RISK FACTORS

In addition to the other information included in this annual report and the exhibits to this annual report, you should carefully consider the following factors related to an investment in Harmony's ordinary shares (or ADSs) and Harmony's warrants. There may be additional risks that Harmony does not currently know of or that Harmony currently deems immaterial based on information available to it. Harmony's business, financial condition or results of operations could be materially adversely affected by any of these risks, resulting in a decline in the trading price of Harmony's ordinary shares (or ADSs) and Harmony's warrants.

The profitability of Harmony's operations, and the cash flows generated by those operations, are affected by changes in the market price for gold, which in the past has fluctuated widely.

Substantially all of Harmony's 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 Harmony has no control, including:

- the demand for gold for industrial uses and for use in jewelry;
- international or regional political and economic trends;
- the strength 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 holdings by central banks or other large gold bullion holders or dealers;
- forward sales by gold producers; and
- the production and cost levels for gold in major gold-producing nations, such as South Africa.

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 tended to retain 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 years:

	Price per Ounce		
Year	High	Low	Average
		($)	
1992	360	330	344
1993	406	326	360
1994	396	370	384
1995	396	372	384
1996	415	367	388
1997	367	283	331
1998	313	273	294
1999	326	253	279
2000	313	264	282
2001	293	256	271
2002 (through December 13, 2002)	332	278	309

Source: Bloomberg

On June 28, 2002, the afternoon fixing price of gold on the London Bullion Market was $318.50 per ounce. On December 13, 2002, the afternoon fixing price of gold on the London Bullion Market was $332.20 per ounce.

While the aggregate effect of these factors is impossible for Harmony to predict, if gold prices should fall below Harmony’s cost of production and remain at such levels for any sustained period, Harmony may experience losses and may be forced to curtail or suspend some or all of its operations. In addition, Harmony would also have to assess the economic impact of low gold prices on its ability to recover any losses it may incur during that period and on its ability to maintain adequate reserves. Harmony’s average cash cost of production per ounce of gold sold was approximately $196 in fiscal 2002, $234 in fiscal 2001 and $245 in fiscal 2000.

Actual or expected sales of gold by central banks have had a significant impact on the price of gold.

Over the past several years, one of the most important factors influencing the gold price has been actual or expected sales of gold reserves by central banks. Since 1997, a number of central banks, including the central banks of Australia, Switzerland and the United Kingdom, have announced plans to sell significant gold reserves, and, more recently, the International Monetary Fund has discussed selling significant gold reserves to fund international debt relief. The gold price has declined following each such announcement and sale, culminating in a drop in the gold price to its lowest level in at least twenty years in July 1999, after the Bank of England completed the first part of its announced sale of more than half of its gold reserves. In September 1999, the central banks of fifteen European countries agreed to limit sales of gold reserves for the next five years to sales announced at that time and to limit gold lending and derivative operations for five years. The announcement of this agreement led to an immediate increase in the price of gold, although the gold price was subsequently subject to downward pressure around the time of the periodic auctions held by the Bank of England. The agreement by the central banks is voluntary and there are a number of central banks with significant gold reserves that are not subject to the agreement. Any future sales or publicly announced proposed sales by central banks of their gold reserves are likely to result in a decrease in the price of gold.

Because Harmony does not use commodity or derivative instruments to protect against low gold prices with respect to most of its production, Harmony is exposed to the impact of any significant drop in the gold price.

As a general rule Harmony sells its gold production at market prices. Recently, there have been two instances in which Harmony has made use of gold price hedges: Harmony’s forward sale of a portion of the production at Bissett at a set gold price and, in February 2001, put options relating to 1 million ounces of Harmony’s production at Elandskraal. Both of these hedges were affected by Harmony in order to secure loan facilities and have since been closed out. A significant proportion of the production at Randfontein was already hedged when acquired by Harmony, and these hedges have since been closed out. In addition, a substantial proportion of the production at each of New Hampton and Hill 50 was already hedged when acquired by Harmony and remains hedged. Harmony generally does not enter into forward sales, derivatives or other hedging arrangements to establish a price in advance for the sale of its future gold production. See “Item 4. Information on the Company—Business—Hedge Policy” and “Item 11. Quantitative and Qualitative Disclosures About Market Risk—Operating and Financial Review and Prospects—Market Risk.” In general, hedging in this manner reduces the risk of exposure to volatility in the gold price. Such hedging also enables a gold producer to fix a future price for hedged gold that generally is higher than the then current spot price. Because Harmony’s hedging does not generally establish a future price for hedged gold, Harmony can realize the positive impact of any increase in the gold price. However, this also means that Harmony is not fully protected against decreases in the gold price and if the gold price decreases significantly Harmony runs the risk of reduced revenues in respect of gold production that is not hedged.

Harmony’s gold reserve figures are estimates based on a number of assumptions, including assumptions as to mining and recovery factors, future production costs and the price of gold, and may yield less gold under actual production conditions than Harmony currently estimates.

The ore reserve estimates contained in this annual report are estimates of the mill delivered quantity and grade of gold in Harmony’s deposits and stockpiles. They represent the amount of gold that Harmony believes can be mined, processed and sold at prices sufficient to recover Harmony’s estimated future total costs of production, remaining investment and anticipated additional capital expenditures. Harmony’s ore reserves are estimated based upon many factors, including:

- the results of exploratory drilling and an ongoing sampling of the orebodies;
- past experience with mining properties; and
- the experience of the person making the reserve estimates.

The ore reserve estimates contained in this annual report are calculated based on estimates of future production costs, future gold prices and, because Harmony's gold sales are primarily in U.S. dollars and Harmony incurs most of its production costs in Rand, the exchange rate between the Rand and the U.S. dollar and, in the case of Harmony's Australian operations, the Australian dollar. As a result, the reserve estimates contained in this annual report should not be interpreted as assurances of the economic life of Harmony's gold deposits or the profitability of its future operations.

Since ore reserves are only estimations which Harmony makes based on the above factors, in the future Harmony may need to revise its estimates. In particular, if Harmony's production costs increase (whether in Rand terms, in Australian dollar terms, or in relative terms due to appreciation of the Rand or the Australian dollar against the U.S. dollar) or if gold prices decrease, a portion of Harmony's ore reserves may become uneconomical to recover. This will force Harmony to lower its estimated reserves.

For example, following the acquisition of New Hampton, the Big Bell underground mine yielded disappointing results, including lower than expected grade. As a result, in the quarter ended June 30, 2002, Harmony reduced grade estimates for Big Bell's future production, which has led to a substantial reduction in proven and probable reserves attributable to the Big Bell mine. See "Item 4. Information on the Company—Business—Harmony's Mining Operations—Australian Operations."

Harmony's strategy depends on its ability to make additional acquisitions.

In order to increase Harmony's gold production and to acquire additional reserves so that Harmony can maintain and grow its gold production beyond the life of its current ore reserves, Harmony is exploring opportunities to expand by acquiring selected gold producers and mining operations. However, Harmony cannot guarantee that:

- Harmony will be able to identify appropriate acquisition candidates or negotiate acquisitions on favorable terms;
- Harmony will be able to obtain the financing necessary to complete future acquisitions; or
- the issuance of Harmony's ordinary shares or other securities in connection with any future acquisition will not result in a substantial dilution in ownership interests of holders of Harmony's ordinary shares.

As at June 30, 2002, Harmony's mining operations reported total proven and probable reserves of approximately 49.08 million ounces, which includes Elandskraal, New Hampton, Hill 50 and ounces attributable to Harmony's 50% interest in the Free Gold Company. If Harmony is unable to acquire additional gold producers or generate additional proven and probable reserves at its existing operations or through Harmony's exploration activities, Harmony cannot be certain that it will be able to expand or replace its current production with new reserves in an amount sufficient to sustain the life of its mining operations beyond the current life of its reserves.

Harmony may experience problems in managing new acquisitions and integrating them with its existing operations.

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

- difficulties in assimilating the operations of the acquired business;
- difficulties in maintaining the financial and strategic focus of Harmony 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 Harmony acquires mining operations outside South Africa, encountering difficulties relating to operating in countries in which Harmony has not previously operated.

Any difficulties or time delays in achieving successful integration of new acquisitions could have a material adverse effect on Harmony's business, operating results, financial condition and stock price. For example, following the acquisition of New Hampton, Harmony has encountered higher than expected costs and disappointing results from the Big Bell operations. See "Item 4. Information on the Company—Business—Harmony's Mining Operations—Australian Operations." Harmony may encounter similar difficulties or other problems in integrating other acquisitions.

To maintain gold production beyond the expected lives of Harmony's existing mines or to increase production materially above projected levels, Harmony will need to access additional reserves through development or discovery.

Harmony's Australian operations have limited proven and probable reserves. Exploration and discovery will be necessary to maintain current gold production levels at these operations in the future. Exploration for gold and other precious metals is speculative in nature, is frequently unsuccessful and involves many risks, including risks 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.

Harmony’s exploration efforts might not result in the discovery of mineralization and any mineralization discovered might not result in an increase in Harmony’s proven and probable reserves.

To access additional reserves in South Africa, Harmony will need to successfully complete development projects, including extending existing mines and, possibly, developing new mines. Development projects would also be necessary to access the platinum and palladium mineralization identified at the Kalplats platinum group metals project described in “Item 4. Information on the Company—Business—Exploration” and any mineralization discovered through exploration in Australia or elsewhere.

Harmony typically uses 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 operating costs.

Actual costs, production and economic returns may differ significantly from those anticipated by Harmony’s feasibility studies. Moreover, it can take a number of years from the initial feasibility studies until development is completed. 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 other governmental permits;
- the timing and cost necessary to construct 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.

Accordingly, there is no assurance that any future development projects will extend the life of Harmony’s existing mining operations or result in any new commercial mining operations.

Due to the nature of mining and the type of gold mines it operates, Harmony faces a material risk of liability, delays and increased production costs 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;
- accidents; and
- other conditions resulting from drilling, blasting and removing and processing 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 pit mining 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 due to weather.

Harmony is at risk of experiencing any and all of these environmental or other industrial hazards. The occurrence of any of these hazards could delay production, increase production costs and result in liability to Harmony.

Harmony's insurance coverage may prove inadequate to satisfy future claims against it.

Harmony has third party liability coverage for most potential liabilities, including environmental liabilities. While Harmony believes that its current insurance coverage for the hazards described above is adequate and consistent with industry practice, Harmony may become subject to liability for pollution or other hazards against which it has not insured or cannot insure, including those in respect of past mining activities. Further, Harmony maintains and intends 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 Harmony's insurance coverage may not cover the extent of claims against it for environmental or industrial accidents or pollution.

Because most of Harmony's production costs are in Rand, while gold is generally sold in U.S. dollars, Harmony's financial condition could be materially harmed by an appreciation in the value of the Rand.

Gold is generally sold throughout the world in U.S. dollars, but most of Harmony's operating costs are incurred in Rand. As a result, any significant and sustained appreciation of the Rand against the U.S. dollar will serve materially to reduce Harmony's Rand revenues and overall net income as a result of higher working costs in U.S. dollar terms.

The Rand has experienced significant depreciation against the U.S. dollar since 1997. The Rand's depreciation was particularly pronounced in calendar 2001 and during the first quarter of calendar 2002. There can be no assurance that the general depreciation trend of the Rand will continue. The Rand appreciated significantly against the U.S. dollar during the period from April 1, 2002 through December 13, 2002. If the appreciation experienced during this more recent period continues, it may have a material adverse impact on Harmony's operating results. In December 2001, in response to significant depreciation in the Rand and to protect itself against possible appreciation of the Rand against the U.S. dollar, Harmony entered into Rand-U.S. dollar currency forward exchange contracts intended to cover estimated revenues from the Free State operations' planned production for calendar 2002. Harmony fixed the Rand-U.S. dollar exchange rate for a total of $192 million at an average exchange rate of Rand 11.20 per U.S. dollar. As of December 13, 2002, $15 million was remaining under these contracts at an average exchange rate of Rand 11.31 per U.S. dollar. See "Item 11. Quantitative and Qualitative Disclosures About Market Risk—Foreign Currency Sensitivity." This measure, however, is not expected to fully protect Harmony from sustained fluctuations in the value of the Rand relative to the U.S. dollar since it covers only a limited amount, it expires on December 31, 2002 and Harmony does not expect to renew or repeat it.

Political or economic instability in South Africa or regionally may have an adverse effect on Harmony's operations and profits.

Harmony is incorporated and owns significant operations in South Africa. As a result, there are important political and economic risks relating to South Africa which could affect an investment in Harmony.

South Africa has been transformed into a democracy since 1994, with a successful second round of democratic elections held during 1999. While Harmony believes that the South African government is stable, government policies aimed at redressing the disadvantages suffered by the majority of citizens under previous governments may impact on Harmony's operations and profits.

In addition to political issues, South Africa faces many challenges in overcoming substantial differences in levels of economic development among its people. While South Africa features highly developed, sophisticated "first world" business sectors and infrastructure at the core of its economy, large parts of the population do not have access to adequate education, health care, housing and other services, including water and electricity. Furthermore, in recent years, South Africa has experienced high levels of crime and unemployment. These problems have been among the factors that impeded fixed inward investment into South Africa and prompted emigration of skilled workers.

Over the past five years, the South African economy has grown at a relatively slow rate, inflation and unemployment have been high by comparison with developed countries, and foreign reserves have been relatively low. GDP growth was approximately 2.5% in 1997, 0.6% in 1998, 1.2% in 1999, 3.1% in 2000 and 2.2% in 2001. The depreciation of the Rand in 1997 and 1998 resulted in an increase in the South African bank prime lending rate, which peaked at approximately 25.5% during 1998, although rates have since decreased and as of December 13, 2002, the rate was 17.0%.

Although the South African government has indicated on numerous occasions that it is committed to creating a stable, democratic free market economy, including the phasing out of exchange controls, it is difficult to predict the future political, social and economic direction of South Africa or how the government will try to address South Africa's problems. It is also difficult to predict the effect on Harmony's business of these problems or of the government's efforts to solve them.

Further, there has been regional political and economic instability in countries north of South Africa. As discussed above, any resulting political or economic instability in South Africa could have a negative impact on Harmony's ability to manage and operate its South African mines.

The results of Harmony's South African operations may be negatively impacted by inflation.

In the late 1980s and early 1990s, inflation in South Africa reached record highs. This increase in inflation resulted in considerable year over year increases in operational costs. By calendar 2001, the inflation rate had decreased to single-digit figures; however, the recent depreciation of the Rand has created inflationary pressure.

While Harmony’s operations have not in recent years been materially affected by inflation, a period of significant inflation in South Africa, without a concurrent devaluation of the Rand or an increase in the price of gold, could have a material adverse effect on Harmony’s profits and financial condition.

Harmony’s financial flexibility could be materially constrained by South African currency restrictions.

South Africa’s exchange control regulations provide for restrictions on exporting capital from South Africa, the Republic of Namibia, and the Kingdoms of Lesotho and Swaziland, known collectively as the Common Monetary Area. Transactions between South African residents (including corporations) and nonresidents of the Common Monetary Area are subject to these exchange control regulations which are enforced by the South African Reserve Bank, or the SARB. As a result, Harmony’s ability to raise and deploy capital outside the Common Monetary Area is restricted. In particular, Harmony:

- is generally not permitted to export capital from South Africa or to hold foreign currency without the approval of the South African exchange control authorities;
- is generally required to repatriate to South Africa profits of foreign operations; and
- is limited in its ability to utilize profits of one foreign business to finance operations of a different foreign business.

These restrictions could hinder Harmony’s normal corporate functioning. While exchange controls have been relaxed in recent years and are continuing to be so relaxed, it is difficult to predict whether or how the South African government will further relax the exchange control regulations in the future.

Since Harmony’s South African labor force has substantial trade union participation, Harmony faces the risk of disruption from labor disputes and new South African labor laws.

Due to the number of its South African employees that belong to unions, Harmony is at risk of having its production stopped for indefinite periods due to strikes and other labor disputes. Significant labor disruptions may have a material adverse effect on Harmony’s operations and financial condition. Harmony is not able to predict whether it will experience significant labor disputes in the future.

Harmony’s production may also be materially affected by labor laws. Since 1995, South African laws relating to labor have changed significantly in ways that affect Harmony’s operations. In particular, laws enacted since then that regulate work time, provide for mandatory compensation in the event of termination of employment for operational reasons and impose large monetary penalties for non-compliance with administrative and reporting requirements in respect of affirmative action policies could result in significant costs to Harmony. In addition, future South African legislation and regulations relating to labor may further increase Harmony’s costs or alter Harmony's relationship with its employees. There may continue to be significant changes in labor law in South Africa over the next several years. For example, amendments to South African labor law have recently been proposed that would, with effect from August 1, 2002, require mandatory consultation with labor in the event of retrenchments, transfers of businesses or insolvency.

AIDS poses risks to Harmony in terms of productivity and costs.

The incidence of AIDS in South Africa, which is forecast to increase over the next decade, poses risks to Harmony in terms of potentially reduced productivity and increased medical and other costs. Harmony currently estimates that the infection rate among Harmony's South African workforce is approximately 28%, a figure which Harmony believes is consistent with the overall infection rate in South Africa. Harmony expects that significant increases in the incidence of AIDS infection and AIDS-related diseases among its South African workforce over the next several years may adversely impact its operations and financial condition. Currently, Harmony expects that the cost of addressing AIDS infection and AIDS-related diseases among its South African workforce will grow to approximately $4.00 per ounce of gold by 2007. This expectation, however, is based on assumptions about, among other things, infection rates and treatment costs, which are subject to material risks and uncertainties beyond Harmony's control, as a result of which actual results may differ from Harmony's current expectation. Harmony is actively pursuing AIDS awareness campaigns with its South African workforce workforce and is also providing medical assistance and separation packages for employees who decide to leave their place of work and return home for care. See "Item 4. Information on the Company—Business—Regulatory and Environmental Matters—Health and Safety Matters."

Harmony's operations are subject to extensive government regulations.

The Mine Health and Safety Act.

In January 1997, the South African government introduced The Mine Health and Safety Act. This act is intended to encourage greater interaction between government regulators, labor representatives and mining companies with regard to health and safety matters. The act leaves room for self-regulation but also provides for strict control by the government. As part of Harmony's compliance with this act, Harmony has made progress in establishing risk management and medical surveillance systems at its South African operations to improve the safety performance of Harmony's workers. Harmony has also established the health and safety committees required by the act and has arranged for the elections of workplace representatives. To date, the cost of complying with these regulations has not been material. There can be no assurance, however, that any additional expenditure required for compliance with this act will not be material.

Mineral rights ownership.

On June 26, 2002, the South African parliament passed the Mineral and Petroleum Resources Development Act, or the Act. The Act will come into force on a date to be fixed by the President by proclamation in the Government Gazette. The principal objectives set out in the Act are:

- To recognize the internationally accepted right of the state of South Africa to exercise full and permanent sovereignty over all the mineral and petroleum resources within South Africa;
- To give effect to the principle of the State’s custodianship of the nation’s mineral and petroleum resources;
- To promote equitable access to South Africa’s mineral and petroleum resources to all the people of South Africa and redress the impact of past discrimination;
- To substantially and meaningfully expand opportunities for historically disadvantaged persons, including women, to enter the mineral and petroleum industry and to benefit from the exploitation of South Africa’s mineral and petroleum resources;
- To promote economic growth and mineral and petroleum resources development in South Africa;
- To promote employment and advance the social and economic welfare of all South Africans;
- To provide security of tenure in respect of prospecting, exploration, mining and production operations;
- To give effect to Section 24 of the South African Constitution by ensuring that South Africa’s mineral and petroleum resources are developed in an orderly and ecologically sustainable manner while promoting justifiable social and economic development;
- To follow the principle that mining companies keep and use their mineral rights, with no expropriation and with guaranteed compensation for mineral rights; and
- To ensure that holders of mining and production rights contribute towards socioeconomic development of the areas in which they are operating.

Under the Act, tenure over established operations will be secure for 30 years (and renewable for 30 years thereafter), provided that mining companies obtain new licenses over existing operations within five years of the date of enactment of the Act and fulfill requirements specified in a broad-based socioeconomic empowerment charter for the South African mining industry, or the Mining Charter.

The latest draft of the Mining Charter was released on October 11, 2002. The principles contained in the Mining Charter relate to the transfer, over a ten-year period, of 26% of South Africa's mining assets to historically disadvantaged South Africans, as defined in the Mining Charter. Under the Mining Charter, the South African mining industry has committed to securing financing to fund participation of historically disadvantaged South Africans 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 the 26% target participation. The Mining Charter requires programs for black economic empowerment and the promotion of value-added production, such as jewelry-making and other gold fabrication, in South Africa. The Mining Charter also sets out targets for broad-based black economic empowerment in the areas of human resources, skill development, employment equality, procurement and beneficiation. In addition, the Mining Charter addresses other socioeconomic issues, such as migrant labor, housing and living conditions.

Harmony actively carries out mining and exploration activities in all of its material mineral rights areas. Accordingly, Harmony will be eligible to apply for new licenses over its existing operations, provided that it complies with the Mining Charter. Harmony has begun taking steps to comply with the expected provisions of the Mining Charter, such as promoting value-added production, exploring black empowerment initiatives and increasing worker participation. Harmony is currently evaluating the impact that the Mining Charter may have with regard to its operations and no assurance can be given as to when the Mining Charter will be finalized or what the final form of the Mining Charter will contain. Harmony expects that there will be costs involved in complying with the Mining Charter, which may have an adverse impact on the profits generated by Harmony's operations in South Africa.

The Act also makes reference to royalties being payable to the state in terms of an Act of Parliament, known as the Money Bill, which is currently being drafted and is expected to be available for public comment in early 2003. The introduction of the Money Bill as law may have an adverse impact on the profits generated by Harmony's operations in South Africa. Harmony is currently evaluating the impact that the proposed Money Bill may have with regard to its operations and no assurance can be given as to whether or when the proposed Money Bill will be published for comment or enacted. For more information regarding the Act and the Money Bill, see "Item 4. Information on the Company—Business—Regulatory and Environmental Matters—Mineral Rights."

In Australia, most mineral rights belong to the government, and mining companies must pay royalties to the government based on production. There are, however, limited areas where the government granted freehold estates without reserving mineral rights. Harmony's subsidiary New Hampton has freehold ownership of its Jubilee mining areas, but the other mineral rights in Harmony's Australian operations belong to the Australian government and are subject to royalty payments. In addition, current Australian law generally requires native title approval to be obtained before a mining license can be granted and mining operations can commence. New Hampton and Hill 50 have approved mining leases for most of their reserves, including all reserves that are currently being mined, and Bendigo has an approved mining license for its current development area. If New Hampton, Hill 50 or Bendigo desired to expand operations into additional areas under exploration, these operations would need to convert the relevant exploration licenses prior to commencing mining, and that process could require native title approval. There can be no assurance that any approval would be received.

Harmony is subject to extensive environmental regulations.

As a gold mining company, Harmony is subject to extensive environmental regulation. Harmony has experienced and expects to continue to experience increased costs of production arising from compliance with South African environmental laws and regulations. The Minerals Act, the regulations promulgated under the Minerals Act, certain other environmental legislation and the administrative policies of the South African government all regulate the impact of Harmony’s 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 in South Africa, Harmony will remain liable for compliance with the provisions of the Minerals Act, including any rehabilitation obligations. This liability will continue until such time as the South African Department of Minerals and Energy certifies that Harmony has complied with the provisions of the Minerals Act.

Currently, Harmony provides for environmental liabilities by contributing to environmental trust funds. While Harmony believes that its current provision for compliance with South African environmental laws and regulations is reasonable, any future changes and development in environmental regulation may adversely affect its operations. In the future, Harmony may incur significant costs associated with complying with more stringent requirements imposed under new legislation and regulations. This may include the need to increase and accelerate expenditure on environmental rehabilitation, and alter provisions for this expenditure, which could have a material adverse effect on Harmony’s results and financial condition.

The South African government is currently reviewing requirements imposed upon mining companies to ensure environmental restitution. For example, with 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 National Water Act 36 of 1998 and the National Environmental Management Act 107 of 1998, both of 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 wastes, the pollution of ground and ground water systems and the duty to rehabilitate closed mines may result in additional costs and liabilities to Harmony.

Harmony’s Australian operations must comply with mining lease tenement conditions set by the Department of Minerals and Energy, the Mining Act (1978), the Department of Environmental Protection operating licenses, and water abstraction licenses issued by the Water and Rivers commission for each of its sites. Harmony’s Australian operations must also comply with numerous environmental acts and bills. As a result, Harmony must make provisions for mining rehabilitation whenever mining is commenced at a new site in Australia. While Harmony believes that its current provision for compliance with such requirements is reasonable, any future changes and development in Australian environmental laws and regulations may adversely affect these Australian operations.

Bendigo operates tenements granted under the Victorian Mineral Resources Development Act (1990), administered by the Department of Natural Resources and Environment. Operations that involve a deliberate discharge to the environment are subject to the Victorian Environment Protection Authority. Conditions attached to approvals include requirements for environmental management, monitoring and protection. While Bendigo has made allowances for the expected costs of complying with these conditions, any future changes and development in Australian environmental laws and regulations may increase these costs.

Harmony’s subscription agreement with Simane Investments (Proprietary) Limited, or Simane, has resulted in Simane acquiring a significant number of Harmony’s shares and related influence.

Simane, a South African empowerment group, acquired 10,958,982 ordinary shares, representing approximately 6.2% of Harmony’s voting share capital, under subscription agreements described in “Item 7. Major Shareholders and Related Party Transactions.” South African companies commonly have a shareholder who owns a position in their stock of more than 20%. As the largest shareholder of Harmony, Simane could influence the outcome of matters requiring shareholder approval, including the election of Harmony’s directors and the approval of significant corporate transactions, including business combinations.

The sale of a significant position in a company’s shares may affect the market price of its shares. As a consequence, Harmony’s agreement with Simane provides that, except as provided in the agreement, Simane will not have the right to dispose of or transfer any of the ordinary shares acquired under the agreement for a period of 18 months from the September 7, 2001 effective date of the agreement, and provides that Simane will not enter into any arrangement or transaction that may have the same or similar effect. See “Item 7. Major Shareholders and Related Party Transactions—Major Shareholders.”

Because the principal non-United States trading market for Harmony’s ordinary shares is the JSE Securities Exchange South Africa, investors face liquidity risk in the market for Harmony’s ordinary shares.

The principal non-United States trading market for Harmony’s ordinary shares is the JSE Securities Exchange South Africa, or the JSE. Historically, trading volumes and liquidity of shares listed on the JSE have been low in comparison with other major markets. The ability of a holder to sell a substantial number of Harmony’s ordinary shares on the JSE in a timely manner, especially with regard to a large block trade, may be restricted by the limited liquidity of shares listed on the JSE.

Harmony may not pay cash dividends to its shareholders in the future.

It is the current policy of Harmony’s Board of Directors, or the Board, to declare and pay cash dividends if profits and funds are available for that purpose. Whether funds are available depends on a variety of factors, including the amount of cash available and Harmony's capital expenditures and other cash requirements existing at the time. Under South African law, cash dividends may only be paid out of the profits of Harmony. No assurance can be given that cash dividends will be paid in the future.

Harmony's non-South African shareholders face additional investment risk from currency exchange rate fluctuations since any dividends will be paid in Rand.

Dividends or distributions with respect to Harmony's ordinary shares have historically been paid in Rand. The U.S. dollar equivalent of any dividends or distributions with respect to Harmony's ordinary shares will be adversely affected by potential future reductions in the value of the Rand against the U.S. dollar. In fiscal 2002, the value of the Rand relative to the U.S. dollar decreased by an average of 34%.

Because Harmony has a significant number of outstanding options and warrants, its ordinary shares are subject to dilution.

As of December 13, 2002, Harmony had an aggregate of 250,000,000 ordinary shares authorized to be issued and at that date an aggregate of 174,560,203 ordinary shares were issued and outstanding. In addition, as of December 13, 2002, warrants to purchase a total of 4,219,642 ordinary shares in this offering at an exercise price of Rand 43.00 per share or the U.S. dollar equivalent, subject to adjustment as described in this annual report, on or before June 29, 2003 were outstanding.

Harmony also has an employee share option plan. The employee share option plan in effect prior to November 16, 2001 permitted the granting of options in an amount up to an aggregate of 10% of the number of Harmony ordinary shares outstanding as of the date of the grant. With effect from November 16, 2001, this plan was replaced by a plan authorizing the granting of options to purchase up to an aggregate of 8,000,000 ordinary shares (in addition to any previously granted options that remain outstanding under the previous plan). As of December 13, 2002, options to purchase a total of 7,329,200 ordinary shares were outstanding, 5,613,300 of which were granted under the current plan and 1,715,900 of which were granted under the previous plan. The exercise prices of these options vary between Rand 11.70 and Rand 49.60.

As a result, shareholders' equity interests in Harmony are subject to dilution to the extent of future exercises of these warrants and options.

Prior to June 2001, there was no trading market for Harmony's warrants, there is currently only a limited trading market for the warrants and there can be no assurance that an active trading market will be sustained in the future.

Prior to the global offering, in June 2001, of Harmony's ordinary shares and warrants, there was no trading market for the warrants. The warrants are currently listed on the JSE and The Nasdaq Stock Market, but there is only a limited trading market for the warrants and the liquidity of the market, if any, achieved through these listings may be limited. There can be no assurance that an active trading market will develop or be sustained prior to June 29, 2003 when the warrants expire.

A holder’s ability to exercise Harmony’s warrants would be impaired if Harmony is unable to maintain a current registration statement or prospectus or if applicable state securities laws restrict the holder’s ability to exercise warrants.

Any exercise of Harmony’s warrants must be made pursuant to an effective registration statement and prospectus that must cover the ordinary shares and ADSs issuable upon exercise and that must, at the time of exercise, be current regarding material developments with respect to Harmony and its operations. Harmony will endeavor to maintain an effective and current registration statement and prospectus throughout the exercise period for the warrants. If, however, Harmony is not able to maintain a current registration statement or prospectus, a black-out period will be imposed and the warrants will not be exercisable unless and until the registration statement and prospectus are made current. Moreover, holders of the warrants may not be able to transfer or exercise their warrants if they or their intended transferees reside in a state whose securities laws do not permit such transactions.

The terms of Harmony’s warrants and the warrant agency agreement do not impose limits on the frequency or duration of black-out periods.

The desirability of exercising Harmony’s warrants will depend upon the market price for Harmony’s ordinary shares.

To exercise their warrants, holders will be charged Rand 43.00 per ordinary share or, except as described in this annual report, the U.S. dollar equivalent determined as described in this annual report, subject to adjustment from time to time. Consequently, exercise of the warrants is attractive only if and when the market price of Harmony’s ordinary shares is greater than this exercise price. Therefore, a holding in the warrants is subject to the risks generally applicable to a holding in the ordinary shares.

The warrants expire on June 29, 2003.

Any warrant not exercised before 5:00 pm (Johannesburg time) on June 29, 2003 will become void and all rights of the warrantholders under the warrants and the warrant agency agreement will cease.