

CAPITALIZATION AND INDEBTEDNESS

Not applicable.

REASONS FOR THE OFFER AND USE OF PROCEEDS

Not applicable.

RISK FACTORS

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

Risks Relating to Our Business and the Gold Mining Industry

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

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

- the demand for gold for industrial uses and for use in jewelry;
- international or regional political and economic trends;
- the strength or weakness of the U.S. dollar (the currency in which gold prices generally are quoted) and of other currencies;
- financial market expectations regarding the rate of inflation;
- interest rates;
- speculative activities;
- actual or expected purchases and sales of gold bullion held by central banks or other large gold bullion holders or dealers;
- forward sales by other gold producers; and
- the production and cost levels for gold in major gold-producing nations, such as South Africa, China, the United States and Australia.

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

The volatility of gold prices is illustrated in the following table, which shows the annual high, low and average of the afternoon London Bullion Market fixing price of gold in U.S. dollars for the past ten calendar years:

Calendar Year	Price per ounce		
	High (\$)	Low (\$)	Average (\$)
2000	313	264	282
2001	293	256	271
2002	332	278	309
2003	412	322	361
2004	427	343	389
2005	476	411	434
2006	725	525	604
2007	841	608	695
2008	1,011	713	872
2009	1,212	810	972
2010 (through October 18, 2010)	1,373	1,058	1,188

On October 18, 2010, the afternoon fixing price of gold on the London Bullion Market was US\$1,367.25 per ounce.

While the aggregate effect of these factors is impossible for us to predict, if gold prices should fall below our cash cost of production and remain at such levels for any sustained period, we may experience losses and may be forced to curtail or suspend some or all of our operations. In addition, we would also have to assess the economic impact of low gold prices on our ability to recover any losses we may incur during that period and on our ability to maintain adequate reserves. Our cash cost per ounce of gold produced from continuing operations was US\$801 in fiscal 2010, US\$583 in fiscal 2009 and US\$600 in fiscal 2008.

As the majority of our production costs are incurred in Rand and other non-U.S. currencies, and gold is sold in U.S. dollars, our financial condition could be materially harmed by an appreciation in the value of the Rand and other non-U.S. currencies against the U.S. dollar.

Gold is sold throughout the world in U.S. dollars, but most of our operating costs are incurred in Rand and other non-U.S. currencies. As a result, any significant and sustained appreciation of the South African Rand or other non-U.S. currencies against the dollar will serve materially to reduce our revenues and overall net income.

As we currently do not enter into forward sales, commodity derivatives or hedging arrangements with respect to our future gold production, we are exposed to the impact of any significant decrease in the gold price.

As a general rule, we sell our gold at the prevailing market price. Currently, we generally do not enter into forward sales, commodity derivative or hedging arrangements to establish a price in advance for the sale of future gold production, although we may do so in the future. As a result, we may realize the benefit of any short-term increase in the gold price, but are not protected against decreases in the gold price, and if the gold price decreases significantly, our revenues may be materially adversely affected.

Estimations of our gold reserves are based on a number of assumptions, including assumptions as to mining and recovery factors, future cash costs of production and the price of gold and may yield less gold under actual production conditions than currently estimated.

The mineral reserve estimates contained in this annual report are estimates of the mill delivered quantity and grade of gold in our deposits and stockpiles. They represent the amount of gold which we believe can be mined, processed and sold at prices sufficient to recover our estimated future cash costs of production, remaining investment and anticipated additional capital expenditures. Our mineral reserves are estimated based upon a number of assumptions, and are stated in accordance with SEC Industry Guide 7. Our mineral reserve estimates are calculated based on estimates of:

- future cash costs (which in some cases are assumed to decrease significantly);
- future gold prices; and
- future currency exchange rates.

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

Since these mineral reserves are estimates based on assumptions related to the factors detailed above, should there be changes to these, we may in the future need to revise these estimates. In particular, if our cash operating and production costs increase or do not decrease as assumed (whether in dollar, Rand, or other non-U.S. currencies terms, or in relative terms due to appreciation of the Rand and other non-U.S. currencies against the U.S. dollar) or the gold price decreases, the recovery of a portion of our mineral reserves may become uneconomical. This in turn will lead us to reduce our estimated reserves.

In order to maintain gold production beyond the expected lives of our existing mines or to increase production materially above projected levels, we will need to access additional reserves through exploration or discovery.

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

- locating orebodies;
- identifying the metallurgical properties of orebodies;
- estimating the economic feasibility of mining orebodies;
- developing appropriate metallurgical processes;
- obtaining necessary governmental permits; and
- constructing mining and processing facilities at any site chosen for mining.

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

- future gold and other metal prices;
- anticipated tonnage, grades and metallurgical characteristics of ore to be mined and processed;
- anticipated recovery rates of gold and other metals from the ore; and
- anticipated total costs of the project, including capital expenditure and cash costs.

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

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

- the availability and timing of necessary environmental and governmental permits;
- the timing and cost of constructing mining and processing facilities, which can be considerable;
- the availability and cost of skilled labor, power, water and other materials;
- the accessibility of transportation and other infrastructure, particularly in remote locations;
- the availability and cost of smelting and refining arrangements; and
- the availability of funds to finance construction and development activities.

We currently maintain a range of focused exploration programs, concentrating on areas not too distant from our operational mines, as well as a number of prospective known gold mineralized regions around the world. During fiscal 2010 and 2009, the bulk of exploration expenditure was allocated to activities in South Africa and Papua New Guinea ("PNG"). However, there is no assurance that any future development

projects will extend the life of our existing mining operations or result in any new commercial mining operations.

The costs associated with the pumping of water inflows from closed mines adjacent to our operations could adversely affect our results of operations.

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

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

Each of our mining operations is dependent on electrical power generated by the state utility Eskom, which holds a monopoly on the South African market. As a result of an increase in demand exceeding available generating capacity, South Africa has been subject to disruptions in electrical power supply. During fiscal 2008, the electricity supply was interrupted by Eskom thereby halting production at certain of our mines. This led to management restructuring operating processes to control and reduce our consumption of electricity at all our operations. There have been no further disruptions and we have been able to continue production at 90% electricity allocation as required by the Energy Conservation Scheme ("ECS") and interim rules imposed by Eskom. All operations were allocated an ECS allocation in line with the Eskom allocation and equipment and management structures were put in place to monitor and manage real-time consumption. Applications submitted to Eskom for additional energy allocation to the four future growth projects were approved, enabling us to proceed with the projects and to ramp-up to full capacity utilising Eskom power. We also submitted applications for additional power allocation for four metallurgical projects in the Free State, which were also approved by Eskom. Nevertheless, an insufficient supply of electricity may adversely affect our results of operations and financial condition.

As a result of Eskom's planned capital expansion program to deal with the current power constraints, an average 25% per annum tariff increase for the three year multi-year price determination period has been approved by the National Energy Regulator South Africa ("NERSA"). The first increase became effective on April 1, 2010. These increases will have a negative impact on our results of operations going forward.

Also, see Item 5. "Electricity in South Africa."

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

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

- our ability to identify appropriate assets for acquisition and/or to negotiate acquisitions on favorable terms;
- obtaining the financing necessary to complete future acquisitions;
- difficulties in assimilating the operations of the acquired business;
- difficulties in maintaining our financial and strategic focus while integrating the acquired business;
- problems in implementing uniform standards, controls, procedures and policies;
- increasing pressures on existing management to oversee a rapidly expanding company; and
- to the extent we acquire mining operations outside South Africa or Australasia, encountering difficulties relating to operating in countries in which we have not previously operated.

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

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

We review and test the carrying value of our assets on an annual basis when events or changes in circumstances suggest that the carrying amount may not be recoverable.

If there are indications that impairment may have occurred, we prepare estimates of expected future cash flows for each group of assets. These estimates of future cash flows are prepared at the lowest level for which identifiable cash flows are identified as being independent of the cash flows of other mining assets and liabilities. Expected future cash flows are inherently uncertain, and could materially change over time. Such cash flows are significantly affected by reserve and production estimates, together with economic factors such as spot and forward gold prices, discount rates, currency exchange rates, estimates of costs to produce reserves and future capital expenditures.

As of June 30, 2010, we have substantial amounts of property, plant and equipment, goodwill and other assets on our consolidated balance sheets. We have recorded impairment charges relating to these assets and, if any one or a combination of the uncertainties described above occurs, management may be required to recognize further impairment charges, which could adversely affect our financial results and condition.

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

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

- rock bursts;
- seismic events;
- underground fires;
- cave-ins or falls of ground;
- discharges of gases and toxic chemicals;
- release of radioactive hazards;
- flooding;
- pillar mining;
- accidents; and
- other conditions resulting from drilling, blasting and the removal and processing of material from a deep-level mine.

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

- flooding of the open-pit;
- collapse of the open-pit walls;
- accidents associated with the operation of large open-pits and rock transportation equipment; and
- accidents associated with the preparation and ignition of large-scale open-pit blasting operations.

Hazards associated with waste-rock mining include:

- accidents associated with operating a waste dump and rock transportation; and
- production disruptions caused by weather.

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

The nature of our mining operations presents safety and security risks.

The industrial risks identified above also present safety risks for our operations and our employees and can lead to the suspension and potential closure of operations for indeterminate periods. These and other safety risks, even in situations where no injuries occur, can have a material adverse effect on our operations and production. In addition, security issues need to be continually addressed, including the problem of criminal mining. See *Item 4. "Regulation – Health and Safety Matters"*.

Our insurance coverage may prove inadequate to satisfy future claims against us.

We have third-party liability coverage for most potential liabilities, including environmental liabilities. While we believe that our current insurance coverage for the hazards described above is adequate and consistent with industry practice, we may be subject to liability for pollution (excluding sudden and accidental pollution) or other hazards against which we have not insured or cannot insure, including

those in respect of past mining activities. Further, we maintain and intend to continue to maintain, property and liability insurance consistent with industry practice, but such insurance contains exclusions and limitations on coverage. In addition, there can be no assurance that insurance will continue to be available at economically acceptable premiums. As a result, in the future, our insurance coverage may not cover the extent of claims against us for environmental or industrial accidents or pollution.

Our operations may be negatively impacted by inflation.

Our operations have been materially affected by inflation. Inflation in South Africa has fluctuated widely in recent years, reaching 11.6% at the end of fiscal 2008 before it decreased significantly to 6.9% at the end of fiscal 2009 and to 4.2% by the end of 2010 fiscal year. However, working costs and wages especially, have increased considerably over the past three years resulting in significant cost pressures for the mining industry. In addition, electricity prices have increased by 25% in the current year and are expected to increase by 25% per year for the next two years as the national electricity provider, Eskom, incurs significant capital to expand capacity. Therefore the electricity trend in inflation has not yet filtered through to the mining industry. See *Item 5. "Electricity in South Africa"*.

The inflation rate in PNG eased to 7.0% in the 2009 fiscal year (from 10.6% in 2008) and remained relatively stable at 7% for the 2010 fiscal year. Although the recent trend in the inflation figures point to a moderation in inflationary pressures, annual inflation remains significantly above those levels recorded in the years prior to 2008. While the strong international cost pressures experienced in 2008 were picked up in the official statistics, primarily through higher food and fuel prices, there is a concern that current domestic inflationary pressures are being understated in the official statistics produced by the National Statistical Office. For example, there are a number of domestic expenditure items such as the price of dwelling rentals which are reported to have been unchanged for the past two decades. This is despite the enormous increase in dwelling rents that have been observed over the past few years, which highlights inadequacies in the official statistics. Based on business liaison visits, anecdotal evidence suggests that inflation has been running at closer to 8.0% to 10.0% in the past year, with a number of businesses factoring these figures into their negotiations rather than using the official figures. Looking ahead to 2011, inflation is projected to be 8.0% compared to the budget estimate of 7.5%. The reason for the increase in forecast is mainly due to the Liquid Natural Gas project and the recovery in the global economy leading to high international food and energy prices. Labor costs have also increased due to availability of skilled labor as a direct consequence of major projects in PNG. The PNG currency has also remained relatively strong against the Australian and US dollar.

Our profits and financial condition could be affected adversely if the cost inflation discussed above is not offset by a concurrent devaluation of the Rand and other non-U.S. currencies and/or an increase in the price of gold.

The socio-economic framework in the regions in which we operate may have an adverse effect on our operations and profits.

We have operations in South Africa and PNG. As a result, changes or instability to the economic or political environment in any of these countries or in neighboring countries could affect our operations and profits. It is difficult to predict the future political, social and economic direction in these countries, or any other country in which we operate, and the impact government decisions may have on our business.

Actual and potential shortages of production inputs may have an adverse effect on our operations and profits.

Our results of operations may be affected by the availability and pricing of raw materials and other essential production inputs. The price of raw materials may be substantially affected by changes in global supply and demand, along with weather conditions, governmental controls and other factors. A sustained interruption to the supply of any of these materials would require us to find acceptable substitute suppliers and could require us to pay higher prices for such materials. Any significant increase in the prices of these materials would increase our operating costs and affect production considerations.

Our financial flexibility could be materially constrained by exchange control regulations as imposed by SARB.

In terms of South Africa's exchange control regulations, the export of capital from South Africa is restricted. As a result, our ability to raise and deploy capital outside South Africa is limited. In particular, we are:

- generally not permitted to export capital from South Africa, to hold foreign currency or incur indebtedness denominated in foreign currencies without the approval of the South African exchange control authorities;
- generally not permitted to acquire an interest in a foreign venture without the approval of the South African exchange control authorities and first having complied with the investment criteria of the South African exchange control authorities;
- generally required to repatriate to South Africa profits of foreign operations; and

- limited in our ability to utilize profits of one foreign business to finance operations of a different foreign business.

These restrictions could hinder our normal corporate functioning, including our ability to make foreign investments and procure foreign currency denominated financings in the future.

Since 1995, certain exchange controls in South Africa have been relaxed. The extent to which the South African government may further relax such exchange controls cannot be predicted with certainty, although the government has committed itself to a gradual approach to the relaxation of exchange control.

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

We compete with mining and other companies on a global basis to attract and retain key human resources at all levels with the appropriate technical skills and operating and managerial experience necessary to continue to operate our business. The need to recruit, develop and retain skilled employees is particularly critical with respect to Historically Disadvantaged South Africans (“HDSAs”), women mining in South Africa and the recruitment and training of local landowners in PNG. The global shortage of key mining industry human resource skills, including geologists, mining engineers, metallurgists and skilled artisans has been exacerbated in the current environment of increased mining activity across the globe. Despite various initiatives in place, there can be no assurance that we will attract and retain skilled and experienced employees and, should we lose any of our key personnel, our business may be harmed and our results of operations and financial condition could be adversely affected. See *Item 6. “Employees”*.

Since our South African labor force has substantial trade union participation, we face the risk of disruption from labor disputes and new South African labor laws.

Despite a history of positive and constructive engagement with labor unions, there are periods during which the various stakeholders are unable to agree on dispute resolution processes. Disruptive activities on the part of labor, which normally differ in intensity, then become unavoidable. Due to the high level of union membership among our employees, we are at risk of having production stoppages for indefinite periods due to strikes and other disputes. Significant labor disruptions have affected our operations and financial condition before and we are not able to predict whether or not we will experience significant labor disputes in the future.

South African employment law sets out minimum terms and conditions of employment for employees. Though these minimum terms and conditions may be improved by agreements between us and the trade unions, the prescribed minimum terms and conditions form the benchmark for all employment contracts. See *Item 6. “Employees”*.

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

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

HIV & AIDS poses risks to us in terms of productivity and costs.

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

The cost of occupational healthcare services may increase in the future.

Operations in PNG are subject to the following PNG Acts and Regulations: PNG Mining Act 1992, PNG Mining Safety Act 1997, PNG Mining Safety Regulation 1935 (updated 2006), and the PNG Environment Act 2000. As in other countries, enforcement of these acts and regulations has the potential to cause interruption to mining activities. The PNG Minerals Resources Authority (“MRA”) administers the safety and environmental legislation on behalf of the PNG Government and has the power to stop work or in extreme cases close a mine until the mine owner complies with the requirements of the MRA. The MRA also mediates in disputes between mine owners and landowners or between landowner groups.

PNG has minimal health services in country and rural communities. We are putting in place health programs that will assist communities within our area of operations to have better access to health services in a sustainable manner through assistance with health facility upgrades, mentoring and education assistance to community health staff, malaria prevention programs, potable water solutions, as well as assistance with the development of small agriculture business.

Our operations in South Africa are subject to health and safety regulations which could impose significant costs and burdens. The present Mine Health and Safety Act 29 of 1996 ("**Mine Health and Safety Act**") imposes various duties on us at our mines, and grants the authorities broad powers to, among other things, close unsafe mines and order corrective action relating to health and safety matters.

The Occupational Diseases in Mines and Works Act 78 of 1973, governs the payment of compensation and medical costs related to certain illnesses contracted by persons employed in mines or at sites where activities ancillary to mining are conducted. Occupational healthcare services are available to our employees from our existing healthcare facilities in South Africa.

There is a risk that the cost of providing such services and implementing the various programs could increase in future depending on changes in the nature of underlying legislation and the profile of our employees. This increased cost, should it transpire, is currently indeterminate. We have embarked on a number of initiatives focused on improving the quality of life of our workforce, although there can be no guarantee that such initiatives will not be adversely affected by increased costs.

Laws governing mineral rights affect our business.

Our operations in South Africa and PNG are subject to legislation regulating mineral rights and the mining of those rights. In South Africa, we are governed by the South African Mineral and Petroleum Resources Development Act 2002 ("**MPRDA**"). See *Item 4. "Regulation –South Africa"* for a description of the principal objectives set out in the MPRDA.

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

The Mining Charter was signed by government and stakeholders in October 2002, and contains principles relating to the transfer, over a 10-year period, of 26% of South Africa's mining assets (as equity or attributable units of production) to HDSAs as defined in the Mining Charter. An interim target of 15% HDSA participation over five years was also set and to this end, the South African mining industry committed to securing financing to fund participation by HDSAs in an amount of R100 billion within the first five years of the Mining Charter's tenure. The Mining Charter provides for the review of the participation process after five years to determine what further steps, if any, are needed to achieve target participation of 26%. In order to measure progress in meeting the requirements of the Mining Charter, companies are required to complete a scorecard, in which the levels of compliance with the objectives of the Mining Charter can be "ticked off" after five and ten years, respectively. The Mining Charter and Scorecard require programs for black economic empowerment and the promotion of value-added production, such as jewelry-making and other gold fabrication, in South Africa. In particular, targets are set out for broad-based black economic empowerment in the areas of human resources and skills development; employment equity; procurement and beneficiation. In addition, the Mining Charter addresses socio-economic issues, such as migrant labor, mine community and rural development and housing and living conditions.

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

- (i) facilitate local beneficiation of mineral commodities;
- (ii) procure a minimum of 40% of capital goods, 70% of services and 50% of consumer goods from HDSA suppliers (i.e. suppliers of which a minimum of 25% + 1 vote of their share capital must be owned by HDSAs) by 2014. These targets will however be exclusive of non-discretionary procurement expenditure;
- (iii) achieve a minimum of 40% HDSA demographic representation by 2014 at executive management (board) level, senior management (EXCO) level, core and critical skills, middle management level and junior management level;
- (iv) invest up to 5% per cent of annual payroll in essential skills development activities; and
- (v) implement measures to improve the standards of housing and living conditions for mineworkers by converting or upgrading mineworkers' hostels into family units, attaining an occupancy rate of one person per room and facilitating home ownership options for all mineworkers in consultation with organised labour, all of which must be achieved by 2014.

In addition, mining companies are required to monitor and evaluate their compliance to the Revised Mining Charter, and must submit annual compliance reports to the DMR. The Scorecard for the Broad-Based Socio-Economic Empowerment Charter for the South African Mining Industry attached to the Revised Mining Charter ("**the Scorecard**") makes provision for a phased-in approach for compliance with the above targets over the five year period ending in 2014. For measurement purposes, the Scorecard allocates various weightings to the different elements of the Revised Mining Charter. Failure to comply with the provisions of the Revised Mining Charter will amount to a breach of the MPRDA and may result in the cancellation or suspension of a mining company's existing mining rights. Harmony obtained all of its licenses two years ago and has no reason to believe that our mining licenses will be cancelled or suspended.

The MPRDA also makes reference to royalties payable to the South African state in terms of the Mineral and Petroleum Resources Royalty Act (Act 28 of 2008). The Act provides for the payment of a royalty according to a formula based on earnings before interest, tax and depreciation, after the deduction of capital expenditure. This rate is then applied to revenue to calculate the royalty amount due, with a minimum of 0.5% and a maximum of 5% for gold mining companies. For the period since the royalty became effective on March 1, 2010 until June 30, 2010, the average royalty rate for our South African operations was 1.5% of gross sales.

The Mining Act of 1992 (PNG) stipulates that mineral rights in PNG belong to the government of PNG and they have a statutory right to obtain up to a 30% participating interest in mining development projects. The government then issues and administers mining tenements under the relevant mining legislation, and mining companies must pay royalties to the government based on production.

Production has commenced at our PNG mining operations and they are now subject to a 2% royalty payment to the government of PNG and local community groups. Should we desire to expand any of our initiatives in PNG operations into additional areas under exploration, these operations would need to convert the existing exploration licenses prior to the start of mining, and that process could require landowner title approval. There can be no assurance that any approval would be received.

Please also see *Item 4. "Regulation"* for further information.

We are subject to extensive environmental regulations.

As a gold mining company, we are subject to extensive environmental regulation. We have experienced and expect to continue to experience increased cash costs of production arising from compliance with South African and PNG environmental laws and regulations.

The MPRDA, certain other environmental legislation and the administrative policies of the South African government regulate the impact of our prospecting and mining operations on the environment. Pursuant to these regulations, upon the suspension, cancellation, termination or lapsing of a prospecting permit or mining authorization, we will remain liable for compliance with the provisions of the various relevant regulations, including any rehabilitation obligations. This liability will continue until such time as the appropriate authorities certify that we have complied with such provisions.

In the future, we may incur significant costs associated with complying with the increasingly stringent requirements being imposed under new legislation and regulations. This may include the need to increase and accelerate expenditure on environmental rehabilitation and to alter provisions for this expenditure, which could have a material adverse effect on our results and financial condition. We may also face increased environmental costs should other mines in the vicinity of our mines fail to meet their obligations with regard to the pumping or treatment of water.

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

Our PNG operations are also subject to various laws and regulations relating to the protection of the environment, which are similar in scope to those of South Africa. See *Item 4. "Regulation – Environmental Matters"* for further discussion on the applicable legislation and our policies on environmental matters.

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

Under South African law, our South African operations are subject to water use licenses that govern each operation's water usage and that require, among other things, that mining operations achieve and maintain certain water quality limits regarding all water discharges, where these are applicable. The majority of the South African operations are lawful users having existing water permits in terms of the Water Act of 1954. Nevertheless, the South African operations have made applications to the relevant regional directors for water use licences in terms of the National Water Act, 1998. Submissions were made as early as 2003 and the organisation has been working closely with the Regional Directors in the review process and in fact a number of our operations have been issued with licences and / or draft licences.

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

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

Greenhouse gases ("GHGs") are emitted directly by our operations and indirectly as a result of the consumption of electricity from external utilities. Emissions from electricity consumption are indirectly attributable to our operations. There are currently a number of international and national measures to address or limit GHG emissions, including the Kyoto Protocol and the Copenhagen Accord, in various phases of discussion or implementation. Both South Africa and PNG are non-Annex I countries and therefore do not have emission reduction targets under the Kyoto Protocol in the First Commitment Period, ending 2012. After the Climate Summit in Copenhagen in December 2009, South Africa committed to 30% clean energy by 2025 with the vision that South Africa's GHG emissions should peak by 2020-2025 at the latest, plateau for a decade and then decline by 40% by 2050. South Africa is currently also developing a National Climate Change Response Policy which is expected to be completed by 2012. This policy will be translated into a legislative, regulatory and fiscal package from now until 2012.

Our largest portion of GHG emissions are predominantly electricity related, with our electricity expenditure amounting to 10% of its operational costs in South Africa. While cost management is clearly a strategic issue for Harmony, of even greater importance is that energy supply be constant and reliable, given the implications that the loss of energy has on both production and for health and safety reasons. GHG emissions regulation which would increase the price of energy, within reason, will not affect Harmony as significantly as regulation which stipulates emission thresholds, or sets technology standards which may result in an insecurity of energy supply. Already certain compliance costs from our power suppliers are being passed through to the group in the form of price increases. For instance, in South Africa since 2009, we pay a levy of R0.02 per kilowatt hour for electricity generated by fossil fuels. These levies may increase over time and additional levies may be introduced in the future in South Africa or PNG, which could result in a significant increase in our costs.

As our current mines have a life expectancy of up to 24 years, we are undertaking capital projects to sustain and increase production at the Phakisa, Doornkop, Kusasalethu, Tshepong and Hidden Valley operations. These expansions would extend the company's mining operations by another 10 years or more, by which time GHG regulations are expected to be a permanent feature of the global economy. Future climate change regulation will therefore need to be considered for all Harmony's extensions and acquisitions. All new greenfields and brownfield projects are required by company policy to consider the impact of climate change in their design and planning.

Harmony is also likely to be exposed to GHG emission regulation thresholds specifically regarding leakage from refrigerant gas usage. Harmony will therefore be required to manage CFC-free refrigerant gas, and will consider using absorption chillers. This could have cost implications for the company.

In addition, our operations could be exposed to a number of physical risks from climate change, such as increased rainfall, reduced water availability, higher temperatures and extreme weather events. Events or conditions such as flooding or inadequate water supplies could disrupt our operations and rehabilitation efforts, and could increase the health and safety risks at the operations. In addition, such events or conditions could have adverse effects on our workforce and in communities in close proximity to our operations.

See Item 4. "Environmental Matters" for disclosure regarding our GHG emissions.

We may have potential exposure to rehabilitate ground water and radiation that may exist where we have operated and/or continue to operate.

Due to the interconnected nature of mining operations, any proposed solution for potential flooding and potential decant risk posed by deep ground water, needs to be a combined one supported by all the mines located in the goldfields. As a result, the DMR and affected mining companies are involved in the development of a Regional Mine Closure Strategy. In view of the limitation of current information for the accurate estimation of a liability, no reliable estimate can be made for the obligation.

We have initiated analytical assessments to identify, quantify and mitigate impacts if and when (or as and where) these impacts may arise. Numerous scientific, technical and legal studies are under way to assist in determining the magnitude of possible contamination of ground water and to find sustainable remediation solutions. We have instituted processes to reduce possible future potential seepage and it has been demonstrated that Monitored Natural Attenuation ("MNA") by the existing environment will contribute to improvement in some instance. The ultimate outcome of the matter cannot presently be determined and no provision for any liability that may result has been made in the financial statements.

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

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

- the court that pronounced the judgment had jurisdiction to entertain the case according to the principles recognized by South African law with reference to the jurisdiction of foreign courts;
- the judgment is final and conclusive;
- the judgment has not lapsed;
- the recognition and enforcement of the judgment by South African courts would not be contrary to public policy, including observance of the rules of natural justice which require that the documents initiating the United States proceeding were properly served on the defendant and that the defendant was given the right to be heard and represented by counsel in a free and fair trial before an impartial tribunal;
- the judgment does not involve the enforcement of a penal or revenue law; and
- the enforcement of the judgment is not otherwise precluded by the provisions of the Protection of Business Act 99 of 1978, as amended, of the Republic of South Africa.

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

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

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, we are required to furnish a report by our management on our internal control over financial reporting. The report in this annual report contains, among other matters, an assessment of the effectiveness of our internal control over financial reporting as of the end of the fiscal year, including a statement as to whether or not our internal controls over financial reporting are effective. If we fail to maintain the adequacy of our internal controls, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with the Sarbanes-Oxley Act. The requirement to evaluate and report on our internal controls also applies to companies that we may acquire and therefore, this assessment may be complicated by any future acquisitions we may complete. While we continue to dedicate resources and management time to ensuring that we have effective controls over financial reporting, failure to achieve and maintain an effective internal control environment could have a material adverse effect on the market's perception of our business and our stock price. See *Item 15. "Disclosure Controls and Procedures"* for management

assessment as of June 30, 2010. In addition to management's assessment of internal controls over financial reporting, we are required to have our independent registered public accounting firm publicly disclose their conclusions regarding the effectiveness of Harmony's internal controls over financial reporting.

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

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

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

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

We have employee share option schemes as well as other share schemes. The employee share option schemes came into effect in 2001, 2003 and 2006. Our board has authorized up to 60,011,669 shares of the issued share capital to be used for these plans. As a result, shareholders' equity interests in us are subject to dilution to the extent of the future exercises of the options, through share schemes.

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

We pay cash dividends only if funds are available for that purpose. Whether funds are available depends on a variety of factors, including the amount of cash available and our capital expenditures and other cash requirements existing at the time. Under South African law, we are only entitled to pay a dividend or similar payment to shareholders if we meet the solvency and liquidity tests set out in the Companies Act of South Africa and our Articles of Association. Cash dividends or other similar payments may not be paid in the future.

In February 2007, the South African Government announced a proposal to replace Secondary Tax on Companies with a 10% withholding tax on dividends and other distributions payable to shareholders. The amendments will be implemented in phases and are expected to become effective in the near future. Although this may reduce the tax payable on our South African operations, thereby increasing distributable earnings, the withholding tax will generally reduce the amount of dividends or other distributions received by shareholders.

Item 4. INFORMATION ON THE COMPANY

BUSINESS

History and Development

We conduct underground and surface gold mining and related activities, including exploration, processing and smelting. We are currently the third largest producer of gold in South Africa, producing approximately 22% of the country's annual gold output, and we ranked among the top 10 gold producers in the world, with operations and projects in South Africa and PNG. Our gold sales were approximately 1.4 million ounces of gold in fiscal 2010. As at June 30, 2010, our mining operations reported total proven and probable reserves of 48.1 million ounces, primarily from South African sources. In fiscal 2010, we processed approximately 19.8 million tons of ore.

In fiscal 2010, 96% of our total gold production took place in South Africa. In fiscal 2010, approximately 91% of our South African gold came from underground mines, and approximately 9% came from our surface operations (which include the Kalgold opencast operation and the Phoenix operation). For more detailed information about our activities, see *Item 4. "Information on the Company – Business – Harmony's Mining Operations – Overview"* and the notes to the consolidated financial statements included in this annual report. Mining is a highly regulated industry, and we operate under a variety of statutes and regulations. For more detailed information about these statutes and regulations, see *Item 4. "Information on the Company – Regulation"* and *Item 10. "Additional Information – Memorandum and Articles of Association"*.

The majority of our exploration and evaluation done during fiscal 2010 has been focused on PNG. Our PNG exploration and evaluation opportunities are handled through the international office in Brisbane, Australia. Exploration in South Africa focused on the Evander South project, Joel North, Poplar and Tshepong.

We were incorporated and registered as a public company in South Africa on August 25, 1950 (under registration number 1950/038232/06). We poured our first gold on September 11, 1954. In the early 1970's, we merged with the Anglovaal mines, Merriespruit and Virginia, forming Harmony Gold Mining Company Limited. We then expanded from a single lease-bound mining operation into an independent, world-class gold producer. We acquired additional mineral rights in the Free State, Mpumalanga, Gauteng and North West provinces in South Africa when we acquired Lydex in 1997, Evander in 1998, Kalgold in 1999, Randfontein in 2000, ARMgold in 2003 and Avgold in 2004. We acquired the President Steyn 1 and 2 shafts, Loraine 3 shaft, Freddie's 7 and 9 shafts as well as the President Steyn gold plant, collectively known as the Pamodzi Free State assets, from Pamodzi Gold Free State (Proprietary) Limited (In Liquidation) ("**Pamodzi FS**") during fiscal 2010. These shafts have been included in the Bambanani and Target operations. In building our Australian portfolio, we acquired Hill 50 and New Hampton in Western Australia in 2001 and 2002, respectively, and started our exploration portfolio in PNG with projects in the Morobe province originally through our acquisition of Abelle in 2003. During fiscal 2009 and 2008, we disposed of several operations in South Africa and Australia, as well as 50% of our interests in gold and copper assets in PNG. See *Item 4. "Disposals"*.

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

South African Operations

In South Africa, we operate a total of 10 underground operations, several surface operations including an open cast mine, and nine processing plants which are located in all of the currently known goldfields in the Witwatersrand basin of South Africa as well as the Kraaipan Greenstone Belt. These operations produced approximately 1.4 million ounces in fiscal 2010, and South Africa represented approximately 95% (or 45.6 million ounces) of our total proven and probable reserves. The deep level gold mines are located in four provinces in this basin, being the Free State province, Mpumalanga, the West Rand Goldfields in Gauteng province and the North West province. Surface operations are located in all these provinces.

Ore from the shafts and surface material are treated at nine metallurgical plants in South Africa, located near the operations (five in the Free State province, two in the North West province, one in Mpumalanga and one in Gauteng). There is one plant on care and maintenance which can be restarted if additional processing capacity is required (St. Helena plant in the Free State province). We are currently demolishing two plants in the Free State – the Virginia plant's demolition is almost completed, while the process for Steyn plant will continue until fiscal 2012. Winkelhaak plant at the Evander operations was placed on care and maintenance during fiscal 2010, and the demolition of the plant is expected to commence during the first half of fiscal 2011 and be completed by the end of the first half of 2012.