

## **Government Regulatory Considerations**

### **Shares**

A foreign investor may invest freely in shares in a South African company, whether listed on the JSE or not, through normal banking channels against settlement in foreign currency or Rand from a non-resident Rand account. A foreign investor may also sell his or her share investment in a South African company and transfer the proceeds out of South Africa without restriction. However, when the Company is not listed on the JSE, the SARB must be satisfied that the sale price of any shares reflects fair market value.

Under present South African exchange control regulations, our ordinary shares and ADSs are freely transferable outside the Common Monetary Area between non-residents of the Common Monetary Area. No prior SARB approval is required for the transfer of proceeds to South Africa, in respect of shares listed on the JSE, provided these funds enter the country through the normal banking channels. In addition, the proceeds from the sale of ordinary shares on the JSE on behalf of those holders of ordinary shares who are not residents of the Common Monetary Area are freely remittable to those holders. Share certificates and warrant certificates held by non-residents will be endorsed with the words “non-resident.”

### **Loans**

Generally, the granting of loans to us or our subsidiaries, and our ability to borrow from non-South African sources and the repatriation of dividends, interest and royalties by us will be regulated by the Exchange Control Department of the SARB. If a foreign investor wishes to lend capital to a South African company, the prior approval of the SARB must be sought mainly in respect of the interest rate and terms of repayment applicable to such loan.

Interest on foreign loans is subject to a withholding tax of 15% and freely remittable abroad, provided the loans received prior approval from the SARB. However, this rate may be reduced depending on the applicability of a double taxation treaty.

### **Investments**

We are required to seek approval from the SARB to use funds held in South Africa to make investments outside of South Africa.

### **Dividends**

Dividends declared by a listed company are subject to a withholding tax of 20% and freely transferable out of South Africa from both trading and non-trading profits earned in South Africa through a major bank as agent for the SARB to non-resident shareholders. However, this rate may be reduced depending on the applicability of a double taxation treaty.

Where 75% or more of a South African company’s capital, voting power, power of control or earnings is directly or indirectly controlled by non-residents, such a company is designated an “affected person” by the SARB, and certain restrictions are placed on its ability to obtain local financial assistance. We are not, and have never been, designated an “affected person” by the SARB.

If an affected entity made use of local borrowing facilities, the affected entity must apply for SARB approval prior to remitting dividends offshore. As a general rule, an affected entity that has accumulated historical losses may not declare dividends out of current profits unless and until such time that the affected entity’s local borrowings do not exceed the local borrowing limit.

## **E. TAXATION**

### **Certain South African Tax Considerations**

The summary set out in this section is based on current law and our interpretation thereof. Amendments to the law may change the tax treatment of acquiring, holding or disposing of our ordinary shares or ADSs, as applicable, which changes may possibly occur on a retrospective basis. The following summary is not a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of our ordinary shares or ADSs, and does not cover the tax consequences that depend upon your particular tax circumstances. This summary is not intended to constitute tax advice. This summary does not address the foreign tax consequences for person that are not residents of South Africa and specifically excludes the tax consequences for persons who are not residents of South Africa whose holding of shares or ADSs is effectively connected with a permanent establishment in South Africa through which the holder carries on business activities, or who is not the beneficial recipient of the dividends, or where the source of the transaction or dividends is deemed to be in South Africa. In addition, it does not cover the tax consequences for a holder that is not entitled to the benefits of the double taxation agreement concluded between the Republic of South Africa and the United States of America signed on February 17, 1997 (“**US Treaty**”). It also assumes that the holders hold the ordinary shares or ADSs on capital account (that is, for investment purposes) as opposed to on revenue account (that is for speculative purposes or as trading stock). The Supreme Court of Appeal in South Africa indicated that gains will be on revenue account if they are derived as part of a business in carrying out a scheme of profit making. We recommend that you consult your own tax adviser concerning the consequences of holding our ordinary shares or ADSs, as applicable, in your particular situation.

### **Dividends**

With effect from April 1, 2012, South Africa introduced a Dividends Tax, which is a withholding tax on dividends effectively borne by the shareholder receiving the dividend. The rate at which Dividends Tax is levied is 20% effective from February 22, 2017 (previously 15%). Dividends Tax is imposed on, amongst others, non-resident shareholders, and it is withheld by the company declaring and paying the dividend to its shareholders or the regulated intermediary, as the case may be, as a withholding agent. Dividends tax is not payable to the extent that the recipient is, amongst others, a South African resident company that has provided the relevant declaration and undertaking to the company declaring and paying the dividend.

Article 10 of the US Treaty provides that a dividend paid by a company that is a resident of South Africa for tax purposes to a resident of the US for tax purposes may be taxed in the US. Article 10 of the US Treaty further provides that such a dividend may also be taxed in South Africa. However, the tax charged in South Africa may not exceed 5% of the gross amount of the dividends if the beneficial owner is a company that holds directly at least 10% of the voting stock of the South African company paying the dividends. In all other cases, the US Treaty provides for a withholding tax of 15% of the gross amount of the dividends.

With effect from January 1, 2012 it is deemed that an amount will be derived by a person from a source within South Africa if the amount constitutes a dividend received by or accrued to that person. Residents of the US can make use of the lower rate as provided for in the US Treaty if the relevant declaration and undertaking are provided to Harmony beforehand. It was recently enacted that the declaration and undertaking should be renewed after a five-year period effective from July 1, 2020. No time limitation will be imposed on the validity of the declarations and undertakings if a regulated intermediary applies the Financial Intelligence Centre legislation, the common reporting standard regulations in relation to the declarations or the agreement between the Government of South Africa and the Government of the US to improve International Tax Compliance and to Implement the US Foreign Account Tax Compliance Act.

#### **Capital Gains Tax**

Capital Gains Tax (“CGT”) was introduced in South Africa with effect from October 1, 2001. In the case of an individual, 40% in respect of years of assessment commencing 1 March 2016 (previously 33.3%) of the capital gain is included in the individual’s taxable income (effectively 18%) should the individual pay tax at the marginal rate of 45% from March 1, 2017. In the case of a corporate entity or trust, 80% in respect of years of assessment commencing March 1, 2016 of such gain is included in its taxable income (effectively a rate of 22.4% for a corporate entity and 36% for a trust). CGT is only applicable to non-residents if the proceeds from the sale are sourced in South Africa or are attributable to a permanent establishment of the non-resident shareholder. The US Treaty (which will prevail in the event of a conflict) provides that the US holder of ordinary shares or ADSs will not be subject to CGT if the assets have been held as capital assets, unless they are linked to a permanent establishment of such non-resident shareholder in South Africa. To the extent that shares or ADSs are held on revenue account, a similar principle applies with reference to the payment of income tax. Subject to Article 13 of the US Treaty (as indicated below) income tax is only payable to the extent that the gain is attributable to the carrying on of a business in South Africa through a permanent establishment situated in South Africa. The current corporate rate is equal to 28%. Any gains realized on the disposal of equity shares are automatically deemed to be of a capital nature if the equity shares have been held for a continuous period of at least three years. Such provision applies automatically and is not elective. However, this deeming provision does not include an ADS.

Generally, the domestic laws of South Africa provide that an amount received or accrued in respect of the disposal of an asset that constitutes immovable property held by that person or any interest or right of whatever nature of that person to or in intellectual property where that property is situated in South Africa is deemed to have been sourced in South Africa and be subject to South African tax. It includes the disposal of any equity shares held by a person in a company if:

- 80% or more of the market value of the equity shares, ownership or right to ownership or vested interest, as the case may be, at the time of disposal thereof is attributable directly or indirectly to immovable property held otherwise than as trading stock. This requirement will include rights to variable or fixed payments as consideration for the working of, or the right to work mineral deposits, sources and other natural resources in the Republic; and
- the person directly or indirectly holds at least 20% of the equity shares in the company or ownership or right to ownership of the other entity.

The provisions of the US Treaty override the deemed source rules to the extent applicable. Article 13 of the US Treaty provides that South Africa is entitled to tax a gain that is attributable to the alienation of real property situated in South Africa, which concept includes the equivalent of a US real property interest, even if held through means of shares.

#### **Securities Transfer Tax**

Securities Transfer Tax (“STT”) is payable in respect of the transfer of any security issued by a South African company. STT is levied at a rate of 0.25% of the taxable amount of the security concerned (generally the market value). A security is defined to include a depository receipt in a company, in addition to shares in a company. STT is not payable on the issue of any security.

Although ADSs in respect of our shares are not listed on the JSE, reference is specifically made in the legislation to the transfer of depository receipts in a South African company. As a consequence, STT will therefore be payable on the transfer of ADSs. In addition, the process of depositing shares listed on the JSE in return for ADSs, or withdrawing such shares from the deposit facility, will attract STT as and when the shares are transferred to or from the depository institution.

STT is payable by the broker or participant if a transaction is effected through a stockbroker or an exchange participant, but it may be recovered from the person acquiring the beneficial ownership of the rights concerned. In other instances, STT is payable by the person acquiring beneficial ownership.

STT is also payable on the subsequent redemption or cancellation of shares or ADSs.

## **Interest**

South Africa has imposed a withholding tax on interest paid by any person to or for the benefit of any foreign person to the extent that the interest is regarded as having been received or accrued from a source within South Africa at the rate of 15% with effect from March 1, 2015. In terms of the US Treaty this rate is reduced to zero. However, the rate may change to 5% or 10% once the US Treaty is renegotiated. US residents can only make use of the lower rate as provided for in the US Treaty if the relevant declaration and undertaking are provided to the company paying the interest. It was recently enacted that the declaration and undertaking should be renewed after a five-year period effective from July 1, 2020. No time limitation will be imposed on the validity of the declarations and undertakings if a regulated intermediary applies the Financial Intelligence Centre legislation, the common reporting standard regulations in relation to the declarations or the agreement between the Government of South Africa and the Government of the US to improve International Tax Compliance and to Implement the US Foreign Account Tax Compliance Act.

## **Withholding tax on Service Fees**

There is no separate withholding tax on service fees. The monitoring of service fees is now dealt with on the basis that these types of arrangements must be reported to SARS. Transactions between residents and non-residents must thus be reported if they relate to consultancy, construction, engineering, installation, logistical, managerial, supervisory, technical or training services, in circumstances where the expenditure exceeds or is anticipated to exceed R10 million in aggregate and does not otherwise qualify as remuneration.

## **Capitalization Shares**

Capitalization shares issued to holders of shares in lieu of cash dividends do not constitute dividends and are currently not subject to Dividends Tax. However, these shares have a base cost of zero for income tax purposes.

## **Certain Material United States Federal Income Tax Considerations**

The following is a discussion of certain material US federal income tax consequences of acquiring, holding and disposing of the ordinary shares (for purposes of this summary, references to the ordinary shares include the ADSs, unless the context otherwise requires).

You will be a “US holder” if you are a beneficial owner of ordinary shares and you are:

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity taxable as a corporation for US federal income tax purposes) organized under the laws of the United States, any state thereof, or the District of Columbia;
- an estate whose income is subject to US federal income tax regardless of its source; or
- a trust if: (i) a US court can exercise primary supervision over the trust’s administration and one or more US persons are authorized to control all substantial decisions of the trust or (ii) it has a valid election in effect under applicable US Treasury regulations to be treated as a US person.

This summary only applies to US holders that hold ordinary shares or ADSs as capital assets. This summary is based on the US Internal Revenue Code of 1986, as amended, (the “Code”), its legislative history, existing and proposed US Treasury regulations, published Internal Revenue Service (“IRS”) rulings, the US Treaty and court decisions that are now in effect, any and all of which are subject to differing interpretations and which could be materially and adversely changed. Any such change could apply retroactively and could affect the continued validity of this summary. This summary does not consider the potential effects, both adverse and beneficial, of any proposed legislation which, if enacted, could be applied, possibly on a retroactive basis, at any time.

This summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase the ordinary shares. In particular, this summary deals only with US holders that will hold the ordinary shares as capital assets within the meaning of Section 1221 of the Code. It does not address considerations that may be relevant to you if you are an investor that is subject to special tax rules, such as a bank, real estate investment trust, regulated investment company, insurance company, dealer in securities or currencies, trader in securities or commodities that elects mark-to-market treatment, person that will hold the ordinary shares as a hedge against currency risk or as a position in a “straddle” or conversion transaction, tax-exempt organization, person whose “functional currency” is not the US dollar, person liable for alternative minimum tax, person required to accelerate the recognition of any item of gross income with respect to shares or ADSs as a result of such income being recognized on an applicable financial statement or a person who owns directly, indirectly or by attribution, at least 10% of our stock. This summary also does not address any aspect of US federal non-income tax laws, such as gift or estate tax laws, or state, local, or non-US tax laws, or, except as discussed below, any tax reporting obligations of a holder of our ordinary shares.

If a partnership (including for this purpose any entity treated as a partnership for US federal income tax purposes) is a beneficial owner of the ordinary shares, the US federal income tax treatment of a partner in the partnership generally will depend on the status of the partner and the activities of the partnership. A holder of the ordinary shares that is a partnership and partners in such a partnership should consult their own tax advisors about the US federal income tax consequences of acquiring, holding, and disposing of the ordinary shares.

We believe that we will not be a passive foreign investment company ("PFIC"), for US federal income tax purposes for the current taxable year. However, we cannot assure you that we will not be considered a PFIC in the current or future years. The determination whether or not we are a PFIC is a factual determination that is based on the types of income we earn and the value of our assets and cannot be made until the close of the applicable tax year. In addition, this determination is based in part upon certain US Treasury regulations proposed in June 2019 that are not yet in effect (the "**Proposed Regulations**") and are subject to change in the future. If Harmony were to be treated as a PFIC, US holders of ordinary shares or ADSs would be required (i) to pay a special US addition to tax on certain distributions and gains on sale and (ii) to pay tax on any gain from the sale of ordinary shares or ADSs at ordinary income (rather than capital gains) rates in addition to paying the special addition to tax on this gain. Such holder may also be required to file IRS Form 8621. Additionally, dividends paid by Harmony would not be eligible for the reduced rate of tax described below under "*Taxation of Dividends*". Although we believe we have adopted a reasonable interpretation of the Proposed Regulations and administrative pronouncements, there can be no assurance that the IRS will follow the same interpretation. The remainder of this discussion assumes that Harmony is not a PFIC for US federal income tax purposes. **You should consult your own tax advisers regarding the potential application of the PFIC regime.**

Each prospective purchaser should consult his or her tax advisor with respect to the US federal, state, local and non-US tax consequences of acquiring, owning, or disposing of shares or ADSs.

#### **US holders of ADSs**

For US federal income tax purposes, a US holder of ADSs generally will be treated as the owner of the corresponding number of underlying ordinary shares held by The Bank of New York Mellon as depositary ("**Depositary**") for the ADSs, and references to ordinary shares in the following discussion refer also to ADSs representing the ordinary shares.

Deposits and withdrawals of ordinary shares by US holders in exchange for ADSs will in general not result in the realization of gain or loss for US federal income tax purposes. Your tax basis in withdrawn ordinary shares will be the same as your tax basis in the ADSs surrendered, and your holding period for the ordinary shares will include the holding period of the ADSs.

#### **Taxation of Dividends**

Distributions paid out of Harmony's current or accumulated earnings and profits (as determined for US federal income tax purposes), before reduction for any South African withholding tax paid by Harmony with respect thereto, will generally be taxable to you as dividend income, and will not be eligible for the dividends received deduction allowed to corporations. Distributions that exceed Harmony's current and accumulated earnings and profits will be treated as a non-taxable return of capital to the extent of your basis in the ordinary shares and thereafter as capital gain. However, we do not maintain calculations of our earnings and profits in accordance with US federal income tax accounting principles. You should therefore assume that any distribution by us with respect to the shares will be reported as ordinary dividend income. You should consult your own tax advisers with respect to the appropriate US federal income tax treatment of any distribution received from us.

Dividends paid by Harmony generally will be taxable to non-corporate US holders at the reduced rate normally applicable to long-term capital gains, provided that either (i) Harmony qualifies for the benefits of the US Treaty, or (ii) with respect to dividends paid on the ADSs, the ADSs are considered to be "readily tradable" on the NYSE, and certain other conditions are met. You will be eligible for this reduced rate only if you are an individual, and have held the ordinary shares or ADSs for more than 60 days during the 121 day period beginning 60 days before the ex-dividend date.

For US federal income tax purposes, the amount of any dividend paid in Rand will be included in income in a US dollar amount calculated by reference to the exchange rate in effect on the date the dividends are received by you or the Depositary (in the case of ADSs), regardless of whether they are converted into US dollars at that time. If you or the Depositary, as the case may be, convert dividends received in Rand into US dollars on the day they are received, you generally will not be required to recognize foreign currency gain or loss in respect of this dividend income.

#### **Effect of South African Withholding Taxes**

As discussed above in "*Taxation - Certain South African Tax Considerations - Dividends*", under current law, South Africa imposes a withholding tax of 20% on dividends paid by Harmony. A US holder will generally be entitled, subject to certain limitations, to a foreign tax credit against its US federal income tax liability, or a deduction in computing its US federal taxable income, for South African income taxes withheld by Harmony.

US holders that receive payments subject to this withholding tax will be treated, for US federal income tax purposes, as having received the amount of South African taxes withheld by Harmony, and as then having paid over the withheld taxes to the South African taxing authorities. As a result of this rule, the amount of dividend income included in gross income for US federal income tax purposes by a US holder with respect to a payment of dividends may be greater than the amount of cash actually received (or receivable) by the US holder from Harmony with respect to the payment.

The rules governing foreign tax credits are complex. You should consult your tax adviser concerning the foreign tax credit implications of the payment of South African withholding taxes.

#### **Taxation of a Sale or other Disposition**

Upon a sale or other disposition of ordinary shares or ADSs, other than an exchange of ADSs for ordinary shares and vice versa, you will generally recognize US source capital gain or loss for US federal income tax purposes equal to the difference between the amount realized and your adjusted tax basis in the ordinary shares or ADSs. Your tax basis in an ordinary share or ADS will generally be its US dollar cost. This capital gain or loss will be long-term capital gain or loss if your holding period in the ordinary shares or ADSs exceeds one year. However, regardless of your actual holding period, any loss may be treated as long-term capital loss to the extent you receive a dividend that qualifies for the reduced rate described above under "*Taxation of Dividends*" and also exceeds 10% of your basis in the ordinary shares. The deductibility of capital losses is subject to significant limitations.