' life-of-mine plans, and therefore the impairment assessment, is the expected gold price. Due to the short-term volatility in the US$ commodity price and Rand against the US$, management decided it would be appropriate to continue to differentiate between short-, medium- and long-term assumptions used in the models. The long-term price was determined as part of the annual budgeting process and is used in the life-of-mine plans and is also the cut-off price for calculating reserves included in the declaration of reserves and resources in terms of SAMREC. The resource multiple values have been updated from the prior year, due to the recent transaction between AGA and Harmony for the purchase of the Mponeng operations and related assets. The resource multiple has been further updated to differentiate between underground operations and surface source operations due to this new information and applied to the relevant resource bases. Please refer to note 14 for further information on the acquisition. The silver price has been extended during the current financial year to include short-, medium- and long-term rates. The long-term rate used is based on the rate used as part of the strategic planning process.

Due to the volatilities experienced in the markets and the uncertainty in forecasting future cash flows due to the impact of the Covid-19 pandemic, management has used various probability scenarios in determining the recoverable amounts for the CGUs at 30 June 2021 and 2020.

The factors below were considered in management's judgements. The most significant change year on year was the introduction of the vaccination programme and its impact on infection rates. The factors were:
- Infection rates and the timing of the expected peaks in the provinces and/or countries that Harmony's operations are situated in;
- Expected disruptions to production together with the mitigation strategies management has in place;
- Expectation of the completion date of the vaccination programme at Harmony and a governmental level; and
- Potential duration of the impact of the virus (prior and post vaccination) and the related restrictions in operations.

Management included estimates of the staffing costs for screening and monitoring employees at work as well as those that are in quarantine. Further costs have been included in the life-of-mine plans for the cost of the vaccination programme and the scenarios used by management include further potential costs if vaccinations are required in the future at various intervals.

In preparing the various scenarios, management considered and varied:
- The potential impact on production and therefore on the revenue cash flows, based on historical trends that have been extrapolated to account for varying disruption levels;
- The duration of potential disruptions to production, ranging from 12 months to 24 months;
- The infection rates and associated costs as well as vaccination costs. This included impacts on production as well as considerations of the potential requirement to re-vaccinate in coming years.

The calculated cash flows were then weighted based on management's expectation of each of the scenarios occurring. The resulting amounts were discounted using the specific discount rate for each operation in order to determine the recoverable amount.

The post-tax real discount rate for Hidden Valley was 10.30% (2020: 9.02%) (2019: 10.13%) and the post-tax real discount rates for the South African operations ranged between 9.30% and 12.00% (2020: 9.62% and 11.53%) (2019: 8.90% and 11.10%), depending on the asset, were used to determine the recoverable amounts. Cash flows used in the impairment calculations are based on life-of-mine plans which exceed five years for the majority of the mines. Cash flows from potential projects, life-of-mine extensions and residual ounces can also be included in the impairment assessment where deemed appropriate. An additional risk premium is added to the post-tax real discount rates in these instances.

Refer to note 6 for details of impairment testing performed and impairments recorded.

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

Factors affecting the estimates include:
- Changes to proved and probable ore reserves;
- Economical recovery of resources;
- The grade of the ore reserves may vary significantly from time to time;
- Review of strategy;
- Unforeseen operational issues at the mines;
- Differences between actual commodity prices and commodity price assumptions;
- Changes in the discount rate and foreign exchange rates;
- Changes in capital, operating mining, processing and reclamation costs;
- Mines' ability to convert resources into reserves;
- Potential production stoppages for indefinite periods;
- The impact of the Covid-19 pandemic on the global economy, commodity prices and exchange rates, as well as the impact in the countries the group operates in, resulting in production curtailment; and
- Carbon tax.

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

15 PROPERTY, PLANT AND EQUIPMENT continued

Mining assets continued

Sensitivity analysis – impairment of assets

One of the most significant assumptions that influence the life-of-mine plans and therefore impairment assessments is the expected commodity prices. Management determined a reasonably possible long-term change of 10% in gold prices based on the standard deviation of both Harmony's long-term gold price assumption over the past five financial years and market analysts' forecasted long-term gold price assumptions. A 10% increase/decrease (pre-impairment and -scrapping recognition) in the gold price and resource values used, with the resultant adjustment to mining royalties in 2021 (with all other variables held constant and not taking any actions, such as stopping capital projects, into account) would have resulted in the following post-tax impairment being recorded (including the impairments recorded in the current period) as at 30 June 2021:

	SA Rand	
Figures in million	**2021**	2020
-10% decrease		
Tshepong Operations	**5 325**	3 352
Mponeng	**2 249**	—
Moab Khotsong[1]	**1 916**	15
Doornkop	**1 914**	—
Target 1	**1 267**	804
Kusasalethu	**821**	441
Bambanani[1]	**413**	94
Kalgold	**390**	—
Joel	**359**	716
Target 3	**178**	—
Other assets	**101**	20
Mine Waste Solutions	**96**	—
West Wits	**35**	—
Unisel	**—**	6
+10% increase		
Target 3	**178**	—

[1] *The carrying amounts of these CGUs include goodwill and any impairment losses are allocated first to goodwill and then to the identifiable assets.*

At all other operations, a 10% increase in the gold price would have resulted in no impairments being recorded.

15 PROPERTY, PLANT AND EQUIPMENT continued

Mining assets continued

The movement in the mining assets is as follows:

	SA Rand	
Figures in million	**2021**	2020
Cost		
Balance at beginning of year	**59 736**	53 629
Fully depreciated assets no longer in use derecognised	**(989)**	—
Additions (a)	**4 518**	3 180
Acquisitions (b)	**5 887**	—
Disposals	**—**	(85)
Scrapping of assets (c)	**(1 221)**	(268)
Adjustment to rehabilitation asset (d)	**(774)**	(48)
Transfers and other movements (e)	**545**	1 348
Translation	**(2 722)**	1 980
Balance at end of year	**64 980**	59 736
Accumulated depreciation and impairments		
Balance at beginning of year	**37 562**	33 080
Fully depreciated assets no longer in use derecognised	**(989)**	—
Impairment of assets (f)	**937**	—
Disposals	**—**	(70)
Scrapping of assets (c)	**(1 060)**	(206)
Depreciation	**3 936**	3 563
Translation	**(1 893)**	1 195
Balance at end of year	**38 493**	37 562
Net carrying value	**26 487**	22 174

(a) Included in additions for 2021 is an amount of R159 million (2020: R97 million) for capitalised depreciation associated with stripping activities at the Hidden Valley operations.

(b) Refer to note 14 for details on the fair value of assets acquired.

(c) Refer to note 9 for the total loss on scrapping recognised.

(d) Refer to note 26 for details on the adjustment to the rehabilitation asset.

(e) Transfer of assets mainly relates to assets under construction transferred to mining assets. During the 2021 year an amount of R541 million (2020: R438 million) was transferred to mining assets at Hidden Valley. This related to ongoing mining development costs.The remaining amount relates to Joel's Level 137 decline project that was assessed as having reached commercial levels of production on 1 January 2020 and transferred to mining assets. The capitalisation of borrowing costs ceased and depreciation commenced as of 1 January 2020.

(f) Impairment of assets mainly relates to the impairment of Tshepong Operations and Target 3.

Stripping activities

Included in the balance for mining assets is an amount of R176 million (2020: R84 million) relating to Kalgold and R871 million (2020: R598 million) relating to Hidden Valley. Depreciation of R16 million (2020: R17 million) and R934 million (2020: R668 million) was recorded for Kalgold and Hidden Valley respectively.

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

15 PROPERTY, PLANT AND EQUIPMENT continued

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.

Critical accounting estimates and judgements – exploration and evaluation assets

The recoverability of exploration and evaluation expenditure is assessed at the end of each reporting period. Significant judgement is required as to whether an area of activity is to be carried forward on the balance sheet, or written off through the identification of areas of activity which have not yet reached a stage that permits a reasonable assessment of the existence of economically recoverable reserves, where there is no continuing significant activity plan in relation to the area.

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

	SA Rand	
Figures in million	**2021**	2020
Cost		
Balance at beginning of year	**2 714**	2 964
Additions	**924**	687
Depreciation capitalised[1]	**4**	4
Finance costs capitalised[2]	**22**	54
Transfers and other movements	**(541)**	(1 334)
Translation	**(391)**	339
Balance at end of year	**2 732**	2 714

[1] Relates to Tshepong Operations.
[2] Refer to note 11 for further detail on the capitalisation rate applied.

Wafi-Golpu development

Capitalisation of certain project expenses on Wafi-Golpu was halted from 1 July 2019 following delays in the permitting of the project (refer to note 22). All ongoing expenses since were for holding purposes and did not result in future economic benefit. These have been included in exploration expenditure in the income statement and amounted to R51 million (2020: R123 million) for the year.

15 PROPERTY, PLANT AND EQUIPMENT continued

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 annually 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 is as follows:

	SA Rand	
Figures in million	**2021**	2020
Cost		
Balance at beginning of year	**5 499**	5 437
Translation	**(38)**	62
Balance at end of year	**5 461**	5 499
Accumulated depreciation and impairments		
Balance at beginning of year	**1 475**	1 472
Translation	**(2)**	3
Balance at end of year	**1 473**	1 475
Net carrying value	**3 988**	4 024

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.

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

	SA Rand	
Figures in million	**2021**	2020
Cost		
Balance at beginning of year	**703**	658
Fully depreciated assets no longer in use derecognised	**(49)**	—
Acquisitions	**135**	—
Additions	**34**	39
Translation	**(2)**	6
Balance at end of year	**821**	703

	SA Rand	
Figures in million	**2021**	2020
Accumulated depreciation and impairments		
Balance at beginning of year	**429**	387
Fully depreciated assets no longer in use derecognised	**(49)**	—
Depreciation	**52**	38
Translation	**(1)**	4
Balance at end of year	**431**	429
Net carrying value	**390**	274

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

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 previously held 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 operations 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 mine or cash generating unit 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	
Figures in million	**2021**	2020
Goodwill	**333**	520
Technology-based assets	**32**	16
Total intangible assets	**365**	536

Goodwill

The movement in goodwill is as follows:

	SA Rand	
Figures in million	**2021**	2020
Cost		
Balance at beginning and end of year	**2 675**	2 675
Accumulated amortisation and impairments		
Balance at beginning of year	**2 155**	2 155
Impairment[1]	**187**	—
Balance at end of year	**2 342**	2 155
Net carrying value	**333**	520
The net carrying value of goodwill has been allocated to the following cash generating units:		
Bambanani	**31**	218
Moab Khotsong	**302**	302
Net carrying value	**333**	520

[1] *In 2021 R187 million impairment on goodwill was recorded for Bambanani as the carrying value exceeded the recoverable amount. In 2020 no impairment on goodwill was recorded as the recoverable amounts exceeded the carrying values of the related cash generating units. Refer to note 6 for further details on the impairment assessment.*

16 INTANGIBLE ASSETS continued

Technology-based assets

The movement in technology-based assets is as follows:

	SA Rand	
Figures in million	**2021**	2020
Cost		
Balance at beginning of year	**47**	39
Additions	**21**	8
Balance at end of year	**68**	47

	SA Rand	
Figures in million	**2021**	2020
Accumulated amortisation and impairments		
Balance at beginning of year	**31**	26
Amortisation charge	**5**	5
Balance at end of year	**36**	31
Net carrying value	**32**	16

Accounting policy – financial assets (applicable to notes 17, 18, 19 and 20)

Financial assets are initially recognised when the group becomes a party to their contractual arrangements. On initial recognition, a financial asset is classified as measured at:

- Amortised cost;
- Fair value through other comprehensive income (FVTOCI); or
- Fair value through profit or loss (FVTPL).

A financial asset is classified as measured at amortised cost if it is held within the business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The group measures a financial asset initially at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed. The subsequent measurement of financial assets is discussed below.

Financial asset category	Description
Debt instruments at amortised cost	Financial assets at amortised cost consist of restricted cash, restricted investments, loans, trade receivables and cash and cash equivalents. Interest income from these financial assets is included in investment income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss. Impairment losses are presented in other operating expenses in the income statement.
Debt instruments at fair value through profit or loss	Equity-linked investments which are held to meet rehabilitation liabilities are classified as FVTPL. Debt instruments where the contractual cash flows fail to meet the solely payments of principal and interest (SPPI) criteria are also classified as FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within investment income in the period in which it arises. On derecognition of a financial asset, the difference between the proceeds received or receivable and the carrying amount of the asset is included in profit or loss.
Equity instruments designated at fair value through OCI	The group's equity investments are designated as FVTOCI. The group subsequently measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments are recognised when the group’s right to receive payments is established either in profit or loss as other income or as a deduction against the asset if the dividend clearly represents a recovery of part of the cost of the investment. Residual values in OCI are reclassified to retained earnings on derecognition of the related FVTOCI instruments.

Impairment losses on financial assets at amortised cost are assessed using the forward-looking expected credit loss (ECL) approach. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the group expects to receive). At each reporting date, the group assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is ‘‘credit-impaired’’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Trade receivable loss allowances are measured at an amount equal to lifetime ECLs. Loss allowances are deducted from the gross carrying amount of the assets.

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

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

17 RESTRICTED CASH AND INVESTMENTS

	SA Rand	
Figures in million	**2021**	Re-presented* 2020
Restricted cash	**216**	169
Restricted investments	**5 083**	3 535
Total restricted cash and investments	**5 299**	3 704
Current portion of restricted cash and investments	**67**	62
Non-current portion of restricted cash and investments	**5 232**	3 642

**Refer to note 2 for further information on the re-presentation of financial statement line items.*

Restricted cash

	SA Rand	
Figures in million	**2021**	2020
Non-current (a)	**149**	107
Current (b)	**67**	62
Total restricted cash	**216**	169

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

(b) Cash of R23 million (2020: R22 million) relates to monies released from the environmental trusts as approved by the DMRE which may only be used for further rehabilitation. Cash of R29 million (2020: R32 million) relates to monies set aside for affected communities in the group’s PNG operations. Cash of R15 million (2020: R8 million) relates to monies held by Harmony Gold Community Trust.

Restricted investments

	SA Rand	
Figures in million	**2021**	2020
Investments held by environmental trust funds	**5 064**	3 513
Investments held by the Social Trust Fund	**19**	22
Total restricted investments (non-current)	**5 083**	3 535

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 equity-linked notes and investment in unit trusts are classified and measured at fair value through profit or loss while the equity investments are classified and measured at fair value through other comprehensive income. Interest-bearing short-term investments as well as investment in government bonds are classified and measured as debt instruments at amortised cost.

The environmental trust funds are irrevocable trusts under the group's control. Contributions to the trusts are invested in various instruments which include the following: listed equity securities, unit trusts, government bonds, interest-bearing short-term and medium-term cash investments and medium term equity-linked notes. The equity-linked notes are 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. 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.

17 RESTRICTED CASH AND INVESTMENTS continued

Restricted investments continued

Environmental trust funds continued

The environmental trust funds consist of:

	SA Rand	
Figures in million	**2021**	2020
Fixed deposits	**3 091**	2 632
Cash and cash equivalents	**124**	66
Equity-linked deposits	**1 325**	815
Government bonds	**225**	—
Equity investments	**252**	—
Collective investment scheme (unit trusts)	**47**	—
Total environmental trust funds	**5 064**	3 513

The increase in the balance relates primarily to the acquisition of the Mponeng operations and related assets.

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

	SA Rand	
Figures in million	**2021**	2020
Balance at beginning of year	**3 513**	3 273
Acquisition (a)	**1 268**	—
Interest income	**174**	163
Fair value gain	**138**	77
Dividend received	**5**	—
Equity-linked deposits acquired/(matured)	**400**	(490)
(Maturity)/acquisition of fixed deposits	**(428)**	456
Net transfer of cash and cash equivalents	**28**	34
Withdrawal of funds for rehabilitation work performed	**(34)**	—
Balance at end of year	**5 064**	3 513

(a) Refer to note 14 for further detail on the acquisition of Mponeng operations and related assets. These funds were invested in money market, unit trusts, listed equity securities and government bonds.

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.

18 OTHER NON-CURRENT ASSETS

	SA Rand	
Figures in million	**2021**	Re-presented* 2020
Debt instruments	**193**	311
Loans to associates (a)	**116**	116
Loan to ARM BBEE Trust (b)	**177**	306
Other loans	**16**	5
Loss allowance (a)	**(116)**	(116)
Equity instruments	**74**	77
Rand Mutual Assurance (c)	**65**	69
Other investments	**9**	8
Inventories	**65**	47
Non-current portion of gold in lock-up (d)	**65**	47
Total other non-current assets	**332**	435

** Refer to note 2 for further information on the re-presentation of financial statement line items.*

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

18 OTHER NON-CURRENT ASSETS continued

(a) A loan of R116 million (2020: R116 million) owed by Pamodzi Gold Limited (Pamodzi) who were placed into liquidation during 2009 was provided for in full. Harmony is a concurrent creditor in the Pamodzi Orkney liquidation.

(b) During 2016, Harmony advanced R200 million to the ARM Broad-Based Economic Empowerment Trust (the ARM BBEE Trust), a shareholder of African Rainbow Minerals Limited (ARM). The trust is controlled and consolidated by ARM, who holds 12.12% of Harmony's shares at 30 June 2021. Harmony is a trustee of the ARM BBEE Trust. The loan was subordinated and unsecured. The interest on the loan was market related (3 months JIBAR plus 4.25%) and was receivable on the maturity of the loan on 31 December 2022. In the 2021 financial year, the loan to the ARM BBEE Trust was refinanced to allow a sufficient and sustainable repayment structure. Following the restructuring, Harmony advanced R264 million to the ARM BBEE Trust to which the Trust used the amount for the repayment of the outstanding balance under the previous loan agreement. The loan under the revised loan agreement is interest-free and is receivable on the maturity of the loan on 30 June 2035. The loan is unsubordinated and unsecured.

Neither of the loans meet the requirements for amortised cost measurement as it fails the solely payments of principal and interest test and were therefore classified as fair value through profit and loss (refer to the fair value determination section in note 39 for detail). The group determined that the contractual terms include exposure to risk and volatility that is inconsistent with a basic lending arrangement. In making this assessment the group considered contingent events that would change the amount and timing of cash flows and potential limits on the group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements).

At 30 June 2021 the loan has been remeasured to its fair value using a discounted cash flow model. The refinancing of the loan resulted in a day 1 expense of R87 million.

The movement in the ARM BBEE Trust loan is as follows:

	SA Rand	
Figures in million	**2021**	2020
Balance at beginning of year	**306**	271
Fair value gain[1]	**10**	37
Repayment of interest	**(52)**	(2)
Settlement of original loan	**(264)**	—
Refinanced loan advanced	**264**	—
Day 1 expense[1]	**(87)**	—
Balance at end of year	**177**	306

[1] *Included in net gain on financial instruments (refer to note 10)*

(c) The movement in the investment in Rand Mutual Assurance (RMA) is as follows:

	SA Rand	
Figures in million	**2021**	2020
Balance at beginning of year	**69**	52
Capital dividend received	**(8)**	(7)
Fair value gain	**4**	24
Balance at end of year	**65**	69

On 5 August 2020, the Group received dividends relating to the second and final tranche of the contingent consideration for the sale of shares in one of RMA's subsidiaries. The dividend is seen as a recovery of capital as it reduced Harmony's effective share in the investment. The fair value gains are a result of the favourable financial position of the total investment. Please refer to note 39 on the fair value valuation technique. Refer to note 10 for details of additional dividends received.

(d) Refer to note 23 for further details on inventories.

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

19 DERIVATIVE FINANCIAL INSTRUMENTS

The group has the following derivative financial instruments:

Figures in million (SA Rand)	Rand gold hedging contracts (a)	US$ gold hedging contracts (b)	US$ silver contracts (b)	Foreign exchange contracts (c)	Rand gold derivative contracts (a)	Total
At 30 June 2021						
Derivative financial assets	**1 358**	**48**	**10**	**383**	**—**	**1 799**
Non-current	279	40	9	—	—	328
Current	1 079	8	1	383	—	1 471
Derivative financial liabilities	**(41)**	**(73)**	**(98)**	**—**	**—**	**(212)**
Non-current	—	—	(6)	—	—	(6)
Current	(41)	(73)	(92)	—	—	(206)
Net derivative financial instruments	**1 317**	**(25)**	**(88)**	**383**	**—**	**1 587**
Unamortised day one net loss included above	(18)	(5)	—	—	—	(23)
Unrealised gains/(losses) included in other reserves, net of tax	1 069	(18)	—	—	—	1 051
Movements for the year ended 30 June 2021						
Realised losses included in revenue	(2 023)	(273)	—	—	—	(2 296)
Unrealised gains/(losses) on gold contracts recognised in other comprehensive income	2 999	(7)	—	—	—	2 992
Gains/(losses) on derivatives	—	—	(256)	1 217	111	1 072
Day one loss amortisation	(42)	(8)	—	—	—	(50)
Total gains/(losses) on derivatives	**(42)**	**(8)**	**(256)**	**1 217**	**111**	**1 022**
Hedge effectiveness						
Changes in the fair value of the hedging instrument used as the basis for recognising hedge ineffectiveness	2 999	(7)	—	—	—	2 992
Changes in the fair value of the hedged item used as the basis for recognising hedge ineffectiveness	(2 999)	7	—	—	—	(2 992)

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

19 DERIVATIVE FINANCIAL INSTRUMENTS continued

Figures in million (SA Rand)	Rand gold hedging contracts (a)	US$ gold hedging contracts (b)	US$ silver contracts (b)	Foreign exchange contracts (c)	Rand gold derivative contracts (a)	Total
At 30 June 2020						
Derivative financial assets	19	8	11	30	—	68
Non-current	10	5	5	30	—	50
Current	9	3	6	—	—	18
Derivative financial liabilities	(3 626)	(356)	(4)	(760)	(257)	(5 003)
Non-current	(717)	(96)	(1)	(65)	—	(879)
Current	(2 909)	(260)	(3)	(695)	(257)	(4 124)
Net derivative financial instruments	(3 607)	(348)	7	(730)	(257)	(4 935)
Unamortised day one net loss included above	(18)	(8)	—	—	—	(26)
Unrealised losses included in other reserves, net of tax	(3 053)	(342)	—	—	—	(3 395)
Movements for the year ended 30 June 2020						
Realised losses included in revenue	(1 263)	(134)	—	—	—	(1 397)
Unrealised losses on gold contracts recognised in other comprehensive income	(4 820)	(391)	—	—	—	(5 211)
Gains/(losses) on derivatives	—	—	6	(1 235)	(174)	(1 403)
Unrealised losses reclassified to profit or loss as a result of discontinuance of hedge accounting	(235)	—	—	—	—	(235)
Day one loss amortisation	(34)	(6)	—	—	—	(40)
Total gains/(losses) on derivatives	(269)	(6)	6	(1 235)	(174)	(1 678)
Hedge effectiveness						
Changes in the fair value of the hedging instrument used as the basis for recognising hedge ineffectiveness	(4 820)	(391)	—	—	—	(5 211)
Changes in the fair value of the hedging instrument used as the basis for recognising hedge ineffectiveness	4 820	391	—	—	—	5 211

Figures in million (SA Rand)	Rand gold hedging contracts (a)	US$ gold hedging contracts (b)	US$ silver contracts (b)	Foreign exchange contracts (c)	Rand gold derivative contracts (a)	Total
Movements for the year ended 30 June 2019						
Realised gain included in revenue	453	—	—	—	—	453
Unrealised gains/(losses) on gold contracts recognised in other comprehensive income	(302)	(49)	—	—	—	(351)
Gains/(losses) on derivatives	—	—	13	554	(51)	516
Day one loss amortisation	(31)	(1)	—	—	—	(32)
Total gains/(losses) on derivatives	(31)	(1)	13	554	(51)	484

19 DERIVATIVE FINANCIAL INSTRUMENTS continued

Hedge accounting

Harmony has entered into gold forward sale derivative contracts to hedge the risk of lower gold prices. Cash flow hedge accounting is applied to the majority of these contracts, resulting in the effective portion of the unrealised gains and losses being recorded in other comprehensive income (other reserves - refer to note 25). Refer to note 39 for a summary of the risk management strategy applied and the balances relating to designated hedging instruments as at reporting date.

Hedge effectiveness is determined at the inception of the hedge relationship and through periodic prospective effectiveness assessments. The group enters into gold forward contracts that have similar terms as the hedged item, such as notional amount, maturity date and reference gold spot price thereby ensuring that an economic relationship exists between the hedging instrument and the hedged item and resulting in a hedge ratio of 1:1. Potential sources of hedge ineffectiveness include counterparty and own credit risk, day one gains and losses, a mismatch in the timing of the derivative and underlying gold sale maturities, location differential and the refining margin. 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. A negligible amount of hedge ineffectiveness was experienced in the years presented.

The gains and losses from derivative contracts to which hedge accounting is not applied is included in gains/(losses) on derivatives in profit or loss.

(a) Rand gold contracts

All Rand gold forward contracts entered into after 1 October 2020 were apportioned to the South African operations which included Mponeng and Mine Waste Solutions operation.

Discontinuance of hedge accounting

As a result of the original 21-day lockdown announced in South Africa, effective 27 March 2020, aimed to slow the spread of Covid-19, Harmony placed all deep-level underground mines in South Africa on care and maintenance. As a result, a significant volume of the underlying exposure that was originally intended to be hedged was delayed.

A total of 63 400 ounces of gold forwards were originally set to mature in the months of April and May 2020. After assessing forecasts of gold production at 1 April 2020, the hedged items, being the sales of gold, relating to 30 500 ounces of gold forwards were assessed to no longer be probable. The hedged items relating to the remaining balance of gold forwards were still considered to be highly probable.

Due to the fact that the occurrence of the forecast transactions/hedged items were no longer considered probable, there was no longer an effective hedging relationship and therefore hedge accounting for these hedges was discontinued. Unrealised losses relating to the hedges amounting to R48 million and R187 million of restructured contracts discussed below, previously recognised in other comprehensive income, were immediately reclassified to profit or loss as gains/losses on derivatives.

Restructuring of contracts

In response to the gold forwards' hedged items no longer being probable and in order to better match the cash flows relating to the underlying exposure, certain of the Rand gold forwards with maturities between 15 April 2020 and 31 May 2020 were effectively extended to mature between the periods July 2020 and March 2021.

The restructured gold forwards retained the pricing of the original forwards. They were not designated as hedging instruments as the difference in the costing structure would have required a different effectiveness assessment than currently used by management. Unrealised losses relating to the hedges amounting to R187 million, previously recognised in other comprehensive income, were immediately reclassified to profit or loss as gains/losses on derivatives. All subsequent gains and losses on the restructured hedges were recognised in profit or loss.

As at 30 June 2021, all the restructured gold forwards had matured.

(b) US$ commodity contracts

Harmony maintains a derivative programme for Hidden Valley by entering into commodity derivative contracts. The contracts comprise US$ gold forward sale contracts as well as silver zero cost collars which establish a minimum (floor) and maximum (cap) silver sales price. Hedge accounting is applied to all US$ gold forward sale contracts entered into from 1 January 2019 and these are shown separately from the silver zero cost collars that are not hedge accounted.

(c) Foreign exchange contracts

Harmony maintains a foreign exchange derivative programme in the form of zero cost collars, which sets a floor and cap Rand/US$ exchange rate at which to convert US dollars to Rands, and foreign exchange forward contracts. Hedge accounting is not applied to these contracts.

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

19 DERIVATIVE FINANCIAL INSTRUMENTS continued

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

	2022				2023				TOTAL
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Foreign exchange contracts									
Zero cost collars									
US$m	**47**	**42**	**27**	**—**	—	—	—	—	**116**
Average Floor – R/US$	**16.32**	**16.93**	**17.99**	**—**	—	—	—	—	**16.93**
Average Cap – R/US$	**17.90**	**18.54**	**19.65**	**—**	—	—	—	—	**18.54**
Forward contracts									
US$m	**9**	**9**	**8**	**—**	—	—	—	—	**26**
Average Forward rate – R/US$	**18.18**	**18.41**	**18.71**	**—**	—	—	—	—	**18.43**
R/gold									
000 oz – cash flow hedge	**79**	**72**	**63**	**52**	38	5	—	—	**309**
Average R'000/kg	**863**	**933**	**1 022**	**1 070**	1 084	1 025	—	—	**976**
US$/gold									
000 oz – cash flow hedge	**12**	**12**	**11**	**11**	9	9	7	2	**73**
Average US$/oz	**1 561**	**1 606**	**1 723**	**1 799**	1 911	1 867	1 826	1 861	**1 743**
Total gold									
000 oz	**91**	**84**	**74**	**63**	47	14	7	2	**382**
US$/silver									
000 oz	**365**	**335**	**315**	**285**	285	270	155	45	**2 055**
Average Floor - US$/oz	**18.61**	**19.52**	**20.05**	**20.43**	24.39	25.97	25.98	26.30	**21.72**
Average Cap - US$/oz	**20.26**	**21.35**	**22.05**	**22.49**	27.02	29.00	29.24	29.52	**23.99**

Refer to note 39 for the details on the fair value measurements.

20 TRADE AND OTHER RECEIVABLES

	SA Rand	
Figures in million	**2021**	2020
Financial assets		
Trade receivables (metals)	**738**	623
Other trade receivables	**292**	215
Loss allowance	**(179)**	(135)
Trade receivables - net	**851**	703
Interest and other receivables	**111**	88
Employee receivables	**17**	13
Non-financial assets		
Prepayments	**131**	79
Value added tax and general sales tax	**505**	425
Income and mining taxes	**37**	—
Total trade and other receivables	**1 652**	1 308

The movement in the loss allowance for trade and other receivables during the year was as follows (refer to note 39 for details):

	SA Rand	
Figures in million	**2021**	2020
Balance at beginning of year	**135**	68
Increase in loss allowance recognised during the year	**64**	103
Reversal of loss allowance during the year	**(20)**	(36)
Balance at end of year	**179**	135

The loss allowance for 2021 includes R80 million (2020: R53 million) relating to a mining company who is in financial difficulties due to the impact of the South African national lockdown as a result of the Covid-19 pandemic. The remaining movement relates to various other individually immaterial debtors.

20 TRADE AND OTHER RECEIVABLES continued

The loss allowance for trade and other receivables stratified according to the ageing profile at the reporting date is as follows:

	SA Rand	
Figures in million	Gross	Loss allowance
30 June 2021		
Not past due[1]	**828**	**26**
Past due by 1 to 30 days	**26**	**9**
Past due by 31 to 60 days	**13**	**5**
Past due by 61 to 90 days	**14**	**6**
Past due by more than 90 days	**68**	**62**
Past due by more than 361 days	**81**	**71**
	1 030	**179**
30 June 2020		
Not past due[1]	702	31
Past due by 1 to 30 days	9	3
Past due by 31 to 60 days	5	3
Past due by 61 to 90 days	21	8
Past due by more than 90 days	51	45
Past due by more than 361 days	50	45
	838	135

[1] *The gross amount includes the full trade receivables (metals) balance, which has no attributable loss allowance.*

During 2020 and 2021 there was no renegotiation of the terms of any of the receivables. As at 30 June 2021 and 30 June 2020, there was no collateral pledged or held for any of the receivables.

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 32.40% interest in Pamodzi on 27 February 2008, initially valued at R345 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 2021, the liquidation process has not been concluded. Refer to note 18(a) 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.

In December 2014, Rand Refinery drew down on a shareholder's loan of which Harmony's portion thereof was R120 million. Following an amended loan agreement signed in June 2017, the loan was converted into cumulative redeemable preference shares of no par value. During 2021, Rand Refinery redeemed preference shares to the value of R36 million (2020: R58 million). The preference shares have been fully redeemed in the 2021 financial year.

Rand Refinery has a 31 August financial year-end.

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

	SA Rand	
Figures in million	**2021**	2020
Balance at beginning of year	**146**	110
Redemption of preference shares	**(36)**	(58)
Dividend received	**(67)**	—
Share of profit in associate	**83**	94
Balance at end of year	**126**	146

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

22 INVESTMENT IN JOINT OPERATIONS

The group has a 50% interest in certain mining and exploration assets located in the Morobe province, PNG. Newcrest Mining Limited owns the remaining 50% interest in these assets. The asset in the joint arrangement is the Wafi-Golpu project. The joint arrangement is accounted for as a joint operation.

State participation

Under the conditions of the Wafi-Golpu exploration tenements, the State has reserved the right prior to the commencement of mining to take up an equity interest of up to 30% of any mineral discovery within the Wafi-Golpu tenements. The right is exercisable by the State once at any time prior to the commencement of mining. If the State exercises this right, the exercise price is a pro-rata share of the accumulated exploration expenditure. Once the right is exercised, the State is responsible for its proportionate share of ongoing exploration and project development costs. During February 2012, the State indicated its intention to exercise its option. As at 30 June 2021, this option has not been exercised.

Permitting

Following submission of the Special Mining Lease (SML) and Environmental Impact Statement (which is required for an Environment Permit) applications to the regulators in March 2018 and July 2018 respectively, the Wafi-Golpu joint operation entered into a memorandum of agreement with the Papua New Guinea government (the State) in December 2018, targeting an SML grant by July 2019. There have however been several delays in the process, notwithstanding that the Prime Minister has publicly stated the Wafi-Golpu Project is of national importance and therefore the State's objective is to progress and conclude the SML and Mine Development Contract (MDC) negotiations as soon as possible. The Environment Permit was granted in December 2020. In March 2021, the Governor of Morobe Province and the Morobe Provincial Government commenced legal proceedings against the State as well as several ministers, seeking judicial review of the grant of an Environment Permit for the Wafi-Golpu Project. In addition, the plaintiffs have applied for interim orders to stay the Environment Permit and restrain the State from granting an SML for the Wafi-Golpu Project. The Wafi-Golpu Joint Venture participants, are not parties to the proceeding. There has been numerous engagements between the various stakeholders during 2021. In July 2021, the State Negotiating Team (SNT) tabled a revised draft term sheet for the Mining Development Contract. The joint venture have responded and is waiting for the SNT for further engagement.Management is confident that the permitting process will continue. Key permitting activities are continuing and are fully resourced.

Carrying amount and impairment considerations

The carrying amount of the project amounts to R2.4 billion (2020: R3.0 billion). The change year on year relates to foreign exchange translation. Management has considered whether the delays constitute a trigger for impairment in terms of IFRS 6. A valuation was done and as sufficient headroom existed, no impairment has been recognised at 30 June 2021.

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's volume 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.

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.

Critical accounting estimates and judgements

Judgement is applied in estimating the provision for stock obsolescence. The provision is recognised on items not considered critical as a percentage of the value of the inventory depending on the period elapsed since the inventory was purchased or issued. Inventory held for longer than five years is written down to zero unless there is sufficient evidence of a recoverable amount.

23 INVENTORIES continued

	SA Rand	
Figures in million	**2021**	2020
Gold in lock-up	**65**	47
Gold in-process, ore stockpiles and bullion on hand	**1 039**	936
Consumables at weighted average cost (net of provision)	**1 503**	1 485
Total inventories	**2 607**	2 468
Non-current portion of gold in lock-up and gold in-process included in Other non-current assets	**(65)**	(47)
Total current portion of inventories	**2 542**	2 421
Included in the balance above is:		
Inventory valued at net realisable value	**65**	47

During the year, a decrease of R39 million (2020: R51 million increase) to the provision for slow-moving and redundant stock was made. The total provision at 30 June 2021 was R292 million (2020: R331 million). This was partially offset by the inclusion of consumables from the acquisition of the Mponeng operations and related assets.

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 (2020: 1 200 000 000) ordinary shares with no par value.
4 400 000 (2020: 4 400 000) convertible preference shares with no par value.

Issued

616 052 197 (2020: 603 142 706) ordinary shares with no par value. All issued shares are fully paid.
4 400 000 (2020: 4 400 000) convertible preference shares with no par value.

Share issues

Share placing

During June 2020, Harmony conducted a placement of ordinary shares with existing and new institutional investors. A total of 60 278 260 new ordinary shares were placed at a price of R57.50 per share, raising gross proceeds of approximately R3.466 billion. The Placing Shares issued represent, in aggregate, approximately 11.1% of the group's issued ordinary share capital before the Placing. The Placing Price represents a discount of 5.4% to the closing share price on 24 June 2020 and a 3.5% discount to the 30-day volume-weighted average price (VWAP). The Placing Shares rank pari passu in all respects with the existing Harmony ordinary shares, including the right to receive all dividends and other distributions declared, made or paid after the date of issue thereof. The proceeds of the Placing was used by Harmony to discharge the US$200 million cash consideration to acquire AGA's remaining South African assets (refer to note 14). The share issue costs amounted to R83 million.

Accelerated bookbuild

During June 2018, Harmony conducted a placement of 55 055 050 new ordinary shares to qualifying investors through an accelerated bookbuild. ARM subscribed for an additional 11 032 623 shares at R19.12 a share, totalling R211 million, in July 2018. The issue resulted in ARM maintaining its shareholding of 14.29% post the placement of shares. In total, gross proceeds of R1.26 billion were raised to fund part of the outstanding bridge loan raised for the acquisition of the Moab Khotsong operations.

Share issues relating to employee share options

An additional 12 909 491 (2020: 3 023 251) shares were issued to settle the exercise of share options by employees relating to Harmony's management share option schemes. Note 36 sets out the details in respect of the share option schemes.

Convertible preference shares

On 20 February 2019, Harmony issued 4 400 000 convertible preference shares to the Harmony Gold Community Trust. The convertible preference shares carry a minimum annual preference dividend of R2 per share and are convertible into ordinary shares on a 1:1 basis after the tenth anniversary of the date on which the shares were issued. The conversion is at the election of Harmony.

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

24 SHARE CAPITAL continued

Treasury shares

Included in the total of issued shares are the following treasury shares:

Number of shares	2021	2020
Ordinary shares		
Lydenburg Exploration Limited[1]	**335**	335
Kalgold Share Trust[2]	**47 046**	47 046
Harmony ESOP Trust[2]	**5 894 081**	6 335 629
Convertible preference shares		
Harmony Gold Community Trust[3]	**4 400 000**	4 400 000

[1] *A wholly-owned subsidiary.*
[2] *Trust controlled by the group.*
[3] *The issue of the convertible preference shares did not impact the group's consolidated financial statements as the Harmony Gold Community Trust is controlled by the group.*

25 OTHER RESERVES

	SA Rand	
Figures in million	2021	2020
Foreign exchange translation reserve (a)	**2 355**	3 588
Hedge reserve (b)	**1 051**	(3 395)
Share-based payments (c)	**3 106**	2 950
Post-retirement benefit actuarial gain/(loss) (d)	**(18)**	(4)
Acquisition of non-controlling interest in subsidiary (e)	**(381)**	(381)
Equity component of convertible bond (f)	**277**	277
Repurchase of equity interest (g)	**(98)**	(98)
Equity instruments designated at fair value through other comprehensive income (h)	**135**	104
Other	**(28)**	(24)
Total other reserves	**6 399**	3 017

(a) The balance of the foreign exchange translation reserve movement represents the cumulative translation effect of the group's off-shore operations.

(b) Harmony has entered into 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 19 for further information.

The reconciliation of the hedge reserve is as follows:

	SA Rand	
Figures in million	2021	2020
Balance at beginning of year	**(3 395)**	(214)
Remeasurement of gold hedging contracts	**4 467**	(3 197)
Unrealised gain/(loss) on gold hedging contracts	**2 992**	(5 211)
Unrealised losses reclassified to profit or loss as a result of discontinuance of hedge accounting	**—**	235
Released to revenue on maturity of the gold hedging contracts	**2 296**	1 397
Foreign exchange translation	**(39)**	(37)
Deferred taxation thereon	**(782)**	419
Attributable to non-controlling interest	**(21)**	16
Balance at end of year	**1 051**	(3 395)
Attributable to:		
Rand gold hedging contracts	**1 069**	(3 053)
US dollar gold hedging contracts	**(18)**	(342)

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

25 OTHER RESERVES continued

(c) The reconciliation of the movement in the share-based payments is as follows:

	SA Rand	
Figures in million	**2021**	2020
Balance at beginning of year	**2 950**	2 764
Share-based payments expensed (i)	**156**	186
Balance at end of year	**3 106**	2 950

(i) The group issues equity-settled instruments to certain qualifying employees under an employee share option scheme and employee share ownership plan (ESOP) to award shares from the company's authorised but unissued ordinary shares. Equity share-based payments are measured at the fair value of the equity instruments at the grant date and are expensed over the vesting period, based on the group's estimate of the shares that are expected to vest. Refer to note 36 for more details.

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

	SA Rand	
Figures in million	**2021**	2020
Balance at beginning of year	**(4)**	(19)
Actuarial gain/(loss)	**(16)**	17
Deferred tax	**2**	(2)
Balance at end of year	**(18)**	(4)

(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 over the carrying amount of non-controlling interest acquired, amounting to R381 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 was 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, the liability to the AVRD and transaction costs, have been taken directly to equity.

(h) Includes R110 million (2020: R106 million) related to the fair value movement of Harmony's interest in Rand Mutual Assurance. Refer to note 18.

Accounting policy – provisions (applicable to notes 26, 27, 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. It is calculated using a pre-tax rate that reflects the 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.

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

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 is 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 (refer to note 2.5). 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 the ultimate rehabilitation cost that will be required in future to rehabilitate the group's mines, related surface infrastructure and tailings dams. Ultimate cost may significantly differ from current estimates. The following rates were used in the calculation of the provision:

%	**2021**	2020	2019
South African operations			
Inflation rate			
– short term (Year 1)	**5.11**	4.50	5.25
– short term (Year 2)	**4.99**	4.50	5.25
– long term (Year 3 onwards)	**5.25**	5.00	5.25
Discount rates			
– 12 months	**4.90**	3.90	6.50
– one to five years	**7.30**	5.55	6.85
– six to nine years	**9.00**	8.20	8.50
– ten years or more	**10.30**	10.95	9.60
PNG operations			
Inflation rate	**6.28**	6.28	5.00
Discount rate	**5.50**	5.50	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 provision for environmental rehabilitation:

	SA Rand	
Figures in million	**2021**	2020
Balance at beginning of year	**3 408**	3 054
Change in estimate – Balance sheet[1]	**(774)**	(48)
Change in estimate – Income statement	**135**	47
Utilisation of provision	**(15)**	(47)
Time value of money and inflation component of rehabilitation costs	**296**	194
Acquisitions[2]	**1 856**	—
Translation	**(244)**	208
Balance at end of year	**4 662**	3 408

[1] *The extension of the life-of-mine for Moab Khotsong following the approval of the Zaaiplaats project impacted the discounting of the cash flows, which reduced the provision at 30 June 2021. Also contributing to the movement are the changes applied to the assumptions for Mponeng and the VR and WW closure businesses following the acquisition.*

[2] *This relates to the acquisition of Mponeng operations and related assets.*

The environmental provision for PNG amounts to R1 084 million (2020: R1 267 million) and is unfunded due to regulations in the operating country.

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 operations, in current monetary terms, is as follows:

	SA Rand	
Figures in million	**2021**	2020
Future net undiscounted obligation		
Ultimate estimated rehabilitation cost	**6 959**	4 600
Amounts invested in environmental trust funds (refer to note 17)	**(5 064)**	(3 513)
Total future net undiscounted obligation	**1 895**	1 087

The group's mines are required to comply with the National Environmental Act's (NEMA) financial provision requirements. They are also required to substantively review and align their financial provision in accordance with these regulations during the relevant transitional period, which has now been extended to 19 June 2022. The group intends to finance the ultimate rehabilitation costs from the money invested in environmental trust funds as well as the proceeds on the 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 38.

27 OTHER PROVISIONS

	SA Rand	
Figures in million	**2021**	Re-presented* 2020
Provision for silicosis settlement (a)	**854**	892
Retirement benefit obligation (b)	**247**	193
Total other provisions	**1 101**	1 085
Current portion of other provisions	**175**	175
Non-current portion of other provisions	**926**	910

** Refer to note 2 for further information on the re-presentation of financial statement line items.*

(a) 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 certain of the group's mines. The ultimate cost may differ from current estimates.

The provision amount was based on estimates of the 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;
- Disease progression rates; and
- Timing of cash flows.

A discount rate of 6.2% (2020: 7.6%) (2019: 8.5%) was used, based on South African government bonds with similar terms to the obligation.

There is uncertainty with regards 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.

Harmony and certain of its subsidiaries (Harmony group), together with other mining companies, were named in a class action suit for silicosis and tuberculosis which was certified by the Johannesburg High Court in May 2016. On 26 July 2019, the Johannesburg High Court approved the R5.2 billion settlement of the silicosis and tuberculosis class action suit between the Occupational Lung Disease Gold Working Group (the Working Group) – representing Gold Fields, African Rainbow Minerals, Anglo American SA, AngloGold Ashanti, Harmony and Sibanye Stillwater – and lawyers representing affected mineworkers (settlement agreement). The mandatory three-month period, during which potential beneficiaries could opt out of the settlement agreement and the audit thereof was completed in December 2019. The Tshiamiso Trust will oversee the tracking and tracing of class members, process all submitted claims, including the undertaking of benefit medical examinations, and pay benefits to eligible claimants. A jointly controlled Special Purpose Vehicle has been set up to act as an agent for the Working Group in relation to certain matters set out in the settlement agreement and trust deed.

The Working Group has paid the legal costs of the claimants' attorneys and other initial amounts as set out in the settlement agreement. On 31 January 2020, the Working Group commenced the payment of their quarterly administration and benefit contributions to the Tshiamiso Trust to enable the trustees to settle benefits of eligible claimants.

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

27 OTHER PROVISIONS continued

(a) Provision for silicosis settlement continued

Harmony has provided for the estimated cost of the settlement based on actuarial assessments. A portion of the provision has been transferred to current liabilities. The nominal amount for Harmony group is R1 billion.

Effective 1 October 2020, Harmony acquired the Mponeng operations and related assets. Refer to note 14 for further information on the acquisition. The transaction excluded the silicosis obligation prior to the effective date.

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

	SA Rand	
Figures in million	**2021**	2020
Balance at beginning of year	**892**	942
Change in estimate	**80**	36
Time value of money and inflation component	**52**	69
Payments to Tshiamiso Trust and claimant attorneys	**(170)**	(155)
Balance at end of year	**854**	892
Current portion of silicosis settlement provision	**175**	175
Non-current portion of silicosis settlement provision	**679**	717

Sensitivity analysis

Management has considered the information available regarding key assumptions, as well as the uncertainties and term of the projections, and determined variances for a reasonable (possible) range to apply to the key assumptions. Information considered included medical data and evidence from the silicosis claim process, which has not changed significantly since the liability was recognised. Management also considered the guidance provided by the actuarial specialists as to what could be a reasonably possible change for each item. The impact of these reasonable possible changes on the assumptions would increase or decrease the provision amount by the following amounts:

	SA Rand	
Figures in million	**2021**	2020
Effect of an increase in the assumption:		
Change in benefit take-up rate[1]	**85**	72
Change in silicosis prevalence[2]	**85**	72
Change in disease progression rates[3]	**42**	36
Effect of a decrease in the assumption:		
Change in benefit take-up rate[1]	**(85)**	(72)
Change in silicosis prevalence[2]	**(85)**	(72)
Change in disease progression rates[3]	**(42)**	(36)

[1] *Change in benefit take-up rate: the take-up rate does not significantly affect the administration fees, but a 10% change results in a proportionate change in the base compensation 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 numbers or a 10% change in the disease risk.*
[3] *Change in disease progression rates: a 10% shorter/longer disease progression period was used, which results in more advanced silicosis cases. This assumption is not applicable to the dependant or TB classes.*

The above sensitivity analysis is 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 this matter remains uncertain, with the number of eligible potential claimants successfully submitting claims and receiving compensation being uncertain. The provision recorded in the financial statements is consequently subject to adjustment or reversal in the future.

(b) 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.

27 OTHER PROVISIONS continued

(b) Retirement benefit obligation continued

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 11.2%, no increases in employer subsidies (in terms of the agreement), mortality rates according to the SA 1956/62 mortality table (SA ""a mf"" tables) (retirement age of 60) and a medical inflation rate of 8.5% (2020: discount rate of 11.2%, retirement age of 60 and 8.5% inflation rate) (2019: discount rate of 9.7%, retirement age of 60 and 7.8% inflation rate). Management determined the discount rate by assessing South African 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.

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 was set at a minimum of 9.5% of gross salary and wages for the 2021 year (2020: 9.5%). The fund is a defined contribution plan. The PNG Superannuation Act 2002 requires a compulsory employer contribution of 8.4% (2020: 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 2021 financial year amounted to R929 million (2020: R842 million).

Post-retirement benefits other than pensions

Harmony inherited post-retirement medical benefit obligations with the Freegold acquisition in 2002 and the Moab Khotsong acquisition in 2018. In 2021, following the acquisition of the Mponeng operations and related assets, Harmony inherited the post-retirement medical benefit obligation of the Mponeng operation. Refer to note 14 for further details on the acquisition. Except for the abovementioned employees, Harmony has no other post-retirement benefit obligation for the other group employees.

The group's obligation 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.

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.

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 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 2021, using the projected unit credit method. The next actuarial valuation will be performed on 30 June 2022.

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

27 OTHER PROVISIONS continued

(b) Retirement benefit obligation continued

Post-retirement benefits other than pensions continued

	SA Rand	
Figures in million	**2021**	2020
Present value of all unfunded obligations	**247**	193
Current employees	**99**	56
Retired employees	**148**	137
The movement in the retirement benefit obligation is as follows:		
Balance at beginning of year	**193**	201
Acquisition of Mponeng operations and related assets	**27**	—
Contributions paid	**(12)**	(12)
Other expenses included in staff costs/current service cost	**1**	2
Finance costs	**22**	19
Net actuarial (gain)/loss recognised in other comprehensive income during the year	**16**	(17)
Balance at end of year (non-current)	**247**	193

The net actuarial loss for 2021 mainly resulted from the shortfall related to the take-on of the Mponeng operation medical benefit obligation. (2020: net actuarial gain was mainly due to an increased discount rate as well as a decline in members).

	SA Rand	
Figures in million	**2021**	2020
The net liability of the defined benefit plan is as follows:		
Present value of defined benefit obligation	**247**	193
Fair value of plan assets	**—**	—
Net liability of defined benefit plan	**247**	193

Management considered whether a reasonably possible change in any of the key assumptions would have a material impact on the obligation, service cost or finance costs. It was determined that changes would result in an immaterial increase or decrease.

The group expects to contribute approximately R14 million to the benefit plan in 2022. The weighted average duration of the defined benefit obligation is 12.5 years.

28 LEASES

Accounting policy

The group assesses the presence of a lease in a contract as at the commencement date of the agreement. Having determined that a contract contains a lease asset (and respective contractual cash obligations), Harmony recognises a right-of-use asset and lease liability. The group discloses expensed amounts for contracts assessed as variable leases, low value asset leases and short-term leases. The disclosed value of these expensed leases is either determined on a straight-line basis over the duration of the lease or on a systematic basis that fairly indicates the consumption of the lease contract. All expensed lease contracts are recognised in production costs, corporate, administration and other expenditure in the income statement.

The group applies the following practical expedients when assessing lease contracts:

- The low value lease exemption - the group has elected to take the low value exemption with a value of R50 000 for the individual leased asset value and also applied its accounting policy on capitalisation of assets based on IAS 1 materiality assessment;
- The short-term lease exemption - leases with a duration of less than a year will be expensed in the income statement on a straight-line basis; and
- Non-lease components - the group has applied the practical expedient not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component for the classes of the underlying asset where it is appropriate to do so.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the group uses its incremental borrowing rate. The group has applied the IFRS 16 portfolio approach in determining the discount rate for leases. As such a single discount rate has been used for contracts that share similar characteristics. The group has determined that a portfolio of contracts that are denominated in the same currency may use a single discount rate. This rate has been determined using various factors including in-country borrowings as well as other sources of finance. The nature of the right-of-use assets was also considered.

28 LEASES continued

Accounting policy continued

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The non-current and current portions of the lease liability is included in other non-current liabilities and trade and other payables in the balance sheet respectively.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, any initial direct costs and restoration costs as described below. They are subsequently measured at cost less accumulated depreciation and impairment losses.

The lease term shall be determined as the non-cancellable period of a lease, together with:

- Periods covered by an option to extend the lease if management is reasonably certain to make use of that option; and/or
- Periods covered by an option to terminate the lease, if management is reasonably certain not to make use of that option.

Whenever the group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37 ***Provisions, Contingent Liabilities and Contingent Assets***. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented in the property, plant and equipment line in the balance sheet. The group applies its existing accounting policy on impairment of non-financial assets to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss accordingly.

Critical accounting estimates and judgements

Key judgements applied in determining the right-of-use assets and lease liability were:

- Assessing whether an arrangement contains a lease: various factors are considered, including whether a service contract includes the implicit right to the majority of the economic benefit from assets used in providing the service;
- Determining the lease term: management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. The company applies the considerations for short-term leases where leases are modified to extend the period by 12 months or less on expiry and these modifications are assessed on a standalone basis; and
- Determining the discount rate: in determining the incremental borrowing rates, management considers the term of the lease, the nature of the asset being leased, in country borrowings as well as other sources of finance.

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

28 LEASES continued

The movement in the right-of-use assets is as follows:

	SA Rand	
Figures in million	2021	2020
Balance at beginning of year	151	—
Impact of adopting IFRS 16 at 1 July 2019	—	81
Acquisition of Mponeng operations and related assets[1]	11	—
Additions	174	106
Modifications	35	—
Depreciation	(80)	(45)
Terminations	(1)	(8)
Translation	(28)	17
Balance at end of year	262	151

[1] *Refer to note 14 for further information on the acquisition.*

The non-current and current portions of the lease liability is included in other non-current liabilities and trade and other payables in the balance sheet respectively.

The movement in the lease liabilities is as follows:

	SA Rand	
Figures in million	2021	2020
Balance at beginning of year	141	—
Impact of adopting IFRS 16 at 1 July 2019	—	81
Acquisition of Mponeng operations and related assets[1]	40	—
Additions	135	93
Modifications	35	—
Interest expense on lease liabilities	13	8
Lease payments made	(80)	(46)
Terminations	(1)	(8)
Translation	(22)	13
Balance at end of year	261	141
Current portion of lease liabilities	107	60
Non-current portion of lease liabilities	154	81

[1] *Refer to note 14 for further information on the acquisition.*

The maturity of the group's undiscounted lease payments is as follows:

	SA Rand	
Figures in million	2021	2020
Less than and including one year	112	67
Between one and five years	225	86
Five years and more	—	—
Total	337	153

28 LEASES continued

The amounts included in the income statement relating to leases:

	SA Rand	
Figures in million	**2021**	2020
Depreciation of right-of-use assets[1]	**80**	45
Interest expense on lease liabilities[2]	**13**	8
Short-term leases expensed[3, 4]	**187**	96
Leases of low value assets expensed[3]	**15**	19
Variable lease payments expensed[3, 5]	**883**	690

[1] *Included in depreciation and amortisation.*
[2] *Included in finance costs.*
[3] *Included in production costs and corporate, administration and other expenditure.*
[4] *The amount includes leases that expire within 12 months of adoption as management elected the short-term expedient.*
[5] *These payments relate mostly to mining and drilling contracts. Variable lease payments made comprise 76% of the total lease payments made during the period. The majority of the variable lease payments made relate to the contracting of specialists for mining operations at Harmony's open-pit mines and are determined on a per tonne or square metre basis.*

The total cash outflows for leases are:

	SA Rand	
Figures in million	**2021**	2020
Lease payments made for lease liabilities	**80**	46
Short-term lease payments	**187**	96
Lease payments of low value assets leased	**15**	19
Variable lease payments	**883**	690
Total cash outflows for leases	**1 165**	850

29 CONTINGENT CONSIDERATION

Accounting policy

The contingent consideration liability was initially recognised at fair value on 1 October 2020 in accordance with IFRS 3. The liability was included as part of the consideration transferred for the acquisition of the Mponeng operations and related assets (refer to note 14 for further disclosure on the acquisition). Changes in the fair value of the liability subsequent to initial recognition are included in other operating expenses.

Critical accounting estimates and judgements

The contingent consideration liability was initially valued using the discounted cash flow valuation method, discounted at a post-tax real rate of 10.6%.Other assumptions are the forecast Rand/US dollar exchange rate and life-of-mine plans. Subsequent to initial recognition, the assumptions applied for the valuation of the liability were updated. As at 30 June 2021, the contingent consideration was valued using a post-tax real discount rate of 10.3%. Refer to note 15 for R/US$ exchange rates used in the valuation as at 30 June 2021. The fair value calculated for the contingent consideration is level 3 in the fair value hierarchy due to the use of unobservable inputs. At both 1 October 2020 and 30 June 2021, the contingent consideration attributable to the below infrastructure ounces of gold was valued at Rnil.

The movement in the contingent consideration liability is as follows:

	SA Rand
Figures in million	**2021**
Balance as at 1 October 2020 - initial recognition	**544**
Remeasurement of contingent consideration[1]	**(127)**
Balance as at 30 June 2021	**417**

[1] *The remeasurement of the liability relates primarily to a change in the production profile, which is based on Harmony's life-of-mine plan at 30 June 2021.*

30 OTHER NON-CURRENT LIABILITIES

	SA Rand	
Figures in million	**2021**	2020
Sibanye Beatrix ground swap royalty[1]	**19**	15
Lease liability - non-current[2]	**154**	81
Provision for Harmony Education Benefit Fund	**5**	5
Total non-current liabilities	**178**	101

[1] *The increase is mainly due to the estimated gold allocation increasing from 1 862 kg to 2 068 kg based on approved life-of-mine plans.*
[2] *Refer to note 28 for an analysis of the lease liability.*

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

31 STREAMING ARRANGEMENTS

Streaming arrangement with Franco-Nevada Barbados

Harmony's subsidiary, Chemwes, which owns the Mine Waste Solutions operation (MWS), has a contract with Franco-Nevada Barbados (Franco-Nevada). Franco-Nevada is entitled to receive 25% of all the gold produced through MWS. As part of the acquisition of MWS (refer to note 14), Harmony assumed the obligations enforced by the Franco-Nevada contract.

The contract is a streaming agreement that commenced on 17 December 2008 for which Franco-Nevada paid US$125 million upfront for the right to purchase 25% of the gold production through MWS for a fixed amount of consideration until the balance of gold cap is delivered. As at 1 October 2020, the US$125 million upfront payment has been settled. The gold cap is a provision included in the contract, which stipulates the maximum quantity of gold to be sold to Franco-Nevada over the term of the agreement. The consideration is determined as the lower of the quoted spot gold price as per the London Metals Exchange or US$400 per ounce adjusted with an annual escalation adjustment.

Harmony does not have an existing streaming arrangement and therefore a new accounting policy was developed for the classification and measurement of the transaction.

Accounting policy

The streaming contract was assessed and has been accounted for as an own-use customer contract. At acquisition, the Franco-Nevada contract was initially recognised at a fair value (refer to note 14) of R1.4 billion in accordance with IFRS 3. The fair value of the contract took into consideration the existing unfavourable gold price terms at acquisition, in relation to the comparative market gold price.

The obligation to deliver the contractually stipulated ounces over the remaining term of the agreement results in a significant financing component. The interest accrues on the contract liability over the remaining contractual term. As the performance obligation to deliver gold is met, the contract liability unwinds into revenue classified as "consideration from streaming contract" in note 5.

The current portion of the liability is determined with reference to the current production profile of MWS for the next 12 months.

Critical accounting estimates and judgements

Refer to note 14 for the critical estimates and judgements relating to the initial recognition of the streaming contract liability. Changes in the production plan will affect the subsequent measurement prospectively. This is the only input that is considered for subsequent measurement. Harmony's cost of debt of 7.7% was used to impute the finance cost for the significant financing component recognised on the streaming contract liability.

Contract liability and gold delivered

As at 1 October 2020, the balance of gold ounces to be delivered to Franco-Nevada amounted to 100 686oz. Subsequent to 1 October 2020, 16 257oz had been delivered to Franco-Nevada, bringing the balance of gold ounces to be delivered as at 30 June 2021 to 84 429oz.

The contract price receivable in US$/oz for each ounce of gold delivered is as follows:

- 1 October 2020 – 16 December 2020: US$433/oz
- 17 December 2020 – 30 June 2021: US$437/oz

Reconciliation of the streaming contract liability:

	SA Rand
Figures in million	**2021**
Balance at 1 October 2020 – initial recognition	**1 417**
Finance costs related to significant financing component	**71**
Non-cash consideration for delivery of gold ounces (included in Revenue)	**(397)**
Balance as at 30 June 2021	**1 091**
– Current	**396**
– Non-current	**695**

Accounting policy – financial liabilities (applicable to notes 32 and 33)

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, except for 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.

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

32 BORROWINGS

Summary of facilities' terms

	Commenced	Tenor (Years)	Matures	Secured	Security	Interest payment basis	Interest charge	Repayment term	Repaid
Existing									
R2 billion facility	November 2018	Four	November 2022	Yes	Cession and pledge of operating subsidiaries' shares and claims	Variable			n/a
- R600 million term loan							JIBAR + 2.9%	Eight equal quarterly instalments starting from February 2021 with the final instalment on maturity	
- R1.4 billion revolving credit facility							JIBAR + 2.8%	On maturity	
US$400 million facility	September 2019	Three	September 2023[1]	Yes	Cession and pledge of operating subsidiaries' shares and claims	Variable		On maturity	n/a
- US$200 million revolving credit facility		Extendable by 1 year					LIBOR + 2.9%		
- US$200 million term loan							LIBOR + 3.1%		
US$24 million Westpac loan	July 2018	Four	July 2022	Yes	Cession and pledge of vehicles and machinery	Variable	LIBOR + 3.2%	Quarterly instalments	n/a
Matured									
US$350 million facility	July 2017	Three	July 2020	Yes	Cession and pledge of operating subsidiaries' shares and claims	Variable		On maturity	October 2019
- US$175 million revolving credit facility							LIBOR + 3.00%		
- US$175 million term loan							LIBOR + 3.15%		
US$200 million bridge loan	June 2020	One	June 2021	Yes	Cession and pledge of operating subsidiaries' shares and claims	Variable		On maturity	July 2020[2]
						First 6 months	LIBOR + 1.80%		
						Next 3 months	LIBOR + 2.40%		
						Last 3 months	LIBOR + 3.00%		

[1] *The syndicate of lenders for the US$400 million facility agreed to the one year extension during July 2020, extending the maturity date to September 2023.*
[2] *This facility was cancelled on 6 July 2020 with no drawdowns having been made.*

32 BORROWINGS continued

Debt covenants

The debt covenant tests for both the Rand and US dollar facilities are as follows:

- The group's interest cover ratio shall be more than five times (EBITDA[1]/ Total interest paid);
- Tangible Net Worth[2] to total net debt ratio shall not be less than four times or six 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. During June 2020, lenders agreed to relax the Tangible Net Worth to total net debt covenant, from four times to two times, until December 2020, in order to provide flexibility to the group following the disruptions from the Covid-19 pandemic. From 1 January 2021, the covenants reverted to the original position.*
[3] *Leverage is defined as total net debt to EBITDA.*

No breaches of the covenants were identified during the tests in the 2020 and 2021 financial years. Management believes that it is very likely that the covenant requirements will be met in the foreseeable future given the current earnings and interest levels, as well as the net debt position.

Interest bearing borrowings

	SA Rand	
Figures in million	**2021**	2020
Non-current borrowings		
R2 billion facility	**153**	1 351
Balance at beginning of year	**1 351**	1 489
Draw down	**—**	1 100
Repayments	**(1 050)**	(1 100)
Transferred to current liabilities	**(150)**	(150)
Amortisation of issue cost	**2**	12
Westpac fleet loan	**22**	132
Balance at beginning of year	**132**	194
Repayments	**(96)**	(96)
Transferred from/(to) current liabilities	**18**	(16)
Translation	**(32)**	50
US$350 million facility	**—**	—
Balance at beginning of year	**—**	4 143
Repayments	**—**	(4 465)
Amortisation of issue costs	**—**	24
Translation	**—**	298
US$400 million facility	**2 799**	5 980
Balance at beginning of year	**5 980**	—
Draw down	**—**	5 441
Issue cost	**(11)**	(95)
Repayments	**(2 347)**	—
Amortisation of issue costs	**39**	12
Translation	**(862)**	622
Total non-current borrowings	**2 974**	7 463

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

32 BORROWINGS continued

Interest bearing borrowings continued

	SA Rand	
Figures in million	**2021**	2020
Current borrowings		
R2 billion facility	**300**	150
Balance at beginning of year	**150**	—
Transferred from non-current liabilities	**150**	150
Westpac fleet loan	**87**	105
Balance at beginning of year	**105**	89
Transferred from/(to) non-current liabilities	**(18)**	16
Total current borrowings	**387**	255
Total interest-bearing borrowings	**3 361**	7 718

	SA Rand	
Figures in million	**2021**	2020
The maturity of borrowings is as follows:		
Current	**387**	255
Between one to two years	**175**	405
Between two to three years	**2 799**	7 058
	3 361	7 718

	SA Rand	
Figures in million	**2021**	2020
Undrawn committed borrowing facilities		
Expiring within one year	**—**	—
Expiring after one year	**4 254**	1 366
	4 254	1 366

	2021	2020
Effective interest rates (%)		
R2 billion facility	**6.6**	9.3
Westpac fleet loan	**3.4**	4.4
US$400 million facility	**4.0**	3.7
US$350 million facility	**—**	5.6

33 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	
Figures in million	**2021**	2020
Financial liabilities		
Trade payables	**1 269**	706
Lease liability – current[1]	**107**	60
Other liabilities	**129**	204
Non-financial liabilities		
Payroll accruals	**847**	616
Leave liabilities (a)	**731**	537
Shaft related liabilities	**928**	585
Other accruals	**211**	213
Value added tax	**163**	85
Income and mining tax	**4**	—
Total trade and other payables	**4 389**	3 006

[1] *Refer to note 28 for an analysis of the lease liability.*

The increase is mainly related to the impact of acquiring the Mponeng operations and related assets.

(a) 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	
Figures in million	**2021**	2020
Balance at beginning of year	**537**	540
Benefits paid	**(583)**	(567)
Total expense per income statement	**630**	538
Translation (gain)/loss	**(25)**	26
Acquisitions[1]	**172**	—
Balance at end of year	**731**	537

[1] *Acquisitions of the Mponeng operations and related assets.*

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

34 CASH GENERATED BY OPERATIONS

	SA Rand		
Figures in million	**2021**	2020	2019
Reconciliation of profit/(loss) before taxation to cash generated by operations			
Profit/(loss) before taxation	**6 382**	(595)	(2 746)
Adjustments for:			
Amortisation and depreciation	**3 877**	3 508	4 054
Impairment of assets	**1 124**	—	3 898
Share-based payments	**160**	180	230
Net decrease in provision for post-retirement benefits	**(13)**	(12)	(12)
Net increase/(decrease) in provision for environmental rehabilitation	**135**	—	(53)
Loss on scrapping of property, plant and equipment	**161**	62	21
Profit from associates	**(83)**	(94)	(59)
Investment income	**(244)**	(375)	(308)
ARM BBEE day one expense	**(87)**	—	—
Finance costs	**661**	661	575
Inventory revaluation adjustments	**69**	(70)	(166)
Foreign exchange translation difference	**(810)**	989	95
Non cash portion of gains/losses on derivatives	**(1 204)**	1 382	(429)
Day one loss amortisation	**(47)**	40	32
Streaming contract revenue	**(397)**	—	—
Silicosis settlement provision	**(90)**	(119)	(62)
Gain on bargain purchase	**(303)**	—	—
Contingent consideration remeasurement	**(127)**	—	—
Other non-cash adjustments	**(14)**	22	(16)
Effect of changes in operating working capital items			
(Increase)/decrease in Receivables	**(339)**	(349)	32
(Increase)/decrease in Inventories	**(37)**	(150)	(88)
Increase/(decrease) in Payables	**967**	(49)	54
Cash generated by operations	**9 741**	5 031	5 052

Additional cash flow information

The income and mining taxes paid in the statement of cash flow represents actual cash paid less refunds received. Investment income from restricted investments is considered non-cash for the purposes of the cash flow statement. Included in investment income is interest earned from restricted investments of R174 million (2020: R163 million) (2019: R168 million).

At 30 June 2021, R4 254 million (2020: R1 366 million) (2019: R1 277 million) of borrowing facilities had not been drawn and are therefore available for future operational activities and future capital commitments. Refer to note 32.

The share issue costs were accrued at year-end and do not reflect in the financing section of the cash flow.

(a) Acquisitions of investments/business

The conditions precedent for the acquisition of AGA's remaining South African producing assets and related liabilities were fulfilled on 1 October 2020 and the transaction was completed. Refer to note 14 for details on the consideration paid.

(b) Principal non-cash transactions

Share-based payments (refer to note 36).

(c) Lease payments

Included in the lease payments of R119 million are deposits of R39 million made as part of a lease facility agreement.

35 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 27 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, ***Provisions, Contingent Liabilities and Contingent Assets***, 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.

	2021	2020
Number of permanent employees as at 30 June:		
South African operations	**36 860**	31 504
International operations[1]	**1 599**	1 589
Total number of permanent employees	**38 459**	33 093

	SA Rand	
Figures in million	**2021**	2020
Aggregate earnings		
The aggregate earnings of employees including executive directors were:		
Salaries and wages and other benefits (excluding share-based payments)	**14 079**	10 540
Retirement benefit costs	**929**	842
Medical aid contributions	**316**	276
Total aggregated earnings[2]	**15 324**	11 658

[1] *The Wafi-Golpu joint operation's employees included in the total is 59 (2020: 81).*
[2] *These amounts have been included in cost of sales, corporate expenditure and capital expenditure.*

The increase year on year relates primarily to the acquisition of the Mponeng operations and related assets. Refer to note 14.

During the 2021 financial year, R371 million (2020: R122 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.

36 SHARE-BASED PAYMENTS

Accounting policy

The group operates the following employee share incentive plans where the group granted share options to certain employees in exchange for services received:

- The 2006 equity-settled share-based payments plan (2006 share plan);
- The equity-settled Sisonke Employee Share Ownership Plan (Sisonke ESOP) initially awarded in 2019; and
- The equity-settled Management Deferred Share Plan (DSP) initially awarded in 2020.

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 (if any) net of any directly attributable transaction costs are credited to share capital and premium when the options are exercised.

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

36 SHARE-BASED PAYMENTS continued

Critical accounting estimates and judgements

The fair value of options granted under the 2006 plan was determined using 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. There were no options granted under the 2006 plan in the current financial period. The fair value of the options granted under the Sisonke ESOP was based on the Harmony spot share price of R28.29 at grant date as there were no market conditions attached to the grant. The fair value of the first options granted under the DSP was based on the Harmony spot share prices of between R45.89 and R56.87 at grant date as there was no market condition attached to the grant. The fair value of the second options granted under the DSP was based on the Harmony spot share price of R74.90 at grant date as there was no market condition attached to the grant.

Employee share-based payments

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	
Figures in million	**2021**	2020
2006 share plan	**26**	83
Sisonke ESOP	**61**	73
Management DSP	**69**	30
Total employee share-based payments	**156**	186

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, 53 482 588 shares have been issued in terms of the various share schemes. At 30 June 2021, no share option awards are outstanding for the 2006 share plan.

In December 2018, the board approved the new Total Incentive Plan for management which includes deferred shares. The first allocations under the new plan occurred in October 2019 with the second allocation occurring in October 2020. Our shareholders have authorised up to 25 000 000 shares of the issued share capital to be used for this plan.

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.	*2013 to 2014 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 2017 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.
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.

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

36 SHARE-BASED PAYMENTS continued

Employee share-based payments continued

Options granted under the 2006 share plan continued

Activity on share options

	SARs		PS
Activity on options and rights granted but not yet exercised	**Number of options and rights**	**Weighted average option price (SA Rand)**	**Number of rights**
For the year ended 30 June 2021			
Balance at beginning of year	**377 333**	**18.41**	**12 415 024**
Options exercised	**(371 008)**	**18.41**	**(11 928 241)**
Options forfeited and lapsed	**(6 325)**	**18.41**	**(486 783)**
Balance at end of year	**—**	**—**	**—**

	SARs		PS
Activity on options and rights granted but not yet exercised	Number of options and rights	Weighted average option price (SA Rand)	Number of rights
For the year ended 30 June 2020			
Balance at beginning of year	6 713 044	26.45	21 007 596
Options exercised	(6 086 252)	27.03	—
Options forfeited and lapsed	(249 459)	23.97	(8 592 572)
Balance at end of year	377 333	18.41	12 415 024

There were no RS balances during the 2021 and 2020 financial years.

	SARs		PS	
Options and rights vested but not exercised at year end	**2021**	2020	**2021**	2020
Options and rights vested but not exercised	**—**	377 333	**—**	—
Weighted average option price (SA rand)	**n/a**	18.41	**n/a**	n/a

	SA Rand	
Figures in million	**2021**	2020
Gain realised by participants on options and rights traded during the year	**807**	142
Fair value of options and rights exercised during the year	**807**	144

Options granted under the Sisonke ESOP

In December 2017 Harmony approved the establishment of the Sisonke ESOP with the aim to facilitate beneficial interest and ownership by non-managerial employees in South Africa (the beneficiaries) of Harmony shares in order to:

- Facilitate economic empowerment of Harmony's employees;
- Incentivise Harmony's employees, so as to promote the shared interests of employees and shareholders in the value growth of Harmony; and
- Further align the interests of the Harmony shareholders and those of the employees of Harmony.

The shares were issued to the Harmony ESOP Trust (the Trust) on 15 January 2019 which is also the date on which the required service period of three years commenced. Each beneficiary under the scheme was awarded 225 Participation Units (PU). The Sisonke ESOP is equity-settled.

Award	Vesting	Performance criteria
PU*	The PU will vest after three years from the date on which the service period commenced	The participant is still employed within the group

** The term Participation Units means the vested rights of a beneficiary to an equal number of Harmony shares held by the Trust.*

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

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

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

36 SHARE-BASED PAYMENTS continued

Employee share-based payments continued

Options granted under the Sisonke ESOP continued

Activity on share options

	Number of PU	
Activity on PU granted but not exercised	**2021**	2020
Balance at beginning of year	**6 768 562**	6 819 025
Options granted	**106 994**	366 960
Options vested	**(441 548)**	(257 271)
Options forfeited and lapsed	**(122 341)**	(160 152)
Balance at end of year	**6 311 667**	6 768 562

	2021	2020
Gain realised by participants on options exercised during the year (R'million)	**31**	12
Weighted average share price at the date of exercise (SA Rand)	**70.90**	48.21
Remaining life (years)	**0.5**	1.5

Options granted under the Management Deferred Share Plan

Harmony implemented the Total incentive Plan, comprising a long-term Deferred Share Plan (DSP) and a short-term annual cash payment with effect from 1 July 2019. The total incentive for each management-level employee is determined every year through a balanced scorecard calculation.

The balanced scorecard result includes a number of key short- and long-term company performance measures (to be measured over trailing three- and one-year periods). The measures are reviewed and defined annually with appropriate weightings. A portion of the total incentive is paid immediately in cash and the balance is settled by means of deferred shares.

Award	Vesting	Performance criteria
DS*	The awards will vest at a rate of 20% per annum over the following five years for executive directors and prescribed officers, and one-third per annum over the following three years for qualifying management.	The participant is still employed within the group

** Deferred shares*

	2021	2020
18 September 2019 - 3 years		
Gain realised by participants on options exercised during the year (R'million)	**28**	—
Weighted average share price at the date of exercise (SA Rand)	**87.86**	—
Remaining life (years)	**1.2**	—
18 September 2019 - 5 years		
Gain realised by participants on options exercised during the year (R'million)	**2**	—
Weighted average share price at the date of exercise (SA Rand)	**87.86**	—
Remaining life (years)	**3.2**	—

Activity on share options

	Number of DS	
Activity on DS granted but not exercised	**2021**	2020
Balance at beginning of year	**1 162 152**	—
Options granted	**1 356 715**	1 218 013
Options exercised	**(331 466)**	—
Options forfeited and lapsed	**(84 878)**	(55 861)
Balance at end of year	**2 102 523**	1 162 152

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

36 SHARE-BASED PAYMENTS continued

Employee share-based payments continued

Options granted under the Management Deferred Share Plan continued

Activity on share options continued

List of options granted but not yet exercised (listed by grant date)	Number of options	Remaining life (years)
As at 30 June 2021		
Deferred shares		
18 September 2019 - 3 years	**595 450**	**1.2**
18 September 2019 - 5 years	**232 237**	**3.2**
18 September 2020 - 3 years	**895 336**	**2.2**
18 September 2020 - 5 years	**379 500**	**4.2**
Total options granted but not yet exercised	**2 102 523**	

37 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 2018 or in any proposed transaction that has affected or will materially affect Harmony or its subsidiaries, other than as stated below.

Directors and other key management

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 directors' remuneration is as follows:

	SA Rand	
Figures in million	Executive directors	Non-executive directors
2021		
Salaries	**24**	**—**
Retirement contributions	**3**	**—**
Bonuses	**16**	**—**
Exercise/settlement of share options	**105**	**—**
Directors' fees	**—**	**13**
	148	**13**
2020		
Salaries	19	—
Retirement contributions	3	—
Bonuses	5	—
Exercise/settlement of share options	9	—
Directors' fees	—	13
	36	13

On 14 August 2020, Ms Shela Mohatla was appointed as Group Company Secretary by the board of directors. At the same time Ms Marian van der Walt was appointed as Senior Group Executive: Enterprise Risk and Investor Relations and has been regarded as a prescribed officer since then.

On 30 September 2020, Harmony announced the resignation of Mr Ken Dicks and Mr Max Sisulu as independent non-executive directors as well as the retirement of Mr Frank Abbott as executive director with effect from 30 September 2020.

On 18 December 2020, Harmony announced the resignation of Ms Grathel Motau as independent non-executive director with effect from 18 December 2020.

On 22 February 2021, Harmony announced the appointment of Mr Peter Turner as independent non-executive director with effect from 19 February 2021.

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

37 RELATED PARTIES continued

Directors and other key management continued

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

	Number of shares	
Name of director/prescribed officer	**2021**	2020
Directors		
Peter Steenkamp[1]	**746 085**	512 000
Boipelo Lekubo[1]	**3 581**	—
Andre Wilkens	**101 301**	101 301
Frank Abbott[2]	**n/a**	1 142 010
Harry 'Mashego' Mashego[1]	**3 319**	—
Ken Dicks[3]	**n/a**	35 000
Prescribed officers		
Beyers Nel[1]	**216 175**	42 486
Philip Tobias[1, 4]	**347 462**	169 294
Marian van der Walt[1, 5]	**139 356**	—
Johannes van Heerden[1]	**166 156**	160 000

[1] *Increase in the 2021 year related to share options that vested and were retained*
[2] *Frank Abbott retired as an executive director effective 30 September 2020.*
[3] *Ken Dicks resigned as a non-executive director effective 30 September 2020.*
[4] *The movement in shares for the 2021 financial year includes the sale of 1 500 ordinary shares in the open market*
[5] *Marian van der Walt was appointed as Senior Group Executive: Enterprise Risk and Investor Relations and a prescribed officer effective 14 August 2020*

Modise Motloba, Harmony's deputy chairman, is a director of Tysys Proprietary Limited (Tysys). Tysys entered into a contract with the group during the 2017 financial year to provide services relating to the group's small and medium enterprise development projects. The contract has a value of up to R5 million per annum. Approximately R5 million (2020: R5 million) was paid during the 2021 financial year relating to services rendered in the current and prior financial years. The contract has a 30-day notice period.

There were no other changes to the directors' interest between the reporting date and the date of the approval of the financial statements other than indicated above.

Other related parties

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.

	SA Rand	
Figures in million	**2021**	2020
Sales and services rendered to related parties		
Joint operations	**3**	3
Total	**3**	3

	SA Rand	
Figures in million	**2021**	2020
Purchases and services acquired from related parties		
Directors	**5**	5
Associates	**55**	39
Total	**60**	44

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

38 COMMITMENTS AND CONTINGENCIES

Commitments and guarantees

	SA Rand	
Figures in million	2021	2020
Capital expenditure commitments		
Contracts for capital expenditure	**341**	262
Share of joint operation's contracts for capital expenditure	**32**	106
Authorised by the directors but not contracted for	**7 425**	1 314
Total capital commitments	**7 798**	1 682

This expenditure will be financed from existing resources and, where appropriate, borrowings. The increase year on year is due to the inclusion of a number of expansion projects in the life-of-mine plans for the 2022 financial year. These projects include the Zaaiplaats extension at Moab Khotsong, the Kareerand deposition extension at MWS and the Hidden Valley extension.

Contractual obligations in respect of mineral tenement leases amount to R17 million (2020: R19 million). This includes R17 million (2020:19 million) for the Wafi-Golpu joint operation.

	SA Rand	
Figures in million	2021	2020
Guarantees		
Guarantees and suretyships[1]	**481**	143
Environmental guarantees[2]	**479**	479
Total guarantees	**960**	622

[1] *The increase is due to additional guarantees following the acquisition of Mponeng operations and related assets required for power services.*
[2] *At 30 June 2021 R146 million (2020: R104 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 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 our acquisition of the Wafi deposits in PNG. The shares were valued at R242 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.

(b) 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. Water treatment facilities were successfully implemented at Doornkop, Tshepong Operations and Kusasalethu. These facilities are now assisting in reducing our dependency on state supplied potable 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 in addition to updating the regional water balance, 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 studies result in different solutions than the ones initially proposed, or the regulators do not approve the proposed plans, which then results in the group being required to record and account for the contingencies as liabilities, it could then have a material impact on the financial statements of the group.

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

38 COMMITMENTS AND CONTINGENCIES continued

Contingent liabilities continued

(c) 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 Resources and Energy and affected mining companies require 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. Additional studies have been commissioned at Doornkop and Kusasalethu. Studies that have been conducted indicate that there is no risk of decant from Doornkop and Kusasalethu, but it is recommended that confirmatory studies be completed. In addition, the decant from the KOSH groundwater system tied with our Moab Khotsong operation has been managed through an appropriate groundwater closure plan and sufficient provision has been set aside for this. Therefore, there is no contingency arising from these operations.

Preliminary studies have also been completed to manage and mitigate the seepage from tailings facilities recently acquired (refer to note 14). Seepage is evident at these facilities and desktop studies have been completed to mitigate the seepage. An initial estimate to manage and mitigate the seepage based on these studies has been considered as part of the fair value exercise in terms of IFRS 3. Further feasibility studies will be conducted to refine these estimates in the future.

Should the additional studies result in different solutions than the ones initially proposed, or the regulators do not approve the proposed plans, it might result in a change in estimate to the recorded liabilities or the group recording liabilities over and above the current provisions.

(d) 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). The respective Water Use License Applications (WULA's) have subsequently not yet been approved by DWS except for Kalgold and Kusasalethu. Two WUL have been issued by DWS for Kalgold and Kusasalethu. 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. The existing WUL for Moab Khotsong, which was recently acquired by Harmony, has already been approved by the DWS. The transferral of the licence and its conditions to Harmony is currently being processed. All operations continue to operate legally and responsibly.

(e) 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 of potential claims. Rand Uranium is therefore liable for all claims up to R75 million and retains legal liability. The likelihood of potential claims cannot be determined presently and no provision for any liability has been made in the financial statements.

39 FINANCIAL RISK MANAGEMENT

The group's operating activities expose it to a variety of financial risks: market risk (including commodity price risk, foreign exchange risk, 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 classified as set out below:

Figures in million (SA Rand)	Debt instruments at amortised cost	Equity instruments designated at fair value through OCI	Derivatives designated as cash flow hedges	Derivatives at fair value through profit or loss	Debt instruments at fair value through profit or loss	Financial liabilities at amortised cost
At 30 June 2021						
Financial assets						
Restricted cash and investments	3 656	252	—	—	1 391	—
Other non-current assets	16	74	—	—	177	—
Non-current derivative financial instruments	—	—	319	9	—	—
– Rand gold hedging contracts	—	—	279	—	—	—
– US$ gold hedging contracts	—	—	40	—	—	—
– US$ silver contracts	—	—	—	9	—	—
Current derivative financial instruments	—	—	1 087	384	—	—
– Rand gold hedging contracts	—	—	1 079	—	—	—
– US$ gold hedging contracts	—	—	8	—	—	—
– Foreign exchange contracts	—	—	—	383	—	—
– US$ silver contracts	—	—	—	1	—	—
Trade and other receivables	979	—	—	—	—	—
Cash and cash equivalents	2 819	—	—	—	—	—
Financial liabilities						
Non-current derivative financial instruments	—	—	—	6	—	—
– US$ silver contracts	—	—	—	6	—	—
Current derivative financial instruments	—	—	114	92	—	—
– Rand gold hedging contracts	—	—	41	—	—	—
– US$ gold hedging contracts	—	—	73	—	—	—
– US$ silver contracts	—	—	—	92	—	—
Borrowings	—	—	—	—	—	3 361
Contingent consideration liability	—	—		—	417	—
Other non-current liabilities	—	—	—	—	—	173
Trade and other payables	—	—	—	—	—	1 505

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

39 FINANCIAL RISK MANAGEMENT continued

Figures in million (SA Rand)	Debt instruments at amortised cost	Equity instruments designated at fair value through OCI	Derivatives designated as cash flow hedges	Derivatives at fair value through profit or loss	Debt instruments at fair value through profit or loss	Financial liabilities at amortised cost
Re-presented At 30 June 2020						
Financial assets						
Restricted cash and investments	2 867	—	—	—	837	—
Other non-current assets	5	77	—	—	306	—
Non-current derivative financial instruments	—	—	15	35	—	—
– Rand gold hedging contracts	—	—	10	—	—	—
– US$ gold hedging contracts	—	—	5	—	—	—
– US$ silver contracts	—	—	—	5	—	—
– Foreign exchange contracts	—	—	—	30	—	—
Current derivative financial instruments	—	—	12	6	—	—
– Rand gold hedging contracts	—	—	9	—	—	—
– US$ gold hedging contracts	—	—	3	—	—	—
– US$ silver contracts	—	—	—	6	—	—
Trade and other receivables	804	—	—	—	—	—
Cash and cash equivalents	6 357	—	—	—	—	—
Financial liabilities						
Non-current derivative financial instruments	—	—	813	66	—	—
– Rand gold hedging contracts	—	—	717	—	—	—
– US$ gold hedging contracts	—	—	96	—	—	—
– US$ silver contracts	—	—	—	1	—	—
– Foreign exchange contracts	—	—	—	65	—	—
Current derivative financial instruments	—	—	3 169	955	—	—
– Rand gold hedging contracts	—	—	2 909	—	—	—
– US$ gold hedging contracts	—	—	260	—	—	—
– US$ silver contracts	—	—	—	3	—	—
– Foreign exchange contracts	—	—	—	695	—	—
– Rand gold derivative contracts	—	—	—	257	—	—
Borrowings	—	—	—	—	—	7 718
Other non-current liabilities	—	—	—	—	—	96
Trade and other payables	—	—	—	—	—	970

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 co-operation 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 commodity price risk, foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and the investment of excess liquidity.

Since March 2020, the Covid-19 pandemic has impacted on various aspects of Harmony's operating environment. Where relevant, reference is made to certain impacts in the discussions below, however a detailed discussion thereof is included in note 4.

39 FINANCIAL RISK MANAGEMENT continued

Market risk

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$). Foreign exchange risk arises when future commercial transactions or recognised financial assets or liabilities are denominated in a currency that is not the entity's functional currency. Harmony's revenues are sensitive to the R/US$ exchange rate as all revenues are generated by commodity sales denominated in US$. Harmony may enter into hedging transactions to reduce this risk. The limit currently set by the board is 25% of the group's foreign exchange risk exposure for a period of 24 months. Refer to note 19 and the fair value determination for financial assets and liabilities section below for details of the contracts. The audit and risk committee review the details of the programme quarterly.

The Rand strengthened during the current financial year, from R17.32/US$1 on 30 June 2020 and closed at R14.27/US$1 on 30 June 2021. This reduced the losses on contracts that matured during the year and positively impacted on the valuations of contracts that were outstanding at 30 June 2021.

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 (refer to note 2.2 for details on the group's functional currencies). As of 1 October 2020, the contingent consideration liability has also been included. Refer to note 29 for details. These exposures are mainly to the US$. The Rand's levels impacted positively on the translation of the US$ debt facilities at 30 June 2021. Refer to note 32 for further detail.

Translation of the international net assets was impacted by a strengthening of the Rand against the Australian dollar from R11.96/A$1 at 30 June 2020 to R10.72/A$1. A loss of R1.2 billion has been recognised in other comprehensive income relating to the translation of the international net assets to Rands.

The group has reviewed its foreign currency exposure on financial assets and financial liabilities and has identified the following sensitivities in the exchange rates that would affect profit and loss:

- Rand/US$ exchange rate - 6% based on the standard deviation from a one-year forecast of various financial institution outlooks. The analysis for 2020 was based on historical information for which a reasonable possible change of 10% was determined.
- AUD/US$ exchange rate - 4% based on the standard deviation from a one-year forecast of various financial institution outlooks. The analysis for 2020 was based on the historical trend of the AUD to the US$ in order to determine a reasonably possible change. 10% approximated the move between the year-end rate and the highest point in the previous two financial years.
- PGK/US$ exchange rate - 1%. The Papua New Guinean (PNG) government has fixed the exchange rate of the Kina to the US$ and adjusts it occasionally. These adjustments are very small and would not result in any significant impact on profit or loss. The analysis for 2020 was based on a sensitivity of 10% to be used as an indicator of the potential impact of exchange rate changes.

Management has refined the approach for determining reasonable possible changes from the prior year. The refined approach, which uses a larger population of market analyst forecasts as used for macro-economic assumptions and estimates, provided an improvement in the assessment of reasonable possible changes used for sensitivity analysis.

	SA Rand	
Figures in million	**2021**	2020
Sensitivity analysis – borrowings		
Rand against US$		
Balance at 30 June	**2 806**	5 990
Strengthen by 6% (FY20: 10%)	**168**	599
Weaken by 6% (FY20: 10%)	**(168)**	(599)
Closing rate	**14.27**	17.32
US$ against Kina		
Balance at 30 June	**109**	237
Strengthen by 1% (FY20: 10%)	**1**	21
Weaken by 1% (FY20: 10%)	**(1)**	(27)
Closing rate	**0.29**	0.29
Sensitivity analysis – contingent consideration liability		
Rand against US$		
Balance at 30 June	**417**	—
Strengthen by 6%	**25**	—
Weaken by 6%	**(25)**	—
Closing rate	**14.27**	17.32

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

39 FINANCIAL RISK MANAGEMENT continued

Market risk continued

Foreign exchange risk continued

	SA Rand	
Figures in million	**2021**	2020
Sensitivity analysis – financial instruments		
Rand against US$		
Balance at 30 June	**383**	(731)
Strengthen by 6% (FY20: 10%)	**105**	954
Weaken by 6% (FY20: 10%)	**(127)**	(1 106)
Closing rate	**14.27**	17.32
US$ against AUD		
Balance at 30 June	**723**	339
Strengthen by 4% (FY20: 10%)	**28**	31
Weaken by 4% (FY20:10%)	**(30)**	(38)
Closing rate	**0.75**	0.69

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. Harmony entered into Rand gold and US dollar forward gold sale contracts to manage the variability in cash flows from the group's production to create cash certainty and protect the group against lower commodity prices. The general limit for gold hedging currently set by the board is 20% for a 24-month period. The limit set by the board is 50% of silver exposure 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 and US$ gold forward contracts were entered into for the production from Hidden Valley. 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 19 and the fair value determination for financial assets and liabilities section below for further detail on these contracts.

The Rand strengthened during the year (as discussed above), which had the effect of reducing the loss on the contracts that matured during the 2021 financial year as well as positively impacting those that were outstanding at 30 June 2021.

The group has reviewed its exposure to commodity-linked instruments and identified a sensitivity of 7% based on the standard deviation of a one-year forecast gold price from various financial institution outlooks. The estimated sensitivity would affect other comprehensive income as well as profit or loss in the 2021 financial year. The analysis in 2020 of a sensitivity of 10% was based on management's view of the likely outcome of long-term gold price trend. Management has refined the approach for determining reasonable possible changes from the prior year. The refined approach, which uses a larger population of market analyst forecasts as used for macro-economic assumptions and estimates, provided an improvement in the assessment of reasonable possible changes used for sensitivity analysis.

Only material commodity balances were considered when determining the need for a sensitivity analysis and therefore management has not performed a sensitivity analysis on silver commodities.

	SA Rand	
Figures in million	**2021**	2020
Sensitivity analysis		
Rand gold derivatives		
Profit or loss		
Increase by 7% (FY20: 10%)	**—**	(91)
Decrease by 7% (FY20: 10%)	**—**	102
Other comprehensive income		
Increase by 7% (FY20: 10%)	**(481)**	(1 279)
Decrease by 7% (FY20: 10%)	**612**	1 433
US$ gold derivatives		
Other comprehensive income		
Increase by 7% (FY20: 10%)	**130**	(258)
Decrease by 7% (FY20: 10%)	**(128)**	279

39 FINANCIAL RISK MANAGEMENT continued

Market risk continued

Other price risk

The group is exposed to the risk of fluctuations in the fair value of 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. Management considered a sensitivity of 15% as appropriate, based on the continuing volatility in the market as well as the magnitude of fluctuations within the last year's historical data. A 15% increase in the Top 40 index at the reporting date, with all other variables held constant, would have increased profit or loss by R105 million and an equal change in the opposite direction would have decreased profit or loss by R127 million.

The analysis for 2020 was based on management's view that a 10% move was a reasonable possible change based on recent history in normalised trading circumstances. 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 R79 million an equal change in the opposite direction would have decreased profit or loss by R42 million.

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 as the risk is deemed to be low. The audit and risk committee reviews the exposures quarterly.

Low interest rates facilitated by both the US Federal Reserve and the SARB, the strengthening of the Rand with regards to the cost of servicing US$ facilities, as well as the decreased debt levels, as discussed in the capital risk management section below had a favourable impact on the cost of debt during the year.

Interest rate risk arising from long-term borrowings is offset by cash and restricted cash and investments held at variable rates. As at 30 June 2021, management reasonably expects profit or loss before tax to increase/(decrease) by the following sensitivities:
- A 25 basis points finance cost movement based on the standard deviation of a one-year forecast of the South African prime interest rate from various financial institution outlooks;
- A 1 basis points finance cost movement based on the standard deviation of a one-year forecast US Fed rate from various financial institution outlooks; and
- A 25 basis points sensitivity on interest received based on the standard deviation of a one-year forecast of the South African prime interest rate from various financial institution outlooks.

The above analysis assumes that all other variables remain constant. The analysis was performed based on a sensitivity of 100 basis points for all borrowings and financial assets in the 2020 year as an indicator of the potential impact of interest rate changes to the group. Management has refined the approach for determining reasonable possible changes from the prior year. The refined approach, which uses a larger population of market analyst forecasts as used for macro-economic assumptions and estimates, aims to provide an improvement in the estimation of reasonable possible changes used for sensitivity analysis.

	SA Rand	
Figures in million	**2021**	2020
Sensitivity analysis – borrowings (finance costs)		
Rand denominated borrowings		
Increase by 25 basis points (FY20: 100 basis points)	**(1)**	(13)
Decrease by 25 basis points (FY20: 100 basis points)	**1**	13
US$ denominated borrowings		
Increase by 1 basis point (FY20: 100 basis points)	**—**	(64)
Decrease by 1 basis points (FY20: 100 basis points)	**—**	64
Sensitivity analysis – financial assets (interest received)		
Increase by 25 basis points (FY20: 100 basis points) (a)	**16**	58
Decrease by 25 basis points (FY20: 100 basis points) (a)	**(16)**	(58)

(a) The comparative year's computed sensitivity analysis permissibly excludes cash received on 30 June 2020 as a result of the equity raise on 24 June 2020 in note 24.

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

39 FINANCIAL RISK MANAGEMENT continued

Credit risk

Credit risk is the risk that a counterparty may default or not meet its obligations in a timely manner. Financial instruments which are subject to credit risk are restricted cash and investments, derivative financial instruments and cash and cash equivalents, as well as trade and other receivables (excluding non-financial instruments).

Assessment of credit risk

In assessing the creditworthiness of local institutions, management uses the national scale long-term ratings. The credit risk arising from restricted cash, cash and cash equivalents, restricted investments and derivative financial assets is managed by ensuring amounts are only invested with financial institutions of good credit quality based on external credit ratings. 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. Exposure to credit risk on trade and other receivables is monitored on a regular basis by management.

During the June 2020 financial year, Fitch downgraded the major South African (SA) banks by one notch to AA- from AA following the impact of the Covid-19 pandemic. This rating drop did not have a significantly adverse impact on the credit worthiness of the group's counterparts (SA financial institutions). Fitch increased the credit rating of the major banks to AA+ on 22 December 2020, citing the financial institutions risk appetite and corporate conduct as key factors of the upgrade. At 30 June 2021, the rating of major SA banks remained AA+.

Therefore the national scale investment grade rating of these banks remains in line with the group's credit risk policy. An assessment of the expected credit losses for the financial assets measured at amortised costs at 30 June 2021 resulted in an immaterial amount for each instrument, in line with the assessment performed in 2020 (refer to the expected credit loss assessment below for further detail).

Management will continue to review the underlying strength of the South African economy as well as the creditworthiness of the financial institutions during this time and make any changes deemed necessary to safeguard the assets and reduce the credit risk.

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 R10 837 million as at 30 June 2021 (2020:R11 244 million).

The Social Trust Fund of R19 million (2020: R22 million) has been invested in unit trust investments comprising interest bearing instruments and shares in listed companies. The group has also acquired a collective investment scheme in unit trusts of R47 million and equity investments of R252 million from the Mponeng operations and related assets acquisition (refer to note 14).

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

	SA Rand	
Figures in million	**2021**	2020
Cash and cash equivalents		
AA+	**1 738**	—
AA	**1 081**	—
AA-	**—**	6 357
	2 819	6 357
Restricted cash and investments		
AA+	**4 756**	—
AA-	**—**	3 682
B[1]	**225**	—
	4 981	3 682
Derivative financial assets		
AA+	**629**	—
AA	**286**	10
AA-	**145**	42
A+	**739**	16
	1 799	68

[1] *This relates to South African government bonds which have been rated applying South Africa's sovereign credit rating.*

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

39 FINANCIAL RISK MANAGEMENT continued

Credit risk continued

Expected credit loss assessment

The group recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost. The group's debt instruments at amortised cost consist of cash and cash equivalents, a portion of restricted cash and investments and trade and other receivables. The assessment of ECLs for the different debt instruments is discussed below:

Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions which are rated between AA and AA+ (see above). The ECL on cash and cash equivalents has been determined using the simplification that allows the group to assume that the credit risk on financial instruments determined to have low credit risk at the reporting date, has not increased significantly since initial recognition of the financial instrument. The ECL was estimated with reference to a probability of default model using external credit ratings in determining the default risk of counterparties. The ECL was determined to be immaterial.

Restricted cash and investments

The restricted cash and investments relate largely to the environmental trust funds. These funds are held with banks and financial institutions which are rated AA+ (see above). As a result of the acquisition of Mponeng operations and related assets (refer to note 14), the group obtained government bonds which are rated B (see above). Impairment of investments with investment-grade ratings has been determined using the simplification that allows the group to assume that the credit risk on financial instruments determined to have low credit risk at the reporting date, has not increased significantly since initial recognition of the financial instrument. The group considers that the majority of its restricted cash and investments have low credit risk based on the external credit ratings of the counterparties with which the funds are deposited. The ECL was estimated with reference to a probability of default model using external credit ratings in determining the default risk of counterparties. Consideration was given to the possible lifetime impairment on the government bonds, which are below investment grade. The calculated ECL was immaterial.

Concentration of credit risk on restricted cash and investments is considered minimal due to the group’s investment risk management and counterparty exposure risk management policies. The ECL was determined to be immaterial.

Trade and other receivables

The group’s exposure to credit risk arising from trade receivables (metals) and other trade receivables is influenced mainly by the individual characteristics of each customer.

Trade receivables result largely from the sale of gold and are fully performing. Exposure to credit risk on receivables from gold sales is limited through payment terms of two to three days after recognition of revenue for gold sales. The majority of other receivables comprise of a limited number of individually significant customers. The group determines the ECL on trade receivables and individually significant other receivable balances with reference to a probability of default model using external credit ratings in determining the default risk of counterparties. The external credit ratings used range between BBB to AA-. The ECL was determined to be immaterial.

Loss allowances on individually insignificant other trade receivables has been determined using the simplified ECL approach using a provision matrix and reflects the short-term maturities of the exposures and past experienced credit judgement. Refer to note 20 for details on the amount of the loss allowance recognised and the stratification of trade and other receivables for purposes of the assessment.

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 necessary, funds will be drawn from its revolving credit facilities (refer to note 32).

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

39 FINANCIAL RISK MANAGEMENT continued

Liquidity risk continued

The following are the undiscounted contractual maturities of financial liabilities (including principal and interest payments assuming the closing R/US$ exchange rate and interest rate at year end):

	SA Rand			
Figures in million	**2021**		2020	
	Current	**More than 1 year**	Current	More than 1 year
Contingent consideration liability[1]	**—**	**647**	—	—
Other non-current liabilities[2]	**—**	**19**	—	15
Lease liability[2]	**112**	**225**	67	86
Trade and other payables (excluding non-financial liabilities)[2,3]	**1 398**	**—**	910	—
Derivative financial liabilities[3]	**285**	**11**	4 238	962
Borrowings[3]:				
Due between 0 to six months	**256**	**—**	257	—
Due between six to 12 months	**249**	**—**	399	—
Due between one to two years	**—**	**267**	—	779
Due between two to three years[4]	**—**	**2 877**	—	7 286
	2 300	**4 046**	5 871	9 128

[1] *The majority of this balance is expected to be settled between four to six years.*
[2] *These balances exclude the lease liability as it has been disclosed separately.*
[3] *The group will utilise its cash generated from operations to settle outstanding obligations.*
[4] *Final repayment of capital amount of R2 854 million (2020:R6 062 million) in September 2023.*

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's positive financial performance has resulted in the considerable generation of cash through-out the financial year, assisting in the repayment of debt facilities (refer to note 32). It remains the group's objective to adhere to a conservative approach to debt and maintain low levels of gearing.

Net debt is as follows:

	SA Rand	
Figures in million	**2021**	2020
Cash and cash equivalents	**2 819**	6 357
Borrowings	**(3 361)**	(7 718)
Net debt	**(542)**	(1 361)

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;

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).

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

39 FINANCIAL RISK MANAGEMENT continued

Fair value determination for financial assets and liabilities continued

The following table sets out the group's assets and liabilities measured at fair value by level within the fair value hierarchy:

	SA Rand				
Figures in million	At 30 June 2021			At 30 June 2020	
	Level 1	Level 2	Level 3	Level 2	Level 3
Fair value through other comprehensive income					
Other non-current assets (a)	—	—	74	—	77
Restricted cash and investments (b)	252	—	—	—	—
Fair value through profit or loss					
Restricted cash and investments (b)	—	1 391	—	837	—
Derivative financial assets (c)	—	1 799	—	68	—
Derivative financial liabilities (c)	—	(212)	—	(5 003)	—
Loan to ARM BBEE Trust (d)	—	—	177	—	306
Contingent consideration liability (e)	—	—	(417)	—	—

(a) The majority of the balance relates to the equity investment in Rand Mutual Assurance. The fair value of the investment was estimated with reference to an independent valuation. A combination of the "Embedded Valuation" and "Net Asset Value" techniques were applied to revalue the investment as at 30 June 2021. In evaluating the group's share of the business, common practice marketability and minority discounts as well as additional specific risk discounts were applied.

(b) The level 1 valued assets were acquired as part of the Mponeng operations and related assets (refer to note 14) and comprises of listed equity securities designated as fair value through other comprehensive income instruments. The majority of the level 2 valued assets are directly derived from the Top 40 index on the JSE, and are discounted at market interest rates. This relates to equity-linked deposits in the group's environmental rehabilitation trust funds. The remaining balance of the environmental trust funds is carried at amortised cost and therefore not disclosed here.

(c) The mark-to-market remeasurement of the derivative contracts was determined as follows:
- Foreign exchange contracts comprise of zero cost collars and FECs: The zero cost collars were valued using 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 a market interest rate (zero-coupon interest rate curve). The value of the FECs is derived from the forward Rand/US$ exchange rate and discounted at a market interest rate (zero coupon interest rate curve).
- Rand gold 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 a market interest rate.
- US$ gold contracts (forward sale contracts): spot US$ gold price, differential between the US interest rate and gold lease interest rate and discounted at a market interest rate.
- Silver 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 a market interest rate investments.

(d) Following the refinancing of the loan (refer to note 18), the current year fair value movement was calculated using a discounted cash flow model, taking into account forecasted dividends payments over the estimated repayment period of the loan at a rate of 7.9%. A discounted cash flow model, taking into account projected interest payments and the projected African Rainbow Minerals Limited (ARM) share price on the expected repayment date and using a discount rate of 9.8%, was applied to determine the prior year's fair value. A 74 basis point change in the discount rate, which would represent a reasonably possible change based on expected movements in lending rates, would not cause a material change in the fair value of the loan.

(e) The consideration for the Mponeng operations and related assets (refer to note 14) includes a contingent consideration determined using the expected gold production profile for Mponeng at a post-tax real rate of 10.3%. Should the expected gold production profile increase by 7% or decrease by 7%, the contingent consideration liability would increase by R208 million or decrease by R183 million, respectively. This represents reasonably expected changes which were determined based on the standard deviation of previous years' production of the Mponeng operation. No other reasonable expected changes in key unobservable inputs would have caused a material change in the fair value of the liability.

The carrying values (less any impairment allowance) of short-term financial instruments are assumed to approximate their fair values. This includes restricted cash and investments carried at amortised cost. 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 is 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.

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

40 SUBSEQUENT EVENTS

On 24 August 2021, a final dividend of 27 SA cents was declared, paid on 18 October 2021.

On 16 September 2021, the Group concluded a three-year wage agreement in respect of wages and conditions of service for the period 1 July 2021 to 30 June 2024. The wage agreement was agreed by all representative unions and permits for basic wage increases, housing and living-out allowance for eligible employees and improved employee benefits.

41 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 an operational management team.

During the 2021 financial year, Harmony completed the acquisition of the Mponeng operation, Mine Waste Solutions as well as the WW and VR Closure businesses. Refer to note 14 for further information on the acquisition.

After applying the qualitative and quantitative thresholds from IFRS 8, ***Operating Segments***, the reportable segments were determined as: Tshepong Operations, Moab Khotsong, Bambanani, Joel, Doornkop, Target 1, Kusasalethu, Masimong, Unisel, Mponeng and Hidden Valley. All other operating segments have been grouped together under all other surface operations.

The CODM has been identified as the CEO's office consisting of the chief executive officer, financial director, executive director: stakeholder relations and corporate affairs, chief operating officer: new business development, corporate strategy and projects, chief executive officer: South-east Asia, chief operating officer: South Africa operations and, as of August 2020, the Senior group executive: enterprise risk and investor relations. Previously, the executive: business development also formed part of the CEO's office, however the position was vacated and subsequently removed from the CEO's office following the retirement of Frank Abbott on 30 September 2020.

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, gold production and tonnes milled 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 42.

41 SEGMENT REPORT continued

	Revenue 30 June			Production cost 30 June			Production profit/(loss) 30 June			Segment assets 30 June			Capital expenditure# 30 June			Kilograms produced* 30 June			Tonnes milled* 30 June		
	2021	2020	2019	**2021**	2020	2019	**2021**	2020	2019	**2021**	2020	2019	**2021**	2020	2019	**2021**	2020	2019	**2021**	2020	2019
	Rand million			Rand million			Rand million			Rand million			Rand million			Kg			t'000		
South Africa																					
Underground																					
Tshepong Operations	**6 214**	5 452	4 685	**4 865**	4 298	3 973	**1 349**	1 154	712	**6 541**	6 733	6 297	**1 112**	930	1 130	**7 419**	7 293	7 967	**1 558**	1 417	1 612
Moab Khotsong	**6 048**	5 008	4 470	**3 842**	3 344	3 101	**2 206**	1 664	1 369	**4 008**	3 842	3 634	**633**	498	559	**7 166**	6 592	7 928	**903**	746	970
Mponeng	**4 750**	—	—	**2 938**	—	—	**1 812**	—	—	**4 321**	—	—	**493**	—	—	**5 446**	—	—	**683**	—	—
Bambanani	**1 687**	1 591	1 477	**1 156**	1 040	994	**531**	551	483	**327**	443	562	**71**	50	61	**1 992**	2 132	2 515	**227**	200	230
Joel	**1 199**	1 037	957	**1 124**	1 010	971	**75**	27	(14)	**1 166**	1 080	947	**172**	151	187	**1 424**	1 391	1 567	**359**	349	429
Doornkop	**3 077**	2 270	1 931	**2 140**	1 730	1 564	**937**	540	367	**2 994**	2 841	2 759	**425**	281	308	**3 670**	2 994	3 273	**851**	681	730
Target 1	**1 410**	1 524	1 585	**1 667**	1 499	1 491	**(257)**	25	94	**1 367**	1 276	1 076	**368**	347	297	**1 603**	2 244	2 653	**488**	543	588
Kusasalethu	**3 400**	2 293	2 975	**2 955**	2 577	2 395	**445**	(284)	580	**1 057**	1 253	1 300	**205**	188	316	**3 999**	3 015	4 989	**708**	615	742
Masimong	**1 636**	1 401	1 359	**1 427**	1 258	1 205	**209**	143	154	**26**	41	106	**29**	24	109	**2 012**	1 999	2 309	**510**	489	602
Unisel[1]	**224**	681	713	**182**	580	564	**42**	101	149	**—**	6	46	**—**	7	45	**247**	982	1 212	**57**	219	256
Surface																					
All other surface operations	**7 025**	3 302	2 403	**4 724**	2 135	1 938	**2 301**	1 167	465	**1 921**	745	724	**335**	118	84	**8 088**	4 349	4 099	**39 489**	16 264	15 931
Total South Africa	**36 670**	24 559	22 555	**27 020**	19 471	18 196	**9 650**	5 088	4 359	**23 728**	18 260	17 451	**3 843**	2 594	3 096	**43 066**	32 991	38 512	**45 833**	21 523	22 090
International																					
Hidden Valley	**4 028**	3 748	3 591	**1 719**	1 639	1 362	**2 309**	2 109	2 229	**3 128**	3 810	3 694	**1 260**	959	1 591	**4 689**	4 872	6 222	**3 420**	3 906	3 886
Total international	**4 028**	3 748	3 591	**1 719**	1 639	1 362	**2 309**	2 109	2 229	**3 128**	3 810	3 694	**1 260**	959	1 591	**4 689**	4 872	6 222	**3 420**	3 906	3 886
Total operations	**40 698**	28 307	26 146	**28 739**	21 110	19 558	**11 959**	7 197	6 588	**26 856**	22 070	21 145	**5 103**	3 553	4 687	**47 755**	37 863	44 734	**49 253**	25 429	25 976
Reconciliation of segment information to the consolidated income statement and balance sheet	**1 035**	938	766	**1 035**	938	766	**—**	—	—	**21 947**	22 622	15 591									
	41 733	29 245	26 912	**29 774**	22 048	20 324	**11 959**	7 197	6 588	**48 803**	44 692	36 736	**5 103**	3 553	4 687	**47 755**	37 863	44 734	**49 253**	25 429	25 976

Capital expenditure for international operations excludes expenditure spent on Wafi-Golpu of R34 million (2020: R54 million) (2019: R350 million).
* *Production statistics are unaudited.*
[1] *The Unisel operation closed during October 2020.*

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

42 RECONCILIATION OF SEGMENT INFORMATION TO CONSOLIDATED INCOME STATEMENT AND BALANCE SHEET

	SA Rand		
Figures in million	**2021**	Re-presented* 2020	Re-presented* 2019
Reconciliation of production profit to consolidated profit/(loss) before taxation			
Revenue per segment report	**40 698**	28 307	26 146
Revenue per income statement	**41 733**	29 245	26 912
Other metal sales treated as by-product credits in the segment report	**(1 035)**	(938)	(766)
Production costs per segment report	**(28 739)**	(21 110)	(19 558)
Production costs per income statement	**(29 774)**	(22 048)	(20 324)
Other metal sales treated as by-product credits in the segment report	**1 035**	938	766
Production profit per segment report	**11 959**	7 197	6 588
Cost of sales items other than production costs	**(5 715)**	(3 860)	(8 545)
Amortisation and depreciation of mining assets	**(3 777)**	(3 409)	(3 961)
Amortisation and depreciation of assets other than mining assets	**(98)**	(99)	(93)
Rehabilitation expenditure	**(135)**	(47)	(33)
Care and maintenance cost of restructured shafts	**(144)**	(146)	(134)
Employment termination and restructuring costs	**(332)**	(40)	(242)
Share-based payments	**(114)**	(130)	(155)
Impairment of assets	**(1 124)**	—	(3 898)
Other	**9**	11	(29)
Gross profit/(loss)	**6 244**	3 337	(1 957)
Corporate, administration and other expenditure	**(1 068)**	(611)	(731)
Exploration expenditure	**(177)**	(205)	(148)
Gains/(losses) on derivatives	**1 022**	(1 678)	484
Foreign exchange translation gain/(loss)	**670**	(892)	(86)
Other operating expenses	**(241)**	(309)	(100)
Operating profit/(loss)	**6 450**	(358)	(2 538)
Gain on bargain purchase	**303**	—	—
Acquisition-related costs	**(124)**	(45)	—
Share of profit from associate	**83**	94	59
Investment income	**331**	375	308
Finance costs	**(661)**	(661)	(575)
Profit/(loss) before taxation	**6 382**	(595)	(2 746)

** Refer to note 2 for further information on the re-presentation of financial statement line items.*

42 RECONCILIATION OF SEGMENT INFORMATION TO CONSOLIDATED INCOME STATEMENTS AND BALANCE SHEETS continued

	SA Rand		
Figures in million	**2021**	Re-presented* 2020	Re-presented* 2019
Reconciliation of total segment assets to consolidated assets includes the following:			
Non-current assets			
Property, plant and equipment not allocated to a segment	**6 741**	7 116	6 604
Mining assets (a)	**757**	1 062	989
Undeveloped property (b)	**3 989**	4 025	3 965
Other non-mining assets	**411**	115	115
Assets under construction (c)	**1 584**	1 914	1 535
Intangible assets	**365**	536	533
Restricted cash and investments	**5 232**	3 642	3 393
Investments in associates	**126**	146	110
Deferred tax assets	**272**	531	1
Other non-current assets	**332**	435	376
Derivative financial assets	**328**	50	197
Current assets			
Inventories	**2 542**	2 421	1 967
Restricted cash and investments	**67**	62	44
Trade and other receivables	**1 652**	1 308	1 064
Derivative financial assets	**1 471**	18	309
Cash and cash equivalents	**2 819**	6 357	993
	21 947	22 622	15 591

** Refer to note 2 for further information on the re-presentation of financial statement line items.*

(a) These balances relate to Wafi-Golpu assets and assets that provide services to several CGUs, such as Harmony One Plant.

(b) Undeveloped properties comprise of the Target North property as well as Wafi-Golpu's undeveloped properties.

(c) Assets under construction consist of the Wafi-Golpu assets.

COMPANY INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2021

		SA Rand	
Figures in million	Notes	**2021**	Re-presented* 2020
Revenue	2	**3 832**	3 443
Cost of sales	3	**(2 875)**	(2 872)
Production costs		**(2 539)**	(2 529)
Amortisation and depreciation		**(189)**	(261)
Other items		**(147)**	(82)
Gross profit		**957**	571
Corporate, administration and other expenditure		**(64)**	(43)
Exploration expenditure		**(5)**	—
Gains/(losses) on derivatives	13	**313**	(674)
Foreign exchange translation gain/(loss)	4	**727**	(855)
Other operating expenses	5	**(207)**	(154)
Operating profit/(loss)		**1 721**	(1 155)
Gain on redemption of preference shares from associate	16	**36**	19
(Impairment)/reversal of impairment of investments in subsidiaries	15	**(10)**	4
Profit on sale of investments in subsidiaries	15	**—**	41
Investment income	6	**257**	503
Finance costs	7	**(307)**	(501)
Profit/(loss) before taxation		**1 697**	(1 089)
Taxation	8	**(570)**	492
Profit/(loss) for the year		**1 127**	(597)

** Refer to note 1 for further information on the re-presentation of financial statement line items.*

These are the separate financial statements of Harmony Gold Mining Company Limited. For the group financial statements refer to page 32 to 118.

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

COMPANY STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2021

		SA Rand	
Figures in million	Notes	**2021**	Re-presented* 2020
Net profit/(loss) for the year		**1 127**	(597)
Other comprehensive income for the year, net of income tax		**5**	30
Items that may be reclassified subsequently to profit or loss		**—**	3
Remeasurement of gold hedging contracts	20	**—**	3
Items that will not be reclassified to profit or loss		**5**	27
Total comprehensive income for the year		**1 132**	(567)

** Refer to note 1 for further information on the re-presentation of financial statement line items.*

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

COMPANY BALANCE SHEET

AS AT 30 JUNE 2021

		SA Rand	
Figures in million	Notes	**At 30 June 2021**	Re-presented* At 30 June 2020
ASSETS			
Non-current assets			
Property, plant and equipment	9	**680**	752
Intangible assets	10	**32**	16
Restricted cash and investments	11	**603**	556
Investments in subsidiaries	15	**24 071**	24 542
Deferred tax assets	8	**175**	492
Other non-current assets	14	**252**	388
Derivative financial instruments	13	**333**	855
Total non-current assets		**26 146**	27 601
Current assets			
Inventories	18	**303**	296
Loans to subsidiaries	15	**6 421**	5 307
Trade and other receivables	12	**804**	701
Derivative financial instruments	13	**1 673**	3 740
Cash and cash equivalents		**1 662**	5 883
Total current assets		**10 863**	15 927
Total assets		**37 009**	43 528
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital and premium	19	**32 934**	32 937
Other reserves	20	**2 935**	2 769
Accumulated loss		**(12 029)**	(12 479)
Total equity		**23 840**	23 227
Non-current liabilities			
Provision for environmental rehabilitation	21	**634**	600
Other provisions	22	**555**	585
Borrowings	24	**2 952**	7 331
Other non-current liabilities	23	**39**	45
Derivative financial instruments	13	**311**	925
Total non-current liabilities		**4 491**	9 486
Current liabilities			
Other provisions	22	**137**	137
Borrowings	24	**300**	150
Loans from subsidiaries	15	**5 470**	5 381
Trade and other payables	25	**1 215**	1 006
Derivative financial instruments	13	**1 556**	4 141
Total current liabilities		**8 678**	10 815
Total equity and liabilities		**37 009**	43 528

** Refer to note 1 for further information on the re-presentation of financial statement line items.*

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

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 30 JUNE 2021

	Number of ordinary shares issued	Share capital and premium	Accumulated loss	Other reserves	Total
Notes	19	19		20	
Figures in million (SA Rand)					
Balance - 1 July 2019	539 841 195	29 551	(11 882)	2 560	20 229
Issue of shares					
– Shares issued and fully paid	60 278 260	3 386	—	—	3 386
– Exercise of employee share options	3 023 251	—	—	—	—
Share-based payments	—	—	—	179	179
Net loss for the year	—	—	(597)	—	(597)
Other comprehensive income for the year	—	—	—	30	30
Balance - 30 June 2020	603 142 706	32 937	(12 479)	2 769	23 227
Issue of shares					
– Exercise of employee share options	**12 909 491**	**—**	**—**	**—**	**—**
Share issue costs	**—**	**(3)**	**—**	**—**	**(3)**
Share-based payments	**—**	**—**	**—**	**161**	**161**
Net profit for the year	**—**	**—**	**1 127**	**—**	**1 127**
Dividends paid[1]	**—**	**—**	**(677)**	**—**	**(677)**
Other comprehensive income for the year	**—**	**—**	**—**	**5**	**5**
Balance - 30 June 2021	**616 052 197**	**32 934**	**(12 029)**	**2 935**	**23 840**

[1] *Dividend per share is disclosed under the earnings per share note. Refer to note 13 of the group financial statements.*

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

COMPANY CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2021

		SA Rand	
Figures in million	Notes	**2021**	2020
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated by operations	26	**823**	27
Interest received		**220**	230
Dividends received		**104**	7
Interest paid		**(178)**	(347)
Income and mining taxes refunded/(paid)		**(267)**	68
Cash generated/(utilised) by operating activities		**702**	(15)
CASH FLOW FROM INVESTING ACTIVITIES			
Increase in restricted cash	11	**(37)**	(10)
Decrease in amounts invested in restricted investments	11	**20**	5
Increase/(decrease) in loans to subsidiaries		**(727)**	894
ARM BBEE Trust loan repayment	14	**264**	—
ARM BBEE Trust loan advanced	14	**(264)**	—
Partial repurchase of investment		**(5)**	—
Redemption of preference shares from associates		**36**	58
Capital distributions from investments		**8**	7
Additions to intangible assets	10	**(21)**	(8)
Additions to property, plant and equipment		**(121)**	(92)
Cash generated/(utilised) by investing activities		**(847)**	854
CASH FLOW FROM FINANCING ACTIVITIES			
Borrowings raised	24	**—**	6 541
Borrowings paid	24	**(3 397)**	(5 565)
Issue of shares	19	**—**	3 466
Dividends paid		**(677)**	(9)
Lease payments		**(2)**	(2)
Cash generated/(utilised) by financing activities		**(4 076)**	4 431
Increase/(decrease) in cash and cash equivalents		**(4 221)**	5 270
Cash and cash equivalents – beginning of year		**5 883**	613
Cash and cash equivalents – end of year		**1 662**	5 883

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

1 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.

Comparative information

Company financial statement line items for the comparative period have been re-presented to align the presentation to the group financial statements. Refer to note 2 of the group financial statements for details on the nature and reason for the reclassification. Accordingly, comparatives for the company financial statements were re-presented as follows:

Line item	Presentation in FY21 annual financial statements	Presentation in FY20 annual financial statements
Company income statement		
Foreign exchange translation gain/(loss)	Disaggregated and disclosed as a separate line item	Included in other operating expenses. The total for other operating expenses for FY20 was R1 009 million.
Company statement of comprehensive income		
Items that will not be reclassified to profit or loss	Aggregated	Disaggregated
Company balance sheet		
Restricted cash	Aggregated and disclosed in the restricted cash and investments line item	Disclosed as a separate line item. The balance for FY20 was R104 million.
Restricted investments	Aggregated and disclosed in the restricted cash and investments line item	Disclosed as a separate line item. The balance for FY20 was R452 million.
Non-current inventories	Aggregated and disclosed in the other non-current assets line item	Disclosed as a separate line item. The balance for FY20 was R4 million.
Retirement benefit obligation	Aggregated and disclosed in the other provisions line item	Disclosed as a separate line item. The balance for FY20 was R24 million.
Provision for silicosis settlement	Aggregated and disclosed in the other provisions line item	Current and non-current portion disclosed as a separate line item. The FY20 balance for the non-current portion was R561 million and the balance for the current portion was R137 million.

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

The new standards, amendments to standards and interpretations to existing standards that were adopted by the company, and the impact thereof, is consistent with those described in note 2 of the group financial statements.

2 REVENUE

	SA Rand	
Figures in million	**2021**	2020
Revenue from contracts with customers	**3 832**	3 573
Gold[1]	**3 831**	3 572
Silver	**1**	1
Hedging loss[2]	**—**	(130)
Total revenue[3]	**3 832**	3 443

[1] *Revenue is recognised when gold is delivered and a certificate of sale is issued.*
[2] *Relates to the realised effective portion of the hedge-accounted gold derivatives. Refer to note 13 for further information.*
[3] *The average gold price received increased by 18% in the 2021 financial year to R840 618/kg (2020: R713 129/kg).*

3 COST OF SALES

	SA Rand	
Figures in million	**2021**	2020
Production costs (a)	**2 539**	2 529
Amortisation and depreciation of mining assets (b)	**106**	178
Amortisation and depreciation of assets other than mining assets (c)	**83**	83
Rehabilitation expenditure (d)	**20**	18
Care and maintenance costs of restructured shafts	**48**	40
Employment termination and restructuring costs (e)	**67**	9
Share-based payments (f)	**7**	17
Other	**5**	(2)
Total cost of sales	**2 875**	2 872

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

3 COST OF SALES continued

(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.

The royalty expense increased by 49% year on year due to increased profitability as a result of the higher gold prices, which impacted on the rates at which royalties are calculated resulting in a higher royalty payable. Other production costs were lower due to the closure of the Unisel operations in October 2020 as well as reduced production seen at the Central Plant Reclamation operation in the current year.

Production costs, analysed by nature, consist of the following:

	SA Rand	
Figures in million	**2021**	2020
Labour costs, including contractors	**1 406**	1 450
Consumables	**430**	417
Water and electricity	**280**	305
Transportation	**48**	42
Change in inventory	**(17)**	30
Capitalisation of mine development costs	**(29)**	(23)
Royalty expense	**100**	67
Other	**321**	241
Total production costs	**2 539**	2 529

(b) Depreciation is lower for the 2021 year owing to the closure of the Unisel operation during the year as well as reduced production at the Central Plant Reclamation operation.

(c) Amortisation and depreciation of assets other than mining assets relates to the following:

	SA Rand	
Figures in million	**2021**	2020
Other non-mining assets	**37**	26
Intangible assets	**5**	5
Amortisation of issue costs	**41**	52
Total amortisation and depreciation of assets other than mining assets	**83**	83

(d) 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 2021, rehabilitation costs incurred amounted to R23 million (2020: R48 million). Refer to note 21.

(e) The increase in 2021 is due to a new programme for voluntary and medical severance packages offered to employees, partially related to the closure of Unisel. During the 2020 financial year, the company offered voluntary severance packages to management.

(f) Refer to note 28 for details on the share-based payment schemes implemented by the company.

(g) There was no impairment or reversal of impairment recognised for the 2021 or 2020 financial years. Please see note 6 of the group financial statements for management's assessment of impairment triggers and impairment tests performed.

4 FOREIGN EXCHANGE TRANSLATION GAIN/(LOSS)

	SA Rand	
Figures in million	**2021**	2020
Borrowings (a)	**862**	(920)
Cash and cash equivalents and other items (b)	**(135)**	65
Total foreign exchange translation gain/(loss)	**727**	(855)

(a) A gain in 2021 is predominantly caused by favourable translations on US dollar loan balances. The favourable translations on US dollar loans are attributable to the Rand strengthening against the US dollar evidenced by an improved average and closing exchange rate of R15.40/US$1 (2020: R15.66/US$1) and R14.27/US$1 (2020: R17.32/US$1) respectively.

(b) This relates mainly to the translation of metal trade receivables.

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

5 OTHER OPERATING EXPENSES

	SA Rand	
Figures in million	**2021**	Re-presented* 2020
Loss allowance (a)	**93**	75
Social investment expenditure	**22**	29
Silicosis settlement provision (b)	**62**	28
Other expenses – net	**30**	22
Total other operating expenses	**207**	154

** Refer to note 1 for further information on the re-presentation of financial statement line items.*

(a) The increase in loss allowance is mainly attributable to an increase in the provision for irrecoverable loans to subsidiaries which was R79 million (2020: R64 million). Refer to note 15 for details on the loans to subsidiaries.

(b) Refer to note 22 for details on the movement in the silicosis settlement provision.

6 INVESTMENT INCOME

	SA Rand	
Figures in million	**2021**	2020
Interest income	**221**	447
Financial assets at amortised cost (a)	**221**	442
South African Revenue Service (SARS)	**—**	5
Dividend income (b)	**104**	7
Net gain/(loss) on financial instruments (c)	**(68)**	49
Total investment income	**257**	503

(a) Included in the total interest income are the following:
- An amount of R50 million (2020: R114 million) which related to interest on-charged to Harmony's subsidiaries at the relevant interest rate plus an additional margin of 0.5%. The interest has decreased since the prior year due to lower interest rates and settlement of borrowings which directly impacts the interest on-charged to Harmony's subsidiaries. Refer to note 24.
- Interest of R56 million (2020: R190 million) charged on a loan to Harmony Moab Khotsong Operations Proprietary Limited for the purchase of the Moab Khotsong assets (refer to note 15). Interest on the loan is calculated at JIBAR plus 2.9% on the balance outstanding. The decrease in the interest was due to the lower interest rates and repayments during the year.
- Interest income on the loan to Tswelopele Beneficiation Operation (Proprietary) Limited (TBO), a subsidiary, amounting to R2 million (2020: R18 million). The interest has decreased as a result of loan settlement in December 2020. Refer to note 15.

(b) Dividend income consist of the following:
- R18 million (2020: nil) received from Rand Mutual Assurance
- R67 million (2020: nil) received from Rand Refinery
- R20 million (2020: R7 million) received from TBO

(c) Includes the fair value movement of the ARM BBEE Trust loan (refer to note 14). The gains for the 2021 year were offset by a day 1 expense of R87 million on the refinancing of the ARM BBEE Trust loan in June 2021.

7 FINANCE COSTS

	SA Rand	
Figures in million	**2021**	2020
Financial liabilities		
Borrowings	**222**	408
Other creditors and liabilities	**4**	8
Total finance costs from financial liabilities	**226**	416
Non-financial liabilities		
Time value of money for other provisions	**44**	56
Time value of money and inflation component of rehabilitation costs	**37**	29
Total finance costs from non-financial liabilities	**81**	85
Total finance costs	**307**	501

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

8 TAXATION

	SA Rand	
Figures in million	2021	2020
Mining tax (a)	(228)	—
– current year	(231)	—
– prior year	3	—
Non-mining tax (b)	(25)	—
– current year	(25)	—
Deferred tax (c)	(317)	492
– current year	(317)	492
Total taxation (expense)/credit	**(570)**	492

(a) Refer to note 12 of the group financial statements for details on mining tax legislation. The movement in foreign exchange translation from losses in the prior year to gains in the current year as well as higher mining taxable income due to the increase of revenue resulted in the increase in the current tax expense during the 2021 year. This was also impacted by the company using its assessed loss.

(b) Non-mining taxable income of is taxed at the statutory corporate rate of 28%.

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

Management revised the weighted average deferred tax rates for all the South African operations following the finalisation of the annual life-of-mine plans. Although the gold price assumption was higher in the long term, a decreased estimated profitability resulted in a lower deferred tax rate than in the prior year. Refer to note 15 of the group financial statements for the assumptions used.

The Rand strengthened during the year, which had the effect of reducing the loss on the Rand gold contracts that matured during the 2021 financial year as well as positively impacting those that were outstanding at 30 June 2021. Refer to notes 13 and 31 for detail. The temporary differences related to the Rand gold derivatives changed from deductible temporary differences (i.e. resulting in a deferred tax asset) to taxable temporary differences (resulting in a deferred tax liability). Management assessed the rates at which the temporary differences are expected to reverse and revised the rate from the weighted average deferred tax rate to the non-mining tax rate of 28%.

As at 30 June 2020 a deferred tax asset was recognised in Harmony Company. Subsequently, the net deferred tax asset balance has decreased due to the utilisation of the assessed loss and a decrease in the net derivative liability. The Company's deferred tax asset balance reduced to R175 million. A deferred tax asset continues to be recognised at 30 June 2021 as it is considered probable that sufficient future taxable profits will be available against which the remaining deductible temporary differences existing at the reporting date can be utilised.

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

8 TAXATION continued

Income and mining tax rates

The tax rate remained unchanged for the 2021 and 2020 years. Major items causing the income statement provision to differ from the mining statutory tax rate of 34% were:

	SA Rand	
Figures in million	**2021**	2020
Tax (expense)/credit on net profit/loss at the mining statutory tax rate	**(577)**	370
Non-allowable deductions		
Finance costs	**(49)**	(70)
Share-based payments	**(5)**	(9)
Loan-related cost	**(14)**	(19)
Acquisition and integration related costs	**(19)**	—
Provision for irrecoverable loans	**(27)**	—
Other	**(44)**	(37)
Deferred tax asset recognised	**—**	225
Movements in temporary differences related to other assets and liabilities	**38**	—
Effect on temporary differences due to changes in effective tax rate[1]	**57**	17
Difference between non-mining tax rate and statutory mining rate on non-mining income	**5**	15
Difference between effective mining tax rate and statutory mining rate on mining income	**65**	—
Income and mining taxation (expense)/credit	**(570)**	492
Effective income and mining tax rate (%)	**34**	45

[1] *The deferred tax rate used for the 2021 financial year was 27.4% (2020: 29.8%).*

Deferred tax

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

	SA Rand	
Figures in million	**2021**	2020
Deferred tax liabilities	**(134)**	(132)
Deferred tax liability to be recovered after more than 12 months	**(8)**	—
Deferred tax liability to be recovered within 12 months	**(126)**	(132)
Deferred tax assets	**309**	624
Deferred tax asset to be recovered after more than 12 months	**54**	253
Deferred tax asset to be recovered within 12 months	**255**	371
Net deferred tax asset	**175**	492

The net deferred tax asset on the balance sheet at 30 June 2021 and 30 June 2020 relate to the following:

	SA Rand	
Figures in million	**2021**	2020
Gross deferred tax liabilities	**(134)**	(132)
Amortisation and depreciation	**(100)**	(125)
Derivative financial instruments	**(31)**	—
Other	**(3)**	(7)
Gross deferred tax assets	**309**	624
Unredeemed capital expenditure	**4**	6
Provisions, including non-current provisions	**305**	348
Derivative financial instruments	**—**	99
Tax losses	**—**	171
Net deferred tax asset	**175**	492

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

8 TAXATION continued

Deferred tax continued

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

	SA Rand	
Figures in million	**2021**	2020
Balance at beginning of year	**492**	—
Total (expense)/credit per income statement	**(317)**	492
Balance at end of year	**175**	492

As at 30 June 2021, the company has no mining tax (2020: nil) and no non-mining tax losses (2020: R574 million), available for utilisation against future taxable income and future non-mining taxable income respectively.

As at 30 June 2021, the company has a capital gains tax (CGT) loss of R231 million (2020: R231 million) available for utilisation against future capital gains.

The recognised deferred tax asset arises from deductible temporary differences for which future taxable profits are considered probable. Refer to the discussion above for further detail.

Dividend tax (DT)

The withholding tax on dividends remains unchanged at 20% in 2020 and 2021.

9 PROPERTY, PLANT AND EQUIPMENT

	SA Rand	
Figures in million	**2021**	2020
Mining assets	**609**	668
Other non-mining assets	**71**	84
Total property, plant and equipment	**680**	752

Mining assets

	SA Rand	
Figures in million	**2021**	2020
Cost		
Balance at beginning of year	**5 267**	5 258
Fully depreciated assets no longer in use derecognised[1]	**(906)**	—
Additions[2]	**55**	60
Adjustment to rehabilitation asset	**—**	(7)
Scrapping of assets[3]	**(358)**	(44)
Balance at end of year	**4 058**	5 267
Accumulated depreciation and impairment		
Balance at beginning of year	**4 599**	4 451
Fully depreciated assets no longer in use derecognised[1]	**(906)**	—
Scrapping of assets[3]	**(350)**	(30)
Depreciation[4]	**106**	178
Balance at end of year	**3 449**	4 599
Net carrying value	**609**	668

[1] *Relates primarily to the derecognition of the remainder of Unisel's assets.*
[2] *Includes R29 million (2020: R23 million) attributable to Doornkop JV.*
[3] *Relates to the abandonment of assets that were 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 were expected from their use or disposal.*
[4] *Includes R18 million (2020: R14 million) attributable to Doornkop JV. Refer to note 17.*

9 PROPERTY, PLANT AND EQUIPMENT continued

Other non-mining assets

	SA Rand	
Figures in million	**2021**	2020
Cost		
Balance at beginning of year	**216**	184
Fully depreciated assets no longer in use derecognised	**(24)**	—
Additions	**26**	32
Balance at end of year	**218**	216
Accumulated depreciation and impairment		
Balance at beginning of year	**132**	106
Fully depreciated assets no longer in use derecognised	**(22)**	—
Depreciation	**37**	26
Balance at end of year	**147**	132
Net carrying value	**71**	84

10 INTANGIBLE ASSETS

Technology-based assets

	SA Rand	
Figures in million	**2021**	2020
Cost		
Balance at beginning of year	**47**	39
Additions	**21**	8
Balance at end of year	**68**	47
Accumulated amortisation and impairments		
Balance at beginning of year	**31**	26
Amortisation charge	**5**	5
Balance at end of year	**36**	31
Net carrying value	**32**	16

11 RESTRICTED CASH AND INVESTMENTS

	SA Rand	
Figures in million	**2021**	Re-presented* 2020
Restricted cash	**146**	104
Restricted investments	**457**	452
Total restricted cash and investments	**603**	556

** Refer to note 1 for further information on the re-presentation of financial statement line items.*

Restricted cash

	SA Rand	
Figures in million	**2021**	2020
Environmental guarantees	**146**	104

The amount primarily relates to funds set aside to serve as collateral against guarantees made to the Department of Mineral Resources and Energy (DMRE) in South Africa for environmental and rehabilitation obligations. Refer to note 21. The funds are invested in short-term money market funds and call accounts.

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

11 RESTRICTED CASH AND INVESTMENTS continued

Restricted investments

	SA Rand	
Figures in million	**2021**	2020
Investments held by environmental trust fund	**438**	430
Fixed deposits	**291**	369
Cash and cash equivalents	**20**	1
Equity-linked deposits	**127**	60
Investments held by the Social Trust Fund	**19**	22
Total restricted investments	**457**	452

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. 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.

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

	SA Rand	
Figures in million	**2021**	2020
Balance at beginning of year	**430**	399
Interest income	**16**	21
Fair value gain	**8**	10
Equity-linked deposits acquired/(matured)	**59**	(75)
(Maturity)/acquisition of fixed deposits	**(93)**	75
Net transfer of cash and cash equivalents	**35**	—
Withdrawal of funds	**(17)**	—
Balance at end of year	**438**	430

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	**2021**	2020
Balance at beginning of year	**22**	28
Loss on realisation of asset	**—**	(4)
Distribution reinvested	**1**	—
Interest income	**—**	1
Fair value gain	**—**	2
Claims paid	**(4)**	(5)
Balance at end of year	**19**	22

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

12 TRADE AND OTHER RECEIVABLES

	SA Rand	
Figures in million	**2021**	2020
Financial assets		
Trade receivables (metals)	**710**	**624**
Other trade receivables	**73**	**58**
Loss allowance	**(39)**	**(25)**
Trade receivables – net	**744**	**657**
Interest and other receivables	**33**	**15**
Employee receivables	**—**	**13**
Non-financial assets		
Prepayments	**12**	**16**
Income and mining taxes	**15**	**—**
Total trade and other receivables	**804**	**701**

The movement in the loss allowance for trade and other receivables during the year was as follows (refer to note 31 for details):

	SA Rand	
Figures in million	**2021**	2020
Balance at beginning of year	**25**	14
Increase in loss allowance recognised during the year	**21**	21
Reversal of loss allowance during the year	**(7)**	(10)
Balance at end of year	**39**	25

The loss allowance for trade and other receivables stratified according to ageing profile at the reporting date is as follows:

	SA Rand	
Figures in million	**Gross**	**Loss allowance**
30 June 2021		
Not past due	**734**	**—**
Past due by 1 to 30 days	**3**	**—**
Past due by 31 to 60 days	**2**	**—**
Past due by 61 to 90 days	**1**	**—**
Past due by more than 90 days	**13**	**12**
Past due by more than 361 days	**30**	**27**
	783	**39**
30 June 2020		
Not past due	642	—
Past due by 1 to 30 days	2	—
Past due by 31 to 60 days	1	—
Past due by 61 to 90 days	10	—
Past due by more than 90 days	12	11
Past due by more than 361 days	15	14
	682	25

Refer to note 39 of the group financial statements for details on how the provision was calculated.

During the 2021 and 2020 years there was no renegotiation of the terms of any receivable. The company does not hold any collateral in respect of these receivables.

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

13 DERIVATIVE FINANCIAL INSTRUMENTS

Figures in million (SA Rand)	US$ gold contracts (b)	US$ silver contracts (b)	Foreign exchange contracts (c)	Rand gold derivative contracts (a)	Total
As at 30 June 2021					
Derivative financial assets	121	107	383	1 395	2 006
Non-current	40	14	—	279	333
Current	81	93	383	1 116	1 673
Derivative financial liabilities	(121)	(107)	(349)	(1 290)	(1 867)
Non-current	(40)	(14)	—	(257)	(311)
Current	(81)	(93)	(349)	(1 033)	(1 556)
Net derivative financial instruments	—	—	34	105	139
Unamortised day one net loss included above	—	—	—	1	1
Movements for the year ended 30 June 2021					
Gains on derivatives	—	—	115	201	316
Day one loss amortisation	—	—	—	(3)	(3)
Total gains on derivatives	—	—	115	198	313

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

13 DERIVATIVE FINANCIAL INSTRUMENTS continued

Figures in million (SA Rand)	Rand gold hedging contracts (a)	US$ gold contracts (b)	US$ silver contracts (b)	Foreign exchange contracts (c)	Rand gold derivative contracts (a)	Total
As at 30 June 2020						
Derivative financial assets	—	364	15	718	3 498	4 595
Non-current	—	101	6	89	659	855
Current	—	263	9	629	2 839	3 740
Derivative financial liabilities	—	(364)	(15)	(787)	(3 900)	(5 066)
Non-current	—	(101)	(6)	(92)	(726)	(925)
Current	—	(263)	(9)	(695)	(3 174)	(4 141)
Net derivative financial instruments	—	—	—	(69)	(402)	(471)
Unamortised day one net loss included above	—	—	—	—	2	2
Movements for the year ended 30 June 2020						
Realised losses included in revenue	(130)	—	—	—	—	(130)
Unrealised losses on gold contracts recognised in other comprehensive income	(183)	—	—	—	—	(183)
Losses on derivatives	—	—	—	(116)	(497)	(613)
Unrealised losses reclassified to profit and loss as a result of discontinuance of hedge accounting	(56)	—	—	—	—	(56)
Day one loss amortisation	(5)	—	—	—	—	(5)
Total losses on derivatives	(61)	—	—	(116)	(497)	(674)
Hedge effectiveness						
Change in the fair value of the hedging instrument used as the basis for recognising hedge ineffectiveness	(183)	—	—	—	—	(183)
Change in the fair value of the hedged item used as the basis for recognising hedge ineffectiveness.	183	—	—	—	—	183

Harmony enters into derivative contracts with various financial institutions on behalf of its operations as well as those of its subsidiaries. The tables above show the gross position for Harmony as the counterparty with the financial institutions as well as its subsidiaries as at the reporting dates. Due to the position for the subsidiaries being the opposite to Harmony's position with the financial institutions, the net position shown relates to Harmony's own operations. As the movements through the income statement for the derivative contracts with the subsidiaries would be opposite to those for Harmony's derivative contracts with the financial institutions, the impact on gains/(losses) for derivatives is the net movement for Harmony's own operations.

(a) Rand gold contracts

Hedge accounting

Harmony has entered into Rand gold forward sale derivative contracts to manage the risk of lower gold prices. Cash flow hedge accounting is applied to a portion of these contracts (which has matured in 2020), resulting in the effective portion of the unrealised gains and losses being recorded in other comprehensive income (other reserves - refer to note 20). Hedge effectiveness is determined at the inception of the hedge relationship and through periodic prospective effectiveness assessments.

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

13 DERIVATIVE FINANCIAL INSTRUMENTS continued

(a) Rand gold contracts continued

Hedge accounting continued

The group enters into gold forward contracts that have similar terms as the hedged item, such as notional amount, maturity date and reference gold spot price thereby ensuring that an economic relationship exists between the hedging instrument and the hedged item and resulting in a hedge ratio of 1:1. Potential sources of hedge ineffectiveness include counterparty and own credit risk, day one gains and losses, a mismatch in the timing of the derivative and underlying gold sale maturities, location differential and the refining margin. 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. A negligible amount of hedge ineffectiveness was experienced in the years presented.

The gains and losses from derivative contracts to which hedge accounting is not applied is included in gains/(losses) on derivatives.

Discontinuance of hedge accounting and restructuring

As a result of the original 21-day lockdown announced in South Africa, effective 27 March 2020, aimed to slow the spread of Covid-19, Harmony Gold closed all deep-level underground mines in South Africa. As a result of the closure, a significant volume of the underlying exposure that was originally intended to be hedged was delayed.

A total of 8 500 ounces of gold forwards were originally set to mature in the months of April and May 2020. After assessing forecasts of gold production at 1 April 2020, the hedged items, being the sales of gold, relating to 5 000 ounces of gold forwards were assessed to no longer be probable. The hedged items relating to the remaining balance of gold forwards were still considered to be highly probable.

Due to the fact that the occurrence of the forecast transactions/hedged items were no longer considered probable, there was no longer an effective hedging relationship and therefore hedge accounting for these hedges was discontinued. Unrealised losses relating to the hedges amounting to R 56 million, previously recognised in other comprehensive income, were immediately reclassified to profit or loss as losses on derivatives.

In response to the gold forwards' underlying items no longer occurring and in order to better match the cash flows relating to the underlying exposure, certain of the Rand gold forwards with maturities between 15 April 2020 and 31 May 2020 were effectively extended to mature between the periods July 2020 and March 2021. The restructured gold forwards retained the pricing of the original forwards.

Open positions

At 30 June 2021, all open contracts have an average forward sale price of R976 473/kg. Refer to note 19 of the group financial statements for all open positions held. The following table shows the open position of Rand gold forward contracts at the reporting date relating to Harmony:

	Nominal value	Quarterly tranche average spread
– Harmony's Rand gold forward contracts	635 kg (22 403 oz)	2 years

(b) US$ commodity contracts

Harmony maintains a derivative programme for Hidden Valley by entering into commodity derivative contracts. The contracts comprise US$ gold forward sale contracts as well as silver zero cost collars which establish a minimum (floor) and maximum (cap) silver sales price.

(c) Foreign exchange contracts

Included in the foreign exchange derivative contracts (forex derivative contracts) are zero cost collars and forward exchange contracts. Refer to note 19 of the group financial statements for all open positions held. The zero cost collars establish a floor and cap Rand/US$ exchange rate at which to convert US dollars to Rands. The nominal value of the open zero cost collars in Harmony at 30 June 2021 is US$10 million (2020: US$48 million). The weighted average prices for the forward exchange contracts are as follows: cap R18.54 and floor R16.93.The nominal value of open forex forwards at 30 June 2021 is US$2 million (2020: US$17 million) and the weighted average exchange rate is R18.43.

As hedge accounting is not applied to these contracts, the resulting gains and losses have been recorded in gains/(losses) on derivatives in the income statement.

Refer to note 31 for a summary of the risk management strategy applied and details of the fair value measurements as at reporting date.

14 OTHER NON-CURRENT ASSETS

	SA Rand	
Figures in million	**2021**	2020 Re-presented*
Non-current assets		
Debt instruments	**183**	311
Loans to associates (a)	**116**	116
Loan to ARM BBEE Trust (b)	**177**	306
Other loans receivable	**6**	5
Loss allowance (a)	**(116)**	(116)
Equity instruments	**69**	73
Rand Mutual Assurance (c)	**65**	69
Other	**4**	4
Inventories	**—**	4
Non-current portion of gold in lock-up (d)	**—**	4
Total other non-current assets	**252**	388

** Refer to note 1 for further information on the re-presentation of financial statement line items.*

(a) The balance relates to a loan of R116 million (2020: R116 million) owed by Pamodzi. Pamodzi was placed into liquidation during 2009 and the loan was provided for in full. The company is a concurrent creditor in the Pamodzi Orkney liquidation.

(b) During the 2021 financial year end, the loan to the ARM Broad-Based Economic Empowerment Trust (the ARM BBEE Trust), a shareholder of African Rainbow Minerals Limited (ARM), was refinanced to allow a sufficient and sustainable repayment structure. At 30 June 2021 the loan was remeasured to its fair value of R177 million (2020: R306 million).The refinancing of the loan resulted in a day 1 expense of R87 million, which is included in investment income (note 6). Refer to note 18 in the group financial statements for further details on the loan to ARM BBEE Trust.

(c) Refer to note 18 in the group financial statements.

(d) Refer to note 18 for further details on inventories.

15 INVESTMENTS IN SUBSIDIARIES AND LOANS TO/FROM SUBSIDIARIES

Accounting policy

Investments in subsidiaries are accounted for at cost less impairment. Harmony charges its subsidiaries for the employee share incentive plans granted to the subsidiaries' employees. The movement in equity in the company's financial statements relating to the recharge of the share-based payments of subsidiaries is accounted for against investments in subsidiaries. Investments in subsidiaries are tested annually for impairment or when there is an indication of impairment and an impairment loss is recognised for the amount by which the carrying amount of the investment in a subsidiary exceeds its recoverable amount. The recoverable amount of investments in subsidiaries are generally determined with reference to future cash generated by the subsidiaries. For further detail, see critical accounting estimates and judgements below. Any impairment losses are included in impairment of investments in subsidiaries in the income statement.

Loans to/from subsidiaries are measured initially at fair value. Loans to subsidiaries held within a business model with the objective to hold assets to collect contractual cash flows and with contractual terms giving rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at amortised cost. All other loans to subsidiaries are measured subsequently at fair value. The company currently has no such loans. Loans from subsidiaries are subsequently measured at amortised cost. The loans to subsidiaries are subject to the expected credit loss model.

The recoverability of loans to subsidiaries are assessed at each reporting period using a forward-looking expected credit loss (ECL) approach. The ECL is measured as the probability-weighted estimate of credit losses, which is the present value of all cash shortfalls (i.e. the difference between the cash flows due to the company in accordance with the contract and the cash flows that the company expects to receive).

This was measured using the probability of default (PD), loss given default (LGD), exposure at default (EAD) methodology. The LGD depends on the expected cash flows generated by each operating subsidiary with reference to the approved life-of-mine plans of each operation. The estimations of future cash generated by subsidiaries takes into account forward-looking information as described under critical accounting estimates and judgements below. Any impairment losses are included in other operating expenses in the income statement.

Investments in and loans to dormant subsidiaries with no significant assets are written off as the carrying amount cannot be recovered and the counterparties do not have the capacity to meet their contractual obligations.

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

15 INVESTMENTS IN SUBSIDIARIES AND LOANS TO/FROM SUBSIDIARIES continued

Critical accounting estimates and judgements

The recoverable amount of an investment in a subsidiary is the higher of the investment's fair value less costs to sell and value in use. 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 the assumptions described below.

For loans to subsidiaries, as these loans are repayable on demand, the expected credit losses are based on the assumption that repayment of the loan is demanded at the reporting date. Given the liquidity situations of most of the operating subsidiaries, the probability that the entities would not be able to repay immediately is almost certain, hence the expected manner of recovery was determined based on the ability to repay the loan over time, taking into account the future cash flows the company expects to receive.

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 (LoM) 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 subsidiaries' operations. Refer to note 15 of the group financial statements for the detail on the critical accounting estimates and judgements applied in calculating the future cash flows.

Cash flows are allocated to recover firstly any loans to subsidiaries and thereafter the investments in subsidiaries.

	SA Rand	
Figures in million	**2021**	2020
Shares at cost less accumulated impairment (a) and (d)	**24 071**	24 542
Shares at cost	**29 809**	30 267
Accumulated impairment	**(5 738)**	(5 725)
Loans to subsidiaries[1]	**6 421**	5 307
Gross current loans to subsidiary companies (b)	**8 228**	7 033
Provision for irrecoverable loans (c)	**(1 807)**	(1 726)
Loans from subsidiaries[1]	**(5 470)**	(5 381)
Total investments in subsidiaries	**25 022**	24 468

[1] *Loans to/from subsidiaries will be settled through day-to-day activities.*

(a) Includes amounts relating to the share-based payment expense for the subsidiary companies' employees.

Included in the amount is the cost of shares obtained through the Mponeng operations and related assets acquisition. The following values are included:

- First Uranium Proprietary Limited at R29 (US$2), which owns Mine Waste Solutions Proprietary Limited, which in turn owns Chemwes Proprietary Limited. The companies are collectively known as the FUSA Group;
- Masakhisane Investments Proprietary Limited at R14 (US$1); and
- AGA Security Services Proprietary Limited at R14 (US$1).

(b) Included in the loans to subsidiary company is a loan of R1.1 billion (2020: R2.1 billion) to Harmony Moab Khotsong Operations Proprietary Limited. The loan was advanced for the purchase of assets in 2018. The loan is unsecured and repayable on demand. Interest on the loan is charged at JIBAR + 2.9%.

Further included in the loans to subsidiary companies is the loan to Golden Core Trade and Investment Proprietary Limited for the acquisition of the Mponeng business and the West Wits closure business as well as Covalent Water Company Proprietary Limited. In addition, Harmony advanced a further loan to Harmony Moab Khotsong Operations Proprietary Limited for the acquisition of the Vaal River closure business. The purchase price was settled with cash raised through the equity issue in June 2020. The loans extended by Harmony Gold Mining Company Limited are unsecured, interest-free and repayable on demand.

The loans are to be settled through the operating free cash flow generated by the companies on a quarterly basis. The following loans were outstanding at year-end:

i. Golden Core Trade and Investment Proprietary Limited - The opening balance of the loan was R3 012 million, which is the Rand equivalent of the acquisition price of US$180 million, while the closing balance as at 30 June 2021 is R1 036 million after repayments of R1 976 million.

ii. Harmony Moab Khotsong Operations Proprietary Limited - The opening balance of the loan was R335 million, being the Rand equivalent of US$20 million, with the closing balance as at 30 June 2021 unchanged as no repayments were made during the year.

Refer to note 14 of the group financial statements for more information on the transaction.

(c) Includes an increase in provision for irrecoverable loans to Avgold and West Rand Consolidated Mines of R66 million and R12 million respectively.

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

15 INVESTMENTS IN SUBSIDIARIES AND LOANS TO/FROM SUBSIDIARIES continued

(d) An impairment of R10 million was recognised against the investment in West Rand Consolidated Mines during 2021. This was mainly as a result of a decrease in the expected cash flows of Kalahari Goldridge Mining Company Limited due to a decrease in the planned gold price combined with an increase in expected capital expenditure over the remaining life of mine.

The majority of the loans to/from subsidiaries are repayable on demand and therefore not past due. Refer to Annexure A for a detailed listing of the company's investments in subsidiaries and the loans to and from these companies.

16 INVESTMENTS IN ASSOCIATES

Accounting policy

Investments in associates are accounted for at cost and are adjusted for impairments where appropriate.

Critical accounting estimates and judgements

Refer to note 21 of the group financial statements for a discussion on the investments in associate.

The movement in the investment in associate during the year is as follows:

	SA Rand	
Figures in million	**2021**	2020
Balance at beginning of year	—	39
Redemption of preference shares[1]	—	(39)
Balance at end of year	—	—

[1] *The value of preference shares redeemed in excess of the investment is recognised on the income statement as a gain on redemption of preference shares from associate.*

17 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.

18 INVENTORIES

	SA Rand	
Figures in million	**2021**	2020
Gold in-process and bullion on hand	**27**	17
Consumables at weighted average cost (net of provision)	**276**	279
Total current inventories	**303**	296
Inventory valued at net realisable value[1]	—	4

[1] *During the 2021 financial year, a revaluation decrease of R4 million(2020: Rnil million) was recorded for the net realisable value adjustment for gold in lock-up. The balance at 30 June 2021 is R0 million (2020: R4 million) and is classified as non-current.*

The total provision for slow-moving and redundant stock at 30 June 2021 was R27 million (2020: R32 million).

19 SHARE CAPITAL

Authorised

1 200 000 000 (2020: 1 200 000 000) ordinary shares with no par value.
4 400 000 (2020: 4 400 000) convertible preference shares with no par value.

Issued

616 052 197 (2020: 603 142 706) ordinary shares with no par value. All issued shares are fully paid.
4 400 000 (2020: 4 400 000) convertible preference shares with no par value.

Share issues

Share placing

During June 2020, Harmony conducted a placement of ordinary shares with existing and new institutional investors. A total 60 278 260 new ordinary shares were placed at a price of R57.50 per share, raising gross proceeds of approximately R3.466 billion. The Placing Shares issued represent, in aggregate, approximately 11.1% of the company's issued ordinary share capital before the Placing. The Placing Price represents a discount of 5.4% to the closing share price on 24 June 2020 and a 3.5% discount to the 30-day volume-weighted average price (VWAP). The Placing Shares rank pari passu in all respects with the existing Harmony ordinary shares, including the right to receive all dividends and other distributions declared, made or paid after the date of issue thereof.

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

19 SHARE CAPITAL continued

Share issues continued

Share placing continued

The proceeds of the Placing was used by Harmony to discharge the US$200 million consideration to acquire AngloGold Ashanti's remaining South African assets (refer to note 14 in the group financial statements). The share issue costs amounted to R83 million.

Share issues relating to employee share options

An additional 12 909 491 (2020: 3 023 251) shares were issued to settle the exercise of share options by employees relating to Harmony's management share option schemes.

Treasury shares

Included in the total of issued shares are the following treasury shares:

	Number of shares	
	2021	2020
Ordinary shares		
Lydenburg Exploration Limited[1]	**335**	335
Kalgold Share Trust[2]	**47 046**	47 046
Harmony ESOP Trust[2]	**5 894 081**	6 335 629
Convertible preference shares		
Harmony Gold Community Trust[3]	**4 400 000**	4 400 000

[1] *A wholly-owned subsidiary of Harmony.*
[2] *Trust controlled by the group of which Harmony is the parent company.*
[3] *Refer to note 23 for details on terms and conditions.*

Refer to note 13 of the group financial statements for details on dividends declared and paid.

20 OTHER RESERVES

	SA Rand	
Figures in million	**2021**	2020
Equity instruments designated at fair value through other comprehensive income (a)	**111**	107
Repurchase of equity interest (b)	**3**	3
Equity component of convertible bond (c)	**277**	277
Share-based payments (d)	**2 538**	2 378
Post-retirement benefit actuarial gain (e)	**6**	4
Hedge reserve (f)	**—**	—
Total other reserves	**2 935**	2 769

(a) Includes R110 million (2020: R106 million) related to the cumulative fair value movement of Harmony's interest in Rand Mutual Assurance. Refer to note 14.

(b) The sale of 26% of the AVRD mining titles resulted in a R3 million repurchase of a call option (equity interest) by the company. Refer to note 25 of the group financial statements.

(c) Refer to note 25 of the group financial statements.

(d) The reconciliation of the movement in share-based payments is as follows:

	SA Rand	
Figures in million	**2021**	2020
Balance at beginning of year	**2 378**	2 199
Share-based payments expensed (i)	**11**	23
Subsidiary employees share-based payments (ii)	**149**	156
Balance at the end of year	**2 538**	2 378

i. Refer to note 36 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 results in an increase in investment in subsidiaries. Refer to note 15.

(e) The actuarial gains or losses related to the post-retirement benefit obligation will not be reclassified to the income statement.

20 OTHER RESERVES continued

(f) Harmony entered into Rand gold hedging contracts. Cash flow hedge accounting is applied to certain of these contracts, resulting in the effective portion of the unrealised gains and losses being recorded in other comprehensive income (other reserves). Refer to note 13 for further information.

	SA Rand	
Figures in million	**2021**	2020
Balance at beginning of year	—	(3)
Remeasurement of gold hedging contracts	—	3
Net gain/(loss) on gold contracts	—	(183)
Released to revenue	—	130
Unrealised losses reclassified to profit or loss as a result of discontinuance of hedge accounting	—	56
Balance at end of year	—	—

21 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 provision for environmental rehabilitation:

	SA Rand	
Figures in million	**2021**	2020
Balance at beginning of year	**600**	608
Change in estimate – Balance sheet	—	(7)
Change in estimate – Income statement	**20**	18
Utilisation of provision	**(23)**	(48)
Time value of money and inflation component of rehabilitation costs	**37**	29
Balance at end of year	**634**	600

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 operations, based on current environmental and regulatory requirements, as follows:

	SA Rand	
Figures in million	**2021**	2020
Future net undiscounted obligation		
Ultimate estimated rehabilitation cost	**721**	707
Amounts invested in environmental trust funds (refer to note 11)	**(438)**	(430)
Total future net undiscounted obligation	**283**	277

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 11 and 30.

22 OTHER PROVISIONS

	SA Rand	
Figures in million	**2021**	Re-presented* 2020
Provision for silicosis settlement	**668**	698
Retirement benefit obligation	**24**	24
Total other provisions	**692**	722
Current portion of other provisions	**137**	137
Non-current portion of other provisions	**555**	585

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

22 OTHER PROVISIONS continued

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	**2021**	2020
Balance at beginning of year	**698**	738
Change in estimate	**62**	28
Time value of money and inflation component	**41**	54
Payments to Tshiamiso Trust and claimant attorneys	**(133)**	(122)
Balance at end of year	**668**	698
Current portion of silicosis settlement provision	**137**	137
Non-current portion of silicosis settlement provision	**531**	561

The group's obligation has been allocated to the companies within the group that forms part of the court settlement agreement based on the number of employees at an operation over a period of time. As holding company of the group, Harmony is liable for and will be obligated to settle the portion for companies that no longer form a part of the group.

Sensitivity analysis

Management has considered the information available regarding key assumptions, as well as the uncertainties and term of the projections, and determined variances for a reasonable (possible) range to apply to the key assumptions. Information considered included medical data and evidence from the silicosis claim process, which has not changed significantly since the liability was recognised. Management also considered the guidance provided by the actuarial specialists as to what could be a reasonably possible change for each item. The impact of these reasonable possible changes on the assumptions would increase or decrease the provision amount by the following amounts:

	SA Rand	
Figures in million	**2021**	2020
Effect of an increase in the assumption:		
Change in benefit take-up rate[1]	**66**	57
Change in silicosis prevalence[2]	**66**	57
Change in disease progression rates[3]	**33**	28
Effect of a decrease in the assumption:		
Change in benefit take-up rate[1]	**(66)**	(57)
Change in silicosis prevalence[2]	**(66)**	(57)
Change in disease progression rates[3]	**(33)**	(28)

[1] *Change in benefit take-up rate: the take-up rate does not significantly affect the administration fees, but a 10% change results in a proportionate change in the base compensation 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 10% shorter/longer disease progression period was used, which results in more advanced silicosis cases. This assumption is not applicable to the dependant or TB classes.*

Retirement benefit obligation

Pension and provident funds: Refer to note 27(b) of the group financial statements. Funds contributed by the company for the 2021 year amounted to R121 million (2020: R146 million).

Post-retirement benefits other than pensions: Refer to note 27(b) of the group financial statements for a discussion of the obligation, risks and assumptions used.

23 OTHER NON-CURRENT LIABILITIES

	SA Rand	
Figures in million	**2021**	2020
Non-financial liabilities		
Preference share liability (a)	**39**	44
Lease liability - non-current	**—**	1
Total other non-current liabilities	**39**	45

(a) In 2019, Harmony issued 4 400 000 convertible preference shares to the Harmony Community Trust. The shares carry a minimum preference dividend of R2 per annum for the duration of a lock-in period of ten years and are convertible into ordinary shares at Harmony's election after the expiry of the lock-in period. The liability represents the non-current portion of the present value of the future preference dividend payments. The current portion is included in trade and other payables.

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

24 BORROWINGS

Summary of facilities' terms

	Commenced	Tenor (Years)	Matures	Secured	Security	Interest payment basis	Interest charge	Repayment term	Repaid
Existing									
R2 billion facility	November 2018	Four	November 2022	Yes	Cession and pledge of operating subsidiaries' shares and claims	Variable			n/a
- R600 million term loan							JIBAR + 2.9%	Eight equal quarterly instalments starting from February 2021 with the final instalment on maturity	
- R1.4 billion revolving credit facility							JIBAR + 2.8%	On maturity	
US$400 million facility	September 2019	Three	September 2023[1]	Yes	Cession and pledge of operating subsidiaries' shares and claims	Variable		On maturity	n/a
- US$200 million revolving credit facility		Extendable by 1 Year					LIBOR + 2.9%		
- US$200 million term loan							LIBOR + 3.1%		
Matured									
US$350 million facility	July 2017	Three	July 2020	Yes	Cession and pledge of operating subsidiaries' shares and claims	Variable		On maturity	October 2019
- US$175 million revolving credit facility							LIBOR + 3.0%		
- US$175 million term loan							LIBOR + 3.15%		
US$200 million bridge loan	June 2020	One	June 2021	Yes	Cession and pledge of operating subsidiaries' shares and claims	Variable		On maturity	July 2020[2]
						First 6 months	LIBOR + 1.8%		
						Next 3 months	LIBOR + 2.4%		
						Last 3 months	LIBOR + 3.0%		

[1] *The syndicate of lenders for the US$400 million facility agreed to the one year extension during July 2020, extending the maturity date to September 2023.*
[2] *The facility was cancelled on 6 July 2020 with no drawdowns having been made.*

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

24 BORROWINGS continued

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 be more than five times (EBITDA[1]/Total interest paid);
- Tangible Net Worth[2] to total net debt ratio shall not be less than four times or six 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. During June 2020, lenders agreed to relax the Tangible Net Worth to Net Debt covenant, from four times to two times, until December 2020, in order to provide flexibility to the group following the disruptions from the Covid-19 pandemic. From 1 January 2021, the covenants reverted to the original position.*
[3] *Leverage is defined as total net debt to EBITDA.*

No breaches of the covenants were identified during the tests in the 2020 and 2021 financial years. Management believes that it is very likely that the covenant requirements will be met in the foreseeable future given the current earnings and interest levels, as well as the net debt position.

Interest bearing borrowings

	SA Rand	
Figures in million	**2021**	2020
Non-current borrowings		
R2 billion facility	**153**	1 351
Balance at beginning of year	**1 351**	1 489
Draw down	**—**	1 100
Repayments	**(1 050)**	(1 100)
Transferred to current liabilities	**(150)**	(150)
Amortisation of issue costs	**2**	12
US$350 million facility	**—**	—
Balance at beginning of year	**—**	4 143
Repayments	**—**	(4 465)
Amortisation of issue costs	**—**	24
Translation	**—**	298
US$400 million facility	**2 799**	5 980
Balance at beginning of year	**5 980**	—
Draw down	**—**	5 441
Issue cost	**(11)**	(95)
Repayments	**(2 347)**	—
Amortisation of issue costs	**39**	12
Translation	**(862)**	622
Total non-current borrowings	**2 952**	7 331
Current borrowings		
R2 billion revolving credit facility	**300**	150
Balance at beginning of year	**150**	—
Transferred from non-current liabilities	**150**	150
Total current borrowings	**300**	150
Total interest-bearing borrowings	**3 252**	7 481

24 BORROWINGS continued

Interest bearing borrowings continued

	SA Rand	
Figures in million	**2021**	2020
The maturity of borrowings is as follows:		
Current	**300**	150
Between one to two years	**153**	300
Between two to three years	**2 799**	7 031
	3 252	7 481
Undrawn committed borrowing facilities:		
Expiring within one year	**—**	—
Expiring after one year	**4 254**	1 366
	4 254	1 366

	2021	2020
Effective interest rates (%)		
R2 billion facility	**6.6**	9.3
US$400 million revolving credit facility	**4.0**	3.7
US$350 million facility	**—**	5.6

25 TRADE AND OTHER PAYABLES

	SA Rand	
Figures in million	**2021**	2020
Financial liabilities		
Trade payables	**332**	271
Lease liability – current	**1**	2
Other liabilities	**62**	113
Non-financial liabilities		
Payroll accruals	**505**	344
Leave liability (a)	**95**	79
Shaft related and other liabilities	**58**	112
Value added tax	**162**	85
Total trade and other payables	**1 215**	1 006

(a) 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	
Figures in million	**2021**	2020
Balance at beginning of year	**79**	87
Benefits paid	**(75)**	(90)
Total expense per income statement	**91**	82
Balance at end of year	**95**	79

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

26 CASH GENERATED/(UTILISED) BY OPERATIONS

	SA Rand	
Figures in million	**2021**	2020
Reconciliation of profit/(loss) before taxation to cash generated by operations:		
Profit/(loss) before taxation	**1 697**	(1 089)
Adjustments for:		
Amortisation and depreciation	**189**	261
Loss on scrapping of property, plant and equipment	**8**	14
Share-based payments	**11**	23
Net increase/(decrease) in provision for environmental rehabilitation	**(3)**	(30)
(Reversal of impairment)/Impairment of investments in subsidiaries	**10**	(4)
Net gain on financial instruments	**68**	(49)
ARM BBEE day one expense	**(87)**	—
Dividends received	**(104)**	(7)
Interest received	**(134)**	(447)
Finance costs	**307**	501
Inventory revaluation adjustments	**(9)**	30
Loss allowance	**93**	75
Silicosis settlement provision	**(71)**	28
Foreign exchange translation	**(862)**	925
Profit on associate	**—**	(19)
Profit on sale of investments in subsidiaries	**—**	(41)
Non-cash portion of gains on derivatives	**(607)**	204
Other non-cash adjustments	**(57)**	2
Effect of changes in operating working capital items		
(Increase)/decrease in Receivables	**219**	(144)
(Increase)/decrease in Inventories	**8**	(75)
Increase/(decrease) in Payables	**147**	(131)
Cash generated by operations	**823**	27

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 2021, R4 254 million (2020: R1 366 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 15).

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

27 EMPLOYEE BENEFITS

	SA Rand	
Figures in million	**2021**	2020
Aggregate earnings		
The aggregate earnings of employees including executive directors were:		
Salaries and wages and other benefits (excluding share-based payments)	**1 643**	1 657
Retirement benefit costs	**121**	146
Medical aid contributions	**48**	54
Total aggregated earnings*	**1 812**	1 857
Number of permanent employees as at 30 June	**3 799**	4 243

** 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 2021 financial year R72 million (2020: R22 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

The total cost relating to share-based payments for the company is made up as follows:

	SA Rand	
Figures in million	**2021**	2020
2006 share plan	**3**	13
Sisonke Employee Share Ownership Plan (Sisonke ESOP)	**4**	7
Management Deferred Share Plan (DSP)	**4**	3
Total share-based payments	**11**	23

Employee share-based payments

The objective of the group's share-based payment schemes is to recognise the contributions of employees to the group's financial position and performance and to retain key employees.

Options granted under the 2006 share plan

Refer to note 36 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

	SARs		PS
Activity on options and rights granted but not yet exercised	**Number of options and rights**	**Weighted average option price (SA Rand)**	**Number of rights**
For the year ended 30 June 2021			
Balance at beginning of year	**205 103**	**18.41**	**7 901 709**
Options exercised	**(205 103)**	**18.41**	**(7 834 069)**
Options forfeited and lapsed	**—**	**—**	**(67 640)**
Balance at end of year	**—**	**—**	**—**
For the year ended 30 June 2020			
Balance at beginning of year	3 556 540	26.39	12 762 453
Options exercised	(3 284 865)	26.92	—
Options forfeited and lapsed	(66 572)	24.22	(4 860 744)
Balance at end of year	205 103	18.41	7 901 709

There were no RS balances during the 2021 and 2020 financial years.

	SARs		PS	
Options and rights vested but not exercised at year end	**2021**	2020	**2021**	2020
Options and rights vested but not exercised	**—**	205 103	**—**	—
Weighted average option price (SA Rand)	**n/a**	18.41	**n/a**	n/a

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

28 SHARE-BASED PAYMENTS continued

Employee share-based payments continued

Options granted under the 2006 share plan continued

Activity on share options continued

	SA Rand	
Figures in million	**2021**	2020
Gain realised by participants on options and rights traded during the year	**528**	77
Fair value of options and rights exercised during the year	**528**	78

Options granted under the Sisonke ESOP

Refer to note 36 of the group financial statements for the information relating to the Sisonke ESOP. The following information relates specifically to the company:

Activity on share options

	Number of PU	
Activity on PU granted	**2021**	2020
Balance at beginning of year	**707 930**	761 908
Options granted and accepted	**4 756**	10 836
Options exercised	**(63 987)**	(29 759)
Transfers	**(159 451)**	(24 070)
Options forfeited and lapsed	**(7 024)**	(10 985)
Balance at end of year	**482 224**	707 930

	2021	2020
Gain realised by participants on options exercised during the year (R'million)	**4**	2
Weighted average share price at the date of exercise (SA Rand)	**69.73**	46.12
Remaining life (years)	**0.5**	1.5

Options granted under the Management Deferred Share Plan

Refer to note 36 of the group financial statements for the information relating to the Deferred Share Plan. The following information relates specifically to the company:

	Number of DS	
Activity on DS granted but not exercised	**2021**	2020
Balance at beginning of year	**633 825**	—
Options granted	**920 181**	662 478
Options exercised	**(169 741)**	—
Options forfeited and lapsed	**(65 503)**	(28 653)
Balance at end of year	**1 318 762**	633 825

List of options granted but not yet exercised (listed by grant date)	**Number of options**	**Award price (SA Rand)**	**Remaining life (years)**
As at 30 June 2021			
Deferred shares			
18 September 2019 - 3 years	**290 352**	**n/a**	**1.2**
18 September 2019 - 5 years	**182 984**	**n/a**	**3.2**
18 September 2020 - 3 years	**533 409**	**n/a**	**2.2**
18 September 2020 - 5 years	**312 017**	**n/a**	**4.2**
Total options granted but not yet exercised	**1 318 762**		

28 SHARE-BASED PAYMENTS continued

Employee share-based payments continued

Options granted under the Management Deferred Share Plan continued

	2021	2020
18 September 2019 - 3 years		
Gain realised by participants on options exercised during the year (R'million)	**14**	—
Weighted average share price at the date of exercise (SA Rand)	**87.86**	—
Remaining life (years)	**1.2**	—
18 September 2019 - 5 years		
Gain realised by participants on options exercised during the year (R'million)	**2**	—
Weighted average share price at the date of exercise (SA Rand)	**87.86**	—
Remaining life (years)	**3.2**	—

29 RELATED PARTIES

Refer to note 37 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 16.

	SA Rand	
Figures in million	**2021**	2020
Sales and services rendered to related parties		
Direct subsidiaries	**31 034**	20 626
Indirect subsidiaries	**2 347**	856
Total	**33 381**	21 482
Purchases and services acquired from related parties		
Direct subsidiaries	**1**	1
Directors	**5**	5
Total	**6**	6

Annexure A of this report contains a full list of the loans to and from subsidiaries. Refer to note 15 for details of provisions made against these loans. All loans except as stated otherwise are unsecured and interest-free and there are no special terms and conditions that apply.

	SA Rand	
Figures in million	**2021**	2020
Outstanding balances due by related parties		
Direct subsidiaries	**6 003**	5 307
Indirect subsidiaries	**418**	—
Total	**6 421**	5 307
Outstanding balances due to related parties		
Direct subsidiaries	**4 910**	4 792
Indirect subsidiaries	**560**	589
Total	**5 470**	5 381

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

29 RELATED PARTIES continued

Details of the derivative financial instruments are included in note 13. The balances and movements below relate to the derivative instruments where Harmony and the subsidiaries are the counterparties.

	SA Rand	
Figures in million	**2021**	2020
Derivative assets		
Direct subsidiaries	**36**	4 018
Indirect subsidiaries	**172**	509
Total assets	**208**	4 527
Derivative liabilities		
Direct subsidiaries	**1 512**	42
Indirect subsidiaries	**142**	21
Total liabilities	**1 654**	63
Gains/(losses) from back-to-back derivatives with related parties		
Direct subsidiaries	**(1 753)**	6 843
Indirect subsidiaries	**348**	717
Total	**(1 405)**	7 560

30 COMMITMENTS AND CONTINGENCIES

Commitments and guarantees

	SA Rand	
Figures in million	**2021**	2020
Capital expenditure commitments		
Contracts for capital expenditure	**10**	39
Authorised by the directors but not contracted for	**—**	38
Total capital commitments	**10**	77

This expenditure will be financed from existing resources and, where appropriate, borrowings.

	SA Rand	
Figures in million	**2021**	2020
Guarantees		
Guarantees and suretyships	**7**	7
Environmental guarantees	**317**	317
Total guarantees	**324**	324

At 30 June 2021, R146 million (2020: R104 million) has been pledged as collateral for environmental guarantees in favour of certain financial institutions. Refer to note 11.

Contingent liabilities

Refer to note 38 (b), (c) and (d) of the group financial statements for a discussion on contingent liabilities relevant to the company.

31 FINANCIAL RISK MANAGEMENT

The company's financial instruments expose it to a variety of financial risks: market risk (including commodity price risk, foreign exchange risk, interest rate risk and other price risk), credit risk and liquidity risk. The company may use derivative financial instruments to hedge certain risk exposures. The company's financial assets and liabilities are set out below:

Figures in million (SA Rand)	Debt instruments at amortised cost	Equity instruments designated at fair value through OCI	Derivatives at fair value through profit or loss	Debt instruments at fair value through profit or loss	Financial liabilities at amortised cost
At 30 June 2021					
Financial assets					
Restricted cash and investments	457	—	—	146	—
Loans to subsidiaries	6 421	—	—	—	—
Other non-current assets	6	69	—	177	—
Non-current derivative financial instruments	—	—	333	—	—
– US$ gold contracts	—	—	40	—	—
– US$ silver contracts	—	—	14	—	—
– Rand gold derivative contracts	—	—	279	—	—
Current derivative financial instruments	—	—	1 673	—	—
– US$ gold contracts	—	—	81	—	—
– US$ silver contracts	—	—	93	—	—
– Foreign exchange contracts	—	—	383	—	—
– Rand gold derivative contracts	—	—	1 116	—	—
Trade and other receivables	777	—	—	—	—
Cash and cash equivalents	1 662	—	—	—	—
Financial liabilities					
Non-current derivative financial instruments	—	—	311	—	—
– US$ gold contracts	—	—	40	—	—
– US$ silver contracts	—	—	14	—	—
– Rand gold derivative contracts	—	—	257	—	—
Current derivative financial instruments	—	—	1 556	—	—
– US$ gold contracts	—	—	81	—	—
– US$ silver contracts	—	—	93	—	—
– Foreign exchange contracts	—	—	349	—	—
– Rand gold derivative contracts	—	—	1 033	—	—
Borrowings	—	—	—	—	3 252
Other non-current liabilities	—	—	—	—	39
Loans from subsidiaries	—	—	—	—	5 470
Trade and other payables	—	—	—	—	395

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

31 FINANCIAL RISK MANAGEMENT continued

Figures in million (SA Rand)	Debt instruments at amortised cost	Equity instruments designated at fair value through OCI	Derivatives at fair value through profit or loss	Debt instruments at fair value through profit or loss	Financial liabilities at amortised cost
Re-presented At 30 June 2020					
Financial assets					
Restricted cash and investments	474	—	—	82	—
Loans to subsidiaries	5 307	—	—	—	—
Other non-current assets	5	73	—	306	—
Non-current derivative financial instruments	—	—	855	—	—
– US$ gold contracts	—	—	101	—	—
– US$ silver contracts	—	—	6	—	—
– Foreign exchange contracts	—	—	89	—	—
– Rand gold derivative contracts	—	—	659	—	—
Current derivative financial instruments	—	—	3 740	—	—
– US$ gold contracts	—	—	263	—	—
– US$ silver contracts	—	—	9	—	—
– Foreign exchange contracts	—	—	629	—	—
– Rand gold derivative contracts	—	—	2 839	—	—
Trade and other receivables	685	—	—	—	—
Cash and cash equivalents	5 883	—	—	—	—
Financial liabilities					
Non-current derivative financial instruments	—	—	925	—	—
– US$ gold contracts	—	—	101	—	—
– US$ silver contracts	—	—	6	—	—
– Foreign exchange contracts	—	—	92	—	—
– Rand gold derivative contracts	—	—	726	—	—
Current derivative financial instruments	—	—	4 141	—	—
– US$ gold contracts	—	—	263	—	—
– US$ silver contracts	—	—	9	—	—
– Foreign exchange contracts	—	—	695	—	—
– Rand gold derivative contracts	—	—	3 174	—	—
Borrowings	—	—	—	—	7 481
Other non-current liabilities	—	—	—	—	45
Loans from subsidiaries	—	—	—	—	5 381
Trade and other payables	—	—	—	—	387

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 co-operation 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.

Since March 2020, the Covid-19 pandemic has impacted on various aspects of Harmony's operating environment. Where relevant, reference is made to certain impacts in the discussions below, however a detailed discussion thereof is included in note 4 of the group financial statements.

Market risk

Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised financial assets and liabilities. Foreign exchange risk arises when future commercial transactions or recognised financial assets or liabilities are denominated in a currency that is not the entity’s functional currency. There is foreign exchange risk arising 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$.

Harmony maintains a foreign currency derivative 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.

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

31 FINANCIAL RISK MANAGEMENT continued

Market risk continued

Foreign exchange risk continued

The Rand strengthened during the current financial year, from R17.32/US$1 on 30 June 2020 and closed at R14.27/US$1 on 30 June 2021. This reduced the losses on contracts that matured during the year and positively impacted on the valuations of contracts that were outstanding at 30 June 2021.

The company is exposed to foreign exchange risk arising from borrowings and cash denominated in a currency other than the functional currency of the entity, primarily to the US$. The Rand's levels impacted positively on the translation of the US$ debt facilities at 30 June 2021. Refer to note 24 for further detail.

The company has reviewed its foreign currency exposure on financial assets and financial liabilities and has identified the following sensitivities in the exchange rates that would affect profit and loss:

- Rand/US$ exchange rate - 6% based on the standard deviation from a one year forecast of various financial institution outlooks. The analysis for 2020 was based on historical information which was determined as 9% and we determined a reasonable possible change of 10% as appropriate disclosure.

Management has refined the approach for determining reasonable possible changes from the prior year. The refined approach, which uses a larger population of market analyst forecasts - as used for macro-economic assumptions and estimates - provided an improvement in the assessment of reasonable possible changes used for sensitivity analysis.

	SA Rand	
Figures in million	**2021**	2020
Sensitivity analysis – borrowings		
Rand against US$		
Balance at 30 June	**2 806**	5 990
Strengthen by 6% (FY20: 10%)	**168**	599
Weaken by 6% (FY20: 10%)	**(168)**	(599)
Closing rate	**14.27**	17.32
Sensitivity analysis – financial instruments		
Rand against US$		
Balance at 30 June	**34**	69
Strengthen by 6% (FY20: 10%)	**11**	90
Weaken by 6% (FY20: 10%)	**(9)**	(104)
Closing rate	**14.27**	17.32

Commodity price sensitivity

The profitability of the company's operations, and the cash flows generated by those operations, are affected by changes in the market price of gold. Harmony entered into derivative contracts to manage the variability in cash flows from the company's production to create cash certainty and protect the company against lower commodity prices. The general limit for gold hedging currently set by the board is 20% for a 24-month period for the Harmony group. The audit and risk committee review the details of the programme quarterly. 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. Harmony enters into derivative contracts with various financial institutions on behalf of its operations and subsidiaries. Harmony then enters into back-to-back contracts with the subsidiaries. Refer to note 13 and the fair value determination for financial assets and liabilities section below for further detail on these contracts.

The Rand strengthened during the year (as discussed above), which had the effect of reducing the loss on the contracts that matured during the 2021 financial year as well as positively impacting those that were outstanding at 30 June 2021.

The company has reviewed its exposure to commodity linked instruments and identified a sensitivity of 7% based on the standard deviation of a one year forecast gold price from various financial institution outlooks. The estimated sensitivity would affect other comprehensive income as well as profit or loss in the 2020 financial year. The analysis in 2020 of a sensitivity of 10%, was based on management's view of the likely outcome of long term gold price trend. Management has refined the approach for determining reasonable possible changes from the prior year. The refined approach, which uses a larger population of market analyst forecasts - as used for macro-economic assumptions and estimates - provided an improvement in the assessment of reasonable possible changes used for sensitivity analysis.

	SA Rand	
Figures in million	**2021**	2020
Sensitivity analysis		
Rand gold derivatives		
Profit or loss		
Increase by 7% (FY20: 10%)	**(49)**	(325)
Decrease by 7% (FY20: 10%)	**39**	(234)

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

31 FINANCIAL RISK MANAGEMENT continued

Market risk continued

Other price risk

The company is exposed to the risk of fluctuations in the fair value of the 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. Management considered a sensitivity of 15% as appropriate, based on the continuing volatility in the market as well as the magnitude of fluctuations within the last year of historical data. A 15% increase in the Top 40 index at the reporting date, with all other variables held constant, would have increased profit or loss by R10 million and an equal change in the opposite direction would have decreased profit or loss by R8 million.

The analysis for 2020 was based on management's view that a 10% move was a reasonable possible change based on recent history in normalised trading circumstances. A 10% increase in the Top 40 index at the reporting date, with all other variables held constant, would not have a significant impact on profit or loss.

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 as the risk is quite low. The audit and risk committee reviews the exposures quarterly.

Interest rate risk arising from long-term borrowings is offset by cash and restricted cash and investments held at variable rates. As at 30 June 2021, management reasonably expects profit or loss before tax to increase/(decrease) by the following sensitivities:

- A 25 basis points finance cost movement based on the standard deviation of a one year forecast of the South African prime interest rate from various financial institution outlooks;
- A 1 basis points finance cost movement based on the standard deviation of a one year forecast US Fed rate from various financial institution outlooks.; and
- A 25 basis points sensitivity on interest received based on the standard deviation of a one year forecast of the South African prime interest rate from various financial institution outlooks.

The above analysis assumes that all other variables remain constant. The analysis was performed based on a sensitivity of 100 basis points for all borrowings and financial assets in the 2020 year as an indicator of the potential impact of interest rate changes to the company. Management has refined the approach for determining reasonable possible changes from the prior year. The refined approach, which uses a larger population of market analyst forecasts, aims to provide an improvement in the estimation of reasonable possible changes used for sensitivity analysis.

	SA Rand	
Figures in million	**2021**	2020
Sensitivity analysis – borrowings (finance costs)		
Rand denominated borrowings		
Increase by 25 basis points (FY20: 100 basis points)	**(1)**	(15)
Decrease by 25 basis points (FY20: 100 basis points)	**1**	15
US$ denominated borrowings		
Increase by 1 basis point (FY20: 100 basis points)	**—**	(60)
Decrease by 1 basis points (FY20: 100 basis points)	**—**	60
Sensitivity analysis – financial assets (interest received)		
Increase by 25 basis points (FY20: 100 basis points) (a)	**5**	29
Decrease by 25 basis points (FY20: 100 basis points) (a)	**(5)**	(29)

(a) The comparative year's computed sensitivity analysis permissibly excludes cash received on 30 June 2020 as a result of the equity raise in note 14 of the group financial statements.

Credit risk

Credit risk is the risk that a counterparty may default or not meet its obligations in a timely manner. 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.

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

31 FINANCIAL RISK MANAGEMENT continued

Credit risk continued

Assessment of credit risk

In assessing the creditworthiness of local institutions, management uses the national scale long-term ratings. The credit risk arising from restricted cash, cash and cash equivalents, restricted investments and derivative financial assets is managed by ensuring amounts are only invested with financial institutions of good credit quality based on external credit ratings. 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. Exposure to credit risk on trade and other receivables is monitored on a regular basis by management. Refer to note 39 in the group financial statements for a discussion on South Africa's credit ratings.

The method of assessing the exposure to credit risk for the loans to the company's subsidiaries is detailed in note 15.

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

	SA Rand	
Figures in million	**2021**	2020
Cash and cash equivalents		
AA+	**1 662**	—
AA-	**—**	5 883
	1 662	5 883
Restricted cash and investments		
AA+	**584**	—
AA-	**—**	534
	584	534
Derivative financial assets (a)		
AA+	**629**	—
AA	**286**	10
AA-	**145**	42
A+	**739**	16
	1 799	68

(a) The amounts disclosed in accordance with each counterparties risk relate to the entire Harmony group. As at 30 June 2021 8% (2020: 7%) is attributable to the Harmony company, while 92% (2020: 93%) is attributable to the subsidiaries of the group.

The Social Plan Trust fund of R19 million (2020: R22 million) has been invested in unit trusts comprising interest-bearing instruments and 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 R9 797 million as at 30 June 2021 (2020: R17 337 million).

Expected credit loss assessment

The company determines expected credit losses on cash and cash equivalents, restricted cash, restricted investments and trade and other receivables on the same basis as described in note 39 of the consolidated financial statements. Expected credit losses on loans to subsidiaries are determined as described in note 15 of the company financial statements. The majority of the loans to subsidiaries are repayable on demand and therefore not past due.

Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions which are rated AA+ (see above). The ECL on cash and cash equivalents has been determined using the simplification that allows the group to assume that the credit risk on financial instruments determined to have low credit risk at the reporting date, has not increased significantly since initial recognition of the financial instrument. The ECL was estimated with reference to a probability of default model using external credit ratings in determining the default risk of counterparties. The ECL was determined to be immaterial.

Restricted cash and investments

The restricted cash and investments relate largely to the environmental trust funds. These funds are held with banks and financial institutions which are rated AA+ (see above). Impairment of these investments has been determined using the simplification that allows the group to assume that the credit risk on financial instruments determined to have low credit risk at the reporting date, has not increased significantly since initial recognition of the financial instrument. The company considers that its restricted investments and cash have low credit risk based on the external credit ratings of the counterparties with which the funds are deposited. The ECL was estimated with reference to a probability of default model using external credit ratings in determining the default risk of counterparties.

Concentration of credit risk on restricted cash and investments is considered minimal due to the company's investment risk management and counterparty exposure risk management policies. The ECL was determined to be immaterial.

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2021

31 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 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 company 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 facilities (refer to note 24).

The following are the undiscounted contractual maturities of financial liabilities (including principal and interest payments assuming the closing R/US$ exchange rate and interest rate at year-end):

	SA Rand			
Figures in million	**2021**		2020	
	Current	**More than 1 year**	Current	More than 1 year
Trade and other payables (excluding non-financial liabilities)[2]	**395**	**—**	387	—
Other non-current liabilities[2]	**—**	**39**	—	45
Derivative financial liabilities (a)[2]	**6**	**—**	413	81
Loans from subsidiaries[1]	**5 470**	**—**	5 381	—
Borrowings[2]:				
Due between 0 to six months	**210**	**—**	199	—
Due between six to 12 months	**204**	**—**	343	—
Due between one to two years	**—**	**245**	—	670
Due between two to three years[3]	**—**	**2 877**	—	7 259
	6 285	**3 161**	6 723	8 055

[1] Loans from subsidiaries are payable on demand. Refer to note 15 for details.
[2] The company will utilise its cash generated from operations to settle outstanding obligations.
[3] Final repayment of capital of 2021: R2 854 million (2020: R6 062 million) in September 2023.

(a) Derivative financial liabilities are a result of the following:

	SA Rand			
Figures in million	**2021**		2020	
	Current	**More than 1 year**	Current	More than 1 year
Derivative financial liabilities	**6**	**—**	413	81
Attributable to:				
Payable to external counterparties	**285**	**11**	4 238	962
Receivable from Harmony subsidiaries	**(279)**	**(11)**	(3 825)	(881)
	6	**—**	413	81

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 company 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. It is the company's objective to adhere to a conservative approach to debt and maintain low levels of gearing. Net debt is as follows:

	SA Rand	
Figures in million	**2021**	2020
Cash and cash equivalents	**1 662**	5 883
Borrowings	**(3 252)**	(7 481)
Net debt	**(1 590)**	(1 598)

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 sets out the company's assets and liabilities measured at fair value by level within the fair value hierarchy:

	SA Rand			
Figures in million	**At 30 June 2021**		At 30 June 2020	
	Level 2	**Level 3**	Level 2	Level 3
Fair value through other comprehensive income				
Other non-current assets (a)	**—**	**69**	—	73
Fair value through profit or loss				
Restricted investments (b)	**146**	**—**	82	—
Derivative financial assets (c)	**2 006**	**—**	4 595	—
Derivative financial liabilities (c)	**(1 867)**	**—**	(5 066)	—
Loan to ARM BBEE Trust (d)	**—**	**177**	—	306

(a) The majority of the balance relates to the equity investment in Rand Mutual Assurance. The fair value of the investment was estimated with reference to an independent valuation. A combination of the "Embedded Valuation" and "Net Asset Value" techniques were applied to revalue the investment as at 30 June 2021. In evaluating the group's share of the business, common practice marketability and minority discounts, as well as additional specific risk discounts, were applied.

(b) The majority of the balance is directly derived from the Top 40 index on the JSE, and is 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 is carried at amortised cost and therefore not disclosed here.

(c) The mark-to-market remeasurement of the derivative contracts was determined as follows:
- Foreign exchange contracts comprise of zero cost collars and FECs: The zero cost collars were valued using 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). The value of the FECs is derived from the forward Rand/US$ exchange rate and discounted at market interest rate (zero-coupon interest rate curve).
- Rand gold 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.

(d) Following the refinancing of the loan (refer to note 14), the current year fair value movement was calculated using a discounted cash flow model, taking into account forecasted dividends payments over the estimated repayment period of the loan at a rate of 7.9%. A discounted cash flow model, taking into account projected interest payments and the projected African Rainbow Minerals Limited (ARM) share price on the expected repayment date and using a discount rate of 9.8%, was applied to determine the prior year's fair value. A 74 basis point change in the discount rate, which would represent a reasonably possible change based on expected movements in lending rates, would not cause a material change in the fair value of the loan.

The carrying values (less any impairment allowance) of short-term financial instruments are assumed to approximate their fair values. This includes restricted cash and investments carried at amortised cost. 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 is 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 2021.

33 SUBSEQUENT EVENTS

On 24 August 2021, a final dividend of 27 SA cents was declared, paid on 18 October 2021.

On 16 September 2021, the Group concluded a three-year wage agreement in respect of wages and conditions of service for the period 1 July 2021 to 30 June 2024. The wage agreement was agreed by all representative unions and permits for basic wage increases, housing and living-out allowance for eligible employees and improved employee benefits.

ANNEXURE A

STATEMENT OF GROUP COMPANIES at 30 June 2021

Company	Country incorporated in	Issued share capital R'000	Effective group interest 2021 %	Effective group interest 2020 %	Cost of investment by holding company 2021 Rm	Cost of investment by holding company 2020 Rm	Loans from/(to) holding company 2021 Rm	Loans from/(to) holding company 2020 Rm
Direct subsidiaries:								
Dormant								
AGA Security Services (Proprietary) Limited	(a)	#	**100**	—	**—**	—	**—**	—
Coreland Property Management (Proprietary) Limited[1]	(a)	#	**100**	100	**—**	—	**—**	—
First Uranium (Proprietary) Limited	(a)	2	**100**	—	**—**	—	**90**	—
Harmony Engineering (Proprietary) Limited[1]	(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[1]	(a)	358	**100**	100	**—**	—	**—**	—
Masakhisane Investment (Proprietary) Limited	(a)	#	**100**	—	**—**	—	**—**	—
Musuku Beneficiation Systems (Proprietary) Limited[1]	(a)	#	**100**	100	**—**	—	**—**	—
Unisel Gold Mines Limited	(a)	23 136	**100**	100	**89**	89	**(89)**	(89)
Virginia Salvage (Proprietary) Limited[2]	(a)	2	**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	**3 750**	3 750	**—**	—
Avgold Limited	(a)	6 827	**100**	100	**4 488**	4 477	**1 825**	1 186
Freegold (Harmony) (Proprietary) Limited	(a)	20	**100**	100	**830**	771	**(4 678)**	(4 454)
Golden Core Trade and Invest (Proprietary) Limited	(a)	#	**100**	100	**—**	—	**920**	59
Harmony Moab Khotsong Operations (Proprietary) Limited	(a)	#	**100**	100	**45**	21	**1 230**	2 141
Randfontein Estates Limited	(a)	19 882	**100**	100	**1 776**	1 742	**1 457**	1 875
Tswelopele Beneficiation Operation (Proprietary) Limited[3]	(a)	5 996	**76**	75	**50**	45	**(33)**	45
Investment holding								
ARMgold/Harmony Joint Investment Company (Proprietary) Limited	(a)	#	**100**	100	**—**	—	**—**	—
Bokamoso Claims Management Systems (Pty) Ltd	(a)	#	**100**	100	**—**	—	**—**	—
Harmony Copper Limited	(a)	12 955 523	**100**	100	**12 340**	12 956	**480**	(112)
Own Kind Mineral Resources (Pty) Limited	(d)	#	**100**	100	**—**	—	**—**	—
West Rand Consolidated Mines Limited	(a)	17 967	**100**	100	**311**	321	**1**	(26)
Property holding and development								
Coreland Property Development Company (Proprietary) Limited	(a)	#	**100**	100	**—**	—	**—**	—
La Riviera (Proprietary) Limited	(a)	#	**100**	100	**—**	—	**—**	—
Lozitone (Proprietary) Limited	(a)	#	**100**	100	**—**	—	**—**	—

ANNEXURE A continued

Company	Country incorporated in	Issued share capital R'000	Effective group interest 2021 %	Effective group interest 2020 %	Cost of investment by holding company 2021 Rm	Cost of investment by holding company 2020 Rm	Loans from/(to) holding company 2021 Rm	Loans from/(to) holding company 2020 Rm
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	**—**	—	**—**	—
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	**—**	—	**—**	—
Mine Waste Solutions (Proprietary) Limited	(a)	#	**100**	—	**—**	—	**30**	—
New Hampton Goldfields Limited	(c)	196 248	**100**	100	**—**	—	**—**	—
Potchefstroom Gold Areas Limited[1]	(a)	8 407	**100**	100	**—**	—	**—**	—
Potchefstroom Gold Holdings (Proprietary) Limited[1]	(a)	2	**100**	100	**—**	—	**—**	—
Remaining Extent and Portion 15 Wildebeestfontein (Proprietary) Limited[1]	(a)	#	**67**	67	**—**	—	**—**	—
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	**—**	—	**—**	—
Gold mining								
Chemwes (Proprietary) Limited	(a)	3	**100**	—	**—**	—	**187**	—
Kalahari Goldridge Mining Company Limited	(a)	1 275	**100**	100	**60**	57	**(557)**	(586)
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[4]	(c)	13 488 155	**100**	100	**227**	208	**—**	—
Harmony Gold Operations Limited	(c)	405 054	**100**	100	**—**	—	**—**	—
Mineral right investment								
Morobe Consolidated Goldfields Limited	(e)	#	**100**	100	**—**	—	**—**	—
Wafi Mining Limited	(e)	#	**100**	100	**—**	—	**—**	—
Property and development								
Quarrytown Limited	(a)	#	**100**	100	**—**	—	**—**	—

ANNEXURE A continued

Company	Country incorporated in	Issued share capital R'000	Effective group interest 2021 %	Effective group interest 2020 %	Cost of investment by holding company 2021 Rm	Cost of investment by holding company 2020 Rm	Loans from/(to) holding company 2021 Rm	Loans from/(to) holding company 2020 Rm
Mining related services								
Harmony Gold (PNG Services) (Proprietary) Limited	(c)	#	**100**	100	**—**	—	**—**	—
Margaret Water Company NPC	(a)	#	**66**	66	**—**	—	**—**	—
Covalent Water Company (Proprietary) Limited	(a)	#	**100**	—	**—**	—	**201**	—
Other								
Harmony BEE SPV (Proprietary) Limited	(a)	#	**100**	100	**—**	—	**—**	—
Nufcor Fuels Corporation of South Africa (Proprietary) Limited	(a)	#	**100**	100	**—**	—	**—**	—
Total					**24 071**	24 542	**951**	(74)
Total investments							**25 022**	24 468
Joint Venture - direct:								
Agent K (Proprietary) Limited[5]	(a)	2	**22**	22	**—**	—	**—**	—
Joint operations – indirect:								
Morobe Exploration Services Limited	(e)	$	**50**	50	**—**	—	**—**	—
Wafi Golpu Services Limited	(e)	$	**50**	50	**—**	—	**—**	—
Wafi Golpu Australia Services (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.								
Associate company – direct:								
Gold mining company								
Pamodzi Gold Limited	(a)	30	**32**	32	**—**	—	**—**	—
Associate company - indirect:								
Gold refining								
Rand Refinery	(a)	786	**10**	10	**—**	—	**—**	—
Exploration								
Jelani Resources (Proprietary) Limited	(a)	#	**35**	35	**—**	—	**—**	—

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] *During the 2021 financial year Harmony Gold Mining Company Limited bought back 1% of the shares in Tswelopele Beneficiation Operation from one of the BEE partners effectively increasing Harmony Gold's shareholding from 75% to 76%.*
[4] *The R227 million (2020: R208 million) relates to the share-based payments from Harmony to employees of its indirect subsidiary, shown as an investment.*
[5] *This is a special purpose vehicle incorporated as the Agent representing Harmony and the other settling companies interests for purposes of the silicosis settlement agreement and trust deed. Joint control of this entity is established in accordance with the shareholders agreement. Refer to note 22 to note for further information on the silicosis settlement.*

[$] *Indicates a share in the joint venture's capital assets*
(a) Incorporated in the Republic of South Africa
(c) Incorporated in Australia
(e) Incorporated in Papua New Guinea

[#] *Indicates issued share capital of R1 000 or less*
(b) Incorporated in the Isle of Man
(d) Incorporated in Zimbabwe

ANNEXURE B

DIRECTORS' EMOLUMENTS (R'000)

Name	Directors' Fees[1] 2021	Salaries and Benefits 2021	Retirement Savings & Contributions during the year 2021	Bonuses paid[2] 2021	Total 2021	Total 2020
Non-executive						
Dr Patrice Motsepe	1 440	—	—	—	1 440	1 377
Joachim Chissano	636	—	—	—	636	611
Fikile De Buck	1 382	—	—	—	1 382	1 479
Ken Dicks[3]	198	—	—	—	198	670
Dr Simo Lushaba	1 160	—	—	—	1 160	1 205
Grathel Motau[4]	280	—	—	—	280	572
Modise Motloba	1 550	—	—	—	1 550	1 592
Dr Mavuso Msimang	968	—	—	—	968	822
Karabo Nondumo	923	—	—	—	923	852
Vishnu Pillay	1 130	—	—	—	1 130	1 023
Given Sibiya	676	—	—	—	676	669
Max Sisulu[3]	107	—	—	—	107	382
Peter Turner[5]	329	—	—	—	329	—
John Wetton	1 084	—	—	—	1 084	1 033
Andre Wilkens	986	—	—	—	986	933
Executive						
Frank Abbott[6]	—	3 753	168	3 371	7 292	7 784
Boipelo Lekubo[7]	—	6 598	361	3 754	10 713	1 836
Mashego Mashego	—	4 857	631	2 748	8 236	5 801
Peter Steenkamp	—	8 740	1 471	6 192	16 403	11 921
Prescribed officers						
Beyers Nel	—	4 945	800	2 775	8 520	6 366
Phillip Tobias	—	5 260	677	3 204	9 141	6 576
Marian van der Walt[8]	—	4 310	521	2 509	7 340	—
Johannes van Heerden[9]	—	7 869	287	3 854	12 010	10 558
Total	12 849	46 332	4 916	28 407	92 504	64 062

[1] *Directors' remuneration excludes value added tax.*
[2] *Reflects amounts actually paid during the year.*
[3] *Resigned as non-executive director effective 30 September 2020.*
[4] *Resigned as non-executive director on 18 December 2020.*
[5] *Appointed as non-executive director 19 February 2021.*
[6] *Resigned as Financial Director on 3 March 2020 and appointed as executive director: new business development. Retired as executive director effect 30 September 2020.*
[7] *Appointed as Financial Director 3 March 2020.*
[8] *Classified as prescribed officer 14 August 2020.*
[9] *Salary is paid in A$ and the Rand equivalent is influenced by the weakening or strengthening of the Rand/A$ exchange rate.*

ANNEXURE B continued

EXECUTIVE DIRECTORS AND MANAGEMENT SHARE INCENTIVES

As at 30 June 2021

	Executive directors								Prescribed officers								Other			
	Peter Steenkamp		Boipelo Lekubo		Frank Abbott		Mashego Mashego		Johannes Van Heerden		Beyers Nel		Phillip Tobias		Marian van der Walt		Other management		Total	
Movements on share incentives	Number of awards	Average price (Rands)	Number of awards	Average price (Rands)	Number of awards	Average price (Rands)	Number of awards	Average price (Rands)	Number of awards	Average price (Rands)	Number of awards	Average price (Rands)	Number of awards	Average price (Rands)	Number of awards	Average price (Rands)	Number of awards	Average price (Rands)	Number of awards	Average price (Rands)
Deferred management shares																				
Opening balance at 1 July 2020	77 838	n/a	20 084	n/a	46 002	n/a	33 197	n/a	61 566	n/a	32 976	n/a	38 714	n/a	19 233	n/a	832 542	n/a	1 162 152	n/a
Awards granted	110 394	n/a	57 492	n/a	—	n/a	45 399	n/a	67 483	n/a	45 788	n/a	52 944	n/a	25 614	n/a	951 601	n/a	1 356 715	n/a
Awards exercised/vested	—	n/a	(6 694)	n/a	(9 200)	n/a	(3 320)	n/a	(6 157)	n/a	(3 298)	n/a	(3 871)	n/a	(6 411)	n/a	(292 515)	n/a	(331 466)	n/a
– Average sales price	—	n/a	—	92.82	—	92.82	—	92.82	—	92.82	—	92.82	—	92.82	—	92.82	—	92.82	—	92.82
– Gain realised on awards exercised and settled (SA Rand)		—		621 325		853 927		308 156		571 482		306 114		359 299		595 057		27 150 716		30 766 077
Awards forfeited and lapsed	(15 567)	n/a	—	n/a	—	n/a	(3 319)	n/a	(6 156)	n/a	(3 297)	n/a	(3 871)	n/a	—	n/a	(52 668)	n/a	(84 878)	n/a
Closing balance at 30 June 2021	**172 665**	**n/a**	**70 882**	**n/a**	**36 802**	**n/a**	**71 957**	**n/a**	**116 736**	**n/a**	**72 169**	**n/a**	**83 916**	**n/a**	**38 436**	**n/a**	**1 438 960**	**n/a**	**2 102 523**	**n/a**
Performance shares																				
Opening balance at 1 July 2020	596 427	n/a	225 313	n/a	489 890	n/a	251 722	n/a	293 554	n/a	318 487	n/a	324 720	n/a	254 065	n/a	9 660 846	n/a	12 415 024	n/a
Awards granted	—	n/a	—	n/a	—	n/a	—	n/a	—	n/a	—	n/a	—	n/a	—	n/a	—	n/a	—	n/a
Awards exercised/vested	(596 427)	n/a	(225 313)	n/a	(489 890)	n/a	(251 722)	n/a	(293 554)	n/a	(318 487)	n/a	(324 720)	n/a	(254 065)	n/a	(9 174 063)	n/a	(11 928 241)	n/a
– Average sales price	—	58.80	—	58.80	—	58.80	—	58.80	—	58.80	—	58.80	—	58.80	—	58.80	—	58.80	—	58.80
– Gain realised on awards exercised and settled (SA Rand)		39 169 508		14 797 116		32 172 840		16 531 490		19 278 748		20 916 188		21 325 531		16 685 363		602 476 317		783 353 101
Awards forfeited and lapsed	—	n/a	—	n/a	—	n/a	—	n/a	—	n/a	—	n/a	—	n/a	—	n/a	(486 783)	n/a	(486 783)	n/a
Closing balance at 30 June 2021	**—**	**n/a**	**—**	**n/a**	**—**	**n/a**	**—**	**n/a**	**—**	**n/a**	**—**	**n/a**	**—**	**n/a**	**—**	**n/a**	**—**	**n/a**	**—**	**n/a**
Share appreciation rights																				
Opening balance at 1 July 2020	—	n/a	—	n/a	21 208	18.41	—	n/a	—	n/a	—	n/a	15 618	18.41	—	n/a	340 507	18.41	377 333	18.41
Rights exercised	—	n/a	—	n/a	(21 208)	n/a	—	n/a	—	n/a	—	n/a	(15 618)	n/a	—	n/a	(334 182)	n/a	(371 008)	n/a
– Average sales price	—	n/a	—	n/a	—	91.42	—	n/a	—	n/a	—	n/a	—	94.04	—	n/a	—	80.92	—	81.57
– Gain realised on awards exercised and settled (SA Rand)		—		—		1 531 422		—		—		—		1 187 054		—		20 430 977		23 149 453
Rights forfeited and lapsed	—	n/a	—	n/a	—	18.41	—	n/a	—	n/a	—	n/a	—	18.41	—	n/a	(6 325)	18.41	(6 325)	18.41
Closing balance at 30 June 2021	**—**	**n/a**	**—**	**n/a**	**—**	**n/a**	**—**	**n/a**	**—**	**n/a**	**—**	**n/a**	**—**	**n/a**	**—**	**n/a**	**—**	**n/a**	**—**	**n/a**
Gain realised on awards exercised (SA Rand)		39 169 508		15 418 441		34 558 189		16 839 646		19 850 230		21 222 302		22 871 884		17 280 420		650 058 010		837 268 631

ANNEXURE B continued

EXECUTIVE DIRECTORS AND MANAGEMENT SHARE INCENTIVES

As at 30 June 2021

	Executive directors								Prescribed officers								Other		Total	
	Peter Steenkamp		Boipelo Lekubo		Frank Abbott		Mashego Mashego		Johannes Van Heerden		Beyers Nel		Phillip Tobias		Marian van der Walt		Other management		Total	
Outstanding awards (listed by allocation date)																				
Deferred management shares	**172 665**		**70 882**		**36 802**		**71 957**		**116 736**		**72 169**		**83 916**		**38 436**		**1 438 960**		**2 102 523**	
18 September 2019	77 838	n/a	13 390	n/a	36 802	n/a	29 877	n/a	55 409	n/a	29 678	n/a	34 843	n/a	12 822	n/a	537 028	n/a	827 687	n/a
18 September 2020	94 827	n/a	57 492	n/a	—	n/a	42 080	n/a	61 327	n/a	42 491	n/a	49 073	n/a	25 614	n/a	901 932	n/a	1 274 836	n/a
Closing balance at 30 June 2021	**172 665**		**70 882**		**36 802**		**71 957**		**116 736**		**72 169**		**83 916**		**38 436**		**1 438 960**		**2 102 523**	

SHAREHOLDER INFORMATION

Stock exchange listings and ticker codes

Harmony's primary listing is on the JSE. 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 shown below:

JSE		**HAR**
New York Stock Exchange		**HMY**
Share information		
Sector		Resources
Sub-sector		Gold
Issued share capital at 30 June 2021		616 052 197
Market capitalisation		
at 30 June 2021		R32.5 billion or US$2.3 billion
at 30 June 2020		R43.3 billion or US$2.5 billion
Share price statistics – FY21		
JSE:	12-month high	R124.95
	12-month low	R51.88
	Closing price as at 30 June 2021	R52.76
New York Stock Exchange:	12-month high	US$7.10
	12-month low	US$3.68
	Closing price as at 30 June 2021	US$3.74
Free float		100%
ADR ratio		1:1

Shareholder spread as at 30 June 2021

Shareholder spread	Number of shareholders	% of shareholders	Number of shares	% of issued share capital
1 – 1 000 shares	12 988	85.20	1 729 013	0.28
1 001 – 10 000 shares	1 448	9.50	4 694 887	0.76
10 001 – 100 000 shares	572	3.75	19 878 922	3.23
100 001 – 1 000 000 shares	191	1.25	56 953 737	9.24
1 000 001 shares and above	46	0.30	532 795 638	86.49
Total	**15 245**	**100.00**	**616 052 197**	**100.00**

Analysis of ordinary shares as at 30 June 2021

Shareholder type	Number of shareholders	% of shareholders	Number of shares	% of issued share capital
Public shareholders	15 237	99.95	534 590 904	86.78
Non-public shareholders*	8	0.05	81 461 293	13.22
Total	**15 245**	**100.00**	**616 052 197**	**100.00**
** Breakdown of non-public shareholders:*				
Share option schemes	*2*	*0.01*	*5 941 127*	*0.96*
Holdings of more than 10%	*1*	*0.01*	*74 665 545*	*12.12*
Directors#	*4*	*0.03*	*854 286*	*0.14*
Subsidiaries	*1*	*0.01*	*335*	*0.00*

 # Held by Peter Steenkamp, Boipelo Lekubo, Mashego Mashego and André Wilkens.

SHAREHOLDER INFORMATION continued

Ownership summary as at 30 June 2021 – top 10 shareholders (by group)

Rank	Institution	% of total shares outstanding 30 June 2021
1	African Rainbow Minerals Ltd	12.12
2	VanEck Associates Corporation	9.16
3	Public Investment Corporation	7.77
4	Fairtree Capital	5.81
5	BlackRock Inc	4.56
6	Exor Investments UK LLP	4.08
7	AQR Capital management LLC (US)	3.32
8	The Vanguard Group Inc	3.06
9	Wellington Management Company	1.84
10	Ninety One plc	1.69

Shareholders' diary

Financial year end	30 June 2021
Integrated annual report issued	28 October 2021
Form 20-F issued	29 October 2021
Annual general meeting	7 December 2021
Results presentations FY22*	
Interim results	February 2022
Full-year results	August 2022

** See website for diary updates.*

Contact

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Mobile: +27 (0)82 759 1775
Telephone: +27 11 411 2314
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 Exchange Act and section 27A of the Securities Act of 1933, as amended (the Securities Act), 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 forward-looking statements, including among others, those relating to our business prospects, revenues, and the potential benefit of acquisitions (including statements on growth and cost savings) wherever they may occur in this report and the exhibits to this report, are necessarily estimates reflecting the best judgement 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, and measures taken to address the Covid-19 pandemic, and other contagious diseases, such as HIV and tuberculosis
- Estimates of future earnings, and the sensitivity of earnings to 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 gold and other metals prices
- Estimates of provision for silicosis settlement
- Estimates of future tax liabilities under the Carbon Tax Act (South Africa)
- Statements on future debt repayments
- Estimates of future capital expenditures
- The success of our business strategy, exploration and development activities and other initiatives
- Future financial position, plans, strategies, objectives, capital expenditures, projected costs and anticipated cost savings and financing plans
- Estimates of reserves statements regarding future exploration results and the replacement of reserves
- The ability to achieve anticipated efficiencies and other cost savings from past and future acquisitions, as well as at existing operations
- Fluctuations in the market price of gold
- The occurrence of hazards associated with underground and surface gold mining
- The occurrence of labour disruptions related to industrial action or health and safety incidents (both as a result of tariff increases from Eskom as well as possible future costs to introduce more sustainable decarbonised green power options)
- Power cost increases as well as power stoppages, fluctuations and usage constraints
- Supply chain shortages and increases in the prices of production imports and the availability, terms and deployment of capital
- Our ability to hire and retain senior management, sufficiently technically skilled employees, as well as our ability to achieve sufficient representation of historically disadvantaged persons in management positions
- Our ability to comply with requirements that we operate in a sustainable manner and provide benefits to affected communities
- Potential liabilities related to occupational health diseases and liabilities associated with safety incidents
- Changes in government regulation and the political environment, particularly tax and royalties, mining rights, health, safety, environmental regulation and business ownership including any interpretation thereof; court decisions affecting the mining industry, including the interpretation of mining rights
- Our ability to protect our information technology and communication systems and the personal data we retain
- Risks related to the failure of internal controls
- The outcome of pending or future litigation or regulatory proceedings
- Fluctuations in exchange rates and currency devaluations and other macro-economic monetary policies
- The adequacy of the group's insurance coverage
- Any further downgrade of South Africa's credit rating
- Socio-economic or political instability in South Africa, 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. The foregoing factors and others described under "Risk Factors" should not be construed as exhaustive. The forward-looking financial information has not been reviewed and reported on by the company's auditors.

COMPETENT PERSON'S STATEMENT

The information in this report that relates to Mineral Resources or Ore Reserves has been extracted from our Reserves and Resources statement published on 31 August 2021. Harmony confirms that it is not aware of any new information or data that materially affects the information included in the statement, in the case of Mineral Resources or Mineral Reserves, that all material assumptions and technical parameters underpinning the estimates in the original release continue to apply and have not materially changed. Harmony confirms that the form and context in which the competent person's findings are presented have not been materially modified from the original release.

ADMINISTRATIVE AND CONTACT DETAILS

HARMONY GOLD MINING COMPANY LIMITED

Harmony 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

Dr PT Motsepe* (chairman)
JM Motloba* (deputy chairperson)
Dr M Msimang*^ (lead independent director)
PW Steenkamp** (chief executive officer)
BP Lekubo** (financial director)
HE Mashego** (executive director)
JA Chissano*#^
FFT De Buck*^
Dr DS Lushaba*^
P Turner*^
KT Nondumo*^
VP Pillay*^
GR Sibiya*^
JL Wetton*^
AJ Wilkens*

* *Non-executive*
** *Executive*
^ *Independent*
# *Mozambican*

INVESTOR RELATIONS

Email: HarmonyIR@harmony.co.za
Telephone: +27 11 411 6073 or +27 82 746 4120
Website: **www.harmony.co.za**

GROUP COMPANY SECRETARY

Shela Mohatla
Email: companysecretariat@harmony.co.za
Telephone: +27 11 411 2359

TRANSFER SECRETARIES

JSE Investor Services (Proprietary) Limited
(Registration number 2000/007239/07)
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Johannesburg, South Africa

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Telephone: +27 861 546 572 (South Africa)
Fax: +27 86 674 2450

AMERICAN DEPOSITARY RECEIPTS (ADRS)

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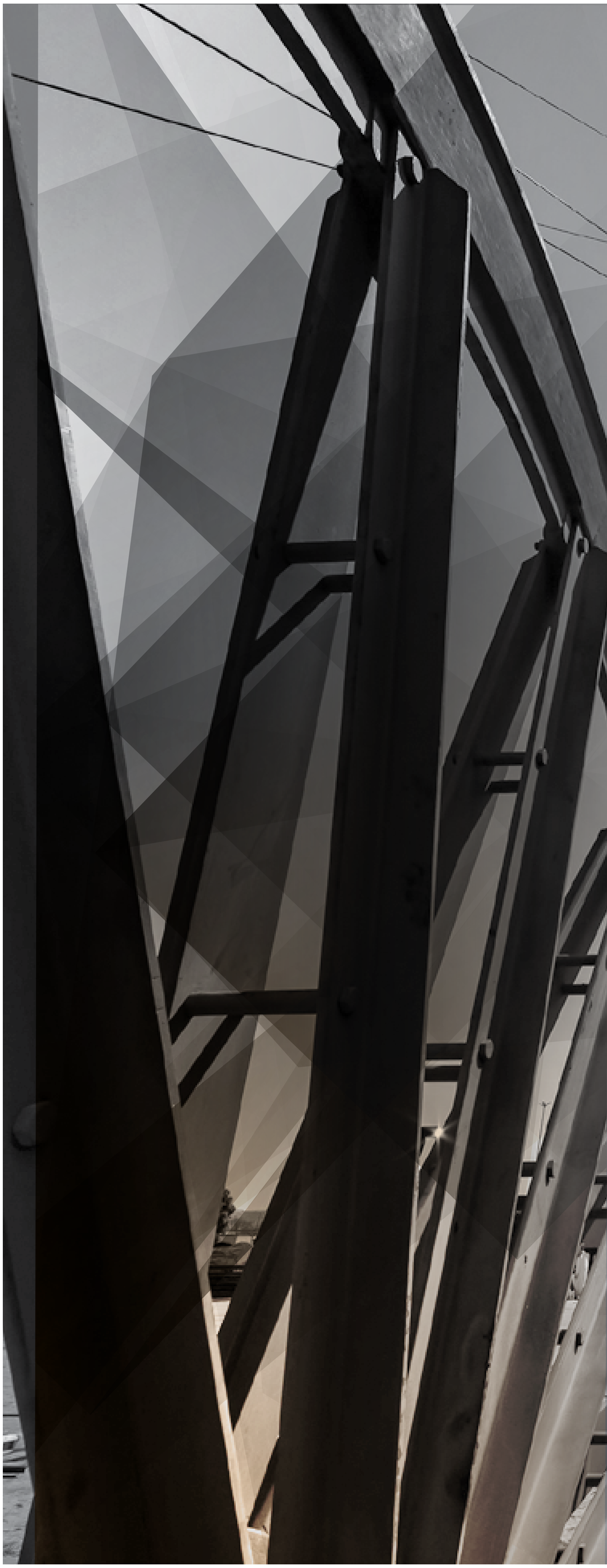
TRADING SYMBOLS

JSE: HAR
NYSE: HMY
ISIN: ZAE 000015228



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