HARMONY GOLD MINING CO LTD
Form 20-F
December 17, 2003

As filed with the Securities and Exchange Commission on December 17, 2003
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 20-F
ANNUAL REPORT PURSUANT TO SECTION 13 OF THE
SECURITIES EXCHANGE ACT OF 1934,
for the fiscal year ended June 30, 2003
Commission File Number: 001-31545
Harmony Gold Mining Company Limited
(Exact name of registrant as specified in its charter)
Republic of South Africa
(Jurisdiction of incorporation or organization)
Suite No. 1
Private Bag X1
Melrose Arch, 2076
South Africa
(Address of principal executive offices)
Securities registered or to be registered pursuant to Section 12(b) of the Act: None
Securities registered or to be registered pursuant to Section 12(g) of the Act:
Ordinary shares, with nominal value Rand 50 cents per share*
(Title of Class)
American Depositary Shares (as evidenced by American Depositary Receipts),
each representing one ordinary share
(Title of Class)
Warrants, each to purchase one ordinary share
(Title of Class)
* Not for trading, but only in connection with the registration of American Depositary Shares,
pursuant to the requirements of the Securities and Exchange Commission.
Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None
The number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the last full fiscal year covered by this Annual Report was:
184,854,115 ordinary shares, with nominal value of Rand 50 cents per share
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days:
Yes X
No _

Indicate by check mark which financial statement item the registrant has elected to follow:
Item 17 _ Item 18 X
\

TABLE OF CONTENTS

PART I			1
Item 1 *Identity of Directors, Senior Management and Advisers*			1
Item 2 *Offer Statistics and Expected Timetable*			1
Item 3 *Key Information*			1
	SELECTED FINANCIAL DATA		1
	EXCHANGE RATES		3
	CAPITALIZATION AND INDEBTEDNESS		3
	REASONS FOR THE OFFER AND USE OF PROCEEDS		3
	RISK FACTORS		3
Item 4 *Information on the Company*			16
	BUSINESS		16
		Introduction	16
		History	17
		Strategy	23
		Hedge Policy	27
		Description of Mining Business	28
		Harmony's Management Structure	31
		Exploration	32
		Capital Expenditures	35
		Description of Property	36
		Geology	39
		Reserves	39
		Harmony's Mining Operations	41
	REGULATION		96
		Mineral Rights	96
		Environmental Matters	99
		Health and Safety Matters	101
Item 5 *Operating and Financial Review and Prospects*			103
	OVERVIEW		103
	CRITICAL ACCOUNTING POLICIES		105
	RESULTS OF OPERATIONS		113
		Years ended June 30, 2003 and 2002	113
		Years ended June 30, 2002 and 2001	121
	LIQUIDITY AND CAPITAL RESOURCES		128
		Cash Resources	129
		Sales of Equity Securities	133
		Contractual Obligations and Commercial Commitments	133
		Trend Information	136
		Working Capital and Anticipated Financing Needs	137

OTHER FINANCIAL INFORMATION		137
	Export Sales	137
Item 6 *Directors, Senior Management and Employees*		138
DIRECTORS AND SENIOR MANAGEMENT		138
BOARD PRACTICES		147
COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT		150
EMPLOYEES		153
	General	153
	Unionized Labor	154
	Share Option Scheme	156

	Share Purchase Scheme	157
Item 7 *Major Shareholders and Related Party Transactions*		157
MAJOR SHAREHOLDERS		157
RELATED PARTY TRANSACTIONS		159
INTERESTS OF EXPERTS AND COUNSEL		161
Item 8 *Financial Information*		161
CONSOLIDATED STATEMENTS		161
OTHER FINANCIAL INFORMATION		161
	Export Sales	161
	Legal Proceedings	161
	Dividends and Dividend Policy	162
SIGNIFICANT CHANGES		163
Item 9 *The Offer and Listing*		165
MARKETS		165
OFFERING AND LISTING DETAILS		165
THE JSE SECURITIES EXCHANGE SOUTH AFRICA		166
PLAN OF DISTRIBUTION		168
SELLING SHAREHOLDERS		168
DILUTION		168
EXPENSES OF THE ISSUE		168
Item 10 *Additional Information*		169
SHARE CAPITAL		169
MEMORANDUM AND ARTICLES OF ASSOCIATION		169
	General	169
	Objects and Purposes	169
	Directors	170
	Share Capital	172
	Variation of Rights	177
	Changes in Capital or Objects and Powers of Harmony	177
	Meetings of Shareholders	178
	Title to Shares	179
	Non-South African Shareholders	180
	Disclosure of Interest in Shares	180
	Changes in Control	180
	Register of Members	180
	Annual Report and Accounts	181
MATERIAL CONTRACTS		181
EXCHANGE CONTROLS		181
CERTAIN SOUTH AFRICAN TAX CONSIDERATIONS		183
CERTAIN UNITED STATES FEDERAL INCOME TAX		185

	CONSIDERATIONS	
	DIVIDENDS AND PAYING AGENTS	187
	STATEMENTS BY EXPERTS	187
	DOCUMENTS ON DISPLAY	187
	SUBSIDIARY INFORMATION	188
Item 11 *Quantitative and Qualitative Disclosures About Market Risk*		189
Item 12 *Description of Securities Other than Equity Securities*		197
	GLOSSARY OF MINING TERMS	198
PART II		206
Item 13 *Defaults, Dividend Arrearages and Delinquencies*		206
Item 14 *Material Modifications to the Rights of Securityholders and Use of Proceeds*		206
	MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS	206

	USE OF PROCEEDS	207
Item 15 *Controls and Procedures*		207
Item 16 *[Reserved]*		207
Item 16A *Audit Committee Financial Expert*		207
Item 16B *Code of Ethics*		208
PART III		209
Item 17 *Financial Statements*		209
Item 18 *Financial Statements*		209
Item 19 *Exhibits*		210
	SIGNATURES	213
	CERTIFICATIONS	214

Defined terms

Harmony Gold Mining Company Limited is a corporation organized under the laws of the Republic of South Africa. As used in this Annual Report on Form 20-F, or this annual report, unless the context otherwise requires, the term "Harmony" refers to Harmony Gold Mining Company Limited; the term "South Africa" refers to the Republic of South Africa; the terms "we," "us" and "our" refer to Harmony and, as applicable, its direct and indirect subsidiaries as a group; the terms "South African Government" and "Government" refer to the government of South Africa and, where the context requires, include the South African state.

In this annual report, references to "R", "Rand", and "c", "cents" are to the South African Rand, the lawful currency of South Africa, "A$" refers to Australian dollars, "C$" refers to Canadian dollars, "GBP" refers to British Pounds Sterling and references to "$" and "U.S. dollars" are to United States dollars.

This annual report contains information concerning the gold reserves of Harmony. While this annual report has been prepared in accordance with the definitions contained in Securities and Exchange Commission Guide 7, it is based on assumptions which may prove to be incorrect. See "Item 3. Key Information--Risk Factors--Harmony's gold reserve figures may yield less gold under actual production conditions than Harmony currently estimates."

This annual report contains descriptions of gold mining and the gold mining industry, including descriptions of geological formations and mining processes. We have explained some of these terms in the glossary included in this annual report. This glossary may assist you in understanding these terms.

Forward-looking statements

This annual report contains forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995 with respect to Harmony's financial condition, results of operations, business strategies, operating efficiencies, competitive positions, growth opportunities for existing services, plans and objectives of management, markets for stock and other matters. In particular, among other statements, certain statements in "Item 4. Information on the Company," "Item 5. Operating and Financial Review and Prospects" and "Item 11. Quantitative and Qualitative Disclosures About Market Risk" are forward-looking in nature. Statements in this annual report that are not historical facts are "forward-looking statements" for the purpose of the safe harbor provided by Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended.

These forward-looking statements, including, among others, those relating to the future business prospects, revenues and income of Harmony, wherever they may occur in this annual report and the exhibits to this annual report, are necessarily estimates reflecting the best judgment of the senior management of Harmony and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. As a consequence, these forward-looking statements should be considered in light of various important factors, including those set forth in this annual report. Important factors that

could cause actual results to differ materially from estimates or projections contained in the forward-looking statements include, without limitation:

- overall economic and business conditions in South Africa and elsewhere;
- the ability to achieve anticipated efficiencies and other cost savings in

connection with past and future acquisitions;

- decreases in the market price of gold;
- the occurrence of hazards associated with underground and surface gold

mining;

- the occurrence of labor disruptions;
- availability, terms and deployment of capital;
- changes in government regulation, particularly environmental regulation;
- fluctuations in exchange rates, currency devaluations and other

macroeconomic monetary policies; and

- political instability in South Africa and regionally.

Harmony undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this annual report or to reflect the occurrence of unanticipated events.

Presentation of financial information

Harmony is a South African company and the majority of its operations are located there. Accordingly, its books of account are maintained in South African Rand and its annual and interim financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice, or S.A. GAAP, as prescribed by law and are based on International Financial Reporting Standards. Harmony also prepares annual financial statements in accordance with generally accepted accounting principles in the United States which are translated into U.S. dollars. The financial information included in this annual report has been prepared in accordance with United States Generally Accepted Accounting Principles, or U.S. GAAP, and is presented in U.S. dollars. Unless otherwise stated, balance sheet item amounts are translated from Rand to U.S. dollars at the exchange rate prevailing on the last business day of the period (Rand 7.51 per $1.00 as at June 30, 2003), except for specific items included within shareholders' equity that are converted at the exchange rate prevailing on the date the transaction was entered into, and income statement item amounts are translated from Rand to U.S. dollars at the average exchange rate for the period (Rand 9.13 per $1.00 for fiscal 2003).

For the convenience of the reader, certain information in this annual report presented in Rand, A$, C$ and has been translated into U.S. dollars. By including convenience

v

currency translations in this annual report, we are not representing that the Rand, A$, C$ and amounts actually represent the U.S. or Australian dollar amounts, as the case may be, shown or that these amounts could be converted in U.S. or Australian dollars, as the case may be, at the rates indicated. Unless otherwise stated, the conversion rate for translations from Rand amounts into U.S. dollar amounts is Rand 6.52 per $1.00, which was the noon buying rate on December 10, 2003.

PART I

Item 1. ***Identity of Directors, Senior Management and Advisers***

Not applicable.

Item 2. ***Offer Statistics and Expected Timetable***

Not applicable.

Item 3. ***Key Information***

SELECTED FINANCIAL DATA

The selected consolidated financial data below should be read in conjunction with, and are qualified in their entirety by reference to, our consolidated financial statements and the notes thereto included elsewhere in this annual report.

Selected Historical Consolidated Financial Data

The following selected historical consolidated financial data for the last five fiscal years has been extracted from the more detailed information and financial statements, including Harmony's audited consolidated financial statements for each of the years in the three years ended June 30, 2003 and at June 30, 2002 and 2001 and the related notes, which appear elsewhere in this annual report. The historical consolidated financial data at June 30, 1999, 2000 and 2001, and for each of the years in the two years ended June 30, 1999 and 2000, has been extracted from Harmony's audited consolidated financial statements not included in this annual report.

The audited financial information included in this annual report has been prepared in accordance with U.S. GAAP.

Fiscal year ended June 30,										
2003	**2002**	**2001**	**2000**	**1999**						
(in $ thousands, except per share amounts)										
Income statement data										
Revenues	782,945	696,840	607,220	490,651	381,412					
Operating income	182,046	206,375	88,424	72,971	64,878					
Equity income of joint venture	52,843	13,176	-	-	-					
Equity income/(loss) of associate companies.....	(1,233)	(473)	-	1,401						
Income before taxes and minority interests	97,515	103,659	29,804	73,489	30,199					
Minority interests	(468)	(1,575)	(349)	(2,910)	-					
Income/ (loss) before cumulative effect of change in accounting principle.....	71,792	87,716	14,830	57,030	27,908					
Cumulative effect of change in accounting principle, net of tax	14,770	-	(5,822)	-						

-
Net
income
..... 86,562 87,716 9,008
57,030 27,908
Basic earnings per share ($) before cumulative
effect of change in accounting principle .....
0.40
0.57
0.15
0.68
0.42
Basic earnings per share ($) .....
0.49
0.57
0.09
0.68
0.42
Diluted earnings per share before cumulative
effect of change in accounting principle .....
0.39
0.53
0.14
0.67
0.41
Diluted earnings per share .....
0.47
0.53
0.09
0.67
0.41
Weighted average number of shares used in
the computation of basic earnings per share ..
177,954,245
153,509,862
102,156,205
83,593,424
66,843,932
Weighted average number of shares used in the
computation of diluted earnings per share .....
182,721,629
165,217,088
105,504,328
85,590,876
68,070,172
Cash dividends per share ($).....
0.57
0.07
0.16
0.19
0.18

Cash dividends per share (R) .....
5.50
0.75
1.20
1.20
1.10

Other financial data

Cash dividends per share ($)
1
..... 0.20 0.41
-
-
-

Cash dividends per share (R)
1
..... 1.50 4.25
-
-
-

Cash cost per ounce of gold ($/oz)
2
..... 253 196 234 245 239

1
Reflects dividends related to fiscal 2003 and 2002 that were declared on August 1, 2003 and August 2, 2002, respectively.

2
Harmony has calculated cash costs per ounce by dividing total cash costs, as determined using the Gold Institute industry standard, by gold ounces sold for all periods presented. The Gold Institute is a non-profit international association of miners, refiners, bullion suppliers and manufacturers of gold products that has developed a uniform format for reporting production costs on a per ounce basis. The standard was first adopted in 1996 and was revised in November 1999. Cash costs, as defined in the Gold Institute standard, include mine production costs, transport and refinery costs, general and administrative costs, costs associated with movements in production inventories and ore stockpiles, costs associated with transfers to deferred stripping and costs associated with royalties. Cash costs have been calculated on a consistent basis for all periods presented. Changes in cash costs per ounce are affected by operational performance, as well as changes in the currency exchange rate between the Rand and the U.S. dollar. Cash costs per ounce is not a U.S. GAAP measure. Cash costs per ounce should not be considered by investors in isolation or as an alternative to net income, income before tax, operating cash flows or any other measure of financial performance presented. While the Gold Institute has provided a definition for the calculation of cash costs per ounce, the calculation of cash costs per ounce may vary from company to company and may not be comparable to other similarly titled measures of other companies. However, Harmony believes that cash costs per ounce is a useful indicator to investors and management of a mining company's performance as it provides (1) an indication of a company's profitability and efficiency, (2) the trends in costs as the company's operations mature, (3) a measure of a company's gross margin per ounce, by

comparison of cash costs per
ounce to the spot price of gold and (4) an internal benchmark of performance to allow for comparison against other companies.

At June 30,				
2003	**2002**	**2001**	**2000**	**1999**
(in $ thousands)				
Balance sheet data				
Cash and cash equivalents.....				
189,040				
90,223				
144,096				
77,942				
45,318				
Short-term investments				
-				
-				
-				
-				
10,744				
Other current assets				
146,709				
109,397				
136,794				
59,582				
32,071				
Property, plant and equipment - net				
806,799				
812,753				
667,113				
557,725				
347,036				
Intangible assets.....				
314,793				
-				
-				
-				
-				
Restricted cash.....				
-				
-				
-				
7,310				
-				
Investments in associates				
63,782				
42,791				
-				
-				
-				
Investment in joint venture				
272,754				

102,578
-
-
-
Other long-term assets .....
89,183
137,399
81,822
69,629
9,244
Total assets .....
1,883,060
1,295,141
1,029,825
772,188
444,413
Current
liabilities..... 173,890 138,677 152,886
150,148 70,583
Provision for environmental rehabilitation .....
62,977
63,125
53,136
52,525
33,811
Deferred income and mining taxes .....
209,628
99,789
47,050
48,686
28,442
Provision for post-retirement benefits .....
1,017
737
1,002
3,709
5,793
Deferred financial liability .....
37,228
87,226
49,374
40,174
-
Long-term loans .....
301,572
152,461
151,466
46,635
14,024
Preference shares.....
-

-
681
-
-
Minority interest.....
18,408
-
331
-
-
Shareholders' equity.....
1,078,340 753,126 573,899 430,311 291,760
Total liabilities and shareholders' equity.....
1,883,060
1,295,141
1,029,825
772,188
444,413
2

EXCHANGE RATES

Unless otherwise stated, balance sheet item amounts are translated from Rand to U.S. dollars at the exchange rate prevailing on the last business day of the period (Rand 7.51 per $1.00 as at June 30, 2003), except for specific items included within shareholders' equity that are converted at the exchange rate prevailing on the date the transaction was entered into, and income statement item amounts are translated from Rand to U.S. dollars at the average exchange rate for the period (Rand 9.13 per $1.00 for fiscal 2003).

As of December 10, 2003, the noon buying rate per $1.00 was Rand 6.52.

The following table sets forth, for the past five fiscal years, the average and period end noon buying rates in New York City for cable transfers in Rand and, for the past six months, the high and low noon buying rates in New York City for cable transfers in Rand, in each case, as certified for customs purposes by the Federal Reserve Bank of New York for Rand expressed in Rand per $1.00.

Fiscal year ended June 30,	**Average 1**	**Period End**
1999	06.04	6.04
2000	6.35	6.79
2001	7.61	8.04
2002	10.20	10.39
2003	9.13	7.51
Month of	**High**	**Low**
July 2003	7.80	7.36
August 2003	7.51	7.25
September 2003	7.55	6.92
October 2003	7.20	6.85
November 2003	6.99	6.37
December 2003 (through December 10, 2003)	6.52	6.26

_____

1 The average of the noon buying rates on the last day of each full month during the relevant period.

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 to this annual report, you should carefully consider the following factors related to an investment in Harmony's ordinary shares, ADSs and 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.

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 lower rand revenues.

The Rand appreciated significantly against the U.S. dollar during most of calendar 2003 following 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. If the appreciation experienced during this recent period continues, it will 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 $180 million at an average exchange rate of Rand 11.20 per U.S. dollar. These forward exchange contracts expired on December 31, 2002 and were not renewed. Harmony has not entered into any such forward exchange contracts since then. See "Item 11. Quantitative and Qualitative Disclosures About Market Risk Foreign Currency Sensitivity."

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:

Year	**Price per Ounce ($)**	
	Average	
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 .....
332
278
309
2003 .....(through December 10, 2003)
412
322
361
High **Low**

On June 30, 2003, the afternoon fixing price of gold on the London Bullion Market was $346 per ounce. On December 10, 2003, the afternoon fixing price of gold on the London Bullion Market was $410.00 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 $253 in fiscal 2003, $196 in fiscal 2002 and $234 in fiscal 2001.

5

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, more recently, 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. During fiscal 2003 a significant portion of these inherited hedge agreements were closed out, at a cost of US$ 8.6 million. The outstanding agreements are now treated as speculative and the mark-to-market movement will be reflected in the income statement. 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--Commodity Price Sensitivity." In general, hedging in this manner reduces the risk of exposure to volatility in the gold 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 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 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. For the 2003 financial year, no reserves were declared for the Big Bell mine as no economical ore was available, and the mine was in the last phases of closure. 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:

7

- 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, 2003, Harmony's mining operations reported total proven and probable reserves of approximately 50.0 million ounces, which includes Abelle 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.

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. 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.

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.

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.

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. Harmony fully supports government policies aimed at redressing the disadvantages suffered by the majority of citizens under previous governments and recognize that in order to implement these policies, Harmony's operations and profits may be impacted. 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.

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 0.8% in 1998, 2.0% in 1999, 3.5% in 2000, 2.8% in 2001 and 3.0% in 2002. 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. Due to appreciation of the Rand against the U.S. dollar during fiscal 2003, rates have decreased significantly and as of December 10, 2003, the rate was approximately 12%.

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.

Harmony's operations have not in recent years been materially affected by inflation, however, Harmony's profits and financial condition could be affected adversely in the absence of a concurrent devaluation of the Rand and an increase in the price of gold.

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. As a result, Harmony's ability to raise and deploy capital outside South Africa 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 has experienced strikes in the past from time to time, and it is not able to predict whether it will experience significant labor disputes in the future.

Harmony's production has been and continues to be 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 were enacted in 2002, that require mandatory consultation with labor in the event of retrenchments, transfers of businesses or insolvency. See "Item 6. Directors, Senior Management and Employees Employees Unionized Labor."

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

The incidence of HIV/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 HIV/AIDS infection and HIV/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 HIV/AIDS infection and HIV/AIDS-related diseases among its South African workforce will grow to approximately $4 per ounce of gold by 2007. Harmony currently spends $2 per ounce produced on HIV/AIDS-related illnesses. 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 HIV/AIDS awareness campaigns with its South African 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--Regulation--Health and Safety Matters."

Harmony's operations are subject to extensive government regulations.

Harmony and its subsidiaries operate in a highly regulated industry. The legislation governing Harmony covers broad areas including health and safety, mineral rights ownership and socioeconomic development, and the scope of the principal legislation continues to change. In particular, in January, 1997 the South African government introduced the Mine Health and Safety Act and in October, 2002, it introduced the Mineral and Petroleum Resources Development Act. Compliance with these acts are of fundamental importance to the operation of Harmony's business and the impact and potential costs for Harmony of changes in any of these laws is uncertain. For example, the South African parliament has recently introduced a bill, known as the Royalty Bill, which may require royalties to be paid to the government. This proposed legislation may have an adverse impact on the profits generated by Harmony. See "Item 4. Information of the Company - Regulation."

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. See "Item 4. Information on the Company Regulation."

Currently, Harmony provides for environmental liabilities by contributing to environmental trust funds. 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. See "Item 4. Information on the Company Regulation."

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.

The principal 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.

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

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

As of June 30, 2003, Harmony had an aggregate of 250,000,000 ordinary shares authorized to be issued, which was increased to 350,000,000 at a shareholders' meeting held on September 1, 2003. On June 30, 2003 an aggregate of 184,854,115 ordinary shares were issued and outstanding. Harmony's employee share option plans permit the granting of options in an amount up to an aggregate of 14% of the number of Harmony ordinary shares outstanding as of the date of the grant. As of June 30, 2003, options to purchase a total of 7,682,900 ordinary shares were outstanding. Additional options will be granted to employees and directors who joined Harmony subsequent to the ARMgold merger. The exercise prices of the options currently vary between Rand 11.70 and Rand 93.00. As a result, shareholders' equity interests in Harmony are subject to dilution to the extent of future exercises of these options.

Item 4. Information on the Company

BUSINESS

Introduction

Harmony and its subsidiaries conduct underground and surface gold mining and related activities, including exploration, processing, smelting and refining. Harmony expects to become the largest producer of gold in South Africa in fiscal year 2004, producing some 30% of the country's gold, and the fifth largest gold producer in the world. As at June 30, 2003, Harmony's mining operations reported total proven and probable reserves of approximately 50.0 million ounces, which includes ounces attributable to Abelle and Harmony's 50% interest in the Free Gold Company.

In fiscal 2003, Harmony processed approximately 31.128 million tons of ore and sold 2,943,830 ounces of gold, which includes Harmony's 50% interest in the sales by the Free Gold Company.

The gold market is relatively deep and liquid, with the price of gold generally quoted in U.S. dollars. The demand for gold is primarily for fabrication purposes and bullion investment. The purchase and sale of gold takes place around the globe in all sizes and forms.

Harmony's principal mining operations are located in South Africa and Australia.

Harmony also has a gold mining operation in the Manitoba Province of Canada, production at which was suspended in the quarter ended September 30, 2001 due to mining operations being uneconomical at then-current gold prices.

Harmony conducts its mining operations through various subsidiaries. As of June 30, 2003, Harmony's significant subsidiaries were Randfontein Estates Limited, Evander Gold Mines Limited, and Harmony Gold (Australia) (Pty) Limited. Randfontein Estates Limited and Evander Gold Mines Limited are wholly-owned direct subsidiaries incorporated in South Africa. Hill 50 Limited is a wholly-owned indirect subsidiary of Harmony incorporated in Australia.

In addition, Harmony also has made several strategic investments in mining companies within and outside South Africa. In December 2001, Harmony acquired ordinary shares representing approximately 31.8% of the outstanding share capital of Bendigo, a single project Australian gold mining development company. In May and June 2002, Harmony acquired ordinary shares representing approximately 32.5% of the outstanding share capital of Highland Gold, a privately held company organized under the laws of Jersey, Channel Islands, which holds Russian gold mining assets and mineral rights, including an operating mine and development projects*

In November 2002, Harmony acquired ordinary shares representing approximately 21% of the outstanding share capital of High River, a company organized under the laws of Ontario, Canada that is listed on the Toronto Stock Exchange and holds gold mining assets in Russia, Canada and West Africa.

*

*

Harmony sold its interests in Highland Gold and High River after the 2003 fiscal year end for a combined pre-tax gain of approximately R528.2 million. See "Item 8. Financial Information Significant Changes."

In South Africa, Harmony and its subsidiaries (excluding the Free Gold Company) have nine operating shafts in the Free State Province, five operating shafts at Evander in the Mpumalanga Province, four operating shafts at Randfontein in the Gauteng Province, an open cast mine at Kalgold in the North West Province,

**

and two production shaft units at Elandskraal in the North West and Gauteng provinces consisting of six shafts (two of which are sub-vertical shafts). The Free Gold Company (in which Harmony had a 50% interest as of the end of fiscal 2003 and which became a wholly-owned subsidiary of Harmony since the merger with ARMgold was concluded) on September 22, 2003) has eleven operating shafts in the Free State Province.

Harmony's Australian operations include three operations in Western Australia: Big Bell (acquired in the New Hampton transaction), Mt. Magnet (acquired in the Hill 50 transaction) and South Kalgoorlie (including Jubilee, acquired in the New Hampton transaction, and New Celebration, acquired in the Hill 50 acquisition). Underground and surface mining is conducted at each of these Australian operations, with underground access through one decline at Big Bell, two declines at Mt. Magnet and one decline at South Kalgoorlie and surface access principally through open pits.

In fiscal 2003, the combined gold sales of Harmony (including Abelle, but excluding the Free Gold Company) were 2,366,116 ounces. During Harmony's fiscal 2003, sales from the Free Gold assets amounted to 1,155,428 ounces of gold, of which 577,714 was attributable to Harmony. Because Harmony equity accounts for its 50% interest in the Free Gold Company, sales from the Free Gold assets are not included in Harmony's sales figures in this annual report. For more information on Harmony's consolidation policy, see note 2(b) to the consolidated financial statements.

Ore from the shafts and surface material are treated at fourteen metallurgical plants in South Africa (three at the Free State operations, two at Elandskraal, two at Evander, two at Randfontein, one at Kalgold

**

and four at the Free Gold Company) and at four metallurgical plants in Australia (one at Big Bell, one at Mt. Magnet and two at South Kalgoorlie). Harmony received regulatory approval in 1997 to market its own gold, a function that was previously the sole preserve of the SARB. A refinery was commissioned by Harmony during fiscal 1997 in the Free State Province at South Africa. Harmony increased the capacity of this refinery in fiscal 2002, as a result of which Harmony has the capacity to refine all of its gold produced in South Africa.

History

Harmony Gold Mining Company Limited was incorporated and registered as a public company in South Africa on August 25, 1950. Harmony's principal executive offices are located at 4 The High Street, First Floor, Melrose Arch, Melrose North 2196, South Africa and the telephone number at this location is +27-11-684-0140. Harmony operates under a variety of statutes and regulations. To learn more about these statutes and regulations, see "Item 4. Information on the Company--Regulation" and "Item 10. Additional Information--Memorandum and Articles of Association."

**

Harmony entered into an agreement to dispose of its Kalgold operations after the end of the 2003 fiscal year for a consideration of R275 million. See "Item 8. Financial Information - Significant Changes."

Commercial gold mining in South Africa evolved with the establishment of various mining houses at the beginning of the 1900s by individuals who bought and consolidated blocks of claims until sufficient reserves could be accumulated to sustain underground mining. The mines were then incorporated, but it was not the practice of the founding mining house to retain a majority shareholding. Instead, the mining house would enter into a management agreement with the mine pursuant to which the mining house would carry out certain managerial, administrative and technical functions pursuant to long-term contracts. Fees were generally charged based on revenues, working costs or capital expenditures, or a combination of all three, without regard to the cost or the level of services provided.

Harmony was operated as a mining operation in this manner and the mining house Randgold & Exploration Company Limited, or Randgold, retained the management agreement. In late 1994, Randgold cancelled the management agreement and entered into a service agreement with Harmony to supply executive and administrative services at market rates. In 1997, Harmony and Randgold terminated their service agreement and Harmony began operating as a completely independent gold mining company.

Harmony's operations have grown significantly since 1995. Since 1995, Harmony has expanded from a lease-bound mining operation into an independent, world-class gold producer. Harmony increased its gold sales from 650,312 ounces of gold in fiscal 1995 to 2,943,830 ounces of gold in fiscal 2003. These figures reflect 50% of the sales by the Free Gold Company during fiscal year 2003, which are not included in product sales for accounting purposes. In fiscal 2003, approximately 79% of Harmony's gold production took place in South Africa and 21% in Australia. In fiscal 2003, approximately 73% of Harmony's gold came from underground mines and 27% came from its surface mines. For more detailed geographical information about Harmony's activities, see "Item 4. Information on the Company--Business--Harmony's Mining Operations" and "Geographical and Segment Information" in note 31 to the consolidated financial statements.

South African Operations

Harmony acquired additional mineral rights in the Free State, Mpumulanga, Gauteng and North West provinces in South Africa when it acquired Lydex in 1997, Evander in 1998, Kalgold
**
in 1999 and Randfontein in 2000.

On January 31, 2001, Harmony entered into an agreement with AngloGold to purchase the assets and liabilities of the Elandskraal mines from AngloGold for approximately Rand 1 billion. Harmony launched and priced an issue of senior unsecured fixed rate bonds in an aggregate principal amount of R1.2 billion ($149.3 million), with a semi-annual interest payable at a rate of 13% per annum. These bonds are repayable on June 14, 2006, subject to early redemption at Harmony's option. The bonds are listed on the Bond Exchange of South Africa. The bonds were issued to settle existing debt and to fund the purchase of Elandskraal and New Hampton.

**
Harmony entered into an agreement to dispose of its Kalgold operations after the end of the 2003 fiscal year for a consideration of R275 million. See "Item 8. Financial Information - Significant Changes."

On November 21, 2001, Harmony and ARMgold, a subsidiary of ARM, reached an agreement in principle with AngloGold to purchase the Free Gold assets, subject to specified conditions. Pursuant to the subsequently executed definitive agreements, the Free Gold assets were purchased by the Free Gold Company (in which Harmony and ARMgold each has a 50% interest) for Rand 2.2 billion ($206.8 million at an exchange rate of R10.64 per $1.00), plus an amount equal to any liability for taxes payable by AngloGold in connection with the sale. For purposes of U.S. GAAP, Harmony equity accounted for its interest in the Free Gold Company with effect from May 1, 2002 and the purchase price of the Free Gold assets was determined to be Rand 2.264 billion. See "Item 5. Operating and Financial Review and Prospects-- Overview." In September, 2003, Harmony and ARMgold completed a merger. See "Item 8. Financial Information -Significant Changes."

In connection with the acquisition of the Free Gold assets, Harmony and ARMgold entered into a formal joint venture and shareholders' agreement relating to the Free Gold Company. The agreement provides that Harmony and ARMgold are each responsible for 50% of the expenses associated with operating the Free Gold assets. The FreeGold operations are now wholly-owned by Harmony following the merger with ARMgold which was completed on September 22, 2003. See "item 8. Financial Information - Significant Changes."

On May 24, 2002, Harmony, ARMgold and Gold Fields, through its subsidiary, St. Helena Gold Mines Limited, announced that an agreement in principle had been reached under which St. Helena Gold Mines Limited would sell the St. Helena gold mining assets to the Free Gold Company for Rand 120 million ($13.7 million), plus a royalty equal to one percent of revenue for a period of 48 months beginning on the effective date of the sale. The sale was completed on October 30, 2002, and the Free Gold Company assumed management control on that date.

On May 2, 2003, Harmony and ARMgold announced details of their 50/50 joint acquisition of a 34.5% stake in Anglovaal Mining Limited ("Avmin"). Based on a value of R43.50 per share, the transaction is valued at Rand 1.687 billion and was paid for in cash, which was funded by a long term loan from Nedcor Bank, repayable by November, 2004. For a description of current restructuring involving Avmin following the Harmony merger with ARMgold, see " Item 8. Financial Information - Significant Changes."

Australian Operations

Harmony presently conducts Australian operations through three acquired Australian gold mining companies: New Hampton, acquired with effect from April 1, 2001, Hill 50, acquired with effect from April 1, 2002 and Abelle, acquired with effect from May 1, 2003.

On December 19, 2000, Harmony announced that it had agreed to purchase 19.99% of New Hampton ordinary shares from Normandy Mining and made an offer for all of the outstanding ordinary shares of New Hampton. The total cash bid valued New Hampton at approximately A$56.3 million (R228.2 million at an exchange rate of R4.05 per A$1.00, or $28.5 million at an exchange rate of R8.00 per $1.00). This offer closed on July 12, 2001, at which time Harmony had acquired 96.2% of New Hampton's shares and 95% of New Hampton's warrants. Harmony subsequently completed a compulsory acquisition of the remaining shares and warrants.

On December 11, 2001, Harmony commenced a conditional cash offer for all of the outstanding ordinary shares and listed options of Hill 50. The total cash bid valued Hill 50 at approximately A$233 million (R1.419 billion at an exchange rate of R6.09 per A$1.00, or $124.8 million at an exchange rate of R11.37 per $1.00). The offer closed on May 3, 2002, at which time shareholders holding 98.57% of Hill 50's shares and 98.76% of Hill 50's listed options had accepted Harmony's offer and this offer had become unconditional. Harmony subsequently completed a compulsory acquisition of the remaining shares and options under the rules of the Australian Stock Exchange. See "Item 4. Information on the Company--Business--Harmony's Mining Operations--Australian Operations." Harmony financed the Hill 50 offer from existing cash resources and borrowings, including a syndicated loan facility entered into on February 28, 2002, with Citibank, N.A., as lead arranger. See "Item 5. Operating and Financial Review and Prospects--Credit Facilities and Other Borrowings." In an effort to increase efficiency and reduce corporate expenditures, in the quarter ended June 30, 2002 Harmony integrated New Hampton's Jubilee operations with Hill 50's New Celebration operations to form the South Kalgoorlie operations and combined the corporate offices of New Hampton and Hill 50 in Perth. With effect from April 1, 2002, Harmony reports the New Hampton and Hill 50 operating results together within an "Australian Operations" segment.

Harmony made its first investment in the Australian gold mining industry in February 2000, by acquiring a stake in Goldfields (Australia), an independent gold production and exploration company. As of September 2001, Harmony's stake in Goldfields (Australia) was approximately 22.96%. Effective December 31, 2001, Delta Gold Limited, or Delta, completed a merger with Goldfields (Australia). In connection with the merger, holders of Delta shares received 187 Goldfields (Australia) shares in exchange for every 200 Delta shares held. Harmony's stake in Goldfields (Australia) following the merger was diluted to approximately 9.8%. In February 2002, Goldfields (Australia) changed its name to AurionGold Limited. On May 25, 2002, Harmony and Placer Dome entered into an agreement under which Harmony accepted Placer Dome's offer to acquire all of Harmony's interest in AurionGold. As a result of this transaction, Harmony obtained a 1.9% interest in Placer Dome which was disposed of during fiscal 2003.

On September 25, 2001, Harmony announced that it had reached an agreement in principle with Bendigo, to acquire 294 million shares of Bendigo for a total purchase price of approximately A$50 million (R292 million at an exchange rate of R5.84 per A$1.00, or $22.8 million at an exchange rate of R12.80 per $1.00). On December 13, 2001, shareholders of Bendigo approved this subscription and Harmony acquired ordinary shares representing approximately 31.8% of the outstanding share capital of Bendigo. On that date, Harmony was also granted options to acquire 360 million additional shares of Bendigo at any time before December 31, 2003, at a price of A$0.30 per share for a maximum consideration of A$108 million (R630.7 million at an exchange rate of R5.84 per A$1.00, or $72.2 million). If Harmony exercises these options, Harmony would own approximately 50.1% of the diluted capital of Bendigo. Bendigo is a single project Australian gold mining development company that controls the New Bendigo Gold Project in the historic Bendigo goldfields. Bendigo controls all of the mining and exploration rights beneath and in the vicinity of the city of Bendigo in Victoria. Bendigo has reported that it is using the funds it received from Harmony's investment in a project with the goal of developing and bringing into production a high grade, mechanized

On February 26, 2003, Harmony announced that it would subscribe for new shares in Abelle Limited ("Abelle") and the intention to make a public offer for ordinary shares and options in Abelle for A$0.45 per ordinary share and A$0.30 per option. The offer closed on March 26, 2003, and as at June 30, 2003, Harmony owns 87% of Abelle's outstanding shares and 65% of the listed options which were acquired for a total consideration of $105.4 million. Abelle is an Australian company listed on the Australian Stock Exchange, with interests in mining and exploration projects in Australia and Papua New Guinea. From May 1, 2003, Harmony reports the results of Abelle, together with those of New Hampton and Hill 50 in the "Australian Operations" segment. See "Item 4. Information on the Company--Business--History" and "Item 4. Information on the Company--Business--Harmony's Mining Operations--Australian Operations."

underground mine. Harmony will decide whether to exercise the options mentioned above as soon as a proper evaluation has been carried out of the feasibility study prepared by the Bendigo board on the project. The preparation of the feasibility study and its evaluation is currently in progress, with final reserve estimates expected in late December. The exercise price of the options is currently significantly higher than the levels at which the share price has been trading recently. The board of Bendigo has indicated that they will pursue other funding options should Harmony not exercise its option.

In 1998, Harmony acquired its first production facility outside South Africa by purchasing the mining assets in the Bissett area of Manitoba in Canada from the liquidators of the Rea Gold Corporation. Harmony has completed the capital expenditure and development programs required to establish a production unit capable of producing over 65,000 ounces per year on this property. In fiscal 2001, due to the mining operations being uneconomical at then-current gold prices, Harmony decided to suspend production at the Bissett mine, and placed the operations on a care and maintenance program during the quarter ended September 30, 2001. On December 2, 2003, Harmony signed a letter of intent regarding the sale of its interest in Bissett to San Gold Resources Corporation for C$7.5 million, subject to certain conditions. See "Item 4. Information on the Company--Business-- Mining Operations--Bissett Operations" and "Item 8. Financial Information Significant Changes."

Since the end of the fiscal year, Harmony has merged with ARMgold, a merger that was completed in September, 2003. For a description of the merger and other recent developments since the financial year ended, see below and "Item 8 Financial Information Significant Changes."

On January 21, 2003, Randfontein Estates Limited ("Randfontein"), a wholly-owned subsidiary of Harmony, entered into an agreement with Africa Vanguard Resources (Proprietary) Limited ("Africa Vanguard"), pursuant to which Randfontein sold 26% of its mineral rights in respect of the Doornkop Mining Area to Africa Vanguard for a purchase price of R250 million plus VAT. Randfontein and Africa Vanguard also entered into a Joint Venture Agreement on the same day, pursuant to which they agreed to jointly conduct a mining operation in respect of the Doornkop Mining Area. The Agreements were subject to the fulfilment of certain conditions precedent, the last of which was fulfilled on August 12, 2003. The Agreements were implemented, and the initial purchase price of $19 million was paid on August 15, 2003. For US GAAP purposes, Harmony will not account for this transaction as a sale, but will consolidate the results of Africa Vanguard and the Doornkop Joint Venture, as both these entities have been determined to be variable interest entities, with Harmony as the primary beneficiary of both variable interest enteties.

On February 26, 2003, Harmony announced that it had agreed to subscribe for new shares in, and intended to make a public takeover offer for, Australian listed gold producer Abelle Limited. The offer closed on March 26, 2003 and Harmony acquired 87% of the shares and 65% of the listed options in Abelle. The total consideration payable was A$151 million or US$98 million. On June 30, 2003, at a share price of A$1.10 per share, our investment was valued at US$127 million. Due to some of the minority shareholders exercising their options, Harmony's interest was diluted to 84.57% of Abelle shares and 63.18% of Abelle options in the quarter ended September 30, 2003.

Canadian Operations

Strategic Investments

21

On July 15, 2003, Harmony announced that it had entered into an agreement with Anglo South Africa (Pty) Limited ("Anglo SA") whereby it would acquire 77,540,830 ordinary shares in Avgold Limited ("Avgold") or 11.5% of Avgold's outstanding share capital from Anglo SA, in exchange for 6,960,964 new Harmony ordinary shares issued to Anglo SA. The agreement with Anglo provides that should the Company make an offer to acquire the other Avgold shareholders interest, the consideration payable to Anglo will be adjusted to reflect the amounts paid to the other Avgold shareholders.

On May 31, 2002, Harmony acquired ordinary shares representing approximately 25% of the outstanding share capital of Highland Gold for a purchase price of $18.9 million. On June 28, 2002, Highland Gold issued 750,000 additional shares to Harmony for a purchase price of $11,925 which increased Harmony's aggregate interest to approximately 32.5% of Highland Gold's outstanding share capital. Highland Gold completed an initial public offering on the Alternative Investment Market of the London Stock Exchange during December 2002. As part of the initial public offering, Harmony subscribed for 2,511,947 Highland Gold ordinary shares for a total consideration of approximately $8 million. Following the completion of the initial public offering, Harmony's aggregate interest in Highland Gold's outstanding share capital was 31.7%. Highland Gold is a company organized under the laws of Jersey, Channel Islands which holds Russian gold mining assets and mineral rights, including an operating mine and development projects. Harmony disposed of its investment in Highland Gold on October 14, 2003, for approximately $119.0 million in cash, and realized a pre tax gain of approximately $92.0 million.

On November 22, 2002, Harmony purchased approximately 21.0% of the outstanding share capital of High River for a total purchase price of $14.5 million. High River is a company organized under the laws of Ontario, Canada that is listed on the Toronto Stock Exchange and holds gold mining assets in Russia, Canada and West Africa, including an interest in two operating mines in Russia, an agreement to acquire ownership of a development project in Russia, an ownership interest in an operating mine in Canada and an ownership interest in a development project in Burkina Faso. Harmony disposed of its investment in High River on October 17, 2003, for approximately $22.5 million in cash, and realized a pre tax gain of approximately $7.0 million.

On November 7, 2003, Harmony entered into an agreement to dispose of of its wholly-owned subsidiary, Kalgold to The Afrikander Lease Limited ("Aflease") for a total consideration of $39.0 million. The consideration comprised of a cash payment of $19.5 million and the issue by Aflease to Harmony of 25,700,935 ordinary shares in Aflease valued at $19.5 million.

Also on November 7, 2003 Abelle announced that it has entered into negotiations with Legend Mining Limited, whereby Legend has offered to purchase the Gidgee gold project. Legend has made an offer to buy Abelle's 100% legal and beneficial interest in the project for a consideration of A$ 6.5 million (subject to certain adjustments) comprising approximately 600 square kilometers of mining and exploration tenements together with project infrastructure including the CIP gold treatment plant, haul roads and access infrastructure, underground mine and associated infrastructure as well as stockpiles, reserves and resources. The purchase price shall be subject to final adjustment in respect of stores, gold in circuit and environmental bonds. The transaction is conditional on the necessary governmental consents and approvals, including approval of the disposal of the assets by the shareholders of Abelle and Legend within 60 days of acceptance of the offer.

On November 13, 2003, Harmony announced that it reached an agreement in principle with Avmin whereby it would enter into a number of transactions with Avmin. The first transaction involves Harmony acquiring Avmin's 286,305,263 ordinary shares in Avgold, or 42.2% of Avgold's outstanding share capital, in exchange for 28,630,526 new Harmony ordinary shares to be issued to Avmin. Should the acquisition of Avmin's interest in Avgold become unconditional, Harmony will be required to make a mandatory offer to the Avgold minority shareholders on the same terms as which it acquired Avmin's interest in Avgold.

22

Harmony will also dispose of its Kalplats platinum project and associated mineral rights to Avmin, in exchange for 2 million new Avmin ordinary shares to be issued to Harmony. Should all of the above described transactions be consummated as expected, Avgold will become a wholly-owned subsidiary of Harmony. Harmony and Avmin will have cross shareholdings in each other whereby Harmony will own a 20.1% interest in Avmin, and Avmin will own a 22.2% interest in Harmony.

On December 2, 2003 Harmony announced its intention to sell Bissett to San Gold Resources Corporation (San Gold) for C$7.5 million. The terms of a letter of intent stated that there is a 90-day option and due diligence period. During this period, 3 payments of $50,000 will be made at intervals of 2, 30 and 60 days, with the first payment having been completed. At the end of the three month period, San Gold can complete the transaction by paying the Company C$3.5 million in cash and C$4 million either in cash or by an issue of San Gold shares.

Strategy

Harmony is an independent growth oriented company in the gold production business and is distinguished by the focused operational and management philosophies that it employs throughout the organization. Harmony's growth strategy is focused on building a leading international gold mining company through acquisitions, organic growth and focused exploration. Harmony is currently expanding in South Africa and Australia, building on Harmony's position as a leading cost-effective South African gold company in order to enhance Harmony's position as one of the world's premier international gold producers. During fiscal 2003, Harmony also invested funds in mining opportunities in Russia and Papua New Guinea.

The international and South African gold mining industries have been in the recent past and continue to be affected by structural and investment trends moving toward the consolidation of relatively smaller operations into larger, more efficient gold producers with lower, more competitive cost structures. This consolidation enables gold producers to be more competitive in pursuing new business opportunities and creates the critical mass (measured by market capitalization) necessary to attract the attention of international gold investment institutions. Harmony's current strategy is predominantly influenced by these investment trends, which have already resulted in significant restructuring and rationalization in the South African, Australian and North American gold mining industries. Harmony believes these trends will continue to lead to significant realignments in the international gold production business. Harmony intends to continue to participate in the South African and international restructuring activity to continue to achieve its growth objectives.

Since undergoing a change in management in 1995, Harmony has employed a successful strategy of growth through a series of acquisitions and through the evolution and implementation of a simple set of management systems and philosophies, which Harmony refers to as the "Harmony Way," and which Harmony believes are unique in the South African gold mining industry. A significant component of the success of Harmony's strategy to date has been its ability to acquire under performing mining assets, mainly in South Africa, and in a relatively short time frame to transform these mines into cost-effective production units. The execution of Harmony's strategy between fiscal 1995 and fiscal 2003 has resulted in the growth of Harmony's annual gold sales from approximately 650,000 ounces to approximately 2.4 million ounces.

This includes Abelle's sales for two months which excludes Harmony's 50% interest in the Free Gold Company. From June 30, 1995 to June 30, 2003, Harmony has reduced weighted average cash operating costs from approximately $341 per ounce to approximately $252 per ounce. See "Item 5. Operating and Financial Review and Prospects--Exchange Rates" and "Item 5. Operating and Financial Review and Prospects-- Results of Operations--Years ended June 30, 2003 and 2002--Costs." Harmony has also expanded its proven and probable ore reserve base and, as at June 30, 2003, Harmony's mining operations reported total proven and probable reserves of approximately 50.0 million ounces, which includes Abelle and ounces attributable to Harmony's 50% interest in the Free Gold Company.

Although Harmony's primary focus has been on pursuing growth through the acquisition of producing mines, Harmony has also addressed growth through the recent expansion of its exploration activities. Harmony currently maintains a range of focused exploration programs mainly concentrating on areas not too distant from its operating mines. Harmony has also embarked on several focused gold exploration initiatives in prospective regions where it does not yet produce gold. In addition, in light of the increase in the market price of gold in fiscal 2002 and 2003, it has become relatively more attractive for Harmony to pursue organic growth in South Africa, including greenfield and brownfield developments.

Harmony is managed according to the philosophy that its shareholders have invested in Harmony in order to own a growth stock which will also participate in movements in the gold price. Accordingly, Harmony has consistently maintained a policy of generally not hedging its future gold production. Harmony's policy is to eliminate any hedging positions existing within the companies that it acquires as soon as opportunities can be created to do so in sound, commercially advantageous transactions. There may, however, be instances where certain hedge positions in acquired companies need to be kept in place for contractual or other reasons.

The major components of Harmony's strategy include:

Continuing to implement Harmony's unique management structure and philosophy. Harmony implements a simple set of management systems and philosophies, which Harmony refers to as the "Harmony Way", and which it believes are unique to the South African gold mining industry. This "Harmony Way" is underpinned by the following concepts:

- **Empowered management teams.** At each mining site Harmony has established small, multi-disciplinary, focused management teams responsible for planning and implementing the mining operations at the site. Each of these teams is accountable for the results at its particular site and reports directly to Harmony's executive committee.

- **Active strategic management by the Board.** Annual operational goals and targets, including cost, volume and grade targets are established in consultation with the Harmony's executive committee for each mining site. Each management team develops an operational plan to implement

the goals and targets for its mine site. Harmony's executive committee reviews and measures the results at each mining site on a regular basis throughout the year.

- **Increased productivity.** Gold mining in South Africa is very labor

intensive with labor accounting for approximately 50% of Harmony's costs. To control these costs, Harmony structures its operations to achieve maximum productivity with the goal of having 60% of Harmony's workforce directly engaged in stoping, or underground excavation, and development rock breaking activities. In addition, Harmony has implemented productivity-based bonuses designed to maximize productivity.

- **A no-frills, low cost ethic.** Harmony has an obsession about lowering its

cost base and to this end Harmony extensively benchmarks its costing parameters both internally between operations within Harmony and externally against other gold producers.

- **Systems.** Harmony has implemented sophisticated cost accounting

systems and strict ore accounting and ore reserve management systems to measure and track costs and ore reserve depletion accurately, so as to enable it to be proactive in its decision making.

Harmony has implemented the "Harmony Way" at its original mining operations and at each mining property Harmony has acquired since 1995, and is currently implementing the "Harmony Way" at the Australian operations acquired through the acquisitions of New Hampton and Hill 50. By implementing this process, Harmony generally has been able to reduce costs significantly while increasing production and extending mine life. Harmony and ARMgold share similar management philosophies, which Harmony took into consideration in deciding on the merger with ARMgold, which was completed in September, 2003. The Free Gold Company has begun implementing measures to reduce costs while increasing production and extending mine life, in a manner that Harmony believes is consistent with the "Harmony Way."

Growing through acquisitions in South Africa and internationally.

Harmony's acquisition strategy in South Africa has been, and will continue to be, mainly to pursue mature, under performing gold mining operations in which it believes it can successfully introduce the "Harmony Way" to increase productivity, reduce costs and extend mine life. The advantage to acquiring mature, under performing operations is that they tend to be cheaper to acquire and, particularly for underground operations, much of the required capital expenditure has already been made. Harmony's corporate strategy with respect to acquisition targets is as follows:

- to make acquisitions in addition to pursuing greenfield and brownfield developments when it is economical to do so;

- to acquire mature assets with turnaround potential;

- to acquire assets that fit Harmony's management model; and

- to acquire assets that enhance Harmony's overall resource base.

In South Africa, Harmony continues to explore a number of potential acquisitions. The South African gold mining industry has undergone a significant restructuring since 1990 with the result that a number of gold mining companies owned principally by mining houses have been sold to other gold operators. Harmony believes that this restructuring process has not yet been completed and that there will continue to be opportunities for further acquisitions in South Africa.

Outside of South Africa, Harmony intends to leverage the broad gold mining experience it has gained through acquisitions and existing operations. Through Harmony's existing operations, Harmony has gained extensive underground mining experience. Harmony has also gained extensive experience in surface mining by open cast methods through its acquisition of Kalgold and the open cast operations of Randfontein, New Hampton and Hill 50 and in mechanized mining of greenstone orebodies through Harmony's acquisitions of Bissett , New Hampton and Hill 50. These types of mining are more typical outside of South Africa. Harmony believes that these skills should position it to be able to pursue a broad range of acquisition opportunities. Harmony continues to explore new business opportunities both inside and outside of South Africa. Harmony may in the future pursue additional suitable potential acquisitions in South Africa or internationally.

Expanding Harmony's exploration and development activities to increase its reserve base.

Traditionally, like most other major South African gold producers, Harmony has not focused much of its efforts on greenfield exploration. With the acquisition of Kalgold, Harmony acquired potentially valuable exploration rights and an active exploration capability in South Africa. Harmony acquired further exploration rights and an active exploration program in Australia through the acquisitions of New Hampton and Hill 50. Harmony intends to continue to support and expand these activities as another important avenue for increasing the size of its reserve base. Exploration projects involve material risks and uncertainties, however, and Harmony cannot be sure these projects will be successful. See "Item 3. Key Information--Risk Factors--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."

In addition, in light of the increase in the market price of gold in fiscal 2002 and 2003, it has become relatively more attractive for Harmony to pursue organic growth in South Africa, including greenfield and brownfield developments. Harmony is engaging in, and investigating possibilities for, organic growth through targeted development projects. Harmony is pursuing substantial projects to deepen the Elandskraal operations and improve the Masimong shaft system. See "Item 4. Information on the Company--Harmony's Mining Operations--Elandskraal Operations," "Item 4. Information on the Company --Harmony's Mining Operations--Randfontein Operations," "Item 4. Information on the Company --Harmony's Mining Operations--Free State Operations" and "Item 4. Information on the Company --

Harmony's Mining Operations--Evander Operations." Harmony is also currently conducting feasibility studies for shallow and medium-depth capital projects in the vicinity of Harmony's existing Randfontein and Evander operations and has commenced an advanced feasibility study to evaluate the Kalplats platinum group metals project described in "Item 4. Information on the Company--Business--Exploration." In evaluating and pursuing these projects, Harmony's goal is to achieve organic growth in South Africa. Capital development projects of this type involve material risks and uncertainties, however, and Harmony cannot be sure its development efforts will be successful. See "Item 3. Key Information--Risk Factors--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."

Hedge Policy

As a general rule Harmony sells its gold production at market prices. 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. As a result of this policy, Board approval is required when hedging arrangements are to be entered into to secure loan facilities. Any change to this policy requires ratification by the Board. Currently, Harmony's hedge book is managed by a risk and treasury management services company, which is a joint venture between a major South African bank and a black economic empowerment company. Harmony does not trade in derivatives for its own account. In the past three years, 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, more recently, put options relating to 1 million ounces of Harmony's production at Elandskraal. Both of these hedges were entered into in order to secure loan facilities and have since been closed out. See "Item 11. Quantitative and Qualitative Disclosure About Market Risk."

A significant proportion of the production at Randfontein was already hedged when acquired by Harmony. On April 12, 2002, Harmony announced that it had completed the process of closing out all of the Randfontein hedge positions, including closing forward sale contracts and call options covering a total of 490,000 ounces and forward purchases covering a total of 200,000 ounces. See "Item 11. Quantitative and Qualitative Disclosure About Market Risk."

In addition, a substantial proportion of the production of both New Hampton and Hill 50 was already hedged when acquired by Harmony. These hedge agreements were accounted for as speculative contracts. In fiscal 2002, in line with Harmony's strategy of being generally unhedged, Harmony reduced New Hampton's hedge book by over 900,000 ounces. In fiscal 2002, Harmony combined and restructured the overall hedge portfolio of Harmony's Australian operations (including New Hampton and Hill 50) to normal purchase and sale agreements, under which Harmony had to deliver a specified quantity of gold at a future date subject to agreed-upon prices. During fiscal 2003, a significant portion of the inherited hedge books of both New Hampton and Hill 50 were closed out at a cost of Rand 69 million (U.S. dollar 8 million). Due to the close out of this significant portion of the hedge portfolio, the

remaining hedge agreements were classified as speculative contracts for accounting purposes and the marked-to-market movements in these contracts are reflected in the income statement. As of September 30, 2003, the resulting hedge portfolio covered 860,000 ounces over a seven-year period at an average strike price of A$517 per ounce ($351 at an exchange rate of A$0.68 per $1.00). Harmony has reduced the remaining hedge positions of the Australian operations gradually by delivering gold pursuant to the relevant agreements as well as through the close out of these hedge agreements. See "Item 11. Quantitative and Qualitative Disclosure About Market Risk."

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 $180 million at an average exchange rate of Rand 11.20 per U.S. dollar. These forward exchange contracts expired on December 31, 2002, and were not renewed. Harmony has not renewed or entered into any forward exchange contracts since then. See "Item 5. Operating and Financial Review and Prospects--Market Risk--Foreign Currency Sensitivity."

Description of Mining Business

Exploration

Exploration activities are focused on the extension of existing orebodies and identification of new orebodies both at existing sites and at undeveloped sites. Once a potential orebody has been discovered, exploration is extended and intensified in order to enable clearer definition of the orebody and the potential portions to be mined. Geological techniques are constantly refined to improve the economic viability of prospecting and mining activities.

Mining

The mining process can be divided into two main phases: (i) creating access to the orebody and (ii) mining the orebody. This basic process applies to both underground and surface operations.

- **Access to the orebody.** In Harmony's underground mines, access to the orebody is by means of shafts sunk from the surface to the lowest economically and practically mineable level. Horizontal development at various intervals of a shaft (known as levels) extends access to the horizon of the reef to be mined. On-reef development then provides specific mining access. In Harmony's open pit mines, access to the orebody is provided by overburden stripping, which removes the covering layers of topsoil or rock, through a combination of drilling, blasting, loading and hauling, as required.

- **Mining the orebody.** The process of ore removal starts with drilling and blasting the accessible ore. The blasted faces are then cleaned and the ore

is transferred to the transport system. In open pit mines, gold-bearing material may require drilling and blasting and is usually collected by bulldozers or shovels to transfer it to the ore transport system.

In Harmony's underground mines, once ore has been broken, train systems collect ore from the faces and transfer it to a series of ore passes that gravity feed the ore to hoisting levels at the bottom of the shaft. The ore is then hoisted to the surface in dedicated conveyances and transported either by conveyor belts directly or via surface railway systems or roads to the treatment plants. In addition to ore, waste rock broken to access reef horizons must similarly be hoisted and then placed on waste rock dumps. In open pit mines, ore is transported to treatment facilities in large capacity vehicles.

Processing

Harmony currently has fourteen metallurgical plants that treat ore to extract the gold. The Elandskraal, New Hampton and Hill 50 acquisitions resulted in the acquisition of two plants each. In addition, there are three metallurgical plants within the Free Gold assets. The principal gold extraction processes used by Harmony are carbon in leach, or CIL, carbon in pulp, or CIP, and carbon in solution, or CIS, although Harmony also has an old filter plant processing low grade waste rock.

The gold plant circuit consists of the following:

- **Comminution.** Comminution is the process of breaking up the ore to

expose and liberate the gold and make it available for treatment. Conventionally, this process occurs in multi-stage crushing and milling circuits, which include the use of jaw and gyratory crushers and rod and tube and ball mills. Harmony's more modern milling circuits include semi or fully autogenous milling where the ore itself is used as the grinding medium. Typically, ore must be ground to a minimum size before proceeding to the next stage of treatment.

- **Treatment.** In most of Harmony's metallurgical plants, including the

plants within the Free Gold assets and at Hill 50, gold is extracted into a leach solution from the host ore by leaching in agitated tanks. Gold is then extracted onto activated carbon from the solution using the CIL, CIP or CIS process. In addition, each of Harmony and the Free Gold Company has one metallurgical plant that uses the zinc precipitation filter process to recover gold in solution. Harmony's Saaiplaas plant also used the zinc precipitation filter process prior to fiscal 2002, but it was converted to the CIS process during fiscal 2002. During fiscal 2003, however, the Saaiplaas plant was converted to the CIL process thereby lowering costs and improving extraction efficiency. Harmony will consider a similar conversion for the remaining Harmony zinc precipitation plant depending on the properties of the materials to be processed.

Gold in solution from the filter plants is recovered using zinc precipitation. Recovery of the gold from the loaded carbon takes place by elution and electro-winning. Because cathode sludge produced from electro-winning is now sent directly to Harmony's refinery, most of the plants no longer use smelting to produce rough gold bars (dor). Harmony's zinc precipitation plant, however, and the zinc precipitation plant used by the Free Gold Company continue to smelt precipitate to produce rough gold bars. These bars are then transported to Harmony's refinery, which is responsible for refining the bars to a minimum of good delivery status.

Harmony operates the only independent gold refinery in South Africa. In fiscal 2003, approximately 85% of Harmony's South African gold production was refined at Harmony's refinery and the remainder was refined at the Rand Refinery, which is owned by a consortium of the major gold producers in South Africa. In April 2002, Harmony sold its ownership interest in the Rand Refinery back to the Rand Refinery. Harmony received approximately Rand 6.4 million ($0.6 million at an exchange rate of R10.66 per $1.00) from this sale.

Harmony produces its own branded products at its refinery, including various sizes of gold bars. This has allowed Harmony to sell to markets such as India, the Middle East and East Asia. Harmony's refinery supplies gold alloys and associated products to jewelry manufacturers in South Africa and internationally. In fiscal 2001, Harmony expanded refining capacity from 40 tons per year to 100 tons per year. In fiscal 2002, Harmony further increased refinery capacity to 120 tons per year. Harmony spent approximately Rand 10.1 million ($1.1 million) on capital expenditures at its refinery in fiscal 2003. Harmony has budgeted Rand 1.3 million ($0.2 million) to complete refinery expansion and upgrades in fiscal 2004.

The South African government has emphasized that the production of value-added fabricated gold products, such as jewelry, is an important means for creating employment opportunities in South Africa and has made the promotion of these beneficiation activities a requirement of the Mining Charter described in "Item 4. Information on the Company--Regulation--Mineral Rights." Harmony's beneficiation initiatives have benefited from the expansion and improvement of Harmony's refinery. Harmony supports jewelry ventures in South Africa, including providing facilities for a jewelry school and, in fiscal 2002, Harmony acquired rights to manufacture and distribute a range of jewelry based on the "Lord of the Rings" trilogy in South Africa, the United States and Canada. On December 11, 2002, Harmony and Mintek, a South African government research and development organization, signed a memorandum of understanding to create Musuku Beneficiation Systems, or Musuku, an integrated manufacturing and technology group focusing on the beneficiation of precious metals. Musuku will provide management, operational and technical services to integrate value-added processes into the gold mining industry. A black empowerment company has also been approached to join Musuku and the parties involved are in the process of negotiating the provisions of the shareholders' agreement.

Services and Supplies

Mining activities require extensive services, located both on the surface and underground. These services include mining-related services such as mining engineering (optimizing mining layouts and safe mining practices), planning (developing short-term and long-term mining plans), ore reserve management (to achieve optimal orebody extraction), ventilation (sustaining operable mining conditions underground), provision of supplies and materials, and other logistical support. In addition, engineering services are required to ensure equipment operates effectively. Unlike many other South African gold producers, Harmony generally provides only those services directly related to mining. In some cases, other services are provided by outside contractors. Harmony provides medical services to employees at its Free State, Evander and Randfontein hospitals. The Free Gold assets include a hospital facility, and Harmony is considering options to achieve synergies between this facility and the existing Free State facility.

The Mining Charter described in "Item 4. Information on the Company--Regulation--Mineral Rights" establishes a policy of according preferred supplier status to enterprises controlled by members of historically disadvantaged groups when those enterprises are able to offer goods and services at competitive prices and quality levels. Harmony believes that its procurement policy is consistent with this policy.

Harmony's Management Structure

As part of the "Harmony Way," Harmony structures its mining operations in a way that it considers to be unique in the South African gold mining industry. Harmony's operational structure is based on small empowered management teams at each production site, which may include one or more underground mine shafts or open cast sites. These management teams are fully responsible for planning and executing the mining at the production site and report directly to Harmony's Executive Committee. Each management team consists of an ore reserve manager, a mining manager, a financial manager, an engineering manager and a human relations manager. Each member of the management team has an individual area of responsibility: the mining manager is responsible for rock breaking and safety; the ore reserve manager is responsible for geology and ore reserves; the financial manager is responsible for financial management; the engineering manager is responsible for maintaining equipment; and the human relations manager is responsible for manpower issues. One of the managers is appointed as the team captain. Financial incentives are provided for the production team at each site based on the production and efficiency at the site.

Placing management power at the level of the actual production sites has resulted in greater flexibility, innovation and quicker decision-making than the more traditional management structures at South African gold mines. It also means that Harmony operates without multiple levels of management. This contributes to decreased overhead costs, which has a positive impact on the payable portion of Harmony's mineral resources. In addition, the reduced management structure is important in facilitating Harmony's goal of having 60% of its work force being directly involved in actual mining as opposed to the industry standard of 40%. Harmony believes that this initiative has resulted in increased productivity.

In addition, on October 2, 2002, Harmony and the United Association of South Africa signed an agreement to redefine the traditional role of shift boss, or supervisor, to that of a coach. This initiative, which Harmony has implemented at its South African operations, re-aligns features of Harmony's operational-level organization. The principal features of this initiative are to allow coaches to focus on safety promotion by transferring line supervision duties to the mine overseers (whose technical expertise will be available to blasting crews) and changing the compensation structure so that coaches will not receive incentive compensation based on production levels. In addition, coaches spend the entire eight-hour working shift underground with the mining team, in contrast with the four hours shift bosses typically spent with the mining team. Harmony believes that this initiative will promote a safe production environment for the blasting crew and enhance career development for previously disadvantaged individuals.

Exploration

Harmony conducts exploration activities by itself or with joint venture partners.

Harmony's prospecting interests in South Africa measure approximately 382,000 hectares. Harmony's Australian operations also control prospecting interests, as described below. In addition to ongoing mine site exploration, Harmony has a program of investment in regional exploration. The exploration strategy on these greenstone belts uses geological, geophysical and geochemical techniques to identify broad systems of anomalous gold and associated rock alteration within which gold deposits typically occur as clusters.

Harmony spent approximately Rand 75 million, excluding contributions from joint venture partners, on exploration in fiscal 2003. During 2003, the bulk of exploration expenditure was allocated to activities in Australia, South Africa and Peru with subordinate expenditure in Asia, East Africa, West Africa and Madagascar. In fiscal 2004, Harmony intends to carry out exploration in South Africa, West Africa, East Africa, Australia, Peru and Papua New Guinea.

During the 2003 fiscal year, a joint venture agreement was signed with a private Malagasy company whereby Harmony would earn equity in five project areas in Madagascar through phased exploration expenditure. Gold mineralization, as evidenced from intensive artisinal mining operations, in extensive shear zone systems were sampled through a systematic trenching program. Gold grade continuity and tenor was insufficient to meet Harmony's' investment criteria and the joint venture was subsequently terminated.

Harmony's exploration activity in Asia, West Africa and East Africa was restricted to project generation and reconnaissance sampling. Site visits and negotiations with potential joint venture partners are ongoing.

Harmony's Australian operations conduct prospecting at various sites within their exploration mineral right areas, which include various types of property rights recognized in Australia covering a total area of approximately 298,355 hectares (737,250 acres). Harmony's exploration strategy in Australia includes exploration on greenstone belts using aeromagnetics, ground magnetics, geochemical, regolith and geotechnical techniques to identify broad systems of anomalous gold and associated rock alteration within which gold mineralization typically

occurs. Thereafter, promising targets are drilled to test geological structures and establish the presence of gold mineralization. Should this process be successful in discovering ore, the deposits are then drilled and sampled systematically to determine ore reserves and metallurgical characteristics. Exploration of priority targets within Harmony's holdings, continued to be the focus of regional exploration over the 2003 fiscal year.

In December 2001, Harmony acquired a 31.1% stake in Australian-listed Bendigo Mining NL, an Australian listed company that controls a large tenement holding in the Bendigo goldfield of Victoria (Australia). It has been estimated that 17 million ounces of gold have historically been produced from numerous reefs in the Bendigo goldfield. Bendigo Mining management consider that the goldfield has the potential to host a further 12 million ounce resource below the historic mine workings. The coarse grain size and erratic distribution of the gold in the Bendigo reefs ("nugget effect") precludes the use of drilling as a reliable reserve definition tool. During 2003, a production size decline was sunk to access several reefs that had previously been defined by drilling. The objective was to establish ore-body geometry and grades as well as to gain further confidence in the proposed mining methods and process metallurgy. Bendigo's management have announced that nine of the seventeen targeted reefs had been evaluated by August 2003. The feasibility study is well advanced and it is envisaged that the Bendigo board will soon consider its options with regard to mine development.

Following the acquisition of Hill 50, Harmony is integrating Hill 50's exploration programs on the properties south of Kalgoorlie with New Hampton's programs in that area. These programs involve exploration on a combination of freehold title and mineral leases forming an east-west belt extending from Lake Roe to Coolgardie, south of Kalgoorlie. The tenements span a number of geological domains including the Kalgoorlie-Kambalda Belt and the Boulder-Lefroy structure, the Zuleika Shear, the Coolgardie Belt and the Yilgarn-Roe structures. A comprehensive structural-geological and regolith-geochemical review was completed in July 2001 for the Southeast Goldfields area. This review outlined priority targets within Harmony's holdings, which were the focus of regional exploration over the 2002 fiscal year and continued to be the focus of regional exploration during the 2003 fiscal year. Hill 50's exploration has also continued to focus on brownfield and greenfield opportunities at Mt. Magnet and on regional targets in the Yalgoo tenements, which comprise approximately 35,800 hectares (88,464 acres) located approximately 70 kilometers southwest of Mt. Magnet.

Through the Hill 50 transaction, Harmony also acquired two development projects in the Northern Territory of Australia: the Maud Creek project and the Brocks Creek project. Maud Creek is an advanced greenfield project based on a recent discovery located close to the historic Yeuralba gold field in the Pine Creek district. The Maud Creek project faces a metallurgical risk associated with the extraction of gold from the ore. The Maud Creek orebody is partially refractory in nature and specific (yet to be finalized) ore processing routes would be required to liberate the gold. The contemplated processes are expected to result in higher capital and operating costs, but are not expected to involve significant technical risk. Brocks Creek is an effort to bring mines formerly operated by AngloGold back into production. The Brocks Creek area includes shallow open pits located at Rising Tide, and rights to develop the underground Zapopan and Cosmo Deeps sites. In fiscal 2004, Harmony expects to maintain the current combined levels of exploration at New Hampton and Hill 50, at a total expenditure of approximately Rand 70 million ($8 million).

On February 26, 2003 Harmony made an offer to subscribe for new shares as well as a public offer for the ordinary shares and options in Abelle Limited. Abelle owns 100% of the Morobe and Wafi deposits in Papua New Guinea. The Morobe project has an estimated mineral resource of 73.9 million tons at 2.2 grams per ton gold and 30 grams per ton silver for 5.2 million ounces of gold and 71 million ounces of silver. A feasibility study completed by Lycopodium of Australia in October 2002 envisaged a single open pit containing 2.8 million ounces of gold and 48 million ounces of silver. A new feasibility study is currently being completed and a decision is expected in early 2004 once the results of the study have been considered. The Wafi project is situated 60 kilometers from Morobe and is an advanced exploration project. Wafi consists of two deposits situated 1 kilometer apart. The Golpu deposit is a porphyry copper-gold deposit. The resource estimate for Golpu is 100 million tons at 1.3% copper and 0.6 grams per ton gold for 1.3 million tons of copper and 2.3 million ounces of gold. The second deposit (the Wafu gold deposit) is a high sulphidation gold deposit that contains an inferred resource of 53.3 million tons at 2.5 grams per ton for 4.3 million ounces gold. A 5,000m diamond drill program is currently underway at the recently discovered, high grade "link zone" of the Wafi gold deposit.

During 2003, Harmony continued to evaluate numerous projects in Peru. Two joint venture agreements were entered into with local partners, whereby Harmony could earn-in to prospective projects by undertaking phased exploration expenditure. Both of the projects are focused on areas with demonstrated potential to host epithermal gold mineralization. Analytical results from the first of the projects suggested that it was unlikely to reach Harmony's investment criteria and the joint venture was terminated. While drilling of the second project has been completed, the analytical results have not yet been received. A decision regarding future involvement in the project is expected to be made when those results have been considered. In addition to these joint ventures, Harmony has undertaken a comprehensive target generation program in Peru. New projects generated by this program, and currently under negotiation, shall form the focus of an accelerated exploration program in 2004.

With the exception of the Burnside Joint Venture, which Hill 50 and Northern Gold NL formed in March 2002 to develop the Brocks Creek project, Harmony's exploration and development projects are wholly-owned.

In South Africa, exploration has been focussed on gold and platinum group metal (PGM) mineralization within the Kraaipan greenstone belt of the Northwest Province. Systematic aircore sampling of the largely sand covered Kraaipan greenstone belt has identified numerous gold and platinum anomalies that remain to be drill-tested.

During the course of gold prospecting in the Kraaipan greenstone belt in late 2000, Harmony discovered promising deposits of open pittable platinum and palladium mineralization and is currently conducting a detailed evaluation of the economic potential of this discovery, known as the Kalplats platinum group metals project, or Kalplats. The mineralization occurs in seven separate bodies with strike lengths ranging between 500 meters and 1,000 meters and additional discoveries are likely. Exploration activities to date have revealed mineralized widths that range from 15 meters to 45 meters with average grades of platinum plus palladium running at between 1.3 and 2.5 grams per ton. Higher grade zones with approximate widths of 2 to 5 meters and with grades of up to 4 to 6 grams per ton occur within some of these mineralized bodies. Harmony estimates the ratio of platinum to palladium is about 1 to 1. Drilling on two of

the four deposits has been completed on sectioned lines spaced 50 meters apart with reef intersection at depths ranging from 4 meters to 180 meters below surface. Wider drill spacing of between 100 to 200 meters has been completed on the other two deposits. As of September, 2003, 456 reverse circulation percussion boreholes and 75 diamond core boreholes (representing a combined total of 42,000 meters of drilling) had been completed. Metallurgical test work to date has indicated poor flotation recoveries (6064%) for the lower grade (1.02.0 grams per ton) mineralization, but higher recoveries (7580%) for the higher grade (2.55.0 grams per ton) mineralization using a two-stage mill-float circuit in combination with magnetic separation. The pre-feasibility study, which was completed in August 2002, concluded that the economic viability of the project depends on selectively mining the higher grade reef zones (of 2 to 3 grams per ton of total precious metals) using open pit methods, sustained platinum and palladium markets and platinum and palladium recoveries being higher than 70%. During the first quarter of fiscal 2003, the Board approved Rand 25 million ($2.9 million) for further exploration/evaluation drilling and metallurgical test work. This phase also included the development of a box cut and the collection of a 550 ton bulk sample for pilot plant scale metallurgical testing. The ore sample was collected at a depth of approximately 40 meters below surface, with additional sampling of the various reefs under different weathering conditions as the box cut advanced. Pilot plant test results confirmed earlier bench-scale metallurgical test work in terms of concentrate grades and recoveries. Currently a more advanced feasibility study is in progress that will be completed by by the end of the 2003 calendar year.

Harmony is considering various options regarding the platinum and palladium deposits and numerous parties have expressed an interest in the project. Harmony estimates that net expenditures of approximately Rand 300 million ($34.3 million) would be required to develop Kalplats into an open pit mine producing platinum and palladium concentrate by flotation. On a simplistic basis, Harmony estimates that the Kalplats mineralization may be sufficient to conduct open pit mining over a period of approximately ten years, at a rate of approximately 90,000 ounces of platinum group metals per year. However, these figures are based on assumptions related to the current feasibility studies and testwork, and Harmony cannot be sure that development at Kalplats would lead to a commercially viable mining operation. See "Item 3. Key Information--Risk Factors--To maintain 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." In addition, Harmony believes that there may be opportunities to acquire South African platinum industry assets within the next two to three years; however, no assurance can be made that Harmony will find suitable acquisition targets, or successfully integrate them into Harmony's operations. See "Item 3. Key Information--Risk Factors--Harmony's strategy depends on its ability to make additional acquisitions" and "Item 3. Key Information--Risk Factors--Harmony may experience problems in managing new acquisitions and integrating them with its existing operations."

Capital Expenditures

Capital expenditures, including the non-cash portion, incurred for fiscal 2003 totaled approximately $209 million, compared with $59.0 million for fiscal 2002 and $52.5 million for fiscal 2001. The focus of Harmony's capital expenditures in recent years has been underground development and plant improvement, upgrades and acquisitions, and management

currently expects this focus to continue in fiscal 2004. The increase in capital expenditures in fiscal 2003 compared with fiscal 2002 was due to the acquisition of Abelle in March 2003 and the developments of projects such as Tshepong and Bambanani. The increase in capital expenditures in fiscal 2002 compared with fiscal 2001 was largely due to the inclusion of expenditures for the development of the shaft deepening project at Elandskraal for the full fiscal year and increased capital expenditures at Harmony's Australian operations (primarily Big Bell and the Jubilee portion of the South Kalgoorlie operations). This increase in capital expenditure was partially off-set by reduced capital expenditure at the Free State and Randfontein and the placement of Bissett on a care and maintenance program. Harmony has budgeted approximately $117 million for capital expenditures in fiscal 2004. Details regarding the capital expenditures for each operation are found in the individual mine sections under "Business--Harmony's Mining Operations." Harmony currently expects that its planned capital expenditures will be financed from operations and existing cash on hand. However, if Harmony decides to expand major projects such as the Poplar Project and the Rolspruit Project at Evander beyond its current plans, Harmony may consider alternative financing sources described below. See "Item 4. Information on the Company--Business--Harmony's Mining Operations--Evander Operations."

Description of Property

Harmony's operational mining areas in South Africa comprise the Free State operations of 58,249 acres, the Evander area of 97,926 acres, the Randfontein area of 41,026 acres, the Kalgold area of 5,259 acres [1], the Elandskraal areaof 22,864 acres and Harmony's interest in the Free Gold Company's total area of 35,582 acres. Harmony's operational mining areas (granted tenements) in Australia comprise the combined Mt. Magnet - Big Bell area of 252,114 acres, the South Kalgoorlie area of 222,647 acres, the Gidgee project area of 140,109 acres [2] and active holdings in the Northern Territory that total 288,083 acres. The Bissett area in Canada totals 1,083 acres. [3]

Harmony furthermore owns, controls or shares in mineral rights that have not been brought to production.

In line with the rest of the South African mining industry, Harmony has been rationalizing its mineral rights holdings in recent years. Accordingly, over the past three years, Harmony disposed of its shares and its participation rights in areas in South Africa in which it has not actively pursued mining. Harmony may continue to investigate further disposals.

The following pages contain maps of Harmony's South African and worldwide operations and interests.

1 Harmony entered into an agreement to dispose of its Kalgold operations after the end of the 2003 financial year for a consideration of R275 million. See "Item 8. Financial Information Significant Changes."

2 On November 7, 2003, Abelle announced the sale of the Gidgee gold mine for a sum of A$6.5 million subject to final adjustments.

3 On December 2, 2003, Harmony signed a letter of intent regarding the sale of its interest in Bissett to San Gold Resources Corporation for C$7.5 million, subject to certain conditions.

WORLDWIDE OPERATIONS
37

38

Geology

The major portion of Harmony's South African gold production is derived from mines located in the Witwatersrand Basin in South Africa. The Witwatersrand Basin is an elongate structure that extends approximately 300 kilometers in a northeast-southwest direction and approximately 100 kilometers in a northwest-southeast direction. It is an Archean sedimentary basin containing a 6 kilometers thick stratigraphic sequence consisting mainly of quartzites and shales with minor volcanic units.

Conglomerate layers occur in distinctive depositional cycles or packages within the upper, arenaceous portion of the sequence, known as the Central Rand Group. It is within these predominately conglomeratic units that the gold-bearing alluvial placer deposits, termed reefs, are located.

The differences in the morphology and gold distribution patterns within a single reef, and from one reef to the next, are a reflection of the different sedimentary processes at work at the time of placer deposition on erosional surfaces in fluvial and littoral environments.

Within the various goldfields of the Witwatersrand Basin there are major and minor fault systems, and some of the normal faults have displaced basin-dipping placers upwards in a progressive step-like manner, enabling mining to take place at accessible depths.

The majority of Harmony's South African gold production is derived from auriferous placer reefs situated at different stratigraphic positions and at varying depths below surface in three of the seven defined goldfields of the Witwatersrand Basin.

Harmony's production from the Australian operations is sourced from Archaean greenstone gold deposits. These types of deposits are formed by the interaction of gold-bearing hydrothermal fluids with chemically or rheologically suitable rock types. The hydrothermal fluids are typically focused along conduits termed shear zones. The nature of the shear zone and the host rock determines the style of the mineralization, which may be narrow veins with high gold grades or wide disseminated mineralization with low-medium grades. Frequently the two styles occur together.

Reserves

Harmony applies an ore reserve management system that emphasizes effective geological control of the orebody. In addition, ongoing management of the ore reserves is decentralized to each production site where management applies site-specific technical and working cost parameters to determine the optimal cut-off grade. This cut-off grade is defined as the grade at which the total profits from mining the orebody, under a specific set of mining parameters, is maximized and, therefore, optimizes exploitation of the orebody. The use of a cut-off grade attempts to account for all the ore tons that make a marginal contribution to the profitability of the mine.

Historically, South African gold mining companies have not been required to follow any particular standard for reporting ore reserves. Consequently, Harmony inherited a number of different standards for reporting ore reserves as it acquired mining operations.

The JSE requires that all gold mining companies listed on the JSE must report ore reserves on the basis of the South African Mineral Resource Committee code of practice, or SAMREC. In accordance with this ruling, Harmony has recalculated its ore reserves. As at June 30, 2003, all of Harmony's ore reserves for South African operations are reported on the basis of SAMREC. In addition, the ore reserve information for Harmony's Australian operations is reported on the basis of the Australian Code for Reporting of Mineral Resources and Ore Reserves, or JORC Code. The JORC Code is consistent with SAMREC, although the JORC code focuses more specifically on open cast mining, which is more common in Australia. Only the reserves which qualify as proven and probable reserves for purposes of the SEC's industry guide number 7 at each of Harmony's mining operations are presented in this annual report. See "Glossary of Mining Terms."

As at June 30, 2003, Harmony's mining operations reported total proven and probable reserves of approximately 50.0 million ounces, which includes Abelle and ounces attributable to Harmony's 50% interest in the Free Gold Company, as set forth in the following table:

Ore reserve statement as at June 30, 2003

Operations	Proven Reserves			Probable Reserves			Total Reserves			Gold sales in the fiscal year ended June 30, 2003 [1]
	Tons (million)	Grade (oz/ton)	Gold oz [2] (million)	Tons (million)	Grade (oz/ton)	Gold oz [2] (million)	Tons (million)	Grade (oz/ton)	Gold oz [2] (million)	(oz)
S.A. Underground										
Elandskraal	18.58	0.22	4.04	25.40	0.24	6.09	43.98	0.23	10.13	347,276
Free State	29.01	0.13	3.90	24.08	0.13	3.22	53.09	0.13	7.12	538,990
Randfontein	18.87	0.14	2.71	10.21	0.15	1.48	29.08	0.14	4.20	454,917
Evander	11.54	0.19	2.21	66.24	0.21	13.65	77.79	0.20	15.86	

360,184
Free Gold assets
3
13.27 0.23 3.05 32.09 0.20 6.53 45.36
0.21 9.58
533,282
Total S.A.
Underground
91.27 0.17 15.91 158.03 0.20 30.97 249.30 0.19 46.89 2,234,649
S.A.
Surface
Elandskraal
-
-
-
1.32 0.02 0.02 1.32
0.02 0.02
19,323
Free
State
14.78 0.01 0.15
4.65 0.02 0.07 19.43
0.01 0.22
24,209
Randfontein
35.45 0.02 0.53
-
-
- 35.45
0.02 0.53
36,973
Kalgold
(open
cast) 8.34 0.06 0.50
0.13 0.04 0.01 8.47
0.07 0.51
74,590
Free Gold assets
3
1.80 0.02 0.03 11.27 0.02 0.17 13.07
0.02 0.20
44,432
Total
S.A.
Surface
60.37 0.02 1.22 17.37 0.02 0.27 77.74
0.02 1.48
199,527
Australian Operations
4
Gidgee
0.13
0.12
0.02
0.25
0.22
0.05
0.38
0.18
0.07
11,534
Big Bell
0.85
0.09
0.07
1.13
0.05 0.05
1.98
0.07
0.12 132,579

Mt. Magnet
3.64
0.05
0.15
6.91
0.15 0.94
10.55
0.11
1.09 182,690
South Kalgoorlie
5
1.85 0.09
0.15 1.87
0.10 0.17
3.72
0.10
0.32 182,851
Total Australian
Operations 6.47
0.06
0.39
10.16
0.12 1.21
16.63
0.10
1.60 509,654
TOTAL
158.11 0.11 17.52 185.56 0.17 32.45 343.67 0.15 49.97
2,943,830

1 Includes sales from Gidgee for 2 months from May 1, 2003 and sales attributable to Harmony's interest in the Free Gold assets.
2 "Gold oz" figures are fully inclusive of all mining dilutions and gold losses, and are reported as mill delivered tons and head grades. Metallurgical recovery factors have not been applied to the reserve figures. Approximate metallurgical recovery factors are set forth below.
3 Includes 50% of the reserves from the Free Gold assets, representing Harmony's equity interest in the Free Gold Company.
4 Includes reserves from underground and surface mining at each of the Australian operations.
5 The South Kalgoorlie operations include Jubilee, acquired in the New Hampton transaction, and New Celebration, acquired in the Hill 50 transaction.

The numbers shown in the table above are fully inclusive of all mining dilutions and gold losses, and are reported as mill delivered tons and head grades. Metallurgical recovery factors have not been applied to the reserve figures stated above. The approximate metallurgical recovery factors for the table above are as follows: (a) Elandskraal 95.6%; (b) Free State 95%; (c) Randfontein 96.5%; (d) Evander 96.7%; (e) Kalgold 85%; (f) the Free Gold assets 97%; (g) Big Bell 86%; (h) Mt. Magnet 93%; (i) South Kalgoorlie 92%; and (j) Bissett 91%. A gold price of Rand 93,000 per kilogram was applied in calculating the ore reserve figures. The gold price on December 4, 2003 was approximately R 81,526 per kilogram. Harmony's standard for sampling with respect to both proven and probable reserve calculations for underground mining operations at Elandskraal, Free State, Evander, Randfontein and the Free Gold assets is applied on a 6 meter by 6 meter grid. Average sample spacing on development ends is at 2 meter intervals in development areas. Harmony's standard for sampling with respect to both proven and probable reserves at its Australian underground operations include sampling development drives and crosscuts at intervals of up to 4 meters, drilling fans of diamond drill boreholes with a maximum spacing of 20 meters in any orientation within the ore bodies, and assaying core at 1 meter intervals. The Kalgold open cast operations are sampled on diamond drill and reverse circulation drill spacing of no more than 25 meters on average. Surface mining at South African operations other than Kalgold involves recovering gold from areas previously involved in mining and processing, such as metallurgical plants, waste rock dumps and tailings dams (slimes and sand) for which random sampling is used. Australian surface operations are sampled on diamond drill and reverse circulation drill spacing of no more than 20 meters on average. Bissett operations have not been included in the table above because given the recovery factor identified above and cut-off grade calculated as described below, there were no proven and probable reserves at Bissett as at June 30, 2003. Production at Bissett was suspended in the quarter ended September 30, 2001 due to mining operations being uneconomical at then-current gold prices. See "Item 4. Information on the Company--Business--Harmony's Mining Operations--Bissett Operations."

In calculating proven and probable reserves, Harmony applies a cut-off grade. The cut-off grade is determined for each shaft using Harmony's optimizer computer program, which takes account of a number of factors, including grade distribution of the orebody, an assumed gold price, planned production rates, planned working costs and mine recovery factors. Harmony's optimizer computer program determines the total profits that can be made from mining blocks of various grades. The point of maximum total profit is used to determine the cut-off grade. Mining the blocks at and above the cut-off grade will be profitable if the assumptions underlying the cut-off grade hold true. Blocks below the cut-off grade are not included in Harmony's reserve estimates. Harmony generally aims to mine above the cut-off grade. This can be contrasted with the so-called "pay limit" approach for determining reserve estimates, which identifies the grade at which revenues and costs are equal and then determines the portion below this break-even grade that can be mined together with portions above the break-even grade to remain profitable. Harmony believes the cut-off grade methodology defines more precisely which blocks should be mined for profitable operations.

Harmony's Mining Operations

In South Africa, Harmony and its subsidiaries (excluding the Free Gold Company) conduct underground mining at four sites--Elandskraal, the Free State, Randfontein

and Evander--and surface mining at five sites--Elandskraal, the Free State, Randfontein, Evander and Kalgold. The Kalgold operations were sold in October 2003 for a consideration of R275 million. The Free Gold Company conducts underground and surface mining at the Free Gold assets. Surface mining conducted at the South African operations other than Kalgold involves recovering gold from areas previously involved in mining and processing, such as metallurgical plants, waste rock dumps and tailings dams (slimes and sand). Harmony has also conducted open cast mining at Randfontein, but these open cast operations were downscaled and discontinued in the six months ended December 31, 2001 because the open cast mine had reached the end of its useful life.

In Australia, Harmony and its subsidiaries presently conduct mining at three sites the Big Bell operations (which were acquired in the New Hampton transaction), the Mt. Magnet operations (which were acquired in the Hill 50 transaction) and the South Kalgoorlie operations (which include the Jubilee operations acquired in the New Hampton transaction and the New Celebration operations acquired in the Hill 50 transaction). During fiscal 2003 the Gidgee gold mine was an additional site acquired in the Abelle transaction, but Harmony announced the sale of its Gidgee underground operations in November 2003. Underground and surface mining is conducted at each of the remaining operations, with underground access through one decline at Big Bell, two declines at Mt. Magnet and one decline at South Kalgoorlie and surface access principally through open pits. Underground operations at Big Bell ceased in July 2003 as mining there has become uneconomical due to low grade. It is anticipated that milling and plant clean up will be completed by the end of 2003. Surface mining will, however, continue in certain areas of the Big Bell tenements, with ore to be processed at the Mt. Magnet plant.

South African Underground Operations

The following chart details the operating and production results from underground operations in South Africa for the past three fiscal years:

Fiscal year ended June 30,
2003
1
2002
1
2001
2
Production
Tons (`000) .....
12,294
13,368
13,603
Recovered grade (ounces/ton).....
0.142
0.149
0.140
Gold sold (ounces).....
1,701,367
1,988,320
1,903,766
Results of operations ($)
Product sales (`000) .....
578,764
567,006
521,523

Cash cost (`000).....
425,323
384,434
441,400
Cash profit (`000) .....
139,775
182,607
80,123
Cash costs
Per ounce of gold ($) .....
250
193
232

_____
1
Excludes Harmony's interest in gold sales by the Free Gold Company.
2
Includes Elandskraal's gold sales for three months from April 1, 2001.
Given the relative significance of surface production as a proportion of total
production at the Elandskraal operations, Harmony began to segment the Elandskraal operations
42

into underground and surface production in the quarter ended December 31, 2001. The historic figures presented above have been adjusted to reflect this segmentation in all prior periods.

Tons milled from underground operations in South Africa decreased to 12,294,000 in fiscal 2003, compared with 13,368,000 in fiscal 2002, due to lower production at all the operations. See "--Randfontein Operations" and "--Free State Operations" below.

Recovered grade decreased 5% in fiscal 2003, compared with fiscal 2002, due primarily to lower recovered grades at all operations.

Cash costs for underground operations in South Africa were $250 per ounce of gold in fiscal 2003, compared with $193 per ounce of gold in fiscal 2002. This increase was attributable primarily to the appreciation of the Rand against the U.S. dollar, which caused a significant increase when these costs were translated into U.S. dollars. See "Item 5. Operating and Financial Review and Prospects--Exchange Rates." If expressed in Rand terms, costs per ounce would have increased in fiscal 2003, due primarily to the increases in the costs of labor and supplies due to the implementation of collective bargaining agreements and the effect of inflation on supply contracts.

South African Surface Operations

The following chart details the operating and production results from Harmony's surface operations in South Africa for the past three fiscal years (with historic figures adjusted to reflect the segmentation of the Elandskraal operations described above):

Fiscal year ended June 30,
2003
2002
1
2001
2
Production
Tons (`000) .....
5,799
4,198
3,732
Recovered grade (ounces/ton).....
Gold sold (ounces).....
0.027
0.033
0.037
138,882
136,319
155,095
Results of operations ($)
Product sales (`000) .....
51,344
40,034
36,987
35,615
Cash cost (`000).....
24,037
32,355
Cash profit (`000) .....
15,729
16,003
4,632

Cash costs
Per ounce of gold ($) .....
230
173
237

_____
1
Excludes Harmony's interest in gold sales by the Free Gold Company.
2
Includes Elandskraal's gold sales for three months from April 1, 2001.
The amount of gold sold from surface operations in South Africa increased in fiscal 2003 due primarily to the increased production from the Free State and Randfontein. The amount of gold sold from surface operations in South Africa increased in fiscal 2002, due primarily to the inclusion of surface sources from Elandskraal for a full fiscal year, the improved recovered grades from Kalgold's surface sources and the treatment of Free State surface sources during the year. These factors more than offset decreased production from Randfontein surface sources as a result of the closure of Randfontein's open pit.
43

In light of the higher prevailing market price for gold in fiscal 2002, and in order to maximize use of the Free State plants, Harmony began processing materials from secondary surface sources, primarily waste rock dumps and tailings dams (slimes and sand), at the Free State operations in the quarter ended March 31, 2002. This production is included in South African surface operations for the March 31, 2002 quarter and all subsequent periods.

Tons milled from surface operations in South Africa were 5,799,000 in fiscal 2003, compared with 4,198,000 in fiscal 2002. This increase was primarily due to the increase in tons at the Free State and Randfontein. Recovered grade from surface operations in South Africa was 0.027 ounces per ton in fiscal 2003, compared with 0.033 ounces per ton in fiscal 2002, as a result of lower grade surface sources being treated at the Free State and Randfontein.

Cash costs for surface operations in South Africa were $230 per ounce of gold in fiscal 2003, compared with $173 per ounce of gold in fiscal 2002. This increase was attributable primarily to the appreciation of the Rand against the U.S. dollar, which caused a significant increase when these costs were translated into U.S. dollars. See "Item 5. Operating and Financial Review and Prospects--Exchange Rates." If expressed in Rand terms, costs per ounce would have increased in fiscal 2003, due primarily to the increases in the costs of labor and supplies due to the implementation of collective bargaining agreements and the effect of inflation on supply contracts.

Elandskraal Operations

Introduction. On January 31, 2001, Harmony entered into an agreement to purchase the assets and liabilities of the Elandskraal mines in the North West and Gauteng provinces of South Africa for approximately Rand 1 billion. Harmony and AngloGold jointly managed the Elandskraal mines between February 1, 2001 and April 9, 2001 and Harmony completed the purchase on April 9, 2001. In fiscal 2003, the Elandskraal operations accounted for approximately 15% of Harmony's total gold sales. The assets and liabilities of the Elandskraal mines include the mineral rights and mining title (excluding a portion of the Carbon Leader Reef horizon, which AngloGold will continue to mine), mining equipment, metallurgical facilities, underground and surface infrastructure necessary for the continuation of mining, ore treatment and gold extraction at Elandskraal as a going concern, and contributions to a rehabilitation trust fund equivalent to the current rehabilitation liability of this operation. The addition of Elandskraal to Harmony's operations increased Harmony's reserves by approximately 9.9 million ounces.

On April 24, 2001, Harmony entered into an agreement with Randfontein and Open Solutions, pursuant to which the parties agreed to associate together in a joint venture related to the business of the Elandskraal mines, or the Elandskraal Venture. Open Solutions, an empowerment group, undertook to purchase a 10% participation interest in the Elandskraal Venture for cash consideration equal to 10% of the historical acquisition costs (including all transaction costs but excluding loan financing costs) of the Elandskraal mines, in an amount estimated to be approximately Rand 100 million. Randfontein retained the remaining 90% participation interest in the Elandskraal Venture, continued to own and operate the Elandskraal mines, and had the sole discretion to manage the Elandskraal Venture (but was required to consult with Open Solutions prior to effecting a sale or disposal of the material portion of the

assets of the Elandskraal mines). Under the agreement, Randfontein also undertook to loan the purchase price to Open Solutions at an interest rate equal to the prime rate less 1%, to be repaid by Open Solutions from the benefits accruing to Open Solutions attributable to its 10% participation interest. As security for the repayment of this loan, Open Solutions ceded and assigned to Randfontein all its right, title and interest in and to its participation interest (other than the right to appoint the representatives described below) until the loan was repaid in full. Under the agreement, Randfontein agreed to accept liability, as to third parties, for all obligations and liabilities of the Elandskraal Venture and Open Solutions agreed to indemnify Randfontein in respect of a pro rata portion of these obligations and liabilities. Open Solutions could not dispose of its participation interest without the prior written consent of Randfontein, or encumber its participation interest other than as provided in the agreement. Pursuant to the agreement, Open Solutions was granted the right, at any time prior to the repayment in full of Randfontein's loan, to require Randfontein to acquire Open Solution's participation interest at a price equal to the then-outstanding loan balance. With effect from April 1, 2002, Randfontein reacquired this 10% participation interest in the Elandskraal Venture from Open Solutions. The aggregate consideration paid by Randfontein to Open Solutions was Rand 210 million ($18.5 million at an exchange rate of R11.35 per $1.00). This aggregate consideration included the cancellation of the remaining Rand 91 million ($8.0 million at an exchange rate of R11.35 per $1.00) due to Randfontein under its loan of April 24, 2001 to Open Solutions.

History. Gold mining began at Elandskraal in 1978 following approval of the project in 1974 by Elandsrand Gold Mining Company for the Elandsrand operations and by Gold Fields of South Africa Ltd. for the Deelkraal operations. Two surface shafts and two adjoining sub-vertical shafts were sunk at Elandsrand and Deelkraal. The sub-vertical shafts at Elandsrand were completed in 1984, which accessed a deeper reef in the lease area. The sub shaft deepening project, or SSDP, the deepening of the sub-vertical shafts to approximately 3,400 meters below surface, is an on-going project to access and exploit a portion of the mine. Harmony believes that the SSDP will enable Elandskraal to produce approximately 350,000 ounces per year over the life of the mines. Sinking of a third surface shaft commenced at Deelkraal in 1988. However, this shaft was not completed and is now flooded. In 1997, Gold Fields of South Africa Ltd. sold Deelkraal to Elandsrand, which later was incorporated into AngloGold.

Geology. Elandskraal contains three identified main reef groupings, the Ventersdorp Contact Reef, or VCR, the Carbon Leader Reef, or CLR and the Mondeor Reef. Only the VCR is economic to mine and has been mined at depths below surface between 1,600 and 2,800 meters with future production to 3,300 meters below surface at the Elandsrand operations and at depths below surface of 2,750 meters at the Deelkraal operations. The VCR and CLR consist of narrow (20 centimeters to 2 meters) tabular orebodies of quartz pebble conglomerates hosting gold, with extreme lateral continuity.

At the Elandsrand operations, the vertical separation between the VCR and CLR increases east to west from 900 meters to 1,300 meters as a result of the relative angle of the VCR unconformity surface to the regional stratigraphic strike and dip. The CLR strikes west-southwest and dips to the south at 25 degrees. The VCR strikes east-northeast and has a regional dip of

45

21 degrees to the south-southeast. Local variations in dip are largely due to the terrace-and-slope palaeotopography surface developed during VCR deposition.

The dip of the VCR at the Deelkraal operations is relatively consistent at 24, although there is some postulation of a slight flattening of dip at depth. The VCR has a limit of deposition running roughly north-south through the center of the lease area. The VCR is not developed to the west of this line. Some stoping has occurred to the west of this limit, but this was to exploit reefs from the Mondeor Conglomerates, stratigraphically underlying the VCR.

Mining Operations. The Elandskraal operations are engaged in both underground and waste rock mining. These operations are subject to all of the underground and waste rock mining risks detailed in the Risk Factors section. Due to the operating depths of the Elandskraal underground operations, seismicity and pressure related problems are a risk. In December 2001, a seismic event at the Deelkraal operations caused the deaths of six workers. Another seismic event in July 2002 fatally injured two workers. Although these types of events are tragic in nature and disrupting on production, it should not affect the longer term production achievements. Harmony regularly revisits its mining strategy and management procedures at all of its deeper mining operations in connection with its efforts to mitigate this risk. The primary challenges facing the Elandskraal operations are the lowering of working costs, increasing mining flexibility, controlling capital expenditure and the timely completion of the SSDP. Harmony expects that the SSDP will be completed by the end of fiscal 2005.

Following the acquisition, Harmony has implemented the "Harmony Way" at Elandskraal in an effort to cut costs and increase productivity. This has improved the overall cost structure which has enabled Harmony to pursue capital development of the 35 level project of the Deelkraal shaft. This is a one-level extension of the depth of mining operations and will permit an additional 156,000 ounces of gold production over the life of the Deelkraal mine. The results are dependent upon the timely and successful completion of this project. Harmony also completed restructuring of the Elandskraal operations, which resulted in the retrenchment of approximately 1,450 employees.

During the quarter ended September 30, 2003, the Elandskraal operations experienced operational problems. Development was delayed by an accident caused by a seismic event that resulted in one fatality. Although this had an impact on the development for the period, it is not expected that it will impact on the longer term production plan. The first raise line on a 102 level project has been holed and is currently being prepared for stoping, which should commence in or around March, 2004. The development rates have picked up steadily over the last two months and Harmony feels confident that planned production profiles will be met.

During fiscal 2003, the safety record at the Elandskraal mines in terms of lost time frequency rate (25.37) compared unfavorably with the group average of 22.35. The fatality frequency rate (0.57) was also higher than the South African industry average as a result of the seismic event described above. Significant work is being done to address this. Safety standards for other Harmony operations are being applied at Elandskraal and receive constant and high-level attention. Where problems are identified steps are being taken to address the situation. In May 2002, Harmony appointed an executive officer to lead initiatives to improve workplace

health and safety at Harmony's South African operations. See "Item 6. Directors and Senior Management--Board Practices."

Underground Operations. Detailed below are the operating and production results from underground operations at Elandskraal for fiscal 2003 and 2002, and for the calendar year ended December 31, 2001:

	Fiscal Year ended June 30,		**Calendar Year ended December 31,**
	2003	**2002**	**2001**
Production			
Tons (`000)	2,066	2,420	2,427
Recovered grade (ounces/ton)	0.168	0.183	0.189
Gold sold (ounces)	347,276	442,715	459,626
Results of operations ($)			
Cash cost (`000)	95,941	88,425	111,867
Cash profit (`000)	18,505	35,683	13,510
Cash costs			
Per ounce of gold ($)	276	200	243

Following the completion of the Elandskraal acquisition, Harmony increased the processing of secondary surface sources at Elandskraal. Given the significance of the surface production as a proportion of Elandskraal's total production, Harmony began to segment Elandskraal's production figures into underground and surface production in the quarter ended December 31, 2001. The historic figures presented above have been adjusted to reflect this segmentation in all prior periods.

Tons milled from Elandskraal's underground operations were 2,066,000 in fiscal 2003, compared with 2,420,000 in fiscal 2002, and ounces were 347,276 in fiscal 2003, compared with 442,715 in fiscal 2002. This decrease in tons milled and ounces sold was due to the problems experienced with the orepass system at the Elandsrand operation, which resulted in waste rock diluting the recovery grade and reduced flexibility in the old mine area. Cash costs

were $276 per ounce of gold in fiscal 2003, compared with $200 per ounce of gold in fiscal 2002. This increase was attributable primarily to the appreciation of the Rand against the U.S. dollar, which caused a significant increase when these costs were translated into U.S. dollars. See "Item 5. Operating and Financial Review and Prospects--Exchange Rates." If expressed in Rand terms, costs per ounce would have increased in fiscal 2003 due to increases in the costs of labor and supplies due to the implementation of collective bargaining agreements and the effect of inflation on supply contracts.

Elandskraal operates two production shaft units, comprised of four surface shafts and two sub-vertical shafts. Set out below are the rock hoisting capacities of Elandskraal's production shafts.

Shaft	**Hoisting Capacity (tons/month)**
Elandsrand No. 2 shaft and sub-vertical shaft	206,000
Deelkraal No. 1 shaft and sub-vertical shaft	365,000

In the quarter ended June 30, 2001, the hoisting capacity at the Deelkraal No. 1 sub-vertical shaft was limited to approximately 50% of designed rating because of the corrosive effects of mine water on the shaft steelwork. Harmony employed remedial action designed to prevent further deterioration and to repair the infrastructure to maintain current production. As a result of the remedial action, the Deelkraal No. 1 sub-vertical shaft is now operating at the design capacity again.

On a simplistic basis (and assuming that no additional reserves are identified), at the production level achieved in fiscal 2003, the June 30, 2003 reported proven and probable ore reserves of 43.98 million tons will be sufficient for the Elandskraal operations to maintain underground production until approximately calendar year 2020. However, because the Elandskraal operations consist of several different mining sections that are at various stages of maturity, it is expected that some sections will decrease production earlier than others. In addition, any future changes to the assumptions upon which the ore reserves are based, as well as any unforeseen events affecting production levels, could have a material effect on the expected period of future operations. See "Item 3. Key Information--Risk Factors-- Harmony's gold reserve figures may yield less gold under actual production conditions than Harmony currently estimates."

Elandsrand New Mine Project. The project, initiated by AngloGold in 1991, was intended to increase the life of mine by exploiting the southern portion of the lease area between 3,000 - 3,600 meters below surface. This was to be achieved by deepening the sub-vertical and ventilation shafts. Developing to reef is under way on 102, 105, 109 and 113 levels to access the higher grade payshoot which was mined on the shallower levels of the old mine and will come into production over the next twelve months.

Surface Operations. Following the completion of the Elandskraal acquisition, Harmony increased the processing of ore from numerous secondary surface sources located in close proximity to the Elandskraal shafts, including low grade rock dumps and tailings dams (slimes and sand). Given the significance of the surface production as a proportion of Elandskraal's total production, Harmony began to segment Elandskraal's production figures into underground and surface production in the quarter ended December 31, 2001. It was also decided to dedicate the Deelkraal metallurgical plant to only treat surface sources, that way ensuring that it is treated as a stand alone business which could be measured as such. AngloGold, the previous owner of the Elandskraal assets, had not focused on this type of production and accordingly, had not reported such production from secondary sources at Elandskraal.

Detailed below are the operating and production results from surface operations at Elandskraal for fiscal 2003, 2002 and 2001.

Fiscal Year ended
June 30,
2003
2002
2001
1
Production
Tons (`000) .....
1,228
1,197
141
Recovered grade (ounces/ton) .....
0.016
0.028
0.028
Gold sold (ounces).....
19,323
33,344
3,987
Results of operations ($)
Cash cost (`000).....
4,518
4,744
530
Cash profit (`000) .....
1,924
4,984
601
Cash costs
Per ounce of gold ($) .....
233
142
133

_____
1
Includes gold sales from surface mining at Elandskraal mines for three months from April 1, 2001.

Tons milled from the Elandskraal surface operations were 1,228,000 in fiscal 2003, compared with 1,197,000 in fiscal 2002. This increase was attributable primarily to increased processing of materials from rock dumps and tailings dams at the Deelkraal plant, through plant optimization. It must also be noted that this plant is now dedicated to the processing of such secondary surface sources only. All underground ore is being treated at the Elandsrand metallurgical plant. Cash costs per ounce of gold were $233 per ounce in fiscal 2003, compared with $142 per ounce in fiscal 2002. This increase was attributable to lower recovery grade and the stronger Rand, which caused a significant increase when these costs were translated into U.S. dollars. The lower recovery grade was as a result of lower grade material being treated from the rock dump. The treatment of the rock dump was completed during the December quarter, 2003.

Plants. Commissioned in 1978, the Elandsrand Plant has milling in closed circuit with primary and secondary hydrocyclones, secondary ball milling in closed circuit with hydrocyclones, thickening and cyanide leaching in a CIP pump cell carousel circuit. The CIP was commissioned after an upgrade of the facility in 1999. Following post-acquisition capital

improvements, loaded carbon milled at the Elandsrand Plant is transported by road to the Cooke Plant at Randfontein for elution, electro-winning and smelting to produce dor. Residues from the CIP are pumped either to a backfill plant or directly to the tailings facility. Ore from Elandsrand and Deelkraal underground operations are delivered to the plant for treatment.

Commissioned in 1978, the Deelkraal plant has milling in closed circuit with primary and secondary hydrocyclones, thickening, cyanide leaching, filtration, zinc precipitation and smelting to produce dor. Residues from the re-pulped filtercake are pumped either directly to a backfill preparation plant or directly to the tailings facilities. The current operating capacity of 116,000 tons/month when processing waste differs from the design capacity of 149,000 tons/months as it is limited by the condition of the filter plant. The Deelkraal plant was used primarily for the treatment of waste rock. During December, 2003, the plant was converted back to treating Deelkraal underground ore. There are plans to commission a new pumpcell CIP plant to process the Deelkraal underground ore from 2004.

The following table sets forth processing capacity and average tons milled during fiscal 2003 for each of the plants:

Plant	Processing Capacity (tons/month)	Average milled for fiscal year ended June 30, 2003 (tons/month)
Elandsrand Plant	209,000	173,000
Deelkraal Plant.....	149,000	102,000

In fiscal 2003, the Elandsrand Plant recovered approximately 96% of the gold contained in the ore delivered for processing and the Deelkraal Plant recovered approximately 92% of the gold contained in the ore delivered for processing.

Capital Expenditure. Harmony incurred approximately Rand 136.8 million in capital expenditures at the Elandskraal operations in fiscal 2003, principally for the SSDP. Harmony has budgeted Rand 151.1 million ($23.2 million) for capital expenditures at the Elandskraal operations in fiscal 2004, primarily for the SSDP and secondarily to develop level 35 of the Deelkraal shaft and improve underground conditions of the Elandsrand shaft.

Randfontein Operations

Introduction. The Randfontein gold mine is located in the Gauteng Province of South Africa, approximately thirty kilometers west of Johannesburg. The Randfontein mine currently operates under a mining authorization with a total area of 17,753 hectares. The Randfontein mine has both underground and surface (waste rock) mining operations, and has two metallurgical plants. Underground mining is conducted at Randfontein at depths ranging from 500 meters to 2,500 meters. Harmony has also historically conducted open cast mining at Randfontein, however, these open cast operations were downscaled and discontinued in the six months ended December 31, 2001, as the open cast mine had reached the end of its useful life. In fiscal 2003, Harmony's Randfontein operations accounted for approximately 20% of Harmony's total gold sales.

History. Gold mining began at the Randfontein mine in 1889. Since the commencement of mining operations to June 30, 2003, Randfontein has sold approximately 54.4 million ounces of gold at an average recovered grade of 0.163 ounces per ton. Harmony obtained management control of Randfontein in January, 2000 and by June 30, 2000 had acquired 100% of Randfontein's outstanding ordinary share capital and 96.5% of the warrants to purchase ordinary shares of Randfontein. See "Item 4. Information on the Company--Business--History."

Since acquiring Randfontein, Harmony has implemented the "Harmony Way" at Randfontein. Harmony has reduced the number of senior managers, has sold off non-core assets and has implemented management teams.

Geology. The Randfontein mine is situated in the West Rand Goldfield of the Witwatersrand Basin, the structure of which is dominated by the Witpoortjie and Panvlakte Horst blocks, which are superimposed over broad folding associated with the southeast plunging West

Rand Syncline. The structural geology in the north section of the Randfontein mine is dominated by a series of northeast trending dextral wrench faults.

The Randfontein mine contains six identified main reef groupings: the Black Reef; the Ventersdorp Contact Reef; the Elsburg Formations; the Kimberleys; the Livingstone Reefs; and the South Reef. Within these, several economic reef horizons have been mined at depths below surface between 600 and 1,260 meters.

The reefs comprise fine to coarse grained pyritic mineralization within well developed thick quartz pebble conglomerates or narrow single pebble lags, which in certain instances are replaced by narrow carbon seams.

Mining Operations. The Randfontein operations are engaged in both underground and waste rock mining. These operations are subject to all of the underground and waste rock mining risks detailed in the Risk Factors section, and have historically also been subject to the open pit mining risks. The open cast operations were downscaled and discontinued in the six months ended December 31, 2001, as the mine had reached the end of its useful life.

Due to the shallow to moderate depths of the operations, seismicity and pressure related problems are infrequent. There is a risk of subterranean water and/or gas intersections in some areas of the mine. However, this risk is mitigated by active and continuous management and monitoring, which includes the drilling of boreholes in advance of faces. Where water and/or gas is indicated in the drilling, appropriate preventative action is taken.

The primary challenge facing the Randfontein operations is the lowering of working costs, and some progress in addressing this challenge has been made since Harmony's acquisition of management control of Randfontein in January 2000. In particular, in early 2000 the shaft 4 section of the Randfontein operations was operating at a loss, raising the risk of closure at that location. Although losses at this location were reduced during 2000, Harmony believed that losses were still at unacceptable levels in the quarter ended March 31, 2001 and closed the shaft (other than pumping installations) in the quarter ended June 30, 2001. The closure resulted in the retrenchment of approximately 1,500 employees (not including contractors), with the rest of the employees transferred to other shafts (including Doornkop), displacing contractors. Following Harmony's closure of the shaft, contractors mined this shaft at a reduced rate on a royalty basis.

As a result of an eleven day strike in May, 2002 by Randfontein's NUM members, Randfontein's production for the quarter ended June 30, 2002 was reduced by approximately 102,000 tons at a grade of 0.146 ounces per ton, or 14,892 ounces. See "Item 6. Directors, Senior Management and Employees--Employees--Unionized Labor."

Production at the Cooke 1 shaft was focused on the extraction of the shaft pillar, and tonnage and grade at this shaft began to decline in the quarter ended September 30, 2002 from the previous levels of approximately 70,000 tons per month to approximately 50,000 tons per month at a grade of approximately 0.15 ounces per ton.

Operations at Cooke 1 were affected by seismicity following the removal of the shaft pillar. Plans to mine out the abutments over the haulages, thereby eliminating the stress

associated with the removal of the pillar, are underway and are expected to be completed in the next six months, reducing the risk of future seismicity in this area substantially.

The Doornkop South Reef Project was announced on January 22, 2003. It is estimated that the South Reef project has an in situ resource of 6.6 million ounces. For project purposes, it is estimated that 129 tons or 3.75 million ounces of gold will be recovered from the resource at a recovery grade of 0.186 ounces per ton.

Currently, the Kimberley Reef is mined on the upper levels of the Doornkop Shaft. The South Reef on the lower levels is the target of the proposed shaft-deepening project. The deepening of the main shaft is expected to be completed by mid-2005 with the development program finishing in 2007. The production buildup from the South Reef will take place beginning in 2006 and is expected to peak by 2012 at a projected 148,812 tons per month.

The main shaft is currently at a depth of 1,340 meters below surface and the sub-vertical ventilation shaft at a final depth of 1,949 meters below surface. To access the South Reef resource the main shaft will be deepened to a depth of 2,034 meters and the spillage incline shaft extended to a depth of 2,082 meters below surface.

Randfontein entered into an agreement with African Vanguard Resources (Doornkop) (Pty) Limited on January 21, 2003, pursuant to which Randfontein sold 26% of its mineral rights in respect of the Doornkop Mining Area to Africa Vanguard for a consideration of Rand 250 million. The consideration comprised cash of Rand 140 million and Rand 110 million in call options on 290,000 ounces of gold, being equal to 16% of the gold produced at Doornkop during the first 10 years of operation. Randfontein and Africa Vanguard also entered into a joint venture agreement on the same day, pursuant to which they agreed to jointly conduct a mining operation in respect of the Doornkop Mining Area. The profits will be shared 84% to Randfontein and 16% to Africa Vanguard. The agreements were subject to the fulfillment of certain conditions precedent, the last of which was fulfilled on August 12, 2003. The agreements were implemented and the purchase price paid on August 15, 2003. For US GAAP purposes, Harmony will not account for this transaction as a sale, but will consolidate the results of Africa Vanguard and the Doornkop Joint Venture, as both these entities have been determined to be variable interest entities with Harmony as the primary beneficiary of both variable interest entities.

Mining at the South Reef at Doornkop was temporarily suspended during the fourth calendar quarter of 2003 to allow for the upgrade of the ventilation with respect to increasing both hoisting capacity and ventilation intake. This caused the overall recovery on Doornkop to drop. This situation will continue until mining is commenced, expected in January 2004.

The safety record at the Randfontein operations during fiscal 2003 in terms of lost time frequency rate (21.22) compared favorably with the group average while the fatality frequency rate (0.51) compared unfavorably with the South African industry average. Nevertheless, safety at the operations receives constant and high-level attention and where problems are identified steps are taken to address the situation. In May 2002, Harmony appointed an executive officer to lead initiatives to improve workplace health and safety at Harmony's South African operations. See "Item 6. Directors, Senior Management and Employees--Directors and Senior Management--Board Practices."

Underground Operations. Detailed below are the operating and production results from underground operations at Randfontein for the past three fiscal years:

Fiscal year ended June 30,	**2003**	**2002**	**2001**
Production			
Tons (`000)	3,162	3,606	4,397
Recovered grade (ounces/ton)	0.144	0.147	0.145
			0.147
Gold sold (ounces)	454,917	531,588	640,408
Results of operations ($)			
Cash cost (`000)	96,190	93,324	139,781
Cash profit (`000)	53,166	57,781	31,822
Per ounce of gold ($)	211	176	218

Tons milled from Randfontein's underground operations were 3,162,000 in fiscal 2003, compared with 3,606,000 in fiscal 2002, and ounces sold were 454,917 in fiscal 2003, compared with 531,588 in fiscal 2002. This decrease in tons milled and ounces sold was primarily due to the result of completion of the shaft pillar at Cooke 1 shaft. Cash costs per ounce of gold were $211 in fiscal 2003, compared with $176 in fiscal 2002. This increase was attributable primarily to the appreciation of the Rand against the U.S. dollar, which caused a significant increase when these costs were translated into U.S. dollars. See "Item 5. Operating and Financial Review and Prospects--Exchange Rates." If expressed in Rand terms, costs per ounce would have increased in fiscal 2003, due primarily to increases in the costs of labor and supplies due to the implementation of collective bargaining agreements and the effect of inflation on supply contracts.

The underground operations at Randfontein are comprised of the underground sections of the Cooke shafts No. 1, 2, and 3, shaft 4 and the Doornkop shaft.

Set out below are the hoisting capacities of Randfontein's shafts:

Shaft	**Hoisting Capacity (tons/month)**

Cooke 1
1
.....
194,450
Cooke 2 .....

Cooke 3 .....

Cooke 4 .....

291,700
2
164,200
Doornkop.....
54,700
206,600

_____
1
Currently operating at a rate of 50,000 tons per month in connection with the extraction of the shaft pillar.
2
The shaft was closed during April 2002. The future of the shaft is being considered.
On a simplistic basis (and assuming that no additional reserves are identified), at the production level achieved in fiscal 2003, the June 30, 2003 reported proven and probable underground ore reserves of 29.08 million tons will be sufficient for the Randfontein underground operations to maintain production until approximately fiscal 2009. However, because the Randfontein operations consist of several different mining sections that are at

various stages of maturity, it is expected that some sections will decrease production earlier than others. In addition, any future changes to the assumptions upon which the reserves are based, as well as any unforeseen events affecting production levels, could have a material effect on the expected period of future operations. See "Item 3. Key Information--Risk Factors--Harmony's gold reserve figures may yield less gold under actual production conditions than Harmony currently estimates."

Surface Operations. Open cast operations at Randfontein, which exploited the open pit operations of the Lindum mine, were downscaled and discontinued in the six months ended December 31, 2001, as the mine had reached the end of its useful life. Currently, Randfontein's surface operations are focused on the recovery of gold from areas previously involved in processing, including waste rock dumps and tailings dams (slimes and sand). Detailed below are the operating and production results from surface operations at Randfontein for the past three fiscal years:

Fiscal year ended June 30,	**2003**	**2002**	**1**	**2001**
Production				
Tons (`000)	2,212	1,687	2,533	
Recovered grade (ounces/ton)	0.017	0.018	0.032	
Gold sold (ounces).....	36,973	30,050	83,013	
Results of operations ($)				
Cash cost (`000).....	7,995	5,952	19,203	
Cash profit (`000)	4,304	2,568	3,557	
Cash costs				
Per ounce of gold ($)	216	198	231	

1
Open cast operations were downscaled and discontinued in the six months ended December 31, 2001 and current surface
operations exploit waste rock dumps and tailings dams (slimes and sand).
Tons milled from Randfontein's surface operations were 2,212,000 in fiscal 2003, compared with 1,687,000 in fiscal 2002, and ounces sold were 36,973 in fiscal 2003, compared with 30,050 in fiscal 2002, recovered grade was 0.017 in fiscal 2003, compared with 0.018 in fiscal 2002. The surface sources are run as a separate business with dedicated management staff. The ore is fed to a separate metallurgical plant (Doornkop plant) and is not mixed with any underground ore. The improved tonnage was as a result of this dedicated focus. Optimization in terms of mining and the metallurgical process is ongoing. In fiscal 2003, cash operating costs increased to $216 per ounce from $198 per ounce in fiscal 2002. This increase was attributable primarily to the appreciation of the Rand against the U.S. dollar, which caused a significant increase when these costs were translated into U.S. dollars. See "Item 5. Operating and Financial Review and Prospects--Exchange Rates." If expressed in Rand terms, costs per ounce would have increased in fiscal 2003, due primarily to the reduction of relatively lower-cost, higher-grade production from the open cast operations.
On a simplistic basis (and assuming that no additional reserves are identified), at the production level achieved in fiscal 2003, the June 30, 2003 reported proven and probable surface reserves of 35.45 million tons would be sufficient for the Randfontein operations to maintain surface production until approximately the end of fiscal 2004. Future changes to the assumptions upon which the reserves are based, as well as any unforeseen events affecting production levels, could have a material effect on the expected period of future operations. See
54

"Item 3. Key Information--Risk Factors-- Harmony's gold reserve figures may yield less gold under actual production conditions than Harmony currently estimates."

Plants. The processing facilities at the Randfontein mine presently comprise two operating plants: the Cooke metallurgical plant and the Doornkop metallurgical plant, both of which are serviced by a surface rail network. The Cooke metallurgical plant, commissioned in 1977, is a hybrid CIP/CIL plant, which processes the underground ore from the Randfontein operations. The Doornkop metallurgical plant, commissioned in 1985, is a conventional CIP plant, which is used to treat waste rock and other surface accumulations.

The following table sets forth processing capacity and average tons milled during fiscal 2003 for the Cooke and Doornkop plants:

Plant	**Processing Capacity**	**Average milled for the fiscal year ended June 30, 2003**
	(tons/month)	**(tons/month)**
Cooke.....	308,600	257,000
Doornkop.....	242,500	190,000

In fiscal 2003, the Cooke plant recovery has been in the range of 96% to 97%, while Doornkop plant recovered approximately 90% of the gold contained in the ore delivered for processing.

Capital Expenditure. Harmony incurred approximately Rand 36.8 million in capital expenditures at the Randfontein operations in fiscal 2003, principally to upgrade plants and equipment and develop shaft infrastructure. Harmony has budgeted Rand 195.8 million ($30 million) for capital expenditures at the Randfontein operations in fiscal 2004, primarily for the development of the Doornkop shaft.

Free State Operations

Introduction. Harmony's Free State operations are comprised of the original Harmony mines, the Unisel mine, Saaiplaas shaft 3, the Masimong shaft complex (comprised of Masimong shafts 4 and 5), Brand shafts 2, 3 and 5, and the Vermeulenskraal North mineral rights area. Mining is conducted at Harmony's Free State operations at depths ranging from 500 meters to 2,500 meters. In fiscal 2003, Harmony's Free State operations accounted for approximately 25% of Harmony's total gold sales.

History. Harmony's Free State operations began with the Harmony mine, which is an amalgamation of the Harmony, Virginia and Merriespruit mines. Beginning in 1996, Harmony began purchasing neighboring mine shafts. The Unisel mine was purchased in September 1996, the Saaiplaas mine shafts 2 and 3 were purchased in April 1997, the Brand mine shafts 2, 3 and 5 were purchased in May 1998 and the Masimong complex (formerly known as Saaiplaas shafts 4 and 5) was purchased in September 1998.

Geology. Harmony's Free State operations are located in the Free State goldfield on the southwestern edge of the Witwatersrand Basin. Within this area, the operations are

located on the southwestern and southeastern limb of a synclinal closure, with the Brand, Saaiplaas and Masimong shafts occupying northerly extensions of the same structure. The reefs dip inwardly from their sub-outcrop positions in the east and south of the mine to a position close to the western boundary of the original Harmony mine, where the reefs abut against the De Bron fault. To the west of the De Bron faulted zone, faulting is generally more intense, resulting in structurally more complex mining conditions.

Mining Operations. The Free State operations are engaged in both underground and waste rock mining. These operations are subject to all of the underground and waste rock mining risks detailed in the Risk Factors section. Due to the shallow to moderate depths of the underground operations, seismicity and pressure related problems are relatively infrequent with the exception of the Brand shafts where these problems receive constant attention. Harmony regularly revisits its mining strategy and management procedures in connection with its efforts to mitigate risks of these problems. There is a risk of subterranean water and/or gas intersections in some areas of the mine. However, this risk is mitigated by active and continuous management and monitoring, which includes the drilling of boreholes in advance of faces. Where water and/or gas is indicated in the drilling, appropriate preventative action is taken. The principal challenges at the Free State operations of achieving optimal volumes and grades of ore production are addressed by stringent ore reserve management. In 2002, Harmony began implementing the Masimong Expansion Project, which includes developing the Basal and B-Reef orebodies in the Masimong shaft area and equipping the shaft. As part of the Harmony way, other activities during 2003 were the continued extraction of the Harmony No. 2 shaft pillar and the optimization of all mining operations with the introduction of flatter supervisory structures and the empowerment of the employees on the rock face.

The Virginia 2 shaft was closed at the end of 2001, and is currently used only as a service shaft. Harmony also began closing the Harmony 4 shaft in the quarter ended June 30, 2002, following the partial extraction of the shaft pillar. Mining personnel from the Harmony 4 shaft have been transferred to other shafts. The Harmony 3 shaft is currently used only as a service shaft for pumping, although some of its reserves are mined through the adjacent Harmony 2 shaft. In conjunction with the development of the hoisting operations at Masimong 5 shaft, Harmony downscaled the Masimong 4 shaft to a service and small mining shaft in the quarter ended June 30, 2001. In the quarter ended June 30, 2002, however, Harmony determined that additional production at the Masimong 4 shaft had become economical under current market conditions. Additional personnel are being redeployed as and when additional areas of the Masimong 4 shaft are accessed to permit further production in the future. Under market conditions prevailing in the quarter ended June 30, 2002, Harmony also decided to commence extraction of the shaft pillar at Saaiplaas 3, which previously operated as a service shaft. Harmony also decided to mine the Brand 2 shaft with contractors on a royalty basis. During the quarter ended September, 2003, Harmony decided to put the Brand 5 shaft on care and maintenance and to continue with exploration development only, which is being managed from the Unisel shaft. Care and maintenance will remain in place until market conditions are more favorable or more economical parts of the orebody are discovered. All labor has been transferred to other Harmony operations, where they have augmented natural attrition positions or displaced contractor labor.

The safety record at the Free State operations during fiscal 2003 in terms of lost time frequency rate (24.43) was higher than the group average while the fatality frequency rate (0.07) compares favorably with the South African industry average. Safety at the operations receives constant and high-level attention and where problems are identified steps are taken to address the situation. In May 2002, Harmony appointed an executive officer to lead initiatives to improve workplace health and safety at Harmony's South African operations. See "Item 6. Directors, Senior Management and Employees--Directors and Senior Management--Board Practices."

Underground Operations. Detailed below are the operating and production results from the Free State underground operations for the past three fiscal years:

Fiscal year ended June 30,	**2003**	**2002**	**2001**
Production			
Tons (`000)	4,721	4,748	5,831
Recovered grade (ounces/ton).....	0.124	0.126	0.118
Gold sold (ounces).....	538,990	598,635	686,223
Results of operations ($)			
Cash cost (`000).....	146,079	131,817	181,239
Cash profit (`000)	38,300	43,238	6,862
Cash costs			
Per ounce of gold ($)	271	220	264

Tons milled from the Free State underground operations were 4,721,000 in fiscal 2003, compared with 4,748,000 in fiscal 2002, and ounces sold were 538,990 in fiscal 2003, compared with 598,635 in fiscal 2002, primarily because production in fiscal 2003 included only limited production from the Masimong 4, Virginia 2, Harmony 4 and Brand 2 shafts. Recovered grade was 0.124 in fiscal 2003, compared with 0.126 in fiscal 2002, mainly as a result of the shaft closures. Cash costs were $146,079,000 in fiscal 2003 compared with $131,817,000 in fiscal 2002. This increase was attributable primarily to lower production levels from the Masimong 4, Virginia 2, Harmony 4 and Brand 2 shafts, as described above.

Cash costs per ounce were $271 in fiscal 2003, compared with $220 in fiscal 2002. This increase was attributable primarily to the appreciation of the Rand against the U.S. dollar, which caused a significant increase when these costs were translated into U.S. dollars. See "Item 5. Operating and Financial Review and Prospects--Exchange Rates." If expressed in Rand terms, costs per ounce would have increased in fiscal 2003, due primarily to increases in the costs of labor and supplies due to the implementation of collective bargaining agreements and the effect of inflation on supply contracts.

Harmony currently has nine operating shafts at its Free State operations and three service shafts. The total shaft hoisting capacity is detailed below:

Shaft	**Hoisting Capacity (tons/month)**
Harmony shaft 2	250,000
Harmony shaft 3 [1]	99,200
Harmony shaft 4 [2]	161,000
Merriespruit shaft 1	142,200
Merriespruit shaft 3	217,200
Virginia shaft 2 [3]	113,500
Unisel	151,000
Saaiplaas 3 [4]	194,000
Brand shaft 2 [5]	132,300
Brand shaft 3	132,300
Brand shaft 5 [7]	166,400
Masimong shaft complex [6]	164,200

---

1 Integrated with Harmony shaft 2 during fiscal 2002 and currently operating as a service shaft.

2 Closed in the quarter ended June 30, 2002 and currently operating as a service shaft.

3 Closed in the quarter ended December 31, 2001 and currently operating as a service shaft.

4 Previously operated as a service shaft. Limited extraction of the shaft pillar commenced in the quarter ended September 30, 2002 and mined as a production unit with Masimong 5.

5 Production suspended in the quarter ending March 31, 2002 pending consideration of this shaft's future.

6 Includes the Masimong 4 and 5 shafts.

7 Closed in the September, 2003 quarter. Limited development is taking place to explore some virgin areas on the shaft

On a simplistic basis (and assuming that no additional reserves are identified), at the production level achieved in fiscal 2003, the June 30, 2003 reported proven and probable ore reserves of 53.09 million tons will be sufficient for the Free State operations to maintain underground production until approximately fiscal 2009. However, because Harmony's Free State operations consist of several different mining sections that are at various stages of maturity, it is expected that some sections will decrease production earlier than others and it is currently envisaged that a decrease of production in certain sections will commence in the near term. In addition, any future changes to the assumptions upon which the reserves are based, as well as any unforeseen events affecting production levels, could have a material effect on the expected period of future operations. See "Item 3. Key Information--Risk Factors-- Harmony's gold reserve figures may yield less gold under actual production conditions than Harmony currently estimates."

Surface operations. In light of the higher prevailing market price for gold in fiscal 2002 and 2003, and in order to maximize use of the Free State plants, Harmony began processing materials from secondary surface sources, primarily waste rock dumps and tailings dams (slimes and sand), at the Free State operations in the quarter ended March 31, 2002. Detailed below are the operating and production results from the Free State surface operations for the fiscal year ended June 30, 2003 and the six months ended June 30, 2002, which is the first period during which Harmony processed significant amounts of these secondary surface materials at the Free State operations:

Fiscal year ended June 30,
2003
Six months ended
June 30, 2002
Production
Tons (`000) .....
1,164
255
0.021
0.052
Gold sold (ounces).....
24,209
13,309
Results of operations ($)
Cash cost (`000).....
6,550
613
Cash profit (`000) .....
1,517
3,673
Cash costs
Per ounce of gold ($)
.
.....
271
Recovered grade (ounces/ton)
46
1

_____

1
Includes 8,808 ounces of low-cost production from clean-up of the plant and refinery.

On a simplistic basis (and assuming that no additional reserves are identified), at the production level achieved during the 2003 fiscal year, the June 30, 2003 reported proven and probable ore reserves of 19.43 million tons will be sufficient for the Free State operations to maintain surface production until approximately fiscal 2009. However, any future changes to the assumptions upon which the reserves are based, as well as any unforeseen events affecting production levels, could have a material effect on the expected period of future operations. See "Item 3. Key Information--Risk Factors-- Harmony's gold reserve figures may yield less gold under actual production conditions than Harmony currently estimates."

Plants. There are three metallurgical plants at the Free State operations, namely the Central, Virginia and the Saaiplaas plants. The Central and Virginia plants employ CIP/CIL hybrid technology. The Saaiplaas plant has been converted from the zinc precipitation filter process to the CIL.

The following table sets forth processing capacity and average tons milled during

fiscal 2003 for each of the plants:

Plant	**Processing Capacity**	**Average milled for the fiscal year ended June 30, 2003**
	(tons/month)	**(tons/month)**
Central	264,600	191,000
Virginia..... .	198,400	137,000
Saaiplaas	242,500	160,000

_____

In fiscal 2003, Harmony's plants at its Free State operations recovered approximately 95% of the gold contained in the ore delivered for processing. Harmony's refinery is also located at its Free State operations.

*Capital Expenditur*e. Harmony incurred approximately Rand 126.5 million in capital expenditures at the Free State operations in fiscal 2003, principally for shaft development at Saaiplaas 3, Unisel and the Masimong shaft complex. Harmony has budgeted Rand 49.1 million ($7.5 million) for capital expenditures at the Free State operations in fiscal 2004, primarily for development of the Masimong with smaller development projects at Unisel and Merriespruit shafts and secondarily to upgrade plants.

Evander Operations

Introduction. Harmony's Evander operations are located in the province of Mpumalanga in South Africa and are comprised of an amalgamation of the former Kinross, Bracken, Leslie and Winkelhaak mines and 26,952 hectares of mineral rights adjacent to these mines. Mining at Harmony's Evander operations is conducted at depths ranging from 300 meters to 2,100 meters. In fiscal 2003, Harmony's Evander operations accounted for approximately 15% of Harmony's total gold sales.

History. Gold mining in the Evander Basin began in 1955. Eventually, four mining operations were established at Evander. In 1996, as a result of depletion of ore reserves, all four mining areas were merged to form Evander. In August 1998, Harmony acquired Evander as a wholly-owned subsidiary. Since then, Harmony has implemented the "Harmony Way" management process at Evander.

Geology. The area covered by Evander's mining authorization and mineral rights is situated within the Evander basin, a geologically discrete easterly extension of the main Witwatersrand Basin. Only one economic placer unit, the Kimberley Reef, is mined at Evander. In addition to the faulting of the reef horizon, there are numerous dykes and sills that complicate the mining layouts, the most significant of which is an extensively developed dolerite footwall sill that occasionally intersects the Kimberley Reef, causing displacements within it.

Mining Operations. The Evander operations are primarily engaged in underground mining. The Evander operations also process a limited amount of waste rock as and when necessary to allow the plants to operate efficiently. These operations are subject to all of the underground mining risks detailed in the Risk Factors section. Due to the shallow to moderate depths of the Evander underground operations, seismicity and pressure related problems are relatively infrequent. There is a risk of subterranean water and/or gas intersections in some areas of the mine. However, this risk is mitigated by active and continuous management and monitoring, which includes the drilling of boreholes in advance of faces. Where water and/or gas is indicated in the drilling, appropriate preventative action is taken. Evander was affected by two underground fires and the flooding of parts of the mine during fiscal 2000, both of which had a negative impact on production during fiscal 2000. Such incidents are generally infrequent and there were no significant incidents in fiscal 2003. On July 12, 2002, a seismic event at the Evander 8 shaft caused injuries to four workers (but no fatalities), significant infrastructure damage and an interruption in production for three weeks. The damage from this incident adversely impacted on the performance of these operations over the 2003 fiscal year due to the fact that 8 shaft is the highest grade operation at Evander, so production and overall recovery grade was significantly affected. The operational performance has now returned to the pre-seismic event levels since the quarter ended June 30, 2003.

The safety record at the Evander operations in terms of lost time frequency rate (33.64) and fatality frequency rate (0.23) during fiscal 2003 is higher than the group average and the South African industry average, respectively, and significant work is being done to address this. Safety at the operations receives constant and high-level attention and where problems are identified steps are taken to address the situation. Underground falls of ground have historically been the biggest cause of fatal injuries at Evander. Roofbolting has been implemented at Evander in an effort to address this risk. In May 2002, Harmony appointed an executive officer to lead initiatives to improve workplace health and safety at Harmony's South African operations. See "Item 6. Directors, Senior Management and Employees--Directors and Senior Management--Board Practices."

Detailed below are the operating and production results at Evander for the past three fiscal years:

Fiscal year ended June 30,			
2003			
2002			
2001			
Production			
Tons (`000)	2,345	2,594	2,738
Recovered grade (ounces/ton)	0.154	0.160	0.167
Gold sold (ounces)	360,184	415,382	458,212
Results of operations ($)			
Cash cost (`000)	87,113	70,867	91,053
Cash profit (`000)	29,804	45,905	34,089
Cash costs			
Per ounce of gold ($)	242	171	199

Tons milled from the Evander operations were 2,345,000 in fiscal 2003, compared with 2,594,000 in fiscal 2002, and ounces sold were 360,184 in fiscal 2003, compared with 415,382 in fiscal 2002. This decrease was due to the downscaling of the Evander 9 shaft and Evander 8 Shaft moving out of the higher grade area on the current operational levels of the decline area.. Recovered grade was 0.154 in fiscal 2003, compared with 0.160 in fiscal 2002. This decrease was due primarily to a return to mining at the average grade of the orebody following higher than expected grade in fiscal 2002.

Since it acquired Evander, Harmony has implemented the "Harmony Way" to cut costs and increase productivity. Harmony has decreased the number of employees at Evander and has reorganized Evander's operations by introducing its production site management concept, its ore reserve management system and by selling off non-core assets. These changes have contributed to a decrease in Evander's cash operating costs from $370 per ounce in the fiscal year prior to Harmony's purchase to $242 per ounce in fiscal 2003. The increase in cash costs from $171 per ounce in fiscal 2002 to $242 per ounce in fiscal 2003 was attributable primarily to the appreciation of the Rand against the U.S. dollar, which caused a significant reduction when these costs were translated into U.S. dollars. See "Item 5. Operating and Financial Review and Prospects--Exchange Rates." If expressed in Rand terms, costs per ounce would have increased in fiscal 2003, due primarily to a decline in grade and increases in the costs of labor and supplies due to the implementation of collective bargaining agreements and the

effect of inflation on supply contracts.

61

Harmony currently has five operating shafts and one service shaft at its Evander operations. The total shaft hoisting capacities are detailed below:

Shaft	**Hoisting Capacity (tons/month)**
Evander No. 2 shaft	75,800
Evander No. 3 shaft [1]	21,800
Evander No. 5 shaft	103,300
Evander No. 7 shaft	116,600
Evander No. 8 shaft	161,600
Evander No. 9 shaft [2]	91,200

_____

1 Mining at this shaft has ceased.

2 Downscaled beginning in the quarter ended September 30, 2002 and currently only small scale mining is taking place here.

On a simplistic basis (and assuming that no additional reserves are identified), at the production level achieved in fiscal 2003, the June 30, 2003 reported proven and probable ore reserves of 77.79 million tons will be sufficient for the Evander operations to maintain production until approximately fiscal 2018. However, because Harmony's Evander operations consist of several different mining sections that are at various stages of maturity, it is expected that some sections will decrease production earlier than others. In particular, Harmony downscaled shaft 9 in the quarter ended September 30, 2002, following the final extraction of the shaft pillar in the quarter ended June 30, 2002. Small scale mining is continuing in this area and Harmony will do further prospect work to ensure there are no more economical areas to extract. Production at shaft 3 had also been halted when Harmony acquired the Evander operations, and Harmony recommenced limited production from this shaft in the quarter ended December 31, 2001. Due to the current economic climate, mining operations at shaft 3 has been ceased during the quarter ended December 31, 2003. Harmony currently expects that production at shafts 2, 5 and 7 will end between 2009 and 2010. Although production increases are planned at other production shafts and total production is expected to remain generally constant in the foreseeable future, some uncertainty about longer-term production exists because infrastructure for the subsequent years has not been planned to the same degree of detail as in the years 2001 through 2010. In addition, any future changes to the assumptions upon which the reserves are based, as well as any unforeseen events affecting production levels, could have a material effect on the expected period of future operations. See "Item 3. Key Information--Risk Factors--

Harmony's gold reserve figures may yield less gold under actual production conditions than Harmony currently estimates."

Plants. There are currently two operating metallurgical plants at Evander. The bulk of the mine's ore production is treated at the Kinross plant, which is a CIP/CIL hybrid plant. The Winkelhaak plant mills all of the ore from shafts 2 and 5, and pumps the slurry to the Kinross plant for further processing.

62

The following table sets forth processing capacity and average tons milled during fiscal 2003 for each of the operating plants:

Plant	**Processing Capacity**	**Average milled for the fiscal year ended June 30, 2003**
	(tons/month)	**(tons/month)**
Kinross.....	218,300	143,000
Winkelhaak.....	79,400	52,000

In fiscal 2003, Harmony's plants at its Evander operations recovered approximately 96% of the gold contained in the ore delivered for processing.

Capital Expenditure. Harmony incurred approximately Rand 98.7 million in capital expenditures at the Evander operations in fiscal 2003, principally for underground development at shafts 3, 5, 7 and 8. Harmony has budgeted Rand 104.7 million ($16 million) for capital expenditures at the Evander operations in fiscal 2004, primarily for development of the decline shaft at 7 and 8 shaft.

Harmony is currently evaluating two development projects in the vicinity of the Evander operations, which, if undertaken, would involve significant capital expenditures. The Poplar Project is a greenfield site located 20 kilometers from the existing Evander operations. Harmony estimates that a twin shaft system extending approximately 1,200 meters below the surface would be required to mine this site, and is evaluating whether such a project would be economically feasible. The Rolspruit Project extends from the existing Evander 8 shaft to the Poplar Project area. Harmony is evaluating two possibilities for developing this area. The first possibility would involve sinking a twin sub-vertical shaft system to extend Evander 8 shaft from a depths of 1,535 meters to a depths of 2,515 meters to exploit probable reserves of 6 million ounces of gold. The second possibility would involve sinking a separate twin shaft from the surface to a depth of approximately 2,600 meters to exploit probable reserves of 17 million ounces of gold. Harmony completed these feasibility studies in the second half of fiscal 2003. Both projects, which could grow and extend the life of the operations by approximately 15 years, need higher gold prices to proceed. Should the gold price reach levels above Rand 100,000 per kilogram, the viability of the two projects will be revisited.

Kalgold Operations

**

Introduction. Harmony conducts a surface mining operation at the Kalgold gold mine near Mafikeng in the North West Province of South Africa. Through Kalgold, Harmony also controls extensive mineral rights on the Kraaipan Greenstone Belt in the North West Province of South Africa. Harmony purchased Kalgold on July 1, 1999. On November 7, 2003, Harmony announced its intention to sell Kalgold to The Afrikander Lease Limited (Aflease) for Rand 275 million. In terms of the agreement, Aflease will pay Harmony Rand 137.5 million in cash. The remaining Rand 137.5 million will be funded by an issue of ordinary shares of Rand 5.35, which was based on the seven day volume weighted average Aflease share price. A total of

**

Harmony entered into an agreement to dispose of its Kalgold operations after the end of the 2003 fiscal year for a consideration of R275 million. See "Item 8. Financial Information - Significant Changes."

63

25,700,935 shares will be issued to Harmony. In fiscal 2003, the Kalgold operations accounted for approximately 3% of Harmony's total gold sales.

History. Harmony acquired Kalgold on July 1, 1999 and fully incorporated Kalgold into its operations in October 1999. Prior to Harmony's acquisition, the Kalgold mine had operated for more than three years.

Geology. The Kalgold operations are situated on the Kraaipan granite-greenstone belt, which is a typical gold-bearing greenstone formation. It has undergone intense structural deformation that has led to its dislocation into separate units.

Within the mining lease area, six steeply dipping zones of mineralization have been identified. Several additional zones of mineralization have been located within this area and are being evaluated. The first zone to be exploited by open cast mining has been an area known as the D-Zone. The D-Zone orebody has a strike length of 1,400 meters, varying in width between 40 meters in the south and 15 meters in the north.

Gold mineralization is associated with pyrite and pyrrohotite, which was developed as a replacement mineral within a banded ironstone formation and also within extensional, cross-cutting quartz veins within the ironstone.

Mining Operations. The Kalgold operations are engaged in open pit mining. This operation is subject to all of the open cast mining risks detailed in the Risk Factors section. Small subterranean water intersections in the pit are common and are actively managed and appropriate action is taken when necessary. The primary mining challenges at the Kalgold operations of achieving optimal volumes and grades of ore production are addressed by stringent ore reserve management.

Some mining operations at Kalgold are conducted by mining contractors, who are responsible for provision of the equipment and personnel needed for production of the ore under guidance of Harmony's management. As of June 30, 2003, Harmony had 229 employees at Kalgold, while the contractors employed 282 people. While there is no reliable industry benchmark for safety at South African surface mining operations, the Kalgold operations had a lost time injury frequency rate of 3.74 per million hours worked in fiscal 2003, and recorded no fatal accidents in fiscal 2003. During fiscal 2003, refurbishment activities at Kalgold's CIL plant resulted in some safety related incidents, which contributed to the increased lost time injury frequency rate. Harmony has, however, addressed these issues and does not expect them to have a material impact on long-term production. Safety at the operations receives constant and high-level attention and where problems are identified steps are taken to address the situation. Kalgold achieved 1,000,000 fatal free shifts during the September 2003 quarter and no employee has lost his life on the mine since the commissioning of this mine. In May 2002, Harmony appointed an executive officer to lead initiatives to improve workplace health and safety at Harmony's South African operations. See "Item 6. Directors, Senior Management and Employees--Directors and Senior Management--Board Practices."

Detailed below are the operating and production results from open cast operations at Kalgold for the past three fiscal years:

Fiscal year ended June 30,
2003
2002
2001
Production
Tons (`000) .....
1,195
1,060
1,057
Recovered grade (ounces/ton).....
0.062
0.059
0.047

Gold sold (ounces).....
74,590
62,179
49,351
Results of operations ($)
Cash cost (`000).....
16,552
12,727
12,834
Cash profit (`000) .....
7,984
4,778
673
Cash costs
Per ounce of gold ($) .....
222
205
260

Ounces sold were 74,590 in fiscal 2003, compared with 62,179 in fiscal 2002. This increase was due to improved recovered grade. Recovered grade was 0.062 in fiscal 2003, compared with 0.059 in fiscal 2002. The increase in recovered grade was due to higher grade reserves becoming available from the pit.

Cash costs at Kalgold were $ 222 per ounce in fiscal 2003, compared with $205 in fiscal 2002. This increase was attributable primarily to the appreciation of the Rand against the U.S. dollar, which caused a significant increase when these costs were translated into U.S. dollars. See "Item 5. Operating and Financial Review and Prospects--Exchange Rates." If expressed in Rand terms, costs per ounce would have decreased slightly in fiscal 2003, due primarily to the implementation of collective bargaining agreements and the effect of inflation on supply contracts, which was offset by improved grade. On a simplistic basis (and assuming that no additional reserves are identified), at the production level achieved in fiscal 2003, the June 30, 2003 reported proven and probable ore reserves of 8.47 million tons will be sufficient for the Kalgold operations to maintain production until approximately fiscal 2008. However, any future changes to the assumptions upon which the reserves are based, as well as any unforeseen events affecting production levels, could have a material effect on the expected period of future operations. See "Item 3. Key Information--Risk Factors-- Harmony's gold reserve figures may yield less gold under actual production conditions than Harmony currently estimates."

Plants. During fiscal 2001, Kalgold had a CIL plant and a heap leach operation.

Harmony discontinued the active use of Kalgold's heap leach operation in July 2001 and no gold was recovered through heap leaching in fiscal 2002. Over time, however, small amounts of gold normally can be recovered from ore remaining on the leach pads. Harmony expects to apply leaching solution occasionally in the future to recover any available gold. Ore is trucked from the pit and stockpiled according to grade categories. Higher grade ore is processed in the CIL plant. Lower grade ore is dumped on heap leach pads. Following the recent commissioning of the pre-primary crusher, the ore now undergoes a five phase crushing process. An additional ball mill and additional leach tanks have been commissioned, which will increase the capacity to 140,000 tons/month.

The following table sets forth processing capacity and average tons milled during fiscal 2003 for each of the plants:

Plant
Processing
Capacity
Average milled for the fiscal year ended
June 30, 2003
(tons/month)
(tons/month)
CIL.....
109,300
88,000
Heap Leach .....
72,900
*

_____
*
Active use of heap leaching was discontinued in July 2001; however, Harmony expects to apply leaching solution occasionally
in the future to recover any available gold.
In fiscal 2003, Harmony's plants at its Kalgold operations recovered
approximately 81% of the gold contained in the ore delivered for processing.
Capital Expenditure. Harmony incurred approximately Rand 51.6 million in
capital expenditures at the Kalgold operations during fiscal 2003, principally for plant upgrade. Harmony budgeted Rand 0.9 million ($0.14 million) for capital expenditures at the Kalgold operations in fiscal 2004.
Free Gold Operations
*
Introduction. On November 21, 2001, Harmony and ARMgold reached an
agreement in principle with AngloGold to purchase the Free Gold assets, subject to specified conditions. Pursuant to the subsequently executed definitive agreements, the Free Gold assets were purchased by the Free Gold Company (in which Harmony and ARMgold each has a 50% interest) for Rand 2.200 billion ($206.8 million at an exchange rate of R10.64 per $1.00), plus an amount equal to any liability for taxes payable by AngloGold in connection with the sale. The Free Gold Company assumed management control of the Free Gold assets from January 1, 2002, and completed the acquisition on April 23, 2002. Rand 1.8 billion ($169.2 million at an exchange rate of R10.64 per $1.00) of the purchase price, plus accrued interest, was paid by the Free Gold Company in April 2002 following the fulfillment of all conditions precedent and Rand 400 million ($37.5 million at an exchange rate of R10.64 per $1.00) is payable by the Free Gold Company under an interest-free loan due January 1, 2005. The additional amount relating to taxes was paid by the Free Gold Company when the tax liability became payable by AngloGold. The amount of Rand 682 million ($90.8 million at an exchange rate of R7.51 per $1.00) was paid in June 2003. The Free Gold Company expects that approximately 80% of this amount will provide the Free Gold Company with a capital expense deduction against its taxable income from the Free Gold assets. For purposes of U.S. GAAP, Harmony accounted for its equity interest in the Free Gold Company with effect from May 1, 2002 and the purchase price of the Free Gold assets was determined to be Rand 2.264 billion ($239.4 million). See "Item 5. Operating and Financial Review and Prospects--Overview."
In connection with the acquisition of the Free Gold assets, on April 5, 2002
Harmony and ARMgold entered into a formal joint venture and shareholders' agreement relating to the Free Gold Company. The agreement provides that Harmony and ARMgold are each responsible for 50% of the expenses associated with operating the Free Gold assets. Pursuant to

*

The Free Gold Operations are now wholly-owned by Harmony following the merger with ARMgold on September 22, 2003. For a further description of the Free Gold and ARMgold merger, please see "Item 5. Operating and Financial Review and Prospects Contractual Obligations and Commercial Commitments" and "Item 8. Financial Information Significant Changes."

the agreement, an interim executive committee composed of an equal number of representatives appointed by Harmony and ARMgold managed the Free Gold Company until the acquisition was completed. Following completion of the acquisition, management of the Free Gold Company is vested in a board, which initially is composed of an equal number of Harmony and ARMgold representatives. In the future, the number of representatives on the board will vary proportionally with the number of shares of the Free Gold Company held by Harmony and ARMgold. The Free Gold Company also employs mining, ore reserve, engineering and human resource managers, who were previously employed by AngloGold, Harmony or ARMgold. Shaft operations are supervised by teams of these managers.

The Free Gold assets consist of the Joel, Tshepong, Matjhabeng and Bambanani mines, associated infrastructure and other mineral rights in the Free State Province of South Africa. Production from the underground mines and adjacent surface sources is processed through three processing facilities (the Free State 1, or FS1, Plant, the Free State 2, or FS2, Plant and the Joel Plant). During Harmony's fiscal 2002, sales from the Free Gold assets amounted to 1,143,243 ounces of gold and Harmony's interest in two months of these sales (reflecting the period from May 1, 2002 to June 30, 2002) totaled 104,005 attributable ounces. Because Harmony equity accounts for its 50% interest in the Free Gold Company, sales from the Free Gold assets are not included in Harmony's sales figures in this annual report. For more information on Harmony's consolidation policy, see note 2(g) to the consolidated financial statements.

On May 24, 2002, Harmony, ARMgold and Gold Fields, through its subsidiary St. Helena Gold Mines Limited, announced that an agreement in principle had been reached under which St. Helena Gold Mines Limited would sell the St. Helena gold mining assets to the Free Gold Company for Rand 120 million ($13.7 million), plus a royalty equal to one percent of revenue for a period of 48 months beginning on the effective date of the sale. St. Helena Gold Mines Limited and the Free Gold Company concluded a final agreement of sale on July 1, 2002. The sale was completed on October 30, 2002, and the Free Gold Company assumed management control on that date. Under the terms of the agreement of sale the Free Gold Company agreed to assume specified environmental liabilities relating to the operation of the St. Helena mine. Harmony believes that the acquisition of the St. Helena mine will create operational efficiencies and add approximately 60,000 attributable ounces of gold to Harmony's production base. Although profitable by the end of the 2003 financial year, a higher gold price is required to fully exploit the potential of this ore reserve.

History. Exploration, development and production history in the area of the Free Gold assets dates from the early 1900's, leading to commercial production by 1932. Subsequent consolidation and restructuring led to the formation of Free State Consolidated Gold Mine (Operations) Limited, which became a wholly-owned subsidiary of AngloGold in June 1998. AngloGold also owned the Joel mine, which, although it was not a part of this AngloGold subsidiary, is now included within the Free Gold assets owned by the Free Gold Company. The Free Gold Company also acquired the St. Helena gold mine in October 2002. St. Helena was the first gold mine to be established in the Free State.

Geology. The Free Gold Company's mines are located in the Free State goldfield, which is on the southwestern edge of the Witwatersrand basin. The Bambanani, Tshepong,

Matjhabeng and St. Helena mines are located in and around Welkom, while the Joel mine is approximately 30 kilometers south of Welkom. Mining at Bambanani, Tshepong and Matjhabeng is primarily conducted in the Basal reef, with limited exploitation of secondary reefs. Mining at Joel is primarily conducted in the Beatrix-VS5 Composite Reef. The reefs generally dip towards the east or northeast while most of the major faults strike north-south, with the most intense faulting in evidence at Matjhabeng.

Mining Operations. The Free Gold Company is engaged in both underground and waste rock mining. These operations are subject to all of the underground and waste rock mining risks detailed in the Risk Factors section. The Free Gold Company regularly revisits its mining strategy and management procedures at the Free Gold operations in connection with its effort to minimize risks. Mining depths range from shallow-intermediate at the Joel mine to deep at the Bambanani mine. The primary mining challenges at the Free Gold operations are seismic risks, ventilation and fire avoidance. Both the Bambanani mine and the Matjhabeng mine are classified as seismically active operations with seismic monitoring systems installed to do active seismic risk evaluation, generally located in the vicinity of remnant operations and/or geological structures. Seismic systems are managed by external specialists. Current ventilation and refrigeration systems were evaluated and improved at take-over which Harmony believes will improve productivity and safety. Plans to this effect are being implemented by the Free Gold Company. Refrigeration plants are installed at the Bambanani and Tshepong Mines. Following underground fires during the second half of 1999 at the Bambanani mine, mine management reviewed and modified working practices and the efficiency of the overall fire management system.

Mining is conducted at depths ranging from 1,200 and 3,000 meters at Bambanani, at an average depth of approximately 1,925 meters at Tshepong, at an average depth of approximately 1,700 meters at Matjhabeng, at an average depth of approximately 1,000 meters at Joel and at an average depth of 1,489 meters at St. Helena. Production at Matjhabeng, which is a mature mine nearing closure, is currently focused on the extraction of remnant pillars and shaft pillars, specifically at the Eland Shaft. The Free Gold Company is conducting a development program at the Bambanani shaft. Harmony expects this program to allow access to additional mining areas, which would reduce overall grade but increase overall production and life of mine. The Free Gold Company restarted operations at the Kudu, West and Sable shafts and is in the process of restarting Nyala. The board of directors of the Free Gold Company has also approved the construction of decline tunnels to access lower levels of the Tshepong North shaft. This project will add two additional operating levels below the present level of the Tshepong North Shaft. The Free Gold Company estimates the cost of the project to be Rand 260 million ($29.7 million). The Free Gold Company estimates that full production at the two additional operating levels will commence by December 2005 and will add 150,000 ounces of gold per year to current production.

The Phakisa Shaft Project was also approved. Phakisa shaft, a surface shaft, was sunk to access the ore reserve to a depth of 2,241 meters below surface. It is estimated that the area will yield 18 million tons, recovering 136 tons of gold over a project life of 20 years. Project completion requires sinking (178 meters), equipping and commissioning of the shaft with access development and stoping to maximum production build-up at a capital cost of Rand 550

million ($85.8 million). The project is expected to, at full production in 2010, achieve rates of 280,000 ounces per annum.

Excess metallurgical plant capacity at the FS1 and FS2 plants is filled by exploiting surface sources, including waste rock dumps, slimes dams, and general clean-up material mined as part of the environmental rehabilitation process. These surface operations include free digging of waste rock dumps and hydraulic mining of slimes dams, which are either transported by the surface rail network or by dedicated pipelines to the individual plants. The majority of surface sources at the Free Gold assets are currently treated at the FS2 Plant.

During Harmony's fiscal 2003, the safety record at the Free Gold assets compared favorably with the South African industry average. The Free Gold Company applies safety standards similar to safety standards for Harmony operations and safety standards receive constant and high-level attention. Where problems are identified, the Free Gold Company takes steps to address the situation.

The Free Gold Company has begun implementing measures to reduce costs while increasing production and extending mine life, in a manner that Harmony believes is consistent with the "Harmony Way."

Underground Operations. Detailed below are the operating and production results from underground mining at the Free Gold assets for the calendar years ended December 31, 2001, for the six months ended June 30, 2002 and the fiscal year ended June 30, 2003. The reporting periods differ as the year end was changed to bring it in line with Harmony's reporting period.

	Fiscal year ended June 30,	**Six months ended June 30,**	**Calendar year ended December 31,**
	2003	**2001**	
Production			
Tons (`000)	5,178	2,179	5,454
Recovered grade (ounces/ton)	0.206	0.228	0.204
Gold sold (`000 ounces)	1,066,564	497,080	1,110,000
Results of operations ($)			
Cash cost (`000)	213,668	77,108	251,200
Cash profit (`000)	136,810		

83,380
66,000
Cash costs
Per ounce of gold ($) .....
200
155
226
2002
The lower recovery grade was a result of the inclusion of the lower grade St Helena operations, as well as Bambanani returning to its average mining grade.
On a simplistic basis (and assuming no additional reserves are identified) at the production level achieved at the Free Gold assets, in the fiscal 2003, the June 30, 2003 reported proven and probable ore reserves of 90.71 million tons will be sufficient for the Free Gold assets to maintain underground production until approximately 2015. However, because the Free Gold assets consist of several different mining sections that are at various stages of maturity, it is
69

expected that some sections will decrease production earlier than others. In addition, any future changes to the assumptions upon which the ore reserves are based, as well as any unforeseen events affecting production levels, could have a material effect on the expected period of future operations. See "Item 3. Key Information--Risk Factors-- Harmony's gold reserve figures may yield less gold under actual production conditions than Harmony currently estimates."

The Free Gold Company has eleven operating shafts, the rock hoisting capacities of which are set forth below.

Shaft	**Hoisting Capacity (tons/month)**
Tshepong North shaft	88,200
Bambanani East shaft	385,800
West shaft	77,200
Joel North and South shafts	132,300
Matjhabeng Eland shaft	308,600
Matjhabeng Sable and Kudu shafts	82,700
Matjhabeng Nyala shaft	88,200
St. Helena No. 2 shaft	88,200
St. Helena No. 4 shaft	110,200
St. Helena No. 8 shaft	165,300
St. Helena No. 10 shaft	181,800
Phakisa	215,000

_____

1

Currently operating at a rate of 136,000 tons per month while upgrades in the shaft to facilitate increased production are in progress.

2

Currently operating at a rate of 40,000 tons per month, in line with the shaft's current mining plan.

3

Currently operations at a rate of 20,000 tons per month due to the reduction of mining operations by GoldFields prior to the sale of St. Helena to the Free Gold Company.

4

Currently operating at a rate of 15,000 tons per month due to the reduction of mining operations by GoldFields prior to the sale of St. Helena to the Free Gold Company.

5

Currently operating at a rate of 36,000 tons per month due to the reduction of mining operations by GoldFields prior to the sale of St. Helena to the Free Gold Company.

6

Currently closed due to the reduction of mining operations by GoldFields prior to the sale of St. Helena to the Free Gold Company.

Surface Operations. Detailed below are the operating and production results from the Free Gold Company's surface operations for the calendar years ended December 31, 2001, the six months ended June 30, 2002 and the fiscal year ended June 30, 2003. The reporting periods differ as the year end was changed to bring it in line with Harmony's reporting period.

	Fiscal year ended June 30, 2003	**Six months ended June 30, 2002**	**Calendar year ended December 31, 2001**
Production			
Tons (`000)	5,146	2,641	0.023
	61,086	7,526	11,980
	123	4,049	
Recovered grade (ounces/ton)	0.017	0.022	
Gold sold (ounces)	88,864	89,000	
Results of operations ($)			
Cash cost (`000)	19,108	11,000	
Cash profit (`000)			

9,816
13,500
Cash costs
Per ounce of gold ($) .....
215
167
70

The reduction in recovery grade was as a result of lower grade surface sources available for treatment.

On a simplistic basis (and assuming no additional reserves are identified) at the production level achieved at the Free Gold assets in the fiscal 2003 year, the June 30, 2003 reported proven and probable ore reserves of 26.14 million tons will be sufficient for the Free Gold assets to maintain surface production until approximately 2015. However, because the Free Gold assets consist of several different mining sections that are at various stages of maturity, it is expected that some sections will decrease production earlier than others. In addition, any future changes to the assumptions upon which the ore reserves are based, as well as any unforeseen events affecting production levels, could have a material effect on the expected period of future operations. See "Item 3. Key Information--Risk Factors-- Harmony's gold reserve figures may yield less gold under actual production conditions than Harmony currently estimates."

Plants. The Free Gold Company operates four plants: the FS1, FS2, Joel and St. Helena plants. The FS1 plant, which processes underground ore, waste rock and various surface accumulations, was commissioned in 1986 and is a conventional CIP plant processing ore that has been milled by fully autogenous grinding. Gold is recovered from the eluate solution using zinc precipitation and a precoat vacuum filter. The precipitate recovered from the filter is calcined and smelted to bullion. The FS2 Plant is largely dedicated to the treatment of surface sources. It was commissioned in the early 1950's and employs conventional crushing and filtration technology. The Joel plant is a hybrid CIP/CIL plant and was commissioned in 1984. St. Helena operates a conventional zinc precipitation filter plant supported by two mills that treat surface sources.

The following table sets forth processing capacity and average tons milled during the fiscal year ended June 30, 2003 for each of the plants:

Plant	**Processing Capacity (tons/month)**	**Average milled for the fiscal year ended June 30, 2003 (tons/month)**
FS 1.....	463,000	110,200
FS 2.....	330,700	47,000
Joel.....	165,300	436,000
St. Helena	110,200	324,000
	47,000	135,000

Harmony estimates that in the periods covered by the above chart, FS1 recovery has been approximately 97% for reef ore and 88% for waste rock, FS2 recovery approximately 95%, Joel recovery has been approximately 95% and St. Helena recovery has ranged from 50%

to 90%. Overall recovery is a function of the mix of feed ore, as surface sources tend to have a lower recovery than underground reef.

Capital Expenditure. The Free Gold Company's capital expenditures amounted to approximately Rand 195.7 million in the fiscal year ended June 30, 2003, primarily for underground development at Bambanani and Tshepong. The Free Gold Company budgeted

Rand 380.4 million ($58.3 million) for capital expenditures in fiscal 2004, primarily for developing the Tshepong Shaft, Bambanani and Phakisa.

Australian Operations

Introduction

Harmony conducts its Australian operations through three Australian gold mining companies: New Hampton, acquired with effect from April 1, 2001, and Hill 50, acquired with effect from April 1, 2002 and Abelle acquired with effect May 1, 2003. Through the New Hampton transaction described below, Harmony acquired two operations in Western Australia (Big Bell in the Murchison region and Jubilee in the Eastern Goldfields near Kalgoorlie), two processing plants associated with these operations and related exploration rights. Through the Hill 50 transaction described below, Harmony acquired the Mt. Magnet operations in the Murchison region, the New Celebration operations in the Eastern Goldfields near Kalgoorlie, two plants associated with these operations and related exploration rights. Through the Abelle transaction described below, Harmony acquired the Gidgee operations in the Murchison region of Western Australia with the plant associated with this operation as well as exploration projects in Australia, Papua New Guinea and Indonesia. In November, 2003 Harmony announced that it sold its Gidgee Operations. See "Item 8. Financial Information Significant Changes."

In an effort to increase efficiency and reduce corporate expenditures, in the quarter ended June 30, 2002 Harmony integrated New Hampton's Jubilee operations with Hill 50's New Celebration operations to form the South Kalgoorlie operations and combined the corporate offices of New Hampton and Hill 50 in Perth. Each of Harmony's Australian operations Big Bell, Mt. Magnet, and South Kalgoorlie conducts surface mining (principally through open pit methods) and underground mining, with access through one decline at Big Bell, two declines at Mt. Magnet and one decline at South Kalgoorlie. Mining at Harmony's Australian operations involves more mechanized mining than at Harmony's South African operations. Outside contractors conduct much of this mechanized mining. The contractors are responsible for provision of the equipment and personnel needed for production of the ore under guidance of Harmony's management. As of June 30, 2003, Harmony's Australian operations had 603 employees, while the contractors employed 696 people.

Harmony commenced gold mining operations in Australia following the New Hampton transaction. On December 19, 2000, Harmony announced that it had agreed to purchase 19.99% of New Hampton ordinary shares from Normandy Mining, subject to certain conditions. Harmony also made an offer for all of the outstanding ordinary shares of New Hampton at a purchase price of A$0.265 per share. Harmony received SARB and Australian Foreign Investment Review Board approval for the transaction in January 2001. On March 22, 2001, Harmony increased its offer price to A$0.275 per share and announced that Normandy Mining had accepted Harmony's offer for Normandy Mining's remaining 13.2% shareholding in New Hampton, and that the New Hampton board of directors recommended that New Hampton shareholders accept Harmony's offer and indicated their intention to accept Harmony's offer for their individual holdings. The total cash bid valued New Hampton at approximately A$56.3 million (R228.2 million at an exchange rate of R4.05 per A$1.00, or $28.5 million at an exchange rate of R8.00 per $1.00). This offer closed on July 12, 2001, at

which time Harmony had acquired 96.2% of New Hampton's shares and 95% of New Hampton's options. Harmony subsequently completed a compulsory acquisition of the remaining shares and options under the rules of the Australian Stock Exchange. In line with Harmony's strategy to mine reserves only when it is economical to do so, following the New Hampton transaction, Harmony reduced New Hampton's production to approximately 200,000 ounces per year.

Harmony expanded its Australian operations through the Hill 50 transaction. On December 11, 2001, Harmony commenced a conditional cash offer for all of the outstanding ordinary shares and listed options of Hill 50, at a purchase price of A$1.35 per share and A$0.65 per listed option. Harmony would also pay a price equal to the difference between the cash price offered for the Hill 50 shares and the exercise price for each Hill 50 director and employee option. On that date, Harmony also announced that Hill 50's largest shareholder had accepted Harmony's offer for its 16.3% holding. Harmony increased the offer price to A$1.40 per share and A$0.70 per listed option on February 21, 2002, and to A$1.45 per share and A$0.75 per listed option on April 3, 2002, for a total price of approximately A$233 million (R1,419 million at an exchange rate of R6.09 per A$1.00, or $124.8 million at an exchange rate of R11.37 per $1.00). On February 21, 2002, Harmony also announced that Hill 50's directors had informed Harmony that they intended to recommend Harmony's offer to Hill 50 shareholders, and to accept Harmony's offer in respect of their own shareholdings. The offer closed on May 3, 2002, at which time shareholders holding 98.57% of Hill 50's shares and 98.76% of Hill 50's listed options had accepted Harmony's offer and this offer had become unconditional. Harmony subsequently completed a compulsory acquisition of the remaining shares and options under the rules of the Australian Stock Exchange.

On February 26, 2003 Harmony announced a conditional cash offer for all of the outstanding ordinary shares and listed options of Abelle, at a purchase price of A$0.75 per share and A$0.45 per listed option, for a total price of approximately A$151 million. On the date of the offer announcement Harmony also announced that it has entered into an agreement with Abelle whereby Abelle placed 35 million new shares in Abelle with Harmony, at a price of A$0.75 per share, subject to certain conditions including Abelle shareholder approval. This placement was approved by shareholders at a meeting of Abelle held on April 30, 2003 and the placement was completed on May 8, 2003. This transaction represented approximately 18% of Abelle's expanded issued share capital. On February 25, 2003 Harmony entered into a pre-bid acceptance agreement for a nominal consideration of A$10, pursuant to which Silvara Pty Ltd, a subsidiary of the Guiness Peat Group plc agreed to accept the share offer in respect of a total of 32,044,533 Abelle shares, representing 19.95 of the total issued share capital of Abelle at that date. The original offer was extended from April 24, 2003 to April 30, 2003. Harmony closed its offers on April 30, 2003 and advised at that date it had a relevant interest in 87% of Abelle shares and 65% of Abelle options. Subsequently, on May 5, 2003, three Harmony representatives were appointed to the board of Abelle.

New Hampton sold 191,521 ounces of gold in fiscal 2002, which were included in Harmony's gold sales for fiscal 2002, and Hill 50 sold 275,185 ounces of gold in fiscal 2002, three months of which, or 61,472 ounces, were included in Harmony's gold sales for fiscal 2002. The addition of New Hampton and Hill 50 to Harmony's operations has increased Harmony's reserves by approximately 2.34 million ounces. With effect from April 1, 2002, Harmony reports

the New Hampton and Hill 50 operating and financial results together within an "Australian Operations" segment, which was expanded on May 1, 2003 to include Abelle, which is further segmented into the Big Bell operations, the Mt. Magnet operations, the South Kalgoorlie operations (consisting of the Jubilee and New Celebration operations) and Gidgee operations. In November, 2003, Big Bell was sold for approximately A$ 2.45 million. Abelle sold 11,534 ounces of gold which were included in Harmony's gold sales for 2003. In fiscal 2003, the Australian operations accounted for approximately 21% of Harmony's total gold sales.

Harmony's Australian operations control exploration and mineral rights over a total area of approximately 571,000 hectares (1,410,097 acres), of which the active mining areas currently total approximately 327,957 hectares (810,399 acres). The exploration and mining titles of Abelle Limited within Australia cover an additional area of approximately 95,179 hectares (235,192 acres) of which active mining areas currently total approximately 56,700 hectares (140,109 acres).

The following chart details the operating and production results from Harmony's Australian operations for the past three fiscal years:

Fiscal year ended June 30,
2003
1
2002
2
2001
3
Production
Tons (`000) .....
7,883
5,273
1,200
Recovered grade (ounces/ton).....
0.065
0.048
0.048
Gold sold (ounces).....
509,654
252,993
55,653
Results of operations
Product sales (`000) .....
165,351
66,402
18,057
Cash cost (`000).....
138,808
59,537
17,779

Cash profit (`000) .....
31,246
6,865
278
Cash costs
Per ounce of gold ($) .....

272
235
319

_____

1
Includes gold sales from Abelle's Gidgee Operations for 2 months from May 1, 2003.
2
Includes gold sales from Hill 50 (including Mt. Magnet and the New Celebration portion of the South Kalgoorlie operations) for
three months from April 1, 2002.
3
Includes gold sales from New Hampton (including Big Bell and the Jubilee portion of the South Kalgoorlie operations) for three
months from April 1, 2001.

Tons milled from Australian operations were 7,883,000 in fiscal 2003, compared with 5,273,000 in fiscal 2002. This increase was primarily due to the inclusion of a full year of results from Hill 50 and two months of results from Abelle's Gidgee operations, reflecting the period during which the Abelle mine was operated for the account of Harmony, which was offset by the reduction in tons milled from Big Bell due primarily to disappointing results from Big Bell's underground mine. Recovered grade from Australian operations was 0.065 in fiscal 2003, compared with 0.048 in fiscal 2002. Recovered grade increased due primarily to the inclusion of the higher grade Hill 50 operations for the full year in fiscal 2003. Cash costs for Australian operations were $272 per ounce of gold in fiscal 2003, compared with $235 per ounce of gold in fiscal 2002. This increase was attributable primarily to the higher cost of underground production from Hill 50 and Big Bell mines in the current year due to the issues set out in detail

under the consolidated financial statements as well as the strengthening of the Australian dollar against the U.S. dollar.

Big Bell Operations

History. Gold mining at Big Bell commenced in 1937. The Big Bell mine closed in 1955 and reopened in early 1989. Normandy Mining acquired Big Bell in 1991 and New Hampton acquired the mine from Normandy Mining in 1999. Since the commencement of operations in 1937 to June 30, 2003, total gold sales from the Big Bell area exceed two million ounces. In November 2003, the plant was sold for approximately A$ 2.45 million.

In fiscal 2003, the company put the Big Bell underground operations in harvest mode, as continued low grades from underground has made the operation uneconomical. Underground mining ceased at Big Bell during July, 2003 and it is anticipated that plant cleanup will be completed by the end of the calendar year. Most of the other assets and surface infrastructure have been allocated to Harmony's other mining operations in Australia or sold. Prospective tenements to the south of Cue, which were previously included under the Big Bell operations, have been allocated to the Mt. Magnet operations for possible open pit mining and included in their reserves. It has been calculated that it will be economical to transport ore from these sources to the Checker plant at Mt. Magnet, which is located approximately 80 kilometers away from Big Bell.

Total rehabilitation costs of the site are estimated to be A$ 7 million. A detailed rehabilitation program has been put in place to ensure that the mining areas are rehabilitated to standards set by the Department of Industry and Resources in Australia.

Geology. The Big Bell operations, located in the Murchison region of Western Australia, include a mature underground mine and nearby open pit operations at Cuddingwarra and Cue. The Murchison region is a sub-province of the Archaean Shield in Western Australia. The Big Bell lode is a steeply Southeast dipping (50 degrees to 70 degrees) sheet with a strike length of 1,000 meters. The distinctive gold-bearing horizon is 5 meters to 25 meters thick and is intersected by resource drilling down to 1,400 meters below surface. The Cuddingwarra and Cue deposits, approximately 17 kilometers and 27 kilometers from the Big Bell underground mine, respectively, occur in a sequence of porphyry-intruded metamorphosed mafic and ultamafic rocks of the Meekatharra-Widgee greenstone belt.

Mining Operations. The Big Bell operations were engaged in both underground and open pit mining. These operations were subject to all of the underground and open pit mining risks detailed in the Risk Factors section. Underground mining at depths of up to 600 meters was conducted by way of a decline and a longhole sub-level caving method was employed. Contractors operated diesel powered mining equipment to transport ore up the decline and delivered it to the crusher pad. At the Cuddingwarra and Cue open pit operations, New Hampton employs outside contractors to extract ore with large earthmoving equipment. The open pits are situated on small ore bodies, which results in short mine lives (generally less than a year). As a result, Harmony had to continuously locate, evaluate, plan, develop and bring into production a succession of open pits to access additional reserves. See "Item 3. Key

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

The primary challenges facing the Big Bell operations were controlling costs in the underground mine and finding replacement ore reserves (particularly for short-lived open pits) through an aggressive exploration program. See "Item 4. Information on the Company--Business--Exploration." The Big Bell underground mine was also affected by seismic events and good geotechnical management was important to maintain safety and productivity. During fiscal 2003, the safety record at Big Bell compared favorably with the Australian industry average.

Mining at the lower levels of the Big Bell underground mine continued to yield disappointing results as indicated in 2002, with lower than expected grade. This ultimately led to the decision to close the operation. In November, 2003 the plant was sold for approximately A$ 2.45 million.

Detailed below are the operating and production results from operations at Big Bell for the last three fiscal years:

Year ended June 30,	**2003**	**2002**	**2001**
Production			
Tons (`000)	2,900	2,147	2,763
Recovered grade (ounces/ton).....			
Gold sold (ounces).....	132,389	132,579	132,315
Results of operations ($)			
Cash cost (`000).....	38,288	44,491	62,106
Cash profit/(loss) (`000).....	(2,265)	(4,458)	22,033
Cash costs			
Per ounce of gold ($)	289	335	256

Tons milled in fiscal 2003 were 2,147,000 compared with 2,900,000 in fiscal 2002, and ounces sold in fiscal 2003 were 132,579, compare with 132,389 in fiscal 2002. As a result of being in harvest mode for most of fiscal 2003, tonnage at Big Bell decreased significantly. However the decision to close the mine enabled the company to target the higher grade remaining areas, which resulted in an increase in recovered grade. In the prior year mainly surface sources were treated, while development was carried out at the Big Bell underground mine, hence the lower grade. In fiscal 2003, cash operating costs at Big Bell increased to $335

per ounce from $289 per ounce in fiscal 2002. This increase was primarily attributable to lower tonnages treated from surface sources, and more higher cost underground tons being processed.

Plant. The Big Bell operations include one metallurgical plant, which was disposed of in November, 2003. Ore from the Big Bell underground and open pit operations was processed through this CIL treatment plant located 28 kilometers from Cue in the Murchison region. Ore extracted from the Big Bell underground mine was transported by diesel powered mining equipment up the decline and to the crusher pad. Road trains delivered ore from the open

pits. The plant underwent significant capital refurbishments during fiscal 2001 in an effort to ensure that planned throughput was achieved, but due to the age and layout of this plant, unit costs were higher than at other plants in Harmony's Australian operations.

The following table sets forth processing capacity and average tons milled during fiscal 2003 for the Big Bell plant:

Plant	**Processing Capacity**	**Average milled for the fiscal year ended June 30, 2003**
	(tons/month)	**(tons/month)**
Big Bell	178,769	275,000

In fiscal 2003, the Big Bell operations recovered approximately 87% of the gold contained in the ore delivered for processing.

Capital Expenditure. Harmony spent approximately A$1.9 million in capital expenditures at the Big Bell operations during fiscal 2003, principally for site rehabilitation work when the mine went into closure mode.

Mt. Magnet Operations

History. Mining at Mt. Magnet began after the discovery of gold in 1896. From that time to June 30, 2003, the Mt. Magnet operations have produced approximately 5 million ounces. The current Mt. Magnet operations, which Harmony acquired in the Hill 50 transaction, are comprised of the Hill 50 and Star underground mines, production from which commenced in the late 1980s, nearby open pits and the processing of low grade ore from previously accumulated stockpiles.

Geology. The Mt. Magnet operations are located near the town of Mt. Magnet in the Murchison region, 560 kilometers northeast of Perth. The geology consists of folded basaltic and komatiitic greenstones with intercalated banded iron formations and volcaniclastic units. In addition to having been intensely folded, the area has undergone substantial faulting and later intrusion by felsic intrusives. Mineralization within the Murchison belt consists of sulfide replacement style (characteristic of the Hill 50 mine) and quartz lode and shear hosted hydrothermally emplaced bodies proximal to fault conduits. Smaller stockwork bodies within felsic intrusives are also common. As is typical of the Archaean Shield, the deep weathering profile at Mt. Magnet has resulted in supergene enrichment and hypogene dispersion of gold in the oxidizing environments. These effects lend themselves well to the process of small scale open pit mining. Underground mining of primary lodes is the largest contributor to Mt. Magnet's gold production.

.

Mining Operations. The Mt. Magnet operations are engaged in underground, open pit and waste rock mining. These operations are subject to all of the underground, open pit, and waste rock mining risks detailed in the Risk Factors section. Harmony intends to revisit its mining strategy and management procedures at these operations on a regular basis in connection with its effort to minimize mining risks

Underground operations at Mt. Magnet consist of the Hill 50 and Star mines, each

of which operates a decline. The Hill 50 mine, which is approaching 1,000 meters in depth, is currently one of Australia's deepest underground mines. The Star mine is approximately 600 meters in depth. Underground mining is conducted by decline tunnel access. The principal challenges facing the Hill 50 underground mine is its continuing depth and the geotechnical, ventilation and cost impediments that increased depth imposes, including increased ground stress and potential increased seismic activity. As a result, maintaining adequate grade remains a critical component of this mine. The same issues affect the Star underground mine, but due to its lower grade and variability of grade, it faces additional challenges. Its orebody is difficult to define and unless significantly better grades are identified by exploration drilling, the current grades and cost structure do not justify further investment in deepening the decline. If decline development stops, it will result in the Star mine entering a harvest mode for an estimated period of 12 months.

Surface operations at Mt. Magnet exploit several medium-sized open pits, as well as numerous smaller open pits. Surface materials from areas previously involved in production, including waste rock dumps and tailings dams, are also processed at Mt. Magnet. The principal challenge facing the Mt. Magnet operations is that the open pits are situated on small ore bodies, which results in short mine lives. As a result, Harmony must continuously locate, evaluate, plan, develop and bring into production a succession of open pits to access additional reserves. Maintaining grade and managing the increased geotechnical complexities of the Hill 50 and Star underground also remains critical. See "Item 3. Key Information--Risk Factors--To maintain gold production beyond the expected lives of Harmony's existing mines or increase productivity materially above projected levels, Harmony will need to access additional reserves through development or discovery."

As of June 30, 2003, the safety record at the Mt. Magnet operations compared favorably with Australian industry averages. Safety standards for other Harmony operations are being applied at the Mt. Magnet operations and will receive constant and high-level attention. Where problems are identified, steps are taken to address the situation. Harmony is making a concerted effort to train line management at newly acquired assets, including the Mt. Magnet operations, in Harmony Australia's safety practices.

Detailed below are the operating and production results from operations at Mt. Magnet for the last three fiscal years:

Year ended June 30,	**2003**	**2002**	**2001**
Production			
Tons (`000)	3,022	2,922	3,132
Recovered grade (ounces/ton)	0.063	0.063	0.065
Gold sold (ounces)	189,689	182,690	203,575
Results of operations ($)			
Cash cost (`000)	34,495	42,989	37,130
Cash profit/(loss) (`000)	17,504	13,615	18,097
Cash costs			
Per ounce of gold ($)	182	235	182

Tons milled in fiscal 2003 were 2,922,000 compared with 3,022,000 in fiscal 2002, and ounces sold in fiscal 2003 were 182,690, compared with 189,689 in fiscal 2002. These decreases were primarily attributable to reduced production from the Hill 50 underground mine. Production at Hill 50 underground mine was negatively affected by a series of rockfall incidents starting in February 2003, which blocked the main ventilation, raises near the bottom of the mine. These incidents not only affected all of the high grade production stopes but also revealed the need for a redesign of the stope configurations and the positioning of the ventilation system at the deeper levels of the mine. This adversely affected production levels and costs at Hill 50. The new ventilation raises are expected to be completed at a cost of A$2.8 million by Dec 2003. The Star underground mine and open pits took up a significant portion of the tonnage shortfall but could not make up for the gold production shortfall from this high grade source.

On a simplistic basis (and assuming no additional reserves are identified) at the production level achieved in fiscal 2003, the June 30, 2003 reported proven and probable ore reserves of 10.55 million tons for Mt. Magnet would be sufficient to maintain production until approximately fiscal 2008. However, because the Mt. Magnet operations consist of several different mining sections that are at various stages of maturity, it is expected that some sections will decrease production earlier than others. In addition, any future changes to the assumptions upon which the ore reserves are based, as well as any unforeseen events affecting production

levels, could have a material effect on the expected period of future operations. See "Item 3. Key Information--Risk Factors-- Harmony's gold reserve figures may yield less gold under actual production conditions than Harmony currently estimates."

Plant. The Mt. Magnet operations include one metallurgical plant. This plant was built in 1989 as a CIL plant and was upgraded in late 1999 to a CIP plant. Actual throughputs of the Mt. Magnet plant varies based upon the blend of oxide and sulfide ores in their feed. Processing capacity is an estimate of nominal throughput based on a 70% hard (sulfide) and 30% oxide (soft) blend. The following table sets forth processing capacity and average tons milled during fiscal 2003 for the Mt. Magnet plant:

Plant	Processing Capacity (tons/month)	Average milled for the fiscal year ended June 30, 2003 (tons/month)
Mt. Magnet	220,000	243,300

In fiscal 2003, the Mt. Magnet plant recovered approximately 92% of the gold contained in the ore delivered for processing.

Capital Expenditure. Harmony made approximately A$ 26.2 million ($ 15 million) in capital expenditures at the Mt. Magnet operations during fiscal 2003, primarily for underground development, exploration and plants. Harmony has budgeted approximately A$ 33 million ($27.5 million) for capital expenditures at the Mt. Magnet operations during fiscal 2004, principally for underground development and infrastructure.

South Kalgoorlie Operations

History. The South Kalgoorlie operations include several open pits at Jubilee and New Celebration, as well at the Mt. Marion underground mine at New Celebration. In the Jubilee area, two separate companies commenced gold mining by modern methods in 1987, although some sporadic mining of gold took place in the area in the late nineteenth century. The Jubilee operations were originally comprised of large Jubilee open pit, but in recent years have also drawn on a number of smaller open pits. Harmony acquired the Jubilee operations in the New Hampton transaction. The New Celebration operations were initially developed in 1987 by a third company exploiting the same ore body that hosted the Jubilee Pit. Hill 50 acquired these operations from Newcrest Mining Ltd. in June 2001. The Mt. Marion decline, which is the largest underground development at New Celebration, was established in 1998. Harmony acquired the New Celebration operations, including the Mt. Marion underground mine, in the Hill 50 transaction.

Following the acquisitions of New Hampton and Hill 50, Harmony integrated the Jubilee operations and New Celebration operations to form the South Kalgoorlie operations. Since the commencement of operations to June 30, 2003, total gold production from Harmony's mines in the South Kalgoorlie area exceeds two million ounces.

Geology. The South Kalgoorlie mines are located approximately 30 kilometers south of Kalgoorlie in the Eastern Goldfields region of Western Australia. The South Kalgoorlie ore bodies are located in a number of geological domains including the Kalgoorlie-Kambalda belt, the Boulder-Lefroy Structure, the Zuleika Shear, the Coolgardie Belt and Yilgarn-Roe Structures. At South Kalgoorlie, the mining tenure and geology straddles the three major fault systems or crystal sutures considered to be the main ore body plumbing systems of the Kalgoorlie goldfield. The geology consists of Archaean greenstone stratigraphy of basalts and komatiites with intercalated sediments, tuffs, volcaniclastics and later felsic intrusives. Late stage and large scale granitic (Proterozoic) intrusion has stoped out large sections of the greenstone. Quartz filled lode and shear hosted bodies are the most dominant among many

mineralization styles. Large scale stockwork bodies hosted in felsic volcanics are an important contributor to bulk tonnage of relatively low grade deposits.

Mining Operations. The South Kalgoorlie operations are engaged in open pit, underground and waste rock mining. These operations are subject to all of the underground, open pit and waste rock mining risks detailed in the Risk Factors section. Harmony intends to revisit its mining strategy and management procedures at these operations on a regular basis in connection with its effort to minimize mining risks.

At Jubilee, during fiscal 2003 open cast mining was conducted mainly at the Trojan and Triumph pits and a number of other smaller open pits. Harmony employs contractors who use large earthmoving equipment to extract ore from these pits. Harmony expects that mining of the Trojan Pit will resume in June, 2004. The surface operations at New Celebration exploited a number of small short-life and shallow open-cast mines during fiscal 2003. At the end of June, 2003, a decision was taken to use the New Celebration plant for toll treatment purposes. A contract was signed for an initial period of 6 months up to February, 2004, with the option to extend the period for another 6 months thereafter. The decision to toll treat ore at the New Celebration plant will alleviate the continuous pressure on finding replacement ore for two mills at SouthKal Mines, and enable these operations to focus on finding more quality ounces. Harmony ore from both surface and underground sources will now be treated at the Jubilee plant.

The primary challenge facing the South Kalgoorlie operations is that most of the open pits are situated on small ore bodies, which results in short mines lives. As a result, Harmony must continuously locate, evaluate, plan, develop and bring into production a succession of open pits to access additional reserves. See "Item 3. Key Information--Risk Factors--To maintain or increase productivity materially above projected levels, Harmony will need to access additional reserves through development or discovery."

SouthKal Mines also includes the Mt. Marion underground mine. This mine faces challenges similar to those faced by the Mt. Magnet underground operations; however, depths at Mt. Marion are much shallower (500 meter vertical depth versus 1,000 meter vertical depth at Mt. Magnet). Mt. Marion is a decline mine that has switched to a longhole sub-level caving methodology. The purpose of this change in mining method is to better manage the geotechnical risks without diminishing returns from the mine. The Mt. Marion mine also is exposed to other risks typical of mechanized mines, including geotechnical issues, mine dilution and unpredictable remedial ground support after mine blasting.

During fiscal 2003, the safety record at SouthKal Mines in terms of lost time frequency rate and fatality frequency rate compared unfavorably with the Australian industry average, with 3 lost time injury incidents for the year. These lost time injuries occurred mainly as a result of the large number of contractors used in the refurbishment of the processing plants during the year. Safety standards for other Harmony operations are being applied throughout the South Kalgoorlie operations and will receive constant and high-level attention. Where problems are identified, steps are taken to address the situation. Harmony is making a concerted effort to train line management at newly acquired assets, including the South Kalgoorlie operations, in Harmony Australia's safety practices.

Detailed below are the operating and production results from the South Kalgoorlie operations, which were completed by combining historical figures from the Jubilee and New Celebration operations, for the last three fiscal years:

Year ended June 30,	**2003**	**2002**	**2001**
Production			
Tons (`000)	1,973	2,749	2,038
Recovered grade (ounces/ton).....			
Gold sold (ounces).....	135,366	182,851	164,553
Results of operations ($)			
Cash cost (`000).....	31,604	49,319	38,572
Cash profit (`000)	5,881	5,007	2,932
Cash costs			
Per ounce of gold ($)	233	270	234
	0,067	0,069	0,081

Tons milled in fiscal 2003 were 2,749,000, compared with 1,973,000 in fiscal 2002, and ounces sold in fiscal 2003 were 182,851, compared with 135,000 in fiscal 2002. These increases were primarily attributable to increased open pit throughput for the year. On a simplistic basis (and assuming no additional reserves are identified) at the production level achieved in fiscal 2003, the June 30, 2003 reported proven and probable ore reserves of 3,72 million tons for the South Kalgoorlie operations would be sufficient to maintain production until approximately fiscal 2004. However, because the South Kalgoorlie operations consist of several different mining sections that are at various stages of maturity, it is expected that some sections will decrease production earlier than others. In addition, any future changes to the assumptions upon which the ore reserves are based, as well as any unforeseen events affecting production levels, could have a material effect on the expected period of future operations. See "Item 3. Key Information--Risk Factors-- Harmony's gold reserve figures may yield less gold under actual production conditions than Harmony currently estimates."

Following the New Hampton acquisition, Harmony began implementing the "Harmony Way" at Jubilee and following the Hill 50 acquisition, Harmony has been integrating the Jubilee and New Celebration operations to form the South Kalgoorlie operations, which was completed at the beginning of fiscal 2003.

Plants. The South Kalgoorlie operations include two metallurgical plants, located

at Jubilee and New Celebration. The Jubilee CIL treatment plant has been well maintained and is capable of achieving the planned production from the mining operations. Ore is hauled from the open pits as well as the Mt. Marion underground mine to the treatment plant by conventional road trains.

The New Celebration plant was commissioned in 1986 as a CIP plant and later upgraded in 1988 by the addition of a larger parallel circuit. In 2003 a decision was taken to use this plant for toll treatment purposes. Actual throughputs of the South Kalgoorlie plants vary based upon the blend of oxide and sulfide ores in their feed. Processing capacity is an estimate of nominal throughput based on a 70% hard (sulfide) and 30% soft (oxide) blend.

The following table sets forth processing capacity and average tons milled during fiscal 2003 for the South Kalgoorlie plants:

Plant	**Processing Capacity (tons/month)**	**Average milled for the fiscal year ended June 30, 2003 (tons/month)**
Jubilee	110,000	104,570
	124,422	
New Celebration.....	138,000	

In fiscal 2003, the Jubilee and New Celebration plants recovered approximately 92% and 93%%, respectively, of the gold contained in the ore delivered for processing.

Capital Expenditure. In fiscal 2003, Harmony made approximately A$ 11.2 million in capital expenditures at SouthKal Mines, primarily for underground and open pit mine development and exploration. Harmony has budgeted approximately A$ 12.3 million ($10.6 million) for capital expenditures at the South Kalgoorlie operations during fiscal 2004, principally for underground and open pit mine development.

Burnside Joint Venture - Northern Territory Operations

History. Since the discovery of gold in the Northern Territory of Australia in 1865 the state has produced a more than 11 million ounces of gold. This production has come from three principal areas, the Tennant Creek field, the Granites-Tanami region and the Pine Creek Orogen, the latter having produced about 30% of the total.

Harmony acquired gold mining interests in the Pine Creek Orogen (centered 150 kilometers South of Darwin) through the acquisition of Hill 50 Limited (Hill 50) in March, 2002. Hill 50 had acquired 100% interest in the Maud Creek Gold Project, near Katherine NT and 100% interest in gold resources surrounding the Brocks Creek processing plant. In April 2002, Hill 50 finalized a 50-50 joint venture agreement (Burnside Joint Venture) with Northern Gold NL that merged the mining assets of both companies within a 30 kilometer radius of the Brocks Creek 1,000 ton per year processing plant, which itself is an asset of the joint venture asset. In mid-2003, key tenements at the Pine Creek gold mining center were also acquired by the joint venture.

Burnside Joint Venture. The principal objective of the Burnside Joint Venture is to explore, develop and treat gold ores within the jointly held tenement group. To this end, exploration drilling and underground mine development have been undertaken by the parties. The joint venture agreement is between Buffalo Creek Mines NL (a subsidiary of Hill 50) and Territory Goldfields NL (a subsidiary of Northern Gold NL). The parties formed a management company named Burnside Operations Pty Ltd to manage all mining and exploration matters of the joint venture. The Maud Creek Project is not subject to the Burnside Joint Venture and is still 100% controlled by Harmony.

The total area held by the Burnside Joint Venture under mining and exploration tenure is approximately 244,000 acres, of which 234,000 acres have been granted. The Maud Creek Project tenements comprise a total of approximately 150,000 acres, of which 54,000 acres have been granted.

Geology. The Burnside Joint Venture area contains numerous historic and recently discovered gold occurrences, some of which have produced gold from open pit and underground mining, and others that are at an advanced stage of exploration through resource drilling. The deposits lie within Lower Proterozoic metasediments that were folded and faulted during the Pine Creek Orogeny. Gold in the region typically occupies sulphide rich quartz veins within the axial zones of anticlinal fold structures.

The most significant of these are the Cosmopolitan Howley mine that historically has produced 475,000 ounces largely from open pit mining.

In fiscal 2003, two upper levels of the Zapopan Mine were developed by the joint venture by decline access. Approximately 12,125 tons of development ore was toll treated at an average grade of 0.21 ounces per ton Au, producing 2,600 ounces for the joint venture. The ore was free milling with 99% recoveries. Development on the decline has stopped while further exploratory drilling is in progress to extend the down plunge resource potential of the deposit. Approximately A$13 million was spent on capital development costs by the joint venture for fiscal 2003. Mining engineering studies are progressing in parallel to determine the optimum mining method and cost structure for the operation. Firm, updated mining reserves will result from these studies. It is anticipated that profits from the Zapopan operation will support initial exploration and development costs at the larger Cosmopolitan Howley underground resource.

Exploratory drilling by both Hill 50 and Harmony established potential gold deposits in the area. The fine grain size of the gold and its association with sulphide have refractory characteristics that require alternative methods of treatment. Further metallurgical work is required on the resource.

Forward Proposals. The Burnside Joint Venture plans to further investigate and explore the Zapopan gold deposit using diamond core drilling programs in parallel with mining engineering studies. The outcome of this study will determine the timing of rehabilitating the Brocks Creek processing plant and exploratory diamond drilling of the deeper extensions to the Cosmopolitan Howley mine. Other satellitic deposits within the Burnside Joint Venture will also be further drilled and modeled to supplement the operation.

Abelle

Introduction. On February 26, 2003, Harmony announced a conditional cash offer for all of the outstanding ordinary shares and listed options of Abelle, at a purchase price of A$0.75 per share and A$0.45 per listed option, for a total price of approximately A$151 million.

On the date of the offer announcement, Harmony also announced that it has entered into an agreement with Abelle whereby Abelle placed 35 million new shares in Abelle with Harmony, at a price of A$0.75 per share, subject to certain conditions including Abelle shareholder approval. This placement was approved by shareholders at a meeting of Abelle held on April 30, 2003 and the placement was completed on May 8, 2003. This transaction represented approximately 18% of Abelle's expanded issued share capital. On February 25, 2003 Harmony entered into a pre-bid acceptance agreement for a nominal consideration of A$10, pursuant to which Silvara Pty Ltd, a subsidiary of the Guiness Peat Group plc has agreed to accept the share offer in respect of a total of 32 044 533 Abelle shares,

representing 19.95 of the total issued share capital of Abelle at that date. The original offer was extended from April 24, 2003 to April 30, 2003. Harmony closed its offers on April 30, 2003 and advised at that date it had a relevant interest in 84.57% of Abelle shares and 63.18% of Abelle options. Subsequently, on May 5, 2003, three Harmony representatives were appointed to the board of Abelle.

History. Abelle was listed on the Australian Stock Exchange (ASX) on April 24, 2002. In August 2002, a merger was proposed with Aurora Gold Ltd, also listed on the ASX. The proposed merger through a scheme of arrangement was completed in January 2003. Abelle has various exploration projects in Australia, Papua New Guinea and Indonesia. It also operates the Gidgee Gold mine in the Murchison region of Western Australia.

Gidgee Gold Mine

History. The Gidgee Gold Project was acquired by Abelle in late 1999 from a public tender following the appointment of a Receiver and Manager to Australian Resources Ltd. On November 7, 2003 Abelle announced that it has entered into negotiations with Legend Mining Limited, whereby Legend has offered to purchase the Gidgee gold project. For a description of the terms and conditions, see "Item 8. Financial Information Significant Changes."

Geology. The Gum Creek greenstone belt, which outcrops over an area 110 kilometers long and 25 kilometers wide is situated at the northern limit of the Southern Cross Province of the Archaean Yilgarn Craton. It is elongate north-northwest and contains a southerly plunging synform in which volcanic and sedimentary rocks are bounded on the east and west by granitoids.

The Gum Creek greenstone belt comprises a lower sequence of mafic and ultramafic extrusive and intrusive rocks interbedded with BIF, overlain by a sequence of felsic volcanic and mafic volcanic rocks and sediments metamorphosed to lower greenschist-lower amphibolite facies. Granitoid stocks and east - west striking Proterozoic dolerite dykes intrude both sequences. Although the structure is synclinal, the mafic volcanic rocks in the center of the belt are considered to be part of the lower sequence, having been brought to the surface by major folding and faulting.

Operations Summary. The Gidgee Gold Project processed a blended ore feedstock from the Swan Bitter underground mine, various open pits and low grade stocks. Mining Reserves for the project as at June 30, 2003 are 344,000 tons at 4.8 grams per ton Au for a contained 52,644 ounces. Identified Mineral Resource totals an 2,466,600 tons at 6.5 grams per ton Au for 516,775 contained ounces. The mining reserves are sufficient to maintain production for a life of a further 1 year at current levels of gold production.

The key component of gold production since Abelle acquired the Gidgee Gold Project has been the Swan Bitter underground mine. This is supplemented by open pit mining from the pits of South Reliance, Think Big, Shiraz, Snook, North Wahoo and Cobia.

Open pit mining at the Gidgee Gold Mine ended midway through the year with a poor performance from the last pit, South Snook, leaving only one production source, the Swan Bitter Underground mine. The underground ore and low grade stocks are blended to aggregate a mill feedstock.

The Swan Bitter underground mine also had a major setback during the year as the main development focus, the southern extensions and Butcherbird decline failed to live up to expectations. Despite significant development and ore driving, only a small portion of the ore reserve was deemed to be economically viable to mine. The focus of the operation has since shifted to the western and newly discovered Tunisia and Australia lodes, which reconciled positively. The mine was back on track for the final quarter of the 2003 financial year with a very solid performance. However, the impact of the failed southern areas and the poor reconciliation from the South Snook pit severely impacted the annual results.

Gidgee's results were included in Harmony's results for 2 months from the effective date of acquisition, May 1, 2003. In that period 64,528 tons of ore was treated at an average grade of 0.179 ounces per ton for 11,534 ounces of gold.

Detailed below are the operating and production results from the Gidgee Gold mine operations for the fiscal year ended June 30, 2003.

Fiscal year ended June 30, 2003 [1]
Production
Tons
64,528
Recovered grade (ounces/ton).....
0.179
Gold sold (ounces).....
11,534
Results of operations ($)
Cash cost (`000).....
2,410
Cash profit (`000).....
1,236
Cash costs
Per ounce of gold ($).....
209

1 Consists of 2 months of production included in Harmony Australia's results.

Mining operations. Abelle's key business focus is on the three exploration and development properties of Hidden Valley (Morobe), Wafi Gold and the Golpu Copper-Gold in Papua New Guinea as well as the Gidgee gold mine in Western Australia. Abelle also holds a suite of exploration projects throughout Australia which it considers non-core and is looking to farm-out exploration risk.

Papua New Guinea Operations

The Abelle interests in Papua New Guinea consist of exploration titles covering some 1922 square kilometers of highly prospective gold and copper-gold geology structurally related to the Wau Graben, arc-parallel and transfer faulting.

The titles are broken into two groups, the northern group being referred to as the Wafi Project, which in turn incorporates the Wafi Gold and Golpu Copper-Gold projects. The

southern block is referred to as the Hidden Valley Project (previously Morobe Gold Project) and incorporates the Hidden Valley, Kaveroi, Hamata and Kerimenge gold and gold-silver deposits. The Papua New Guinea operations are owned by two separate Papua New Guinea incorporated companies - Morobe Consolidated Goldfields Ltd and Wafi Mining Limited.

Morobe Consolidated Goldfields Limited (100%)

Background. The Hidden Valley Project (formerly Morobe Project) is 100% owned by Abelle Ltd through its wholly-owned subsidiary, Morobe Consolidated Goldfields Ltd. Alluvial gold was first discovered at Hidden Valley in 1928. It was not until the early 1980's that the area was investigated by CRA Exploration using modern exploration techniques that resulted in the discovery of the Hidden Valley and Kaveroi gold deposits on EL 677.

87

Abelle acquired the Hidden Valley project through its merger with Aurora Gold Ltd in January 2003. Abelle moved quickly after the Aurora merger to consolidate ownership of the project, buying out its partners in a deal completed in June 2003.

Abelle has distanced itself from the Aurora feasibility and is actively reviewing development options for the project, including incorporating the Hamata deposit into a development plan. This review and a revised feasibility study is due for completion at the end of calendar year 2003.

Project Overview. Abelle has devised a development plan for the project that incorporates the mining of both the Hamata and Hidden Valley/Kaveroi resources. The resources will be mined in a sequence that sees the low silver Hamata ores mined first with plant and infrastructure development for the project developed in close proximity to the Hamata deposit. The next ore mined will be the Hidden Valley/Kaveroi oxide/transition ores (high silver) followed by the Hidden Valley/Kaveroi primary ores.

A planned process rate of approximately 3.5 million tons per annum is envisaged with the plant evolving in customization for each ore source. Hence, the process plant will commence as a CIP plant for the low silver Hamata ores, revert to a Counter-Current Decantation ("CCD") circuit with Merril Crowe zinc precipitation for the high silver oxide/transition ores and then a flotation before fine grind, CCD and Merril Crowe zinc precipitation for the high silver sulphide ores from Hidden Valley/Kaveroi. The definitive feasibility study for this project was completed recently and is expected to enter a development form in early 2004.

Location and access. The Hidden Valley Project comprises four exploration licenses of 966 square kilometers in the Wau District of Morobe Province, Papua New Guinea. The project is located 210 kilometers north-northwest of Port Moresby and 90 kilometers south southwest of Lae, the two largest cities in Papua New Guinea. Access to the project is by sealed road from the deep-water port of Lae to Bulolo, all-weather gravel road to Wau and then by unsealed tracks. Abelle is currently in the process of performing Mining Reserve estimates under the feasibility review of the Hidden Valley project.

Government royalty and other rights. The gold and silver production from the Hidden Valley Project will be subject to a 2% royalty, payable on the net return from refined production if refined in Papua New Guinea or 2% royalty on the realized price if refined out of Papua New Guinea.

The independent State of Papua New Guinea ("the State") also has a statutory right to acquire up to a 30% participatory interest in mining development projects, at sunk cost. Once an interest is acquired by the State, it contributes to the further exploration and development costs on a pro rata basis. The State's reservation arises by way of a condition included in all exploration licenses.

Third Party Royalties. Pursuant to the sale agreement of EL677 (the Hidden Valley and Kaveroi deposits) by Rio Tinto to AGF, a royalty payment from refined gold production is payable to Rio Tinto as per the following table:

Gold production (oz)	**Royalty (%)**
<200,000	0.0
200,001 1,000,000	2.0
1,000,001 5,000,000	3.5
>5,000,000	2.0

Project Approval Process. The first step in the process is to complete the feasibility study review and revised development plan that is being undertaken by Abelle. Contemporaneously with this Abelle is completing the environmental impact assessment for the project including social impact assessment, landowner investigation reports; negotiating compensation arrangements with local landowners and preparing and submitting applications to the relevant statutory authorities for approval to proceed with the project.

Additional Prospects and Exploration Potential. The Hidden Valley Project revised feasibility and development being developed by Abelle considers the mining and development of the Hamata, Hidden Valley and Kaveroi deposits only. While these alone provide for a robust project of 8 to10 years duration, there is considerable potential to extend the project life from other advanced prospects and mineralization that are within a 10 kilometer radius of any proposed plant site.

These include the advanced Kerimenge deposit (753,000 ounces), Andim, Nosave, Purrawang, Apu Creek prospects that are immediate extensions to the known mineralization systems at Hidden Valley, the more peripheral Waterfall, Bulldog, Bulldog North and Daulo prospects as well as the Yafo and Yava prospects near Hamata.

Wafi Gold Project

*Background***.** The Wafi prospect of Abelle is owned 100% through subsidiary company, Wafi Mining Limited. The first exploration at Wafi dates back to the nationwide porphyry copper search by CRA Exploration Ltd in the late 1960's. Abelle assumed control of the Wafi project as a result of its merger with Aurora in February 2003. Abelle then assumed control of the Wafi project and commenced drilling to define and extend high-grade Link Zone mineralization.

Project Overview. The prospect has two separate ore systems/projects located with close proximity of each other known as the Wafi Gold Project and the Golpu Copper-Gold Project. The project is held under 4 contiguous exploration licenses totaling 996 square kilometers. The Wafi gold mineralization is hosted by sedimentary/volcaniclastic rocks of the Owen Stanley Formation as they surround the Wafi Diatreme. Gold mineralization occurs as extensive high-sulphidation epithermal alteration overprinting porphyry mineralization and

epithermal style vein-hosted and replacement gold mineralization with associated wall-rock alteration.

Four main zones (Zone A, Zone B, The Link Zone (between Zone A & B) and to a lesser extent, the Western Zone have been drill tested at Wafi revealing substantial gold mineralization. The Link zone was discovered in the last phase of drilling at the prospect before Abelle acquired the project. Abelle commenced a further diamond drilling program in late February 2003 aimed at infilling and extending the higher grade link zone mineralization but with an important objective of clearly defining the geometry of the higher grade link mineralization with disciplined core orientation. The results from the first four holes in the program were received by year end and returned a number of significant intercepts:

Hole No
Northing
Easting
RL
Dip/Az
Intercept

WR176
20105N
19639E
531
-60/270
4.9m @ 5.50 g/t Au from 213m
7m @ 1.74 g/t Au from 220m
10m @ 1,79 g/t Au from 241m

WR177
20103N
19877E
536
-60/270
159m @ 6.53 g/t Au from 275m
including
50m @ 10.25 g/t Au from 275m
23m @ 15.52 g/t Au from 410m

WR178
20107N
19940E
540
-65/277
71m @ 8.42 g/t Au from 316m
17m @ 5.25 g/t Au from 410m
15m @ 9.34 g/t Au from 454m

WR179
20104N
19743E
548
-60/270
174m @ 4.03 g/t Au from 192m
including
37m @ 9.03 g/t Au from 267m
28m @ 5.75 g/t Au from 319m

Importantly, the cores from these holes revealed that the deeper high grade ore is associated with carbonate and minor base metal mineralization indicative of a low sulphidation ore system and in places appears to over-print previous mineralization. The near surface epi-/mesothermal ores from Zone A and Zone B are clearly part of a high sulphidation system.
90

The following section shows the significance and magnitude of the Wafi gold system. Of note is the width of the ore system of approximately 800 meters.

Golpu Copper-Gold Project. Golpu is located approximately 1 kilometer northeast of the Wafi gold orebody. The Golpu Project is a porphyry (Diorite) copper-gold deposit with an Identified Mineral Resource Estimate of 99.7 million tonne at 1.25% copper and 0.64 grams per ton Au. In addition the leached oxide cap to the porphyry copper contains a copper poor inferred resource of 6.42 million tons at 1.3 grams per ton gold.

The Golpu host lithology is a diorite that exhibits a typical zoned porphyry copper alteration halo grading from potassicphyllic advanced argillic upwards in the core. Outwards from the core the alteration grades from the above to argillicpotassic to propylitic. The mineralized body is a porphyry copper-gold `pipe' with approximately 200m by 200m plan dimensions, slightly north plunge and still going strong at 1.2kilometers depth, the maximum depth to which it has been drilled.

The surface expression is oxidized and leached to about 150m vertical depth resulting in a residual gold only resource from which the copper has been leached. At the oxidation interface a strong 20-30m thick zone of supergene copper enrichment is developed which transitions at depth into a lower grade covellite-enargite ore. Beneath this is a zone of

more covellite rich mineralization that contains lesser enargite and consequently arsenic. From approximately 300 meters below surface the ore exists in a covellite rich (Arsenic poor) form grading into a chalcopyrite-bornite rich zone from approximately 500m to its current known depth of approximately 1.2kilometers. Abelle is currently reviewing all data relating to the Golpu Project with the objective of performing a pre-feasibility into the development of the project.

Geography. The Wafi prospect is located near Mt. Watut in Morobe Province, Papua New Guinea, 60 kilometers southwest of Lae and 60 kilometers northwest of Wau. The site is accessed by sealed road (Lae to Bulolo) which comes within 5 kilometers of the eastern edge of the tenements.

The Wafi camp is located at an elevation of approximately 500 meters above sea level. The terrain is mountainous and forested in most areas. Immediately west of the project area, the Watut Valley makes for relatively simple road access to the project. The Wafi Gold and Golpu prospects themselves lie a further 10 kilometers west and at this point are accessed and serviced by helicopter. A bush track has been established to enable dozer access and considerations to more permanent road access are underway.

Mining reserves. Abelle is not yet in a position to quote Mining Reserve estimates for either the Wafi Gold or Golpu Copper-Gold projects. Evaluation studies including drilling and pre-feasibility estimates are still underway.

*Government royalty and other rights***.** The metal production from the Wafi Project is subject to a 2% royalty payable on the net return from refined production if refined in Papua New Guinea or 2% royalty on the realized price if refined out of Papua New Guinea. Papua New Guinea also has a statutory right to acquire up to a 30% participatory interest in mining development projects, at sunk cost. Once an interest is acquired by Papua New Guinea, it contributes to the further exploration and development costs on a pro rata basis. Papua New Guinea's reservation arises by way of a condition included in all exploration licenses.

Third Party Royalties. Pursuant to the sale agreement of Wafi Mining Ltd to Abelle (via wholly-owned subsidiary companies) from Rio Tinto, a royalty of 2% on gold production or a 2% NSR from copper-gold concentrates is payable to Rio Tinto as a deferred acquisition cost.

Mt. Muro Project Indonesia

The Mt. Muro project is owned by PT Indo Muro Kencana, is subsidiary of Aurora, ("PT IMK") and is located in central Kalimantan. The project was placed on care and maintenance by Aurora Gold Ltd in mid 2002 after a number of successful years that saw total gold and silver production reach 1.3 million ounces and 25.54 million ounces respectively.

In May 2002 Aurora granted an option to Archipelago Resources Ltd to purchase all of its the shares in PT IMK and thereby, the rights to the Mt. Muro Contract of Work in

exchange for the grant of a royalty over part of the area of the Mt. Muro Contract of Work. This option expired on March 31, 2003 and Abelle regained control of the project. Abelle reached agreement with Straits Resources Ltd to form a joint venture to explore and assess the re-development of Mt. Muro and Straits assumed the role of manager and operator of the joint venture from May 1, 2003. Under the agreement with Straits, Abelle retains a free carried 30% interest to the recommencement of commercial gold production. Straits must also maintain the plant, equipment and infrastructure in good standing and spend a minimum of US$1 million on exploration per annum over and above holding costs. Straits is an Indonesian operator with considerable experience and expertise in operating in the Indonesian environment. Abelle directors regard the Mt. Muro project as highly prospective and having significant potential for new discoveries and accordingly anticipate a re-start of the operations in due course. There is a claim involving the Mt. Muro operations which is pending at present. See "Item 8. Financial Information Legal Proceedings."

Australian Exploration

Abelle has a number of exploration projects throughout Australia, inherited from the merger with Aurora. Abelle is seeking to outsource many of these to third parties to the extent this is not already the case. These projects are briefly discussed below:

*Credo JV (50%)***.** This is a 50:50 joint venture with Yilgarn Mining Pty Ltd which cover a group of tenements in the Mt. Pleasant district of the Eastern Goldfields of WA. The tenements cover stratigraphy that is considered highly prospective for shear and lode style gold deposits of the Mt. Pleasant district as well as paleo/supergene styles of mineralization. Drilling commenced in the quarter ended June 2003 to follow-up significant intercepts of paleo/supergene style mineralization. The results confirmed the mineralization and a further program to define the limits of the system and to enable Identified Mineral Resource estimates to be prepared is underway.

Roopena, Partridge range & Gibralter Rocks Projects in South Australia. This early stage exploration project comprises 3 wholly-owned Exploration Licenses located on the Gawler Craton in South Australia. The exploration target of each is structurally controlled iron oxide copper gold deposits genetically related to the Mesoproterozoic Hiltaba Granite Suite. Type examples of which are Olympic Dam, Moonta/Wallaroo and Prominent Hill. Discussions with potential joint venture partners are continuing.

Ashburton Project. This exploration project comprises 7 wholly-owned Exploration License applications located approximately 100 kilometers east of Onslow. The exploration concept relies on recognition that the Minnie Creek Suite is a member of the Palaeoproterozoic Cullen Association responsible for the gold mineralization at The Granites, Tennant Creek, Pine Creek and Telfer.

Yarri Project. The Yarri project comprises 4 wholly-owned Exploration License applications and 7 wholly-owned Prospecting License applications covering some 340 square kilometers in the Yarri district approximately 150 kilometers Northeast of Kalgoorlie. The project is considered to have geological and structural similarities to the Carosue Dam project.

Brumby Well. This project is adjacent to Sunrise Dam and is managed by Anglogold, which is earning a 70% royalty. There has been a diamond and RC drilling program carried out during the last quarter of the 2003 financial year.

Mount Korong. The tenements are a joint venture between Aurora (80%) and Golden State Resources (20%) with Placer having the right to earn 75% in roylaties.

Bandya North/Matt's Bore. Both these projects are joint ventures between Aurora (71% and 51% respectively) and Placer (Delta) with Newmont (Johnson's Well) having the right to earn 70%.

Dingo Range. This project is adjacent to the Twin Hills epithermal gold prospect controlled by Base Metals of Australia Ltd ("BMA"). The project is managed by BMA who reported no field activity during the period to June 30, 2003.

Bissett Operations

Introduction. Harmony's Bissett operations, production at which was suspended in the quarter ended September 30, 2001 due to mining operations being uneconomical at then-current gold prices, are located near Bissett in the province of Manitoba, Canada. Prior to the suspension, mining at Harmony's Bissett operations was conducted at depths ranging from 1,200 meters to 1,500 meters. Full production of 1,000 tons of mill throughput per day was achieved by June 2000 prior to the placing of Bissett's operations on the care and maintenance program discussed in "--Mining Operations" below. The transition to the care and maintenance program took place in the quarter ended September 30, 2001. On December 2, 2003, Harmony signed a letter of intent regarding the sale of its interest in Bissett to San Gold Resources Corporation for $7.5 million, subject to certain conditions. See "Item 8. Financial Information Significant Changes."

History. Harmony purchased the Bissett Gold Mine out of liquidation in June 1998. The first mining at Bissett occurred in 1932. Though the mine has not been in continuous operation since that time, in total it has sold in excess of 1.3 million ounces of gold. In 1995, the previous owners of the mine undertook to recommence mining at Bissett and completed a pre-production underground exploration, development and construction program that culminated in a feasibility study. Operations were due to recommence at a targeted 1,000 mill tons per day throughput in 1997, when the owners went into liquidation after expenditure of C$85 million.

Geology. The orebodies at Bissett Gold Mine, located within the Red Lake Archaen greenstone belt, comprise two major sets of shear-related quartz veins occurring within a steeply-dipping, intrusive host. One set of veins consists of stockwork breccias and the other narrower, fault-controlled veins cross-cutting the stockworks. Gold mineralization occurs in both sets of veins but is enriched at the intersection of the two vein types.

Mining Operations. Harmony has conducted underground mining at Bissett. Mining at Bissett has been more mechanized than mining at Harmony's South African underground mines. Long hole and shrinkage mining techniques have been used to extract the

near vertical orebodies. The Bissett operation is subject to all of the underground mining risks detailed in the Risk Factors section.

Due to the moderate depths of the operation, pressure related problems have been infrequent but actively managed. Due to the mining operations being uneconomical at then-current gold prices, Harmony decided to suspend production at the Bissett mine in fiscal 2001, and placed the operations on a care and maintenance program during the first quarter of fiscal 2002. The care and maintenance program involves suspending production but maintaining some staff to keep the facilities in working order, so that production can be restarted without significant capital outlays.

Detailed below are the operating and production results from underground operations at Bissett for the past three fiscal years:

Fiscal year ended June 30,	**2003** [1]	**2002** [2]	**2001**
Production			
Tons (`000)	0	293	40
Recovered grade (ounces/ton).....	0	0.151	0.207
Gold sold (ounces).....	0	8,263	44,303
Results of operations ($)			
Cash cost (`000).....	0	905	14,636
Cash profit/(loss) (`000).....	0	899	(391)
Cash costs			
Per ounce of gold ($)	0	109	330

_____

1 There was no production during the fiscal year 2003.

2 Production from clean up of the plant during the transition to care and maintenance in the quarter ended September 30, 2001.

Plant. The mineralogy of the orebodies is simple and gold is easily extractable

using conventional gravity concentration, CIL and electro-winning processing techniques.

Capital Expenditure. In light of its decision to place Bissett on a care and maintenance program Harmony did not make any significant capital expenditures at Bissett in fiscal 2003 and did not budget for any significant capital expenditures at Bissett in fiscal 2004.

AurionGold and Placer Dome

Harmony made its first investment in the Australian gold mining industry in February 4, 2000, when Harmony purchased 32,770,992 shares of Goldfields (Australia). On October 5, 2000, Harmony concluded the purchase from Hanson plc of 10.58 million Goldfields (Australia) shares at a price of A$1.425 per share for a total consideration of $8.8 million, financed through the issue of 2.2 million Harmony ordinary shares at Rand 37.45 per share. Harmony's stake in Goldfields (Australia) was approximately 22.96%. Effective December 31, 2001, Delta was merged into Goldfields (Australia). In connection with the merger, holders of Delta shares received 187 Goldfields (Australia) shares in exchange for every 200 Delta shares held. Harmony's stake in Goldfields (Australia) following the merger was

diluted to approximately 9.8%. In February 2002, Goldfields (Australia) changed its name to AurionGold Limited.

On October 23, 2001, Gold Fields granted Harmony an exclusive option to negotiate the possible acquisition from Gold Fields of the St. Helena and Oryx mines in the Free State Province. Harmony, in return, granted Gold Fields an exclusive option to negotiate the acquisition of Harmony's stake in AurionGold. These agreements expired, without exercise, on February 15, 2002. On May 25, 2002, Harmony and Placer Dome entered into an agreement under which Harmony accepted Placer Dome's offer to acquire all of Harmony's interest in AurionGold subject to specified conditions. Pursuant to the offer, Harmony would receive 17.5 newly-issued Placer Dome ordinary shares for every 100 AurionGold ordinary shares tendered. On July 29, 2002, Harmony announced that Placer Dome had increased its offer by adding a cash payment of A$0.35 per AurionGold ordinary share. Harmony accepted this revised offer, which had become unconditional as of July 29, 2002. The transaction was completed on August 6, 2002. As a result, Harmony obtained a 1.9% interest in Placer Dome. Subsequently the shares were sold for a profit of $59 million, determined with reference to the cost of the original investment in Gold Fields.

REGULATION

Mineral Rights

South African law provides for the separate ownership of surface and mineral rights. It is therefore possible for one person to own the surface of a property, another to own rights to precious metals and yet another to own rights to base minerals. Harmony controls mineral rights by way of ownership, mining rights and mining authorizations.

Currently, approximately two-thirds of South Africa's mineral rights are in private hands. The South African government investigated the structure of mineral ownership in the country, with the view of making access to minerals easier for small and emerging mining companies.

After the election of a democratic government in South Africa in 1994, the issue of mineral rights was reviewed.

On October 3, 2002, the South African parliament passed the Mineral and Petroleum Resources Development Act. The Act will come into force on a date to be fixed by the President 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 the Mining Charter.

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 are addressed, 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 does not believe that the Act will have a

97

significant impact on these mining and exploration activities because Harmony will be eligible to apply for new licenses over its existing operations, provided that it complies with the Mining Charter. Harmony is currently in consultation with the National Department of Minerals and Energy, in the process of developing a sophisticated approach to setting targets and measure performance in black economic empowerment, or BEE, and transformation initiatives within Harmony. We refer to this initiative as the "Harmony Transformation Scorecard" and the methodology shall be described in more detail in the 2004 Annual Report. In essence, it will provide clarity on the "measures" of empowerment and transformation contained in the Mining Charter, but, at the same time, will enable Harmony to set targets, plan initiatives and measure progress on an integrated strategy for transformation within the company over the next ten years. Harmony has already achieved a high level of compliance with the provisions of the Mining Charter and remains proactive in ensuring full compliance.

The Act also makes reference to royalties being payable to the state in terms of the Royalty Bill, which was available for public comment until April 30, 2003, whereafter it was referred back to Parliament. Harmony has made a submission to the treasury department and currently await government's revised position. The introduction of the Royalty 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 Royalty Bill may have with regard to its operations and no assurance can be given as to whether or when the proposed Royalty Bill will be published for comment or enacted.

The Act (i) limits ministerial discretion, (ii) introduces a first-come first-served principle with respect to the consideration of applications, (iii) introduces a mining advisory board, (iv) provides for compensation for currently held rights, and (v) ensures that current mining right holders that are actively engaged in developing their rights will not have to reapply for their rights. An aggrieved party will have the right of appeal to either the Director General or the Minister and may only take matters to the courts once that party has exhausted his or her remedies in terms of the appeal procedures that are to be set forth.

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. 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.

Environmental Matters

Pursuant to South African law, mine properties must be rehabilitated upon closure. Mining companies are required by law to submit Environmental Management Program Reports, or EMPRs, to the Department of Minerals and Energy. EMPRs identify the rehabilitation issues for a mine and must also be approved by other South African government departments including, but not restricted to, the Department of Water Affairs and Forestry. EMPRs have been prepared and submitted for all of Harmony's South African operations (including the Free Gold Company, which is described below). With the exception of the Kalgold EMPR, these EMPRs have been approved. The Kalgold EMPR is in the process of being approved by the authorities. Harmony does not anticipate any difficulties in obtaining approval for any of this EMPR. All of Harmony's South African mining operations, including Kalgold (but excluding the Free Gold Company), have permanent mining authorizations. The process of preparing and submitting EMPRs has improved the mutual co-operation and information sharing between Harmony and the relevant government departments. Harmony has met and intends to continue to meet on a regular basis with the relevant government departments to continue the EMPR process and to ensure the environmental impact of Harmony's mining operations are managed in accordance with applicable regulatory requirements and industry standards.

The Free Gold assets are currently operating in accordance with AngloGold's approved EMPRs. The Free Gold Company has completed the required revisions to these EMPRs and has submitted them to the authorities for approval. Harmony does not anticipate any difficulties in obtaining approval for these EMPRs. The Free Gold Company mining authorizations are renewed on a six-month basis pending approval of these EMPRs.

In fiscal 2002 and 2003, water quality became and continued to become one of the main focus areas of the South African mining industry. All water uses are now being licensed, and Harmony has submitted water-use registrations required by the National Water Act of 1998. Harmony has also developed water management plans for all of its South African operations. In addition, in response to concerns that water from the Western Basin, located at Harmony's Randfontein operations, might reach the Sterkfontein caves, Harmony has initiated a study to evaluate the extent of this risk and has implemented measures to divert the water away from Sterkfontein caves.

An environmental surveillance system has been implemented at slimes dams at our operations to monitor dust generation and fall-out in residential and other areas. This will assist in future dust suppression and the design and measurement of rehabilitation programs.

Bissett, which does not own mineral rights, operates pursuant to a mining lease and an environmental license. While the license has no term, it may be revoked, temporarily or permanently, should Harmony Canada fail to comply with the terms of the license, which include maintaining the facility. The lease has a term of 21 years, commencing April 1, 1992. On December 2, 2003, Harmony signed a letter of intent regarding the sale of its interest in Bissett to San Gold Resources Corporation for $7.5 million, subject to certain conditions. See "Item 8. Financial Information Significant Changes."

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.

In Western Australia under the Mining Act (1978), all tenements are covered by environmental performance bonds that cannot be relinquished or completed without the approval of the Australian Department of Mineral Resources. These are re-assessed on an annual basis following the issuing of an annual environmental report and generally are audited by the regional inspector. As areas are successfully rehabilitated and approval is obtained, the bond requirement is reduced, and as greater areas are disturbed the bond requirement increases. Any new aspects of the operation are also assessed and the bond is established prior to approval and subsequent commencement of operations.

Audits are generally conducted on a bi-annual basis by the Australian Department of Environmental Protection to determine compliance with the relevant operating license(s). There are no outstanding major non-compliance issues against New Hampton's license or Hill 50's license.

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.

Each of Harmony's mines has a person dedicated to environmental matters who, in addition to organizing the implementation of the environmental management programs, monitors the impact of the mine on the environment and responds to impacts that require specific attention outside of the normal program of environmental activities.

The primary environmental focus at most of Harmony's operations is water management and the administration of areas outside the operating plants and shafts. The major objective is to ensure that water is of a quality fit for use by downstream users.

Based on current environmental and regulatory requirements, Harmony accrues for the estimated rehabilitation expense in full when mining commences and then amortizes these environmental rehabilitation costs over the operating life of a mine. It also makes annual contributions to environmental trust funds created in accordance with South African statutory requirements, to provide for the estimated cost of pollution control and rehabilitation during and

at the end of the life of a mine. Estimates of the ultimate rehabilitation liability are subject to change as a result of future changes in regulations or cost estimates.

While the ultimate amount of rehabilitation costs to be incurred in the future is uncertain, Harmony has estimated that the total cost for Harmony in current monetary terms to rehabilitate its mine properties will be approximately Rand 668.3 million. This figure includes estimates for rehabilitation costs at Elandskraal, New Hampton and Hill 50, as well as Harmony's proportionate interest of rehabilitation costs at the Free Gold assets. There can be no assurance, however, that this estimate reflects or approximates actual costs to be incurred.

Harmony intends to fund its ultimate rehabilitation costs from the money invested in the environmental trust funds, as well as the proceeds from the sale of assets and gold from plant clean-up at the time of mine closure. The requirements imposed upon mining companies to ensure environmental restitution, however, are currently under review and it is possible that this will result in additional costs and liabilities 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.

Health and Safety Matters

The Mine Health and Safety Act. For many years, the safety of people working in South African mines and quarries was controlled by the Mines and Works Act of 1956 and subsequently the Minerals Act of 1991. Several incidents in mines in recent years indicated that this legislation needed to be updated and revised. The findings of the Leon Commission of Inquiry into Health and Safety in the Mining Industry in April 1994 led to the drafting of new legislation, which resulted in the Mine Health and Safety Act No. 29 of 1996, or the Mine Health and Safety Act. The Mine Health and Safety Act was the result of intensive discussions and consultations between government, employers and employee representatives over an extended period of time, and came into force on January 15, 1997. The objectives of the Mine Health and Safety Act are:

- to protect the health and safety of persons at mines;
- to require employers and employees to identify hazards and eliminate,

control and minimize the risks relating to health and safety at mines;

- to give effect to the public international law obligations of South Africa

that concern health and safety at mines;

- to provide for employee participation in matters of health and safety

through health and safety representatives and the health and safety committees at mines;

- to provide for effective monitoring of health and safety conditions at

mines;

- to provide for enforcement of health and safety measures at mines;
- to provide for investigations and inquiries to improve health and safety at

mines; and

- to promote

-
a culture of health and safety in the mining industry;
-
training in health and safety in the mining industry; and
-
co-operation and consultation on health and safety between the
State, employers, employees and their representatives.

The Mine Health and Safety Act prescribes general and specific duties for employers and others, determines penalties and a system of administrative fines, and provides for employee participation by requiring the appointment of health and safety representatives, and through the establishment of health and safety committees. It also entrenches the right of employees to refuse dangerous work. Finally, it describes the powers and functions of a mine health and safety inspectorate and the process of enforcement.

It is anticipated that mining companies will incur additional expenditures in order to comply with the legislation's requirements. Management anticipates that such additional expenditures will not have a material adverse effect upon Harmony's results of operations or financial condition, although there can be no assurance of this.

HIV/AIDS Policy. Harmony currently estimates that the HIV/AIDS 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. See "Item 3. Key Information--Risk Factors--HIV/AIDS poses risks to Harmony in terms of productivity and costs." Harmony is actively pursuing HIV/AIDS awareness campaigns with its South African workforce and is also providing medical assistance, anti-retroviral treatment and separation packages for employees who decide to leave their place of work and return home for care. Harmony currently believes that the prevalence of HIV/AIDS-related diseases among its Australian workforce is not material to its Australian operations.

On September 19, 2002, Harmony entered into an agreement with the NUM, the South African Equity Workers Association and the United Association of South Africa in which Harmony and these labor unions agreed to implement initiatives aimed at reducing the spread of HIV infection among Harmony's South African workforce and the surrounding communities, providing for the treatment and care of employees who are HIV-positive or suffering from HIV/AIDS-related diseases, and ensuring that the rights of employees living with HIV/AIDS are upheld in compliance with existing legislation. In connection with this agreement, Harmony is implementing the "Harmony Declares War Against HIV/AIDS" initiative, a comprehensive strategy to address HIV/AIDS at its South African operations and in surrounding communities. This initiative will include education programs to promote healthy living and provide information about HIV/AIDS, sexually transmitted infections and pulmonary tuberculosis. Harmony expects to also provide voluntary testing, counseling, psychotherapy and other support,

as well as health care for affected and infected employees, including wellness clinics and treatment at company hospitals and medical stations. As has been its policy prior to the agreement, Harmony will not perform pre-employment HIV/AIDS testing or require testing for its employees, and will maintain the confidentiality of all employees' or prospective employees' medical information.

Item 5. ***Operating and Financial Review and Prospects***

You should read the following discussion and analysis together with the consolidated financial statements, including the related notes, appearing elsewhere in this annual report.

OVERVIEW

Harmony and its subsidiaries conduct underground and surface gold mining and related activities, including exploration, extraction, processing, smelting and refining. Harmony is currently the largest gold producer in South Africa and one of the largest gold producers in the world.

Harmony's operations have grown significantly since 1995, largely through acquisitions. Since 1995, Harmony has expanded from a lease-bound mining operation into an independent world-class gold producer. Harmony's gold sales have increased from 650,312 ounces of gold in fiscal 1995 to approximately 2.4 million ounces of gold in fiscal 2003. These figures include sales from Abelle for two months (which was acquired in fiscal 2003), but exclude sales from the Free Gold Company (in which Harmony acquired a 50% interest in fiscal 2002).

On November 21, 2001, Harmony and ARMgold reached an agreement in principle with AngloGold to purchase the Free Gold assets, subject to specified conditions. Pursuant to the subsequently executed definitive agreements, the Free Gold assets were purchased by the Free Gold Company (in which Harmony and ARMgold each has a 50% interest) for a total purchase consideration of $297.5 million, which comprised a cash payment $169.2 million by the Free Gold Company in April 2002 following the fulfillment of all conditions precedent, a $37.5 million interest-free loan payable by the Free Gold Company on January 1, 2005, and $90.8 million related to the reimbursement of the taxes paid by AngloGold on disposal of the Free Gold assets to the Free Gold Company. The tax liability was reimbursed to AngloGold in June 2003. The Free Gold Company had estimated that this tax liability would be $59.4 million during fiscal 2002. The Free Gold Company assumed management control of the Free Gold assets from January 1, 2002, and completed the acquisition on April 23, 2002 (the date on which all conditions precedent to the transaction were fulfilled). See "Item 4. Information on the Company--Business--History and "Item 4. Information on the Company--Business--Harmony's Mining Operations." During Harmony's fiscal 2003, sales from the Free Gold assets amounted to 1,155,428 ounces of gold which Harmony's interest was 577,714 ounces, compared with fiscal 2002, sales from the Free Gold assets amounted to 1,143,243 ounces of gold and Harmony's interest in two months of these sales (reflecting the period from May 1, 2002 to June 30, 2002) totaled 104,005 attributable ounces. Because Harmony equity accounts for its 50% interest in the Free Gold Company, sales from the Free Gold assets are not included in Harmony's sales figures in this annual report. For more

information on Harmony's consolidation policy, see note 2(b) to the consolidated financial statements.

For purposes of U.S. GAAP, Harmony accounted for its equity interest in the Free Gold Company with effect from May 1, 2002 and the purchase price of the Free Gold assets was determined to be $239.4 million. This figure is the sum of the cash payment of $169.2 million, the fair value of the interest-free loan of $25.4 million and the reimbursement of the taxes paid to AngloGold on the sale of the Free Gold assets of $90.8 million, offset by the cash flows of $46.0 million generated by the Free Gold assets during the period from January 1, 2002 until the completion of the acquisition on April 23, 2002 (the date on which all conditions precedent to the transaction were fulfilled).

During fiscal 2003, Harmony and ARMgold formed a joint venture company, Clidet 454 (Proprietary) Limited ("Clidet"). Both companies own 50% of Clidet's outstanding share capital. Clidet acquired from Anglo American Plc ("Anglo") in May 2003, 34.5% of Avmin Limited ("Avmin") outstanding share capital for a total cash consideration of $230.0 million. Avmin is a South African incorporated mining holding company with interests in gold, platinum, manganese, chrome and nickel mining operations and various exploration projects. In September 2003, Harmony completed its merger with ARMgold. (See Below).

Recent Developments

On July 15, 2003, Harmony announced that it had entered into an agreement with Anglo South Africa (Pty) Limited ("Anglo SA") whereby it acquired 77,540,830 ordinary shares in Avgold Limited ("Avgold") or 11.5% of Avgold's outstanding share capital from Anglo SA, in exchange for 6,960,964 new Harmony ordinary shares issued to Anglo SA.The agreement with Anglo SA provides that should the Company make an offer to acquire the other Avgold shareholders' interest, the consideration payable to Anglo SA will be adjusted to reflect the amounts paid to the other Avgold shareholders.

On August 14, 2003, Randfontein, a wholly-owned subsidiary of the Company received from Africa Vanguard Resources (Proprietary) Limited ("Africa Vanguard") $19 million as consideration for 26% of Randfontein's mineral rights in respect of the Doornkop Mining Area. Randfontein and Africa Vanguard also entered a joint venture agreement in terms of which they agreed to jointly conduct a mining operation in respect of the Doornkop Mining Area by means of the Doornkop Joint Venture. For U.S. GAAP purposes, Harmony will not account for this transaction as a sale, but will consolidate the results of Africa Vanguard and the Doornkop Joint Venture, as both these entities have been determined to be variable interest entities, with Harmony as the primary beneficiary of both variable interest entities.

On September 22, 2003, Harmony and ARMgold consummated a merger, the terms of which were announced on May 2, 2003. Pursuant to the merger agreement, following the respective company shareholder approvals, Harmony issued 2 ordinary shares for every 3 ARMgold ordinary shares acquired. ARMgold also paid its shareholders a special dividend of R6.00 per ordinary share ($0.84) prior to the consummation of the merger. Harmony issued 63,670,000 ordinary shares to ARMgold's shareholders which resulted in ARMgold becoming a wholly-owned subsidiary of Harmony. For U.S. GAAP purposes, the merger will be accounted for as a purchase by Harmony of ARMgold for a purchase consideration of approximately $708 million. The results of ARMgold will be included in those of Harmony from October 1, 2003.

On November 7, 2003, Harmony entered into an agreement to dispose of of its wholly-owned subsidiary Kalgold to The Afrikander Lease Limited ("Aflease") for a total consideration of $39.0 million. The consideration will comprise of a cash payment of $19.5 million and the balance through the issue by Aflease of new ordinary shares valued at $19.5 million.

CRITICAL ACCOUNTING POLICIES

On November 13, 2003, Harmony announced that it reached an agreement in principle with Avmin whereby it would enter into a number of transactions with Avmin. The first transaction involves Harmony acquiring Avmin's 286,305,263 ordinary shares in Avgold, or 42.2% of Avgold's outstanding share capital, in exchange for 28,630,526 new Harmony ordinary shares to be issued to Avmin. Should the acquisition of Avmin's interest in Avgold become unconditional, Harmony will be required to make a mandatory offer to the Avgold minority shareholders on the same terms as which it acquired Avmin's interest in Avgold. Harmony will also dispose of its Kalplats platinum project and associated mineral rights to Avmin, in exchange for 2 million new Avmin ordinary shares to be issued to Harmony. Should all of the above described transaction be consummated as expected, Avgold will become a wholly-owned subsidiary of Harmony. Harmony and Avmin will have cross shareholdings in each other whereby Harmony will own a 20.1% interest in Avmin, and Avmin will own a 22.2% interest in Harmony.

On December 2, 2003 Harmony announced its intention to sell Bissett to San Gold Resources Corporation (San Gold) for C$7.5 million. The terms of a letter of intent stated that there is a 90-day option and due diligence period. During this period, 3 payments of $50,000 will be made at intervals of 2, 30 and 60 days, with the first payment having been completed. At the end of the three month period, San Gold can complete the transaction by paying the Company C$3.5 million in cash and C$4 million either in cash or by an issue of San Gold shares.

Harmony's strategy for growth has generally been to acquire existing under performing mines and turn them into more profitable business units by introducing low-cost mining methods. See "Item 4. Information on the Company--Business--Strategy." Harmony generally targets producing mines that offer turnaround opportunities, with the aim of improving the overall quality and volume of their production profiles. Harmony intends to continue expanding through acquisitions both in South Africa and internationally, in addition to pursuing organic growth by investing in greenfield and brownfield developments made relatively more attractive by the recent increase in gold prices. See "Item 4. Information on the Company--Business--Strategy."

Because Harmony has acquired a large number of significant gold mining operations since 1996, its financial results for each of the years since 1996 may not be directly comparable.

In response to the Securities and Exchange Commission's, or the SEC's, Release No. 33-8040, "Cautionary Advice Regarding Disclosure About Critical Accounting Policies," Harmony has identified the most critical accounting policies upon which its financial status depends. Some of Harmony's accounting policies require the application of significant judgment by management in selecting the appropriate assumptions for calculating financial estimates. By their nature, these judgments are subject to an inherent degree of uncertainty and are based on Harmony's historical experience, terms of existing contracts, management's view on trends in the gold mining industry and information from outside sources.

Harmony's significant accounting policies are described in more detail in note 2 to the consolidated financial statements and in relevant sections of this annual report. This discussion and analysis should be read in conjunction with the consolidated financial statements and related notes included elsewhere in this annual report. Harmony's management has identified the following as critical accounting policies because estimates used in applying these policies are subject to material risks and uncertainties. Harmony's management believes the following critical accounting policies, together with the other significant accounting policies discussed in the notes to the consolidated financial statements, affect its more significant judgments and estimates used in the preparation of the consolidated financial statements and could potentially impact Harmony's financial results and future financial performance.

Amortization of mining assets.

Amortization charges are calculated using the units of production method and are based on Harmony's current gold production as a percentage of total expected gold production over the lives of Harmony's mines. The lives of the mines are estimated by Harmony's geology department using interpretations of mineral reserves, as determined in accordance with the SEC's industry guide number 7. The estimate of the total expected future lives of Harmony's mines could be materially different from the actual amount of gold mined in the future and the actual lives of the mines due to changes in the factors used in determining Harmony's mineral reserves, such as the gold price, foreign currency exchange rates and working costs. Any change in management's estimate of the total expected future lives of Harmony's mines would impact the amortization charge recorded in the consolidated financial statements. See "Item 3. Key Information--Risk Factors-- Harmony's gold reserve figures may yield less gold under actual production conditions than Harmony currently estimates."

Amortization of intangible assets

Intangible assets represent mineral use rights for parcels of land not owned by the Company. The Companys intangible assets include mineral use rights related to production, development or exploration stage properties and the value of such intangible assets is primarily driven by the nature and amount of mineral interests believed to be contained, or potentially contained, in such properties. The amount capitalized related to a mineral interest represents its fair value at the time it was acquired, either as an individual asset purchase or as a part of a business combination. The straight-line amortization of the Companys exploration stage mineral interests is calculated after deducting applicable residual values.

Residual values range from 60% to 100% of the gross carrying value of the respective exploration stage mineral interests. Significant judgment is involved in the determination of residual values, and no assurance can by given that actual values will not differ significantly from estimated residual values. Changes in residual values will impact the amortization charge recorded in the consolidated financial statements.

Valuation of long-lived assets.

Management regularly reviews the carrying value of Harmony's long-lived mining assets to determine whether their carrying values, as recorded in the consolidated financial statements, are appropriate. These reviews, which are carried out on an annual basis and whenever events or changes in circumstances indicate that the carrying values may not be recoverable, are based on projections of anticipated future cash flows to be generated by utilizing the long-lived assets. While management believes that these estimates of future cash flows are reasonable, different assumptions regarding projected gold prices, production costs and foreign currency exchange rates could materially affect the anticipated cash

flows to be generated by the long-lived assets, thereby affecting the evaluations of the carrying values of the long-lived assets. For more information regarding the circumstances under which Harmony records an impairment in the carrying value of long-lived assets, see "Item 5. Operating and Financial Review and Prospects--Impairment of Assets."

Hedging and financial derivatives. Harmony accounts for its derivative financial instruments in accordance with FAS 133. See "Item 11. Quantitative and Qualitative Disclosures About Market Risk--General." The determination of the fair value of hedging instruments and financial derivatives, when marked to market, takes into account estimates such as projected commodity prices, interest rates and foreign currency exchange rates under prevailing market conditions, depending on the nature of the hedging and financial derivatives. These estimates may differ materially from actual commodity prices, interest rates and foreign currency exchange rates prevailing at the maturity dates of the hedging and financial derivatives and, therefore, may materially influence the values assigned to the hedging and financial derivatives, which may result in a charge to or an increase in Harmony's earnings at the maturity dates of the hedging and financial derivatives.

Environmental rehabilitation costs. Harmony makes provision for environmental rehabilitation costs and related liabilities based on management's interpretations of current environmental and regulatory requirements. In addition, final environmental rehabilitation obligations are estimated based on these interpretations, with provisions made over the expected lives of Harmony's mines. While management believes that the environmental rehabilitation provisions made are adequate and that the interpretations applied are appropriate, the amounts estimated for the future liabilities may differ materially from the costs that will actually be incurred to rehabilitate Harmony's mine sites in the future. In particular, changes and development in environmental regulation and regulatory requirements may increase the costs of environmental rehabilitation. If management determines that an insufficient rehabilitation provision has been created, earnings will be adjusted as appropriate in the period that the determination is made. For more information regarding the environmental regulations applicable to Harmony's operations, see "Item 3. Key Information--Risk Factors--Harmony's operations are subject to extensive government regulations," "Item 3. Key Information--Risk Factors--Harmony is subject to extensive environmental regulations" and "Item 3. Key Information--Regulation--Environmental Matters."

Employee benefits. Management's determination of Harmony's obligation and expense for pension and provident funds, as well as post retirement health care liabilities, depends on the selection of certain assumptions used by actuaries to calculate the relevant amounts. These assumptions are described in note 23 to the consolidated financial statements and include, among others, the expected long-term rate of return of plan assets, the expected South African mortality rates and no increase in employer contributions. Actual results that differ from management's assumptions are accumulated and charged over future periods, which will generally affect Harmony's recognized expense and recorded obligation in future periods. While management believes that these assumptions are appropriate, significant changes in the assumptions may materially affect Harmony's pension and other post retirement obligations as well as future expenses, which will result in an impact on earnings in the periods that the changes in the assumptions occur.

Stock-based compensation. Effective July 1, 2001, Harmony adopted Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation, or FAS 123, for all stock option grants subsequent to that date. FAS 123 requires that Harmony determine the fair value of a stock option as of the date of the grant, which is then amortized as stock-based compensation expense in the income statement over the vesting period of the option grant. Harmony has determined the fair value of all its options grants subsequent to July 1, 2001, using the binomial model, which requires that Harmony make assumptions regarding the estimated term of the option, share price volatility and Harmony's expected dividend yield. While Harmony's management believes that these assumptions are appropriate, the use of different assumptions could have a material impact on the fair value of the option grant and the related recognition of stock-based compensation expense in the consolidated income statement.

Revenues

Substantially all of Harmony's revenues are derived from the sale of gold. As a result, Harmony's operating results are directly related to the price of gold. Historically, the price of gold has fluctuated widely. The gold price is affected by numerous factors over which Harmony does not have control. See "Item 3. Key Information--Risk Factors--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."

As a general rule, Harmony sells the gold it produces at market prices to obtain the maximum benefit from prevailing gold prices and does not enter into hedging arrangements such as forward sales or derivatives that establish a price in advance for the sale of its future gold production. As required by financing agreements which Harmony entered into in connection with the financing of the acquisition of the Bissett mine in Canada, Harmony hedged a certain amount of Bissett's production. These hedges were closed out or had expired by May 31, 2001.

In February 2001, as required by the commitment for financing of the syndicated loan facility that Harmony entered into in connection with the acquisitions of New Hampton and the Elandskraal mines, Harmony protected some of its production from downward movements in the gold price by entering into put options relating to the delivery of 1 million ounces of Harmony's 2001 and 2002 production. The put options covered 83,333 ounces per month for 12 months, commencing on March 29, 2001, at a price of Rand 64,000 per kilogram (Rand 1,990 per ounce). Harmony paid Rand 29 million to secure these put options. Harmony closed out these put options during July 2001 and received Rand 3 million. See "Item 11. Quantitative and Qualitative Disclosures About Market Risk."

A significant proportion of the production at Randfontein was already hedged when acquired by Harmony. On April 12, 2002, Harmony announced that it had completed the process of closing out all of the Randfontein hedge contracts, including closing forward sales contracts and call options covering a total of approximately 490,000 ounces and forward purchases covering a total of 200,000 ounces.

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. In fiscal 2002, in line with Harmony's strategy of being generally unhedged, Harmony reduced New Hampton's hedge book by over 900,000 ounces. In fiscal 2002, Harmony also combined and restructured

the overall hedge portfolio of Harmony's Australian operations (which include New Hampton and Hill 50), after which all of these hedge positions were normal purchase and sales agreements, under which Harmony had to deliver a specified quantity of gold at a future date in exchange for an agreed-upon price. During fiscal 2003, Harmony continued to reduce the hedge book of the Australian operations by delivering into the contracts as required and by closing out certain contracts prior to their delivery date. Forward sales contracts, call options sold and put options purchased covering a total of approximately 330,000 ounces were closed out prior to their delivery dates during fiscal 2003.

For accounting purposes, following the restructuring of the Australian operations hedge book during fiscal 2002, these commodity sales agreements qualified for the normal purchase, normal sales exception of FAS 133 and were accounted for as such. However, following the early close of certain contracts during fiscal 2003, the remaining Australian operations hedge book has been determined to be speculative, and as such does not qualify for the normal purchase, normal sales exception of FAS 133, and is being accounted for at fair value from that date, with changes in fair value reflected in the income statement.

Harmony intends to reduce the remaining hedge positions of the Australian operations gradually by delivering gold pursuant to the relevant agreements.

The cost to Harmony of closing out certain Australian operations hedge positions in fiscal 2003 and Randfontein's hedge positions in fiscal 2002 was approximately $8.6 million and $22 million, before taxes, respectively. There was no cost to Harmony involved in closing New Hampton hedge positions in fiscal 2002. There was also no cost to Harmony involved in closing out Randfontein or New Hampton hedge positions in fiscal 2001.

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 $180 million at an average exchange rate of Rand 11.20 per U.S. dollar. This measure, however, did not fully protect Harmony from sustained fluctuations in the value of the Rand relative to the U.S. dollar as it only covered a limited amount, and expired on December 31, 2002. Harmony does not expect to renew or repeat such foreign currency hedging. See "Item 11. Quantitative and Qualitative Disclosures About Market Risk--Foreign Currency Sensitivity."

Significant changes in the price of gold over a sustained period of time may lead Harmony to increase or decrease its production in the near-term.

Harmony's realized gold price

The average gold price in U.S. dollars received by Harmony generally declined from fiscal 1999 through the quarter ended December 31, 2001, but has generally increased since then. In fiscal 2003, the average gold price in U.S. dollars received by Harmony was $330 per ounce. The market price for gold (and, accordingly, the price received by Harmony) is affected

by numerous factors over which Harmony has no control. See "Item 3. Key Information--Risk Factors--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."

The following table sets out the average, the high and the low London Bullion Market price of gold and Harmony's average U.S. dollar sales price during the past three fiscal years:

Fiscal year ended June 30,	**2003**	**2002**	**2001**
($/oz)			
Average	333	289	266
High	382	327	291
Low	302	265	256
Harmony's average sales price 1	330	283	276

_____

1 Harmony's average sales price differs from the average gold price due to the timing of its sales of gold within each year and due to the effect of delivering under the commodity hedge contracts acquired in the New Hampton and Hill 50 transactions.

Costs

Harmony's cash costs and expenses typically make up over 80% of its total costs. The remainder of Harmony's total costs consists primarily of exploration and new business costs, employment termination costs, corporate and sundry expenditure, and depreciation and amortization. Harmony's cash costs consist primarily of production costs. Production costs are incurred on labor, stores and utilities. Labor costs are the largest component and typically comprise approximately 50% of Harmony's production costs. Harmony reduced its overall cash costs from approximately $305 per ounce in fiscal 1998 to approximately $196 in fiscal 2002 but they increased to $253 per ounce in fiscal 2003, as a result of the strengthening of the land. Harmony's costs are very sensitive to the Rand-U.S. dollar exchange rate. The South African Rand appreciated significantly against the U.S. dollar in fiscal 2003. See "Item 5. Operating and Financial Review and Prospects--Exchange Rates." Appreciation of the Rand against the U.S. dollar increases working costs at Harmony's South African operations when those costs are translated into U.S. dollars. See "Item 3. Key Information--Risk Factors--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."

Harmony's total cash costs also reflect movement in deferred stripping ratios for open pit mines. Harmony defers the cost of stripping when the actual stripping ratio exceeds the expected average stripping ratio over the life of mine. The actual stripping ratio is calculated as the ratio of overburden tons (tons that need to be removed to access ore) to tons of ore mined for the period. Harmony charges the cost of stripping (as a production cost) when the actual stripping ratio is equal to or less than the expected average stripping ratio over the life of the mine. Expected average stripping ratios over the lives of mines are recalculated annually in light of additional knowledge and changes in estimates, including changes to the expected lives of mines. Each ratio is calculated as the ratio of (i) the total overburden tons deferred at the calculation date and future anticipated overburden tons to (ii) the anticipated future ore to be

110

mined. Changes in Harmony's ore reserve statement and mine plan, which will include changes in future ore and overburden tons, will result in changes to the expected average stripping ratio over the life of the mine, which will impact the amounts deferred or charged. See "Item 3. Key Information--Risk Factors-- Harmony's gold reserve figures may yield less gold under actual production conditions than Harmony currently estimates." If the expected average stripping ratio over the life of a mine is revised upwards, relatively lower stripping costs will, in the future, be deferred in each period, or a relatively higher amount will be charged. The opposite is true when the expected average stripping ratio over the life of a mine is revised downwards. These changes would impact on earnings accordingly.

Harmony intends that its deferred stripping calculation should achieve a match between the cost of mining overburden tons to the tons of ore expected to be accessed by removing overburden, by applying the expected average stripping ratio over the life of a mine. Consequently, any changes made to the deferred stripping ratio will have an impact on total cash costs.

While recognizing the importance of reducing cash costs, Harmony's chief focus is on controlling and, where possible, reducing total costs, including overhead costs. Harmony aims to control total unit costs per ounce produced by maintaining its low total cost structure at its existing operations and implementing this low-cost structure at the new mining operations it acquires. Harmony has been able to reduce total costs by implementing a management structure and philosophy that is focused on reducing management and administrative costs, implementing an ore reserve management system that allows for greater grade control and acquiring higher grade reserves. See "Item 4. Information on the Company--Business--Strategy." Harmony has reduced its costs by flattening the management structure at its operating units by removing excess layers of management. Harmony's ore reserve management system relies on a detailed geological understanding of the orebody backed up by closely-spaced sampling and an emphasis on grade control. The acquisition of higher grade reserves and the effect of the implementation of the ore reserve management system have increased the underground recovery grade from Harmony's South African operations (excluding the Free Gold Company) from 0.123 ounces per ton in fiscal 1998 to 0.155 ounces per ton in fiscal 2003.

Exchange Rates

Harmony's revenues and costs are very sensitive to the Rand-U.S. dollar exchange rate. Currently, the majority of Harmony's earnings are generated in South Africa and, as a result, most of its costs are incurred in Rand. Since gold is generally sold in U.S. dollars, however, most of Harmony's revenues are received in U.S. dollars. The average gold price received by Harmony during fiscal 2003 increased $47 per ounce to $330 per ounce from $283 per ounce during fiscal 2002.

Appreciation of the Rand against the U.S. dollar increases working costs at Harmony's South African operations when those costs are translated into U.S. dollars, which serves to reduce operating margins and net income from Harmony's South African operations. Depreciation of the Rand against the U.S. dollar reduces these costs when they are translated into U.S. dollars, which serves to increase operating margins and net income from Harmony's South

African operations. Accordingly, weakness in the Rand generally results in improved Rand earnings for Harmony.

The exchange rates obtained when converting U.S. dollars to Rand are set by foreign exchange markets, over which Harmony has no control. The South African Rand depreciated significantly against the U.S. dollar in calendar 2001 and during the first quarter of calendar 2002. The Rand appreciated significantly against the U.S. dollar during the period from April 1, 2002 through December 13, 2003. The conversion rate for balance sheet items as at June 30, 2003 is Rand 7.51 per $1.00, except for specific items included within shareholders' equity that are converted at the exchange rate prevailing on the date the transaction was entered into. This compares with a conversion rate of Rand 10.39 per $1.00 for balance sheet items as at June 30, 2002, reflecting a appreciation of 28% of the Rand against the U.S. dollar when compared with June 30, 2002. Income statement items were converted at the average exchange rate for the period (Rand 9.13 per $1.00), reflecting a appreciation of 10% of the Rand against the U.S. dollar when compared with June 2002. This appreciation of the Rand against the U.S. dollar caused a significant increase in Harmony's working costs translated into U.S. dollars, which served to decrease operating margins and net income reflected in Harmony's consolidated income statement for fiscal 2003. Depreciation of the Rand against the U.S. dollar would cause a decrease in Harmony's costs in U.S. dollar terms. See "Item 3. Key Information--Risk Factors--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."

Inflation

Harmony's operations have not been materially impacted by inflation in recent years. However, it is possible that a period of significant inflation in South Africa could adversely affect Harmony's results and financial condition. Because Harmony's costs are primarily in Rand and Harmony generally sells its gold in U.S. dollars, movements in the Rand-U.S. dollar exchange rate may influence the impact of inflation on Harmony's profits. To the extent the Rand depreciates against the U.S. dollar, this depreciation may offset the impact of inflation.

South African Economic and Political Environment

Harmony is a South African company and the majority of its operations are in South Africa. As a result, Harmony is subject to various economic, fiscal, monetary and political policies and factors that affect South African companies generally. See "Item 3. Key Information--Risk Factors--Political or economic instability in South Africa or regionally may have an adverse effect on Harmony's operations and profits."

South African companies are subject to significant exchange control limitations.

While exchange controls have been relaxed in recent years, South African companies remain subject to significant restrictions on their ability to deploy capital outside of the Southern African Common Monetary Area. As a result, Harmony has historically financed its offshore acquisitions with offshore long-term debt. See "Item 10. Additional Information--Exchange Controls."

Impairment of Assets

Harmony's management reviews the recoverability of Harmony's long-lived assets, including development costs, on an annual basis and whenever events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable. Testing for impairment involves a two-step process in which the undiscounted future cash flows expected to be generated from future use of a long-lived asset is first compared to the carrying value of that asset. If the carrying value exceeds those undiscounted future cash flows, the asset is determined to be impaired. The fair value of the asset is then determined by reference to the discounted future cash flows using a discount rate that reflects the specific risk related to the asset. Harmony then records, as an impairment charge, the difference between the carrying value and fair value of the asset.

RESULTS OF OPERATIONS

Years ended June 30, 2003 and 2002

Revenues

Revenue increased $86.1 million, or 12.4%, from $696.8 million in fiscal 2002 to $782.9 million in fiscal 2003. This increase was attributable primarily to the higher average sales price of gold received by Harmony and the inclusion of Hill 50 for the full year. Harmony's gold sales decreased 22,342 ounces, or 0.9% from 2,388,458 ounces in fiscal 2002 to 2,366,116 ounces in fiscal 2003. This decrease in sales was primarily due to reduced sales from Randfontein (69,748 ounces) due to the lower underground tonnages milled and achieved grades, reduced sales at Elandskraal (109,460 ounces) due to a lack of mining flexibility and problems associated with the infrastructure at the old Elandskraal mine, reduced sales at Evander (55,198 ounces) due to a seismic event that occurred at Evander No. 8 shaft on July 12, 2002, the highest grade shaft at Evander, which adversely impacted this operations performance resulting in lower tonnages milled and grades achieved, reduced sales at the Free State (48,745 ounces) primarily due to closures of Harmony 4 shaft and Virginia 2 shaft during fiscal 2002 and no sales at the Bissett operation during fiscal 2003, compared with fiscal 2002 when this operation sold 8,263 ounces which were obtained during the plant clean-up process on transitioning these operations to care and maintenance. This decrease was partially offset by increased sales at the Australian operations (256,661 ounces) due to the inclusion of Abelle in the results for two months and Hill 50 for the entire fiscal 2003, compared with 3 months of Hill 50 production in fiscal 2002, and increased sales at Kalgold (12,411 ounces) due to higher tonnages milled and grades achieved in fiscal 2003. See "Item 4. Information on the Company--Business--Harmony's Mining Operations--Randfontein Operations" and "Business--Harmony's Mining Operations--Free State Operations." Harmony's average sales price of gold per ounce was $330 in fiscal 2003, as compared with $283 in fiscal 2002, which was due primarily to higher market prices for gold.

Interest and dividend income increased by $9.9 million, or 79.8%, from $12.4 million in fiscal 2002 to $22.3 million in fiscal 2003. In fiscal 2003, Harmony earned interest on higher cash balances as a result of increased cash flow. Other income decreased by $30.3 million, from a positive $9.2 million in fiscal 2002 to a negative $21.1 million in fiscal 2003

The decrease was primarily due to foreign exchange losses incurred on US Dollar denominated cash balances.

Costs

The following table sets out Harmony's total ounces sold and weighted average cash costs per ounce for fiscal 2003 and fiscal 2002:

	Year ended June 30, 2003 [1]		**Year ended June 30, 2002** [2]		***% increase in cash costs***
	(oz)	**($/oz)**	**(oz)**	**($/oz)**	
Elandskraal	366,599	274	476,059	196	40
Randfontein	491,890	212	561,638	177	20
Free State	611,944	216			26
Evander.....	415,382	360,184	242	171	42
Bissett	-	8,263	--	109	-
Kalgold	74,590	222			

62,179
205
8
Australian operations
509,654
263
252,993
235
12
Total.....

2,388,458
563,199
271
2,366,116
253

Weighted average .....

196
29

_____
1
Includes two months of production from Abelle.
2
Includes
three months of production from Hill 50.
3
Represents production from clean-up of the plant and mill during the transition to care and maintenance.
During Harmony's fiscal 2003, sales from the Free Gold assets amounted to
1,155,428 ounces of gold at an average cost of $202 per ounce compared with 1,143,243 ounces
at an average cost of $175 per ounce. Harmony's interest in the two months of the 2002 fiscal
year's sales (reflecting the period from May 1, 2002 to June 30, 2002) totaled 104,005
attributable ounces at an average cash cost of $130 per ounce. Because Harmony equity
accounts for its 50% interest in the Free Gold Company, the Free Gold Company's sales are not
included in Harmony's sales figures in this annual report and the average cash cost of the Free
Gold Company's sales is not used in calculating Harmony's overall average cash costs in this
annual report.
Harmony's weighted average cash costs increased by $57 per ounce, or 29.1%
from $196 in fiscal 2002 to $253 per ounce in fiscal 2003. Cash costs per ounce vary with the
working costs per ton (which is, in turn, affected by the number of tons processed) and grade of
ore processed. Cash costs expressed in U.S. dollars per ounce also vary with fluctuations in the
Rand-U.S. dollar exchange rate, because most of Harmony's working costs are incurred in Rand.
The increase in cash costs expressed in U.S. dollars per ounce in fiscal 2003 was attributable
primarily to the appreciation of the Rand against the U.S. dollar, which caused a significant
increase when these costs were translated into U.S. dollars. See "Item 5. Operating and
Financial Review and Prospects--Exchange Rates." Cash costs per ounce in U.S. dollars were
also negatively impacted by lower tonnage at Randfontein, Evander and Elandskraal operations.
If expressed in Rand terms, cash costs per ounce would have increased in fiscal 2003 by 13.2%,
due primarily to lower production at Randfontein, Free State, Evander and Elandskraal
operations, the reduction of relatively lower-cost surface operations at Randfontein and increases

114

in the costs of labor and supplies at Harmony's South African operations due to the implementation of collective bargaining agreements and the effect of inflation on supply contracts.

An improvement in recovered grade helped to control cash costs per ounce at Kalgold during fiscal 2003. See "Item 8. Financial Information Significant Changes."

Harmony's cash costs consist primarily of production costs and include, among other things, ongoing development costs, which are incurred to access ore to produce current mined reserves and are expensed as incurred. Cash costs do not include capital development costs, which are incurred to allow access to the ore body for future mining operations and are capitalized and amortized when the relevant reserves are mined. Harmony's total cash costs also reflect movements in deferred stripping ratios for open pit mines. Harmony charges the cost of stripping (as a production cost) when the actual stripping ratio is below the expected average stripping ratio over the life of the mine. See "Item 5. Operating and Financial Review and Prospects--Costs."

Harmony has calculated cash costs per ounce by dividing total cash costs, as determined using the Gold Institute industry standard, by gold ounces sold for all periods presented. The Gold Institute is a non-profit international association of miners, refiners, bullion suppliers and manufacturers of gold products that has developed a uniform format for reporting production costs on a per ounce basis. The standard was first adopted in 1996 and was revised in November 1999. Cash costs, as defined in the Gold Institute standard, include mine production costs, transport and refinery costs, general and administrative costs, costs associated with movements in production inventories and ore stockpiles, costs associated with transfers to deferred stripping and costs associated with royalties. Cash costs have been calculated on a consistent basis for all periods presented. Changes in cash costs per ounce are affected by operational performance, as well as changes in the currency exchange rate between the Rand and the U.S. dollar and, in the case of the Australian operations, the Australian dollar. Cash costs per ounce is not a U.S. GAAP measure. Cash costs per ounce should not be considered by investors in isolation or as an alternative to net income, income before tax, operating cash flows or any other measure of financial performance presented. While the Gold Institute has provided a definition for the calculation of cash costs per ounce, the calculation of cash costs per ounce may vary from company to company and may not be comparable to other similarly titled measures of other companies. However, Harmony believes that cash costs per ounce is a useful indicator to investors and management of a mining company's performance as it provides (1) an indication of a company's profitability and efficiency, (2) the trends in costs as the company's operations mature, (3) a measure of a company's gross margin per ounce, by comparison of cash costs per ounce to the spot price of gold and (4) an internal benchmark of performance to allow for comparison against other companies.

The following is a reconciliation of total cash costs to the nearest comparable GAAP measure, production cost:

2003
2002
2001
$000
502,210
(2,697)
504,907
$'000
$'000
Cash costs .....
599,746
468,912
Less : Deferred stripping.....
1,397
(486)
Production costs.....
598,349
469,398

Depreciation and amortization

Depreciation and amortization charges increased $30.7 million, or 101.7%, from $30.2 million in fiscal 2002 to $60.9 million in fiscal 2003. This increase was attributable primarily to the the appreciation of the Rand against the U.S. dollar, which increased the depreciation charges for the South African operations and the increased Australian operations depreciation charges due to the inclusion of Hill 50 for the entire fiscal 2003, compared with 3 months in fiscal 2002, and Abelle operations from May 1, 2003.

Employment termination costs

Employment termination costs decreased $3.7 million, or 42%, from $8.8 million in fiscal 2002 to $5.1 million in fiscal 2003. This decrease was due primarily to lower restructuring costs being incurred at the Elandskraal, Randfontein and Australian operations during fiscal 2003 compared with fiscal 2002, following the finalization of terminations at Randfontein's shaft 4 following its closure in the quarter ended June 30, 2001 and the combination of the New Hampton and Hill 50 corporate offices in Perth in fiscal 2002.

Provision/(reversal of provision) for rehabilitation costs

As from July 1, 2002, the company adopted FAS 143 for accounting for its environmental rehabilitation costs. Under this method the rehabilitation charge for fiscal 2003 was a positive $ 0.4 million compared to a negative $15.2 million in fiscal 2002, which was under the old standard. Full provision is made based on the net present value of the estimated cost of restoring the environmental disturbance that has occurred up to the balance sheet date. Previously, Harmony provided for its obligations over the life of mine for each operation using principally the units-of-production method based on estimated proven and probable reserves above infrastructure.

Corporate expenditure, exploration expenditure and marketing and new business expenditure.

Corporate expenditure, exploration expenditure and marketing and new business expenditure increased $ 3.3. million, or 14%, from $23.5 million in fiscal 2002 to $26.8 million in fiscal 2003. This increase was due primarily to increased corporate expenditures following Harmony's acquisition of Abelle, the merger with ARMgold, costs related to investigating and pursuing new business opportunities and increased expenditures to investigate and develop opportunities to produce value-added products, such as jewelry and other products made of fabricated gold. In fiscal 2003, Harmony also increased exploration expenditure in connection with the Kalplats feasibility study by $1.9 million and its exploration in Peru by approximately $1.5 million compared to fiscal 2002. See "Item 4. Information on the Company--Business--Exploration."

Gain on financial instruments

The gain on financial instruments in fiscal 2003 was $43.2 million, as compared with a gain of $8.9 million in fiscal 2002. The gains in fiscal 2003 and 2002 related primarily to the change in the mark-to-market of derivative instruments held by Hill 50 following its acquisition in April 2002.

(Profit)/loss on sale of other assets and listed investments

Harmony recorded a profit of $59.2 million on the sale of other assets and listed investments in fiscal 2003, as compared with a gain of $4.5 million on the sale of other assets and listed investments in fiscal 2002. The profit in fiscal 2003 arose on disposal of Harmony's Placer Dome investment in fiscal 2003. The profit was determined by reference to the difference between the proceeds and the cost of the initial investment in Goldfields Australia. Harmony acquired its shares in Place Dome following Aurion Gold being acquired by Place Dome. Harmony had acquired its shares in AurionGold following the merger of Goldfields Australia and Delta Gold, with the merged entity being renamed AurionGold. The profit in fiscal 2002 was the result of the resale of the ARMgold shares that Harmony acquired in the initial public offering of ARMgold in May 2002.

Stock-based compensation

Harmony adopted FAS 123 on July 1, 2002. FAS 123 requires that all stock options granted subsequent to that date be fair valued, and that the fair value be recognized as stock-based compensation expense over the options vesting period.

Stock-based compensation expenses decreased by $ 7.6 million, or 80.9%, from $9.4 million in fiscal 2002 to $ 1.8 million in fiscal 2003. The fiscal 2003 expense comprised of $ 4 million related to the amortization of the fair value of the 2002 and 2003 option grants of the Company and its subsidiary Abelle and a credit of $2.2 million for options granted in fiscal 2001. The options granted in fiscal 2001 were subject to variable accounting until the earlier of the date of their exercise, or March 27, 2003, since their exercise price was not known at the date of grant as they were exercisable with a recourse note. On March 27, 2003, Harmony cancelled the ability for employees to exercise options with a recourse note, and variable accounting for the 2001 options outstanding at that date ceased, as their exercise price is now known.

The fiscal 2002 expenses comprised of $2.0 million related to the amortization of the fair value of the 2002 option grants and $7.4 million for options granted in fiscal 2001.

Equity loss of joint venture

Equity income of joint venture increased by $39.5 million, or 300%, from $13.2 million in fiscal 2002 to $ 52.8 million in fiscal 2003. The increase arose due to the inclusion for a full year in fiscal 2003 of Harmony's interest in the Free Gold Company's results, as compared with two months from May 1, 2002 for fiscal 2003 and the inclusion of Harmony's 17.25% share of Avmin's results held through the Clidet joint venture, which was acquired in May 2003.

Equity loss of associate companies

Equity loss of associate companies was $1.2 million in fiscal 2003 and reflected Harmony's proportionate share of Highland Gold's profits of $4 million for fiscal 2003 and its iproportionate share of costs incurred by Bendigo of $5.2 million. The costs were incurred to develop the infrastructure required to access ore below the town of Bendigo. Equity loss of associate companies was $0.5 million in fiscal 2002. The loss of associate companies reflected Harmony's proportionate share of the costs of $1.42 million that Bendigo incurred to develop infrastructure required to access ore below the town of Bendigo. The equity loss associated with these development costs was offset by profit of $0.94 million recorded by Hill 50 in the month of March 2002, during which Harmony equity accounted for Hill 50.

Impairment of assets

In fiscal 2003, Harmony reduced its ore reserves estimates at its Australian operations from 2.3 million ounces to 1.5 million ounces.

This resulted in revised mine plans being designed for the Australian operations which did not support the carrying value of the Australian operations assets and accordingly an impairment charge of $117.6 million was recognized.

In fiscal 2002, Harmony reduced the grade estimates for future production at New Hampton's Big Bell underground operations due to disappointing results from the lower levels of this mine, as a result of lower than expected grade. The write-down in fiscal 2002 of $44.3 million reflected the impairment of the carrying value of these Big Bell assets.

Interest paid

Harmony paid $27.4 million in interest during fiscal 2003 compared to $19.1 million during fiscal 2002. This increase was due to the increased value of the loans outstanding following the draw down of $117.6 million on the Rand denominated Nedbank loan to finance the acquisition of the 17.25% interest in Avmin acquired during May 2003, whilst the appreciation of the Rand during the period resulted in higher interest expense on Harmony's Rand-denominated senior unsecured fixed rate bonds due June 14, 2006 and the BoE Bank Limited loan in U.S. dollars when compared with fiscal 2002.

Provision for former employees post-retirement benefits

Harmony provides for amounts due under its former employees post-retirement benefits. In fiscal 2003, Harmony provided $0.5 million for these benefits compared with $0.04 million in fiscal 2002, based on updated actuarial valuations. The increase in fiscal 2003 is primarily due to the appreciation of the Rand.

Income and mining taxes

South Africa.

Harmony pays taxes on mining income and non-mining income.

The amount of Harmony's South African mining income tax is calculated on the basis of a formula that takes into account Harmony's total revenue and profits from, and capital expenditures for, mining operations in South Africa. Five percent of total mining revenue is exempt from taxation in South Africa. The amount of revenue subject to taxation is calculated by subtracting capital expenditures from operating profit. The amount by which the adjusted profit figure exceeds 5% of revenue constitutes taxable mining income. Harmony and its subsidiaries each make their own calculation of taxable income.

The tax rate applicable to the mining and non-mining income of a gold mining company depends on whether the company has elected to be exempt from the Secondary Tax on Companies, or STC. The STC is a tax on dividends declared and, at present, the STC tax rate is equal to 12.5%. In 1993, all existing South African gold mining companies had the option to elect to be exempt from STC. If the election was made, a higher tax rate would apply for both mining and non-mining income. In each of 2003 and 2002, the tax rates for companies that elected the STC exemption were 46% for mining income and 38% for non-mining income, compared with 37% for mining income and 30% for non-mining income if the STC exemption election was not made. In 1993, Harmony elected to pay the STC tax. All of Harmony's South African subsidiaries, however, elected the STC exemption. To the extent Harmony receives dividends, such dividends received are offset against the amount of dividends paid for purposes of calculating the amount subject to the 12.5% STC tax.

Australia. Generally, Australia imposes tax on the worldwide income (including capital gains) of all of Harmony's Australian incorporated and tax resident entities. The current income tax rate for companies is 30%. Exploration costs and the depreciation of capital expenditure may be deducted from income. In addition, other expenditures, such as export market development, mine closure costs and the defense of native title claims, may be deducted from income. With effect from July 1, 1998, mining operations (other than operations on freehold land) are also subject to a 2.5% gold royalty because the mineral rights are owned by the state. All gold production from the Big Bell and Mt. Magnet operations is subject to this royalty. Most of the production from the South Kalgoorlie operations is from freehold land and is, accordingly, exempt from this royalty.

With effect from July 1, 2001, the Australian legislature introduced a Uniform Capital Allowance, which allows tax deductions for depreciation attributable to assets and certain other capital expenditures. In addition, under current Australian tax law, certain grouping concessions are available to companies in the same ultimate control group. These concessions include the ability to group losses and obtain capital gains tax roll-over relief from the transfer of

assets among two or more entities if the entities are engaged in the same business or if the entities are wholly-owned by the same entity. Harmony's subsidiaries in Australia accordingly qualify to transfer losses from one entity to another in the event that a loss is made in one entity and a profit is generated in another.

Withholding tax is payable on dividends, interest and royalties paid by Australian residents to non-residents, which would include any dividends on the shares of Harmony's Australian subsidiaries that are paid to Harmony. In the case of dividend payments to non-residents, a 30% withholding tax applies. However, where the recipient of the dividend is a resident of a country with which Australia has concluded a double taxation agreement, the rate of withholding tax is generally limited to 15% (or 10% where the dividend is paid to a company's parent company). Where dividends are fully taxable, an effective credit is allowed against any withholding tax otherwise payable, regardless of whether a double taxation agreement is in place.

Effective tax rate. The table below indicates Harmony's effective tax rate, which represents the current tax rate due pursuant to the statutory formula and the amount of deferred tax, for fiscal 2003 and fiscal 2002. Harmony bases its estimate of effective tax rates on the application of statutory tax formulas to historic operating results. Current tax due includes mining and non-mining tax calculated by applying the statutory formula to the actual results of operations for the relevant period. Deferred tax is provided at the estimated future effective mining tax rate.

Fiscal year ended June 30,	
Income and mining tax	
2003	
2002	
Effective tax rate expense	
25.9%	
13.9%	

The effective tax rate for fiscal 2003 was lower than the statutory tax rate of 46% for Harmony and its subsidiaries as a whole. The lower effective tax rate is primarily due to the exclusion of the equity income of the Free Gold Company which decreases the Company's effective tax rate expense and the five percent of total mining revenue excluded from the Company's taxable income.

The effective tax rate for fiscal 2002 was lower than the estimated statutory tax rate of 20.5% for Harmony and its subsidiaries as a whole. A primary factor in the lower tax effective rate was the fact that the equity income from the Free Gold Company is excluded from the calculation of Harmony's taxable income. In addition, the effective tax rate for fiscal 2002 was lowered by Harmony's release of valuation allowances against deferred tax assets at Kalgold, which, in light of the higher prevailing market price for gold and the resulting increase in profitability, are now deemed more likely than not to be recovered.

The increase in the effective tax rate expense of 12% to 25.9% in fiscal 2003 from 13.9% fiscal 2002, was due to the revision of Harmony and its subsidiaries estimated expected future mining tax rate which resulted in an increased deferred tax liability and the release of the valuation allowance against deferred tax assets at Kalgold, which in the light of the higher prevailing gold prices and the resulting increased in profitability, were deemed more likely than not to be recovered

Minority interests

Minority interests were $0.5 million in fiscal 2003, as compared with $1.6 million in fiscal 2002. The minority interest in fiscal 2003 reflected the 13% minority shareholders interests in the results of Abelle following the acquisition by Harmony of 87% interest in Abelle in May 2003. The minority interests in fiscal 2002 reflected the 10% participation interest in the Elandskraal Venture that Open Solutions acquired with effect from April 31, 2001. See "Item

4. Information on the Company--Business--Harmony's Mining Operations--Elandskraal Operations."
120

Income before cumulative effect of change in accounting principle

Income before cumulative effect of change in accounting principle was $71.8 million in fiscal 2003, as compared with $87.7 million in fiscal 2002. This decrease was primarily attributable to the factors described above.

Cumulative effect of change in accounting principle (FAS 143), net of tax

With effect from July 1, 2002, the Company adopted Statement of Financial Accounting Standard 143, accounting for Asset Retirement Obligations ("FAS143"). The adoption of FAS143 resulted in Harmony recording a $14.8 million credit cumulative effect of a change in accounting principle, net of tax.

Years ended June 30, 2002 and 2001

Revenues

Revenue increased $89.6 million, or 14.8%, from $607.2 million in fiscal 2001 to $696.8 million in fiscal 2002. This increase was attributable primarily to the higher average sales price of gold received by Harmony, the inclusion of Elandskraal and New Hampton for the full fiscal year and the inclusion of Hill 50 for three months.

Harmony's gold sales increased 248,415 ounces, or 11.6%, from 2,140,043 ounces in fiscal 2001 to 2,388,458 ounces in fiscal 2002. This increase was attributable primarily to the inclusion of Elandskraal (476,059 ounces in fiscal 2002, compared with 122,880 ounces in fiscal 2001) and New Hampton (191,521 ounces in fiscal 2002, compared with 55,653 ounces in fiscal 2001) in the results for the full fiscal year and the inclusion of Hill 50 (61,472 ounces) in the results for three months in fiscal 2002. This increase in sales was partially offset by reduced sales from Randfontein due to the closure of shaft 4 and reduced sales from the Free State operations due to the closure of Harmony 4 and Virginia 2 shafts and the suspension of mining at the Brand 2 shaft. See "Item 4. Information on the Company--Business--Harmony's Mining Operations--Randfontein Operations" and "Business--Harmony's Mining Operations--Free State Operations." Harmony's average sales price of gold per ounce was $283 in fiscal 2002, as compared with $276 in fiscal 2001, which was due primarily to higher market prices for gold.

Interest and dividend income increased by 6.5 million, or 110.2%, from $5.9 million in fiscal 2001 to $12.4 million in fiscal 2002. In fiscal 2002 Harmony earned interest on higher cash balances as a result of increased cash flow and received $1.6 million in dividends from AurionGold.

Other income decreased by $1.5 million, or 14.0%, from $10.7 million in fiscal 2001 to $9.2 million in fiscal 2002. The decrease was primarily due to decreased profits from the sale of surplus assets such as vehicles, mining equipment, buildings and farmland at Harmony's South African operations.

Costs

The following table sets out Harmony's total ounces sold and weighted average cash costs per ounce for fiscal 2001 and fiscal 2002:

	Year ended June 30, 2002 1		**Year ended June 30, 2001** **2**		***% decrease in cash costs***
	(oz)	**($/oz)**	**(oz)**	**($/oz)**	
Elandskraal	476,059	196	122,880	209	6
Randfontein	561,638	177	220	20	723,421
Free State	611,944	216	264	18	686,223
Evander.....	458,212	415,382	171	199	14
Bissett 3	44,303	8,263	109	330	67
Kalgold	49,351	62,179	205		

260
21
New Hampton.....
191,521
242
319
24
55,653
Hill 50.....
61,472
213
--
--
--
Total.....
2,388,458
2,140,043
Weighted average .....
196
234
16

_____

1
Includes three months of production from Hill 50.
2
Includes
three months of production at Elandskraal and New Hampton.
3
Represents production from clean-up of the plant and mill during the transition to care and maintenance.

During Harmony's fiscal 2002, sales from the Free Gold assets amounted to 1,143,243 ounces of gold at an average cost of $175 per ounce. Harmony's interest in two months of these sales (reflecting the period from May 1, 2002 to June 30, 2002) totaled 104,005 attributable ounces at an average cash cost of $130 per ounce. Because Harmony equity accounts for its 50% interest in the Free Gold Company, the Free Gold Company's sales are not included in Harmony's sales figures in this annual report and the average cash cost of the Free Gold Company's sales is not used in calculating Harmony's overall average cash costs in this annual report.

Harmony's weighted average cash costs decreased by $38 per ounce from $234 in fiscal 2001 to $196 per ounce in fiscal 2002. Cash costs per ounce vary with the working costs per ton (which is, in turn, affected by the number of tons processed) and grade of ore processed. Cash costs expressed in U.S. dollars per ounce also vary with fluctuations in the Rand-U.S. dollar exchange rate, because most of Harmony's working costs are incurred in Rand. The decrease in cash costs expressed in U.S. dollars per ounce in fiscal 2002 was attributable primarily to the depreciation of the Rand against the U.S. dollar, which caused a significant reduction when these costs were translated into U.S. dollars. See "Item 5. Operating and Financial Review and Prospects--Exchange Rates." If expressed in Rand terms, cash costs per ounce would have increased in fiscal 2002, due primarily to the inclusion of relatively higher-cost production from the Elandskraal and New Hampton operations, the reduction of relatively lower-cost surface operations at Randfontein and increases in the costs of labor and supplies at Harmony's South African operations due to the implementation of collective bargaining agreements and the effect of inflation on supply contracts.

122

The substantial decrease in cash costs at Bissett was due primarily to low cost production resulting from clean-up of the plant and mill during the transition to the care and maintenance program in the quarter ended September 30, 2001. An improvement in recovered grade helped to control cash costs per ounce at Kalgold.

Harmony's cash costs consist primarily of production costs and include, among other things, ongoing development costs, which are incurred to access ore to produce current mined reserves and are expensed as incurred. Cash costs do not include capital development costs, which are incurred to allow access to the ore body for future mining operations and are capitalized and amortized when the relevant reserves are mined. Harmony's total cash costs also reflect movements in deferred stripping ratios for open pit mines. Harmony charges the cost of stripping (as a production cost) when the actual stripping ratio is below the expected average stripping ratio over the life of the mine. See "Item 5. Operating and Financial Review and Prospects--Costs."

Harmony has calculated cash costs per ounce by dividing total cash costs, as determined using the Gold Institute industry standard, by gold ounces sold for all periods presented. The Gold Institute is a non-profit international association of miners, refiners, bullion suppliers and manufacturers of gold products that has developed a uniform format for reporting production costs on a per ounce basis. The standard was first adopted in 1996 and was revised in November 1999. Cash costs, as defined in the Gold Institute standard, include mine production costs, transport and refinery costs, general and administrative costs, costs associated with movements in production inventories and ore stockpiles, costs associated with transfers to deferred stripping and costs associated with royalties. Cash costs have been calculated on a consistent basis for all periods presented. Changes in cash costs per ounce are affected by operational performance, as well as changes in the currency exchange rate between the Rand and the U.S. dollar and, in the case of the Australian operations, the Australian dollar. Cash costs per ounce is not a U.S. GAAP measure. Cash costs per ounce should not be considered by investors in isolation or as an alternative to net income, income before tax, operating cash flows or any other measure of financial performance presented. While the Gold Institute has provided a definition for the calculation of cash costs per ounce, the calculation of cash costs per ounce may vary from company to company and may not be comparable to other similarly titled measures of other companies. However, Harmony believes that cash costs per ounce is a useful indicator to investors and management of a mining company's performance as it provides (1) an indication of a company's profitability and efficiency, (2) the trends in costs as the company's operations mature, (3) a measure of a company's gross margin per ounce, by comparison of cash costs per ounce to the spot price of gold and (4) an internal benchmark of performance to allow for comparison against other companies.

Depreciation and amortization

Depreciation and amortization charges decreased $1.3 million, or 3.8%, from $31.4 million in fiscal 2001 to $30.2 million in fiscal 2002. This decrease was attributable to the benefit of the depreciation of the Rand against the U.S. dollar, which more than offset depreciation charges incurred at the recently-acquired Elandskraal, New Hampton and Hill 50 operations.

123

Employment termination costs

Employment termination costs increased $4.1 million, or 87%, from $4.7 million in fiscal 2001 to $8.8 million in fiscal 2002. This increase was due primarily to continued restructuring at the Elandskraal operations, the closure of the Free State's Harmony 4 and Virginia 2 shafts, the suspension of mining at the Free State's Brand 2 shaft, the finalization of terminations at Randfontein's shaft 4 following its closure in the quarter ended June 30, 2001 and the combination of the New Hampton and Hill 50 corporate offices in Perth.

Provision/(reversal of provision) for rehabilitation costs

Harmony provided $15.2 million for rehabilitation costs in fiscal 2002. Harmony reversed a total of $6.8 million in prior provisions for rehabilitation costs in fiscal 2001, primarily due to a revision of the estimates associated with the rehabilitation of Harmony's mines. The increased rehabilitation expense in fiscal 2002 was largely due to a reassessment of the Big Bell life of mine, which was reduced significantly, and the inclusion of rehabilitation expenditure from Hill 50. See "Item 4. Information on the Company--Business--Harmony's Mining Operations--Big Bell Operations."

Corporate expenditure, exploration expenditure and marketing and new business expenditure.

Corporate expenditure, exploration expenditure and marketing and new business expenditure increased $12.4 million, or 111.7%, from $11.1 million in fiscal 2001 to $23.5 million in fiscal 2002. This increase was due primarily to increased corporate expenditures following Harmony's acquisitions of New Hampton, Elandskraal and Hill 50 and the Free Gold Company's acquisition of the Free Gold assets, costs related to investigating and pursuing new business opportunities and increased expenditures to investigate and develop opportunities to produce value-added products, such as jewelry and other products made of fabricated gold. In fiscal 2002 Harmony also increased exploration expenditure in connection with the Kalplats feasibility study and international exploration projects. See "Item 4. Information on the Company--Business--Exploration."

Gain on financial instruments

The gain on financial instruments in fiscal 2002 was $8.9 million, as compared with a gain of $7.6 million in fiscal 2001. The gain in fiscal 2002 related primarily to positive movement in the mark-to-market of derivative instruments held by Hill 50, resulting from downward movement in the gold price since the Hill 50 acquisition in March 2002. The gain in fiscal 2001 related primarily to the change in the mark-to-market of derivative instruments held by Randfontein and New Hampton.

(Profit)/loss on sale of other assets and listed investments

Harmony recorded a profit of $4.5 million on the sale of other assets and listed investments in fiscal 2002, as compared with a loss of $1.4 million on the sale of other assets and listed investments in fiscal 2001. The profit in fiscal 2002 was the result of the resale of the ARMgold shares that Harmony acquired in the initial public offering of ARMgold in May 2002.

The loss in fiscal 2001 related primarily to the sale of the Western Areas Limited shares held by Harmony at June 30, 2000.

Stock-based compensation

Harmony adopted FAS 123 on July 1, 2002. FAS 123 requires that all stock options granted subsequent to that date be fair valued, and that the fair value be recognized as stock-based compensation expense over the options vesting period. Harmony recognized $9.4 million as stock-based compensation expense in fiscal 2002. The amount consisted of $2.0 million related to the amortization of the fair value of the 2002 option grants and $7.4 million for options granted in fiscal 2001. The options granted in fiscal 2001 are subject to variable accounting until their date of exercise since their exercise price is not known at the date of grant because they are exercisable with a recourse note. Harmony recorded no stock-based compensation in fiscal 2001.

Equity income of joint venture

Equity income of joint venture was $13.2 million in fiscal 2002, representing Harmony's interest in the Free Gold Company's results with effect from May 1, 2002. Harmony recorded no income or loss from joint ventures in fiscal 2001.

Equity loss of associate companies

Equity loss of associate companies was $0.5 million in fiscal 2002. The loss of associate companies reflected Harmony's proportionate share of the costs of $1.42 million that Bendigo incurred to develop infrastructure required to access ore below the town of Bendigo. The equity loss associated with these development costs was offset by profit of $0.94 million recorded by Hill 50 in the month of March 2002, during which Harmony equity accounted for Hill 50. Harmony recorded no income or loss from associate companies in fiscal 2001.

Impairment of assets

In fiscal 2002, Harmony reduced the grade estimates for future production at New Hampton's Big Bell underground operations due to disappointing results from the lower levels of this mine, as a result of lower than expected grade. The write-down in fiscal 2002 of $44.3 reflected the impairment of the carrying value of these Big Bell assets. In fiscal 2001, Harmony decided to place the Bissett mine on a care and maintenance program due to the mining operations being uneconomical at current gold prices, and to close certain Randfontein, Evander and Free State shafts. The write-down in fiscal 2001 of $28.6 million primarily reflected the excess of the book value of Bissett's long-term and other assets over the estimated salvage value of these assets of $19.6 million and the impairment of the carrying value of certain Free State and Randfontein shafts of $5.6 million.

Interest paid

Harmony paid $19.1 million in interest during fiscal 2002 compared to $15 million during fiscal 2001. This increase was due primarily to an increased amount of interest-

bearing debt outstanding for the period, in particular, Harmony's Rand-denominated senior unsecured fixed rate bonds issued on June 24, 2001.

Provision/(reversal of provision) for former employees post-retirement benefits

Harmony provides for amounts due under its former employees post-retirement benefits. In fiscal 2002, based on updated actuarial valuations, Harmony provided $0.04 million for these benefits. In fiscal 2001, Harmony reversed a $2.2 million provision after reaching an agreement with certain retirees under which these retirees were transferred to the Minemed medical scheme and no subsidies would be payable by Harmony on behalf of these retirees.

Income and mining taxes

South Africa.

Harmony pays taxes on mining income and non-mining income.

The amount of Harmony's South African mining income tax is calculated on the basis of a formula that takes into account Harmony's total revenue and profits from, and capital expenditures for, mining operations in South Africa. Five percent of total mining revenue is exempt from taxation in South Africa. The amount of revenue subject to taxation is calculated by subtracting capital expenditures from operating profit. The amount by which the adjusted profit figure exceeds 5% of revenue constitutes taxable mining income. Harmony and its subsidiaries each make their own calculation of taxable income.

The tax rate applicable to the mining and non-mining income of a gold mining company depends on whether the company has elected to be exempt from the Secondary Tax on Companies, or STC. The STC is a tax on dividends declared and, at present, the STC tax rate is equal to 12.5%. In 1993, all existing South African gold mining companies had the option to elect to be exempt from STC. If the election was made, a higher tax rate would apply for both mining and non-mining income. In each of 2002 and 2001, the tax rates for companies that elected the STC exemption were 46% for mining income and 38% for non-mining income, compared with 37% for mining income and 30% for non-mining income if the STC exemption election was not made. In 1993, Harmony elected to pay the STC tax. All of Harmony's South African subsidiaries, however, elected the STC exemption. To the extent Harmony receives dividends, such dividends received are offset against the amount of dividends paid for purposes of calculating the amount subject to the 12.5% STC tax.

Australia. Generally, Australia imposes tax on the worldwide income (including capital gains) of all of Harmony's Australian incorporated and tax resident entities. The current income tax rate for companies is 30%. Exploration costs and the depreciation of capital expenditure may be deducted from income. In addition, other expenditures, such as export market development, mine closure costs and the defense of native title claims, may be deducted from income. With effect from July 1, 1998, mining operations (other than operations on freehold land) are also subject to a 2.5% gold royalty because the mineral rights are owned by the state. All gold production from the Big Bell and Mt. Magnet operations is subject to this royalty. Most of the production from the South Kalgoorlie operations is from freehold land and is, accordingly, exempt from this royalty.

With effect from July 1, 2001, the Australian legislature introduced a Uniform Capital Allowance, which allows tax deductions for depreciation attributable to assets and certain other capital expenditures. In addition, under current Australian tax law, certain grouping concessions are available to companies in the same ultimate control group. These concessions include the ability to group losses and obtain capital gains tax roll-over relief from the transfer of assets among two or more entities if the entities are engaged in the same business or if the entities are wholly-owned by the same entity. Harmony's subsidiaries in Australia accordingly qualify to transfer losses from one entity to another in the event that a loss is made in one entity and a profit is generated in another.

Withholding tax is payable on dividends, interest and royalties paid by Australian residents to non-residents, which would include any dividends on the shares of Harmony's Australian subsidiaries that are paid to Harmony. In the case of dividend payments to non-residents, a 30% withholding tax applies. However, where the recipient of the dividend is a resident of a country with which Australia has concluded a double taxation agreement, the rate of withholding tax is generally limited to 15% (or 10% where the dividend is paid to a company's parent company). Where dividends are fully taxable, an effective credit is allowed against any withholding tax otherwise payable, regardless of whether a double taxation agreement is in place.

Effective tax rate. The table below indicates Harmony's effective tax rate, which represents the current tax rate due pursuant to the statutory formula and the amount of deferred tax, for fiscal 2002 and fiscal 2001. Harmony bases its estimate of effective tax rates on the application of statutory tax formulas to historic operating results. Current tax due includes mining and non-mining tax calculated by applying the statutory formula to the actual results of operations for the relevant period. Deferred tax is provided at the estimated future effective mining tax rate.

Fiscal year ended June 30,		
Income and mining tax	**2002**	**2001**
Effective tax rate expense	13.9%	49.1%

The effective tax rate for fiscal 2002 was lower than the statutory tax rate of 46% for Harmony and its subsidiaries as a whole. A primary factor in the lower tax effective rate was the fact that the equity income from the Free Gold Company is excluded from the calculation of Harmony's taxable income. In addition, the effective tax rate for fiscal 2002 was lowered by Harmony's release of valuation allowances against deferred tax assets at Kalgold, which, in light of the higher prevailing market price for gold and the resulting increase in profitability, was deemed more likely than not to be recovered. The effective tax rate for fiscal 2001 was higher then then-estimated statutory tax rate of 46% for Harmony and its subsidiaries as a whole due to valuation allowances being raised against tax losses of Bissett and New Hampton.

Minority interests

Minority interests were $1.6 million in fiscal 2002, as compared with $0.3 million in fiscal 2001. The minority interests in fiscal 2002 and fiscal 2001 reflected the 10%

participation interest in the Elandskraal Venture that Open Solutions acquired with effect from April 31, 2001. With effect from April 1, 2002, Open Solutions sold this interest back to Harmony. See "Item 4. Information on the Company--Business--Harmony's Mining Operations--Elandskraal Operations."

Income before cumulative effect of change in accounting principle

As a result of the factors discussed above, income before cumulative effect of change in accounting principle was $87.7 million in fiscal 2002, as compared with 14.8 million in fiscal 2001. This increase was primarily attributable to higher market prices for gold, as a result of which Harmony received a higher average price per ounce of gold (which increased revenue), and the depreciation of the Rand against the U.S. dollar (which reduced costs when translated into U.S. dollars). See "Item 5. Operating and Financial Review and Prospects--Exchange Rates." The inclusion of Elandskraal and New Hampton for a full year, and Hill 50 for three months, as well as the equity income from Harmony's interest in the Free Gold Company, also contributed to the increase in income before cumulative effect of change in accounting principle.

Cumulative effect of change in accounting principle for derivatives and hedging activities (FAS 133), net of tax

Statement of Financial Accounting Standard 133, Accounting for Derivative Instruments and Hedging Activities, has been issued and was adopted by Harmony with effect from July 1, 2000. This standard establishes accounting and reporting standards for derivative instruments and for hedging activities.

Previously gains and losses on derivative instruments, which effectively established minimum prices for designated future production, were recognized in revenue when the planned production was delivered. Derivatives that were not designated for future production were accounted for on a mark-to-market basis and the associated gains or losses were recognized in the results.

With Harmony's adoption of FAS 133 with effect from July 1, 2000, none of Harmony's derivatives at that date qualified for hedge accounting as they did not meet the new hedging requirements of FAS 133 and were thus marked to market, resulting in a cumulative effect of change in accounting principles write-off of $5.8 million, net of tax, in fiscal 2001. The cumulative effect adjustment was required to record on the balance sheet the fair value of derivative instruments that previously qualified for off-balance sheet hedge accounting. As at June 30, 2001, none of the derivatives held by Harmony qualified for hedge accounting and have thus been marked to market accordingly and the associated gains and losses were recognized in results in fiscal 2001. No cumulative effect adjustment was recorded in fiscal 2002.

LIQUIDITY AND CAPITAL RESOURCES

Funding and treasury policies are managed centrally by Harmony. There are no legal or economic restrictions on the ability of Harmony's subsidiaries to transfer funds to Harmony. Harmony has generally funded its operations and its short-term and long-term

liquidity requirements from (i) cash generated from operations, (ii) credit facilities and other borrowings and (iii) sales of equity securities.

Cash Resources

Operations

Net cash provided by operations is primarily affected by the quantities of gold sold, the gold price, the Rand-U.S. dollar exchange rate, cash costs per ounce and, in the case of the Australian operations, the Australian dollar-U.S. dollar exchange rate. A significant adverse change in one or more of these parameters could materially reduce cash provided by operations as a source of liquidity. Net cash provided by operations was $155.4 million in fiscal 2003, as compared with $161.9 million in fiscal 2002. This decrease was primarily attributable to higher costs due to the appreciation of the Rand against the U.S. dollar (which increased costs when translated into U.S. dollars), which more than offset increased gold sales from higher U.S. dollar denominated gold price. See "Item 5. Operating and Financial Review and Prospects--Exchange Rates." The decrease in cash provided by operations was also impacted by the $34.9 million increase in taxes paid and the $ 7.7 million increase in interest expense and a $23.9 million increase in working capital charges (which reflects changes in receivables, inventories and accounts payable).

Net cash provided by operations was $162.4 million in fiscal 2002, as compared with $49.0 million in fiscal 2001. This increase was due to higher market prices of gold, as a result of which Harmony received a higher average price per ounce of gold (which increased revenue), and the depreciation of the Rand against the U.S. dollar (which reduced costs when translated into U.S. dollars). See "Item 5. Operating and Financial Review and Prospects--Exchange Rates." Increased gold sales as a result of the inclusion of Elandskraal and New Hampton for a full year, and Hill 50 for three months from April 1, 2002, also contributed to the increased cash provided by operations. The increase in cash provided by operations was partially offset by the $22.0 million cost of closing out the Randfontein hedges, the $4.1 million increase in taxes paid, the $4.6 million increase in interest expense and a $4.2 million increase in working capital charges (which reflects changes in receivables, inventories and accounts payable).

Investing

Net cash utilized in investing activities was $ 232.8 million in fiscal 2003, as compared with $312.7 million in fiscal 2002. This change was due to the costs of acquiring subsidiaries, joint ventures, associates and other investments in fiscal 2003 being $230.6 million versus $289.5 million in fiscal 2002, the increase of $ 73.5 million received as proceeds on the disposal of listed investments and an increase in capital expenditure of $42.9 million due principally to the development of new capital projects. Net cash utilized in investing activities was $312.7 million in fiscal 2002, as compared with $189.3 million in fiscal 2001. This increase was primarily due to the cash paid for Hill 50 of $124.8 million, Harmony's investment in and loans advanced to the Free Gold Company of $84.6 million, Harmony's investment in Bendigo of $22.8 million, Harmony's investment in Highland Gold of $18.1 million, the repurchase by Harmony of Open Solutions' participation rights in the Elandskraal

Venture for $18.5 million and an increase in capital expenditures of $9.2 million due principally to the inclusion of Elandskraal and New Hampton for a full year and Hill 50 from April 1, 2002.

Financing

Net cash generated by in financing activities was $155.1 million in fiscal 2003, as compared with net cash generated by financing activities of $166.5 million in fiscal 2002. This decrease was due primarily to the lower number of ordinary shares issued in fiscal 2003 and the resulting proceeds decreasing from $159.6 million in fiscal 2003 to $151.3 million in fiscal 2003, the increase in the amount of net long-term financing from $29.5 million in fiscal 2002 to $102.5 million in fiscal 2003 and the increase in dividends paid from $22.6 million in fiscal 2002 to $98.6 million in fiscal 2003.

Net cash generated by financing activities was $166.5 million in fiscal 2002, as compared with $225 million in fiscal 2001. This decrease was due primarily to the lower number of ordinary shares issued in fiscal 2002 and the resulting proceeds decreasing from $178.5 million in fiscal 2001 to $159.6 million in fiscal 2002, the decrease in the amount of net long-term financing from $61.5 million in fiscal 2001 to $29.5 million in fiscal 2002 and the increase in dividends paid from $15.7 million in fiscal 2001 to $22.6 million in fiscal 2002.

Outstanding Credit Facilities and Other Borrowings

On March 2, 2001, Harmony entered into a U.S. dollar denominated term loan facility of $9 million, all of which has been drawn down, with BAE Systems plc for the purpose of financing the design, development and construction of a facility for the manufacture and sale of value added gold products at the Free State operations. The loan is secured by a pledge of certain gold proceeds and other assets from this facility (and limits Harmony's ability to use the facility as security for other obligations) and is repayable in full on April 30, 2004. The loan bears interest at LIBOR plus 2%, which is accrued daily from the drawdown date and is repayable on a quarterly basis.

On June 14, 2001, Harmony issued Rand-denominated senior unsecured fixed rate bonds in an aggregate principal amount of Rand 1,200 million ($149.3 million at an exchange rate of R8.04 per $1.00), with semi-annual interest payable at a rate of 13% per annum. These bonds are repayable on June 14, 2006, subject to early redemption at Harmony's option. The bonds have been listed on the Bond Exchange of South Africa. Harmony used the proceeds from the sale of the bonds to retire a portion of a syndicated loan facility and to partially fund the Elandskraal acquisition. So long as the bonds are outstanding, Harmony may not permit encumbrances on its present or future assets or revenues to secure indebtedness for borrowed money, without securing the outstanding bonds equally and ratably with such indebtedness, except for certain specified permitted encumbrances.

On April 18, 2002, Harmony entered into a Rand-denominated term loan facility of Rand 500 million ($76.7 million), all of which has been drawn down, with BoE Bank Limited for the purpose of partially funding (i) Harmony's acquisition of shares in the Free Gold Company and (ii) loans made by Harmony to the Free Gold Company in connection with the acquisition of the Free Gold assets. This facility is secured by a pledge of Harmony's shares in

the Free Gold Company and is guaranteed by Randfontein, Evander, Kalgold and Lydex. The loan is repayable in full on April 23, 2006, and eight equal semi-annual installments are due beginning October 23, 2002. The loan bears interest at a rate equal to JIBAR plus 1.5% plus specified costs, which is accrued daily from the drawdown date and is payable quarterly in arrears commencing July 23, 2002. Pursuant to the terms of this facility, Harmony is required to maintain specified ratios of earnings to debt service and borrowings, as well as a specified level of consolidated tangible net worth. In addition, pursuant to this facility, Harmony is subject to specified limits on its ability to (i) permit encumbrances over pledged revenues or assets, (ii) make loans or incur specified types of indebtedness, (iii) dispose of more than 25% of its assets or (iv) make distributions to its shareholders if a default or event of default under this term loan facility has occurred and is continuing. If Harmony fails to meet these requirements, the loan may be accelerated and become due and payable in full. As of December 10, 2003, Harmony was in compliance in all material respects with the terms of this facility.

On May 8, 2003, Harmony entered into a Rand-denominated term loan facility of Rand 850 million ($130.4 million), all of which has been drawn down, with Nedbank Limited for the purpose of funding Harmony's acquisition of 17.25% of the outstanding share capital of Avmin. This facility is guaranteed by Randfontein, Evander, Kalgold and Lydex. The loan is repayable in full on November 8, 2004. The loan bears interest at a rate equal to 3 months' JIBAR plus 1.5% plus specified costs, which is accrued daily from the drawdown date and is payable quarterly in arrears. As of December 10, 2003, Harmony was in compliance in all material respects with the terms of this facility.

Recently Retired Credit Facilities and Other Borrowings

In February 2000, Harmony entered into a Rand 450 million term loan facility with ABSA for the purpose of financing the acquisition of the shares of Randfontein and repaying a Rand 150 million bridge loan provided by ABSA in connection with the acquisition. Harmony was able to draw down this facility until April 30, 2000. Harmony drew down approximately Rand 400 million under this facility. The facility became repayable quarterly beginning on April 30, 2000 and would have matured on April 30, 2002. The interest rate of the facility was the three month bank bill rate quoted by the South Africa Futures Exchange plus 1.25% on amounts drawn down of less than Rand 250 million and 1.5% on amounts drawn down in excess of Rand 250 million. This facility was repaid in full in April 2001 following the closing of the syndicated loan facility.

On March 1, 2000, Harmony Australia entered into a $20 million loan facility with Robert Fleming, now JPMorgan, in connection with the acquisition of Harmony's initial interest in AurionGold. The loan bore interest at LIBOR plus 2.5%, and the original terms of the loan required repayment by December 31, 2000. During December 2000 and March 2001, Harmony and JPMorgan agreed to extend the maturity date to March 31, 2001 and April 5, 2001, respectively. The amount was repaid in full in April 2001 following the closing of the syndicated loan facility. See "Item 4. Information on the Company--Business--Description of Mining Business--AurionGold and Placer Dome."

On March 22, 2001, Harmony and Harmony Australia entered into a syndicated loan facility of approximately $260 million with Citibank, N.A., J.P. Morgan plc and ANZ Investment Bank, as dollar joint lead arrangers, ABSA and BoE Bank Limited, as Rand joint lead arrangers, Chase Manhattan International Limited, as facilities agent, and ABSA, as local facilities agent, for the purpose of partially funding the acquisitions of Elandskraal and New Hampton, repaying all of Harmony's existing non-South African debt and the ABSA term loan facility and providing working capital. This syndicated loan facility consisted of three specific facilities of an aggregate of Rand 1,160 million and $115 million. As of May 31, 2001, Harmony had drawn down approximately Rand 1,160 million and $113.4 million of these facilities. Up to $100 million of the syndicated loan facility was required to be repaid following the completion of any primary or secondary offering of Harmony's share capital, in the event of specified disposals of assets and in the event of the acquisition of control of Harmony by any third party or parties acting in concert (unless the lenders had given their prior written consent to the change of control). Following the completion of the June 2001 global offering described below, as well as the corporate bond issuance and the subscriptions by the IDC described in this annual report, Harmony repaid this syndicated loan facility in full.

On November 9, 2001, New Hampton entered into a term loan facility of A$35 million with Australia and New Zealand Banking Group Limited, for the purpose of refinancing New Hampton's existing debt and funding capital development at New Hampton. The facility, all of which was drawn down, bore interest at the Bank Bill Rate quoted by Reuters or determined by the lender, plus 1.25%. Harmony Australia guaranteed this facility and pledged its shares in AurionGold as security. The facility was repaid in full on May 23, 2002.

On February 28, 2002, Harmony Australia entered into an $8 million bilateral interim revolving loan facility with Citibank, N.A. for the purpose of partially funding the acquisition of Hill 50. See "Item 4. Information on the Company--Business--History." Harmony guaranteed this facility. This facility bore interest at a percentage rate per annum equal to LIBOR plus 1.50% plus specified additional mandatory costs. Harmony was required to repay this facility on the last date of the selected interest period, or within 5 business days of acquiring 50.1% of Hill 50's shares and listed options. Following its receipt of funds under the $80 million syndicated loan facility described below, Harmony repaid this interim loan facility in full.

On February 28, 2002, Harmony Australia entered into a syndicated loan facility of approximately $80 million with Citibank, N.A., as lead arranger, and Australia and New Zealand Banking Group Limited, Citibank, N.A., Societe Generale, N.M. Rothschild & Sons Limited, ABSA Asia Limited, RMB International (Dublin) Limited and Standard Finance (Isle of Man) Limited, as lenders, and Citibank International plc, as agent and security trustee. This facility was drawn down in full for the purpose of repaying in full the $8 million interim loan facility described above, and partially funding the acquisition of Hill 50. See "Item 4. Information on the Company--Business--History." The facility was secured by Harmony's Australian assets and was guaranteed by Harmony and its subsidiaries, Randfontein, Evander, Kalgold and Lydenburg Exploration Limited, or Lydex. The facility was repayable in full on February 28, 2004 and bore interest at a percentage rate per annum determined according to a contractual formula applied on the drawdown date (generally equal to LIBOR plus 1.50% or 1.60% depending on the circumstances of the drawdown), plus specified additional mandatory costs. Pursuant to the terms of this facility, Harmony was required to maintain specified ratios of

earnings to debt service and borrowings, as well as a specified level of consolidated tangible net worth. Harmony repaid this facility in full on June 14, 2002, using the proceeds of its April 29, 2002 international private placement. See "--Sale of Equity Securities" below.

Sales of Equity Securities

Historically, sales of Harmony's equity securities have included subscriptions by investors in Harmony's ordinary shares. On June 20, 2001, the IDC completed subscriptions for Harmony's ordinary shares and preference shares that resulted in Simane acquiring 10,958,982 ordinary shares. Harmony received aggregate consideration for these subscriptions of approximately $39.4 million, as described in this annual report, which was used to retire a portion of the $260 million syndicated loan facility described above and for general corporate purposes. See "Item 7. Major Shareholders and Related Party Transactions."

On June 29, 2001, Harmony completed a global offering of 27,082,500 ordinary shares and ADSs and 9,027,500 warrants to purchase 9,027,500 ordinary shares, in each case in the United States and elsewhere. The ordinary shares were offered at a price of $5.32 or R43.00 per ordinary share, or $5.32 per ADS. Investors received one warrant for every three ordinary shares (or ADSs) they purchased. The net proceeds of the offering to Harmony were approximately $137.6 million, after deducting underwriting discounts, commissions and offering expenses. Harmony used these net proceeds to retire much of the syndicated loan facility entered into on March 22, 2001, to make capital expenditures and to fund working capital.

Of the 9,027,500 warrants issued, 1,014,054 warrants were converted during fiscal 2002, with some of the warrants being converted and the remaining warrants having expired during fiscal 2003. Harmony used the proceeds received from the conversion of the warrants to fund working capital.

On April 29, 2002, Harmony completed an international private placement of 8,500,000 new ordinary shares for a cash price of $12.92 per share, realizing proceeds of approximately $109.9 million prior to the deduction of underwriting discounts, commissions and offering expenses. Harmony used the net proceeds of this placement to retire the ANZ loan and the $80 million syndicated loan facility with Citibank, N.A., as lead arranger.

On January 28, 2003, Harmony completed an international private placement of 8,000,000 new ordinary shares for a cash price of $15.50 per share, realizing proceeds of approximately $124.2 million prior to the deduction of underwriting discounts, commissions and offering expenses. Harmony plans to use the net proceeds of this placement to fund various growth projects.

Contractual Obligations and Commercial Commitments

Harmony's contractual obligations and commercial commitments consist primarily of credit facilities, as described above, and guarantees for environmental rehabilitation expenses, principally environmental performance bonds required for Harmony's Australian operations, as described in "Item 4. Information on the Company--Regulation--Environmental Matters."

Contractual Obligations on the Balance Sheet

The following table summarizes Harmony's contractual obligations as of June 30, 2003:

Payments Due by Period

Dollars in thousands

	Total	**Less than 12 months**	**July 1, 2003 to June 30, 2004**	**12-36 Months**	**July 1, 2004 To June 30, 2006**	**36-60 Months**	**July 1, 2006 To June 30, 2008**	**After 60 Months**	**Subesequent To June 30, 2008**
Senior unsecured fixed-rate bonds	1	.....	--	155,100	155,100	--	--		
BoE Bank Limited loan facility	1	.....	16,644	49,933	33,289	--	--		
BAE Systems plc loan facility	1	.....	9,001	9,001	--	--	--		
Post retirement health care	2								

.....
138
1,017
276
276
327
Environmental obligations
3
.....
7,049
62,977
4,990
3,992
46,966
Total contractual obligations .....
278,048
32,832
193,655
47,293
4,268

_____

1
See "Item 5. Operating and Financial Review and Prospects--Liquidity and Capital Resources--Credit Facilities and Other
Borrowings--Outstanding Credit Facilities and Other Borrowings."
2
This liability relates to post-retirement medical benefits of former employees who retired prior to December 31, 1996 and is
based on actuarial valuations conducted during fiscal 2002.
3
Harmony makes provision for environmental rehabilitation costs and related liabilities based on management's interpretations
of current environmental and regulatory requirements. See "Item 5. Operating and Financial Review and Prospects--Critical
Accounting Policies."

Contractual Obligations off the Balance Sheet

During fiscal 2002, Harmony and ARMgold formed the Free Gold Company to acquire the Free Gold assets from AngloGold. See "Item 5. Operating and Financial Review and Prospects--Overview" and "Business--Harmony's Mining Operations--Free Gold Operations." Harmony accounts for its interest in the Free Gold Company using the equity method, under which Harmony's share of the net assets of the Free Gold Company is recorded as a single line item, "Investment in joint venture," on Harmony's consolidated balance sheet. Accordingly, Harmony's consolidated balance sheet does not reflect any obligations that the Free Gold Company has to third parties. Harmony expects that the Free Gold Company will generate sufficient cash flows from operations to meet these obligations. In the event that the Free Gold Company is unable to meet these obligations from its internal resources, Harmony expects that the additional funding required will be provided by Harmony (as Harmony has merged with ARMgold following the end of the 2003 fiscal year enabling the Free Gold Company to fund its contractual obligations.

The following table summarizes the Free Gold Company's obligations to third parties as of June 30, 2003:

Payments Due by Period

Dollars in thousands	**Total**	**Less than 12 months**	**July 1, 2003 to June 30, 2004**	**12-36 Months**	**July 1, 2004 to June 30, 2006**	**36-60 Months**	**July 1, 2006 to June 30, 2008**	**After 60 Months**	**Subsequent to June 30, 2008**
AngloGold loan [1]	42,915	--	42,915	--	--				
Gold Fields [2]	1,093	278	556	259	--				
Post retirement health care [3]	33	27	27	157	244				
Environmental obligation [4]	42,604	4,768	3,376	2,701	31,759				
Total contractual obligations	86,856	5,079	46,874	2,987					

31,916

1
Reflects the fair value of the Rand 400 million interest-free loan which is payable to AngloGold by the Free Gold Company on
January 1, 2005, as part of the consideration for the Free Gold assets. See "Item 4. Information on the Company--Business--Overview."
2
Reflects the amount accrued as payable to Gold Fields as a royalty based on the sales of St Helena for 48 months following the
acquisition of St Helena by the Free Gold Company.
3
This liability relates to post-retirement medical benefits of former employees
and is based on actuarial valuations conducted during fiscal 2002 .

4
Free Gold makes provision for environmental rehabilitation costs and related liabilities based on managements' interpretations
of current environmental and regulatory requirements.

During fiscal 2003, Harmony and ARMgold formed an incorporated joint venture company, Clidet to acquire a 34.5% interest in the outstanding share capital of Avmin. See "Item 5. Operating and Financial Review and Prospects--Overview". Clidet's only asset is its investment in Avmin. Harmony accounts for its interest in Clidet using the equity method, under which Harmony's share of the net assets of Clidet is recorded as a single line item, "Investment in joint venture," on Harmony's consolidated balance sheet. Accordingly, Harmony's consolidated balance sheet does not reflect any obligations that Avmin has to third parties. Clidet expects that Avmin will generate sufficient cash flows from operations to meet these obligations. In the event that Avmin is unable to meet these obligations from its internal resources, Clidet has not provided any guarantee to Avmin that it will provide the additional funding required in proportion to their respective shareholdings in Avmin, enabling Avmin to fund its contractual obligations.
135

The following table summarizes Avmin's obligations to third parties as of June 30, 2003:

Payments Due by Period

Dollars in thousands	**Total**	**Less than 12 months July 1, 2003 to June 30, 2004**	**12-36 Months July 1, 2004 to June 30, 2006**	**36-60 Months July 1, 2006 to June 30, 2008**	**After 60 Months Subsequent to June 30, 2008**
Deferred financial liability1	22,769	-	-	-	12,045
	22,769	-			
Post retirement health care2	8,788	1,192	2,385	2,385	2,826
	-	-	-	11,585	14,411
	23,961	2,385	2,385		
Environmental obligations3	11,585				
Total contractual obligations					

43,142

_____

-

1

NOTE: These liabilities are in terms of Avmin's financial statements and the accounting policies may differ from Harmony's policies.

This liability relates to the negative fair value of Avmin's financial instruments as at June 30, 2003.

2

This liability relates to post-retirement medical benefits of former employees and is based on actuarial valuations conducted during fiscal 2001.

3

Avmin makes provision for environmental rehabilitation costs and related liabilities based on management's interpretations of
current environmental and regulatory requirements

Commercial Commitments

The following table provides details regarding Harmony's commercial
commitments as of June 30, 2003:

Amount of Commitments Expiring by Period

Dollars in thousands

Total	**Less than 12 months** **July 1, 2003 to June 30, 2004**	**12-36 Months** **July 1, 2004 to June 30, 2006**	**36-60 Months** **July 1, 2006 to June 30, 2008**	**After 60 Months** **Subsequent to June 30, 2008**
Guarantees				
1				
.....				
Capital commitments				
2				
.....				
3,732				
3,732				
-				
-				
-				
-				
-				
-				

Total commitments expiring by period .....
15,777
12,045
3,732
-
-
12,045

_____

1
Reflects guarantees for environmental rehabilitation expenses, principally environmental performance bonds required for
Harmony's Australian operations. See "Item 4. Information on the Company--Regulation--Environmental Matters."

2
Capital commitments consist only of amounts committed to external suppliers, although a total of $235.0 million has been
approved by the Board for capital expenditures.

Trend Information

Information on recent trends in Harmony's operations is discussed in "Item 4.
Information on the Company--Business--Strategy" and "--Results of Operations" above.

136

Working Capital and Anticipated Financing Needs

The Board believes that Harmony's working capital resources, by way of cash generated from operations and existing cash on hand, are sufficient to meet Harmony's present working capital needs. Harmony expects that its business requirements through June 30, 2004 will be financed from internal resources and existing borrowings. For more information on Harmony's planned capital expenditures, see "--Capital Expenditures" above and "Item 4. Information on the Company--Business--Harmony's Mining Operations." Harmony may, in the future, explore debt and/or equity financing in connection with its acquisition strategy and/or major capital projects. See "Item 3. Key Information--Risk Factors--Harmony's strategy depends on its ability to make additional acquisitions." Harmony's Board believes that Harmony will have access to adequate financing on reasonable terms given Harmony's cash-based operations and modest leverage. Harmony's ability to generate cash from operations could, however, be materially adversely affected by increases in cash costs, decreases in production, decreases in the price of gold and appreciation of the Rand against the U.S. dollar. In addition, Harmony's ability to obtain additional financing could be limited by covenants in the term loan facility of April 18, 2002 between Harmony and BoE Bank Limited, which imposes debt to earnings ratios and minimum net worth requirements and prevents Harmony from pledging, selling or creating encumbrances over pledged assets including Harmony's shares of the Free Gold Company. Access to financing could also be limited by provisions of Harmony's corporate bonds, under which Harmony may not permit encumbrances on its present or future assets or revenues to secure indebtedness for borrowed money, without securing the outstanding bonds equally and ratably with such indebtedness, except for certain specified permitted encumbrances. See "Item 5. Operating and Financial Review and Prospects--Liquidity and Capital Resources--Credit Facilities and Other Borrowings--Outstanding Credit Facilities and Other Borrowings." Future financing arrangements would also be subject to the limits on the Board's borrowing powers described in "Item 10. Description of Ordinary Shares--Memorandum and Articles of Association--Directors--Borrowing Powers." In addition, South African companies are subject to significant exchange control limitations, which may impair Harmony's ability to fund overseas operations or guarantee credit facilities entered into by overseas subsidiaries. See "Item 10. Additional Information--Exchange Controls and Other Limitations Affecting Security Holders."

OTHER FINANCIAL INFORMATION

Export Sales

In fiscal 2002, approximately 65% of Harmony's gold produced in South Africa was refined by Harmony and exported, and approximately 76% of Harmony's gold produced in Australia was exported. In fiscal 2003, approximately 85% of Harmony's gold produced in South Africa was refined by Harmony and exported, and the remainder was refined at the Rand Refinery, which is owned by a consortium of the major gold producers in South Africa. Approximately 100% of Harmony's gold produced in Australia was exported.

Item 6. ***Directors, Senior Management and Employees***

DIRECTORS AND SENIOR MANAGEMENT

The members of the Board, their principal past affiliations, information on their

business experiences and principal outside activities and selected other information are set forth below:

Executive Directors

Bernard Swanepoel (42), BSc (Mining Engineering), B Com (Hons), Chief Executive Officer and an Executive Director. Bernard has over 20 years' experience in the gold mining industry. He started his career in gold mining at Grootvlei in 1983. As part of his training he spent time on various Gengold operations including Kinross (Evander) and Barberton. He then moved into senior management with the Gengold group, culminating in his appointment as general manager and a director of Beatrix Mines in 1993. He joined Randgold in 1995 as Managing Director of Harmony and has been the driving force in making the company the fifth largest independent gold producer in the world and the largest in South Africa.

Frank Abbott (48), BCom, CA (SA), MBL, Chief Financial Officer and an Executive Director. Frank joined the Rand Mines/Barlow Rand Group in 1981, where he obtained broad financial management experience at operational level. He was appointed as financial controller to the newly formed Randgold in 1992 and was promoted to financial director of that group in October 1994. Until 1997, he was also a director of the gold mining companies Blyvooruitzicht, Buffelsfontein, Durban Roodepoort Deep and East Rand Proprietary Mines and a non-executive director of Harmony, which culminated in his appointment as financial director of Harmony in the same year.

Ferdi Dippenaar (42), BCom, BProc, MBA, Marketing Director and an Executive Director. Ferdi started his career at the Buffelsfontein gold mine in 1983 and completed his degrees through part-time studies while employed in various financial and administrative capacities at the Gengold mines. In 1996, he became managing director of Grootvlei and of East Rand Proprietary Mines. Following Harmony's acquisition of Grootvlei and Cons Modder, he was appointed Marketing Director of Harmony in 1997. He oversees Harmony's refinery and direct marketing activities, as well as the company's investor relations program.

Ted Grobicki (54), BSc (Hons) (Geology) MSc (Minerals Exploration) PrSciNat, FIMM, Executive Officer for Harmony's Australian operations and an Executive Director. After fulfilling various roles within mining and exploration companies in South Africa, Namibia and Zimbabwe, Ted was appointed chief executive of Texas Gulf Inc South Africa in 1979. He has since served at a senior executive level in a wide range of public and private companies in the mining sector, and was appointed as non-executive director of Harmony in 1994. With Harmony's merger with Kalgold and West Rand Cons. in 1999, he was appointed as executive director focusing on new business. Ted has 30 years' experience in all aspects of the mining industry, including exploration, evaluation, development, mine management and financial and corporate management.

Mangisi Gule (51), BA (Hons) and an Executive Director. Mangisi has 23 years' experience in training and human resources and is a member of the Association of Mine Human Resource Practitioners. Mangisi joined the Company on September 23, 2003, following the ARMgold merger. He oversees the company's human resources and communication activities.

Dan Simelane (41) BA, LLB, LLM and an Executive Director. Dan Simelane has seven years' legal experience and acted as legal advisor to Avmin Limited and the Swaziland Electricity Board. He has extensive tax experience and was a senior tax consultant with Arthur Andersen. Dan joined Harmony on September 23, 2003, following the ARMgold merger.

Pieter Taljaard (56) BCom, B Iur, CMA and an Executive Director**.** Pieter has 33 years' experience in commerce, 25 of which have been in the mining industry. His mining career commenced in 1977 with Gencor Limited ("Gencor"), where he worked in the finance department of Gengold Limited, a subsidiary of Gencor. He was subsequently appointed as a senior manager and director/alternate director to a number of companies controlled by Gencor. These included, amongst others, Buffelsfontein Gold Mining Company Limited ("Buffelsfontein"), Stilfontein Gold Mining Company Limited; Beatrix Gold Mines Limited ("Beatrix") and Barberton Mines Limited. He assisted in creating the tax structure between Buffelsfontein and Beatrix and formed part of a team that investigated and recommended future management information systems at Gengold Limited. Pieter then chaired the committee responsible for implementing these systems at Gengold. He joined ARMgold in 1997 as financial director. Pieter joined Harmony on September 23, 2003, following the ARMgold merger.

Andre Wilkens (55), Mine Overseer's Certificate of Competency, Mine Manager's Certificate of Competency, Chamber of Mines Loss Control Diploma, Risk Management Certificate (Insurance), MDP and an Executive Director. Andre has 33 years' mining experience. He commenced his career in 1969 as a trainee miner. He was then promoted to mine manager at the Vaal Reefs West mine in 1994 and was appointed mine manager of the Vaal Reefs South mine in 1996. Before joining ARMgold in 1998, he served as manager of North Operations (Vaal Reefs) and the managing director of Naledi Mining Services, then a wholly-owned subsidiary of Vaal Reefs. Andre has a successful mining and management track record of turning around marginal mines into profitable ones. He also played a leading role in determining new operating methods for South African mines. Andre was appointed chief executive officer of African Rainbow Minerals Gold in 1998, a position he held until the merger with Harmony. Andre joined Harmony on September 23, 2003, following the ARMgold merger.

Non-Executive Directors

Patrice Motsepe (41) BA (Legal), LLB and Non-Executive Director. Founder and former Executive Chairman of ARMgold which merged with Harmony in 2003. Patrice is now Harmony's Non-Executive Chairman. In 2002 he was voted South Africa's Entrepreneur of the year. In the same year, he was voted by the CEO's of the top 100 companies in South Africa as South Africa's Business Leader of the year. Patrice has significant entrepreneurial expertise and knowledge of the new business environment in South Africa and will be central in helping to steer Harmony to grow and be competitive. Patrice was a partner specializing in mining and business law at Bowman Gilfillan Inc, a leading South African law firm. He was employed for approximately 4 years by McGuire Woods LLP, a law firm in Richmond, Virginia, USA. He was initially based in Richmond and thereafter moved to South Africa where he was their legal consultant for their Southern African legal practice. In 1994, he founded Future Mining (Proprietary) Limited which grew rapidly to become a competitive contract mining company. In 1998 he founded African Rainbow Minerals (Proprietary) Limited which in 2002 became ARMgold which was successfully listed on the JSE Securities Exchange in 2002. In 2001, he founded African Rainbow Minerals Platinum (Proprietary) Limited and ARM Mining Consortium Limited which entered into a 50/50 joint venture with Anglo American Platinum Corporation Limited for the establishment of a new platinum mine. He was Senior Vice President of the Chamber of Mines and is a "Global Leader of Tomorrow" of the World Economic Forum (WEF). He is a member of National Economic Development and Labour Council (NEDLAC), which is South Africa's primary institution for social dialogue between organised business, government, labour and community on issues of social and economic policy. He is currently the President of the first non-racial, united and recognised business organisation in South Africa, namely Business Unity South Africa (BUSA), which is the "voice of business" in South Africa as well as President of the first non-racial, united and recognised organisation representing the various chambers of commerce and industry in South Africa namely Chambers of Commerce and Industry South Africa (CHAMSA).

Dr. Manana Bakane-Tuoane (55) PhD, BA, MA and an independent Non-Executive Director. Dr. Bakane-Tuoane has extensive experience in the economic disciplines as lecturer and professor at the University of Fort Hare, Eastern Cape. She has held various senior management positions in the public service and currently holds the post of Director General in the North-West Provincial Government. Dr. Bakane-Tuoane was appointed to the Advisory Board of the African Economic Research Consortium, Nairobi, Kenya, in 2000. Dr. Bakane-Tuoane was appointed a Non-Executive Director of the Company on September 23, 2003, following the ARMgold merger.

Nolitha Fakude (39), BA Hons (Psychology, Education and English) and an independent Non-Executive Director. Nolitha has been a Director of Harmony since September 2002. Nolitha Fakude is the Managing Director of the Black Management Forum (BMF). Her role involves stakeholder management, policy formulation and advocacy work on issues of Black Economic Empowerment and organizational transformation. Nolitha was a Group Human Resources Manager for Retail at Woolworths, as well as head of Corporate Affairs, which included, amongst others, Communication and Community Affairs. She serves on various boards including, BMF Investment Company, The People's Bank, Business Partners as well as Wheat Trust. Nolitha was recently appointed by the Gauteng MEC for Economic Affairs as one of the Rainmakers for the Blue IQ project.

Adam Richard Fleming (55), Non-executive Chairman of the Board and an independent Non-Executive Director until September 22, 2003, on which date he resigned as chairman and director of the Company. Adam had been a Director and the Chairman of Harmony since October 14, 1999. Adam was the non-executive chairman of West Rand Consolidated Mines Limited and of Kalgold before the acquisition of these companies by Harmony.
Michael Wallis King (66) CA (SA), FCA and an independent Non-Executive Director. Michael began his career as a Chartered Accountant (SA) with Deloitte, Plender, Griffiths, Annan & Co. (now Deloitte & Touche) and qualified as a Chartered Accountant (SA). He later became a Fellow of the Institute of Chartered Accountants in England and Wales (FCA). In 1961, he joined the Merchant Bank, Union Acceptances Limited, (now Nedcor Investment Bank Limited), where he was involved in corporate finance, including corporate fund raising, mergers, takeovers and company floations. He was appointed secretary in 1964, Assistant General Manager in 1968, General Manager in 1970 and Deputy Managing Director until 1974. Michael then joined Anglo American Corporation of South Africa as a Manager in the Finance division. In 1979, he became Director of Anglo American Corporation and in 1980, an Executive Director and Head of its Finance Division. In 1997, he was appointed Executive Deputy Chairman of Anglo American Corporation. Michael was the Executive Vice Chairman of Anglo American plc, the company created when Minorco and Anglo American Corporation were combined in May 1999, until his retirement in May 2001. Michael was appointed a Non-Executive Director of the Company on September 23, 2003, following the ARMgold merger.

Simo Lushaba (37) BSc (Advanced Biochemistry), MBA, Non-Executive Director and an independent Non-Executive Director. Simo has been a Director of Harmony since October 2002. Simo started his career at the University of Zululand in 1988 as a research technician. In 1990, he joined South African Breweries and 2 years later National Sorghum Breweries where he served as Divisional Executive of the Khangela Division and nine coastal depots. In 1995, Simo

was appointed by Spoornet, where he worked for 7 years in various managerial positions and ultimately as the General Manager for Rail and Terminal Services. In April 2002, Simo was brought into Rand Water to drive both business and social transformation in the organization which included internal restructuring, focusing on creating a customer driven organization, as well as new business opportunities both in South Africa and internationally. Simo also serves as Non-Executive Chairman of PIKITUP Johannesburg (Pty) Ltd and as a Non-Executive Director of Trans-Caledon Tunnel Agency (TCTA). He is currently the Chief Executive of Rand Water.

Mike Pleming (68), Pr Eng, FIMM, and an independent Non-Executive Director. Mr. Pleming has been a Director of Harmony since September 1998. Mike started his career in mining engineering on the Zambian Copperbelt. He joined Trans Natal (now Ingwe) in 1975 as general manager, Optimum Collieries and was later appointed project manager and consulting engineer. He joined Liberty Asset Management in 1982 where he was responsible for mining investment research. He retired in 1995 and has since undertaken a series of mining investment related assignments. Following Harmony's acquisition of Evander in 1998, he joined the company as a non-executive director. He is also a director of Impala Platinum Holdings Limited. Mike also serves as a non-executive director of Highland Gold Limited. Mike has approximately 31 years mining and approximately 15 years' mining investment experience.

Audrey Mokhobo (46), MA (Political Science), Non-executive Director. She was appointed as a Director of Harmony in January 2002, and is also a director of Simane, Capital Alliance Holdings, Barnard Jacobs Mellet, Women's Development Bank, Investment Holdings, Rotek Industries, M-Net Phuthuma Trust and Khoetsa Technologies and is a general manager at Eskom (Pty) Ltd. Prior to her appointment, she held various senior positions, including at the Development Bank of South Africa, and as special adviser to the Ministry for Public Enterprises. Audrey resigned as a director in July 2003.

Lord Renwick of Clifton KCMG (66), an independent Non-Executive Director. Lord Renwick has been a Director of Harmony since December 1999. Having formerly served as British Ambassador to South Africa and the United States, Lord Renwick is Vice Chairman, Investment Banking of JPMorgan plc. He is also Chairman of Fluor Ltd and serves on the boards of a number of other public companies including British Airways, SABMiller plc and Richemont.

Cedric Savage (64) BSc Eng, MBA, ISMP, an independent Non-Executive Director. Cedric commenced his career in the United Kingdom in 1960 as a graduate engineer with Fairey Aviation and in 1963 returned to South Africa where he worked in the oil (Mobil), textile (Felt & Textiles) and the chicken (Rainbow Chickens Limited) industries. In 1993/1994, he was appointed President of the South African Chamber of Business. He has also served as Chairman of the Board of Governors on the Natal University Development Foundation and as a member of Council of the University of Natal. He joined the Tongaat-Hulett Group in 1977 as Managing Director of Tongaat Foods and thereafter progressed to Executive Chairman of the Building Materials Division, Chief Executive Officer of The Tongaat-Hulett Group Limited in 1991 and in May 2000, he assumed the dual roles of Chief Executive Officer and Executive Chairman. Cedric was appointed a Non-Executive Director of Harmony on September 23, 2003, following the ARMgold merger.

Dr. Sibusiso Sibisi (48) BSc (Hons), PhD, an independent Non-Executive Director. Dr. Sibisi's working career commenced in 1983 in the software development industry with MEDC Limited, Cambridge, UK. His career developed to that of Systems Engineer at IBM (SA); Lecturer and senior lecturer (Wits) and Deputy Vice Chancellor for Research (University of Cape Town). He spent 1988 as a Fulbright Fellow at the California Institute of Technology where he collaborated with eminent researchers in computational chemistry and the development of associated medical diagnosis tools. In 1989, he took up a research position at Cambridge where he consolidated his academic research in mathematical modeling and computational simulations to environmental, geophysical and biomedical problems to develop solutions. This evolved to the formation of a start-up company dedicated to providing consulting services to Glaxo, Welcome, Fisons, Shell and Mobil. He entered the corporate world in 1997 as Executive Director of Plessey (SA), with the responsibility of managing and directing research and development in telecommunication technologies. As chairperson of the National Advisory Council on Innovations, he is involved in making recommendations on research and innovation policy to the government. Dr Sibisi was appointed a Non-Executive Director of the Company on September 23, 2003, following the ARMgold merger.

Dr. Rejoice Simelane (51) BCom, MCom, PhD, an an independent Non-Executive Director. Dr. Simelane's career commenced as a lecturer at the University of Swaziland where she lectured from 1978 to 1997 on Development Economics, Microeconomic and Macroeconomic Theory, Research Methods, Mathematical Economics, Econometrics, Economic Planning and Economic Integration. She then joined the Department of Trade and Industry as a macroeconomist and later joined the National Treasury as a microeconomist (public utility regulation and pricing) before joining the Premiers Office in the Mpumalanga Province as an Economic Advisor. Dr Simelane was appointed a Non-Executive Director of the Company on September 23, 2003, following the ARMgold merger.

Max Sisulu (58) MPA, MSc, and an independent Non-Executive Director. Max was appointed as Director of Harmony in August 2003. Max is currently the General Manager at Sasol and prior to that held the position of deputy chief executive officer at Denel, a post he held since November 1998. From 2001 to 2003 he was the Chairperson of the South African Aerospace, Maritime and Defence Industries. He is also a council member of the Human Sciences Research Council and a member of the Premier of the Free State's Economic Advisory Council. From 1977 to 1981 Max served as the ANC representative in Hungary and was South Africa's representative in the "World Federation of Democratic Youth". In January 1995 he was elected to the National Executive Committee and National Working Committee of the ANC. From 1986, he helped establish the ANC economics department and was instrumental in developing the ANC's economic policy. In 1990 he spearheaded the drafting of the ANC's first policy statement on the environment. From 1992 to 1993 Sisulu completed a Masters degree in Public Administration at the Kennedy School of Government at Harvard University in the U.S. He returned to South Africa in September 1993 and took up the post of Director of the National Institute of Economic Policy until he became a member of parliament in 1994.

John Smithies (58), BSc (Mining Engineering), (Chemistry), an independent Non-Executive Director. John has been a Director of Harmony since April 2002 until September 22, 2003, on which date he resigned as non-executive director of the Company. John has approximately 29

years of experience in the mining industry. From 1973-1976 he worked in the gold division of Union Corporation. From 1976-2001, he held various positions at Impala Platinum Holdings Limited, including consulting engineer from 1996-1999, Operations Director from 1999-2000, and Chief Executive Officer from 2000-2001.

Secretary

Fred Baker (39) served as Secretary of Harmony since 1997 and resigned from his position on November 20, 2002.

Avrol le Roux (47) was appointed as acting Company Secretary from November 21, 2002 to January 31, 2003, following the resignation of Fred Baker. Avrol has vast experience in company secretarial work and commenced her career at Randgold as Assistant to the Company Secretary. She then joined Durban Roodepoort Deep as Assistant to the Company Secretary, after which she was approached by Harmony to accept the managerial position as Company Administrator. Avrol has been with Harmony since May 2000.

Marian van der Walt (30) BCom (Law), LLB, Higher Diploma in Tax, Diploma in Insolvency Law and the Company Secretary of Harmony. Marian has eight years of legal experience and was appointed as Secretary on February 3, 2003. She completed her Articles at Routledges Modise Attorneys and was admitted as an attorney and conveyancer in 1998. She then joined Deloitte and Touche as Insolvency Practitioner/Administrator. Prior to joining Harmony, she held the positions of Legal Advisor, Credit Manager and Structured Finance Consultant at The Standard Bank of South Africa Limited in the Commercial Properties Division.

Senior Management

Harmony's Senior Management has grown significantly since its merger with ARMgold in September, 2003. The members of Harmony's senior management, their principal past affiliations, information on their business experiences and principal outside activities and selected other information are set forth below:

Dr Vaughan Armstrong (50), BSc (Hons), PhD. Vaughan has served on the executive committee, responsible for Harmony's worldwide exploration activities, since October 1999. Vaughan is a geologist with 23 years' experience in all aspects of exploration, evaluation and the development of mineral projects. He started his career with Rio Tinto South Africa and was appointed exploration manager in 1985. In 1988 he formed a junior exploration company, which was incorporated into West Rand Consolidated Mines four years later. He was the explorations director of West Rand Consolidated Mines and Kalgold prior to their merger with Harmony.

Bob Atkinson (51), NHD (Metalliferous Mining). Bob is the Chief Operating Officer at Harmony Gold Australia. He has more than 30 years' experience in the mining industry. He joined Harmony as production manager in 1986 and served as Operations Manager on the executive committee from June 2001 to May 2003.

Graham Briggs (49), BSc (Hons) (Geology). Graham has approximately 30 years' experience in the mining industry. Graham joined Harmony as New Business Manager in 1995 and is

currently the executive in charge of Organic Growth. Graham started his geological career as a field assistant in 1972 and had exposure to various exploration projects. Before attending university, Graham spent most of his time on gold exploration in the Free State. At Gengold he spent time on various mines including Buffelsfontein, West Rand Consolidated, Grootvlei and ended his career with Gengold as an Ore Reserve Manager at Beatrix. Graham has occupied a varied career in Harmony including a 20 month period in Canada, but as a core focus area has concentrated on matters related to ore reserve management.

John Sembie Danana (46), B. Journalism, B.A. (Hons), MBA. Sembie has served on the executive committee, responsible for health and safety transformation since May 2002. Prior to joining Harmony he served in various positions at LTA Construction, including General Manager: Investments, General Manager: Fastfloor Systems, General Manager: New Business Development and Commercial Manager for the N3 Toll Concession. He is the Chairman of Pretoria Technikon Council and a Divisional Board Member of Petronet.

Lewies Fourie (55) NHD, Mine Managers Certificate, MDP. Lewies is a member of Harmony's executive committee and is responsible for Business Engineering. Lewies joined Harmony in October 2003 following the merger with ARMgold. Prior to joining Harmony he was an Executive Director of ARMgold responsible for Business Engineering. Lewies has 34 years' experience in the mining industry, with his career commencing at Anglo American's Gold and Uranium Division. He was selected as a group study exchange student, rotary, to Hawaii and the USA. Thereafter, he served as managing director of Fraser, Alexander Mining Services (Proprietary) Limited and joined Shaft Sinkers in 1991 before joining ARMgold in 1998. His expertise includes project management, backfill, high speed treble shift development, contract management and marketing.

Yusuf Jardien (40), ICSA, PMD (UCT). Yusuf has served on the executive committee, responsible for Business Process and Information Technology, since August 2002. He has more than 20 years of information technology experience and has served as an executive at 3M South Africa and Unibank, responsible for information technology and logistics.

Tracey Jonkheid (33), B.A. Communication (Hons) (cum laude), MBA. Tracey has served as Harmony's internal strategist on a full-time basis since May 2002, in which capacity she advises the executive committee on implementing and integrating initiatives for internal change. She fulfilled this role as an external consultant on a part-time basis for 18 months prior to May 2002. Her background is in the advertising industry where she has worked as a strategist at four of South Africa's largest advertising agencies.

Philip Kotze (43), GDE, NHD (Metalliferous Mining). Philip currently serves on the executive committee as Business Coach. Philip started his career with Anglovaal in 1981 as a learner official. In 1985 he joined Anglogold and was involved in a number of projects. He progressed to the level of mine manager and was instrumental in improving productivity and reducing costs during these periods. He joined Kalgold in 1996, where he served as director and was responsible for operations. In 1999, Philip joined Harmony, following Harmony's acquisition of Kalgold.

Mohamed Madhi (38), BSc (Electrical and Electronic Engineering), MSc (Engineering),MBA. Mohamed has served as Harmony's corporate strategist since August 2001. He has been a director and Operational Board member of the CSIR, head of Eskom's Capital Investment Programme, head of South Africa's Presidential Year 2000 Task Team, Chief Executive of Cell Point Systems and has served as an adviser to several large corporations and governments of developing countries. Mohamed was formerly the African Commissioner on the Global Information Infrastructure where he advised on telecommunications and information technology policy. Aside from his executive leadership experience he has qualifications and expertise in Strategic Decision Simulation, Complex Systems Theory, Economic Development Modeling and Innovation Management.

Jackie Mathebula (34), B.Admin (Hons), MBA. Jackie joined Harmony in September 2002 as an employee relations and industrial relations executive. Prior to joining Harmony he was a general human resources manager for Gensec Bank, a human resources manager for the Gold Fields Limited Group and occupied various positions within the then Iscor Group. He also worked for the South African government in the Gazankulu Public Service Commission.

Andrew Matube (58), BA, LLB. Andrew joined Harmony in October 2003 following the merger with ARMgold. Prior to joining Harmony he was Executive Director (Legal) of ARMgold. Andrew is an admitted attorney and Human Resource Consultant. He has extensive experience in the public and private sectors, specializing in corporate and commercial law.

Amanda Matthee (44) BCompt, BCom (Hons), CA (SA), AEP. Amanda joined Harmony in October 2003 following the merger with ARMgold. She is a member of the Executive Committee and is responsible for the supply chain and payroll.

Khetiwe McClain (39), BA (Fine Arts). Khetiwe joined Harmony in 2002 and is responsible for social plans and beneficiation strategies required by the Mining Charter. Prior to joining Harmony, Khetiwe served as a liaison for transformation of the mining industry and a manager of the beneficiation project at the South African Ministry of Minerals and Energy. She has also worked as a market research analyst in the trade and political sections of the South African Embassy in Rome. Khetiwe obtained her BA, Fine Arts in Italy.

Peter McKenna (52), BSc (Hons), PrSciNat. Peter is currently responsible for Harmony's international new business activities. Peter joined Harmony in 1999 from West Rand Consolidated Mines Limited ("West Rand Cons"), where he was the new business director. Peter worked in the JCI Group of companies for 25 years from 1973, initially in the fields of exploration, mine and evaluation and for the last 10 years in corporate finance and new business development. His roles included Chief Geologist Western Areas Gold Mine, Senior Manager Mineral Economics and General Manager Business Development. He served on the boards of various JCI group companies including Free State Development Corporation (Managing Director) and Barnato Exploration Limited. Peter joined West Rand Cons in 1998.

Dawie Mostert (34), PDM, PCM, MDP, Diploma in Labor Relations (DPLR) (Advanced Labor Law). Dawie joined Harmony in 1997 following the acquisition of Grootvlei, where he was the human resources manager. He has approximately 16 years' experience in the mining industry and is responsible for training and human resource development.

Khosi Ndlovu (44), BA, Social Development, Diploma in Supply Chain Management. Khosi joined Harmony in 2002 and is responsible for social development programs and corporate affairs (government). Khosi's career commenced as Researcher in areas of Social Development for the University of New York in 1989. After returning to South Africa she joined The National Peace Secretariat as Communication Consultant, and later joined the Independent Electoral Commission as National Head of Transport & Logistics. She has held various senior positions in the areas of Marketing and Communication and was an Executive at Telkom in the Procurement Services as a custodian of Black Economic Empowerment. Khosi has vast experience in community development, government relations, and economic empowerment programs and she is an advisory board member at Monash University and InterConnect System.

Pine Pienaar (39), BCom, BCompt (Hons), CA (SA). Pine joined Harmony in 1997 following the acquisition of Grootvlei, where he was the financial director. Pine has approximately 14 years' experience in the financial and mining industries and is responsible for Harmony's South African new business activities.

Fleur Plimmer (34), BA (Hons). Fleur joined Harmony in September 2002, and is responsible for the business transformation portfolio. Prior to joining Harmony, Fleur was the Health and Safety Coordinator for the NUM. At the NUM, Fleur was involved in drafting the Mine Health and Safety Act. Following her service at the NUM, Fleur joined Ingwe Coal Corporation, where she was the manager responsible for health and safety and, thereafter, corporate communication programs. She moved into the field of executive search and was involved with the placement of a number of senior black executives in a range of local and international businesses.

Peter Steenkamp (43), BSc (Eng), Mine Managers Certificate. Peter currently serves on the executive committee as Business Coach. Peter joined Harmony in October 2003 following the merger with ARMgold. Prior to joining Harmony, he was an Executive Director of ARMgold in charge of Gold Operations. Peter has 21 years' experience in the mining industry. His career commenced as trainee miner with the Chamber of Mines Training College and after graduating he worked for Gold Fields Limited as a shift boss. Between 1989 and 1997, he was employed at Vaal Reefs in various positions, including shift boss, mine overseer, technical assistant, section manager and business unit manager. In 1998 he joined ARMgold as a business unit leader.

Frank Sullivan (47), MCom, BPL (Hons). Frank has approximately 22 years' experience in human resources management in the gold mining industry. He joined Harmony in 1996 as human resources manager and is in charge of HIV/AIDS and Health.

Boetie Swanepoel (43), BCompt (Hons), CA(SA). Boetie joined Harmony in 1995 as financial manager from Beatrix Mines. Boetie has more than 20 years' financial services experience, mostly in the mining industry. He was appointed to the executive committee in November 2000 and is responsible for the development of Harmony's shaft financial managers and the financial control environment.

Abre van Vuuren (43) BCom, MDP, DPLR. Abre joined Harmony in 1997 from Grootvlei, where he was human resources manager. He was appointed to the executive committee in November 2000 and is responsible for human resource processes and systems and remuneration. He has approximately 20 years' experience in the mining industry.

BOARD PRACTICES

The Articles of Association of Harmony provide that the Board must consist of no less than four and no more than twenty directors at any time. The Board currently consists of nineteen directors.

The Articles of Association of Harmony provide that the longest serving one-third of directors retire from office at each annual general meeting of Harmony. Retiring directors normally make themselves available for re-election and are re-elected at the annual general meeting on which they retire. Members of senior management of Harmony who are also directors retire as directors in terms of the Articles of Association, but their service as officers is regulated by standard industry employment agreements.

According to the Articles of Association, the Board meets not less than quarterly.

Details of directors' service contracts are described under "--Compensation of Directors and Senior Management" and "--Directors' Terms of Employment," below.

In order to ensure good corporate governance, the Board has formed an Executive Committee, an Audit Committee, a Remuneration Committee and an Executive Health and Safety Committee. The Audit and Remuneration Committees are comprised of a majority of non-executive directors.

Harmony's Executive Committee comprises the executive directors and selected senior officers of Harmony, each with his own area of responsibility. The Executive Committee meets at least monthly to discuss and make decisions on the day-to-day operations of Harmony. The composition of the Executive Committee (with areas of responsibility indicated) post the ARMgold merger is as follows:

Bernard Swanepoel .....
Benefication and the Social Plan
Finance
Exploration
Chief Executive
Employee Relations
Legal
Frank Abbott .....
Vaughan Armstrong.....
Bob Atkinson .....
Business Coaching (Australia)
Graham Briggs.....
Organic Growth
Sembie Danana .....
Safety Transformation
Ferdi Dippenaar .....
Marketing and Investor Relations
Lewies Fourie.....
Business Engineering
Ted Grobicki .....
Australia
Mangisi Gule.....
External Liaison
Yusuf Jardien .....
Information Technology
Tracey Jonkheid .....
Internal Strategy
Philip Kotze .....
Business Coaching (South Africa)

Mohamed Madhi.....
Corporate Strategy
Jackie Mathebula .....

Andrew Matube .....
Amanda Matthee.....
Supply Chain and Payroll
Khetiwe McClain .....
Peter McKenna.....
International New Business
147

Dawie Mostert.....
Human Resources
Khosi Ndlovu.....
Corporate Affairs - Government
Pine Pienaar .....
New business (South Africa)
Fleur Plimmer .....
Transformation Management
Dan Simelane.....
Business Development
Peter Steenkamp.....
Business Coaching
Frank Sullivan.....
HIV/AIDS and Health
Boetie Swanepoel.....
Operational Finance
Pieter Taljaard.....
Executive Director: Finance
Abre van Vuuren.....
Human resources processes
Andre Wilkens .....
Chief Operating Officer

Following the ARMgold merger on September, 22, 2003, Harmony added the following members to its executive committee, in order to better align its management capabilities with current issues facing Harmony and the South African mining industry. These new executive committee members include:

- Mr. Lewies Fourie, who is in charge of Business Engineering at

Harmony's South African operations;

- Mr. Mangisi Gule, who is responsible for external liaison on behalf of

Harmony;

- Mr. Andrew Matube, who will attend to all legal related issues within

Harmony, South Africa;

- Ms. Amanda Matthee who is the executive in charge of the supply chain

and payroll.

- Mr. Mathebula, who is in charge of Harmony's employee relations;

- Mr. Dan Simelane, who ensures compliance with recent legislation

relating to the Mining Industry;

- Mr. Peter Steenkamp, who is in charge of business coaching at each of the

shafts at Harmony's business operations;

- Mr. Pieter Taljaard, who is also the Executive Director of Finance and

who is in charge of Operational Finance; and

- Mr. Andre Wilkens, who is the Chief Operating Officer and an Executive

Director.

The Audit Committee monitors Harmony's control systems. The Audit Committee meets at least four times per year with Harmony's external and independent internal auditors and Harmony's executive management, to review accounting, auditing and financial reporting matters to ensure that an effective control environment is maintained**,** and to review interim results, the audited preliminary announcement of the annual results and the annual

financial statements prior to their approval by the Board. The committee also monitors proposed changes in accounting policy, reviews the internal audit function and discusses the accounting implications of major transactions. The members of the Audit Committee are the following independent non-executive directors:

The members of the Audit Committee from July 1, 2002 to January 25, 2003 were:

Adam Fleming (chairman)*
Mike Pleming
John Smithies

The members of the committee as from January 26, 2003 to June 30, 2003 were:

Mike Pleming (Chairman)
Simo Lushaba
John Smithies

John Smithies resigned as director on September 22, 2003 and a new member will be elected early in January, 2004.

The Remuneration Committee reviews the remuneration of directors and members of senior management. The Remuneration Committee is responsible for approving Harmony's remuneration policy and the terms and conditions of employment, including salaries and bonuses, for Harmony's executive directors and officers. In addition, the Remuneration Committee determines the remuneration policy pertaining to all employees. The Remuneration Committee, consisting of two non-executive directors and one executive director, meets two to three times per year. The members of the Remuneration Committee are the following independent directors:

Adam Fleming (chairman),
Mike Pleming
John Smithies

Mr Adam Fleming and Mr John Smithies resigned as directors on September 22, 2003 and new members will be elected early in January, 2004.

The Health, Safety and Environmental Audit Committee reviews occupational health, safety and environmental policies, practices and standards of Harmony and reports to the Board on a quarterly basis. The committee monitors health, safety and environmental performance and makes recommendations to the Board when it deems particular attention is required. The members of the Health, Safety and Environmental Audit Committee are the following independent directors:

The members from July 1, 2002 to January 24, 2003 were:

Mike Pleming (Chairman)

149

It was decided that Mr Adam Fleming, in his capacity as chairman of Harmony, was effectively on all the committees of the Board and that he should not hold a formal seat on any of the committees. Mr Adam Fleming resigned from the Audit Committee on January 25, 2003 and Simo Lushaba accepted membership of the committee.

Adam Fleming
John Smithies

It was decided that Mr Adam Fleming, in his capacity as chairman of Harmony, was effectively on all the committees of the Board and that he should not hold a formal seat on any of the committees. Mr Adam Fleming resigned from the HSE Committee on January 25, 2003 and Ms Nolitha Fakude accepted membership of the committee.
The members from January 26, 2003 to June 30, 2003 were:
John Smithies (Chairman)
Mike Pleming
Nolitha Fakude

Mr John Smithies resigned as director on September 22, 2003 and a new member will be elected early in January, 2004.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

During fiscal 2003, the aggregate compensation paid or payable to the directors and members of senior management of Harmony as a group was approximately Rand 23.2 million ($3.0 million) in base salary and Rand 22.3 million ($2.9 million) in profit sharing. The compensation amount is higher than fiscal 2002 due to the number of newly appointed executive managers who joined Harmony late last year. The new appointments were necessary to ensure that Harmony's executive team is representative of the demographics in South Africa. Harmony paid salary in fiscal 2003 to Mr. Swanepoel, Mr. Abbott, Mr. Dippenaar and Mr. Grobicki of approximately Rand 1.8 million ($233,000), Rand 1.1 ($142,000), Rand 1.0 ($129,000) and Rand 1.7 ($220,000), respectively. Harmony paid bonuses in fiscal 2003 to Mr. Swanepoel, Mr. Abbott, Mr. Dippenaar and Mr. Grobicki, of approximately Rand 3.0 million ($0.3 million), Rand 2.0 million ($0.2 million), Rand 2.0 million ($0.2 million) and Rand 2.0 million ($0.2 million), respectively. These bonusses represent the second yearly installment of the bonusses awarded to each of these directors during 2003. The aggregate compensation paid or payable during fiscal 2003 to the non-executive directors of Harmony as a group was approximately Rand 0.55 million ($71,000) in directors' fees.

Directors Terms of Employment

No Harmony director has a service contract with Harmony or any of its subsidiaries with a notice or contract period of one year or more or with provisions for pre-determining compensation on termination of an amount which equals or exceeds one year's salary and benefits in kind.

The terms of employment by Harmony of the executive directors continue until terminated by reaching the mandatory retirement age of 63 or on service of 30 days' notice by either the employee or Harmony. Each of our executive directors participates in the Harmony share option scheme and a discretionary executive profit share scheme, the latter provided that certain profit targets, set by the Remuneration Committee, are achieved. They have all waived their rights to directors' fees.

The executive directors also benefit from pension contributions, life insurance and medical aid, the value of which is included in the salary details listed above. The total amount currently set aside or accrued by Harmony and its subsidiaries for the payment of these pension, life insurance, medical aid and retirement benefits is approximately Rand 546,000 ($59,801).

The non-executive directors are entitled to fees as agreed at Harmony's annual general meeting from time to time, reimbursement of out-of-pocket expenses incurred on Harmony's behalf and remuneration for other services, such as serving on committees. Currently, each non-executive director is entitled to Rand 25,000 per quarter.

The terms of employment of the directors are not set out in any written agreements.

Share options exercised by those executive directors who were with Harmony during fiscal 2003 are detailed in the table below:

Name	**Number of options exercised**	**Average option exercise price (Rand)**
Bernard Swanepoel	121,150	101.46
	86,600	100,77
	66,600	94,09
	181,600	102,72
Frank Abbott		
Ferdi Dippenaar.....		
Ted Grobicki		

During fiscal 2003, Harmony's directors and senior management were granted 390,000 share options.

1

Share options outstanding at June 30, 2003 and held by directors and senior management were as follows:

Name	**Options to purchase ordinary shares**	**Average exercise price per share (Rand)**
Expiration dates		
B. Swanepoel	141,850	
	73,400	

93,400
73,400
72,000
53,400
51,100
73,400
48.27
Between 31/01/2010 and 20/11/2011
F. Abbott.....
49.60
20/11/2011
F. Dippenaar .....
46.56
Between 31/01/2010 and 20/11/2011
T.Grobicki.....
107,400
44.63
49.60
49.60
49.60
49.60
49.60
Between 31/01/2010 and 20/11/2011
B. Atkinson.....
20/11/2011
V. Armstrong .....
20/11/2011
P. McKenna .....
20/11/2011
G. Briggs.....
62,200
20/11/2011
P. Pienaar.....
82,200
46.15
Between 31/01/2010 and 20/11/2011
P. Kotze .....
120,100
47.23
Between 31/01/2010 and 20/11/2011
F. Sullivan.....
73,400
20/11/2003
M. Swanepoel .....
40.83
Between 02/05/2011 and 20/11/2011
A. van Vuuren.....
37.39
A. Mokhobo.....
--
--

--
J. Smithies.....
--
--
--
1
The Company is in the process of authorizing the grant and allocation of additional share options to the new directors and executive management in light of its merger with ARMgold which was completed September 22, 2003.
151

Name	Options to purchase ordinary shares	Average exercise price per share (Rand)	Expiration dates
N. Fakude.....	--	--	--
S. Lushaba	--	--	--
S. Danana.....	45,000	91.60	27/03/2013
Y. Jardien.....	45,000	91.60	27/03/2013
T. Jonkheid	45,000	91.60	27/03/2013
M. Madhi	90,000	91.60	27/03/2013
J. Mathebula.....	45,000	91.60	27/03/2013
K. McClain	30,000	91.60	27/03/2013
D. Mostert.....	24,000	49.60	20/11/2011
K. Ndlovu	45,000	91.60	27/03/2013
F. Plimmer	45,000	91.60	27/03/2013
TOTAL	1,485,100	44.95	

SHARE OWNERSHIP

The following sets forth, as at June 30, 2003 and at December 4, 2003, the total amount of ordinary shares and warrants directly or indirectly owned by the directors and senior management of Harmony. The directors and senior management of Harmony do not own any preference shares.

Holder	Ordinary Number

Ordinary Number Shares as at June 30, 2003 | **Percentage (%)** | **Shares as at December 4, 2003** | **Percentage (%)**

Directors

Non-executive

A. Fleming ..... 4,685,747 | 2.5% | 4,685,747 | 1.8%

P. Motsepe ..... 35,002,396 [1] | -- | 13.6%

M. Bakane-Tuoane..... -- | -- | -- | --

N. Fakude..... -- | -- | -- | --

M. King..... -- | -- | 33.333 | *

S. Lushaba..... -- | -- | -- | -- | -- | -- | -- | -- | --

A. Mokhobo.....

M. Pleming ..... -- | -- | -- | --

Lord Renwick of Clifton.....

5,105
*
5,105
*
C. Savage .....
--
--
--
--
Dr. S. Sibisi.....
--
--
--
--
Dr. R. Simelane.....
--
--
--
--
M. Sisulu.....
--
--
--
--
J. Smithies.....
--
--
--
--
Executive
B. Swanepoel .....
--
--
--
--
F. Abbott.....
--
--
--
--
F. Dippenaar .....
--
1 Shares benefically owned by Mr Motsepe are owned through African Rainbow Minerals and Exploration Investment (Pty) Limited
--
--
--
.
152

T. Grobicki.....
Holder **Ordinary**
Number
Ordinary
Number
Shares as at
June 30, 2003
Percentage (%)
Shares as at
December 4, 2003
Percentage (%)
29,388
*
30,000
*
M. Gule.....
--
--
--
--
D. Simelane.....
--
--
--
--
P. Taljaard.....
--
--
590,701
--
A. Wilkens .....
--
--
984,301
--
Total Directors (19 persons) .....
4,720,240
2.5
41,331,583
16.02%

Senior Management
N. V. Armstrong .....
--
--
1,000
--
B. Atkinson .....
--
--
--

--
G. Briggs.....
--
--
--
--
S. Danana.....
--
--
--
--
L. Fourie .....
Y. Jardien.....
--
--
--
--
T. Jonkheid .....
--
--
--
--
P. Kotze .....
--
--
--
--
M. Madhi .....
J. Mathebula.....
--
--
--
--
A. Matthe .....
--
--
--
--
A. Matube .....
--
--
--
--
K. McClain .....
--
--
--
--
P. McKenna .....
--
100

*
D. Mostert .....
--
--
--
--
K. Ndlovu .....
--
--
--
--
P. Pienaar .....
--
--
--
--
F. Plimmer .....
--
--
--
--
F. Sullivan.....
--
--
--
--
B. Swaenepoel .....
--
--
--
--
A. van Vuuren.....
--
--
--
--
Total Senior Management (22 persons) .....
100
--
--
--
Total Directors and Senior Management (41
persons).....
44,442,976
3.02
41,332,683
16.06%
--
*
Indicates beneficial ownership of less than 1% of the relevant class of securities.
Options to purchase a total of 7,682,900 ordinary shares were outstanding on June

30, 2003. The exercise prices of the outstanding options range between Rand 11.70 and Rand 93 per share and they expire between 2008 and 2011. Of the outstanding options, options to purchase 1,485,100 ordinary shares at a weighted average price of Rand 44.95 were held by directors and senior management of Harmony and its subsidiary companies, as described above. No consideration was payable on the grant of these options.

EMPLOYEES

General

The South African underground gold mining industry is very labor-intensive. The Australian gold mining industry involves more mechanized mining, which is less labor intensive. The following table lists the total number of employees at each of Harmony's operations, together with people working at Harmony's operations but employed by outside contractors, at June 30 of the past three fiscal years:

153

	Harmony Employees			Outside Contractors		
	At June 30,			At June 30,		
	2003	2002	2001	2003	2002	2001
South Africa						
Elandskraal.....	6,611	7,559	7,200	500	490	210
Free State (old)	12,317	12,644	14,671	1,820	686	713
Freegold	1	8,573	-	-	2	6,867
839	-					
Evander	6,770	7,384	6,909	1,415	1,257	-
Randfontein	7,154	7,455	9,700	1,439	229	222
250						

12
20
13
-
309
194
-
-
-
-
-
-
589
740
Kalgold.....
282
250
227
Exploration.....
-
Australia
255
309
1878
287
Canada
Bissett.....
6
6
-
208
-
-
TOTAL.....
41,927
39,145
5,048
42,466
4,945
4,290
1
This represents Harmony's 50% interest in the Free Gold Joint Venture.
2
This includes St Helena's employees

Unionized Labor

Approximately 80% of Harmony's labor force in South Africa is unionized, with the major portion of the workforce being members of the National Union of Mineworkers, or the NUM. Since 1995 the South African legislature has enacted various labor laws that enhance the rights of employees. For example, these laws:

- confirm the right of employees to belong to trade unions and the right of unions to

have access to the workplace;

- guarantee employees the right to strike, the right to picket and the right to

participate in secondary strikes in certain prescribed circumstances;

- provide for mandatory compensation in the event of termination of employment

for operational reasons;

- reduce the maximum ordinary hours of work;

- increase the rate of pay for overtime;

- require large employers, such as Harmony, to implement affirmative action

policies to benefit historically disadvantaged groups and impose significant

monetary penalties for non-compliance with the administrative and reporting requirements of the legislation; and

- provide for the financing of training programs by means of a levy grant system

and a national skills fund.

Harmony is currently in compliance with applicable labor laws.

As a result of its highly unionized labor force and the fact that labor costs constitute approximately 50% of production costs, Harmony has attempted to balance union demands with the need to contain and reduce cash costs in order to ensure the long-term viability of its operations.

Harmony participates in industry-wide Central Chamber of Mines negotiations for Category 3 to 8 semi-skilled employees. In August 2001, a two-year wage deal was concluded with the NUM, which included a minimum wage of Rand 2,000 per month to be achieved by 2002, with an average increase of 8% for NUM members and an average increase of approximately 7% for other employees such as mid-level managers. Wage negotiations within the Central Chamber of Mines generally take place on a company-wide basis, while negotiations on other working conditions and with other unions and associations take place on a mine-by-mine basis. Employees at Kalgold and the Free Gold Company are not covered by the Central Chamber of Mines negotiations and, accordingly, these employees are not covered by the two-year agreement concluded in August 2001. On May 31, 2002, following the strike described below, Harmony concluded a one-year wage agreement with Kalgold's NUM branch, resulting in an average wage increase of 9% for workers in the lowest job category, which consists of general laborers, and an average wage increase of 8% for the remainder of the covered employees, which consists of semi-skilled and skilled employees working as plant operatives and artisan assistants. The Free Gold Company is in the process of negotiating with unions representing the Free Gold Company's employees.

Harmony experienced no significant strikes in fiscal 2001, 2002 and 2003.

Harmony continues to work to improve workplace relationships, have effective domestic dispute settlement arrangements and through the establishment of a statutory body, the Commission for Conciliation, Mediation and Arbitration.

On May 8, 2002, 170 members of Kalgold's NUM branch initiated a strike in connection with the negotiations that resulted in the Kalgold wage agreement described above. Mining at Kalgold by non-striking workers and contractors continued during this strike, which was resolved on May 31, 2002 and resulted in the one-year wage agreement described above. This strike did not materially affect Kalgold's results for fiscal 2002.

On May 17, 2002, members of Randfontein's NUM branch initiated a strike in connection with their demand for an increase in housing allowances. Mining at Randfontein was severely disrupted during the strike, which was resolved on May 27, 2002. The resulting agreement, which was subsequently extended to all of Harmony's operations, calls for housing allowance increases in line with annual wage increases through January 2005.

Share Option Scheme

As of June 30, 2003, options for Harmony employees to acquire 7,682,900 ordinary shares were outstanding. Additional options are being considered following the ARMgold merger completed in September, 2003. A total of 1,065,400 of these options had been issued under Harmony's employee share option scheme established in 1994, or the 1994 Share Option Scheme, which was in effect prior until November 16, 2001. A total of 6,200,500 of these options had been issued under Harmony's employee share option scheme established in 2001, or the 2001 Share Option Scheme, which came into effect on November 16, 2001. On November 14, 2003, Harmony's shareholders approved the Harmony 2003 Share Option Scheme.

Under the 1994 Share Option Scheme, the maximum number of share options that could be granted was equal to 10% of the outstanding Harmony ordinary shares on the date of the grant. At the annual general shareholders' meeting held on November 16, 2001, Harmony's shareholders approved the 2001 Share Option Scheme to replace 1994 Share Option Scheme. The 2001 Share Option Scheme came into effect on November 16, 2001; however, options previously issued under the 1994 Share Option Scheme remain in force. The terms the 2001 Share Option Scheme are substantially equivalent to the 1994 Share Option Scheme, except that the maximum number of share options that may be granted under the 2001 Share Option Scheme is a fixed amount (8,000,000) rather than a percentage of share capital. Options granted under the 1994 Share Option Scheme that remain outstanding are not counted against this maximum. The aggregate number of unissued shares that may be used for the 2003 Option Scheme shall not exceed 36,143,270 shares, which represents 14% of the issued share capital of the Company as at September 16, 2003. Shares which are the subject of lapsed or terminated options and shares which are the subject of options which have been exercised by participants who are no longer employees shall not be regarded as being reserved for the 2003 Option Scheme.

Under the 1994 Share Option Scheme, the 2001 Share Option Scheme and the 2003 Share Option Scheme, the exercise price of each option granted is set at the closing market price of Harmony's ordinary shares on the JSE on the day before the date of grant. Each option remains open for acceptance for 10 years after the date of grant, subject to the terms of the relevant option scheme. Each option may normally only be exercised by a participant on the following bases: (i) after 12 months have elapsed from the date on which the option was granted, in respect of not more than one third of the shares which are the subject of that option; (ii) after 24 months have elapsed from the date on which the option was granted, in respect of not more than two thirds of the shares which are the subject of that option; and (iii) after 36 months have elapsed from the date on which the option was granted, in respect of all the shares which are the subject of that option, or at such time or times over a period of more than 3 years from the date on which the option was granted as the Board may have determined and notified in writing to the participant when the option was granted to the participant. The ordinary shares in respect of which each option is exercised: (i) will be fully paid; (ii) will rank pari passu with existing issued shares; (iii) will be allotted and issued by the Board within 14 days after the exercise of the option; and (iv) will be issued to the participant to whom the option was granted as the beneficial

owner thereof and a certificate will be issued therefore. The Board will procure that a listing is applied therefore on the stock exchanges on which Harmony's shares are listed and quoted.

The 2003 Share Option Scheme (whether retrospectively or otherwise) by the Board in any respect (except for certain specific clauses that may only be amended through approval in a general meeting), provided that no such amendment shall operate to alter adversely the terms and conditions of any option granted to a participant prior thereto, without the written consent of that participant and provided that the prior approval of the JSE has been obtained.

Share Purchase Scheme

On November 29, 1999 Harmony adopted a Share Purchase Scheme in which eligible employees may participate. The Share Purchase Scheme provides for a share purchase trust controlled by Harmony. Up to March, 27, 2003, the Share Purchase Scheme was used for the purpose of making loans to employees to exercise their options under the 1994 Share Option Scheme. On March 27, 2003, it was resolved that in view of U.S. legislation the trust would no longer provide recourse loans to employees to acquire shares. Currently Adam Fleming* and *

Mike Pleming, both independent non-executive directors, serve as trustees for the share purchase trust. The trustees are not eligible to receive loans from the trust.

Item 7. ***Major Shareholders and Related Party Transactions***

MAJOR SHAREHOLDERS

Harmony is an independent gold producer, with no single shareholder exercising control. As of December 10, 2003, the issued capital of Harmony consisted of 257,924,384 ordinary shares. To the knowledge of Harmony, (A) Harmony is not directly or indirectly owned or controlled (i) by another corporation or (ii) by any foreign government and (B) there are no arrangements (including any announced or expected takeover bid), the operation of which may at a subsequent date result in a change in control of Harmony. Since the ARMgold merger was completed in September, 2003, ARMgold shareholders represent 25% of the enlarged issued share capital of the merged company.

*

Mr Fleming resigned as a director after the 2003 financial year but continues to serve as trustee. A new trustee will be named in early 2004.

Significant changes in the percentage ownership held by major shareholders in the past three years are also described below.

The voting rights of Harmony's major shareholders do not differ from the voting rights of other holders of the same class of shares. Significant changes in the percentage ownership held by major shareholders are described below.

On June 20, 2001, the IDC completed subscriptions for 10,736,682 Harmony ordinary shares and 10,958,904 preference shares of Harmony. These subscriptions were carried out in fulfillment of an agreement dated April 3, 2001, among Harmony, Komanani and the IDC pursuant to which, subject to the fulfillment of certain specified conditions, Komanani and the IDC agreed to subscribe for 222,222 Harmony ordinary shares and 10,736,682 Harmony ordinary shares, respectively, and Harmony undertook to issue those shares, at a price of Rand 36.00 per share. Under the agreement, the IDC also subscribed for, and Harmony issued, 10,958,904 preference shares, at a price equal to their par value of Rand 0.50 each and with the terms described in "Item 5. Operating and Financial Review and Prospects--Liquidity and Capital Resources--Share Capital." The Komanani subscription, together with the agreement as it related to Komanani, was cancelled as of August 17, 2001. On September 7, 2001, Harmony entered into an agreement with Simane and the IDC pursuant to which, subject to the fulfillment of certain specified conditions, Simane thereby subscribed for 222,300 Harmony ordinary shares on substantially the same terms as the Komanani subscription. The Simane subscription was completed on September 25, 2001. The aggregate consideration for the ordinary shares and preference shares issued to the IDC and Simane under the agreements was approximately Rand 400 million. Harmony used the net proceeds from the IDC and Simane subscriptions to retire a portion of the $260 million syndicated loan facility described in this annual report and for general corporate purposes. During January and February 2002, the IDC converted all of its preference shares into 10,958,904 ordinary shares, transferred 10,736,682 ordinary shares to Simane and sold 10,958,904 ordinary shares to third parties in a series of transactions. Simane has since sold its shares.

On July 15, 2003 Harmony announced the acquisition of 77,540,830 ordinary shares (11.5%) in Avgold Limited from Anglo South Africa Capital (Proprietary) Limited in exchange for the issue to Anglo South Africa of a renounceable letter of allocation representing the right to the allotment and issue of 6,960,964 new ordinary shares in Harmony, comprising 3.8% of the then issued share capital of Harmony. The agreement with Anglo SA provides that should the Company make an offer to acquire the other Avgold shareholders' interest, the consideration payable to Anglo SA will be adjusted to reflect the amounts paid to the other Avgold shareholders.

To the knowledge of Harmony, a list of the individuals and organizations holding, directly or indirectly, 3% or more of its issued share capital and warrants as of December 10, 2003 is set forth below.

Holder	Ordinary Shares Number	Percentage (%)
The Bank of New York [1]	109,772,418	42.56
African Rainbow Minerals & Exploration Investment Pty Ltd [2]	35,002,396	13.57
JP Morgan Chase Bank [3]	15,101,009	5.85
Alan Gray and Funds	8,415,570	3.26
All directors and senior management as a group	4,720,340	3.02

1
Depositary with respect to the ADRs and nominee with respect to warrants held on the U.S. warrant register.
2
Patrice Motsepe, the Harmony non-executive chairman, holds Harmony ordinary shares through this entity.
3
Depositary with respect to Harmony's International Depositary Shares.

The voting rights of Harmony's major shareholders do not differ from the voting rights of other holders of the same class of shares.

RELATED PARTY TRANSACTIONS

None of the directors or major shareholders of Harmony or, to the knowledge of Harmony, their families, had any interest, direct or indirect, in any transaction during the period from July 1, 2000 to December 10, 2003 or in any proposed transaction that has affected or will materially affect Harmony or its investment interest or subsidiaries, other than as stated below.

Our largest shareholder, holding approximately 14% of the new company since the ARMgold merger is African Rainbow Mineral and Exploration Investments (Pty) Ltd (ARMI), represented by Patrice Motsepe.

The Company has, with effect from September 2003, acquired several companies owned by ARMI. These companies had competitive contractual arrangements with ARMgold for the provision of services and supplies related to ARMgold's business which were entered into before the ARMgold merger. These companies may continue to provide services and supplies to the merged company.

Certain of ARMI's subsidiaries and community development companies established for the benefit of the 60,000 community residents living near the ARM Mining Consortium/Anglo Platinum Joint Venture mine

received non-interest bearing loans from ARMgold prior to the ARMgold merger in the aggregate amount of R37 million. No interest was charged due to ARMgold's long-term commitments and contribution to upliftment and empowerment, for which ARMgold has received recognition and credit. These loans have been repaid in full.

Harmony, ARMI and Avmin are currently in the process of restructuring the
Avmin group which is proposed to involve all of the following transactions:

Harmony would acquire Avmin's holding in Avgold at a price of R10.11 per share, to be effected by the issue of 28,630,526 Harmony shares. Harmony would then have a majority interest in Avgold of approximately 53.7%, which would trigger the requirement for a mandatory offer by the South African Securities Regulation Code of Takeovers and Mergers and Rules of the Securities Regulation Panel.Such offer would have to comprise the same consideration as Harmony made for the Avmin majority acquisition,

i.e., 1 Harmony share per 10 Avgold shares, to the remaining Avgold minority shareholders;

- Avmin would acquire ARMI's indirect 13.6% holding in Harmony and ARMI's 41.5%

indirect interest in the Modikwa joint venture. ARMI would in turn receive shares of Avmin, which would give ARMI a majority interest.

- Avmin would acquire the Kalplats platinum discovery and associated mineral rights from

Harmony, the consideration for which would be discharged by the issue of Avmin shares to Harmony; and

Harmony would then merge its remaining Avmin shares with the Avmin shares controlled by ARMI, either through a voting pool or sale arrangement, so that ARMI would control Avmin. The South African Securities Regulation Panel has indicated to ARMI and Avmin that it will allow a waiver of the requirement for ARMI to extend a mandatory offer to the Avmin minority shareholders, provided that a majority of the Avmin shareholders (excluding ARMI and Harmony) agree to waive the requirement.

Adam Fleming, Ted Grobicki, Peter McKenna, as well as Lord Renwick of Clifton KCMG and Dr. Vaughan Armstrong, all held, directly or indirectly, shares in West Rand Consolidated Mines Limited and/or Kalgold. These shares converted into Harmony's ordinary shares upon Harmony's acquisition of these companies. Lord Renwick of Clifton KCMG holds a senior investment banking position with the JPMorgan group in London and as such has an indirect interest in all transactions between Harmony and JPMorgan described in this annual report, including the global offering of Harmony ordinary shares and warrants completed in June 2001. The offering was completed pursuant to a firm commitment underwriting, in which JPMorgan acted as global coordinator.

Adam Fleming and Lord Renwick of Clifton KCMG each owns, directly or indirectly, shares in Highland Gold. As such, each of them had an interest in Harmony's investment in Highland Gold, which it sold in October, 2003 after the 2003 fiscal year ended.

Pieter Taljaard, Andre Wilkens and Michael King all held shares directly in ARMgold. Following the Merger with ARMgold, these shares were converted to Harmony shares.

None of the directors or members of senior management of Harmony or any associate of such director or member of senior management is currently or has been at any time during the past three fiscal years indebted to Harmony.

INTERESTS OF EXPERTS AND COUNSEL

Not applicable.

Item 8. ***Financial Information***

CONSOLIDATED STATEMENTS

Please refer to "Item 18. Financial Statements" and pages F-1 through F-58 of this annual report.

OTHER FINANCIAL INFORMATION

Export Sales

In fiscal 2003, approximately 85% of Harmony's gold produced in South Africa was refined by Harmony and exported, and approximately 100% of Harmony's gold produced in Australia was exported.

Legal Proceedings

None of Harmony's property is the subject of pending material legal proceedings. Harmony experiences a number of claims and legal and arbitration proceedings incidental to the normal conduct of its business. Harmony's management does not believe that liabilities related to such claims and proceedings are likely to be, individually or in the aggregate, material to Harmony's consolidated financial condition.

On April 15, 2003, Wadethru Securities (Pty) Ltd ("Megamore") brought an action against Harmony at the High Court in South Africa. Megamore has claimed damages totaling R69,403,299 for various claims relating to a Vamping Agreement and a Sale Agreement in respect of a Brand 2 Shaft. Megamore is currently in liquidation and the appointed liquidator will decide whether or not to proceed with this claim. We anticipate a decision during the first quarter of 2004. Harmony has prepared a response to each claim to facilitate the liquidator's ability to make a decision. Harmony does not believe the Megamore claims have merit, although there is no guarantee that the liquidator will agree not to proceed with the claim.

Harmony has, however, recently initiated two significant proceedings. On September 23, 2002, Harmony and Durban Roodepoort Deep, another South African gold mining company, filed a complaint against Iscor, a South African steel producer. The complaint, which is currently pending with the South African Competition Commission, alleges that Iscor abused a dominant position by charging excessive prices for its local flat steel products and providing inducements for steel purchasers to refrain from importing competing steel products. In addition, Harmony recently brought a claim for arbitration seeking reimbursement of pumping costs from the Placer Dome Western Areas Joint Venture, or Placer Dome Western Areas. Harmony has incurred these costs to pump water out of a closed shaft at the Randfontein operations so that water will not seep into a nearby shaft operated by Placer Dome Western Areas. The pumping costs (which accrue at a rate of Rand 3.5 to 4.5 million per month) amounted to approximately Rand 53.5 million ($6.1 million) as of November 30, 2002. Harmony expects arbitration of this claim will commence in April 2003. The claim went to arbitration in May and October 2003, resulting in a settlement being reached subsequent to the hearing in October 2003. In terms of the agreement of settlement, Harmony is entitled to disclose that the arbitration has been settled, but is obliged to keep the remaining terms and conditions confidential. Further, since March 10, 2003, Placer Dome Western Areas have been conducting the pumping operations at their own cost and will continue to do so indefinitely, subject to an obligation to give at least one month's notice to Harmony prior to ceasing pumping operations.

Dividends and Dividend Policy

Harmony has paid interim and final dividends on its ordinary shares in 2001, 2002 and 2003. In each of the last three fiscal years, an interim dividend was declared by the Board for the first six months of the fiscal year and paid during the third quarter of the

fiscal year. In fiscal 2001 and 2002, a final dividend was declared by the Board at the end of the fiscal year to which it related, and paid during the first quarter of the next succeeding fiscal year. The final dividend for fiscal 2003 was declared on August 1, 2003 and, accordingly, will be recorded in Harmony's financial statements for fiscal 2004. The holders of Harmony's redeemable convertible preference shares, or the preference shares (none of which are currently outstanding), were not entitled to receive dividends out of Harmony's profits or to participate in any other distribution to the shareholders of Harmony. For information on Harmony's accounting policy relating to dividends, see note 2(u) to the consolidated financial statements.

The following table sets forth the dividends announced and paid in respect of Harmony ordinary shares for the periods indicated.

Fiscal year ended June 30,										
2004		**2003**		**2002**		**2001**				
1										
	($)	**(R)**	**($)**	**(R)**	**($)**	**(R)**				
Interim dividend	--	--	--	--	0.08	0.75				
					0.07	0.50				
Current year final dividend	--	--	--	--	--	--				
					0.09	--				
Prior year final dividend					0.20	1.5				
	0.41	4.25	--	--	--	--				
Total dividend	0.20	1.5	0.41	4.25	0.08	0.75				
					0.16	1.20				

1 As of December 12, 2003

South African law was relaxed to permit the distribution of a company's equity as a dividend, provided that the necessary shareholder approval is obtained and, after the distribution of the dividend, the company remains solvent and liquid. Cash dividends, however, may only be paid out of profits. Previously under South African law, a company's equity could not be distributed as a dividend. Cash dividends paid by Harmony will not bear any interest 162 payable by Harmony. The amount of dividends, if

any, paid in the future will depend on Harmony's results of operations, financial condition, cash requirements and other factors deemed relevant by the Board.

SIGNIFICANT CHANGES

ARMgold merger

On September 22, 2003 Harmony completed a merger with ARMgold. The Harmony/ARMgold merger was effected by the issue of two Harmony shares for every three ARMgold shares held. Approximately 63.67 million shares were issued, increasing Harmony's outstanding shares to 257.8 million. At a price of R90.00 per share, the new company has a market capitalization of R23.2 billion (US$3.1 billion at R7.50 to the U.S. Dollar). The aggregate number of Harmony shares issued to ARMgold shareholders represents 25% of the enlarged issued share capital of the merged company. One of our largest shareholders, holding approximately 14% of the new company is African Rainbow Mineral and Exploration Investments (Pty) Ltd (ARMI), represented by Patrice Motsepe. As a result of the merger, a number of ARMgold employees and directors have joined Harmony's Board and Senior Management, including Mr. Motsepe, who is our non-executive Chairman. For purposes of US GAAP,the merger is being accounted for as a purchase of ARMgold by Harmony. See "Item 6. Directors, Senior Management and Employees-Directors and Senior Management." and "Item 5. Operating and Financial Review and Prospects Overview."

Acquisitions and Disposals

On July 15, 2003, Harmony announced that it had entered into an agreement with Anglo South Africa (Pty) Limited ("Anglo SA") whereby it would acquire 77,540,830 ordinary share in Avgold Limited ("Avgold") or 11.5% of Avgold's outstanding share capital from Anglo SA, in exchange for 6,960,964 new Harmony ordinary shares issued to Anglo SA. The agreement with Anglo SA provides, that should the Company make an offer to acquire the other Avgold shareholders' interest, the consideration payable to Anglo SA will be adjusted to reflect the amounts paid to the other Avgold shareholders.

On August 14, 2003, Randfontein, a wholly-owned subsidiary of the Company received from Africa Vanguard Resources (Proprietary) Limited ("Africa Vanguard") $19 million as consideration for 26% of Randfontein's mineral rights in respect of the Doornkop Mining Area. Randfontein and Africa Vanguard also entered a joint venture agreement in terms of which they agreed to jointly conduct a mining operation in respect of the Doornkop Mining Area by means of the Doornkop Joint Venture. For U.S. GAAP purposes, Harmony will not account for this transaction as a sale, but will consolidate the results of Africa Vanguard and the Doornkop Joint Venture, as both these entities have been determined to be variable interest entities, with Harmony as the primary beneficiary of both variable interest entities.

In October, 2003 Harmony sold its equity interest of 31.7% in Highland Gold Limited, a Russian gold producer, in a private placement for a price of 2.05 per share. Harmony acquired the Highland Gold interest in May, 2002. In addition, Harmony also sold its 16.2% stake in the Canadian gold producer High River Gold Mines Limited in a block trade for a price of C$1.75 per share. Harmony acquired the High River Gold interest in November, 2002. The sale of these investments represents a combined gain of approximately (US$100 million).

On November 7, 2003, Harmony entered into an agreement to dispose of its wholly-owned subsidiary Kalgold to The Afrikander Lease Limited ("Aflease") for a total consideration of $39.0 million. The consideration will comprise of a cash payment of $19.5 million and the issue by Afleases to Harmony of 25,700,935 ordinary shares in Afleases valued at $19.5 million.

Also on November 7, 2003 Abelle announced that it has entered into negotiations with Legend Mining Limited, whereby Legend has offered to purchase the Gidgee gold project. Legend has made an offer to buy Abelle's 100% legal and beneficial interest in the project for a consideration of A$ 6.5 million (subject to certain adjustments) comprising approximately 600 square kilometers of mining and exploration tenements together with project infrastructure including the CIP gold treatment plant, haul roads and access infrastructure, underground mine and associated infrastructure as well as stockpiles, reserves and resources. The purchase price shall be subject to final adjustment in respect of stores, gold in circuit and environmental bonds. The transaction is conditional on the necessary governmental consents and approvals, including approval of the disposal of the assets by the shareholders of Abelle and Legend within 60 days of acceptance of the offer.

On November 13, 2003, Harmony announced that it reached an agreement in principle with Avmin whereby it would enter into a number of transactions with Avmin. The first transaction involves Harmony acquiring Avmin's 286,305,263 ordinary shares in

Avgold, or 42.2% of Avgold's outstanding share capital, in exchange for 28,630,526 new Harmony ordinary shares to be issued to Avmin. Should the acquisition of Avmin's interest in Avgold become unconditional, Harmony will be required to make a mandatory offer to the Avgold minority shareholders on the same terms as which it acquired Avmin's interest in Avgold. Harmony will also dispose of its Kalplats platinum project and associated mineral rights to Avmin, in exchange for 2 million new Avmin ordinary shares to be issued to Harmony. Should all of the above described transactions be consummated as expected, Avgold will become a wholly-owned subsidiary of Harmony. Harmony and Avmin will have cross shareholdings in each other whereby Harmony will own a 20.1% interest in Avmin, and Avmin will own a 22.2% interest in Harmony

On December 2, 2003 Harmony announced its intention to sell Bissett to San Gold Resources Corporation (San Gold) for C$7.5 million. The terms of a letter of intent stated that there is a 90-day option and due diligence period. During this period, 3 payments of C$50,000 will be made at intervals of 2, 30 and 60 days, with the first payment having been completed. At the end of the three month period, San Gold can complete the transaction by paying the Company C$3.5 million in cash and C$4 million either in cash or by an issue of San Gold shares.

Harmony, ARMI and Avmin are currently in the process of restructuring the group which is proposed to involve all of the following transactions:

- Harmony would acquire Avmin's holding in Avgold at a price of R10.11 per share, to be

effected by the issue of 28,630,526 Harmony shares. Harmony would then have a majority interest in Avgold of approximately 53.7%, which would trigger the requirement for a mandatory offer by the South African Securities Regulation Code of Takeovers and Mergers and Rules of the Securities Regulation Panel.Such offer would have to comprise the same consideration as Harmony made for the Avmin majority acquisition, i.e., 1 Harmony share per 10 Avgold shares, to the remaining Avgold minority shareholders;

- Avmin would acquire ARMI's indirect 13.6% holding in Harmony and ARMI's 41.5%

indirect interest in the Modikwa joint venture. ARMI would in turn receive shares of Avmin, which would give ARMI a majority interest.

- Avmin would acquire the Kalplats platinum discovery and associated mineral rights from

Harmony, the consideration for which would be discharged by the issue of Avmin shares to Harmony; and

Harmony would then merge its remaining Avmin shares with the Avmin shares controlled by ARMI, either through a voting pool or sale arrangement, so that ARMI would control Avmin. The South African Securities Regulation Panel has indicated to ARMI and Avmin that it will allow a waiver of the requirement for ARMI to extend a mandatory offer to the Avmin minority shareholders, provided that a majority of the Avmin shareholders (excluding ARMI and Harmony) agree to waive the requirement.

Item 9. ***The Offer and Listing***

MARKETS

The principal non-United States trading market for the ordinary shares of Harmony is the JSE, on which the Harmony ordinary shares trade under the symbol "HAR." The ordinary shares of Harmony are also listed on the Official List of the UK Listing Authority and traded on the London Stock Exchange and are listed on the Premier March of Euronext Paris. Harmony's International Depositary Shares are listed on

164

Euronext Brussels. From October 1996 to November 26, 2002, Harmony's ADSs traded in the United States on The Nasdaq Stock Market under the trading symbol "HGMCY." Since November 27, 2002, Harmony's ADSs have traded on the New York Stock Exchange under the trading symbol "HMY." The ADRs representing the ADSs are issued by The Bank of New York, as depositary.

OFFERING AND LISTING DETAILS

The high and low sales prices in Rand for Harmony's ordinary shares and warrants on the JSE for the periods indicated were as follows:

	Harmony ordinary shares		**Harmony warrants**	
	(Rand per ordinary share)		**(Rand per warrant)**	
	High	**Low**	**High**	**Low**
Fiscal year ended June 30, 2000	46.10	21,00	--	--
Fiscal year ended June 30, 2001				
First Quarter	39.00	33.00	--	--
Second Quarter	37.00	26.00	--	--
Third Quarter	47.00	30.80	--	--
Fourth Quarter	51.00	36.15	14.75	12.00
Full Year	51.00	26.00	14.75	12.00
Fiscal year ended June 30, 2002				
First Quarter	49.20	38.50	14.75	11.00
Second Quarter	99.00	48.00	49.00	13.30
Third Quarter	133.60	70.00	89.00	

29.90
Fourth Quarter 187.30
110.00
140.00
73.00
Full Year 187.30
38.50
140.00
11.00
Fiscal year ended June 30, 2003
First Quarter 181.50
103.50
135.00
68.10
Second Quarter 165.20
115.50
124.00
76.00
Third Quarter 156.20
86.50
56.21
56.21
Fourth Quarter 117.50
71.00
59.33
57.08
Full Year 181.50
71.00
135.00
56.21
Month of
June 2003 . . . . . 117.50
96.00
59.33 57.08
July 2003 . . . . . 104.80
3.70
--
--
August 2003 . . . . . 107.50
88.00
--
--
September 2003 . . . . . 118.00
97.15
--
--
October 2003 . . . . . 109.75
92.20
--
--
November 2003 . . . . . 105.80

93.02
--
--
December 2003
(through December 10, 2003) 99.00
95.80
--
--
165

The high and low sales prices in U.S. dollars for Harmony's ADRs and warrants for the periods indicated, as reported by The Nasdaq Stock Market through November 26, 2002 and by the New York Stock Exchange since that date, were as follows:

	Harmony ADRs ($ per ADR)		**Harmony warrants ($ per warrant)**	
	High	**Low**	**High**	**Low**
Fiscal year ended June 30, 2000	7.50	3.69	--	--
Fiscal year ended June 30, 2001				
First Quarter	4.50	--	5.69	5.16
	3.47		--	
Second Quarter	1.65			
Fourth Quarter	--	--		
Third Quarter	3.88	5.66	--	--
Fourth Quarter	4.50	6.50	1.90	
Full Year	6.50	3.47	1.90	1.65
Fiscal year ended June 30, 2002				
First Quarter	5.54	4.50	1.91	1.36
Second Quarter				

5.01
6.92
3.10
1.33
Third Quarter .....
8.25
11.85
6.31
3.02
10.18
19.00
14.53
6.20
Full Year.....
19.00
4.50
14.53
1.33
Fiscal year ended June 30, 2003
First Quarter .....
9.98
17.86
--
--
Second Quarter.....
12.30
13.26
11.62
18.45
Third Quarter.....
18.47
11.08
7.00
7.00
Fourth Quarter.....
10.14
14.90
7.90
7.60
Full Year.....
18.47
9.98
13.26
7.00
Month of
June 2003.....
12.77
14.90
7.90
7.60
July 2003 .....

14.15
10.90
--
--
August 2003.....
11.94
14.69
--
--
September 2003 .....
15.95
13.89
--
--
October 2003 .....
15.79
13.10
--
--
November 2003
.....
13.27
15.84
--
--
December 2003 (through December 10, 2003).....
--
15.38
--
14.63

On December 10, 2003, the closing price for the Harmony ordinary shares on the JSE was Rand 98.15 and the closing price for the Harmony ADSs on the New York Stock Exchange was $14.66.

THE JSE SECURITIES EXCHANGE SOUTH AFRICA

The JSE was formed in 1887. The JSE provides facilities for the buying and selling of a wide range of securities, including equity and corporate debt securities and warrants in respect of securities, as well as Krugerrands.

The JSE is a self-regulated organization operating under the ultimate supervision of the Ministry of Finance, through the Financial Services Board and its representative, the Registrar of Stock Exchanges. Following the introduction of the Stock Exchanges Control Amendment Act No. 54 of 1995, which provides the statutory framework for the deregulation of the JSE, the JSE's rules were amended with effect from November 8, 1995. These amendments removed the restrictions on corporate membership and allowed stockbrokers to form limited

liability corporate entities. Members were, for the first time, also required to keep client funds in trust accounts separate from members' own funds. Further rules to complete the deregulation of the JSE, as envisaged by the Stock Exchanges Control Amendment Act No. 54 of 1995, were promulgated during 1996 to permit members of the JSE to trade either as agents or as principals in any transaction in equities and to allow members to negotiate freely the brokerage commissions payable on agency transactions in equities. With effect from June 7, 1996, screen trading commenced on the JSE.

The market capitalization of South African equity securities was approximately Rand 1.68 trillion as of November 30, 2003. The actual float available for public trading is significantly smaller than the aggregate market capitalization because of the large number of long-term holdings by listed holding companies in listed subsidiaries and associates, the existence of listed pyramid companies and cross holdings between listed companies. Liquidity on the JSE (measured by reference to the total market value of securities traded as a percentage of the total market capitalization) as of June 30, 2003 was 34.4% on an annualized basis. Trading is concentrated in a relatively small number of companies. As of November 30, 2003, there were 405 listed companies on the JSE.

South Africa was included in the Morgan Stanley Capital International Emerging Markets Free Index, or MSCI Emerging Markets Free Index, and the International Finance Corporation Investable Index, or IFCI Index, in March and April 1995, respectively. South Africa has a significant representation in these emerging market indices, with weightings of 12.8% in the MSCI Emerging Market Free Index as of December 9, 2002 and 10.4% in the S&P/IFCI Investable Index (formerly known as the IFCI Index) as of December 9, 2002.

The main indices charting the performance of the JSE as a whole and of composite sectors include the FTSE/JSE All Share Index, the FTSE/JSE Financial Index, the FTSE/JSE Industrial Index and the FTSE/JSE Resources Index. As of December 9, 2002, the All Share Index accounted for 100%, the Financial Index accounted for approximately 25%, the Basic Industrial and Consumer Goods Index accounted for approximately 30% and the Resources Index accounted for approximately 45%, respectively, of the JSE's total market capitalization.

The JSE settles securities trades through a computerized clearing system of the clearing house that the JSE operates. All trades are downloaded from the "JET" automated trading system to the Equity Clearing House system and each week's trades are netted by brokers and settled on a daily basis from Tuesday to Friday, commencing on Tuesday of the following week.

Purchasers of securities must pay their stockbroker for the securities on offer of delivery by the broker or, if delivery is not tendered, within seven business days after the trade date, unless the purchaser has net assets in excess of Rand 10 million or settles through a bank, in which case they are only required to pay on offer of delivery by the broker. Securities are allocated to the account of the purchaser once they have been received by the broker and they have been fully paid for.

Sellers of securities must deliver their shares to their stockbroker within seven business days after the trade date and receive the proceeds of the sale on delivery, but not before the Tuesday of the following settlement week.

The JSE has undertaken an initiative to dematerialize share certificates in a Central Security Depositary operated by STRATE Limited (Share Transactions Totally Electronic), and has introduced contractual, rolling settlement in order to increase the speed, certainty and efficiency of the settlement mechanism and to fall into line with international practices. The STRATE System was fully implemented as of December 2001, and settlement on the JSE is currently made five days after each trade (T+5). The JSE has also stated that it intends eventually to move to a system in which the five-day settlement period is reduced further to T+3 and possibly T+1. Harmony's ordinary shares can, accordingly, only be traded on the JSE electronically in paperless, dematerialized form through the STRATE System. Harmony's shares may be issued initially in certificated form, but must be dematerialized before they can be traded.

Holders of dematerialized securities may withdraw their securities from the STRATE system in exchange for registered certificates. Transfers of securities eligible for inclusion in the STRATE system must be effected through the STRATE system by a deposit or redeposit of the securities to be transferred prior to the transfer.

PLAN OF DISTRIBUTION

Not applicable.

SELLING SHAREHOLDERS

Not applicable.

DILUTION

Not applicable.

EXPENSES OF THE ISSUE

Not applicable.

Item 10. ***Additional Information***

SHARE CAPITAL

Not applicable.

MEMORANDUM AND ARTICLES OF ASSOCIATION

This section summarizes certain material provisions of Harmony's Memorandum and Articles of Association, the Companies Act and the JSE listings requirements, each as currently in effect. These descriptions do not purport to be complete and are qualified in their entirety by reference to all of the provisions of those sources. Directions on how to obtain a complete copy of Harmony's Articles of Association are provided under "--Documents on Display" below.

General

Harmony is a public company with limited liability, and is registered under the Companies Act with the Registrar of Companies, Department of Trade and Industry under Registration number 1950/038232/06. Harmony is governed by its Memorandum of Association and Articles of Association, the provisions of the Companies Act and the JSE Listings Requirements. Harmony's operations are also subject to various laws and regulations, including those described in "Item 4. Information on the Company Regulation."

Objects and Purposes

Harmony's objects are set forth in Paragraph 3 of its Memorandum of Association and include:

- to acquire by purchase, cession, grant, lease, exchange or otherwise any

movable or immovable property, mines, mineral property, claims, mineral rights, mining rights, mining leases, mining titles, mynpachts, lands, farms, buildings, water rights, concessions, grants, rights, powers, privileges, surface rights of every description, servitudes or other limited rights or interests in land and mineral contracts of every description; and any interest therein and rights over the same; and to enter into any contract, option or prospecting contract in respect thereof, and generally to enter into any arrangement that may seem conducive to Harmony's objects or any of them;

- to carry out all forms of exploration work and in particular to search for,

prospect, examine, explore and obtain information in regard to mines, mineral properties, claims, mineral rights, mining rights, mining leases, mining titles, mynpachts, mining districts or locations and ground and soil supposed to contain or containing precious stones, minerals or metals of every description;

- to open, work, develop and maintain gold, silver, diamond, copper, coal,

iron and other mines, mineral and other rights, properties and works, and

to carry on and conduct the business of raising, crushing, washing, smelting, reducing and amalgamating ores, metals, minerals and precious stones, and to render the same merchantable and fit for use and to carry on all or any of the businesses of miners, mineralogists, metallurgists, amalgamators, geophysicists, smelters, quarry owners, quarrymen and brickmakers;

- to buy, sell, refine and deal in bullion, specie, coin and precious and base

metals, and also precious stones and other products of mining; and

- to employ and pay mining experts, agents and other persons, partnerships,

companies or corporations, and to organize, equip and dispatch expeditions for prospecting, exploring, reporting on, surveying, working and developing lands, farms, districts, territories and properties in any part of the world, whether the same are the property of Harmony or otherwise.

Directors

Disclosure of Interests

A Harmony director may not vote in respect of any contract or arrangement in which he or she is interested, and may not be counted in the quorum for the purpose of any resolution regarding such a contract or arrangement. This restriction does not apply, however, to:

- any arrangement for giving the director a security or indemnity in respect

of money lent, or an obligation undertaken, by such director for the benefit of Harmony;

- any arrangement by which Harmony gives any security to a third party in

respect of a debt or obligation of Harmony for which the director himself or herself has assumed responsibility, in whole or in part, whether under a guarantee or indemnity or by the deposit of a security;

- any contract by the director to subscribe for or underwrite shares or

debentures of Harmony;

- any contract or arrangement with a company other than Harmony, in

which the director holds or controls, directly or indirectly, no more than one percent of shares representing either (i) any class of the equity share capital of that company or (ii) the overall voting rights of that company; or

- any retirement scheme or fund which relates to both directors and to

employees (or a class of employees) and does not accord to any director, as such, any privilege or advantage not generally accorded to the employees to which such scheme or fund relates.

The restrictions preventing directors from voting in respect of contracts or

arrangement in which they are interested may be suspended or relaxed at any time, either generally or in respect of particular circumstances, by the holders of 75% Harmony's ordinary shares who are present and voting in a general meeting.

A director, notwithstanding his of her interest, may be counted in the quorum present at any meeting where: (i) he or she or any other director is appointed to hold any office or position of profit in Harmony; (ii) the directors resolve to exercise any of Harmony's rights to appoint, or concur in the appointment of, a director to hold any office or position of profit in any other company; or (iii) the terms of any such appointment are considered or varied. At this meeting, each director may vote on the matters listed above, but no director may vote in respect of his or her own appointment, or the arrangement or variation of the terms of his or her own appointment.

The restrictions described above do not prevent or debar any director, as a holder of any class of Harmony shares, from taking part in or voting upon any question submitted to a vote by that class at a general meeting, regardless of that director's personal interest or concern.

Compensation

The remuneration of the directors of Harmony in their capacity as directors, including fees per directors meeting, and additional compensation for the performance of other services, such as serving on committees, may be established either by a majority of the holders of Harmony's ordinary shares, present and voting in a general meeting, or by a majority of disinterested directors at a meeting of directors, provided they constitute a quorum.

Borrowing Powers

The Harmony directors may raise, borrow or secure the payment of any sums of money for Harmony's purposes as they see fit. However, without the consent of a majority of the holders of Harmony's ordinary shares present and voting in a general meeting, the aggregate principal amount outstanding in respect of monies raised, borrowed or secured by Harmony and any of its subsidiaries may not exceed the greater of (i) Rand 40 million or (ii) the aggregate amount, from time to time, of Harmony's issued and paid up capital, plus the aggregate of the amounts standing to the credit of all distributable and non-distributable reserves, plus Harmony's share premium account and the share premium accounts of Harmony's subsidiaries.

The Companies Act provides that a company may only make a loan to its owner, director or manager with the prior consent of all the members of the company or pursuant to a special resolution relating to a specific transaction.

Rotation

At each annual general meeting of Harmony, one-third of the directors, or, if the number is not a multiple of three, then the number nearest to but not exceeding one-third, shall retire from office by rotation. Those directors who have been longest in office since their last election or re-election shall retire. As between directors of equal seniority, the directors to retire by rotation shall, in the absence of agreement, be selected by lot. If at the date of any annual general meeting, any director shall have held office for a period of at least three years since his or her last election or re-election, he or she shall retire at such meeting, either as one of the directors resigning pursuant to the aforementioned rotation principles, or in addition thereto. At the next general meeting of shareholders, Bernard Swanepoel, Ted Grobicki and Mike Pleming

willl retire by rotation at the meeting. Retiring directors are eligible for re-election and said directors have made themselves available for re-election.

If a director is appointed to any Harmony executive office, his or her employment contract may provide that he or she shall be exempt from rotation for the lesser of (i) a period of 5 years or (ii) the period during which he or she continues to hold the relevant executive office. During the relevant period, the director in question shall not be taken into account in determining the retirement of directors by rotation. The number of directors who may be exempt from retirement by rotation in this manner shall not equal or exceed one-half of the total number of the directors at the time of the relevant director's appointment. Currently none of Harmony's directors are exempted from retirement under these provisions.

Qualifications

There is no age limit requirement with regard to retirement or non-retirement of directors. Directors are not required to hold any shares in Harmony to qualify them for appointment as directors.

Share Capital

As of June 30, 2003, the issued share capital of Harmony consisted of a total of Rand 92,427,058, divided into 184,854,115 ordinary shares with a par value of Rand 0.50 each. As of December 10, 2003, the issued share capital of Harmony consisted of Rand 128,962,192, divided into 257,924,384 ordinary shares with a par value of Rand 0.50 each. At the annual general meeting held on September 1, 2003, Harmony authorized share capital was increased from 250,000,000 ordinary shares with a par value of Rand 0.50 each to 350,000,000 ordinary shares with a par value of 0.50 each. The terms of the ordinary shares are described in "-- Description of Ordinary Shares" below.

Description of Ordinary Shares

This section summarizes the material provisions of Harmony's ordinary shares as set out in Harmony's Memorandum and Articles of Association, the Companies Act and the JSE listings requirements, each as currently in effect. It does not purport to be complete and is qualified in its entirety by reference to all of the provisions of those sources.

Dividends

Either the Board or a majority of the holders of Harmony ordinary shares, voting in a general meeting, may, from time to time, declare a dividend to be paid to the registered holders of ordinary shares according to their respective rights and interests in the profits, measured in proportion to the number of ordinary shares held by them. Under South African law, a company's equity may be distributed as a dividend, provided that any necessary shareholder approval is obtained and, after the distribution of the dividend, the company remains solvent and liquid. Cash dividends, however, may only be paid out of the profits of the company. Cash dividends paid by Harmony will not bear any interest payable by Harmony. Dividends may be declared either free of, or subject to, the deduction of income tax and any

other tax or duty which may be chargeable. There is currently no tax payable in South Africa by the recipients of dividends who are outside South Africa.

Dividends are declared payable to holders of ordinary shares who are registered as such on a record date determined by the Board, which must be after the later of the date of the dividend declaration or the date of confirmation of the dividend. The period between the record date and the date of the closing of the transfer registers in respect of the dividend shall be not less than 14 days.

Holders of Harmony ordinary shares, voting in a general meeting, may not declare a dividend greater than the amount recommended by the directors, but may declare a smaller dividend. Dividends will be paid to the holders of Harmony ordinary shares in proportion to the number of their shares. All unclaimed dividends may be invested or otherwise utilized by the Board for the benefit of Harmony until claimed; provided that dividends unclaimed after a period of twelve years from the date of declaration may be declared forfeited by the Board. Forfeited dividends revert to Harmony.

Any dividend or other sum payable in cash to a holder may be transmitted by a payment method determined by the directors, such as electronic bank transfer or ordinary post to the address of the holder recorded in the register or any other address the holder may previously have given to Harmony in writing. Harmony will not be responsible for any loss in transmission.

Any dividend may be paid and satisfied, either wholly or in part, by the distribution of specific assets, including shares and debentures of any other company, in cash, or by one or more of such methods, as the Board may determine and direct at the time of the dividend declaration.

When any holders of Harmony ordinary shares reside outside of South Africa, the Board has the power, subject to any applicable laws or regulations, to declare a dividend in a relevant currency other than the Rand and to determine the date on which and the rate of exchange at which the dividend shall be converted into the other currency.

All cash dividends paid by Harmony are expected to be in Rand. Holders of ADRs on the relevant record date will be entitled to receive any dividends payable in respect of the ordinary shares underlying the ADRs, subject to the terms of the Deposit Agreement. Cash dividends paid in Rand will be converted by the depositary to U.S. dollars and paid by the depositary to holders of ADRs, to the extent it can do so on a reasonable basis and can transfer the U.S. dollars to the United States, net of conversion expenses of the depositary, and in accordance with the Deposit Agreement.

Voting Rights

Subject to any rights or restrictions attached to any class of ordinary shares, every holder of Harmony ordinary shares who is present in person at a shareholder meeting, or a person present as a representative of holders of one or more ordinary shares, shall on a show of hands have one vote, irrespective of the number of ordinary shares he holds or represents. Every holder of ordinary shares shall, on a poll, have one vote for every ordinary share held by him. A shareholder is entitled to appoint a proxy to attend and speak and vote at any meeting on his or

her behalf. The proxy need not be a shareholder. On a poll, a shareholder entitled to more than one vote (or his representative, proxy or agent) need not, if he votes, use all of his votes or cast all of his votes in the same way.

Distribution of Assets on Liquidation

In the event of voluntary or compulsory liquidation, dissolution or winding up, the assets remaining after payment of all the debts and liabilities of Harmony, including the costs of liquidation, will be applied to repay the amount paid up on Harmony's issued capital to holders of Harmony ordinary shares and, thereafter, the balance will be divided pro rata among the holders of Harmony ordinary shares, subject to any special rights or conditions attaching to any shares. Any portion of Harmony's assets may, upon such liquidation, dissolution or winding up, and with the approval of a special resolution, be paid to the ordinary shareholders by the distribution of specific assets or may be vested in trustees for the benefit of such ordinary shareholders.

Redemption/Purchase of Shares

No shares shall be issued which are redeemable by their terms or at the option of any party.

The Companies Act permits companies to establish share incentive trusts and provide funds with which such trusts may purchase securities (including debt and equity securities) of the company or its holding company. These securities are to be held by or for the benefit of employees, including salaried directors. The Companies Act also permits such a trust to loan funds to company employees for the purpose of purchasing or subscribing for Harmony securities, provided that such trusts may not loan funds to directors who do not hold salaried employment or office.

The Companies Amendment Act provides that, with effect from June 1, 1999, a company may approve the acquisition of its own shares by special resolution, if authorized to do so by its articles. A company is not, however, permitted to make any form of payment to acquire any of its own shares if there are reasonable grounds for believing that the company is or, after the payment, would be unable to pay its debts or if, after the payment, the consolidated assets of the company fairly valued would be less than the consolidated liabilities of the company. The procedure for acquisition of shares by a company is regulated, in the case of listed companies, both by the Companies Amendment Act and the Listings Requirements of the JSE. The Companies Amendment Act further provides that a company may make payments to its shareholders if authorized by its articles subject to the liquidity and solvency requirements described above.

Harmony is authorized pursuant to its Articles of Association to approve the acquisition of its shares by special resolution from time to time. Harmony is also authorized pursuant to its Articles of Association to make payments in cash or in specie to any class of its shareholders.

Issue of Additional Shares and Pre-emptive Rights

The Companies Act does not provide holders of any class of Harmony's shares with pre-emptive rights. However, the JSE requires that any new issues of equity shares by companies listed on the exchange must first be offered to existing holders of such shares, in proportion to their current holding.

The JSE will, however, allow a company to issue shares to third parties without first offering them to existing shareholders, in circumstances such as the following:

- pursuant to an employee share incentive scheme the terms of which have been approved by the holders of the relevant class of shares in a general meeting;
- for the acquisition of an asset, provided that if the issue is more than 30% of the company's issued share capital, a simple majority of holders of ordinary shares present and voting, must vote in favor of the acquisition;
- to raise cash by way of a general issue in the discretion of the directors (but not to related parties) of up to 15% of the issued share capital in any one fiscal year at an issue price with a discount not exceeding 10% of the 30-day weighted average trading price prior to the determination date, provided that the holders of ordinary shares, present and voting at a general meeting, must approve the granting of such authority to the directors by a 75% vote; or
- to raise cash by way of a specific issue of a specified number or a maximum number of shares for cash provided that the holders of ordinary shares, other than controlling shareholders, present and voting, vote in favor of the resolution to issue the shares at a general meeting by a 75% vote. In terms of JSE listings requirements, the circular to be sent to all shareholders informing them of the general meeting must include, *inter alia*:

i. details of the persons to whom the shares are to be issued if such persons fall into the following categories or other categories identified by the JSE: directors of the company or its subsidiaries or their associates; trustees of employee or directors' share scheme or pension funds; any person having the right to nominate directors of the company; and certain shareholders holding more than 10% of the issued share capital;

ii. if the persons to whom the shares are to be issued are related parties, an independent expert's opinion that the issue price is fair and reasonable; and

iii.
should the maximum size of the issue equal or exceed 30% of the company's issued share capital, full listing particulars, which include, *inter alia*, a reporting accountant's report and, in the case of a mining company, a competent person's report setting out technical details of the company's operations and assets.

Transfer of Shares

Owners of Harmony ordinary shares may transfer any or all of their shares in writing in any common form or in any form approved by the Harmony directors. Every instrument of transfer must be executed by the transferor or, if the directors so determine, by the transferor and the transferee. The transferor will remain the holder of the ordinary shares transferred until the name of the transferee is entered in Harmony's register of members in respect of such ordinary shares.

The Board may refuse to recognize any instrument of transfer that is not duly stamped (if required) or is not accompanied by appropriate evidence of the transferor's title. Such right of refusal will not prevent dealings occurring on an open and proper basis. Harmony retains all instruments of transfer that are registered. Any instrument of transfer that the Board refuses to register is, except in the case of fraud, returned on demand to the person depositing such instrument.

Rights of Minority Shareholders and Fiduciary Duties

Majority shareholders of South African companies have no fiduciary obligations under South African common law to minority shareholders. However, under the Companies Act, a shareholder may, under certain circumstances, seek relief from the court if he has been unfairly prejudiced by the company. The provisions in the Companies Act are designed to provide relief for oppressed shareholders without necessarily overruling the majority's decision. There may also be common law personal actions available to a shareholder of a company.

The fiduciary obligations of directors may differ from those in the U.S. and certain other countries. In South Africa, the common law imposes on directors a duty to act with care, skill and diligence and fiduciary duties, which include the duty to conduct the company's affairs honestly and in the best interests of the company.

Variation of Rights

Harmony may vary the rights attached to any issued or not yet issued shares by special resolution. However, if at any time the issued share capital is divided into different classes of shares, the rights attached to any class may not be varied except with the consent in writing of the holders of at least 75% of the issued shares of that class or through a resolution passed at a separate general meeting of the holders of the shares of that class. The quorum for such a meeting shall be the lesser of (i) 3 shareholders or (ii) 75% of the shareholders of that class, present in person or by their representatives, agents or proxies, provided that such shareholders must control or hold at least one half of the issued shares of that class. A share shall be a share of a different class from another share if the two shares do not rank *pari passu* in every respect.

Changes in Capital or Objects and Powers of Harmony

The provisions of Harmony's Memorandum and Articles of Association pertaining to changes in Harmony's share capital and powers are substantially equivalent to the provisions of the Companies Act. Harmony may by special resolution:

- increase its authorized or paid-up share capital;
- consolidate and divide all or any part of its shares into shares of a larger amount;
- increase the number of its no par value shares without an increase of its stated capital;
- sub-divide all or any part of its shares having a par value;
- convert all of its ordinary or preference share capital consisting of shares having a par value into stated capital constituted by shares of no par value and vice versa;
- convert its stated capital constituted by ordinary or preference shares of no par value into share capital consisting of shares having a par value;
- vary the rights attached to any shares whether issued or not yet issued;
- convert any of its issued or unissued shares into shares of another class;
- convert any of its paid-up shares into stock, and reconvert any stock into any number of paid-up shares of any denomination;
- convert any of its issued shares into preference shares which can be redeemed;
- cancel shares which, at the date of passing of the resolution, have not been taken or agreed to be taken by any person, and diminish the amount of the authorized share capital by the amount of the shares so cancelled; or
- reduce the authorized share capital.

Harmony may by ordinary resolution:

- reduce its issued share capital;
- reduce its stated capital; or
- reduce its capital redemption reserve fund and share premium account.

Meetings of Shareholders

The Harmony directors may at any time convene general meetings of Harmony's shareholders. The directors shall convene a general meeting upon request of shareholders in accordance with the provisions of the Companies Act. No more than fifteen months may elapse between the date of one annual general meeting and the next, and the annual general meeting shall be held within six months after the expiration of each financial year of Harmony.

Harmony is required to provide its members with written notice of meetings, which shall specify the place, the day and time of the meeting. In every notice calling a meeting of Harmony or of any class of members of Harmony, there shall appear with reasonable prominence a statement that a member entitled to attend and vote is entitled to appoint a proxy to attend and vote in lieu of such person and that a proxy need not also be a member. Notice of a general meeting shall be given to the JSE and to the following persons and no other person shall be entitled to receive notice of general meetings:

- to every member of Harmony except any member who has not supplied to

Harmony a registered address for the giving of notices;

- to every person entitled to a share in consequence of the death or

insolvency of a member;

- to the directors and auditor for the time being of Harmony; and
- by advertisement to the holders of share warrants to bearer.

Annual general meetings and meetings calling for the passage of a special resolution require twenty-one days' notice in writing. Any other general meeting requires no less than fourteen days' notice in writing. A meeting called upon shorter notice shall be deemed to have been duly called if a majority in number of the members having a right to attend and vote at the meeting agree to such a shortened notice period, and if such members hold no less than 95% of the total voting rights of all members.

Harmony business may be transacted at a general meeting only when a quorum of members is present. Three members present personally or by representative and entitled to vote are a quorum.

The annual general meeting deals with and disposes of all matters prescribed by the Harmony Articles of Association and by the Companies Act, including:

- the consideration of the annual financial statements and report of the

auditors;

- the election of directors;
- the appointment of auditors; and
- any business arising from the annual financial statements considered at the

meeting.

The holder of a general or special power of attorney given by a member, whether the holder is a member or not, shall be entitled to attend meetings of Harmony or of any class of members of Harmony and to vote at such meetings if so authorized by the power of attorney. Any member may appoint a proxy, who need not be a member, to attend, speak and, subject to the provisions of the Companies Act, to vote in his place on a show of hands and on a poll at any general meeting or at any meeting of any class of members. The instrument appointing a proxy to vote at a meeting of Harmony and the power of attorney or other authority shall be deposited at the transfer office of Harmony not later than 48 hours (excluding Saturdays, Sundays and Public Holidays) before the meeting at which the person empowered proposes to vote. No instrument appointing a proxy shall be valid after the end of a period of 6 months commencing on the date on which it is signed unless otherwise expressly stated in the proxy.

Title to Shares

The registered holder or holders of any shares shall, during his or their respective lifetimes and while not subject to any legal incapacity, be the only person or persons recognized by Harmony as having any right to, or in respect of, such shares and, in particular, Harmony shall not be bound to recognize:

- That the registered holder or holders hold such shares upon trust for, or as

the nominee of, any other person; or

- That any person, other than the registered holder or holders, holds any

contingent, future or partial interest in such shares or any interest in any fractional part of any of such shares.

Where any share is registered in the names of two or more persons they shall be deemed to be joint holders. Accordingly where any member dies, the survivor or survivors, where the deceased was a joint holder, and the executor of the deceased, where the deceased was the sole holder, shall be the only persons recognized by Harmony as having any right to the interest of the deceased in any shares of Harmony.

Harmony may enter in the register as member, *nomine officii*, of Harmony, the name of any person who submits proof of his appointment as the executor, administrator, trustee, curator or guardian in respect of the estate of a deceased member of Harmony or of a member whose estate has been sequestrated or of a member who is otherwise under disability or as liquidator of any body corporate in the course of being wound up which is a member of Harmony, and any person whose name has been so entered in the register shall be deemed to be a member of Harmony.

Non-South African Shareholders

There are no limitations imposed by South African law or by the Articles of Association of Harmony on the rights of non-South African shareholders to hold or vote Harmony's ordinary shares or securities convertible into ordinary shares.

Disclosure of Interest in Shares

Until recently, there was generally no requirement in South Africa for persons or a group of persons acting in concert to disclose a beneficial ownership interest in shares. Pursuant to the Companies Amendment Act Number 37 of 1999, where securities of an issuer are registered in the name of a person and that person is not the holder of the beneficial interest in all of the securities so held, it is obliged, at the end of every three-month period after June 30, 1999 (i.e., commencing on September 30, 1999), to disclose to the issuer the identity of each person on whose behalf the registered holder holds securities and the number and class of securities issued by that issuer held on behalf of each such person. Moreover, an issuer of securities may, by notice in writing, require a person who is a registered shareholder, or whom the issuer knows or has reasonable cause to believe to have a beneficial interest in, a security issued by the issuer, to confirm or deny whether or not such person holds that beneficial interest and, if the security is held for another person, to disclose to the issuer the identity of the person on whose behalf a security is held. The addressee of the notice may also be required to give particulars of the extent of the beneficial interest held during the three years preceding the date of the notice. All issuers of securities are obliged to establish and maintain a register of the disclosures described above and to publish in their annual financial statements a list of the persons who hold beneficial interests equal to or in excess of 5% of the total number of securities of that class issued by the issuer together with the extent of those beneficial interests.

Changes in Control

There are various procedures under the Companies Act whereby mergers and takeovers can be effected. These procedures are not exclusive and there are a variety of techniques that can be used to acquire control. All of these procedures are, however, subject to control by the Securities Regulation Panel and the requirements embodied in the Securities Regulation Code on Take-overs and Mergers shall be adhered to. The JSE Listing Requirements also contain certain requirements with regard to the process involved in a merger or takeover. While the requirements of the Securities Regulation Panel and the JSE Listings Requirements might have the general effect of delaying, deferring or preventing a change in control of a company, Harmony's Memorandum and Articles of Association do not impose additional restrictions on mergers or takeovers.

Register of Members

Harmony keeps a register of shareholders at Harmony's office and at the office of Harmony's transfer secretaries in South Africa, and Harmony's transfer secretaries in the United Kingdom keep a branch shareholders' register at their offices.

The register of members includes:

- the names and address of the members;

- the shares held by each member, distinguishing each share by its denoting

number, if any, by its class or kind, and by the amount paid or deemed to be paid thereon;

- the date on which the name of any person was entered in the register as a

member; and

- the date on which any person ceased to be a member.

Annual Report and Accounts

The Board is required to keep such accounting records and books of account as are prescribed by the Companies Act.

The directors will cause to be prepared annual financial statements and an annual report as required by the Companies Act and the JSE rules. Harmony will deliver a copy of the annual report and annual financial statements to every member not less than twenty-one days prior to the date of each annual general meeting.

MATERIAL CONTRACTS

Harmony enters into material contracts in connection with its business, as described in "Item 4. Information on the Company--Business" and in connection with financing arrangements, as described in "Item 5. Operating and Financial Review and Prospects--Liquidity and Capital Resources.

EXCHANGE CONTROLS

Introduction

The following is a general outline of South African exchange controls. Investors should consult a professional adviser as to the exchange control implications of their particular investments.

The Republic of South Africa's exchange control regulations provide for restrictions on exporting capital from a Common Monetary Area consisting of South Africa, the Republic of Namibia and the Kingdoms of Lesotho and Swaziland. Transactions between South African residents (including corporations) and between residents and non-residents of the Common Monetary Area are subject to these exchange control regulations which are enforced by the SARB.

Although the exchange rate of the Rand is primarily market-determined, its value at any moment cannot be considered a true reflection of the underlying value of the Rand while exchange controls exist. The South African Government has stated repeatedly that it is committed to phasing out controls in a prudent manner. In line with this commitment, the

Financial Rand (part of the dual currency scheme which then existed) was abolished in 1995, and there has subsequently been a practice of leniency in applying certain capital ratios.

In view of the many inherent disadvantages of exchange controls, such as the distortion of the price mechanism, the problems encountered in the application of monetary policy, the detrimental effects on inward foreign investment and the large administrative costs, the South African Finance Minister has indicated that all remaining exchange controls are likely to be dismantled as soon as circumstances are favorable. Exchange controls were partially relaxed in 1996 and further relaxations occurred in 1997, 1998 and 1999 and were announced in the budget speech of the South African Finance Minister on February 24, 2000. The gradual approach to the abolition of exchange controls adopted by the South African Government is designed to allow the economy to adjust more smoothly to the removal of controls that have been in place for a considerable period of time. The stated objective of the authorities is to reach a point where there is equality of treatment between residents and non-residents in relation to inflows and outflows of capital. Unlimited outward transfers of capital are not permitted at this stage, but the emphasis of regulation is expected to be increasingly on the positive aspects of prudential financial supervision.

The comments below relate to exchange controls in force at June 30, 2003. These controls are subject to change at any time without notice. It is not possible to predict whether existing exchange controls will be abolished, continued or modified by the South African Government in the future.

Government Regulatory Considerations

Generally, the making of loans to Harmony or its subsidiaries, the ability of Harmony and its subsidiaries to borrow from non-South African sources and the repatriation of dividends, interest and royalties by Harmony will be regulated by the Exchange Control Department of the SARB. Harmony is also required to seek approval from the SARB to use funds held in South Africa to make investments outside of South Africa. The use of proceeds of this offering for purposes outside South Africa would require an application to and approval by the SARB.

A foreign investor may invest freely in shares in a South African company, whether listed on the JSE or not. The 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.

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.

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. Harmony is not, and has never been, designated an "affected person" by the SARB.

Sale of Shares

Under present South African exchange control regulations, the ordinary shares and ADSs of Harmony are freely transferable outside the Common Monetary Area between non-residents of the Common Monetary Area. 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."

Dividends

Although payments to non-South African residents are subject to SARB approval, in practice, dividends are 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. "Affected persons" must apply for SARB approval for the remittance of dividends offshore if such companies have made use of local borrowing facilities.

As a general matter, an "affected person" that has accumulated historical losses may not declare dividends out of current profits unless and until that person's local borrowings do not exceed the local borrowings limit.

Interest

Interest on foreign loans is freely remittable abroad, provided the loans receive prior SARB approval.

Voting Rights

There are no limitations on the right of non-resident or foreign owners to hold or vote Harmony's ordinary shares imposed by South African law or by Harmony's charter.

CERTAIN SOUTH AFRICAN TAX CONSIDERATIONS

The discussion in this section is based on current law. Changes in the law may alter the tax treatment of Harmony's ordinary shares, warrants or ADSs, as applicable, possibly on a retroactive 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 Harmony's ordinary shares, warrants or ADSs and does not cover tax consequences that depend upon your particular tax circumstances. In particular, the following summary addresses tax consequences for holders of ordinary shares, warrants or ADSs who are not residents of and who do not carry on business in South Africa, and who hold ordinary shares, warrants or ADSs as capital assets (that is, for investment purposes). Harmony recommends that you consult your own tax advisor about the consequences of holding Harmony's ordinary shares, warrants or ADSs, as applicable, in your particular situation.

The following discussion represents the views of Cliffe Dekker Inc., South African counsel to Harmony.

Dividends

With effect from October 1, 1995, South Africa repealed all legislation imposing any withholding tax on dividends. Consequently, Harmony will not be obliged to withhold any form of non-resident shareholders' tax on dividends paid to non-residents of South Africa.

Capital Gains Tax

A capital gains tax was introduced in South Africa with effect from October 1, 2001. Accordingly, a capital gains tax will be imposed on capital gains realized or shares sold in a South African company. However, only those sellers of shares who are residents of, or have a permanent business establishment in, South Africa will be liable for the tax. The Convention between South Africa and the United States for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and capital gains only permits the imposition of an income or withholding tax on gains of a United States resident seller from the sale of shares where such shares form part of the business property of a permanent establishment which the seller has in South Africa or pertain to a fixed base available to the seller in South Africa for the purpose of performing independent personal services.

Stamp Duty on the Shares and Warrants

South African stamp duty is payable by the company upon the issue of shares at the rate of 0.25% of the higher of the consideration or the market value of the issue price. Such stamp duty will be paid by Harmony. While no stamp duty is payable upon the issue of warrants, stamp duty will be payable by Harmony upon the issue of shares pursuant to the exercise of warrants.

On a subsequent registration of transfer of shares or transfer of warrants, South African stamp duty is generally payable for off-market transactions (i.e., other than through a stockbroker) and a marketable securities tax, or MST, is generally payable for on-market transactions (i.e., through a stockbroker), each at 0.25% of the market value of the shares concerned or, in the case of warrants, the sale value. South African stamp duty and MST is payable regardless of whether the transfer is executed within or outside South Africa. In respect of transactions involving dematerialized shares or warrants, uncertified securities tax will be payable at the same rates.

There are certain exceptions to the payment of stamp duty where, for example, the instrument of transfer is executed outside South Africa and registration of transfer is effected in any branch register kept by the relevant company, subject to certain provisions set forth in the South African Stamp Duties Act of 1968. Transfers of ADSs between non-residents of South Africa will not attract South African stamp duty; however, if securities are withdrawn from the deposit facility or the relevant Deposit Agreement is terminated, stamp duty will be payable on the subsequent transfer of the shares. An acquisition of shares from the depositary in exchange for ADSs representing the relevant underlying securities will also render an investor liable to

South African stamp duty at the same rate as stamp duty on a subsequent transfer of shares, upon the registration of the investor as the holder of shares on the company's register.

Capitalization Shares

Capitalization shares distributed at the option of holders of shares in lieu of cash dividends do not incur secondary market tax, or STC, and it has become common practice for listed South African companies to offer capitalization shares in lieu of cash dividends. No South African tax (including withholding tax) is payable in respect of the receipt of these shares by the recipients thereof.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

Except as described below under the heading "Non-U.S. Holders," the following summary describes the material U.S. federal income tax consequences for a U.S. holder of owning the ordinary shares and owning and exercising warrants. For purposes of this summary, references to the ordinary shares include the ADSs, unless the context otherwise requires. You will be a U.S. holder if you are an individual who is a citizen or resident of the United States, a U.S. domestic corporation, or any other person that is subject to U.S. federal income tax on a net income basis in respect of an investment in the ordinary shares and the warrants. 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 and warrants. In particular, this summary deals only with U.S. holders that will hold the ordinary shares and warrants as capital assets. 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, thrift, 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 or warrants as a hedge against currency risk or as a position in a "straddle" or conversion transaction, tax-exempt organization, or person whose "functional currency" is not the U.S. dollar.

This summary is based on laws, regulations, rulings, and decisions now in effect, all of which may change. Any change could apply retroactively and could affect the continued validity of this summary.

You should consult your own tax advisors about the tax consequences of holding the ordinary shares and warrants, or of exercising the warrants, including the relevance to your particular situation of the considerations discussed below, as well as the relevance to your particular situation of state, local, or other tax laws.

If you are not a U.S. holder, or a non-U.S. holder, the discussion below under "--Non-U.S. Holders" will apply to you.

ADSs

In general, if you hold ADSs, you will be treated as the holder of the ordinary shares represented by those ADSs for U.S. federal income tax purposes.

Taxation of Dividends

The gross amount of dividends that you receive in cash (or that are part of a distribution that any shareholder has the right to receive in cash) in respect of the ordinary shares generally will be subject to U.S. federal income taxation as foreign source dividend income. Dividends paid in South African Rand will be includible in your gross income in a U.S. dollar amount calculated by reference to the exchange rate in effect on the day you receive (or the depositary receives, in the case of the ADSs) the dividend. You generally should not be required to recognize any foreign currency gain or loss to the extent such dividends paid in South African Rand are converted into U.S. dollars immediately upon receipt by the applicable party.

Exercise of Warrants

In general, you will not recognize any gain or loss when you exercise your warrants. The tax basis of the ordinary shares you receive when you exercise your warrants will be equal to your tax basis, as adjusted, in the warrants so exercised, plus the exercise price. Your holding period for the ordinary shares received upon exercise of your warrants will not include the period during which you held the warrants.

The exercise price of the warrants is subject to adjustment under certain circumstances. For U.S. federal income tax purposes, adjustments that have the effect of increasing the proportionate interest of a U.S. holder of the warrants in Harmony's assets or earnings can give rise to deemed dividend income to such holder. In some circumstances (e.g., a distribution of our stock or rights to acquire our stock to holders of ordinary shares), a failure to adjust the exercise price could also give rise to deemed dividend income to a U.S. holder of ordinary shares.

Capital Gains

If you sell your ordinary shares or warrants, you will recognize capital gain or loss in an amount equal to the difference between the amount you realize on the sale and your adjusted tax basis in the ordinary shares or warrants. You will recognize a capital loss if you fail to exercise a warrant prior to its expiration date. Such gain or loss generally will be long-term capital gain or loss if you held the ordinary shares or warrants for more than one year. Long-term capital gain recognized by an individual U.S. holder is generally subject to a maximum tax rate of 15%. In general, any capital gain or loss recognized upon the sale or exchange of ordinary shares or warrants will be treated as U.S. source income or loss, as the case may be, for U.S. foreign tax purposes. Your ability to offset capital losses against income is subject to limitations.

Deposits and withdrawals of ordinary shares by U.S. holders in exchange for ADSs will not result in the realization of gain or loss for U.S. federal income tax purposes.

To the extent that you incur South African stamp duty, MST or uncertified securities tax in connection with a transfer or withdrawal of ordinary shares or warrants as described under "--Certain South African Tax Considerations--Stamp Duty on the Shares and

Warrants" above, such stamp duty, MST or uncertified securities tax will not be a creditable tax for U.S. foreign tax credit purposes.

Non-U.S. Holders

If you are a non-U.S. holder of the ordinary shares, you generally will not be subject to U.S. federal income or withholding tax on dividends received on such ordinary shares, unless such income is effectively connected with your conduct of a trade or business in the United States. If you are a non-U.S. holder of the ordinary shares or warrants, you will also generally not be subject to U.S. federal income or withholding tax in respect of gain realized on the sale of such ordinary shares or warrants, unless (i) such gain is effectively connected with your conduct of a trade or business in the United States or (ii) in the case of gain realized by an individual non-U.S. holder, you are present in the United States for 183 days or more in the taxable year of the sale and certain other conditions are met. If you are a corporate foreign shareholder, effectively connected income may, under certain circumstances, be subject to an additional branch profits tax.

U.S. Information Reporting and Backup Withholding Rules

Payments of dividends and sales proceeds that are made within the United States or through certain U.S.-related financial intermediaries are subject to information reporting and may be subject to backup withholding at a rate currently of 28% unless the holder (i) is a corporation or other exempt recipient or (ii) provides a taxpayer identification number and certifies that no loss of exemption from backup withholding has occurred. Holders that are not U.S. persons generally are not subject to information reporting or backup withholding. However, such a holder may be required to provide a certification of its non-U.S. status in connection with payments received within the United States or through a U.S.-related financial intermediary.

The preceding discussion of certain United States federal income tax consequences is intended for general information only and does not constitute tax advice. Accordingly, each investor should consult its own tax adviser as to particular tax consequences to it of purchasing, holding and disposing of the ordinary shares and warrants, including the applicability and effect of any state, local or foreign laws, and proposed changes in applicable laws.

DIVIDENDS AND PAYING AGENTS

Not applicable.

STATEMENTS BY EXPERTS

Not applicable.

DOCUMENTS ON DISPLAY

Harmony's Memorandum and Articles of Association may be examined at its principal place of business being 4 The High Street, First Floor, Melrose Arch, Melrose North 187

2196, South Africa. Harmony also files annual and special reports and other information with the Securities and Exchange Commission, or the SEC. You may read and copy any reports or other information on file at the SEC's public reference room at the following location:

Public Reference Room
450 Fifth Street, N.W.
Room 1024
Washington, D.C. 20549

Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. The SEC filings are also available to the public from commercial document retrieval services. Harmony does not file electronically with the SEC, and the documents it files are not available on the website maintained by the SEC.

SUBSIDIARY INFORMATION

Not applicable.

Item 11. ***Quantitative and Qualitative Disclosures About Market Risk***

General

Harmony is exposed to market risks, including credit risk, foreign currency, commodity price and interest rate risk associated with underlying assets, liabilities and anticipated transactions. Following periodic evaluation of these exposures, Harmony may enter into derivative financial instruments to manage these exposures. Harmony has policies in areas such as counterparty exposure and hedging practices, which have been approved by Harmony's senior management. Harmony does not hold or issue derivative financial instruments for trading or speculative purposes.

In accordance with FAS 133, Harmony accounts for its derivative financial instruments as hedging transactions if the following criteria are met:

- both the hedged item and the hedging instrument are specifically identified and documented;
- management documents the nature of the hedging risk and identifies how the effectiveness of the hedge will be assessed;
- the effectiveness of the hedge is tested regularly throughout the life of the hedge, and a hedging instrument is identified as highly effective if it is able to offset changes in the fair value of cash flows from the hedged item by between 80% and 125% of the price at which it was fixed;
- any ineffectiveness of hedged instruments is recognized immediately in the income statement; and
- in the case of a hedge of an anticipated future transaction, there is a high probability that the transaction will occur.

Foreign Currency Sensitivity

In the ordinary course of business, Harmony enters into transactions denominated in foreign currencies (primarily U.S. and Australian dollars). In addition, Harmony has investments and liabilities in U.S. dollars, Canadian dollars, G.B. pounds and Australian dollars. As a result, Harmony is subject to transaction and translation exposure from fluctuations in foreign currency exchange rates. Harmony does not generally hedge its exposure to foreign currency exchange rates. In December 2001 however, 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 preserve the revenues from the Free State operations' estimated production for calendar 2002. Harmony fixed the Rand-U.S. dollar exchange rate for a total of $180 million at an average exchange rate of Rand 11.20 per U.S. dollar. Harmony's objective in this hedging activity was to protect these revenues against the risk of the Rand strengthening against the U.S. dollar, as the

gold price is U.S. dollar denominated and the costs of the Free State operations are generally Rand-denominated. These currency forward exchange contracts expired on December 31, 2002 and Harmony did not renew these contracts.

The fair values of Harmony's currency hedge contracts were determined at specific points in time by comparing the contract price to the then current market price for the maturity date discounted to present value. These values are estimates that involve uncertainties and cannot be determined with precision. The mark-to-market value of these agreements on June 30, 2002, was a positive US$ 5 million. The valuation was based on exchange rates of R/US$ 10.42 and the prevailing interest rates and volatilities at the time.

Harmony's liability subject to risk of foreign currency exchange rate fluctuations amounted to $9 million at June 30, 2003 as well as at November 30, 2003. This amount reflects Harmony's only foreign-currency denominated borrowing, which is U.S. dollar denominated debt from BAE Systems plc. See "Item 5. Operating and Financial Review and Prospects**--**Credit Facilities and Other Borrowings--Outstanding Credit Facilities and Other Borrowings." Based on an exchange rate of Rand 9.1303 per $1.00 (which was the average exchange rate for the fiscal year ended June 30, 2003), a hypothetical 10% appreciation of the Rand against the U.S. dollar would have had an estimated $0.03 million positive impact on Harmony's annual income before tax and a hypothetical 10% devaluation of the Rand against the U.S. dollar would have had an estimated $0.03 million negative impact on Harmony's annual income before tax.

Harmony's revenues and costs are very sensitive to the Rand-U.S. dollar exchange rate because gold is generally sold throughout the world in U.S. dollars, but most of Harmony's operating costs are incurred in Rand. Appreciation of the Rand against the U.S. dollar increases working costs at Harmony's South African operations when those costs are translated into U.S. dollars, which serves to reduce operating margins and net income from Harmony's South African operations. Depreciation of the Rand against the U.S. dollar reduces these costs when they are translated into U.S. dollars, which serves to increase operating margins and net income from Harmony's South African operations. See "Item 3. Key Information--Exchange Rates" and "Item 3. Key Information**--**Risk Factors--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."

Commodity Price Sensitivity

General

The market price of gold has a significant effect on the results of operations of Harmony, the ability of Harmony to pay dividends and undertake capital expenditures, and the market prices of Harmony's ordinary shares and warrants.

Gold prices have historically fluctuated widely and are affected by numerous industry factors over which Harmony does not have any control. See "Item 3. Key Information--Risk Factors--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." The aggregate effect of these factors, all of which are beyond the control of Harmony, is impossible for Harmony to predict.

Harmony's Hedge Policy

As a general rule Harmony sells its gold production at market prices. 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. For more detailed information on Harmony's hedge policy, see "Item 4. Information on the Company--Business--Hedge Policy."

In recent years, 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, more recently, put options relating to 1 million ounces of Harmony's production at Elandskraal. Both of these hedges were entered into in order to secure loan facilities and have since been closed out. A significant proportion of the production at Randfontein was hedged when acquired by Harmony. On April 12, 2002, Harmony announced that it had completed the process of closing out all of the Randfontein hedge contracts, including closing forward sales contracts and call options covering a total of approximately 490,000 ounces and forward purchases covering a total of 200,000 ounces.

In addition, a substantial proportion of the production of both New Hampton and Hill 50 was already hedged when acquired by Harmony. In fiscal 2002, in line with Harmony's strategy of being generally unhedged, Harmony reduced New Hampton's hedge book by over 900,000 ounces. In fiscal 2002, Harmony also combined and restructured the overall hedge portfolio of Harmony's Australian operations (including New Hampton and Hill 50). These hedge positions were classified as normal purchase and sale agreements, under which Harmony had to deliver a specified quantity of gold at a future date subject to the agreed-upon prices. In fiscal 2003, Harmony restructured the overall hedge portfolio of the Australian operations again, in which these hedge contracts were classified as speculative contracts. The mark-to-market movements on these contracts are reflected in the income statement. The resulting hedge portfolio, as of September 30, 2003, covered 860,000 ounces over a seven-year period at an average strike price of A$517 per ounce ($351 at an exchange rate of A$0.68 per $1.00). Harmony has reduced the remaining hedge positions of the Australian operations gradually by delivering gold pursuant to the relevant agreements as well as through the close out of these hedge agreements

Commodity Sales Agreements

Harmony's commodity sales agreements by type of agreement as of June 30, 2003 are set forth below.

Maturity - Scheduled for Delivery in Fiscal Year	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**Total**	**Mark-to-market**
								$000
Forward sales agreements								
Ounces	100,000	(26,346)	175,000	108,000	147,000	100,000	40,000	100,000	100,000	730,000	
A$/ounce.....	513	512	510	515	518	518	514	
Calls Contracts Sold								
Ounces	95,000	130,000	--	--	--	265,000	(7,612)	
A$/ounce.....	540	512	552	--	--	--		

528
Total.....
195,000
305,000
148,000
147,000
100,000
995,000
(33,958)

Harmony's commodity sales agreements by type of agreement as of November 30, 2003 are set forth below.

Maturity - Scheduled for Delivery in Fiscal Year	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**Total**	**Mark-to-market**
								$000
Forward sales agreements								
Ounces	55,000	175,000	108,000	(53,937)	147,000	100,000	100,000	685,000
A$/ounce.....	513	513	510	515	518	518	514	
Calls Contracts Sold								
Ounces	5,000	130,000	40,000					(4,669)
	--	--	--					

175,000
A$/ounce.....
540
512
552
Total.....
305,000
148,000
(58,606)
147,000
100,000
100,000
--
--
--
552
60,000
860,000

For accounting purposes, Harmony's commodity sales agreements are treated as speculative. The mark-to-market values of these agreements were determined at specific points in time based on independent valuations, using present value methods or standard option value methods with assumptions about commodity prices based on those observed in the gold market. For the determination as of June 30, 2003, a gold price of $346.00 (A$514.00) per ounce was used, together with exchange rates of R7.51 per $1.00 and $0.67 per A$1.00 and prevailing market interest rates and volatilities. For the determination as of November 30, 2003, a gold price of $396.38 (A$549.5) per ounce was used, together with exchange rates of R6.37 per $1.00 and $0.72 per A$1.00 and prevailing market interest rates and volatilities. These values are estimates that involve uncertainties and cannot be determined with precision.

192

Sensitivity Analysis

A sensitivity analysis of the mark-to-market valuations of Harmony's commodity sales agreements as of June 30, 2003 is set forth below.

Sensitivity to $ gold spot price
Mark-to-market ($ millions).....

$30
(61)

$20
(52)

$10
(43)
Gold spot price at
June 30, 2003
346
(34)

($10)
(25)

($20)
(16)

($30)
(8)

Sensitivity to Australian dollar interest rates
Mark-to-market ($ millions).....

1.5%
(43)

1.0%
(40)

0.5%
(37)
Weighted average

interest rate at
June 30, 2003
4.64
(34)

(0.5%)
(30)

(1.0%)
(27)

(1.5%)
(23)

Sensitivity to $/A$ exchange rates
Mark-to-market ($ millions).....

A$0.15
(60)

A$0.10
(52)

A$0.05
(43)
$/A$
exchange rates at
June 30, 2003
$1.00=A$1.48
(34)

(A$0.05)
(25)

(A$0.10)
(15)

(A$0.15)
(5)
A sensitivity analysis of the mark-to-market valuations of Harmony's commodity sales agreements as of November 30, 2003 is set forth below.

Sensitivity to $ gold spot price
Mark-to-market ($ millions).....

$30
(104)

$20
(82)

$10
(66)
Gold spot price at November 30, 2003
396
(58)

($10)
(51)

($20)
(43)

($30)
(35)

Sensitivity to Australian dollar interest rates
Mark-to-market ($ millions).....

1.5%
(67)

1.0%
(64)

0.5%
(61)
Weighted average interest rate at November 30, 2003
4.88
(58)

(0.5%)
(56)

(1.0%)
(53)

(1.5%)
(49)

Sensitivity to $/A$ exchange rates
Mark-to-market ($ millions).....

A$0.15
(84)

A$0.10
(76)

A$0.05
(67)
$/A$ exchange rates at November 30, 2003
$1.00=A$1.39
(58)

(A$0.05)
(49)

(A$0.10)

(39)

(A$0.15)
(28)

Commodity Hedging Experience

During fiscal 2001, Harmony acquired New Hampton, which had a hedge book of approximately 1.5 million ounces. In February 2001, as a condition of the commitment for financing of the syndicated loan facility that Harmony entered into with the acquisitions of the New Hampton and Elandskraal mines, Harmony protected some of its production from downward movements in the gold price by entering into put options relating to the delivery of 1 million ounces of Harmony's 2001 and 2002 production. The put options covered 83,333 ounces per month for 12 months, commencing on March 29, 2001, at a price of Rand 64,000 per kilogram (Rand 1,990 per ounce). Harmony paid Rand 29 million to secure these put options. These put options permitted Harmony to take advantage of increased gold spot prices by allowing the put options to expire without exercise, and merely provided Harmony with downside protection. Harmony closed out these put options during July 2001 and received Rand 3 million ($0.3 million). The gain on financial instruments of $7.6 million in fiscal 2001

193

related primarily to the change in mark-to-market of derivative financial instruments held by Randfontein between July 1, 2000 and June 30, 2001 and New Hampton between April 1, 2001 and June 30, 2001.

During fiscal 2002, Harmony acquired Hill 50, which had a hedge book of approximately 1,354,000 million ounces as of March 31, 2002. A condition of Harmony's offer for Hill 50 was that each counterparty to hedge contracts with Hill 50 or any of its subsidiaries agree not to terminate, suspend or rescind these contracts. This condition of the offer was satisfied. In fiscal 2002, in line with Harmony's strategy of being generally unhedged, Harmony reduced New Hampton's hedge book by over 900,000 ounces. In fiscal 2002, Harmony also combined and restructured the overall hedge portfolio of Harmony's Australian operations (including New Hampton and Hill 50). All of these hedge positions were classified as commodity sales agreements, under which Harmony must deliver a specified quantity of gold at a future date subject to the agreed-upon prices. During fiscal 2003, Harmony restructured these hedge contracts again and classified these hedge portfolios as speculative. All mark-to-market movements are accounted for in the income statement.

The percentage of Harmony's total production that was hedged in fiscal 2001 was 1.9%, and the average price for production sold under the relevant hedging contracts was $317 per ounce of gold. The percentage of Harmony's total production (excluding production from the Free Gold assets) that was hedged in fiscal 2002 was 1%, and the average price for production sold under the relevant hedging contracts was $286 per ounce of gold. The percentage of Harmony's total production (excluding production from the Free Gold assets) that was hedged in fiscal 2003 was 1%, and the average price for production sold under the relevant hedging contracts was $286 per ounce of gold.

Realization of Harmony's commodity sales agreements is dependent upon the counterparts performing in accordance with the terms of the relevant contracts. Harmony selects well-established financial institutions as counterparts and has used ten different counterparts for its hedging arrangements that have been converted into commodity sales agreements. These counterparts consist of local and international banks, none of which have previously failed to perform as required under Harmony's hedging arrangements. Although Harmony does not anticipate that any of the counterparts will in the future fail to perform as required under Harmony's commodity sales agreements, Harmony's agreements with the counterparts generally do not require the counterparts to provide collateral or other security to support financial instruments subject to credit risk, but do entitle Harmony to monitor the counterparts' credit health in order to protect itself against exposure to the potential credit loss of the counterparts. The commodity sales agreements cover approximately 5% of Harmony's production, individually and aggregated, over the seven years for which Harmony's commodity sales agreements exist. None of the counterparts are affiliates or related parties of Harmony.

In fiscal 2001, Harmony sold 2,140,043 ounces of gold at an average price of $276 per ounce. At a gold price of $250 per ounce, product sales would have amounted to approximately $535 million for fiscal 2001, a reduction of approximately $55 million in product sales. In fiscal 2002, Harmony sold 2,388,458 ounces of gold at average price of $283 per ounce. At a gold price of $250 per ounce, product sales would have amounted to approximately $597 million for fiscal 2002, a reduction of approximately $77 million in product sales. In fiscal

2003, Harmony sold 2,366,116 ounces of gold at average price of $330 per ounce. At a gold price of $250 per ounce, product sales would have amounted to approximately $592 million for fiscal 2003, a reduction of approximately $203 million in product sales. These figures exclude sales by the Free Gold Company.

The gold spot price on December 10, 2003 was $410 per ounce. During fiscal 2003, the gold spot price traded in a range from $302 to $382 per ounce.

With respect to the remaining forward sales agreements as at November 30, 2003, as long as the gold spot price is below a price range of A$510 to A$518 per ounce ($367 to $373 per ounce at an exchange rate of $0.72 to A$1.00) during the period that Harmony is required to deliver the quantities specified in the forward sales agreements, Harmony will benefit from the increased revenue received for the quantities sold under the forward sales agreements. Should the gold spot price increase above this price range, Harmony would not benefit from the higher gold spot price with respect to the quantities under the forward sales agreements.

With respect to the remaining calls contracts sold as at November 30, 2003, these options require Harmony to deliver the amounts of gold specified annually at the maximum price specified should the counterparty exercise its option. This will only occur should the gold spot price exceed the option price range of A$512 to A$552 per ounce ($369 to $397 per ounce at an exchange rate of $0.726 to A$1.00), and, as such, Harmony would not benefit from a gold spot price in excess of this option exercise price range for these quantities.

During fiscal 2003, Harmony has closed out the remaining variable price sales contracts with floors.

Interest Rate Sensitivity

Harmony generally does not undertake any specific actions to cover its exposure to interest rate risk. However, through its acquisitions of New Hampton and Hill 50, Harmony holds certain gold lease rate swaps. In addition, during June 2001 Harmony entered into an interest rate swap on a portion of its Rand-denominated senior unsecured fixed rate bonds.

Gold lease rate swaps. Harmony acquired gold lease rate swaps through the New Hampton and Hill 50 acquisitions. The following table sets forth the gold lease rate swaps held by Harmony as of June 30, 2003 that, by their terms, would have been outstanding as of the dates indicated. The gold lease rates receivable indicated in the following table are the weighted average gold lease rates receivable for all gold lease rate swaps outstanding at each date indicated.

Mark-to-Market as of
June 30, 2003
2003
2004
2005
2006
2007
2008
2009
Gold lease rates (receive interest at fixed rate indicated and pay at floating rate)
$'000
Ounces..... 1,399,000 770,000 585,000
400,000
225,000
125,000
25,000
120
Lease rate
receivable .....
0.86% 1.03% 1.04%
1.04%
1.05%
1.05%
1.05%
In the period from June 30, 2003 to November 30, 2003, Harmony reduced its exposure to gold lease rate swaps by meeting the requirements under gold lease rate swap agreements, and took advantage of favorable changes in spot gold lease rates to close out certain gold lease rate swap positions at no cost to Harmony. Harmony held gold lease rate swaps of 765,000 ounces at a weighted average lease rate of 1.03% at November 30, 2003. The following table sets forth the gold lease rate swaps held by Harmony as of November 30, 2003 that, by their terms, will be outstanding as of the dates indicated. The gold lease rates receivable indicated in the following table are the weighted average gold lease rates receivable for all gold lease rate swaps outstanding on each date indicated.
Gold Lease Rate Swaps Outstanding as of November 30, 2003
Mark-to-Market as of
November 30, 2003
2003
2004
2005
2006
2007
2008
2009
$'000
Gold lease rates (receive interest at fixed rate indicated and pay at floating rate)
Ounces.....
765,000 770,000 585,000
400,000
225,000
25,000
125,000

172
Lease rate
receivable .....
1.03% 1.03%
1.04%
1.04%
1.05%
1.05%
1.05%
A sensitivity analysis of the mark-to-market valuations of Harmony's gold lease rate swaps as of each of June 30, 2003 and November 30, 2003 is set forth below.
Sensitivity to the gold interest rate
as of
June 30, 2003
1
Mark-to-market ($ millions).....

1.5%
(34)

1.0%
(34)

0.5%
(34)
Gold interest rate at
June 30, 2003
0.59%
(34)

(0.5%)
(33)

(1.0%)
(33)

(1.5%)
(33)
1.5%
(59)

1.0%
(59)

0.5%
(59)
Gold interest rate at
November 30, 2003
0.16%
(58)

(0.5%)
(58)
(1.0%)
(58)
Gold interest rate is the interest cost of borrowing gold from a central bank, payable in ounces of gold in arrears.

(1.5%)
(58)
Sensitivity to the gold interest rate as of
November 30, 2003
Mark-to-market ($ millions).....

_____
1
Interest rate swaps. On June 14, 2001, Harmony issued Rand-denominated senior unsecured fixed rate bonds in an aggregate principal amount of Rand 1,200 million ($160 million at an exchange rate of R7.51 per $1.00), with semi-annual interest payable at a rate of 13% per annum. These bonds are repayable on June 14, 2006. In connection with these bonds, Harmony entered into an interest rate swap on Rand 600 million ($80.0 million at an exchange rate of R7.51 per $1.00). The interest rate swap consists of two tranches: (i) a Rand 400 million ($53.3 million at an exchange rate of R7.51 per $1.00) tranche which receives a fixed rate of 13% and
196

pays a floating rate of JIBAR (reset quarterly) plus 1.8% and (ii) a Rand 200 million ($26.7 million at an exchange rate if R7.51 per $1.00) tranche which receives a fixed rate of 13% and pays a floating rate at JIBAR (reset quarterly) plus 2.2%.

A sensitivity analysis of the mark-to-market valuations of Harmony's interest rate swaps as of each of June 30, 2003 and November 30, 2003 is set forth below.

Sensitivity to South African Rand Interest Rates	*Mark-to-market ($ millions)*.....
3.0%	(10.0)
2.0%	(8.0)
1.0%	(6.0)
Weighted average SAR interest rate at June 30, 2003 ZAR = 11.63	(4.0)
(1.0%)	(2.2)
(2.0%)	0.0
(3.0%)	1.3

Sensitivity to South African Rand Interest Rates	*Mark-to-market ($ millions)*.....
3.0%	(15.3)
2.0%	(13.0)
1.0%	(10.8)
Weighted average SAR interest rate at November 30, 2003 ZAR = 8.60	(8.7)

(1.0%)
(2.0%)
(4.6)
(6.6)

(3.0%)
(2.7)

The fair values of Harmony's interest rate derivatives were determined at specific points in time by comparing the fixed and floating interest rates based on the current forecast of rates, or the market yield curve, discounted to present value. These values are estimates that involve uncertainties and cannot be determined with precision.

At June 30, 2003, Harmony's assets and liabilities included certain short-term variable rate instruments. The fair value of these instruments would not change significantly as a result of changes in interest rates due to their short-term nature and variable interest rate features.

At June 30, 2003, the fair value of Harmony's U.S. dollar-denominated long-term liabilities, including the short-term portion of such liabilities, was estimated at $9 million. At December 2, 2003, the fair value of Harmony's U.S. dollar-denominated long-term liabilities, including the short-term portion of such liabilities, was estimated at $9 million. Long-term loans approximate fair value as they are subject to market bond floating rates. This analysis represents the hypothetical loss in earnings for debt instruments that are sensitive to changes in interest rates and were held by Harmony as at June 30, 2003. The aggregate hypothetical loss in earnings on an annual basis from a hypothetical increase of 10% of LIBOR is estimated to be $0.03 million. Because Harmony's net earnings exposure with respect to debt instruments was tied to the LIBOR rate, this hypothetical loss was modeled by calculating the 10% adverse change in the LIBOR rate, multiplied by the fair value of the respective debt instruments.

Item 12. ***Description of Securities Other than Equity Securities***

Not applicable.

GLOSSARY OF MINING TERMS

The following explanations are not intended as technical definitions, but rather are intended to assist the general reader in understanding certain terms as used in this annual report.

Alluvial: the product of sedimentary processes in rivers, resulting in the deposition of alluvium (soil deposited by a river).

Arenaceous: said of a sediment or sedimentary rock consisting wholly or in part of sand-sized fragments or having a sandy texture or the texture of such a sediment or rock.

Arsenopyrite: a mineral compound of iron, arsenic and sulfur.

Auriferous: a substance that contains gold ("AU").

Beneficiation: the process of adding value to gold products by transforming gold bullion into fabricated gold products.

Call option: a contract that permits the owner to purchase an asset at a specified price on or before a specified date.

Call sale: a right, but not an obligation, of a party, sold to such party at a specified cost, to buy a specific quantity of a commodity at a specified future date for a fixed price.

Carbon In Leach (CIL): a process similar to CIP (described below) except that the ore slurries are not leached with cyanide prior to carbon loading. Instead, the leaching and carbon loading occur simultaneously.

Carbon In Pulp (CIP): a common process used to extract gold from cyanide leach slurries. The process consists of carbon granules suspended in the slurry and flowing counter-current to the process slurry in multiple-staged agitated tanks. The process slurry, which has been leached with cyanide prior to the CIP process, contains solubilized gold. The solubilized gold is absorbed onto the carbon granules, which are subsequently separated from the slurry by screening. The gold is then recovered from the carbon by electrowinning onto steel wool cathodes or by a similar process.

Carbon In Solution (CIS): a process similar to CIP except that the gold, which has been leached by the cyanide into solution, is separated by the process of filtration (solid/liquid separation). The solution is then pumped through six stages where the solution comes into contact with the activated carbon granules.

Cash cost: a measure of the average cost of producing an ounce of gold, calculated by dividing the total cash working costs in a period by the total gold production over the same period. Working costs represent total operating costs less certain administrative expenses, royalties and depreciation. In determining the cash cost of different elements of the operations, production overheads are allocated pro rata.

Channel width: the total thickness of the entire reef unit to be mined, including internal waste, but excluding external waste.
Conglomerate: a coarse-grained classic sedimentary rock, composed of rounded to subangular fragments larger than 2mm in diameter (granules, pebbles, cobbles, boulders) set in a fine-grained matrix of sand or silt, and commonly cemented by calcium carbonate, iron oxide, silica or hardened clay.
Contained ounces: gold ounces from which neither extraction, dilution nor processing recovery losses have been deducted.
Crosscut: a mine working that is driven horizontally and at right angles to an adit, drift or level.
Cut and fill: a method of underground mining in which a stope is excavated and refilled with material (waste or tailings).
Cut-off grade: the grade at which the total profit from mining the orebodies, under a specified set of mining parameters, is maximized.
Cyanide leaching: the extraction of a precious metal from an ore by its dissolution in a cyanide solution.
Decline: an inclined underground access way.
Deferred Stripping: the removal of overburden through stripping in the current period to access ore expected to be exploited in a future period. Costs incurred with deferred stripping are deferred until the ore is accessed, in order to ensure matching of costs and revenues.
Depletion: the decrease in quantity of ore in a deposit or property resulting from extraction or production.
Development: activities (including shaft sinking and on-reef and off-reef tunneling) required to prepare for mining activities and maintain a planned production level and those costs to enable the conversion of mineralized material to reserves.
Dor: unrefined alloy consisting of 60% to 90% gold with lesser quantities of silver and base metals, which will be further refined to almost pure gold by a smelter or refinery.
Electro-winning: the process of removing gold from solution by the action of electric currents.
Elution: removal of the gold from the activated carbon before the zinc precipitation stage.
Exploration: activities associated with ascertaining the existence, location, extent or quality of mineralized material, including economic and technical evaluations of mineralized material.
199

Fabricated gold: gold on which work has been performed to turn it into a product, such as jewelry, which differs from a pure investment product, such as a gold bullion bar.
Faulting: the process of fracturing that produces a displacement of rock.
Fluvial: produced by the action of a stream or river.
Footwall: the underlying side of a fault, orebody or stope.
Forward contract: an agreement for the sale and purchase of an asset at a specified future date at a fixed price.
Forward currency sale contract: an agreement for the sale of a specific quantity of one currency for another currency at a specified future date at a fixed exchange rate.
Forward purchase: an agreement for the purchase of a commodity at a specified future date at a fixed price.
Forward sale: the sale of a commodity for delivery at a specified future date and price.
Free milling: term applied to the process of recovering gold after grinding (milling) its host mineral to a predetermined particle size.
Gold reserves: the gold contained within proven and probable reserves on the basis of recoverable material (reported as mill delivered tons and head grade).
Gold lease rate swap: an agreement to pay a floating lease rate in exchange for the fixed lease rate inherent in establishing the fixed price in one or more forward gold sales.
Grade: the quantity of metal per unit mass of ore expressed as a percentage or, for gold, as ounces of gold per ton of ore.
Greenfield: a potential mining site of unknown quality.
Greenstone: a field term applied to any compact dark-green altered or metamorphosed basic igneous rock that owes its color to the presence of chlorite, actinolite or epidote.
Grinding: reducing mineralized rock to the consistency of fine sand by crushing and abrading in a rotating steel grinding mill.
Hanging wall: the overlying side of a fault, orebody or stope.
Head grade: the grade of the ore as delivered to the metallurgical plant.
Heap leaching: a low-cost technique for extracting metals from ore by percolating leaching solutions through heaps of ore placed on impervious pads. Generally used on low-grade ores.
In situ: in place, i.e. within unbroken rock or still in the ground.
200

Leaching: dissolution of gold from the crushed and milled material, including reclaimed slime, for absorption and concentration on to the activated carbon.
Level: the workings or tunnels of an underground mine that are on the same horizontal plane.
Lenticular: resembling in shape the cross section of a lens.
Littoral: of or pertaining to a shore.
Longhole sub-level caving: a process for removing ore in which relatively thin blocks of ore are caused to cave in by successively undermining small panels of ore. The broken and caved ore is then extracted by mechanical means.
Metric unit
1 tonne
1 gram
= 0.03215 ounces
1 gram per tonne
= 1 ha
Milling/mill: the comminution of the ore, although the term has come to cover the broad range of machinery inside the treatment plant where the gold is separated from the ore.
Mineralization: the presence of a target mineral in a mass of host rock.
Mark-to-market: the current fair value of a derivative based on current market prices or to calculate the current fair value of a derivative based on current market prices, as the case may be.
Measures: conversion factors from metric units to U.S. units are provided below.
U.S. equivalent
= l t
= 1.10231 short tons
= 1g
= 1 g/t
= 0.02917 ounces per short ton
1 kilogram per tonne
= l kg/t
= 29.16642 ounces per short ton
1 kilometer
= 1 km
= 0.621371 miles
1 meter
= 1 m
= 3.28084 feet
1 centimeter
= 1 cm
= 0.3937 inches
1 millimeter
= 1 mm
= 0.03937 inches
1 hectare
= 2.47105 acres
Metallurgical plant: a processing plant used to treat ore and extract the contained gold.
Metallurgy: in the context of this document, the science of extracting metals from ores and preparing them for sale.
Mill delivered tons: a quantity, expressed in tons, of ore delivered to the metallurgical plant.
Mineable: that portion of a mineralized deposit for which extraction is technically and economically feasible.
Mineralized material: a mineralized body that has been delineated by appropriately spaced

drilling and/or underground sampling to support a sufficient tonnage and average grade of metals to warrant further exploration. Such a deposit does not qualify as a 201

reserve until a comprehensive evaluation based upon unit cost, grade, recoveries, and other material factors conclude legal and economic feasibility.

Morphology: the form or shape of a crystal or mineral aggregate.

Open pit/Open cast/Open cut: mining in which the ore is extracted from a pit. The geometry of the pit may vary with the characteristics of the orebody.

Ore: a mixture of mineralized material from which at least one of the contained minerals can be mined and processed at an economic profit.

Ore grade: the average amount of gold contained in a ton of gold bearing ore expressed in ounces per ton.

Ore reserves: that part of mineralized material which at the time of the reserve determination could be economically and legally extracted or produced. Ore reserves are reported as general indicators of the life of mineralized materials. Changes in reserves generally reflect:

- development of additional reserves;
- depletion of existing reserves through production;
- actual mining experience; and
- price forecasts.

Grades of ore actually processed may be different from stated reserve grades because of geologic variation in different areas mined, mining dilution, losses in processing and other factors. Recovery rates vary with the metallurgical characteristics and grade of ore processed.

Neither reserves nor projections of future operations should be interpreted as assurances of the economic life of mineralized material nor of the profitability of future operations.

Orebody: a well defined mass of mineralized material of sufficient mineral content to make extraction economically viable.

Ounce: one Troy ounce, which equals 31.1035 grams.

Overburden: the soil and rock that must be removed in order to expose an ore deposit.

Overburden tons: tons that need to be removed to access an ore deposit.

Palaeotopography: the topography implied at some time in the past.

Pay limit: the breakeven grade at which the orebody can be mined without profit or loss, calculated using the forecast gold price, working costs and recovery factors.

Placer: a sedimentary deposit containing economic quantities of valuable minerals mainly formed in alluvial environments.

Precipitate: the solid product of chemical reaction by fluids such as the zinc precipitation referred to below.
Probable reserves: reserves for which quantity and grade and/or quality are computed from information similar to that used for proven reserves, but the sites for inspection, sampling, and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven reserves, is high enough to assume continuity between points of observation.
Prospect: an area of land with insufficient data available on the mineralization to determine if it is economically recoverable, but warranting further investigation.
Prospecting license: an area for which permission to explore has been granted.
Proven reserves: reserves for which: (a) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes; grade and/or quality are computed from the results of detailed sampling; and (b) the sites for inspection, sampling and measurement are spaced so closely and the geologic character is so well defined that size, shape, depth and mineral content of reserves are well-established.
Pyrite: a brassy-colored mineral of iron sulfide (compound of iron and sulfur).
Put option: a contract that enables the owner to sell an asset at a specified price on or before a specified date.
Put purchase: a right, but not an obligation, of a party, purchased at a specified cost, to sell a specific quantity of a commodity at a specified future date at a fixed price.
Quartz: a mineral compound of silicon and oxygen.
Recovery grade: the actual grade of ore realized after the mining and treatment process.
Reef: a gold-bearing sedimentary horizon, normally a conglomerate band, that may contain economic levels of gold.
Refining: the final stage of metal production in which final impurities are removed from the molten metal by introducing air and fluxes. The impurities are removed as gases or slag.
Rehabilitation: the process of restoring mined land to a condition approximating its original state.
Sampling: taking small pieces of rock at intervals along exposed mineralization for assay (to determine the mineral content).
Semi-Autogenous-Grinding (SAG) mill: a piece of machinery used to crush and grind ore that uses a mixture of steel balls and the ore itself to achieve comminution. The mill is
203

shaped like a cylinder causing the grinding media and the ore itself to impact upon the ore.

Shaft: a shaft provides principal access to the underground workings for transporting personnel, equipment, supplies, ore and waste. A shaft is also used for ventilation and as an auxiliary exit. It is equipped with a surface hoist system that lowers and raises conveyances for men, materials and ore in the shaft. A shaft generally has more than one conveyancing compartment.

Slimes: the finer fraction of tailings discharged from a processing plant after the valuable minerals have been recovered.

Slurry: a fluid comprising fine solids suspended in a solution (generally water containing additives).

Smelting: thermal processing whereby molten metal is liberated from beneficiated ore or concentrate with impurities separating as lighter slag.

Spot price: the current price of a metal for immediate delivery.

Stope:
the underground excavation within the orebody where the main gold production takes place.

Tailing dam/slimes dam: dams or dumps created from tailings or slimes.

Tonne: one tonne is equal to 1,000 kilograms (also known as a "metric" ton).

Stockpile: a store of unprocessed ore.

Stockwork: mineralized material consisting of a three-dimensional network of planar to irregular veinlets closely enough spaced that the whole mass can be mined.

Stripping: the process of removing overburden to expose ore.

Sulfide: a mineral characterized by the linkages of sulfur with a metal or semi-metal, such as pyrite, FeS_2 (iron sulfide). Also a zone in which sulfide minerals occur.

Syncline: a basin-shaped fold.

Tailings: finely ground rock from which valuable minerals have been extracted by milling.

Ton: one ton is equal to 2,000 pounds (also known as a "short" ton).

Tonnage: quantities where the ton or tonne is an appropriate unit of measure. Typically used to measure reserves of gold-bearing material in situ or quantities of ore and waste material mined, transported or milled.

Trenching: making elongated open-air excavations for the purposes of mapping and sampling.

Trend: the arrangement of a group of ore deposits or a geological feature or zone of similar grade occurring in a linear pattern.
Unconformity: the structural relationship between two groups of rock that are not in normal succession.
Vertical projection: a vertical plane parallel with the strike or orebodies onto which geological features and mine workings are projected.
Waste: ore rock mined with an insufficient gold content to justify processing.
Waste rock: the non-mineralized rock and/or rock that generally cannot be mined economically that is hoisted to the surface for disposal on the surface normally close to the shaft on an allocated dump.
Yield: the actual grade of ore realized after the mining and treatment process.
Zinc precipitation: a chemical reaction using zinc dust that converts gold solution to a solid form for smelting into unrefined gold bars.
205

PART II

Item 13. ***Defaults, Dividend Arrearages and Delinquencies***

Not applicable.

Item 14. ***Material Modifications to the Rights of Security Holders and Use of Proceeds***

At a general meeting held on September 1, 2003, Harmony's shareholders approved resolutions (i) increasing Harmony's authorized ordinary share capital to a total of R175,000,000 divided into 350,000,000 ordinary shares of R0.50 each, (ii) authorizing the directors to issue and allot the consideration shares to the ARMgold shareholders and (iii) to revise the directors' authority to issue shares for cash.

MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS

At a general meeting held on November 14, 2003, Harmony's shareholders approved resolutions (i) approving the Harmony (2003) Share Option Scheme, (ii) authorizing the Board to allot and issue all or any of Harmony's authorized but unissued ordinary shares for cash to such persons and on such terms as the Board may, without restriction, from time to time, deem fit as and when suitable opportunities arise, but subject to the requirements of the JSE (iii) authorizing Harmony to acquire from time to time such a number of its issued ordinary shares at such price or prices and on such terms and conditions as the Board may determine, but subject to the requirements of the JSE and the requirements of the other exchanges upon which Harmony's ordinary shares may be quoted or listed. The shareholders also approved amendments to Harmony's Articles of Association in order to comply with the JSE amended listing requirements.

At a general meeting held November 15, 2002, Harmony's shareholders approved a resolution renewing this authorization. At a general meeting held on November 15, 2002, Harmony's shareholders approved a resolution authorizing Harmony to acquire from time to time such a number of its issued ordinary shares at such price or prices and on such terms and conditions as the Board may determine, but subject to the requirements of the JSE and the requirements of the other exchanges upon which Harmony's ordinary shares may be quoted or listed.

At a general meeting held on November 16, 2001, Harmony's shareholders approved a resolution authorizing the Board to allot and issue all or any of Harmony's authorized but unissued ordinary shares for cash to such persons and on such terms as the Board may, without restriction, from time to time, deem fit as and when suitable opportunities arise, but subject to the requirements of the JSE.

At a general meeting held on October 3, 2001, Harmony's shareholders approved resolutions authorizing the Board to effect an odd-lot offer to Harmony's shareholders outside of the United States that held fewer than 100 ordinary shares at the close of business on October 19, 2001, or odd-lot holders. Odd-lot holders were required to elect to (i) retain their odd-lot holdings, (ii) purchase additional shares at the offer price of Rand 44.08 per ordinary

share to increase their holdings to 100 ordinary shares or (iii) sell their odd-lot holdings at that offer price. Any ordinary shares elected to be sold in connection with the offering and ordinary shares of odd-lot holders that failed to make an election were purchased by odd-lot holders that elected to acquire additional ordinary shares. Ordinary shares sold that exceeded the number transferred to purchasing odd-lot holders were acquired by Lydex, a Harmony subsidiary, at the offer price.

At a general meeting held on June 8, 2001 in connection with the June 2001 global offering described in this annual report, Harmony's shareholders approved resolutions (i) increasing Harmony's authorized share capital to a total of Rand 130,479,452, divided into 250 million ordinary shares of Rand 0.50 each and 10,958,904 redeemable convertible preference shares of Rand 0.50 each and (ii) authorizing the Board to allot and issue for cash a maximum of 30 million ordinary shares and 10 million warrants to subscribe for 10 million additional ordinary shares, in accordance with the requirements of the JSE. See "Item 10. Additional Information--Description of Harmony Ordinary Shares." During January and February 2002, all of the preference shares were converted into ordinary shares and, accordingly, no preference shares are currently authorized, issued or outstanding.

At a general meeting held on May 18, 2001, Harmony's shareholders approved resolutions (i) increasing Harmony's authorized share capital to a total of Rand 95,479,452 million divided into 180 million ordinary shares of Rand 0.50 each and 10,958,904 redeemable convertible preference shares of Rand 0.50 each, (ii) amending the Articles of Association to set out the conditions applicable to these preference shares and (iii) authorizing the Board to allot and issue 222,222 ordinary shares to Komanani Mining (Proprietary) Limited, or Komanani, at Rand 36.00 per share, 10,736,682 ordinary shares to the IDC at Rand 36.00 per share and 10,958,904 preference shares to the IDC at their par value of Rand 0.50 per share, in accordance with the requirements of the JSE. As described in "Item 7. Major Shareholders and Related Party Transactions," the 222,222 ordinary shares originally allocated for issuance to Komanani were instead issued to Simane, together with an additional 78 ordinary shares issued pursuant to the Board's general authority to issue authorized shares for cash.

USE OF PROCEEDS

Not applicable.

Item 15. ***Controls and Procedures***

Because this Form 20-F is being filed for the fiscal year ended June 30, 2003, the disclosure requirements of Item 15(a) of Form 20-F are not applicable.

There have been no changes in internal controls of Harmony which would require disclosure under Item 15(b) of Form 20-F.

Item 16. ***[Reserved]***

Item 16A. ***Audit Committee Financial Expert***

Because this Form 20-F is being filed for the fiscal year ended June 30, 2003, the disclosure requirements of Item 16A are not applicable.

Item 16B. ***Code of Ethics***

Because this Form 20-F is being filed for the fiscal year ended June 30, 2003, the disclosure requirements of Item 16B are not applicable.

PART III

Item 17. ***Financial Statements***

Harmony's financial statements have been prepared in accordance with Item 18 hereof.

Item 18. ***Financial Statements***

Index to Financial Statements and Schedules

Page

Harmony Gold Mining Company Limited

Report of the Independent Accountants.....
F 1
Consolidated Income Statements
for the years ended June 30, 2003, 2002 and 2001 .....
F 2
Consolidated Balance Sheets at June 30, 2003 and 2002 .....
Notes to the financial statements ..... F 45 to F 61
F 3
Consolidated Statements of Changes in Shareholders' Equity
for the years ended June 30, 2003, 2002 and 2001 .....

Consolidated Statements of Cash Flows
for the years ended June 30, 2003, 2002 and 2001 .....
F 5 to F 6
Consolidated Statements of Comprehensive Income
for the years ended June 30, 2003, 2002 and 2001 .....

the six month period ended June 30, 2002 ..... F 41
June 30, 2003 and the six month period ended June 30, 2002 ..... F 43
Balance Sheets at June 30, 2003 and 2002 ..... F 42

Statement of shareholders' equity for the year ended

Statement of Cash Flows for the year ended June 30, 2003
and the six month period ended June 30, 2002 ..... F 44

F 7
Notes to the Consolidated Financial Statements.....

Armgold/Harmony Freegold Joint Venture (Pty) Ltd

Auditors Report of the Independent Auditors ..... F 40

Income Statements for the years ended June 30, 2003 and

F 8 to F 39
F 4

209

Item 19. ***Exhibits***

1.1
Memorandum of Association of Harmony, as amended (incorporated by reference to Harmony's Registration Statement (file no. 333-13516) on Form F-3 filed on June 21, 2001).

1.2
Articles of Association of Harmony, as amended (incorporated by reference to Harmony's Registration Statement on Form 8-A filed on November 18, 2002).

1.3
Amendments to the Articles of Association as on November 14, 2003

(see Exhibit 1.3)

2.1
Memorandum of Association of Harmony, as amended (see Exhibit 1.1).

2.2
Articles of Association of Harmony, as amended (see Exhibits 1.2 and 1.3).

2.3
Deposit Agreement among Harmony, The Bank of New York, as Depositary, and owners and holders of American Depositary Receipts, dated as of August 12, 1996, as amended and restated as of October 2, 1996, as further amended and restated as of September 15, 1998 (incorporated by reference to Post-Effective Amendment No. 1 to Harmony's Registration Statement (file no. 333-5410) on Form F-6 filed on May 17, 2001). 1.3 Amendments to the Articles of Association as on November 14, 2003 (see Exhibit 1.3)

2.4
Form of ADR (included in Exhibit 2.3)

2.5
Excerpts of relevant provisions of the South African Companies Act (incorporated by reference to Harmony's Registration Statement (file no. 0-28798) on Form 20-F filed on September 20, 1996).

2.6
Excerpts of relevant provisions of the JSE Securities Exchange South Africa listing requirements (incorporated by reference to Harmony's Registration Statement (file no. 0-28798) on Form 20-F filed on September 20, 1996).

2.7
AB Facilities Agreement, C Facilities Agreement and Common Terms Agreement relating to AB Facilities and C Facility, each among Harmony, Chase Manhattan International Limited, ABSA Bank Limited, J.P. Morgan plc, Citibank, N.A., ANZ Investment Bank and BoE Bank Limited, dated March 22, 2001 (incorporated by reference to Harmony's Registration Statement (file no. 333-13516) on Form F-3 filed on June 21, 2001).

2.8
Form of Harmony's senior unsecured 13% bonds due June 14, 2006 (incorporated by reference to Harmony's Annual Report on Form 20-F for the fiscal year ended June 30, 2001 filed on September 26, 2001).

2.9
Loan Note Facility Agreement among Harmony Gold W.A. Pty Limited, Harmony, Randfontein, Evander, Kalgold and Lydex, Australia and New Zealand Banking Group Limited, Societe Generale, N.M. Rothschild & Sons Limited, ABSA Asia Limited, RMB International (Dublin) Limited, Standard Finance (Isle of Man) Limited, Citibank, N.A. and Citibank International plc, dated February28, 2002 (incorporated by reference to Harmony's annual report on 20-F for the fiscal year

ended June 30 2002 filed on December 23, 2002).
210

2.10 Term Loan agreement between Harmony and Nedbank, dated May 8, 2003.
2.11
Notice to shareholders dated September 23, 2003, relating to amendments to Harmony's Articles of Association and Share Option Scheme.
4.1
Harmony Share Option Scheme (incorporated by reference to Harmony's Registration Statement (file no. 0-28798) on Form 20-F filed on September 20, 1996).
4.2
Circular to shareholders dated August 7, 2003, relating to the merger with ARMgold.
4.3
Agreement between Harmony, Randfontein Estates Limited and AngloGold Limited dated January 31, 2001 (incorporated by reference to Harmony's Registration Statement (file no. 333-13516) on Form F-3 filed on June 21, 2001). 4.4 AB Facilities Agreement, C Facilities Agreement and Common Terms Agreement relating to AB Facilities and C Facility, each among Harmony, Chase Manhattan International Limited, ABSA Bank Limited, J.P. Morgan plc, Citibank, N.A., ANZ Investment Bank and BoE Bank Limited, dated March 22, 2001 (see Exhibit 2.9).
4.4
AB Facilities Agreement, C Facilities Agreement and Common Terms Agreement relating to AB Facilities and C Facility, each among Harmony, Chase Manhattan International Limited, ABSA Bank Limited, J.P. Morgan plc, Citibank, N.A., ANZ Investment Bank and BoE Bank Limited, dated March 22, 2001 (see Exhibit 2.9).
4.5
Agreement between Harmony and Komanani Mining (Proprietary) Limited and Industrial Development Corporation of South Africa, Limited dated April 3, 2001 (incorporated by reference to Harmony's Registration Statement (file no. 333-13516) on Form F-3 filed on June 21, 2001).
4.6
Agreement between Harmony, Randfontein Estates Limited and Open Solutions (Proprietary) Limited, dated April 24, 2001 (incorporated by reference to Harmony's Registration Statement (file no. 333-13516) on Form F-3 filed on June 21, 2001).
4.7
Form of Harmony's senior unsecured 13% bonds due June 14, 2006 (see Exhibit 2.8).
4.8
Agreement between Harmony and Simane Investments (Proprietary) Limited and Industrial Development Corporation of South Africa, Limited dated September 7, 2001 (incorporated by reference to Harmony's Annual Report on Form 20-F for the fiscal year ended June 30, 2001 filed on September 26, 2001).
4.9
Share and Option Subscription Agreement between Bendigo Mining N.L. and Harmony, dated October 22, 2001 (incorporated by reference to Harmony's annual report on 20-F for the fiscal year ended June 30, 2002 filed on December 23, 2002).
4.10 Notice to Shareholders relating to amendments to the Harmony Share Option Scheme approved on November 16, 2001. (incorporated by reference to Harmony's annual report on 20-F for the fiscal year ended June 30, 2002 filed on December 23, 2002).
211

4.11 Sale of Business Agreement between AngloGold Limited, Clidet No. 383 (Proprietary) Limited, Harmony and ARM Gold, dated December 24, 2001 (incorporated by reference to Harmony's annual report on 20-F for the fiscal year ended June 30, 2002 filed on December 23, 2002)

4.12 Joint Venture Agreement between ARMGold, Harmony and Clidet 383 (Proprietary) Limited, dated April 5, 2002. (incorporated by reference to Harmony's annual report on 20-F for the fiscal year ended June 30, 2002 file on December 23, 2002)

4.13 Loan Note Facility Agreement among Harmony Gold W.A. Pty Limited,Harmony, Randfontein, Evander, Kalgold and Lydex, Australia and New Zealand Banking Group Limited, Societe Generale, N.M. Rothschild & Sons Limited, ABSA Asia Limited, RMB International (Dublin) Limited, Standard Finance (Isle of Man) Limited, Citibank, N.A. and Citibank International plc, dated February 28, 2002 (see Exhibit 2.9).

4.14 Merger agreement entered into between Harmony and ARMgold on July 22, 2003.

4.15 Doornkop Sale Agreement and Addenda between Africa Vanguard and Randfontein Estates Limited dated January, 21 2003).

4.16 Doornkop Joint Venture Agreement and Addenda entered into between Africa Vanguard and Randfontein estates Limited dated January, 21 2003.

8.1

Significant subsidiaries of Harmony Gold Mining Company Limited.

212

REPORT OF THE INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of Harmony Gold Mining Company Limited

We have audited the accompanying consolidated balance sheets of Harmony Gold Mining Company Limited and its subsidiaries as of June 30, 2003 and 2002, and the related consolidated statements of income, comprehensive income, cash flows and changes in shareholders' equity for each of the three years in the period ended June 30, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Harmony Gold Mining Company Limited and its subsidiaries at June 30, 2003 and 2002, and the results of their operations, their cash flows and changes in shareholders' equity for each of the three years in the period ended June 30, 2003, in conformity with generally accepted accounting principles in the United States.

As discussed in note 2(o), note 2(v) and note 2(k) to the consolidated financial statements, the Company changed its method of accounting for environmental obligations during the 2003 fiscal year, its method of accounting for stock-based compensation during the 2002 fiscal year and its method of accounting for derivative financial instruments during the 2001 fiscal year, respectively.

/S/ PricewaterhouseCoopers Inc.

Chartered Accountants (SA)

Registered Accountants & Auditors

Johannesburg, Republic of South Africa

December 12, 2003

F 1

Harmony Gold Mining Company Limited
Consolidated Income Statements
For the years ended June 30
2003
2002
2001
$'000
$'000
$'000
REVENUES
Product sales
781,792
675,287 590,634
Interest and dividends
22,265
12,403
5,890
Other income -- net
(21,112)
9,150 10,696
782,945
696,840 607,220
COSTS AND EXPENSES
Production costs
598,349
469,398 504,907
Deferred stripping costs
1,397 (486)
(2,697)
Depreciation and amortization
60,931
30,183 31,417
Employment termination costs
5,098
8,775 4,729
(Reversal of provision)/provision for rehabilitation costs
(352)
15,192 (6,817)
Corporate expenditure
7,941
7,641 2,616
Exploration expenditure
10,980
7,065 3,505
Marketing and new business expenditure
7,839
8,741 4,971
Gain on financial instruments
(43,154)
(8,939) (7,640)
(Profit)/loss on sale of other assets and listed investments
(59,243)
(4,524)
1,393
Stock-based compensation
1,761
9,434 -
Equity income of joint venture
(52,843)
(13,176)
-
Equity loss of associated companies
1,233
473 -
Impairment of assets
117,594
44,284 28,266
Interest paid
27,396

19,077 15,007
Provision/(reversal of provision) for former employees' post retirement benefits
503
43 (2,241)
685,430
593,181 577,416
INCOME BEFORE TAX
97,515
103,659 29,804
INCOME AND MINING TAX EXPENSE
(25,255)
(14,368)
(14,625)
INCOME BEFORE MINORITY INTERESTS
72,260
89,291 15,179
MINORITY INTERESTS
(468)
(1,575)
(349)
INCOME -- BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES
71,792
87,716 14,830
Cumulative effect of changes in accounting principles, net of tax
14,770 -
(5,822)
NET INCOME
86,562
87,716 9,008
BASIC EARNINGS PER SHARE (CENTS) -- BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES
40.3
57.1 14.5
FULLY DILUTED EARNINGS PER SHARE (CENTS) -- BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES
39.3
53.1 14.1
BASIC EARNINGS PER SHARE (CENTS)
48,6
57.1 8.8
FULLY DILUTED EARNINGS PER SHARE (CENTS)
47.4
53.1 8.5
WEIGHTED AVERAGE NUMBER OF SHARES USED IN THE COMPUTATION OF BASIC EARNINGS PER SHARE
177,954,245 153,509,862
102,156,205
WEIGHTED AVERAGE NUMBER OF SHARES USED IN THE COMPUTATION OF FULLY DILUTED EARNINGS PER SHARE
182,721,629 165,217,088
105,504,328
DIVIDEND PER SHARE (CENTS)
56.5
6.6 15.8
See notes to the consolidated financial statements
F 2

Harmony Gold Mining Company Limited
Consolidated Statements of Comprehensive Income
For the years ended June 30

2003	**2002**	**2001**
$'000	**$'000**	**$'000**
Income -- before cumulative effect of changes in accounting principles		
71,792		
87,716	14,830	
Cumulative effect of changes in accounting principles, net of tax		
14,770		
-	(5,822)	
Net income		
86,562		
9,008		
87,716		
Other comprehensive income/(loss)		
Mark-to-market of listed and other investments		
(60,710)		
48,909	13,664	
Mark-to-market of cash flow hedging instruments		
(5,088)		
6,189	(1,047)	
Foreign currency translation adjustment		
250,142		
(122,153)		
(71,259)		
Other comprehensive income/(loss)		
184,344		
(67,055)		
(58,642)		
Comprehensive income/(loss)		
270,906		
20,661	(49,634)	

F 3
See notes to the consolidated financial statements

Harmony Gold Mining Company Limited
Consolidated Balance Sheets
At June 30

	2003	**2002**
	$'000	**$'000**
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	189,040	90,223
Receivables	70,934	67,020
Inventories	75,284	42,377
Materials contained in heap leach pads	491	-
Total current assets	335,749	199,620
PROPERTY, PLANT AND EQUIPMENT		
Cost	1,413,258	1,274,083
Accumulated depreciation and amortization	(606,459)	(461,330)
Net property, plant and equipment	806,799	812,753
OTHER ASSETS	17,792	14,056
INTANGIBLE ASSETS	314,793	-
INVESTMENTS	71,391	123,343
INVESTMENTS IN ASSOCIATES	63,782	42,791
INVESTMENT IN JOINT VENTURES	272,754	102,578
TOTAL ASSETS	1,883,060	1,295,141
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	155,694	116,704
Income and mining taxes	17,141	21,535
Shareholders for dividends	1,055	438
Total current liabilities	173,890	138,677
LONG-TERM LOANS	301,572	152,461
DEFERRED INCOME AND MINING TAXES	209,628	

99,789
DEFERRED FINANCIAL LIABILITY
37,228
87,226
PROVISION FOR ENVIRONMENTAL REHABILITATION
62,977
63,125
PROVISION FOR POST RETIREMENT BENEFITS
1,017
737
MINORITY INTEREST
18,408
-
SHAREHOLDERS' EQUITY
Share capital - 250,000,000 (2002: 250,000,000) authorized ordinary shares of 50 South African cents each. Shares issued 185,536,615 (2002: 169,929,849)
15,712
14,852
Additional paid-in capital
971,512
814,492
Retained earnings
194,437
206,544
Deferred stock-based compensation
(11,556)
(6,652)
Accumulated other comprehensive loss
(91,765)
(276,109)
Total shareholders' equity
1,078,340
753,126
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY
1,883,060
1,295,141
See notes to the consolidated financial statements
F 4

Harmony Gold Mining Company Limited
Consolidated Statements of Changes in Shareholders' Equity
For the years ended June 30, 2003

	Number of shares issued	Number of ordinary shares issued	Share capital	Additional paid-in capital	Warrants issued	Retained earnings	Accumulated other comp-rehensive loss	Deferred stock based compensation	Total
			$'000	$'000	$'000	$'000	$'000	$'000	$'000
BALANCE - JUNE 30, 2000	97,310,435	7,579,900	10,901	415,501	15,094	139,227	(150,412)	-	430,311
Net income	-	-	-	-	-	9,008	-	-	9,008
Dividends declared	-	-	-	-	-	(18,983)	-	-	(18,983)
Issue of shares									
- Public offerings	31,784,200	-		1,971					1,971
	164,664	-	-	-	-				166,635
- IDC / Simane offering	10,736,682	-		668					668
	47,407	-	-	-	-				48,075
- Private offering - Jipangu	568,774	-		35					35
	2,794	-	-	-	-				2,829
- Employee share options	4,835,700	-		176					176
	7,913	-	-	-	-				

8,089
Share issue expenses
- - -
(13,423)
- - - -
(13,423)
Issue of warrants
-
9,027,500 - - - - - - -
Mark-to-market of listed
and other investments
- - - - - -
13,664 -
13,664
Mark-to-market of hedging
instruments
- - - - - -
(1,047)
-
(1,047)
Foreign exchange translation
adjustment
- - - - - -
(71,259)
-
(71,259)
BALANCE - JUNE 30, 2001
145,235,791
16,607,400 13,751 624,856 15,094 129,252 (209,054)
- 573,899
Net income
- - - - -
87,716 - -
87,716
Dividends declared
- - - - -
(10,424)
- -
(10,424)
Issue of shares
- Simane offering
222,300 -
13
954 - - - -
967
- International private placement
8,500,000 -
409
109,523 - - - -
109,932
Exercise of employee share options
3,998,800 -
161
9,009 - - - -
9,170
Conversion of preference shares
10,958,904 -
469
38,917 - - - -
39,386
Share issue expenses
- - -
(4,102)
- - - -
(4,102)
Conversion of warrants
1,014,054
(1,014,054)
49
4,154 - - - -

4,203
Expiration of listed warrants
(7,579,900)
15,094
(15,094)
- - - -
Deferred stock-based
compensation
- - -
8,724 - - -
(8,724)
-
Amortization of deferred
stock-based compensation
- - - -
- - -
2,072
2,072
Stock-based compensation
- - -
7,362 - - - -
7,362
Mark-to-market of listed
and other investments
- - - - - -
48,909 -
48,909
Mark-to-market of cash flow
hedging instruments
- - - - - -
6,189 -
6,189
Foreign exchange
translation adjustment
- - - - - -
(122,153)
-
(122,153)
BALANCE - JUNE 30, 2002
169,929,849
8,013,446 14,852 814,491
- 206,544 (276,109)
(6,652)
753,126
Net income
- - - - -
86,562
- -
86,562
Dividends declared
- - - - -
(98,669)
- -
(98,669)
Issue of shares
- Public offerings
8,000,000 -
468
123,785 - - - -
124,253
- Correction of Randfontein offer
114,750 - 7
479 - - - -
486
Exercise of employee share options
1,846,600 -
93
6,623 - - - -
6,716
Share issue expenses

- - -
(5,318)
- - - -
(5,318)
Conversion of warrants
5,645,416
(5,645,416)
292
24,856 - - - -
25,148
Deferred stock-based compensation
- - -
8,890 - - -
(8,890)
-
Amortization of deferred
stock-based compensation
- - - -
- - -
3,986
3,986
Stock-based compensation
- - -
(2,294)
- - - -
(2,294)
Mark-to-market of listed
and other investments
- - - - - -
(60,710)
-
(60,710)
Mark-to-market of cash flow
hedging instruments
- - - - - -
(5,088)
-
(5,088)
Foreign exchange
translation adjustment
- - - - - -
250,142
-
250,142
BALANCE - JUNE 30, 2003
185,536,615
2,368,030 15,712 971,512
- 194,437 (91,765)
(11,556)
1,078,340
See notes to the consolidated financial statements
F 5

Harmony Gold Mining Company Limited
Consolidated Statements of Changes in Shareholders' Equity
For the years ended June 30, 2003

The following is a reconciliation of the components of accumulated other comprehensive loss for the periods presented:

	Mark-to market of listed and other investments	**Accum-ulated other comprehen-sive loss**	**Mark-to market of Foreign currency cash flow hedging instruments**	**Foreign currency translation adjustments**
	$'000	**$'000**	**$'000**	**$'000**
BALANCE - JUNE 30, 2000	-	(2,802)	(147,610)	(150,412)
Mark-to-market of listed and other investments	-	9,908	-	9,908
Mark-to-market of cash flow hedging instruments	(1,047)	-	-	(1,047)
Reversal of mark-to-market due to sale of listed investments	-	3,756	-	3,756
Foreign currency translation adjustment	-	-	(71,259)	(71,259)
BALANCE - JUNE 30, 2001	(1,047)	10,862	(218,869)	(209,054)
Mark-to-market of cash flow hedging instruments	6,189	-	-	6,189
Mark-to-market of Aurion Gold Limited shares	-	48,909	-	48,909
Foreign currency translation adjustment	-	-	(122,153)	(122,153)
BALANCE - JUNE 30, 2002	5,142	59,771	(341,022)	(276,109)
Mark-to-market of cash flow hedging instruments	(5,088)	-	-	(5,088)
Mark-to-market of listed investments	-			

(60,710) -
(60,710)
Foreign currency translation adjustment
- -
250,142 250,142
BALANCE - JUNE 30, 2003
54 (939)
(90,880)
(91,765)
See notes to the consolidated financial statements
F 6

Harmony Gold Mining Company Limited
Consolidated Statements of Cash Flows
For the years ended June 30

	2003	**2002**	**2001**
	$'000	**$'000**	**$'000**
CASH FLOW FROM OPERATIONS			
Sources of cash			
Cash received from customers	781,792	675,287	590,634
Interest and dividends received	22,265	12,403	5,890
Cash provided by operating activities	804,057	687,690	596,524
Uses of cash			
Cash paid to suppliers and employees	577,721	498,104	531,182
Interest paid	27,396	19,077	15,007
Income and mining taxes paid	43,514	8,590	3,998
Cash used in operating activities	648,631	525,771	550,187
NET CASH PROVIDED BY OPERATIONS	155,426	161,919	46,337
CASH FLOW FROM INVESTING ACTIVITIES			
Net increase in amounts invested in environmental trusts	(3,733)	(5,547)	(781)
Restricted cash	-	-	6,505
Cash held by subsidiaries on acquisition	10,770	14,485	-
Cash paid for New Hampton Mines	-	-	(28,532)
Cash paid for Elandskraal Mines	-	(18,453)	(130,909)
Cash paid for joint venture investment and loan Repaid by/(advanced to) the FreeGold Company	21,768	(84,586)	-
Cash paid for Hill 50 Mines	-	(124,774)	-
Cash paid for Abelle Mines	(105,433)	-	-
Investment in Bendigo NL	-	(22,814)	-
Investment in Highland Gold	(7,635)	(18,104)	

-
Investment in Avmin
(115,442)
- -
Investment in HighRiver
(14,514)
-
-
Loan repaid by minority interest party
- 7,951
-
Proceeds on disposal of listed investments
89,618 16,115 13,772
Increase in other non-current investments
(9,352)
(20,749)
(8,394)
Proceeds on disposal of mining assets
3,055
3,212 11,540
Additions to property, plant and equipment
(101,908)
(58,967)
(49,840)
NET CASH UTILIZED IN INVESTING ACTIVITIES
(232,806)
(312,230)
(186,639)
CASH FLOWS FROM FINANCING ACTIVITIES
Long-term borrowings raised net
102,478 29,472 61,479
Preference shares issued
- -
681
Ordinary shares issued - net of expenses
151,285
159,556 178,535
Dividends paid
(98,632)
(22,571)
(15,706)
NET CASH GENERATED BY FINANCING ACTIVITIES
155,131
166,456 224,989
EFFECTS OF EXCHANGE RATES ON CASH AND CASH EQUIVALENTS
21,066
(70,018)
(18,533)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS
98,817
(53,873)
66,154
CASH AND CASH EQUIVALENTS - JULY 1
90,223
144,096 77,942
CASH AND CASH EQUIVALENTS - JUNE 30
189,040
90,223 144,096
See notes to the consolidated financial statements
F 7

1

NATURE OF OPERATIONS

Harmony Gold Mining Company Limited (the "Company") or (the "Group") is engaged in gold mining and related activities, including exploration, extraction, processing and refining. Gold bullion, the Company's principal product, is currently produced at its operations in South Africa and Australia and sold in South Africa (primarily to the Rand Refinery) and internationally.

2

ACCOUNTING POLICIES

(a) USE OF ESTIMATES: The preparation of the financial statements in conformity with United States generally accepted accounting principles requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The following are accounting policies used by the Company which, except as noted in 2(k), 2(o) and 2(v), have been consistently applied:

(b) CONSOLIDATION:

(i)

Consolidated entities: The Group's consolidated financial statements include the financial statements of the Company, its subsidiaries, and its investments in joint ventures and associates. A company in which the Group has, directly or indirectly, through subsidiary undertakings, a controlling interest is classified as a subsidiary undertaking. The results of any subsidiary acquired or disposed of during the year are consolidated from the effective date of acquisition and up to the effective date of disposal. Following adoption of FAS 141 by the Group on July 1, 2001, all acquisitions by the Group subsequent to that date have been accounted for as purchases.

Any excess between the purchase price and the fair value of the identifiable net assets of subsidiaries, joint ventures and associates at the date of acquisition is capitalized as goodwill.

Intercompany profits, transactions and balances have been eliminated.

(ii)

Investments in associates: An associate is an entity, other than a subsidiary, in which the Group has a material long-term interest and in respect of which the Group exercises significant influence over operational and financial policies, normally owning between 20% and 50% of the voting equity.

Investments in associates are accounted for by using the equity method of accounting based on the most recent audited financial statements. Equity accounting involves recognizing in the income statement the Group's share of the associates' profit or loss for the period. The Group's interest in the associate is carried in the balance sheet at an amount that reflects the cost of the investment, the Group's share of post acquisition earnings and other movement in reserves. The carrying value of an associate is reviewed on a regular basis and, if an impairment in the carrying value has occurred, it is written off in the period in which such permanent impairment is identified.

(iii)

Investment in joint ventures: A joint venture is an entity in which the group holds a long-term interest and which is jointly controlled by the Group and one or more venturers under a contractual arrangement. The Group's interest in jointly controlled entities is accounted for under the equity method as described in note 2(b)(ii) above.

(iv)

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary, associate, joint venture or business at the date of acquisition. Goodwill on acquisition of subsidiaries and businesses is included in intangible assets. Goodwill on acquisition of associates and joint ventures are included in the carrying value of investments in associates and joint ventures.

Goodwill is not subject to amortization, but an annual assessment for impairment or circumstances, change which indicate that a possible impairment could exist.

At each balance sheet an analysis is performed to assess whether the carrying amount of goodwill is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount.

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

(c) FOREIGN CURRENCIES:

(i)

Foreign entities: For self-sustaining foreign entities, assets and liabilities are translated using the closing rates at year-end, and income statements are translated at average rates. Differences arising on translation are taken directly to shareholders' equity, until the foreign entity is sold or disposed of when the translation differences are recognized in the income statement as part of the gain or loss on sale.

Fair value adjustments arising from the acquisition of the foreign entities are translated at the closing rate.

(ii)

Foreign currency transactions: Transactions in foreign currencies are converted at the rates of exchange ruling at the date of these transactions. Monetary assets and liabilities denominated in foreign currencies are translated at rates of exchange ruling at balance sheet date. Gains, losses and costs associated with foreign currency transactions are recognized in the income statement in the period to which they relate. These transactions are included in the determination of other income-net.

(iii)

Functional currency: The functional currency of the Group is the South African Rand and Australian operations is the Australian dollar. The Group's consolidated financial statements are prepared in South African Rand and the translation differences arising as a result of converting to US dollars using the current exchange rate method are included as a separate component of shareholders' equity.

(d) FINANCIAL INSTRUMENTS are initially measured at cost. Subsequent to initial recognition these instruments are measured as set out below in terms of the applicable accounting policy. Financial instruments carried on the balance sheet include cash and cash equivalents, money market instruments, investments, receivables, accounts payable, long term loans, interest free loans, forward sales contracts, option contracts, interest rate swaps and gold leases.

(e) CASH AND CASH EQUIVALENTS are defined as cash on hand, deposits held at call with banks and short term highly liquid investments with insignificant interest rate risk and original maturities of three months or less. Cash and cash equivalents are measured at fair value.

(f)

NON-CURRENT INVESTMENTS comprise of the following**:**

(i)

Listed investments: Investments in listed companies, other than investments in subsidiaries, joint ventures and associates, are carried at fair value. These investments are classified as available-for-sale investments. Changes in the carrying amount of available-for-sale investments, are excluded from earnings and included as a separate component of shareholders' equity. On disposal of available-for-sale investments, amounts previously included as a separate component of shareholders' equity, are transferred to the income statement and included in the determination of the gain/(loss) on disposal of available-for-sale securities. Unrealized losses are recognized in the determination of net income/(loss) when it is determined that a significant, other than temporary, decline in the value of the investment, has occurred.

(ii)

Unlisted investments are reflected at cost. If the directors are of the opinion that there has been a permanent diminution in the value of these investments they are written down, with the write down recognized as an expense in the period in which the diminution is determined to have taken place.

(g) INVENTORIES: Inventories are valued at the lower of cost and net realizable value. The Company's inventories comprise of consumables stores, gold-in-process and ore stockpiles and are accounted for as follows:

Consumable stores: Consumable stores are valued at average cost, after appropriate provision for redundant or slow moving items.

Gold-in-process: Gold in-process inventories represent materials that are currently in the process of being converted to a saleable product. Conversion processes vary depending on the nature of the ore and the specific mining operation, but include mill in-circuit, leach in-circuit, flotation and column cells, and carbon in-pulp inventories. In-process material is measured based on assays of the material fed to process and the projected recoveries of the respective plants. In-process inventories are valued at the average cost of the material fed to process attributable to the source material coming from the mine, stockpile or leach pad plus the in-process conversion costs, including applicable depreciation relating to the process facility, incurred to that point in the process.

Gold bullion: Gold bullion inventories represent saleable gold ore or gold bullion and are valued at the average cost of the respective in-process inventories incurred prior to the refining process, plus refining costs.

Stockpiles: Stockpiles represent coarse ore that has been extracted from the mine and is available for further processing. Stockpiles are measured by estimating the number of tons (via truck counts and/or in-pit surveys of the ore before stockpiling) added and removed from the stockpile, the number of contained ounces (based on assay data) and the recovery percentage (based on the process for which the ore is destined). Stockpile tonnages are verified by periodic surveys. Stockpiles are valued based on mining costs incurred up to the point of stockpiling the ore, including applicable depreciation and amortization relating to mining operations. Value is added to a stockpile based on the current mining cost per ton plus applicable depreciation and amortization and removed at the average cost per recoverable ounce of gold in the stockpile.

(h) MATERIALS CONTAINED IN HEAP LEACH PADS: The recovery of gold from certain oxide ores is best achieved through the heap leaching process. Under this method, ore is placed on leach pads where it is permeated with a chemical solution, which dissolves the gold contained in the ore. The resulting "pregnant" solution is further processed in a leach plant where the gold in solution is recovered. For accounting purposes, value is added to leach pads based on current mining costs, including applicable depreciation and amortization relating to mining operations. Value is removed from the leach pad as ounces are recovered in circuit at the leach plant based on the average cost per recoverable ounce of gold on the leach pad. The engineering estimates of recoverable gold on the heap leach pads are calculated from quantities of ore placed on the pads (measured tons added to the leach pads), the grade of ore placed on the leach pads (based on assay data) and a recovery percentage (based on the leach process and the ore type). In general, the leach pad production cycles project recoveries of approximately 50% to 70% of the placed recoverable ounces during the leaching process, declining at the end of the leaching process.

Although the quantities of recoverable gold placed on the leach pads are reconciled by comparing the grades of ore placed on the pads to the quantities of gold actually recovered (metallurgical balancing), the nature of the leaching process inherently limits the ability to precisely monitor inventory levels. As a result, the metallurgical balancing process is constantly monitored and engineering estimates are refined based on actual results over time. The ultimate recovery of gold from the pad will not be known until the leaching process is terminated.

The current portion of leach pad inventories is determined based on engineering estimates of the quantities of gold at the balance sheet date that are expected to be recovered during the next twelve months.

(i)

RECEIVABLES: Accounts receivable are stated at the gross invoice value adjusted for payments received and an allowance for doubtful debt, where appropriate, to reflect the fair value of the anticipated realizable value. Bad debts are written off during the period in which they are identified.

(j)

ACCOUNTS PAYABLE are stated at cost adjusted for payments made to reflect the value of the anticipated economic outflow of resources.

(k) HEDGING: Statement of Financial Accounting Standards 133 ("FAS 133"), Accounting for Derivative instruments and Hedging Activities as amended by FAS 138 and other interpretations was adopted by the Company with effect from July 1, 2000. Previously gains and losses on derivative instruments, which effectively established minimum prices for designated future production, were recognized in revenue when the planned production was delivered. Previously, if an instrument regarded as a hedge was sold, extinguished or terminated prior to delivery of the planned production, losses were recognized at the time of sale or closure, and any gains were deferred until the original designated delivery date. Derivatives which were not designated to future production were accounted for on a mark-to-market basis and the associated gains and losses were recognized in earnings. Accordingly, forward gold contracts were accounted for as hedging transactions. All other instruments were accounted for on a mark-to-market basis.

Under FAS 133, all derivatives are recognized on the balance sheet at their fair value, unless they meet the criteria for normal purchase, normal sales exemption.

On the date a derivative contract is entered into, the Group designates it for accounting purposes as either:

a) a hedge of the fair value of a recognized asset or liability (fair value hedge);

b) a hedge of a forecasted transaction (cash flow hedge);

c) a hedge of a net investment in a foreign entity;

d) a derivative to be marked to market; or

e) exempt from FAS 133, due to qualifying for the normal purchase, normal sales exemption.

Certain derivative transactions, however while providing effective economic hedges under the Group's risk management policies, do not qualify for hedge accounting. The Group does not currently hold or issue derivative financial instruments for trading or speculative purposes.

Changes in the fair value of a derivative that is highly effective, and that is designated and qualifies as a fair value hedge, are recorded in the income statement, along with the change in fair value of the hedged asset or liability that is attributable to the hedged risk.

Changes in the fair value of a derivative that is highly effective, and that is designated and qualifies as a cash flow hedge, are recognized directly as a separate component of shareholders' equity. Amounts deferred as a component of shareholders' equity are included in the income statement in the same periods during which the hedged firm commitment or forecasted transaction affects net profit or loss.

Hedges of net investment in foreign entities are accounted for similarly to cash flow hedges.

Recognition of derivatives which meet the criteria for the normal purchases, normal sales exemption under FAS 133 are deferred until settlement, under these contracts the group must physically deliver a specified quantity of gold at a future date at a specified price to the contracted counter party.

Changes in the fair value of derivatives which are not designated as hedges, and do not qualify for hedge accounting are recognized in the income statement.

The Group formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking derivatives designed as hedges to specific assets and liabilities or to specific firm commitments or forecasted transactions. The Group also formally assesses, both at the hedge inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

With the adoption of FAS 133, none of the Company's derivatives at that date qualified for hedge accounting as they did not meet the new hedging requirements of FAS 133 and were thus marked to market, resulting in a cumulative effect of change in accounting principles adjustment of $5.8 million, net of tax. The cumulative effect adjustment was required to record the fair value of those derivative instruments on the balance sheet, which previously qualified for hedge accounting and were not recorded on the balance sheet.

(l)

EXPLORATION COSTS are expensed as incurred prior to the completion of a final feasibility study to establish proven and probable reserves.

(m) PROPERTY, PLANT AND EQUIPMENT

(i)

Mining assets including mine development costs and mine plant facilities are recorded at cost.

Once an economically feasible orebody with proven and probable reserves has been established, expenditure incurred to further develop the ore body and to establish or expand productive capacity, is capitalized until commercial levels of production are achieved, at which time the costs are amortized as set out below. Development of orebodies includes the development of shaft systems and waste rock removal. These costs are capitalized until the reef horizons are intersected and commercial levels of production can be obtained on a sustainable basis. Mine development costs in the ordinary course to maintain production are expensed as incurred.

Interest on borrowings incurred in respect of assets requiring a substantial period of time to prepare for their intended use are capitalized to the date on which the assets are substantially completed and ready for their intended use.

(ii)

Mining operations placed on care and maintenance: The net assets of operations placed on care and maintenance are written down to net realizable value. Expenditure on the care and maintenance of these operations is charged against income, as incurred.

(iii)

Non-mining fixed assets: Land is shown at cost and not depreciated. Buildings and other non-mining fixed assets are shown at cost less accumulated depreciation.

(iv)

Mineral and surface rights for parcels of land owned by the Company are recorded at cost of acquisition. When there is little likelihood of mineral rights being exploited, or the value of the mineral rights have diminished below cost, a write-down is effected against income during the period that such a determination is made.

(v)

Deferred stripping costs: The costs of waste stripping in excess of the expected pit life average stripping ratio are deferred and charged to production when the actual ratio is below the expected average ratio. The expected pit life average stripping ratio is calculated as the ratio of future anticipated waste tonnes to be mined, to anticipated future ore tonnes to be mined. This ratio is recalculated annually in light of additional knowledge and changes in estimates. The expected pit life ratio is then compared to waste associated with ore mined during the period so as to calculate the deferred stripping costs to be deferred or released for the period.

(vi)

Depreciation and amortization of mineral property interests, mineral and surface rights, mine development costs and mine plant facilities are computed principally by the units of production (UOP) method based on estimated proven and probable reserves. Proven and probable ore reserves reflect estimated quantities of economically recoverable reserves which can be recovered in future from known mineral deposits. Amortization related to development projects is first recognized from the date on which the development project reaches commercial production quantities. Other non-mining fixed assets are depreciated by straight line over estimated useful lives of two to five years.

(vii)

Impairment: The recoverability of the carrying value of the long term assets of the Group, which include development costs, are compared to the net book value of the assets, annually or whenever events or changes in circumstances indicate that the net book value may not be recoverable. To determine whether a long-term asset may be impaired, the estimate of future undiscounted cash flows, calculated on an area of interest basis, is compared to its carrying value. An area of interest is defined by Company as its lowest identifiable levels of cash flows, generally an individual operating mine, including mines which are included in a larger mine complex. The costs attributable to individual mine shafts are written off when a shaft is closed.

Management used the following estimates and assumptions when reviewing the long-lived assets for impairments as at June 30, 2003, 2002 and 2001 respectively:

June 30, 2003:

- A gold price of $350 per ounce at an exchange rate of R8.26 to the $1.00.
- The extraction of proven and probable reserves as per the approved mine plan.
- Working costs and capital expenditures as per the approved mine plan.

June 30, 2002:

- A gold price of $295 per ounce at an exchange rate of R10.02 to the $1.00.
- The extraction of proven and probable reserves as per the approved mine plan.
- Working costs and capital expenditures as per the approved mine plan.

June 30, 2001:

- A gold price of $262 per ounce at an exchange rate of R8.00 to the $1.00.
- The extraction of proven and probable reserves as per the approved mine plan.
- Working costs and capital expenditures as per the approved mine plan.

If an impairment exists on this basis the reductions in the carrying value of the long-lived asset are recorded to the extent the remaining investment exceeds the estimate of future discounted cash flows calculated on an area of interest basis. The expected future discounted cash flows from the use of a long lived asset is determined by applying a discount rate to the anticipated pre tax future cashflows. The discount rate used is commensurate with the risks involved and was determined with reference to the Group's weighted average cost of capital as determined by the capital asset pricing model. The revised carrying amounts are amortized in line with Group accounting policies.

The estimates of future discounted cash flows are subject to risks and uncertainties including the future gold price and exchange rates. It is therefore reasonably possible that changes could occur which may affect the recoverability of mining assets.

(n) INTANGIBLE ASSETS: Intangible assets include acquired mineral use rights in production, development and exploration stage properties and goodwill. The amount capitalized related to a mineral interest represents its fair value at the time it was acquired, either as an individual asset purchase or as a part of a business combination.

(i)

Mineral Interests: Intangible assets related to mineral interests represent mineral use rights for parcels of land not owned by the Company. The Company's intangible assets represent mineral use rights related to production, development or exploration stage properties, and the value of such intangible assets is primarily driven by the nature and amount of mineral interests believed to be contained, or potentially contained, in such properties.

Production stage mineral interests represent interests in operating properties that contain proven and probable reserves.

Development stage mineral interests represent interests in properties under development that contain proven and probable reserves.

Exploration stage mineral interests represent interests in properties that are believed to potentially contain:

- other mineralized material such as inferred material within pits; measured, indicated and inferred material with insufficient drill spacing to qualify as proven and probable reserves; and inferred material in close proximity to proven and probable reserves;
- around-mine exploration potential such as inferred material not immediately adjacent to existing reserves and mineralization but located within the immediate mine infrastructure;
- other mine-related exploration potential that is not part of measured, indicated or inferred material and is comprised mainly of material outside of the immediate mine area; or
- greenfields exploration potential that is not associated with any other production, development or exploration stage property, as described above.

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

(ii)

Amortization: Intangible assets associated with production stage mineral interests are amortized over the life of mine using the UOP method in order to match the amortization with the expected underlying future cash flows. Intangible assets associated with development stage mineral interests are not amortized until such time as the underlying property is converted to the production stage. With respect to intangible assets associated with exploration stage mineral interests, the excess of the carrying value over the residual value of intangible assets related to other mineralized material, around-mine exploration, greenfields exploration potential and other mine-related exploration potential is amortized on a straight-line basis over the period that the Company expects to convert, develop or further explore the underlying properties.

Residual values for exploration stage mineral interests represent the expected fair value of the interests at the time the Company plans to convert, develop, further explore or dispose of the interests. The residual values range from 60% to 100% of the gross carrying value of the respective exploration stage mineral interests. Residual values were determined collectively for the exploration stage mineral interest, and the nature of, and the Company's relative confidence in, the mineralized material believed to be contained, or potentially contained, in the underlying property. Such values are based on recent transactions involving similar properties for those properties characterized as other mine-related exploration potential and greenfields exploration potential. Based on its knowledge of the secondary market that exists for the purchase and sale of mineral properties, the Company believes that this method results in a residual value that is representative of the amount that the Company could expect to receive if the property were sold to a third party. When an exploration stage mineral interest is converted to a development or production stage mineral interest, the residual value is reduced to zero for purposes of calculating UOP amortization. The expected useful lives and residual values used in amortization calculations are determined based on the facts and circumstances associated with each individual mineral interest. The useful lives used to amortize production stage mineral interests range from 1 to 8 years, and the useful lives used to amortize exploration stage mineral interests range from 3 to 5 years. The Company evaluates the remaining amortization period for each individual mineral interest on an annual basis. Residual values are evaluated on at least an annual basis. Any changes in estimates of useful lives and residual values are accounted for prospectively from the date of the change in accordance with Accounting Principles Board ("APB") Opinion No. 20 "Accounting Changes."

(o) ENVIRONMENTAL OBLIGATIONS: Statement of Financial Accounting Standards 143 ("FAS 143"), Accounting for Asset Retirement Obligations was adopted by the Company with effect from July 1, 2002.

Previously the Company accounted for rehabilitation costs and related accrued liabilities, which were based on the Company's interpretation of current environmental and regulatory requirements, by accruing and expensing these costs over the operating lives of the individual operating mines, principally by the UOP method based on estimated above infrastructure proven and probable reserves. Based upon current environmental regulations and known rehabilitation requirements, management had included its best estimate of these obligations, on an undiscounted basis, in its rehabilitation accrual. Environmental liabilities, other than rehabilitation costs which relate to liabilities from specific events, are expensed as incured.

FAS 143 applies to legal obligations associated with the retirement of a long-lived asset that result from the acquisition, construction, development and/or the normal operation of a long-lived asset. Under FAS 143 the Company records the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the Company capitalizes the cost by increasing the carrying value of the related long-lived asset. Over time, the liability is increased to reflect an interest element (accretion) considered in its initial measurement at fair value, and the capitalized cost is amortized over the useful life of the related asset.

Upon settlement of the liability, the Company will record a gain or loss if the actual cost incurred is different than the liability recorded. The adoption of FAS 143 resulted in the Company recording an increase in property, plant and equipment, net of $5.6 million; a decrease in provision for environmental rehabilitation of $13.5 million; an increase in deferred tax liabilities of $4.3 million and a $14.8 million credit cumulative effect of a change in accounting principle, net of tax.

Following the adoption of FAS 143, the total amount of recognized liabilities for asset retirement obligations was $44.6 million. These liabilities mainly relate to the obligations at the Company's active mines to perform reclamation and remediation activities to meet existing environmental laws and regulations that govern the Company's operations.

(p) ENVIRONMENTAL TRUST FUNDS: Contributions are made to the Group's trust funds, created in accordance with statutory requirements, to fund the estimated cost of pollution control, rehabilitation and mine closure at the end of the life of the Group's South African mines. Contributions are determined on the basis of the estimated environmental obligation over the life of the mine. Income earned on monies paid to environmental trust funds is accounted for as investment income. The funds contributed to the trusts plus growth in the trust funds are included under investments on the balance sheet.

(q) PROVISIONS are recognized when information is available prior to the issuance of financial statements which indicates that it is probable that an asset has been impaired or a liability has been incurred as at the date of the financial statements and can be reasonably estimated.

(r)

DEFERRED TAXATION: The Group follows the comprehensive liability method of accounting for deferred tax using the balance sheet approach. Under this method deferred income and mining taxes are recognized for the tax consequences of temporary differences by applying expected future mining tax rates to the differences between the tax base of certain assets or liabilities and their balance sheet carrying amount. The effect on deferred tax of any changes in tax rates is recognized in the income statement during the period in which the change in tax rate occurs.

The principal temporary differences arise from amortization and depreciation on property, plant and equipment, provisions, deferred financial liability and unredeemed capital expenditure. A valuation allowance is recorded to reduce the carrying value of deferred tax assets unless it is more likely than not that such assets will be realized.

(s) PENSION PLANS AND OTHER EMPLOYEE BENEFITS:

(i)

Pension plans are funded through annual contributions. The Group's contributions to the defined contribution pension plans are charged to the income statement in the year to which they relate. The Group's liability is limited to its annually determined contributions.

(ii)

Medical plans: The Group provides medical cover to current employees and certain retirees through a defined benefit plan fund. The medical accounting costs for the defined benefit plan are assessed using the projected unit credit method. The health care obligation is measured as the present value of the estimated future cash outflows using market yields consistent with the term and risks of the obligation. Actuarial gains and losses as a result of these valuations are recognized in the income statement. No contributions are made for employees retiring after June 30, 1996. A liability for retirees and their dependants prior to this date is accrued in full based on regular actuarial valuations.

(t)

REVENUE RECOGNITION:

(i)

Revenue arising from gold sales is recognized when the risks and rewards of ownership and title have passed to the buyer under the terms of the applicable agreement and the pricing is determinable. Sales revenue excludes value-added tax but includes the net profit and losses arising from hedging transactions from matched gold sales contracts, which are designated as normal sales contracts.

(ii)

Interest income: Interest is recognized on a time proportion basis, taking into account the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Group.

(iii)

Dividend income is recognized when the shareholders' right to receive payment is established, recognized at the last date of registration.

(u) DIVIDENDS DECLARED: Dividends proposed and the related transactions thereon are recognized when declared by the the Board of directors. Dividends paid therefor relate to those declared in the current fiscal year. Dividends are payable in South African Rands.

Dividends declared which are payable to foreign shareholders are subject to approval by the South African Reserve Bank in terms of South African foreign exchange control regulations. In practice, dividends are freely transferable to foreign shareholders.

(v) STOCK-BASED COMPENSATION: Effective July 1, 2001, the Company adopted Statement of Financial Accounting

Notes to the Consolidated Financial Statements
For the years ended June 30

Standards No. 123, Accounting for Stock-Based Compensation ("FAS 123") for all stock option grants subsequent to that date. Accordingly the Company fair values all stock options granted subsequent to July 1, 2001, at the date of the option grant. The total fair value of the options granted is recorded as deferred stock-based compensation as a seperate component of shareholders' equity with a corresponding amount recorded as additional paid-in capital. The deferred stock-based compensation is amortized as stock-based compensation expense in the income statement over the vesting period of the respective option grant. Prior to July 1, 2001, the Company applied Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees ("APB 25") and its related interpretations in accounting for its employee stock option plan. See note 25 for a summary of the pro forma effects on reported net income and earnings per share for fiscal 2003, 2002 and 2001 based on the fair value of options granted prior to July 1, 2001, as prescribed by FAS 123 and FAS 148 "Accounting for stock-based compensation transition and disclosure".

(w) EARNINGS PER SHARE: Earnings per share is based on net income divided by the weighted average number of ordinary shares in issue during the year. Diluted earnings per share is presented when the inclusion of potential ordinary shares has a dilutive effect on earnings per share.

(x) COMPARATIVES: Where necessary comparative figures have been adjusted to conform with changes in presentation in the current fiscal year.

(y) RECENT ACCOUNTING PRONOUNCEMENTS:

In April 2003 the FASB issued Statement No. 149 ("FAS 149"), "Amendment of FAS No. 133 on Derivative Instruments and Hedging Activities". The Statement amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under FAS 133. In particular, it (1) clarifies under what circumstances a contract with an initial net investment meets the characteristic of a derivative as discussed in FAS 133, (2) clarifies when a derivative contains a financing component, (3) amends the definition of an underlying to conform it to the language used in FIN No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("FIN 45") and (4) amends certain other existing pronouncements.

FAS 149 is effective for contracts entered into or modified after June 30, 2003, except as stated below and for hedging relationships designated after June 30, 2003.

The provisions of FAS 149 that relate to FAS 133 Implementation Issues that have been effective for fiscal quarters that began prior to June 15, 2003, should continue to be applied in accordance with their respective effective dates. In addition, certain provisions relating to forward purchases or sales of when-issued securities or other securities that do not yet exist, should be applied to existing contracts as well as new contracts entered into after June 30, 2003. FAS 149 should be applied prospectively.

The Company does not expect that the adoption of this Statement will have a material impact on its results of operations and financial position.

In May 2003 the FASB issued Statement of Financial Accounting Standards No. 150 ("FAS 150"), "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity". FAS 150 modifies the accounting for certain financial instruments that, under previous guidance, issuers could account for as equity. The Statement requires that those instruments be classified as liabilities in statements of financial position.

FAS 150 affects an issuer's accounting for three types of freestanding financial instruments, namely:

(i)

Mandatorily redeemable shares, which the issuing company is obligated to buy back in exchange for cash or other assets.

(ii)

Financial instruments, other than outstanding shares, that do or may require the issuer to buy back some of its equity shares in exchange for cash or other assets.

(iii)

Unconditional obligations that can be settled with equity shares, the monetary value of which is fixed, tied solely or predominantly to a variable such as a market index, or varies inversely with the value of the issuer's equity shares.

FAS 150 does not apply to features embedded in financial instruments that are not derivatives in their entirety.

In addition to its requirements for the classification and measurement of financial instruments within its scope, FAS 150 also requires disclosures about alternative ways of settling such instruments and the capital structure of entities, all of whose shares are mandatorily redeemable.

FAS 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003.

The Company does not believe that the adoption of this Statement will have a material impact on its results of operations and financial position.

In November 2002, the FASB issued FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees and Indebtedness of Others (an interpretation of FASB Statements No. 5, 57 and 107 and Rescission of Interpretation No. 34)" ("FIN 45"). This interpretation elaborates on the disclosures to be made by a guarantor in it interim and annual financial statements about its obligations under certain guarantees that it has issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. This interpretation does not prescribe a specific approach for subsequently

measuring the guarantor's recognized liability over the term of the related guarantee. This interpretation also incorporates, without change, the guidance in FASB Interpretation No. 34, "Disclosure of Indirect Guarantees of Indebtedness to Others", which is being superseded. The initial recognition and initial measurement provisions of this interpretation are applicable on a prospective basis to guarantees issued or modified after December 31, 2002, irrespective of the guarantor's fiscal year-end. The disclosure requirements in this Interpretation are effective for financial statements of interim or annual periods ending after December 15, 2002. The Company adopted the disclosure requirements during the year ended June 30, 2003.

The interpretive guidance incorporated without change from Interpretation 34 continues to be required for financial statements for fiscal years ending after June 15, 1981 the effective date of Interpretation 34. The Company is currently evaluating the impact of recognizing the fair values of certain guarantees it has issued, however it is not expected that the adoption of this Interpretation will have a material impact on its results of operations and financial position.

In January 2003, the FASB issued FASB Interpretation No. 46, "Consolidation of Variable Interest Entities an Interpretation of ARB No. 51", ("FIN 46"). This interpretation of Accounting Research Bulletin No.51, "Consolidated Financial Statements", addresses consolidation by business enterprises of variable interest entities, which have one or both of the following characteristics:

(i)

The equity investment at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support from other parties, which is provided through other interests that will absorb some or all of the expected losses of the entity.

(ii)

The equity investors lack one or more of the following essential characteristics of a controlling financial interest:

a. The direct or indirect ability to make decisions about the entity's activities through voting rights or similar rights.

b. The obligation to absorb the expected losses of the entity if they occur, which makes it possible for the entity to finance its activities.

c. The right to receive the expected residual returns of the entity if they occur, which is the compensation for the risk of absorbing the expected losses.

This Interpretation applies immediately to variable interest entities created after January 31, 2003, and to variable interest entities in which an enterprise obtains an interest after that date. It applies in the first fiscal year or interim period beginning after June 15, 2003, to variable interest entities in which an enterprise holds a variable interest that it acquired before February 1, 2003. On October 10, 2003, the FASB issued FASB Staff Position 46-6, which defers the effective date for applying the provisions of FIN 46 to interim or annual periods ending after December 15, 2003. The Interpretation applies to public enterprises as of the beginning of the applicable interim or annual period.

This Interpretation may be applied prospectively with a cumulative-effect adjustment as of the date on which it is first applied or by restating previously issued financial statements for one or more years with a cumulative-effect adjustment as of the beginning of the of the first year restated.

The Company will apply this Interpretation to the Africa Vanguard Resources (Proprietary) Limited transaction (Refer to note 30(c) for more information regarding this transaction) entered into on August 14, 2003. The Company has been determined to be the primary beneficary in two variable interest entities, Africa Vanguard and the Doornkop Joint Venture, and accordingly will consolidate the results of operations and financial position of these variable interest entities.

3

ACQUISITION AND DISPOSAL OF BUSINESSES

(a) Acquisition of AurionGold Limited ("AurionGold") (formerly Goldfields Limited (Australia) ("Goldfields"))

On February 4, 2000, the Company purchased a 19.95% equity interest in Goldfields for a cash consideration of R143 million (A$41 million). Due to a subsequent share issue by Goldfields, the Company's interest was diluted to 17.3%. On October 5, 2000, the Company concluded the purchase from Hanson Plc of 10.58 million Goldfields shares financed through the issue for cash of 2,189,700 Harmony ordinary shares for $10.2 million. This transaction resulted in Harmony's interest in Goldfields increasing to approximately 22.96%. The Goldfields investment was accounted for as an available-for-sale investment as the Company had no board representation or other significant influence over the financial and operating policies of Goldfields.

During September 2001, Goldfields announced that it was to merge with Delta Gold Limited ("Delta") and that shareholders in Delta would receive 187 Goldfields shares for every 200 Delta shares held as part of the merger. The merger was consummated on December 12, 2001, and Goldfields was renamed AurionGold. As a result of the merger, Harmony's interest in AurionGold was diluted to 8.8%.

On July 29, 2002, this investment was disposed of to Placer Dome Asia Pacific Limited for a total consideration of $76 million, which comprised of $8 million in cash and Placer Dome ordinary shares with a value of $68 million. This investment was subsequently disposed of and a total profit of $59 million was realized, with reference to the cost of the original investment in Goldfields.

(b) Acquisition of New Hampton (Australia)

On December 19, 2000 the Company announced that it had agreed to purchase 19.99% of New Hampton ordinary shares from Normandy Mining, subject to regulatory approval. On the same date, the Company also announced an offer for all the outstanding ordinary share capital of New Hampton for a cash consideration of A$0.265 for each ordinary share. On March 1, 2001, the Company announced a revised offer to the shareholders of New Hampton, increasing its cash offer for each

outstanding ordinary share to A$0.275. The total cash bid valued New Hampton at approximately Rand 229.4 million ($28.5 million). On March 22, 2001, the Company announced that Normandy Mining accepted the Company's offer for Normandy Mining's remaining 13.2% shareholding in New Hampton, and that the New Hampton board of directors recommended that New Hampton shareholders accept the Company's offer and indicated their intention to accept Harmony's offer for their individual holdings. As at June 30, 2001, shareholders holding approximately 95.84% of New Hampton's shares had surrendered their shares to the Company in acceptance of the Company's offer and this offer had become unconditional.

For accounting purposes the Company accounted for New Hampton as a subsidiary from April 1, 2001, the date on which it gained control of New Hampton. No minority interests were accounted for from this date until June 30, 2001 as New Hampton was in a net deficit position. The difference between the purchase price and the historical net book value of the net assets acquired amounted to $12.7 million which has been allocated to undeveloped properties included within property, plant and equipment. On July 1, 2002, following adoption of FAS 142 by the Company, the unamortized balance of undeveloped properties was reclassified as an intangible asset.

(c) Acquisition of certain assets and liabilities of the Elandsrand and Deelkraal mines ("Elandskraal") from AngloGold

On January 31, 2001, Harmony entered into an agreement to purchase Elandskraal, subject to the fulfillment of certain conditions precedent, for approximately Rand 1 billion ($130.9 million) in cash. Harmony and AngloGold jointly managed Elandskraal between February 1, 2001 and April 1, 2001 and Harmony completed the Purchase on April 9, 2001. The results of Elandskraal have been accounted for in the books of Harmony from April 1, 2001. The difference of the purchase price and the historical net book value of the net assets acquired amounted to $30.7 million, which has been allocated to property, plant and equipment.

(d)

Agreement with Open Solutions (Proprietary) Limited ("Open Solutions")

On April 24, 2001, the Group entered into an agreement with Open Solutions (25% of which is owned by Khuma Bathong Holdings (Proprietary) Limited), a Black Economic Empowerment (BEE) Company, pursuant to which the parties agreed to associate together in a joint venture related to the business of the Elandskraal, or the Elandskraal Venture. Open Solutions, an empowerment group, undertook to purchase a 10% participation interest in the Elandskraal Venture for a cash consideration equal to 10% of the historical acquisition costs (including all transaction costs but excluding loan financing costs) of the Elandskraal mine, in an amount estimated to be approximately Rand 113.7 million ($ 14.1 million). No gain or loss was recorded in the financial statements of the Group as a result of this transaction. Randfontein has retained the remaining 90% participation interest in the Elandskraal Venture (but must consult with Open Solutions prior to effecting a sale or disposal of the material portion of the assets of the Elandsrand or Deelkraal mines). Under the agreement, the Company also undertook to loan the purchase price to Open Solutions at an interest rate equal to the prime rate less 1%, which will be repaid by Open Solutions from the benefits accruing to Open Solutions attributable to its 10% participation interest. As security for the repayment of this loan, Open Solutions ceded and assigned to Randfontein all its right, title and interest in and to its participation interest (other than the right to appoint three representatives) until the loan is repaid in full. With effect from April 1, 2002, the Company re-acquired the 10% participation interest in the Elandskraal Mine that it had sold to Open Solutions, a subsidiary of Khuma Bathong. This has allowed Khuma Bathong to realize its investment and pursue other opportunities in the South African mining industry. The aggregate consideration paid by the Company to Khuma Bathong was $19 million. This was netted off against the remaining $8 million due to the Company under the original loan of April 24, 2001 to Khuma Bathong. This 10% participation interest in Elandskraal had been separately accounted for as a minority interest subsequent to its disposal in fiscal 2001.

(e) Acquisition of interest in Bendigo Mining NL ("Bendigo")

On September 25, 2001, the Company announced that it had reached an agreement in principle with Bendigo, to acquire 294 million shares of Bendigo for a total purchase price of approximately of A$50 million ($22.8 million). On December 13, 2001, shareholders of Bendigo approved this subscription and the Company acquired ordinary shares representing approximately 31.8% of the outstanding share capital of Bendigo. On this date, the Company was also granted options to acquire 360 million additional shares of Bendigo at any time before December 31, 2003 at a price of A$0.30 per share for a maximum consideration of A$108 million. If the Company exercises these options, the Company would own approximately 50.1% of the diluted capital of Bendigo. Bendigo is a single project Australian gold mining development company whose ordinary shares are listed on the Australian Stock Exchange. Bendigo controls the New Bendigo Gold Project in the historic Bendigo goldfields, which includes all of the mining and exploration rights beneath and in the vicinity of the city of Bendigo in Victoria.

(f)

Acquisition of Hill 50 ("Hill 50")

On December 11, 2001, the Company commenced a conditional cash offer for all of the outstanding ordinary shares and listed options of Hill 50 for R1 327 million ($110 million). The offer included a cash payment of A$1.35 for each Hill 50 share. The offer closed on May 3, 2002, at which time shareholders holding 98.57% of Hill 50's shares and 98.76% of Hill 50's listed options had accepted the Company's offer and this offer had become unconditional. The Company subsequently completed a compulsory acquisition of the remaining shares and options under the rules of the Australian Stock Exchange. The Company financed the Hill 50 offer from existing cash resources and borrowings, including a syndicated loan facility entered into on February 28, 2002, with Citibank, N.A., as lead arranger. Hill 50 is an Australian gold mining company with operations mainly in Western Australia, whose ordinary shares and options were traded on the Australian Stock Exchange, prior to the completion of the acquisition by the Company.

For accounting purposes, the Company equity accounted for Hill 50 during the month of March, as it exercised significant influence over the financial and operating policies of Hill 50 during that period. Between April 2002 and June 2002, the Company acquired the remaining outstanding share capital of Hill 50 and the Company accounted for Hill 50 as a subsidiary from April 1, 2002. The total bid valued Hill 50 at approximately A$233 million ($124.8 million) and was settled in cash by the Company. The acquisition of Hill 50 was accounted for as a purchase with the difference between the purchase price and the historical book value of the net assets acquired of $182.5 million allocated to undeveloped properties, included in property, plant and

equipment. On July 1, 2002, following adoption of FAS 142 by the Company, the unamortized balance of undeveloped properties was reclassified as an intangible asset. With effect from April 1, 2002, the Company reports the New Hampton and Hill 50 operating results together within an Australian Operations segment.

(g) Acquisition of certain assets and liabilities of the FreeGold and Joel mines ("FreeGold assets") from AngloGold

On November 21, 2001, the Company and African Rainbow Minerals Gold Limited (ARMgold) reached an agreement in principle with AngloGold to purchase the FreeGold assets, subject to specified conditions. The Company and ARMgold subsequently formed the Harmony/ARMgold FreeGold Joint Venture Company (Pty) Limited ("the FreeGold Company") on December 11, 2001, to purchase the FreeGold assets. The Company and ARMgold each own 50% of the outstanding share capital of the Free Gold Company. The FreeGold assets are located in the Free State Province of South Africa, approximately 250 kilometers southwest of Johannesburg. The FreeGold Company was capitalized by means of capital contributions and loans in equal amounts from the Company and ARMgold.

Pursuant to the subsequently executed definitive agreements, the FreeGold assets were purchased by the FreeGold Company for R2,200 million ($207 million), plus an estimated amount of R632 million ($59 million) equal to any liability for taxes payable by AngloGold in connection with the sale. R1,800 million ($169 million) of the total purchase price, plus accrued interest, was paid by the FreeGold Company in April 2002 following fulfillment of all conditions precedent and R400 million ($38 million) is payable by the FreeGold Company under an interest-free loan on January 1, 2005. The additional amount relating to taxes was payable by the FreeGold Company as and when the tax liability became payable by AngloGold. The final tax liability amounted to R682 million ($91 million) and was paid by the FreeGold Company during June 2003 and the purchase price was adjusted accordingly to reflect the actual tax payment amount. The FreeGold Company and AngloGold jointly managed the FreeGold assets from January 1, 2002 until the FreeGold Company completed the purchase on April 23, 2002, with the profits and cash flows generated by the FreeGold assets up to that date being for the account of the FreeGold Company. On April 23, 2002, the FreeGold Company assumed sole management control of the FreeGold assets.

The Company has equity accounted for its interest in the FreeGold Company with effect from May 1, 2002 and the purchase price of the FreeGold assets was determined to be R2,264 million ($212 million). This figure is the sum of the cash payment of R1,800 million ($169 million), the fair value of the interest free loan of R270 million ($25 million) and the tax payable to AngloGold of R682 million ($91 million), offset by the cash flows generated by the FreeGold assets during the period that the FreeGold Company and AngloGold jointly managed the FreeGold assets of R488 million ($46 million) as these cash flows were for the account of the FreeGold Company and its shareholders.

(h) Acquisition of Highland Gold Limited ("Highland Gold")

On May 31, 2002 the Company acquired ordinary shares representing approximately 25% of the outstanding share capital of Highland Gold for a purchase price of $18.9 million. On June 28, 2002, Highland Gold issued 7.5 million additional shares to the Company for a purchase price of GBP7,500 ($11,925 at an exchange rate of $1.59 per GBP1.00), which increased the Company's aggregate interest to approximately 32.5% of Highland Gold's outstanding share capital. Highland Gold completed an initial public offering on the Alternative Investment Market of the London Stock Exchange during December 2002. As part of the initial public offering, the Company subscribed for 2,511,947 Highland Gold ordinary shares for a total consideration of $8 million. Following completion of the Highland Gold initial public offering, the Company's aggregate interest in Highland Gold's outstanding share capital was 31.7%. Highland Gold is a Jersey based company, which holds various Russian gold assets, including a operating gold mine development projects. (Refer to note 30(d) for note on disposal).

(i)

Acquisition of High River Gold Mines Limited ("High River")

On November 22, 2002, the Company purchased 17,074,861 shares, which approximated to 21.0% of the outstanding share capital of High River for a cash consideration of $14.5 million. High River is a company organized under the laws of Ontario, Canada, that is listed on the Toronto Stock Exchange and holds gold mining assets in Russia, Canada and West Africa. This 21% investment was acquired at a discount of approximately 16% ($0.85 cents per share) from the 30 day weighted average share price for the 30 day period prior to the execution of the agreement with Jipangu, a Japanese investment house.

Shares issued by High River subsequent to the Company's investment in High River has diluted the Company's shareholding to approximately 16% of High River's outstanding share capital. (Refer to note 30(e) for note on disposal).

(j)

Acquisition of Abelle Limited ("Abelle")

On February 26, 2003, the Company announced an agreement to subscribe for shares in Abelle, and following the completion of such share subscription, the intention to undertake a public takeover bid of Abelle. The share subscription comprised of 35 million ordinary Abelle shares at a price of A$0.75 per share. The Company also announced its cash takeover bid at A$0.75 per ordinary share and A$0.45 per listed warrant, and that it had entered into an irrevocable pre-bid acceptance agreement with one of Abelle's major shareholders,Guinness Peat Group Plc, to acquire their 19.9% shareholding in Abelle. Abelle is an Australian mining company whose shares and warrants are traded on The Australian Stock Exchange. Abelle has gold mining assets in Australia and Papua New Guinea, which include a 50% interest in the Morobe Project in Papua New Guinea and a 100% interest in both the Wafi project in Papua New Guinea and the Gidgee Project in Western Australia. With effect from May 1, 2003, the Company had acquired a majority shareholding in Abelle and during the period to June 30, 2003, increased its shareholding such that as at June 30, 2003, the Company had acquired 87% of the issued share capital of Abelle.

The results of Abelle have been accounted for in the books of the Company from May 1, 2003. The total purchase price as at June 30, 2003, amounts to $105.4 million. The excess of the purchase price over the historical book value of the net assets acquired amounted to $164.6 million and has been allocated to intangible assets.

(k) Acquisition of Anglovaal Mining Limited ("Avmin")

The Group has acquired a 17.25% interest in Avmin through its 50% interest in a joint venture with, ARMgold Limited, Clidet 454 (Pty) Ltd. The joint venture company purchased 27,786,362 shares in Avmin from Anglo American Plc for a cash consideration of R1 209 million ($167 million) on May 8, 2003 and a further 11,003,399 shares for a cash consideration of R478 million ($63 million) on May 14, 2003, giving it a combined interest of 34.5% in the issued share capital of Avmin. Avmin is listed on the Johannesburg Stock Exchange and has interests in operating gold, manganese, iron, chrome, platinum, and nickel mines in South Africa, as well as cobalt and copper mines in Zambia. (Refer to note 30(g) for additional disclosure).

(l)

Pro-forma information relating to Hill 50 and Abelle

The consolidated income statements reflect the operating results of Hill 50 and Abelle since their respective effective acquisition dates.

The following pro-forma unaudited summarized financial information assumes that the above acquisitions had occurred on July 1 of each of the fiscal years in which they occurred:

	2003	**2002**
	$'000	**$'000**
Revenues	795,539	747,740
Net income	83,993	78,459
Basic earnings per share - cents	47.2	51.1
Average shares used in the computation	177,954,245	153,509,862

These pro-forma amounts have been prepared for comparative purposes only and they do not purport to be indicative of the results of operations which actually would have resulted had the business combinations been effected on July 1, 2001 and 2002 or of future results of operations of the consolidated entities.

4

PRODUCTION COSTS

	2003	**2002**	**2001**
	$'000	**$'000**	**$'000**
Production costs include mine production, transport and refinery costs, general and administrative costs, movement in inventories and ore stockpiles. These costs, analyzed by nature, consist of the following:			
Labor costs, including contractors	314,277	265,497	313,649
Stores and materials	145,434	114,785	119,835
Water and electricity	69,634	53,436	60,080
Hospital costs	7,153	6,387	4,302
Changes in inventory	(13,265)	(1,659)	(8,915)
Other	75,116	30,952	15,958
	598,349	469,398	504,907

5

OTHER INCOME--NET

	2003	**2002**	**2001**

$'000
$'000
$'000
Profit on sale of property, plant and equipment
2,129
1,965 10,528
Foreign exchange (losses)/gains
(21,078)
9,673 1,202
Other (expenditure)/income - net
(2,163)
(2,488)
(1,034)
(21,112)
9,150 10,696
6
EMPLOYMENT TERMINATION AND RESTRUCTURING COSTS
2003
2002
2001
$'000
$'000
$'000
Free State
1,574
1,611 -
Randfontein and Elandskraal
1,716
3,549 4,521
Evander
1,212
159 136
Kalgold
- -
72
Australian operations
596
3,163 -
Bissett mine
-
293 -
5,098
8,775 4,729

During the fiscal year ended June 30, 2003, the continued process of restructuring at the Free State, Randfontein, Elandskraal and Evander operations as a result of the declining Rand per kilogram gold price, resulted in excess labor, which could not be accommodated on other shafts, becoming surplus to requirements and resulted in their services being terminated. In May 2003 the Company announced that the Big Bell Gold Operations had exhausted all economically viable mineralized material at prevailing or immediately forseeable Australian dollar gold prices and would cease production in July 2003. A provision was raised to cover the estimated cost of terminating the employment of 57 employees at Big Bell.

During the fiscal year ended June 30, 2002, the closure of Virginia 2 shaft and Harmony 4 shaft in the Free State resulted in certain excess labour, which could not be accommodated on other shafts, becoming surplus to requirements and being made redundant. Elandskraal continued the process of restructuring, which was started in the 2001 fiscal year, which lead to certain positions becoming redundant. With the acquisition of Hill 50 in Australia, the Company combined the New Hampton and Hill 50 operations, which lead to certain restructuring and employment termination costs being incurred. At the end of 2001, the Company decided to place the Bissett on care and maintenance, due to the mining operations being uneconomic at gold prices at that time. During fiscal 2002, the restructuring process associated with the transition to care and maintenance was completed, and additional costs were incurred.

During the fiscal year ended June 30, 2001, due to the closure of No 4 shaft at Randfontein and the restructuring of Elandskraal certain restructuring costs were incurred which included the termination of service of certain production employees.

7

PROFIT/(LOSS) ON SALE OF OTHER ASSETS AND LISTED INVESTMENTS

	2003	**2002**	**2001**
	$'000	**$'000**	**$'000**
Profit/(loss) on sale of listed investments	59,243	4,524	(1,393)

During the 2003 fiscal year the Placer Dome shares, acquired at a total cost of $35 million were disposed of, resulting in a profit of $59 million. (See note 3(a) for further information regarding this investment.)

As part of the initial public offering of ARMgold, the Company subscribed for 2,860,000 shares at R38.67 ($3.83) per share. These shares were subsequently disposed of for a profit of $4.5 million, during fiscal 2002.

With the acquisition of Randfontein, Harmony acquired 4,944,948 shares in Western Areas Limited. These shares were disposed of at a loss of $1.3 million during the 2001 fiscal year.

8

IMPAIRMENT OF ASSETS

	2003	**2002**	**2001**
	$'000	**$'000**	**$'000**
Free State operations	-	-	5,624
Randfontein operations	-	-	1,524
Evander operations	-	-	1,493
Bissett operations	-	-	19,625
Australian operations	117,594	44,284	-
	117,594	44,284	28,266

A review of the Australian operations was performed, which resulted in the reserves being reduced from 2.3 million ounces to 1.5 million ounces. This resulted in revised life of mine plans being designed for the Australian operations. Utilizing the revised mine plans, and a gold price of $350 per ounce, the life of mine plans did not support the carrying value of the Australian operations assets on an undiscounted cash flow basis. Accordingly an asset impairment of $117.6 million was charged against income, utilizing a discount rate of 8%, which reduced the carrying value of the Australian operations assets to $438 million.

The Company completed the redevelopment programme at New Hampton's Big Bell underground mine during the 2002 fiscal year. Production achieved to date however indicated that the grade of the Big Bell underground mine is significantly lower than the original estimated. This resulted in a re-assessment of the Big Bell ore reserve estimate, which indicated that the life of mine plans should be revised to take account of a lower gold content in the Big Bell ore body. Utilizing the revised mine plans, and a gold price of $295 per ounce, the life of mine plans did not support the carrying value of the Big Bell assets on an undiscounted cash flow basis. Accordingly an asset impairment of $44.3 million was charged against income, utilizing a discount rate of 10%, which reduced the carrying value of the Big Bell assets to $8.8 million.

Due to the depletion of economically mineable reserves, certain shafts at Randfontein, Evander and Free State were closed and the remaining net book value written off during the 2001 fiscal year.

The Bissett mine was placed on care and maintenance at June 30, 2001 due to the mining operations being uneconomic at gold prices at that time. The write-down reflected the excess of book value of long term and other assets over the estimated salvage values of those assets.

9

TAXATION
2003
2002
2001
$'000
$'000
$'000
Current income and mining taxes
29,797
25,604 8,277
Deferred income and mining taxes
(4,542)
(11,236)
6,348
Total income and mining taxation expense
25,255
14,368 14,625
F 19
Harmony Gold Mining Company Limited
Notes to the Consolidated Financial Statements
For the years ended June 30

Mining tax on South African mining income is determined on a formula basis which takes into account the profit and revenue from mining operations during the year. South African non-mining income is taxed at a standard rate. Mining and non-mining income of Australian operations are taxed at a standard tax rate of 30%. Deferred tax is provided at the estimated expected future mining tax rate for temporary differences. Major items causing the Company's income tax provision to differ from the mining statutory tax rate of 46% (2002: 46% and 2001: 46%) were:

	2003	**2002**	**2001**
	$'000	**$'000**	**$'000**
Tax at the statutory mining tax rate on income before tax	(36,807)	(46,925)	(10,871)
Valuation allowance released/(raised) against deferred tax assets	1,736	5,226	(9,816)
Non-taxable income / additional deductions	15,548	(25,998)	(54,268)
Rate adjustment to reflect estimated effective mining tax rate	(13,870)	32,733	56,872
South African mining formula tax rate adjustment	10,306	9,655	4,325
Difference between non-mining tax rate and mining statutory rate on non-mining income	6,590	3,106	(867)
Change in subsidiary company's tax rate	(8,758)	7,835	-
Income and mining tax expense	(25,255)	(14,368)	(14,625)
Effective income and mining tax rate	26%	14%	49%

Deferred income and mining tax liabilities and assets on the balance sheet as of June 30, 2003 and June 30, 2002, relate to the following:

	2003	**2002**
	$'000	**$'000**
Deferred income and mining tax liabilities		
Mining assets	240,816	146,774
Product inventory not taxed	3,865	3,045
Gross deferred income and mining tax liability	244,681	149,819
Net deferred income and mining tax assets	(50,831)	

(51,714)
Deferred financial liability
(623)
(22,897)
Unredeemed capital expenditure
(21,342)
(18,570)
Provisions, including rehabilitation accruals
(21,491)
(7,455)
Tax losses
(7,375)
(2,793)
193,850
98,105
Less: Short term portion of deferred income and mining tax included in accounts payable
15,778
1,683
Net deferred income and mining tax liabilities
209,628
99,789

As at June 30, 2003 the Group has unredeemed capital expenditure of $193.1 million (2002: $151.4 million) and tax losses carried forward of $2.2 million (2002: $9.0 million) available for deduction against future South African mining income. These future deductions are utilizable against mining income generated only from the Group's current mining operations in South Africa and do not expire unless the Group ceases to trade for a period longer than one year.

In terms of Australian taxation legislation, tax losses incurred by Harmony Gold Australia (Pty) Limited are carried forward indefinitely. Harmony Gold Australia (Pty) Limited has tax losses of $6.4 million (2002: $Nil) available for utilization against future profits.

10

EARNINGS PER SHARE

For the year ended June 30, 2003

Income
(Numerator)
Shares
Per-share
$'000 (Denominator)
amount
Basic earnings per share before cumulative effect of change in accounting policy
Shares outstanding July 1, 2002
-
169,929,849
-
Weighted average number of ordinary shares issued during the year
-
8,024,396
-
Income available to common stockholders
71,792 177,954,245
40.3
Effect of dilutive securities
Share options issued to employees
-
3,197,170
-
Warrants issued
1,570,214
-
Diluted earnings per share
71,792 182,721,629
39.3

For the year ended June 30, 2003
Income
(Numerator)
Shares
Per-share
$'000 (Denominator)
amount
Basic earnings per share
Shares outstanding July 1, 2002
- 169,929,849
-
Weighted average number of ordinary shares issued during the year
-
8,024,396
-
Income available to common stockholders
86,562 177,954,245
48.6
Effect of dilutive securities
Share options issued to employees
-
3,197,170
-
Warrants issued
1,570,214
-
Diluted earnings per share
86,562 182,721,629
47.4
For the year ended June 30, 2002
Income
(Numerator)
Shares
Per-share
$'000 (Denominator)
amount
Basic earnings per share
Shares outstanding July 1, 2001
- 145,235,791
-
Weighted average number of ordinary shares issued during the year
- 8,274,071
-
Income available to common stockholders
87,716 153,509,862
57.1
Effect of dilutive securities
Share options issued to employees
- 7,346,070
-
Warrants issued
4,361,156 -
Diluted earnings per share
87,716 165,217,088
53.1
For the year ended June 30, 2001
Income
(Numerator)
Shares
Per-share
$'000 (Denominator)
amount
Basic earnings per share before cumulative effect of change in accounting policy
Shares outstanding July 1, 2000
- 97,310,435
-
Weighted average number of ordinary shares issued during the year
- 4,845,770
-

Income available to common stockholders
14,830 102,156,205
14.5
Effect of dilutive securities
Share options issued to employees
- 3,348,123
-
Diluted earnings per share
14,830 105,504,328
14.1
For the year ended June 30, 2001
Income
(Numerator)
Shares
Per-share
$'000 (Denominator)
amount
Basic earnings per share
Shares outstanding July 1, 2000
- 97,310,435
-
Weighted average number of ordinary shares issued during the year
- 4,845,770
-
Income available to common stockholders
9,008 102,156,205
8.8
Effect of dilutive securities
Share options issued to employees
- 3,348,123
-
Diluted earnings per share
9,008 105,504,328
8.5
11
PROPERTY, PLANT AND EQUIPMENT
2003
2002
$'000
$'000
Mining properties, mine development costs and mine plant facilities
797,363
800,984
Other non-mining assets
9,436
11,769
806,799
812,753
Other non-mining assets consist of freehold land, computer equipment and motor vehicles.

12
OTHER ASSETS

	2003	**2002**
	$'000	**$'000**
Mineral subscriptions, participation rights and slimes dams	6,289	4,546
Deferred stripping	9,622	8,182
Bond issue costs, net of amortization	1,881	1,328
	17,792	14,056

Deferred stripping costs are made up as follows:

Opening balance	8,182	5,871
Net transfer to assets during the period	1,440	2,311
Closing balance	9,622	8,182

The deferred stripping balance at the end of fiscal 2003 pertains only to Kalgold operations. The fiscal 2002 balances pertain to Kalgold and Hill 50 operations. In terms of the life of mine plan, pre-stripping is performed in the early years. This results in the cost associated with waste stripped at a rate higher than the expected pit life average stripping ratio, being deferred in those years. These costs will be released in the period where the actual stripping ratio decreases to below such expected pit life ratio. The expected pit life average stripping ratios used to calculate the deferred stripping were 6.39 in 2003 and 6.60 in 2002, in respect of the Kalgold operation. These stripping ratios were calculated taking into account the actual strip ratios achieved of 10.17 in 2003 and 8.84 in 2002. The expected pit life average stripping ratio used to calculate the deferred stripping was 10.1 in respect of Hill 50 for the 2002 fiscal year.

13
INTANGIBLE ASSETS

Intangible mineral assets are made up as follows:

	2003	**2002**
	$'000	**$'000**
Production stage mineral interests		
Gross carrying value	280,914	-
Accumulated amortization	(223,537)	-
Net book value	57,377	-
Exploration stage mineral interests		
Gross carrying value	270,058	-
Accumulated amortization	(12,642)	-
Net book value	257,416	-
Total intangible mineral interests		
Gross carrying value	550,972	-
Accumulated amortization	(236,179)	-
Net book value	314,793	-

The Company's intangible mineral assets are subject to amortization.

The Company's developmental stage properties will be amortized using the units of production method once production has commenced.

The aggregate amortization expense for the year ended June 30, 2003 was $36.2 million. Based on the carrying value of the Company's intangible assets at June 30, 2003, the estimated aggregate amortization expense for each of the next five years is as

follows:

$'000	2004	2005	2006	2007	2008
	36,169	36,169	36,169	36,169	36,169

14

NON-CURRENT INVESTMENTS

	2003	**2002**
	$'000	**$'000**
Listed investments		
Investments in listed shares (a)	22,383	95,058
Other investments		
Unlisted investments and loans (b)	5,109	2,534
Amounts contributed to environmental trust funds (c)	43,733	24,757
Other	166	994
	49,008	28,285
Total non-current investments	71,391	123,343

(a) On November 22, 2002, the Company purchased 17,074,861 High River shares for a cash consideration of $14.5 million. The fair value of the High River shares at June 30, 2003, was $22 million. As part of the acquisition of Abelle the company acquired an investment in 10,000,000 Midas Resources Limited ordinary shares. As at June 30, 2003, the fair value of this investment was $0.7 million.

As at June 30, 2002, the Company owned 43,350,992 shares in AurionGold (previously Goldfields) valued at $2.19 (A$3.93) per share. On July 29, 2002, this investment was disposed of to Placer Dome Asia Pacific Limited for a total consideration of $76 million, which comprised of $8 million in cash and Placer Dome ordinary shares with a value of $68 million. This investment was subsequently disposed of at a total profit of $59 million, with reference to the cost of the original investment in Goldfields. No dividends were received during the year from Placer Dome (2002: $1.1 million, 2001: $1.6 million).

(b) Unlisted investments comprise of various industry related investments and loans, which have been valued at bookvalue by the directors. The directors of the Company perform independent valuations of the investments on an annual basis to ensure that no permanent diminution in the value of the investments has occurred. No dividends were received from these investments in the 2003 fiscal year (2002: $0.2 million, 2001: $0.2million).

(c) The environmental trust funds are irrevocable trusts under the Group's control. The monies in the trusts are invested primarily in interest bearing short-term and other investments and approximate their fair value.

15

INVESTMENT IN ASSOCIATES

Investments in associates comprise of the following:

Investment	**Description of business**	**Ownership %**		**Market value**	**Market value**
		2003	**2002**	**2003**	**2002**
				$'000	**$'000**
Bendigo Mining NL	Gold exploration	31.8%	31.8%	36,751	48,400
Highland Gold Limited	Gold mining and exploration	31.7%	32.5%	128,229	-

The investments in both Bendigo and Highland Gold were made during fiscal 2002. (Refer to note 3 for more details regarding the respective acquisitions). The Company did not receive any dividends from either Bendigo or Highland Gold during the 2003 or 2002 fiscal years.

The following table summarizes the change in value of the Group's investments in associates:

	2003	**2002**
	$'000	**$'000**
Opening carrying amount	42,791	-
Shares at cost	7,635	77,382
Net share of results of associates	(1,233)	(473)
Associate now consolidated	-	(39,048)
Foreign currency translation differences	14,589	4,930
Closing carrying amount	63,782	42,791

The Company acquired an equity interest in Hill 50 of 30.5% during March 2002. During April 2002, the Company increased its investment in Hill 50 above 50% and consolidated its investment in Hill 50 from that date. During March 2002, Hill 50 was equity accounted by the Company as it exercised significant influence over the financial and operational policies of Hill 50 (Refer to note 3(f) for more detail regarding the Hill 50 acquisition).

16

INVESTMENT IN JOINT VENTURES

(a) Interest in ARMgold/Harmony FreeGold Joint Venture Company (Pty) Ltd

The Group has a 50% interest in a joint venture with ARMgold Limited, the ARMgold/Harmony FreeGold Joint Venture Company (Pty) Ltd ("the FreeGold Company"), which operates as a gold mining company in the Welkom area of the Free State goldfields. The Company and ARMgold each own 50% of the outstanding share capital of the FreeGold Company. The FreeGold Company was capitalized by means of capital contributions and loans in equal amounts from the joint venture partners. (Refer to note 3(g) for more details regarding the joint venture formation and the acquisition of the FreeGold assets).

The following table summarizes the change in value of the Group's investment in the FreeGold Company joint venture since its formation:

	2003	**2002**
	$'000	**$'000**
Opening carrying amount	102,578	-
Shares at cost	-	1,583
Loan (repaid by)/advanced to joint venture	(21,768)	84,586
Accrued interest on loan to joint venture	-	1,367
Dividends received from joint venture	(16,429)	
Net share of joint venture results	50,707	13,176
Foreign currency translation differences	42,449	1,866
Closing carrying amount	157,537	102,578

The following is a summarized balance sheet and income statement prepared in accordance with US GAAP for the FreeGold Company joint venture:

	2003	**2002**
	$'000	**$'000**
Current assets	103,930	109,839
Investments	74,077	44,143
Property, plant and equipment	306,564	206,134
Total assets	484,571	360,116
Current liabilities	32,475	32,620
Non-current interest-bearing borrowings	37,063	87,426
Non-current borrowings from shareholders	191,448	173,244
Deferred income and mining taxes	61,543	15,418
Provision for environmental rehabilitation	42,604	35,324
Provision for post-retirement benefits	296	214
Total liabilities	365,429	334,246
Shareholders' equity	119,142	25,870
Revenue	379,401	65,579
Costs and expenses	(241,270)	(27,127)
Income before tax	138,131	38,452
Taxation	(36,665)	(12,100)
Income before cumulative effect of changes in accounting principles	101,466	26,352
Cumulative effect of changes in accounting principles, net of tax	(52)	-
Net income	101,414	26,352

(b) Interest in Clidet 454 (Pty) Ltd ("Clidet Company")

The Group has a 50% interest in a joint venture with ARMgold Limited, the Clidet 454 (Pty) Ltd. The joint venture company acquired in total a 34.5% interest in the outstanding share capital of Avmin from Anglo American Plc for a total cash consideration of R1,687 million ($230 million). The Company and ARMgold each own 50% of the outstanding share capital of the Clidet Company. The Clidet Company was capitalized by means of capital contributions and loans in equal amounts from the joint venture partners. (Refer to note 3(k) for more details regarding the joint venture formation and the acquisition of the Avmin interest)

The following table summarizes the change in value of the Group's investment in the Clidet Company joint venture since its formation:

	2003	**2002**
	$'000	**$'000**
Shares at cost	115,432	-
Net share of joint venture results	2,135	-
Foreign currency translation differences	(2,350)	-
Closing carrying amount	115,217	-

17
INVENTORIES

	2003	**2002**
	$'000	**$'000**
Gold in-process	35,449	26,933
Supplies	39,835	15,444
	75,284	42,377

18
RECEIVABLES

	2003	**2002**
	$'000	**$'000**
Value added tax	7,382	6,833
Trade receivables	17,512	9,188
Gold receivables	27,220	18,672
Prepayments	3,350	6,914
Interest and other	15,470	25,413
	70,934	67,020

19
HARMONY WARRANTS

In terms of a transaction dated June 29, 2001, 27,082,500 ordinary shares and 9,027,500 options to purchase 9,027,500 additional ordinary shares were issued. Ordinary shares were purchased in integral multiples of three and investors received one warrant for every three shares purchased. Each warrant entitled its holder to purchase, on any business day on or before June 28, 2003, one ordinary share at South African Rand 43.00. All the warrants were exercised as at June 30, 2003. Only 6,659,470 (2002: 1,013,554) ordinary shares had been issued following the warrant conversion resulting in a balance of 2,368,030 (2002: 8,013,946) ordinary shares underlying the converted warrants that will be issued in the 2004 fiscal year. These warrants were

traded on the JSE Securities Exchange and the New York Stock Exchange. Prior to the company being listed on the New York Stock Exchange, the warrants were traded on The Nasdaq Stock Market.

Warrants were also exercisable at a price of South African Rand 60.00, at which time they could have been converted into ordinary shares of the Company, on or before July 31, 2001. None of the warrants were exercised and they lapsed on July 31, 2001.

20

LONG TERM LOANS

	2003	**2002**
	$'000	**$'000**
Uncollateralized		
Senior uncollaterized fixed rate bonds (a)	159,788	115,496
Fair value adjustment of cash flow hedge	(4,040)	(2,002)
Less : amortized discount	(647)	(626)
Total uncollateralized long term loans	155,101	112,868
Collateralized		
BAE Systems Plc (b)	9,001	3,501
Less : short term portion	(9,001)	-
	-	3,501
BOE loan (c)	49,933	48,123
Less : short term portion	(16,644)	(12,031)
	33,289	36,092
Nedbank (d)	113,182	-
Total collateralized long term loans	146,471	39,593
Total long term loans	301,572	152,461

(a) On June 16, 2001, Harmony launched and priced an issue of South African Rand denominated senior uncollateralized fixed rate bonds in an aggregate principal amount of R1,200 million ($115.5 million), with semi-annual interest payable at a rate of 13% per annum. These bonds will be repayable on June 14, 2006, subject to early redemption at Harmony's option. The bonds are listed on the Bond Exchange of South Africa. The bonds were issued to settle existing debt and fund the purchase of Elandskraal and New Hampton. As long as the bonds are outstanding, Harmony will not permit encumbrances on its present or future assets or revenues to secure indebtedness for borrowed money, without collateralizing the outstanding bonds equally and ratably with such indebtedness, except for certain specified permitted encumbrances. Issuance costs of $1.9 million were incurred and capitalized and are being amortized over the life of the bonds. Included in the amortization charge in the income statement is $0.5 million (2002: $0.5 million) for amortization of the bond issue costs.

(b) The loan from BAE Systems Plc is a US dollar denominated term loan of $9 million for financing the design, development and construction of a facility for the manufacture and sale of value added gold products at Harmony's premises in the Free State. The loan is collateralized by a notarial covering bond over certain gold proceeds and other assets and is repayable in full on April 30, 2004. The loan bears interest at LIBOR plus 2% which is accrued daily from the drawdown date and interest is repayable on a quarterly basis.

(c)

On April 18, 2002 Harmony entered into a South African Rand denominated term loan facility of R500 million ($48.1 million) with BOE Bank Limited for the purpose of partially funding Harmony's acquisition of shares in the ARMgold/Harmony FreeGold Joint Venture Company (Pty) Ltd and loans made by Harmony to the FreeGold Company in connection with the acquisition of the FreeGold assets. The facility is collateralized by a pledge of Harmony's shares in the FreeGold Joint Venture Company and is guaranteed by Randfontein, Evander, Kalgold and Lydex. The loan is repayable in full on April 23, 2006 by way of eight semi-annual capital installments which were due commencing October 23, 2002. The loan bears interest at a rate equal to the JIBAR rate for deposits in Rand plus 1.5% plus specified costs, which is accrued daily from the drawdown date and is payable quarterly in arrears commencing July 23, 2002. The following restrictive covenants apply:

(i)
Consolidated net worth must be more than R4,600 million ($422.7 million);
(ii)
The total debt to earnings before interest, tax, depreciation and amortization (EBITDA) ratio must not exceed 1.5; and
(iii)
The EBITDA to total debt service ratio should not be less than 3.5.
In addition, pursuant to this facility, the Company is subject to specified limits on its ability to (i) permit encumbrances over pledged revenues or assets, (ii) make loans or incur specified types of indebtedness, (iii) dispose of more than 25% of its assets or (iv) make distributions to its shareholders if a default or event of default under this term loan facility has occurred and is continuing. If the Company fails to meet these requirements, the loan may be accelerated and become due and payable in full.
(d) On May 8, 2003, the Company entered into a term loan agreement with Nedbank Limited for R850 million ($118 million). The purpose of this term loan agreement was to fund the acquisition of 17.25% of Avmin. This term loan was drawn down in two tranches, the first tranche of R611 million ($85 million) was drawn down on May 8, 2003 and the second tranche of R239 million ($33 million) was drawn down on May 13, 2003. The loan is collateralized with guarantees provided by Evander Gold Mines Limited, Randfontein Estates Limited, Kalahari Goldridge Mining Company Limited and Lydenburg Exploration Limited and is repayable in full on November 8, 2004. The loan bears interest at the 3 month JIBAR rate, plus a margin of 1.5% as well as stamp duties, liquid and reserving costs all converted to a nacq (nominal amount compounded quarterly) rate. Interest is repayable on a quarterly basis. Included in the amortization charge as per the income statement is $0.1 million (2002: $ nil) for amortization of the loan issuance costs.

21
DEFERRED FINANCIAL LIABILITY

	2003	**2002**
	$'000	**$'000**
Mark-to-market of speculative financial instruments at year end	37,738	8,115
Mark-to-market of Bendigo options	(510)	(6,260)
Mark-to-market of hedging financial instruments at year end	-	85,371
	37,228	87,226

During the 2003 fiscal year, a significant portion of the inherited hedge books of both New Hampton and Hill 50, were closed out at a cost of US$9 million. The outstanding contracts are now treated as speculative and the marked-to-market movement is being reflected in the income statement.

During the 2002 fiscal year, the inherited Randfontein hedge book, which had been treated as speculative for accounting purposes, was closed out at a cost of $13 million after tax. The hedge contracts of both New Hampton and Hill 50 were restructured towards the end of the 2002 fiscal year, to normal purchase, normal sale agreements by which the Company was obliged to physically deliver specified quantities of gold at future dates, subject to the pricing arrangements described in note 26. Due to the closure of the hedge agreements as mentioned above, these contracts are now treated as speculative for accounting purposes.

22
PROVISION FOR ENVIRONMENTAL REHABILITATION

	2003	**2002**
	$'000	**$'000**
Asset retirement obligations	62,977	63,125

The following is a reconciliation of the total liability for asset retirement obligations:

Balance as at July 1, 2002 and 2001	63,125	53,136
Impact of the adoption of FAS 143	(13,491)	-
Additions to liabilities due to acquisitions	1,334	4,580
Accretion expenses	(352)	15,192
Foreign currency translation adjustment	12,361	(9,783)
Balance as at June 30, 2003 and 2002	62,977	63,125

The Company intends to finance the ultimate rehabilitation costs of the South African operations from the money invested with the environmental trust funds, ongoing contributions, as well as the proceeds on sale of assets and gold from plant clean-up at the time of mine closure. The Company will finance the ultimate rehabilitation costs of the non-South African operations from funds to be set aside for that purpose.

On a pro forma basis, the liabilities for asset retirement obligations would have been $53.1 million at July 1, 2001 and $49.6 million at June 30, 2002 respectively, had the provisions of FAS 143 been applied at the beginning of fiscal 2002.

The following table presents the impact of the accounting change for the year ended June 30, 2003 and the pro forma effect for the years ended June 30, 2002 and 2001 as if the change had been in effect for those periods:

	2003	**2002**	**2001**
	$'000	**$'000**	**$'000**
(Decrease)/increase to net income	(3,439)	2,260	

4,000
Provision for environmental rehabilitation
(4,344)
3,658 14,157
Depreciation and amortization
(569)
(429)
(8,443)
Income tax benefit/(expense)
1,474
(969)
(1,714)
Net (loss)/income before cumulative effect of change in accounting principle
(3,439)
2,260
4,000
Basic (loss)/earnings per share before cumulative effect of change
in accounting principle
(1.9)
1.5
3.9
Fully diluted (loss)/earnings per share before cumulative effect of change
in accounting principle
(1.9)
1.4
3.8
The following table presents pro forma income before cumulative effect of change in accounting policy, pro forma basic earnings per share before cumulative effect of change in accounting principle and pro forma fully diluted earnings per share before cumulative effect of change in accounting principle for the years ended June 30, 2002 and 2001, as if the company had adopted FAS 143 as of July 1, 2000:

2002
2001
$'000
$'000

Income before cumulative effect of change in accounting principle as reported
87,716
14,830
Change in accounting method FAS 143
2,260
4,000
Pro forma income before cumulative effect of change in accounting principle
89,976
18,830
Pro forma basic earnings per share before cumulative effect of change
in accounting principle
58.6 18.4
Pro forma fully diluted earnings per share before cumulative effect of change
in accounting principle
54.5 17.8
The following table represents pro forma net income, pro forma earnings per share, and pro forma fully diluted earnings per share

Harmony Gold Mining Company Limited
Notes to the Consolidated Financial Statements
For the years ended June 30

for the years ended June 30, 2002 and 2001, as if the Company had adopted FAS 143 as of July 1, 2000:

	2002	**2001**
	$'000	**$'000**
Net income as reported	87,716	9,008
Change in accounting method FAS 143	2,260	4,000
Pro forma net income	89,976	13,008
Pro forma basic earnings per share	58.6	12.7
Pro forma fully diluted earnings per share	54.5	12.3

23

PROVISION FOR POST-RETIREMENT BENEFITS

The provision for former employees' post retirement benefits comprise medical benefits for former employees who retired prior to December 31, 1996. The amounts were based on an actuarial valuation conducted during the prior fiscal year.

	2003	**2002**
	$'000	**$'000**
The amounts recognized in the balance sheet are as follows:		
Accrued post-retirement health care costs	1,017	737
The following table sets forth the funded status of the post-retirement health care costs:		
Actuarial present value	1,017	737
Plan assets at fair value	-	-
Accumulated benefit obligation in excess of plan assets	1,017	737
Prior service costs	-	-
Unrecognized net (gain)/loss	-	-
Post-retirement health care liability	1,017	737
The amounts recognized in the income statement are as follows:		
Interest cost	-	176
Additional liability raised for Elandskraal employees converting to Minemed	-	108
Benefits paid	503	294
Net actuarial gains	-	(536)
	503	43

	2003	**2002**
	$'000	**$'000**
The movement in the liability recognized in the balance sheet is as follows:		
At the beginning of the year	737	1,002
Total expenses as above	-	(43)
Foreign currency translation adjustments	280	(222)

At the end of the year
1,017
737
The obligation has been valued using the projected unit credit funding method on past service liabilities. The valuation assumes a health care cost inflation rate of 7% per annum (2002: 7%) and a discount rate of 12% per annum (2002: 12%)

24
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2003	**2002**
	$'000	**$'000**
Trade payables	54,618	25,275
Deferred income and mining taxes	(15,778)	(1,683)
Short term portion of long term loans	25,644	12,031
Short term borrowings	2,232	3,442
Payroll and leave liabilities	39,966	32,834
Revenue received in advance	-	5,153
Unpresented cheques	4,365	6,684
Other (including accrued liabilities)	44,647	32,968
	155,694	116,704

25
EMPLOYEE BENEFIT PLANS

(a) PENSION AND PROVIDENT FUNDS: The Group contributes to several pension and provident funds governed by the Pension Funds Act, 1946 for the employees of its South African subsidiaries. The pension funds are multi-employer industry plans. The Group's liability is limited to its annually determined contributions.

The provident funds are funded on the ``money accumulative basis'' with the member's and employer's contributions having been fixed in the constitution of the funds.

The Australian group companies make contributions to each employee's Superannuation (pension) funds in accordance with

the Superannuation Guarantee Scheme (SGS). The SGS is a Federal Government initiative enforced by law which compels employers to make regular payments to regulated funds providing for each employee on their retirement. The Superannuation Guarantee Contributions were set at a minimum of 9% of gross salary and wages for the 2003 fiscal year (2002: 8%).

Substantially all the Group's employees are covered by the above mentioned retirement benefit plans. Funds contributed by the Group for fiscal 2003 amounted to $20.5 million (2002 : $18.7 million and 2001: $16.1 million).

(b) POST-RETIREMENT BENEFITS OTHER THAN PENSIONS: Skilled workers in South Africa participate in the Minemed medical scheme, as well as other medical schemes. The Group contributes to these schemes on behalf of current employees and retired employees who retired prior to December 31, 1996 (the "Minemed scheme"). The Group's contributions to these schemes on behalf of retired and current employees amounted to $4.4 million, $3.0 million and $4.1 million for 2003, 2002 and 2001 respectively.

No post-retirement benefits are available to other workers. No liability exists for employees who were members of these schemes who retired after the date noted above. The medical schemes pay certain medical expenses for both current and retired employees and their dependents. Current and retired employees pay an annual fixed contribution to these schemes.

An updated actuarial valuation was carried out during the 2002 fiscal year on the Minemed medical scheme following the last actuarial valuation in fiscal 2000.

Assumptions used to determine the liability relating to the Minemed medical scheme included, investment returns of 12%, no increases in employer subsidies (in terms of the agreement) and mortality rates according to the SA ``a mf'' tables and a medical inflation rate of 0% to 7%.

(c) SHARE OPTION SCHEMES

(i)

HARMONY SHARE OPTION SCHEMES: The Company currently has two employee share option schemes, being the Harmony (1994) Share Option Scheme ("HSOS 1994 Scheme") and the Harmony (2001) Share Option Scheme ("HSOS 2001 Scheme"). Pursuant to the rules of the HSOS 1994 Scheme and the HSOS 2001 Scheme certain qualifying employees may be granted options to purchase shares in the Company's authorized but unissued ordinary shares. The HSOS 2001 Scheme was established following approval by the Company's shareholders during fiscal 2002. The HSOS 2001 Scheme came into effect on November 16, 2001, however, options previously issued under the HSOS 1994 Scheme remain in force. The terms of the HSOS 2001 Scheme are substantially equivalent to the terms of the HSOS 1994 Scheme, except that the maximum number of share options that may be granted under the HSOS 2001 Scheme is a fixed amount (8,000,000), rather than a percentage of share capital. Options granted under the HSOS 1994 Scheme are not counted against this maximum. Of the 8,000,000 ordinary shares under the specific authority of the directors in terms of the HSOS 2001 Scheme, 7,528,100 shares have been offered to participants leaving a balance of 471,900 to be offered to eligible employees. Upon the date of adoption of the HSOS 2001 Scheme, 3,108,800 shares were still outstanding under the HSOS 1994 Scheme. Following the adoption of the HSOS 2001 Scheme, no further option grants have been made under the HSOS 1994 Scheme. In terms of the rules of both the HSOS 1994 Scheme and the HSOS 2001 Scheme, the exercise price of the options granted is equal to fair market value of the shares at the date of the grant.

On November 29, 1999, the Company adopted a share purchase scheme (the "Share Purchase Scheme"), in which eligible employees may participate. The Share Purchase Scheme provides for a share purchase trust controlled by the Company. The share purchase trust provides recourse loans to enable employees to acquire shares or exercise their options under the HSOS 1994 Scheme. To date, the Share Purchase Scheme has only been used for the purpose of making recourse loans to employees to enable them to exercise their options under the HSOS 1994 Scheme. The shares acquired by an employee pursuant to the exercise of the option are then pledged by that employee to the share purchase trust to secure repayment of the recourse loan granted by the share purchase trust, plus any interest thereon. The share purchase trust is funded by a loan from the Company, which it repays once it receives repayment of the loans granted to employees. Three non-executive directors of the Company serve as trustees of the share purchase trust. The trustees are not eligible to receive loans from the trust. The Company cancelled the share purchase scheme on March 27, 2003.

Options currently expire no later than 10 years from the grant date. Pursuant to the HSOS 1994 Scheme rules, annually upon anniversary of the grant date, a third of the total options granted are exercisable. Pursuant to the HSOS 2001 Scheme rules, annually upon anniversary of the grant date, a third or a fifth of the total options granted are exercisable, depending on the vesting terms of the respective grant. Proceeds received by the Company from the exercise are credited to share capital and additional paid in capital.

Details of the activity in the HSOS 1994 Scheme and the HSOS 2001 Scheme were as follows (For convenience of the reader, the Rand amounts have been converted to US$ at the balance sheet date for the respective fiscal years):

Number of share options	Average exercise price per share SA Rand	Average exercise price per share US Dollar	Available for grant
Balance as at June 30, 2000	2,832,043	6,899,000	-
Share options granted during the year	(1,728,400)	1,728,400	-
Share options exercised during the year	-	(2,835,700)	20.89
Share options reserved during the year	8,463,985	-	-
Balance as at June 30, 2001	9,567,628	5,791,700	-
Share options granted during the year	(6,130,100)	6,130,100	-
Share options exercised during the year	-	(2,682,900)	26.88
Share options reserved during the year	1,541,172	-	-
Balance as at June 30, 2002	4,978,700	9,238,900	-
Share options granted during the year	(1,149,100)	1,149,100	-
Share options exercised during the year	-	(2,243,300)	37.04
Share options forfeited during the year	461,800	(461,800)	-

-
Balance as at June 30, 2003
4,291,400
7,682,900
-
-

The options exercisable on June 30, 2003 and 2002 were 817,300 and 97,200 respectively.

The range of exercise prices for options outstanding at June 30, 2003 was R11.70 to R93.00. The range of exercise prices for options is wide primarily due to the fluctuation of the prices of the Company's stock over the period of the grants.

The following tables summarize information relating to the options outstanding at June 30, 2003 (Tables are denominated in South African Rand and US$ where applicable):

Outstanding options				**weighted average**		**Exercisable options**	
Range of prices	**Number**	**Contractual life**	**Exercise price**	**Exercise price**		**Number of shares**	**Weighted average exercise price**
SA Rand	**US$**	**of shares**	**(in years)**	**SA Rand**	**US$**		**Rand**
11.70 - 17.40	1.56 - 2.32	13,750	4.42	11.70	1.56	13,750	11.70
19.50 - 27.20	3.05 - 3.62	487,100	7.04	25.89	3.45		
35.00 - 49.60	4.71 - 6.60	5,841,050	8.30	48.29	6.43		
91.00 - 93.00	12.12 - 12.38	1,341,000	9.72	91.63	12.20		
Total		7,682,900	8.46	54.37	7.24		

1.56
19.50 - 27.20
3.05 - 3.62
209,100 24.15
3.22
35.00 - 49.60
4.71 - 6.60
588,450 41.47
5.52
91.00 - 93.00
12.12 - 12.38
6,000 93.00
12.38
Total
817,300
36.91
4.92

These options will expire if not exercised at specific dates ranging from December 2007 to March 2013. Market prices for options exercised during the three fiscal periods ended June 30, 2003 ranged from R26.50 to R186.80.

In connection with the share purchase scheme described above, the Company follows the provisions of EITF 00-23 "Issues Related to the Accounting for Stock Compensation under APB 25 and FASB Interpretation No. 44" for all options granted subsequent to January 18, 2001 and prior to the adoption of FAS 123 on July 1, 2002, due to the share purchase scheme described above. Pursuant to the guidance in EITF 00-23, the Company applied variable accounting for the 700,000 options granted on April 24, 2001, until the earlier of such date upon which such options were exercised, or the share purchase scheme was cancelled. The Company recognized a stock-based compensation credit of $2.2 million and stock-based compensation expense of $7.4 million related to this option grant during fiscal 2003 and 2002, respectively.

On July 1, 2001, the Company changed its accounting policy and adopted FAS 123. FAS 123 requires that all stock options granted following the date of adoption, be fair valued and that the fair value be recognized as stock compensation expense over the options vesting period. Accordingly the Company fair valued the 6,130,100 options granted on November 20, 2001 and recorded deferred stock based compensation of $8.7 million based on a fair value of R13.88 per option granted during the 2002 fiscal year. $3.1 million and $2.1 million were recognized as stock compensation expense during the 2003 and 2002 fiscal years, respectively, related to the November 20, 2001, option grant. The Company also fair valued the 1,311,000 options granted on March 27, 2003 and recorded deferred stock

based compensation of $7.1 million based on a fair value of R42.78 per option granted during the 2003 fiscal year. $0.7 million was recognized as stock compensation expense during the 2003 fiscal year related to the March 27, 2003, option grant. The Company used the following assumptions in valuing the option grants:

	2003	**2002**
Expected life (in years)	5.0	3.5
Risk free interest rate	11.63%	11.50%
Volatility	45.00%	40.00%
Dividend yield	1.52%	4.00%

The Company used the binomial method in determining the fair value of the options granted.

Pro-forma information

Prior to July 1, 2001, the company had elected to follow APB 25. Previously under APB 25, because the exercise price of the Company's and subsidiary's stock options equated the market price of the underlying stock on the date of the grant, no compensation expense was recognised in the Company's financial statements.

Pro-forma information regarding net income and earnings per share is required by FAS 123 for periods during which a company followed APB 25. This information is required to be determined as if the Company had accounted for its employee stock options, granted subsequent to December 31, 1995, under the fair value method of that statement. The fair value of options granted in 2001 reported below has been estimated at the date of grant using a Black-Scholes option pricing model with the following weighted average assumptions:

	2001
Expected life (in years)	6.0
Risk free interest rate	11.19%
Volatility	53.81%
Dividend yield	3.33%

The Black Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models required the input of highly subjective assumptions including the expected stock price volatility. Because the Company's options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in the opinion of management, the existing models do not necessarily provide a reliable single measure of the fair value of its options. The weighted average estimated fair value of employee stock options granted during the fiscal 2001 under the HSOS 1994 Scheme was R18.90 per share.

For purposes of pro-forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. The Company's pro-forma information follows (thousands except for earnings per share information):

	2003	**2002**	**2001**
	$'000	**$'000**	**$'000**
Income before cumulative effect of change in accounting principle as reported	71,792	87,716	14,830
Plus : Stock compensation expense recognized	1,761	9,434	-
Less: Pro forma stock compensation expense based on fair value of all awards granted	(4,821)	(7,096)	(5,200)
Pro forma income before cumulative effect of change in accounting principle as reported	68,732	90,054	9,630

Pro forma basic earnings per share before cumulative effect of change in accounting principle
38.6
58.7
9.4
Pro forma fully diluted earnings per share before cumulative effect of change in accounting principle
37.6
54.5
9.1
Net income as reported
86,562
87,716
9,008
Plus : Stock compensation expense recognized
1,761
9,434
-
Less: Pro forma stock compensation expense
(4,821)
(7,096)
(5,200)
Pro forma net income
83,502
90,054
3,808
Pro forma basic earnings per share
46.9
58.7
3.7
Pro forma fully diluted earnings per share
45.7
54.5
3.6

The impact on pro-forma income before cumulative effect of change in accounting principle, pro forma net income, pro forma earnings per share before cumulative change in accounting principle, pro forma fully diluted earning per share before cumulative effect of change in accounting principle, pro forma basic earnings per share and pro forma fully diluted earnings per share in the table above, which shows the effect of the scheme, may not be indicative of the effect in future years. The Company continues to grant stock options to new employees. This policy may or may not continue.

(ii)

ABELLE SHARE OPTION SCHEME: One of the Company's subsidiaries, Abelle, also has a share option scheme (the "Abelle Scheme"). Abelle established the Abelle Scheme to incentivize and to assist in the recruitment, reward and retention of employees of Abelle. All employees may be granted options to purchase shares in Abelle's authorized but unissued ordinary shares pursuant to the Abelle Scheme rules. The Abelle Scheme was established following approval by Abelle's shareholders during fiscal 2002. The Abelle Scheme came into effect on April 29, 2002. The maximum number of share options that may be granted under the Abelle Scheme may not exceed 5% of the total

number of Abelle shares in issue. Of the 9,900,382 ordinary shares under the specific authority of the directors in terms of the Abelle Scheme, 4,440,000 shares have been offered to participants leaving a balance of 5,460,382 to be offered to eligible employees. In terms of the rules of the Abelle Scheme, the exercise price of the options granted must be equal to at least 112% of the fair market value of the shares at the date the participant is invited to apply for an option.

Options currently expire no later than 3 years from the grant date. 12 months after the options were granted, 50% of the total option grant are exercisable. 18 months after the options were granted, the remaining 50% of the total option grant is exercisable. Proceeds received by Abelle from the exercise of options are credited to share capital and additional paid in capital.

Details of the activity in the Abelle Scheme was as follows (For convenience of the reader, the Australian dollar amounts have been converted to US$ at the balance sheet date for the respective fiscal year):

	Number of shares	Average exercise price per share granted	Average exercise price for options granted	Available for grant
		AUS$	US$	
Balance as at April 30, 2003	7,260,382	2,662,500	-	-
Share options granted during the year	(1,800,000)	1,800,000	-	-
Share options exercised during the year	-	(22,500)	(0.94)	(0.63)
Balance as at June 30, 2003	5,460,382	4,440,000	-	-

The options exercisable on June 30, 2003 were 1,640,000

The range of exercise prices for options outstanding at June 30, 2003 was A$0.30 to A$1.01. The range of exercise prices for options is wide primarily due to the fluctuation of the prices of Abelle's stock over the period of the grants.

The following tables summarize information relating to the options outstanding at June 30, 2003 (Tables are denominated in Australian dollar and US$ where applicable):

Outstanding options	weighted average Contractual life (in years)	Exercise price AUS$	Exercise price US$	Range of prices of shares AUS$	US$
Number					
1,640,000	1.20	0.40	0.27	0.30 - 0.56	0.20 - 0.38
				0.75 - 1.01	

0.51 - 0.68
2,800,000 2.88
0.92 0.62
Total
4,440,000 2.26 0.73 0.49

Exercisable options			
Range of prices	**Number of shares**	**Weighted average exercise price AUS$**	**Weighted average exercise price US$**
0.30 - 0.56			
0.20 - 0.38			
	1,640,000	0.40	0.27
Total			
	1,640,000	0.40	0.27

These options will expire if not exercised at specific dates ranging from February 2005 to June 2006. Market prices for options exercised during the three fiscal periods ended June 30, 2003 ranged from A$0.74 to A$1.10.

Upon acquisition by Harmony of Abelle on May 1, 2003, the 2,667,500 Abelle options outstanding at a weighted average exercise price of A$0.53 per option were fair valued. The weighted average fair value of the outstanding options was determined to be A$0.70 per option, and accordingly deferred stock-based compensation expense of $1.3 million was recorded. $0.13 million was recognized as stock-based compensation expense related to these option grants in fiscal 2003. A further 1,800,000 Abelle options were granted on June 15, 2003 at A$1.01 per option. These options were fair valued at A$0.47 per option and deferred stock-based compensation of $0.5 million was recorded. $0.02 million was recognized as stock-based compensation expense during fiscal 2003. The Company used the following assumptions in valuing the option grants:

2003	
Expected life (in years)	3.0
Risk free interest rate	4.64%
Volatility	53.00%
Dividend yield	0.00%

The Company used the binomial method in determining the fair value of the Abelle options granted.

26

DERIVATIVE FINANCIAL INSTRUMENTS AND FAIR VALUE AND CREDIT RISK OF FINANCIAL INSTRUMENTS

The Company is exposed to market risks, including credit risk, foreign currency, commodity price, interest rate and liquidity risk associated with underlying assets, liabilities and anticipated transactions. Following periodic evaluation of these exposures, the Company may enter into derivative financial instruments to manage these exposures. The Company does not hold or issue derivative financial instruments for trading or speculative purposes.

Commodity price sensitivity

As a general rule, the Company sells its gold production at market prices. The Company, 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. A significant proportion of Randfontein Estate's, New Hampton and Hill 50's production was already hedged when acquired by the Company. During the current fiscal year, a significant portion of the inherited hedge books of both New Hampton and Hill 50, were closed out at a cost of US$8.6 million. The remaining outstanding contracts are now treated as speculative and any changes in the fair value of the remaining outstanding contracts will be reflected in the income statement. During the previous fiscal year, the inherited Randfontein hedge, which had been treated as speculative, was closed out at a cost of US$22.0 million before tax (US$13 million after tax). The contracts of both New Hampton and Hill 50 were restructured towards the end of the 2002 financial year, to normal purchase, normal sale agreements by which the Company was obliged to physically deliver specified quantities of gold at future dates, subject to the pricing arrangements described below. Due to the closure of the hedge agreements as mentioned above, these contracts are now treated as speculative.

Maturity schedule of the Harmony Group's commodity contracts by type as at June 30, 2003

	June 30 2004	**June 30 2005**	**June 30 2006**	**June 30 2007**	**June 30 2008**	**June 30 2009**	**Total**	**Mark-to-market $'000**
Forward Sales Agreements								
Ounces	100,000	175,000	108,000	147,000	100,000	100,000	730,000	(26,346)
A$/ounce	513	513	510	515	518	518	514	
Calls Contracts Sold								
Ounces	95,000	130,000	40,000	-	-	-	265,000	(7,612)
A$/ounce	540	512	552	-	-	-	528	
	195,000	305,000	148,000	147,000	100,000	100,000	995,000	(33,958)

The contracts are classified as speculative and the marked-to-market movement is reflected in the income statement from January 2003. The mark-to-market of these contracts was a negative US$34 million as at June 30, 2003. These values were based upon a gold price of US$346 (A$ 514) per ounce, exchange rates of US$/R7.51 and A$/US$ 0.67, respectively and prevailing market interest rates at the time. These valuations were provided by independent risk and treasury management experts.

Maturity schedule of the Harmony Group's commodity contracts by type as at June 30, 2002

Mark-to-								
June 30								
June 30								
June 30								
June 30								
June 30								
June 30								
June 30								
market								
2003								
2004								
2005								
2006								
2007								
2008								
2009								
Total								
$'000								
Forward sales								
Ounces								
425,792	229,000	205,000	187,500	125,000	100,000	100,000		
1,372,292	(69,667)							
A$								
/								
ounce								
514								
522	524	523	514	518	518	519		
Calls Contracts Sold								
Ounces								
62,425								
175,500								
130,000								
40,000	-	-	-					
407,925								
(18,247)								
A$								
/								
ounce								
545								
544								
512								
552	-	-	-					
535								
Put Contracts Bought								
Ounces								
33,000								
-	-	-	-	-	-			
33,000								
53								
A$								
/								
ounce								
500								
-	-	-	-	-	-			
500								
Total								
521,217								
404,500	335,000	227,500	125,000	100,000	100,000			
1,813,217	(87,861)							

The contracts were treated as normal purchase, normal sales contracts.

The mark-to-market of these contracts was a negative value of US$88 million as at 30 June 2002. These values were based on a gold price of US$316 (A$557) per ounce, exchange rates of R/US$10.39 and US$/A$0.57 and prevailing market interest rates and volatilities at the time. These valuations were provided by independent risk and treasury management experts.

Foreign currency sensitivity

In the ordinary course of business, the Company enters into transactions denominated in foreign currency (primarily US dollars). In addition, the Group has investments and liabilities in Canadian, Australian and US dollars. As a result the Company is subject to transaction and translation exposure from fluctuations in foreign currency exchange rates. the Company does not generally hedge its exposure to foreign currency exchange rates, however during the 2002 fiscal year, Harmony entered into monthly forward sales agreements amounting to US$180 million, of which US$90 million matured in the previous fiscal year and US$ 90 million matured over the period July 2002 to December 2002, at an average exchange rate of R/US$ 11.20. These contracts were

entered into to preserve the revenue streams for the Free State operations.

These contracts were accounted for as cash flow hedges and changes in fair value are recorded as a component of shareholders' equity and subsequently reclassified to revenue on the contract expiry date.

The marked-to-market value of the transactions making up the positions as at June 30, 2002, was a positive US$5 million, the valuation was based on an exchange rates of R/$10.42 and the prevailing interest rates and volatilities at the time.

Concentration of credit risk

Financial instruments, which subject the Company to significant concentrations of credit risk, consist predominantly of cash and cash equivalents, short-term investments and various derivative financial instruments. The Group's financial instruments do not represent a concentration of credit risk as the Group deals with and maintains cash and cash equivalents, short-term investments and derivative financial instruments with a variety of well established financial institutions of high quality and credit standing. The credit exposure to any one counter party is managed by setting exposure limits, which are reviewed regularly. The Group's debtors and loans are regularly monitored and assessed and an adequate level of provision is maintained.

Interest rates and liquidity risk

Fluctuations in interest rates and gold lease rates impact on the value of short-term cash and financing activities.

Gold Lease Rates:

The Company generally does not undertake any specific actions to cover its exposure to gold lease rates in respect of its lease rate swaps. Through its acquisitions of New Hampton and Hill 50, the Company holds certain gold lease rate swaps, which will decline in each fiscal year as set forth below:

Gold lease rate swaps outstanding as at June 30, 2003:

2003	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
Ounces						
1,399,000	770,000	585,000	400,000	225,000	125,000	25,000
Lease rate received						
0.86%						
1.03%						
1.04%						
1.04%						
1.05%						
1.05%						
1.05%						

Gold lease rate swaps outstanding as at June 30, 2002:

2003	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
Ounces						
1,906,500	1,879,000	1,170,000	1,170,000			
900,000						
675,000						
675,000						
Lease rate received						
1.0%						
1.0%						
1.2%						
1.2%						
1.0%						
1.1%						
1.1%						

The above instruments are all treated as speculative. The mark-to-market of the above contracts was a positive US$120,000 as at June 30, 2003 (2002: negative US$8.1 million), based on valuations provided by independent treasury and risk management experts.

Interest Rate Swaps:

The Group has interest rate swap agreements to convert R600 million (US$80 million) of its R1.2 billion (US$160 million) fixed rate bond to variable rate debt. The interest rate swap runs over the term of the bond and comprises two separate tranches:

(a) R400 million (US$53 million) receive interest at a fixed rate of 13% and pay floating at JIBAR (reset quarterly) plus a spread of 1,8%.

(b) R200 million (US$27 million) receive interest at a fixed rate of 13% and pay floating at JIBAR (reset quarterly) plus a spread of 2,2%.

These transactions which mature in June 2006 are designated as fair value hedges. The mark-to-market value of the transactions was a negative US$4 million as at June 30, 2003 (2002: Negative US$21 million).

Surplus Funds

In the ordinary course of business, the Group receives cash from its operations and is required to fund its working capital and capital expenditure requirements. The cash is managed to ensure that surplus funds are invested to provide sufficient liquidity at the minimum risk.

Fair value

The fair value of the financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced liquidation or sale. The carrying amount of the receivables, all accounts payable and cash and equivalents are a reasonable estimate of the fair values because of short-term maturity of such instruments. The investments in the environmental trust funds approximates fair values as the funds are invested in short-term maturity investments. Listed investments (including those in the environmental trust fund) are carried at market value. Long-term loans, other than the bonds, approximates fair value as they are subject to market based rates. The carrying value of the bond approximated its fair value as at June 30, 2003 and 2002, respectively.

27
CASH PROVIDED BY OPERATIONS
2003
2002
2001
$'000
$'000
$'000
Reconciliation of profit before taxation to cash generated from operations:
Income before taxation
97,515
103,659 29,804
Adjustments for:
(Profit)/loss on sale of other assets and listed investments
(59,243)
(4,524)
907
Profit on sale of mining assets
(2,129)
(1,965)
(10,568)
Depreciation and amortization
60,931
30,183 31,417
Impairment of assets
117,594
44,284 28,266
Gain on financial instruments
(43,154)
(8,939)
(18,433)
Net (decrease)/increase in provision for environmental rehabilitation
3,446
15,192 (6,817)
Net decrease/(increase) in provision for former employees'
post retirement benefits
3
43 (2,241)
Other non cash transactions
31
81 (283)
Income and mining taxes paid
(43,514)
(8,590)
(3,998)
Cash cost to close out hedges
(8,637)
(21,951)
-
Stock-based compensation
1,761
9,434 -
Decrease/(increase) in deferred stripping assets
1,397
(486)
(2,697)
Effect of changes in operating working capital items:
Receivables
18,346
11,347 (35,963)
Inventories
(13,126)
(8,329)
(10,744)
Accounts payable and accrued liabilities
24,205
2,480 47,687
Cash generated by operations
155,426

161,919 46,337

28

ADDITIONAL CASH FLOW INFORMATION

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

a) Non

cash-items

Excluded from the statements of consolidated cash flows are the following:

i)

For the year ended June 30, 2003

- The minorities' share in the profit of Abelle.
- The $5.4 million mark-to-market of listed and other investments.

ii)

For the year ended June 30, 2002

- The minorities' share in the profits of Elandskraal.
- The $48.9 million mark-to-market of listed and other investments.
- The $6.1 million mark-to-market of derivatives qualifying as hedges.

iii)

For the year ended June 30, 2001

- The minorities' share in the profits of Elandskraal.
- The $9.9 million mark-to-market of listed and other investments.
- The $1.0 million mark-to-market of derivatives qualifying as hedges.

b) Acquisitions of Subsidiaries / Businesses

i)

For the year ended June 30, 2003

(a) With effect from May 1, 2003, the Company had acquired a majority shareholding in Abelle and during the period to June 30, 2003 increased its shareholding such that as at June 30, 2003, the Company had acquired 87% of the issued share capital of Abelle. The aggregate fair value of the assets acquired and liabilities assumed were :

2003

$'000

Inventories
1,224
Accounts receivable
534
Investments
632
Tangible assets
154,153
Accounts payable and accrued liabilities
(2,320)
Provision for environmental rehabilitation
(1,334)
Deferred tax
(43,308)
Minority interest
(14,897)
Total purchase price
94,663
Paid for by cash
(105,433)
Cash and cash equivalents at acquisition
(10,770)

ii)

For the year ended June 30, 2002

(a) With effect from April 1, 2002, Harmony acquired the remaining 10% interest in Elandskraal from Khuma Bathong. The fair value of assets acquired were as follows:

	2002
	$'000
Property, plant and equipment	9,640
Net minority interest in Elandskraal	8,813
Total purchase price	18,453
Paid for by cash	(18,453)

(b) With effect from April 1, 2002, Harmony acquired the entire share capital of Hill 50 and its subsidiaries. The aggregate fair value of the assets acquired and the liabilities assumed were as follows:

	2002
	$'000
Inventories	4,756
Accounts receivable	2,585
Property, plant and equipment	242,136
Accounts payable and accrued liabilities	(12,736)
Long-term liabilities	(4,580)
Deferred financial liability	(83,007)
Deferred tax	(38,875)
Total purchase price	110,288
Paid for by cash	(124,774)
Cash and cash equivalents at acquisition	(14,485)

iii)

For the year ended June 30, 2001

(a) With effect from April 9, 2001, the Company acquired Elandskraal (Elandsrand and Deelkraal mines) from AngloGold. The aggregate fair value of the assets acquired and liabilities assumed were as follows:

	2001
	$'000
Property, plant and equipment	130,909
Investments	6,789
Long-term liabilities	(6,789)
Total purchase price	130,909
Paid for by cash	(130,909)

(b) With effect from April 1, 2001, the Company had acquired a majority shareholding in New Hampton and during the period to June 30, 2001 increased its shareholding such that as at June 30, 2001, the Company had acquired 100% of the issued share capital of New Hampton. The aggregate fair value of the assets acquired and liabilities assumed were:

	2001
	$'000
Inventories	5,455
Accounts receivable	2,272
Investments	3,260
Property, plant and equipment	75,898
Accounts payable and accrued liabilities	(18,545)

Long-term liabilities
(39,808)
Total purchase price
28,532
Paid for by cash
(28,532)

c) Disposal of Subsidiaries/Businesses

i)

For the year ended June 2001

(a) With effect from April 24, 2001, Harmony disposed of a 10% interest in Elandskraal to Khuma Bothong.
The book value of assets and liabilities disposed of were :

2001
$'000

Property, plant and equipment
13,271
Stores
871
Total sales price
14,142
Paid for by way of receivables
(14,142)

29
COMMITMENTS AND CONTINGENCIES

	2003	**2002**
	$'000	**$'000**
Capital expenditure commitments		
Contracts for capital expenditure	3,732	3,055
Authorized by the directors but not contracted for	231,244	24,535
	234,976	27,590

This expenditure will be financed from existing cash resources.

Contingent liabilities		
Guarantees and suretyships	2,031	481
Environmental guarantees	10,014	7,892
	12,045	8,373

30
SUBSEQUENT EVENTS

(a) On July 15, 2003, the Company announced the acquisition of 11.5% or 77,540,830 ordinary shares in Avgold Limited ("Avgold") from Anglo South Africa Capital (Proprietary) Limited ("Anglo") for a consideration of R7.91 per Avgold share. The consideration was discharged by the issue of 6,960,964 new Harmony shares, comprising 3.8% of the then issued share capital of Harmony. The agreement with Anglo provides that should the Company make an offer to acquire the other Avgold shareholder's interest, the consideration payable to Anglo will be adjusted to reflect the amounts paid to the other Avgold shareholders.

(b) On May 2, 2003, Harmony and ARMgold Limited announced details on a proposed merger of their operations. The transaction was effected by the issue of two Harmony shares for every three ARMgold shares held. Approximately 63.67 million Harmony shares were issued. The ratio was calculated with reference to the 30-day volume weighted average traded price of Harmony and ARMgold shares prior to the final negotiation of the terms of the merger. In addition, ARMgold paid a special dividend of R6.00 per ARMgold share prior to the implementation of the merger. The transaction will be treated as a purchase by the Company for accounting purposes and was completed on September 23, 2003 following the final court approval of the scheme of arrangements.

(c) Randfontein Estates Limited ("Randfontein"), a wholly owned subsidiary of the Company, entered into an agreement with Africa Vanguard Resources (Proprietary) Limited ("Africa Vanguard") on January 21, 2003, in terms of which Randfontein disposed of 26% of its mineral rights in respect of the Doornkop Mining Area to Africa Vanguard for a purchase consideration of R250 million ($34 million), which comprised a cash payment of R140 million ($19 million), and R110 million ($15 million) payable over a period of 10 years, the monthly payment amount which is determined by reference to a predetermined gold price formula. Randfontein and Africa Vanguard also entered into a joint venture agreement on the same day, in terms of which they agreed to jointly conduct a mining operation in respect of the Doornkop Mining Area by means of the Doornkop Joint Venture. The agreements were subject to the fulfilment of certain conditions precedent, the last of which was fulfilled on August 12, 2003. The agreements were implemented, and the cash portion of the purchase price of $19 million was received by the Company on August 15, 2003. For accounting purposes, the consideration will not be accounted for as a sale. The Company has determined that Africa Vanguard and the Doornkop Joint Venture are variable interest entities with the Company as the primary beneficiary pursuant to FIN 46. Accordingly the Company will consolidate the results of the operations and financial position of Africa Vanguard and the Doornkop Joint Venture.

(d) The Company disposed of its 31.7% shareholding in Highland Gold on October 14, 2003, for GBP2.05 per share, realizing cash proceeds of approximately US$119 million. This resulted in a pre-tax gain of US$92 million being realized on the original investment of US$27 million.

(e) On October 17, 2003, the Company disposed of its 17,074,861 shares in High River for US$22.5 million, realizing a pre-tax gain of $8 million on the orginal investment of US$14.5 million made in November 2002. The selling price of C$1.75 per share represented a 12.5% discount on the previous day's closing price.

(f)
The Company entered into an agreement to dispose of its wholly owned subsidiary, Kalahari Goldridge Mining Company Limited (Kalgold), to The Afrikander Lease Limited (Aflease) on November 7, 2003, for US$39 million. The purchase consideration of $39 million will be settled by a cash payment of $19.5 million and the balance through the issue of new Aflease ordinary shares to Harmony. The Kalplats platinum rights were not disposed of to Afleases as part of this transaction.

(g) On November 13, 2003, the Company announced that it had reached an agreement in principle regarding the acquisition of Avmin's 286,305,263 shares or 42.2% interest in Avgold Limited (Avgold) at R10.11 per ordinary share. The consideration will be settled by the issue of 28,630,526 new Harmony ordinary shares. Should the acquisition of the Avgold shares become

unconditional, the Company will own approximately 54% of Avgold's outstanding share capital, and a mandatory offer of 1 Harmony ordinary share per 10 Avgold ordinary shares will be made to Avgold's minority shareholders. Assuming a 100% acceptance of the offer, a total of 60,059,379 Harmony ordinary shares will be issued. As part of this transaction Avmin will acquire the Kalplats platinum rights from Harmony, the consideration for which will be discharged by the issue of 2 million new Avmin ordinary shares to Harmony.

(h) On December 2, 2003, the Company announced that it has entered into a letter of intent to potentially dispose of its gold mining interest in Harmony Gold Canada Inc. (Bissett) to San Gold Resources Corporation (San Gold) for C$7.5 million. The terms of a letter of intent provide for a 90-day option and due diligence period. during this period three payments of US$

50,000 will be made at intervals of 2, 30 and 60 days. The first payment has already been received. At the end of the three-month period, San Gold can complete the transaction by paying the Company C$3.5 million in cash and C$4 million in either cash, or by issuing San Gold shares valued at that amount. The assets of Bissett consist of the Bissett Gold Mine, a 1,200-ton per day mill, complete with a tailings management area and environmental license.

31

GEOGRAPHICAL AND SEGMENT INFORMATION

The company is primarily involved in gold mining, exploration and related activities. Activities are conducted and investments held both inside and outside of South Africa.

The results of Abelle have been included from May 1, 2003, as this is the date from which the Company's chief operating decision maker received discrete financial information related to the acquisition during the 2003 fiscal year. The segment results have been presented in SA GAAP and reconciled to US GAAP as SA GAAP financial information is what the Company's chief operating decision maker reviews in allocating company resources and in making investment decisions.

Segmental information includes the results of Abelle from May 1, 2003, as part of the Australian operations, as well as the results of the Freegold joint venture from January 3, 2002 and Hill 50 from April 1, 2002, as well as the results of operations of Elandskraal and New Hampton from their acquisition date of April 1, 2001 respectively. Gold operations are internally reported based on the following geographic areas: Free State, Evander, Kalgold, Randfontein, Elandskraal, Free Gold and Australian operations. The Free State, Evander, Kalgold, Randfontein, Elandskraal and Free Gold are specific gold producing regions within South Africa. The Bissett mine, which ceased operations at the end of fiscal 2001, has been reported as part of the "other" segment for fiscal 2002 and 2003. The Bissett mine is located in Canada and the New Hampton, Hill 50 and Abelle mines are located primarily in Western Australia. The Company also has exploration interests in Southern Africa and Australia which are included in Other. Selling, administrative, general charges and corporate costs are allocated between segments based on the size of activities based on production results.

The segmental split on a geographical basis is:

Year ended June 30, 2003

Reconciliation of segment data to the consolidated oper-ations	**Free State (South Africa)**	**Evander (South Africa)**	**Kalgold (South Africa)**	**Rand-fontein (South Africa)**	**Elands-kraal (South Africa)**	**Free Gold joint venture (South Africa)**	**Aus-tralian (South Africa)**	**Other statements**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Profit and loss									
Revenue	206,112	116,917	24,536	161,655	120,888	189,701	165,351		

- (203,367) 781,792
Production costs
(166,295)
(87,113)
(16,552) (104,185) (100,459) (116,388) (134,104)
- 125,350 (599,746)
Cash
operating
profit
39,817 29,804 7,984 57,470 20,429 73,313 31,246
- (78,016) 182,046
Other revenues
(2,647)
1,994
(12)
(555)
930
14,107 3,375 (6,231)
(9,808)
1,153
Other income/(costs)
(21,757)
(8,822)
(2,162)
(8,727)
(23,548)
(20,583)
(98,419)
13,477
84,858
(85,684)
Including:
- Interest expense
(27,021)
(79)
(2)
(194)
(1)
(7,734)
(26)
(73)
7,734 (27,396)
- Employment termination cost
(1,574)
(1,212)
-
(565)
(1,152)
-
(595)
- -
(5,098)
- Depreciation and amortization
(10,697)
(4,492)
(1,305)
(7,160)
(3,719)
(7,622)
(28,479)
(285)
2,828
(60,931)
-
Impairment
- - - - - -
(88,909)
-
(28,685) (117,594)
-

Financial
instruments
- - - - - -
48,195 -
(5,041)
43,154
Operating profit/(loss)
before
tax
15,413 22,976 5,810 48,188 (2,191)
66,837 (63,798)
7,246 (2,967)
97,515
Taxation expense
(2,303)
(5,665)
(1,037)
(16,390)
(8,439)
(17,982)
27,141
(5,285)
4,705
(25,256)
Net profit/(loss) for the period
before minority interest
13,110
17,311
4,773
31,798
(10,630)
48,855
(36,657)
1,961
1,738
72,260
Ounces sold (**)
563,199 360,184 74,590 491,890 366,599 577,714 509,654
-
(577,714) 2,366,116
Tonnes milled (`000) (*)
5,885 2,345 1,195 5,374 3,294 5,162
7,883
-
(5,162)
25,976
Capital expenditure
13,859 10,807 7,620 4,030 15,460 37,340
157,100
267 (37,340) 209,142
Total assets
812,220
148,746 51,392 288,248 46,674 183,910 127,611 358,090 (133,830) 1,883,060
Total liabilities
443,863
39,109 (1,632)
74,150 24,962 104,129 163,773 19,606 (63,240) 804,720

(*)Production statistics are unaudited.

Notes to the reconciliation of segment data to the consolidated financial statements

(a) Reversal of proportionate consolidation

For management reporting purposes, the Free Gold Company which is a joint venture, is proportionately consolidated. Under US GAAP, the equity method of accounting is applied in accounting for joint ventures.

(b) Free Gold Company - Acquisition date

For management reporting purposes, the Free Gold Company results have been included from the date upon which the Company assumed joint operational control of the assets together with the seller. Under US GAAP, the Company accounts for its interest in the Free Gold Company from the date that all the conditions precedent to the transaction were met, and the assets were no longer subject to joint operational control.

For the years ended June 30

(c) Free Gold Company - Purchase price

For management reporting purposes, the purchase price was determined as the sum of a cash payment, the fair value of an interest free loan and the taxes payable on the transaction by the seller. Under US GAAP, the purchase price was determined as the sum of a cash payment, the fair value of the interest free loan, the taxes payable on the transaction by the seller, offset by the cash flows generated by the joint venture during the period the assets were subject to joint operational control with the seller, as the cash flows generated during this period were for the account of the joint venture.

(d) Reversal of previously recognized impairments

For management reporting purposes, certain impairments recognized in prior periods have been reversed. Under US GAAP, the reversal of previously recognized impairments is not permitted.

(e) Investments

For management reporting purposes, the Placer Dome investment was classified as a trading security with any change in fair value recognized in income. Under US GAAP, the Placer Dome securities has been classified as available-for-sale with changes in fair value reflected in a separate component of shareholders' equity.

(f)

Stock based compensation

For management reporting purposes, stock based compensation expense has not been recognized. Under US GAAP, the Company has recognized stock based compensation expense for options granted subsequent to January 18, 2001.

(g) Exploration costs

For management reporting purposes, exploration costs are capitalized. Under US GAAP, exploration costs are capitalized from the date upon which a bankable feasibility study has been completed.

(h) Provision for environmental rehabilitation

(i)

Method of recognition

For management reoprting purposes, environmental rehabilitation costs are provided for, based upon the net present value of the expected future obligation and a corresponding asset is raised. Under US GAAP, prior to fiscal 2003, environmental rehabilitation costs have been provided for, based on the units of production method on the expected ultimate rehabilitation amount.

(ii)

Amortization of rehabilitation asset

The rehabilitation assets carrying value for management reporting purposes is different to that under US GAAP, which results in a different amortization charge.

(iii)

Disclosure of the accretion of the asset retirement obligation

For management reoprting purposes, the accretion of the asset retirement obligation is split between interest expense and operating expense. Under US GAAP, the entire accretion of the asset retirement obligation is treated as an operating expense.

(i)

Business combinations - traded equity securities issued as consideration

For management reporting purposes, traded equity securities issued as consideration in a business combination are valued on the date they are issued. Under US GAAP, traded equity securities issued as consideration in a business combination are valued at the date upon which the terms of the transaction are announced. This gave rise to an additional fair value adjustment which is being amortized under US GAAP.

(j)

Loan to share purchase scheme

For management reporting purposes, loans to the share purchase scheme to enable the scheme to purchase Company shares are recorded as assets. Under US GAAP, such loans are recorded as a reduction of share capital.

(k) Tax effect of adjustments

Reflects the taxation effects of the above described US GAAP adjustments to the management reporting information.

(l)

Revenue recognition

For management reporting purposes, revenue was recognised prior to title passing to the buyer. Under US GAAP, revenue is recognized when the risks and rewards of ownership and title pass to buyer.

Year ended June 30, 2002											
Reconciliation of segment data to the financial statements	**Free State (South Africa) (*)**	**Evander (South Africa)**	**Kalgold (South Africa)**	**Rand-fontein (South Africa)**	**Elands-kraal (South Africa)**	**Free State (South Africa)**	**Aus-tralian oper-ations**	**Other (*)**	**joint ventures**	**FreeGold consolidated**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
116,773											
17,506											
Profit and loss											
Revenue											
179,341											

159,629
133,834
89,998 66,402 1,804 (89,998) 675,287
Production costs
(132,430)
(70,867)
(12,727)
(99,279)
(93,167)
(42,317)
(59,536)
(906)
42,317
(468,912)
Cash operating profit
46,911
45,905 4,778 60,350 40,667 47,681 6,866
898
(47,681) 206,375
Other revenues
6,633
1,631
9
2,489 356 1,950 5,858 4,577 (1,950)
21,553
Other income/(costs)
(3,212)
(4,350)
(1,276)
(28,001)
(12,493)
(8,248)
5,210
(1,745)
(70,154)
(124,269)
Including:
- Interest expense
(18,303)
(3)
(2)
(1)
-
(3,476)
(1,157)
388
3,476
(19,077)
- Employment termination cost
(1,611)
(159)

-
(3,046)
(503)
-
(3,163)
(293)
-
(8,775)
- Depreciation and amortization
(8,028)
(2,581)
(1,121)
(5,017)
(3,560)
(2,962)
(6,810)
(110)
7
(30,183)
- Impairment
6,860
- -
1,176
- -
(42,856)
-
(9,464)
(44,284)
- Financial instruments
971
- -
(12,110)
-
-
15,634
4,444
-
8,939
Operating profit/(loss) before tax
50,332
43,187 3,511 34,837 28,529 41,382 17,934 3,731
(119,784)
103,659
Taxation expense
(7,347)
(14,719)
4,220
(13,741)
(1,451)
(13,318)
(490)

(10,311)
42,789
(14,368)
Net profit/(loss) for the period
before minority interest
42,985
28,468 7,731 21,096 27,078 28,064 17,444 (6,580)
(76,995)
89,291
Ounces sold (**)
611,944
415,382 62,179 561,638 476,059 104,005 252,993
8,263
(104,005) 2,388,458
Tonnes milled (`000) (**)
5,003
2,595 1,060 5,293 3,617 863 5,273
40
(863)
22,881
Capital expenditure
9,336
9,596 2,419 1,483
13,725
3,137
22,862
(454)
(3,137)
58,967
Total assets
558,343
117,618
31,934
214,898
37,815 94,446
287,190
20,902 (68,006) 1,295,141
Total liabilities
235,096
35,778 (2,198)
48,556
12,782 58,496
195,276
4,541 (46,309) 542,015

(*)
The Bissett mine in Canada was placed on care and maintenance at the end of the previous financial year, and clean-up
results amounting to $1.8 million revenue (257kg) and $0.9 million production costs were reflected under "other" for 2002.

(**) Production statistics are unaudited.

Year ended June 30, 2001

Reconciliation of segment data to the consolidated financial statements	FreeGold Rand-Elands-joint oper-ations	Aus-tralian Free State (South Africa)	Evander (South Africa)	Kalgold (South Africa)	Kalgold-fontein (South Africa)	kraal (South Africa)	venture (South Africa)	Other	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Profit and loss									
Revenue	188,101	125,142	13,507	194,363	37,219	18,057	14,245	-	

590,634
Production costs
(181,239)
(91,053)
(12,834)
(158,984)
(25,685)
(17,779)
(14,636)
-
(502,210)
Cash operating profit
6,862
34,089
673
35,379 11,534
278
(391)
-
88,424
Other revenues
5,502
4,437
60
4,823
30 2,274
202 (742)
16,586
Other income/(costs)
(29,520)
(2,514)
(2,324)
(13,582)
(2,836)
(2,696)
(24,380)
2,754
(108)
(75,206)
Including:
- Interest expense
(7,274)
(4)
(13)
(3,412)
-
(2,416)
(1,473)
(415)
(15,007)
- Employment termination cost

-
-
(72)
(4,521)
-
-
-
(136)
(4,729)
- Depreciation and amortization
(12,130)
(1,912)
(1,940)
(6,904)
(3,386)
(1,343)
(3,282)
(412)
(108)
(31,417)
- Impairment
(5,624)
(1,493)
-
(1,524)
-
-
(19,625)
-
(28,266)
- Financial instruments
-
- -
5,596
-
2,044
- -
7,640
Operating profit/(loss) before tax
(17,156)
36,012
(1,591)
26,620
8,728
(144)
(24,569)
2,012
(108)
29,804
Taxation expense
1,029

(10,028)
-
(4,073)
(2,082)
-
-
529
(14,625)
Net profit/(loss) for the period
before minority interest
(16,127)
25,984
(1,591)
22,547
6,646
(144)
(24,569)
2,541
(108)
15,179
Ounces sold (**)
686,223
458,212 49,351 723,421 122,880 55,653 44,303
-
2,140,043
Tonnes milled (`000) (**)
5,831
2,737 1,058 6,931 778 1,200 293
-
18,828
Capital expenditure
14,959
8,534 4,049 6,525 7,704 2,219 6,123 2,424
52,537
Total assets
282,979
106,125 21,368 270,561 151,229 128,443
8,150
60,049
921
1,029,825
Total liabilities
254,834
35,512 3,666 86,658 19,826 30,799 2,874
22,438 (1,012) 455,595

(**) Production statistics are unaudited.

Harmony Gold Mining Company Limited
Notes to the Consolidated Financial Statements
For the years ended June 30

REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF ARMGOLD/HARMONY FREEGOLD JOINT VENTURE (PTY) LIMITED

/S/ PRICEWATERHOUSECOOPERS INC.*Registered Accountants and Auditors*
Chartered Accountants (SA)
Johannesburg, Republic of South Africa
December 12, 2003

We have audited the accompanying balance sheets of the ARMGold/Harmony Freegold Joint Venture (Pty) Limited and its subsidiaries (the "Company") as of June 30, 2003 and 2002, and the related consolidated statements of income, cash flows and of changes in shareholders' equity for year ended June 30, 2003 and the six-month period ended 30 June, 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures included in the annual financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audits provides a reasonable basis for our opinion.

In our opinion, the financial statements, referred to above, present fairly, in all material respects, the financial position of the Company as at June 30, 2003 and 2002, and the results of their operations and their cash flows for the year ended June 30, 2003 and the six-month period ended June 30, 2002, in conformity with South African Standards of Generally Accepted Accounting Practice, and in the manner required by the Companies Act in South Africa.

South African Standards of Generally Accepted Accounting Practice vary in certain significant respects from accounting principles generally accepted in the United States of America. The application of the latter would have affected the determination of the consolidated net income for the year ended June 30, 2003 and the six-month period ended June 30, 2002 and the determination of the shareholders' equity at June 30, 2003 and 2002 to the extent summarized in Note 29 to the financial statements.

F 40

PRICEWATERHOUSECOOPERS INC.
Registered Accountants and Auditors
Chartered Accountants (SA)
Johannesburg, Republic of South Africa
December [ ], 2003

ARMGOLD/HARMONY FREEGOLD JOINT VENTURE (PTY) LIMITED

F 41

INCOME STATEMENT

FOR THE YEAR ENDED JUNE 30, 2003 AND THE SIX MONTH PERIOD ENDED JUNE 30, 2002

	12 months	**6 months**
	2003	**2002**
	Notes	**R'000**	**R'000**
Revenue		3 464 045	F 40 1 835 945
Cash operating costs	**4**	(2 125 466)	(863 262)
Cash operating income		**1 338 579**	**972 683**
Interest received	**5**	217 792	37 512
Profit on sale of property		39 965	2 256
Interest paid	**6**	(205 842)	(105 002)
Cash income		**1 390 494**	**907 449**
Depreciation and amortization		(139 186)	(60 426)
Ongoing rehabilitation expenses		(16 932)	(20 000)
Reversal of provision for rehabilitation		5 495	- -
			(2 226)
Income before tax	**7**	**1 239 871**	**824 797**

8
(328 369)
(271 680)
911 502
553 117
Taxation
Provision for post retirement benefits
Net income for the period

ARMGOLD/HARMONY FREEGOLD JOINT VENTURE (PTY) LIMITED
F 42
2003
2002
Notes
R'000
R'000
ASSETS
Non-current assets
Property, plant and equipment
9
2 829 594
2 698 021
Investments
10
554 720
458 647
11
2
-
Restricted cash
14
89 435
-
Total non-current assets
3 473 751
3 156 668
Current assets
Inventories
12
19 765
15 744
Receivables
13
214 962
118 957
Cash and cash equivalents
14
445 810
1 006 529
Total current assets
680 537
1 141 230
Total assets
4 154 288
4 297 898
EQUITY AND LIABILITIES
Shareholders' equity
Share capital issued
15
20

20
Retained earnings
1 164 619
553 117
Total shareholders' equity
1 164 639
553 137
Non-current liabilities
Long term loans
16
1 765 699
2 112 338
17
319 959
267 277
18
2 226
2 226
8
614 216
333 662
Total non-current liabilities
2 702 100
2 715 503
Current liabilities
Accounts payable and accrued liabilities
19
244 080
1 020 627
Income and mining tax payable
8
43 469
8 631
Total current liabilities
287 549
1 029 258
Total equity and liabilities
4 154 288
4 297 898
Provision for environmental rehabilitation
Deferred tax liability
Provision for post-retirement benefits
BALANCE SHEET
Investments in subsidiaries and group companies
AS AT JUNE 30, 2003 AND 2002

ARMGOLD/HARMONY FREEGOLD JOINT VENTURE (PTY) LIMITED

F 43

STATEMENT OF SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED JUNE 30, 2003 AND THE SIX MONTH PERIOD ENDED JUNE 30, 2002

	Number of shares	**Capital**	**Retained Earnings**	**Total**
		R'000	**R'000**	**R'000**
Balance at January 1, 2002	-	**-**	**-**	-
Shares issued	20 000	20	-	20
Net income for the period	-	-	553 117	553 117
Balance at June 30, 2002	**20 000**	**20**	**553 117**	**5 53 137**
Net income for the period	-	**-**	911 502	911 502
Dividends paid	-	**-**	(300 000)	(300 000)
Balance at June 30, 2003	**20 000**	**20**	**1 164 619**	**1 164 639**

ARMGOLD/HARMONY FREEGOLD JOINT VENTURE (PTY) LIMITED

F 44

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2003 AND THE SIX MONTH PERIOD ENDED JUNE 30, 2002

	12 months	**6 months**
	2003	**2002**
Notes	**R'000**	**R'000**
Cash flow from operations		
Cash received from customers	3 462 307	1 822 898
Less: payments made to suppliers and employees	2 339 185	753 340
23	1 123 122	1 069
	558	
Interest received	156 290	37 512
Interest paid	(157 123)	(56 535)
Taxation paid	(8 631)	-
Net cash provided by operations	**1 113 658**	**1 050 535**
Acquisition of business		
24	(120 000)	(1 800 000)
Proceed on disposal of mining assets	55 259	2 507
Additions to property, plant and equipment	(141 948)	(31 724)
Cost of acquisitions capitalized	-	(32)
Loans to subsidiaries	(2)	-
Amounts invested in environmental trusts	(71)	

(14 777)
Net cash utilized in investing activities
(206 762)
(1 844 026)
(Decrease)/Increase in amounts due to holding companies
(391 303)
1 800 000
Decrease in other borrowings
(686 877)
-
Ordinary shares issued-net of expenses
-
20
Dividends paid
(300 000)
-
Net cash generated by financing activities
(1 378 180)
1 800 020
Net increase in cash and cash equivalents
(471 284)
1 006 529
Cash and cash equivalents - beginning of period
1 006 529
-
Cash and cash equivalents - end of period
14
535 245
1 006 529
Cash generated from operations
Cash flow from investing activities
Cash flow from financing activities

ARMGOLD/HARMONY FREEGOLD JOINT VENTURE (PTY) LIMITED

F 45

NOTES TO THE FINANCIAL STATEMENTS

1.

NATURE OF OPERATIONS

2.

FUNCTIONAL CURRENCY

The functional currency of the Company is the South African Rand.

3.

SIGNIFICANT ACCOUNTING POLICIES

3.1 BASIS OF PREPARATION

3.2 USE OF ESTIMATES

3.3 FINANCIAL INSTRUMENTS

3.4 CASH AND CASH EQUIVALENTS

3.5 INVESTMENTS

Listed investments

Unlisted investments

The financial statements are prepared on the historical cost basis except for certain financial instruments, which are carried at fair value. The accounting policies as set out below have been consistently applied, and comply with South African Statements of Generally Accepted Accounting Practice ("SA GAAP") and the South African Companies Act.

Financial instruments are initially measured at cost including transaction costs. Subsequent to initial recognition, these instruments are measured as set out below. Financial instruments carried on the balance sheet include cash and bank balances, money market instruments, investments, receivables, trade creditors and borrowings.

Cash and cash equivalents are defined as cash on hand, deposits held at call with banks and short-term highly liquid investments with insignificant interest rate risk and original maturities of three months or less. Cash and cash equivalents are measured at fair value.

Investments in listed companies are carried at market value. Market value is calculated by reference to stock exchange quoted selling prices at the close of business on the balance sheet date. Movement in the carrying amount of trading securities are charged to the income statement. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged to the income statement.

Unlisted investments are reflected at fair value, or cost, where fair value cannot reliably be measured. Fair value is based on directors' valuation. If the directors are of the opinion that there has been a permanent impairment in the value of any of these investments, they are written down and recognized as an expense in the period in which the diminution is determined to have taken place.

The ARMgold/Harmony Freegold Joint Venture (Pty) Limited ("Free Gold") operates in the gold mining industry in South Africa. Gold bullion, the Company's principal product, is produced at its operations and sold in South Africa and internationally.

The preparation of the financial statements in conformity with SA GAAP requires the Company's management to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates used by management include the valuation and amortization of long lived assets as well as estimates of exposure and liabilities with regard to rehabilitation costs, employee benefit liabilities and taxation. Actual results could differ from those estimates.

ARMGOLD/HARMONY FREEGOLD JOINT VENTURE (PTY) LIMITED
F 46
NOTES TO THE FINANCIAL STATEMENTS
3.6 INVENTORIES
3.7 RECEIVABLES
3.8 ACCOUNTS PAYABLE
3.9 BORROWINGS
3.10
3.11 PROPERTY, PLANT AND EQUIPMENT
(a) Mining assets
Accounts receivable are stated at the gross invoice value, adjusted for payments received and an allowance for doubtful debts, where appropriate, to reflect the fair value of the anticipated realizable value. Bad debts are written off during the period in which they are identified.
Interest-free loans are shown at cost, as no fair value can be determined due to the fact that no interest is charged and there are no fixed terms for repayment.
Accounts payable are stated at cost, adjusted for payments made to reflect the value of the anticipated economic outflow of resources.
Inventories, which include gold in process and supplies , are stated at lower of cost or net realizable value after appropriate allowances for redundant and slow-moving items.
Stores and materials consist of consumable stores and are valued at average cost after appropriate provision for redundant and slow moving items.
Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.
Exploration costs are expensed as incurred. When a decision is taken that a mining property is capable of commercial production, all further pre-production expenditure is capitalized. Costs related to property acquisitions and mineral and surface rights are capitalized. Where the directors consider that there is little likelihood of the properties or rights being exploited or the value of the exploration rights have diminished below cost, a write down is effected against exploration expenditure.
Mining assets, including mine development costs and mine plant facilities are initially recorded at cost, whereafter it is recorded at cost less accumulated amortization and impairment. Costs include pre-production expenditure incurred in the development of the mine and the present value of future decommissioning costs. Interest on borrowings to specifically finance the establishment of mining assets is capitalized until commercial levels of production are achieved. Development costs incurred to evaluate and develop new orebodies, to define mineralization in existing orebodies to establish or expand productive capacity are capitalised. Mine development costs in the ordinary course to maintain production are expensed as incurred. Initial development and pre-production costs relating to a new orebody are capitalized until the orebody achieves commercial levels of production at which time the costs are amortized as set out below.
EXPLORATION COSTS
Borrowings are recognized at amortized cost, comprising original debt less principal payments and amortizations.
Bullion on hand and gold in process represents production on hand after the smelting process. It is valued using the weighted average cost method. Costs include production, amortization and related administration costs.

ARMGOLD/HARMONY FREEGOLD JOINT VENTURE (PTY) LIMITED
F 47
NOTES TO THE FINANCIAL STATEMENTS
3.11 PROPERTY, PLANT AND EQUIPMENT (Continued)
(b) Non-mining fixed assets
(c) Depreciation and amortization
3.12 ENVIRONMENTAL OBLIGATIONS
Annual changes in the provision consist of finance cost relating to the change in the present value of the provision and inflationary increases in the provision estimate, as well as changes in estimates. The present value of environmental disturbances created are capitalized to mining assets against an increase in the rehabilitation provision. The rehabilitation asset is amortized as noted in the Company's accounting policy.
A previously recognized impairment loss is reversed if the recoverable amount increases as a result of a change in the estimates used to determine the recoverable amount. This reversal is recognized in the income statement and is limited to the carrying amount that would have been determined, net of amortization, had no impairment loss been recognized in prior years.

The estimates of future discounted cash flows are subject to risk and uncertainties including the future gold price and exchange rates. It is therefore reasonably possible that changes could occur which may affect the recoverability of mining assets.

Estimated long-term environmental obligations, comprising pollution control, rehabilitation and mine closure, are based on the Company's environmental management plans in compliance with current technological, environmental and regulatory requirements.
The recoverability of the carrying value of the long term assets of the Company, which include development costs, are annually compared to the net book value of the assets, or whenever events or change in circumstances indicate that the net book value may not be recoverable. The recoverable amount is the higher of value in use and net selling price. In assessing the value in use, the expected future cash flows from the asset is determined by applying a discount rate to the anticipated pre-tax future cash flows. The discount rate used is the Company's weighted average cost of capital as determined by the Capital Asset Pricing Model. An impairment is recognized in the income statement whenever the carrying amount of the asset exceeds its recoverable amount, to the extent that the carrying amount exceeds the assets' recoverable amount. The revised carrying amounts are amortized in line with the Company's accounting policies. Amortization is first charged on mining ventures from the date on which the mining ventures reaches commercial production quantities.
Depreciation and amortization of mineral property interests, mineral and surface rights, mine development costs and mine plant facilities are computed principally by the units-of-production method based on the estimated proven and probable ore reserves. Proven and probable ore reserves reflect estimated quantities of economically recoverable reserves which can be recovered in the future from known mineral deposits.
Land is shown at cost and not depreciated. Buildings and other non-mining fixed assets are shown at cost less accumulated depreciation.
(d) Impairment
The net present value of future rehabilitation cost estimates are recognized and provided for in full in the financial statements. The estimates are reviewed annually and are discounted using rates that reflect the time value of money.

ARMGOLD/HARMONY FREEGOLD JOINT VENTURE (PTY) LIMITED

F 48

NOTES TO THE FINANCIAL STATEMENTS

3.12 ENVIRONMENTAL OBLIGATIONS (Continued)

3.13 ENVIRONMENTAL TRUST FUNDS

3.14 PROVISIONS

3.15 DEFERRED TAXATION

3.16

PENSION PLANS AND OTHER EMPLOYEE BENEFITS

(a) Pension plans

(b) Medical plans

Rehabilitation projects undertaken, included in the estimates are charged to the provision as incurred. The cost of ongoing current programmes to prevent and control pollution is charged against income as incurred.

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

The Company follows the comprehensive liability method of accounting for deferred tax using the balance sheet approach. Under this method, deferred income and mining taxes are recognized for the tax consequences of temporary differences by applying expected tax rates to the differences between the tax base of certain assets or liabilities and its balance sheet carrying amount. Deferred tax is charged to the income statement except to the extent that it relates to a transaction that is recognized directly in equity, or a business combination that is an acquisition. The effect on deferred tax of any change in tax rates is recognized in the income statement, except to the extent that it relates to items previously charged or credited directly to equity.

The Company provides medical cover to current employees through several fundss. The medical accounting costs for the defined benefit plan are assessed using the projected unit credit method. The health care obligation is measured as the present value of the estimated future cash outflows using market yields consistent with the term and risks of the obligation. Actuarial gains and losses as a result of these valuations are recognized in the income statement.

The principal temporary differences arise from amortization and depreciation on property, plant and equipment, provisions, post-retirement benefits and tax losses carried forward. Deferred tax assets relating to the carry forward of unused tax losses are recognized to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilized.

Annual contributions are made to the Company's trust funds, created in accordance with statutory requirements, to fund the estimated cost of pollution control, rehabilitation and mine closure at the end of the life of the company's mines. Contributions are determined on the basis of the estimated environmental obligation over the life of the mine. Income earned on monies paid to environmental trust funds is accounted for as investment income. The funds contributed to the trust plus growth in the trust funds are included under investments on the balance sheet.

Pension plans are funded through annual contributions. The Company's contributions to the defined contribution pension plans are charged to the income statement in the period to which they relate. The Company's liability is limited to its annually determined contributions.

ARMGOLD/HARMONY FREEGOLD JOINT VENTURE (PTY) LIMITED
F 49
NOTES TO THE FINANCIAL STATEMENTS
3.17 FOREIGN CURRENCY TRANSACTIONS
3.18 REVENUE RECOGNITION
(a) Revenue
(b) Interest income
3.19 DIVIDENDS DECLARED
Dividends paid are recognized when declared by the Board of directors.
3.20 COMPARATIVES
12 months
6 months
2003
2002
R'000
R'000
4.
CASH OPERATING COSTS
Labour costs, including contractors
1 279 957
266 108
Stores and materials
538 651
103 179
Water and electricity
255 088
57 698
Changes in inventory
(4 138)
(11 818)
Other
448 095
2 125 466
863 262
5.
INTEREST RECEIVED
Bank and call accounts
156 033
17 650
AngloGold
204
4 929
Rehabilitation funds
61 502
14 777
55 908
Other
53
156
217 792
37 512

Interest is recognized on a time proportion basis, taking into account the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Company.

Cash operating costs include mine production, transport and refinery costs,
movement in inventories and ore stockpiles . These costs, analyzed by nature,
consist of the following:

Revenue represents gold sales and is recognized when the risks and rewards of ownership has passed to the buyer with delivery from the refinery. Sales revenue excludes value-added tax but includes the net profit and losses arising from financial derivatives that meet the definition of a normal sale to the extent that they relate to that metal and have been matched at the date of the financial statements.

Comparative figures are for the 6 months ended June 30, 2002, as the Company was operating from effective January 1, 2002. Where necessary the comparative figures have been adjusted to conform with changes in presentation in the current year.

Transactions in foreign currencies are converted at the rates of exchange ruling at the date of these transactions. Monetary assets and liabilities denominated in foreign currencies are translated at rates of exchange ruling at balance sheet date. Gains and losses and costs associated with foreign currency transactions are recognised in the income statement in the period to which they relate. These transactions are included in the determination of other income - net.

ARMGOLD/HARMONY FREEGOLD JOINT VENTURE (PTY) LIMITED
F 50
NOTES TO THE FINANCIAL STATEMENTS
12 months
6 months
2003
2002
R'000
R'000
6.
INTEREST PAID
Loans - shareholders
157 019
29 080
Loan - Anglo
43 224
75 922
Interest portion of rehabilitation provision accretion
5 495
-
Other
104
-
205 842
105 002
7.
INCOME BEFORE TAX
The following have been included in income before tax:
Auditors' remuneration
1 116
650
Fees - current year
1 116
650

8.
TAXATION
Current income and mining taxes
43 469
8 631
Deferred income and mining taxes
284 900
263 049
Total income and mining taxes expense
328 369
271 680
Income before tax at estimated mining statutory rate
570 341
379 407
Non-taxable income/additional deductions

(117 986)
25 264
Rate adjustment to reflect estimated effective mining tax rate
(114 833)
(131 172)
(9 153)
(1 819)
Income and mining tax expense
328 369
271 680
Deferred income and mining tax liabilities
Depreciation and amortization
812 072
768 152
Product inventory not taxed
4 787
3 546
Gross deferred income and mining tax liability
816 859
771 698
Difference between non-mining tax rate and estimated mining statutory rate on non-mining income
Mining tax on mining income is determined on a formula basis which takes into account the profit and revenue from mining operations during the year. Non-mining income is taxed at a standard rate. Deferred tax is provided at the estimated effective mining tax rate for temporary differences. Major items causing the Company's income tax to differ from the estimated effective mining rate of 30%
(2002: 30%) were:
Deferred income and mining tax liabilities and assets on the balance sheet on
30 June 2003, relate to the following:

ARMGOLD/HARMONY FREEGOLD JOINT VENTURE (PTY) LIMITED
F 51
NOTES TO THE FINANCIAL STATEMENTS
2003
2002
R'000
R'000
8.
TAXATION (Continued)
Net deferred income and mining tax assets
(193 058)
(443 670)
Unredeemed capital expenditure
(225 563)
(446 868)
Provisions, including rehabilitation accruals
32 505
3 198
Net deferred income and mining tax liabilities/(assets)
623 801
327 988
Short-term portion included
9 585
(5 674)
614 216
333 662
Reconciliation of the movement for the period:
Opening balance
327 988
-
Property, plant and equipment
43 920
768 152
Inventory
1 241
3 546
Unredeemed capital expenditure
221 305
(446 868)
Provisions
29 347
3 158
Closing balance
623 801
327 988
Current mining and non-mining tax liability
Current year
43 469
8 631
Due to South African Revenue Services
43 469

8 631
9.
PROPERTY, PLANT AND EQUIPMENT
Cost at beginning of the year
2 758 447
-
Acquired through the purchase of businesses
145 189
2 726 974
Additions
132 348
31 724
Disposals
(6 778)
(251)
3 029 206
2 758 447
60 426
-
Charge for the period
139 186
60 426
199 612
60 426
Net book value
2 829 594
2 698 021
As at June 30, 2003, the Company has unredeemed capital expenditure of R752 million (2002 - R 1 489 million) available for deduction against future mining income. These future deductions are utilizable against mining income generated only from the Company's current mining operations and does not expire unless the Company ceases to trade for a period longer than one year.
Mining properties, mine development costs and mine plant facilities
Accumulated depreciation and amortization at beginning of period

ARMGOLD/HARMONY FREEGOLD JOINT VENTURE (PTY) LIMITED

F 52

NOTES TO THE FINANCIAL STATEMENTS

	2003	**2002**
	R'000	**R'000**
9.		
PROPERTY, PLANT AND EQUIPMENT (Continued)		
10. NON-CURRENT INVESTMENTS		
Amounts contributed to environmental trust funds	**554 720**	**458 647**
11. INVESTMENTS IN SUBSIDIARIES AND GROUP COMPANIES		
	Interest	
	Shares	
	%	
Jeanette Gold Mines Ltd	100	
	-	
	-	
	(Amount smaller than R 1 000)	
Loans		
Jeanette Gold Mines Ltd	**2**	
	-	
12. INVENTORIES		
Gold in-process	15 956	11 816
Stores and material at average cost	3 809	3 928
	19 765	**15 744**
13. RECEIVABLES		
Value added tax	12 460	41 163
Trade receivables	16 959	14 558
Metals on consignment	52 320	40 239
Prepayments	95	4 324
Interest	7 771	4 708

Payroll debtors
11 953
3 054
Anglo Gold - current account
71 217
2 027
Other
42 187
8 884
214 962
118 957

An amount of R 1 billion has been guaranteed to BoE Merchant Bank and Harmony Gold Mining Company Ltd in equal portion. This is collateralized by certain of the assets, including all moveable assets. See note 26 below.

The environmental trust funds are irrevocable trusts under the Company's control. The monies in the trusts are invested in interest bearing short-term investments and listed investments and approximate their fair value.

Mining properties, mine development costs and mine plant facilities

ARMGOLD/HARMONY FREEGOLD JOINT VENTURE (PTY) LIMITED
F 53
NOTES TO THE FINANCIAL STATEMENTS
2003
2002
R'000
R'000
14. CASH AND CASH EQUIVALENTS
Cash and cash equivalents
445 810
1 006 529
Restricted cash balance
89 435
-
Total cash and cash equivalents
535 245
1 006 529
15. SHARE CAPITAL
Share capital
Authorized
100 000 ordinary shares of R 1.00 each
100
100
Issued
20 000 ordinary shares of R1.00 each
Balance at beginning of period
20
-
Issued during the period
-
20
Balance at end of period
20
20
16. BORROWINGS
Long-term borrowings
Uncollateralized
Loans from shareholders
ARMGold Limited
718 889
914 540
Harmony Gold Mining Company Limited
718 888
914 540
1 437 777
1 829 080
Other loans
Gold Fields Limited
8 206
-
Less: Short-term portion

(2 578)

-

5 628

-

A balance of R 377 million (June 2002 - R 254 million) has been pledged to BoE Merchant Bank in terms of debt guarantee agreements between the Company and BoE Merchant Bank.

R 48,4 million of the restricted cash is pledged to the Department of Minerals and Energy.

Under agreement with BoE Merchant Bank, certain of the Company's cash resources are restricted for specific use. This restriction will apply until the date that Freegold obtains full title to all mining and lease rights and obtains the permanent mining authorization.

One billion rand of the loans bear interest at a rate of 15,48845%. No interest is charged on the balance. There is no schedule for repayments on the loans.

ARMGOLD/HARMONY FREEGOLD JOINT VENTURE (PTY) LIMITED
F 54
NOTES TO THE FINANCIAL STATEMENTS
2003
2002
R'000
R'000
16. BORROWINGS (Continued)
Long-term borrowings (Continued)
Uncollateralized (Continued)
Other loans (Continued)
Total uncollateralized long-term borrowings
1 443 405
1 829 080
Collateralized
AngloGold
322 294
964 707
Less: short-term portion
-
(681 449)
Total collateralized long-term borrowings
322 294
283 258
Total long-term borrowings
1 765 699
2 112 338
Other borrowings
On December 24, 2001, Free Gold entered into an agreement with AngloGold Limited to purchase its Free Gold assets for R 2 741 million which comprised of a cash payment of 1,800 million, R259 million being the fair value of the R400 million interest free loan received from AngloGold of R259 million and R682 million being the reimbursement to AngloGold of the taxes payable on the sale of the Free Gold assets. R1 800 million was paid during April 2002 at the call rate from this date until the 10th business day after the date of fulfillment of the last of the conditions precedent. R400 million is payable on January 1, 2005 at no interest charge. The balance of the consideration became payable on June 23, 2003, five business days before AngloGold was obliged to pay recoupment tax, capital gains tax and any other income tax on the disposal of the assets. No interest was charged on this amount.
On July 1, 2002, Free Gold entered into an agreement with Goldfields to purchase its St Helena operations as a going concern for R 129 million. R 120 million was payable on October 29, 2002 and Free Gold acquired the St Helena operations assets and liabilities effective October 30, 2002. The balance of the consideration is the Net Smelter Revenue, which is 1% of the revenue received from the sale of gold produced by the St Helena operations for 48 months after the effective date. The payments are to be made monthly in arrears within 10 days after the end of each calendar month.
The level of the Company's borrowing powers, as determined by its articles of association, is such that, taking into account the obligations as at June 30, 2003, the Company will have unrestricted access to loan financing for its reasonable foreseeable requirements. As at June 30, 2003, total borrowings amounted to
R 1 768 million (2002: R 2 861 million)

ARMGOLD/HARMONY FREEGOLD JOINT VENTURE (PTY) LIMITED
F 55
NOTES TO THE FINANCIAL STATEMENTS
2003
2002
R'000
R'000
17. PROVISION FOR ENVIRONMENTAL REHABILITATION
Provision raised for future rehabilitation
267 277
-
Acquisition of assets and liabilities from businesses
40 390
Opening balance
247 277
Change in estimate and inflation
6 797
20 000
Interest cost
5 495
-
Closing balance
319 959
267 277
Opening balance
458 647
-
Transferred from other trust funds
34 500
443 870
Contributions made
71
-
Interest accrued
61 502
14 777
Closing balance
554 720
458 647
Ultimate estimated rehabilitation cost
600 542
538 376
Amounts invested in Environmental Trust Funds
554 720
458 647
Future net obligation
45 822
79 729
18. PROVISION FOR POST-RETIREMENT BENEFITS
The amounts recognized in the balance sheet are as follows:
Present value of unfunded obligation

2 226
2 226
The amount recognized in the income statement are as follows:
Provision for liability
-
2 226
The movement in the liability recognized in the balance sheet is as follows:
At the beginning of the period
2 226
-
Total expense as above
-
2 226
At the end of the period
2 226
2 226
While the ultimate amount of rehabilitation cost to be incurred in the future is uncertain, the Company has estimated that based on current environmental and regulatory requirements, the total costs for the mines , in current monetary terms, will be R 601 million (June 2002 - R 538 million).
The movement in the investments in the Environmental Trust Funds, were as follows:
The Company intends to finance the ultimate rehabilitation costs from the monies invested with the environmental trust funds as well as the proceeds on sale of assets and gold from plant clean-up at the time of mine closure.
The provision for former employees' post-retirement benefits comprise medical benefits for former employees who have retired. The amounts were based on an actuarial valuation conducted during the current year.

ARMGOLD/HARMONY FREEGOLD JOINT VENTURE (PTY) LIMITED

F 56

NOTES TO THE FINANCIAL STATEMENTS

18. PROVISION FOR POST-RETIREMENT BENEFITS (Continued)

The principal actuarial assumptions used for accounting purposes were:

Discount rate

12 %

12 %

Assumed medical subsidy inflation

7%

7%

2003

2002

R'000

R'000

19. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Short-term portion of long-term borrowings

2 578

133 726

681 449

Payroll and leave liabilities

145 915

Short-term portion of deferred tax

9 585

(5 674)

Harmony Gold Mining Company Ltd

-

140 849

Other (including accrued liabilities)

86 002

70 277

244 080

1 020 627

Leave liability

20. EMPLOYEE BENEFITS

Number of permanent employees

16 860

13 734

Aggregate earnings:

The aggregate earnings of employees including directors were:

Salaries and wages and other benefits

1 011 765

183 575

Retirement benefit costs

63 738

36 732

Medical aid contributions

19 660

19 200

1 095 163

239 507

21. EMPLOYEE BENEFIT PLANS

Post Retirement Benefits other than Pensions: Skilled workers participate in the Minemed medical scheme, as well as other medical schemes. As regards the Company, contributions are limited to current employees only. The Company's contribution to the schemes on behalf of the current employees amounted to R 19.6 million (June 2002 -R 19.2 million) for the year.

Substantially, all the Company's employees are covered by the above mentioned retirement benefit plans. Funds contributed by the Company for the year ended June 30, 2003 amounted to R 63.7 million (June,30 2002 - R 36.7 million.)

Employee entitlements to annual leave are recognized on an ongoing basis. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Pension and Provident Funds: The Company contributes to several pension and provident funds governed by the Pension Fund Act, 1946. The pension funds are multi-employer industry plans. The Company's liability is limited to its annually determined contributions.

The provident funds are funded on the "money accumulative basis" with the members' and employer's contributions having been fixed in the constitution of funds.

ARMGOLD/HARMONY FREEGOLD JOINT VENTURE (PTY) LIMITED

F 57

NOTES TO THE FINANCIAL STATEMENTS

21. EMPLOYEE BENEFIT PLANS (Continued)

POST RETIREMENT BENEFITS OTHER THAN PENSIONS (Continued)

22.

Commodity price sensitivity

Foreign currency sensitivity

Concentration of credit risk

Interest rates and liquidity risk

No other post-retirement benefits are available to other workers. The medical schemes pay certain medical expenses for current employees and their dependants. Employees pay an annual contribution to these schemes.

As a general rule, Free Gold sells its gold production at market prices and normally 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.

DERIVATIVE FINANCIAL INSTRUMENTS AND FAIR VALUE AND CREDIT OF FINANCIAL INSTRUMENTS

Financial instruments, which potentially subject the Company to significant concentrations of credit risk , consists principally of cash and cash equivalents, short-term investments and various derivatives financial instruments. The Company's financial instruments do not represent a concentration of credit risk because the Company deals and maintains cash and cash equivalents and derivatives financial instruments with a variety of well-established financial institutions of high quality and credit standing. The Company's debtors and loans are regularly monitored and assessed. An adequate level of provision is maintained.

Fluctuations in interest rates impacts on the value of the short-term cash investments and financing activities, giving rise to interest rate risk. Free Gold generally does not undertake any specific actions to cover its exposure to interest rate risk.

In the ordinary course of business, the Company receives cash from its operations and it is required to fund working capital and capital expenditure requirements. The cash is managed to ensure surplus funds are invested to provide sufficient liquidity at minimum risk.

In the ordinary course of business, Free Gold enters into transaction denominated in foreign currency (primarily US Dollars). As a result, Free Gold is subject to transaction and translation exposure from fluctuations in foreign currency exchange rates. Free Gold does not generally hedge its exposure to foreign currency exchange rates.

Free Gold is exposed to market risks including credit risk, foreign currency, commodity price, interest rate and liquidity risk associated with underlying assets, liabilities and anticipated transactions. Based on periodic evaluation of these exposures, Free Gold may enter into derivative financial instruments to manage these exposures. Free Gold does not hold or issue derivative financial instruments for trading or speculative purposes.

Assumptions used to determine the liability relating to the Minemed medical scheme included, investment returns of 12%, no increases in employer subsidies (in terms of the agreement) and mortality rates according to the SA "a mf" tables and a medical inflation rate of 7%.

An updated actuarial valuation was carried out during the 2002 fiscal year on the Minemed medical scheme following the last actuarial valuation in fiscal 2000.

ARMGOLD/HARMONY FREEGOLD JOINT VENTURE (PTY) LIMITED
F 58
NOTES TO THE FINANCIAL STATEMENTS
22.
Fair value
12 months
6 months
2003
2002
R'000
R'000
23. CASH GENERATED FROM OPERATIONS
Reconciliation of profit before taxation to cash generated from operations:
Income before taxation
1 239 871
824 797
Adjustments for:
Interest received
(217 792)
(37 512)
Interest paid
200 347
105 002
Profit on sale of mining assets
(39 965)
(2 256)
Depreciation and amortization
139 186
60 426
Net change in provision for environmental rehabilitation
12 292
20 000
Net increase in provision for post-retirement benefits
-
2 226
Movement in gold inventory
(4 138)
(11 818)
Bad debts
800
170
Effect of changes in operating working capital items:
Receivables
(96 805)
(119 127)
Inventories
2 262
(3 928)
Accounts payable and accrued liabilities
(112 936)
231 578

Cash generated by operations
1 123 122
1 069 558
24. ACQUISITION OF BUSINESSES
R'000
Environmental trust fund
443 871
2 726 974
Property, plant and equipment
Accounts payable and accrued liabilities
(117 496)
Long-term liabilities
(247 277)
Deferred tax
(64 940)
Total purchase price
carried forward
2 741 132
The fair value of financial instruments is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties. The carrying amount of receivables, accounts payables and cash and cash equivalents are a reasonable estimates of their fair values because of the short-term maturity investments. The investments in the environmental trust funds approximates fair values as the funds are invested in short-term maturity investments. The investments are carried at market value. Long-term loans approximate fair value as they are subject to market-based rates.
DERIVATIVE FINANCIAL INSTRUMENTS AND FAIR VALUE AND CREDIT OF FINANCIAL INSTRUMENTS (Continued)
With effect from January 1 2002, the Company purchased the Free Gold assets and liabilities from AngloGold for R 2 741 million. The aggregate fair value of the assets acquired and liabilities assumed were as follows:

ARMGOLD/HARMONY FREEGOLD JOINT VENTURE (PTY) LIMITED
F 59
NOTES TO THE FINANCIAL STATEMENTS
R'000
24. ACQUISITION OF BUSINESSES (Continued)
Total purchase price
carried down
2 741 132
Paid for by way of borrowings
(941 132)
Paid for by cash
(1 800 000)
Cash and cash equivalents at acquisition
-
Environmental trust fund
34 500
Property, plant and equipment
144 109
Inventory
2 145
Provision for environmental rehabilitation
(40 390)
Deferred tax
(10 912)
Total purchase price
129 452
Paid for by way of royalties
(9 452)
Paid for by cash
(120 000)
Cash and cash equivalents at acquisition
-
2003
2002
R'000
R'000
25. COMMITMENTS AND CONTINGENCIES
Capital expenditure commitments
Contracts for capital expenditure
11 193
2 222
Authorized by the directors but not contracted for
840 400
25 072
851 593
27 294
26. GUARANTEES
BoE Merchant Bank
500 000
500 000
Harmony Gold Mining Company Ltd

500 000
500 000
1 000 000
1 000 000

An amount of R 1 billion has been guaranteed to BoE Merchant Bank and Harmony Gold Mining Company Ltd in equal portions. This is linked to the ARMGold loan from BoE and will be triggered if ARMGold fails to meet its obligation to BoE. The BoE loan is collateralized by certain assets including all moveable assets. Refer to notes 9 and 14

With effect from October 30, 2002, the Company purchased the St Helena assets and liabilities from Gold Fields for R 129 million. The aggregate fair value of the assets acquired and liabilities assumed were as follows:

ARMGOLD/HARMONY FREEGOLD JOINT VENTURE (PTY) LIMITED

F 60

NOTES TO THE FINANCIAL STATEMENTS

27. RELATED PARTY TRANSACTIONS

The following related party transactions took place during the year under review:

Party	**Transaction**	**Amount**	**Basis**
		R'000	
Harmony Gold	Intergroup loan - credit balance	718 888	
Harmony Gold	Interest paid	78 510	15.5% interest on R 500 million
Harmony Gold	Consumables purchased	421 600	Cost
Harmony Gold	Service charge	10 791	Cost
Harmony Gold	Assay costs charged	8 812	Cost
ARMGold	Intergroup loan - credit balance	718 889	
ARMGold	Interest paid	78 509	15.5% interest on R 500 million
ARMGold	Assay costs charged	21 639	Cost
ARMGold	Transport costs charged	74	Cost

All of the above transactions took place on normal arm's length basis.

28. GEOGRAPHICAL AND SEGMENTAL ANALYSIS

29. US GAAP INFORMATION

	2003	**2002**
	R'000	**R'000**
Net income as reported in accordance with SA GAAP		

911 502
553 117
Items increasing/(decreasing) net income:
Business combinations - acquisition date (i)
-
(312 313)
Business combinations - purchase price (ii)
21 473
15 076
Environmental rehabilitation (iii)
(165)
4 165
(6 392)
Tax effects of the above described adjustments (iv)
8 746
Income before cumulative effect of change in accounting principle
926 418
268 791
Cumulative effect of change in accounting principle, net of tax
(474)
-
Net profit in accordance with US GAAP
925 944
268 791
The financial statements have been prepared in accordance with South African Standards of Generally Accepted Accounting Practice ("SA GAAP") which differs in certain respects from Generally Accepted Accounting Principles in the United States ("US GAAP"). The effect of applying US GAAP principles to net income and shareholders' equity is set out below along with an explanation of applicable differences between SA GAAP and US GAAP:
Harmony Gold Mining Company and ARMGold have joint control over Freegold and are therefore related parties.
The Company is a one product mine (gold), mining and operating in the Free State Province in the Republic of South Africa.

ARMGOLD/HARMONY FREEGOLD JOINT VENTURE (PTY) LIMITED

F 61

NOTES TO THE FINANCIAL STATEMENTS

2003

2002

R'000

R'000

29. US GAAP INFORMATION (Continued)

Shareholders' equity as reported in accordance with SA GAAP

1 164 639

553 137

Items increasing/(decreasing) shareholders' equity:

Business combinations - acquisition date (i)

(312 313)

(312 313)

Business combinations - purchase price (ii)

36 549

15 076

Environmental rehabilitation (iii)

3 526

4 165

Tax effects of the above described adjustments (iv)

8 746

Shareholders' equity in accordance with US GAAP

894 755

2 354

268 811

(i)

Business combinations - acquisition date

(ii) Business combinations - purchase price

(iii) Provision for rehabilitation

(a) Method of recognition

(b) Amortization of the rehabiltation asset

(iv) Tax effects of the above described adjustments

Reflects the tax effects of the above described US GAAP adjustments.

Under both SA GAAP and US GAAP, environmental rehabilitation costs are provided for, based upon the net present value of the expected future obligation and a corresponding asset raised. Under US GAAP, prior to fiscal 2003, environmental rehabilitation costs were provided for, based on the units of production method based on the expected ultimate rehabilitation amount.

The rehabilitation assets carrying value under SA GAAP is different to that under US GAAP, which results in a differing amortization charge.

Under SA GAAP, the Company determined the final purchase price of the Free Gold assets to be R 2 741, being the sum of a cash payment of R 1 800, the taxes payable by the seller on the transaction of R 682 million (this had been estimated to be R 632 million as at June 30, 2002) and the fair value of a R400 million interest-free loan being R 259 million. Under US GAAP, the Company determined the purchase price to be R 2 264 million, being the sum of a cash payment of R 1 800 million, the taxes payable by the seller on the transaction of R 682 million and the fair value of the R 400 million interest-free loan being R 270 million, offset by the cash flows of R 488 million generated by the Free Gold assets during the priod January 1, 2002 (the date upon which the Company assumed joint operational control) and April 23, 2002 (the date upon which all the conditions precedent to the transactio were fulfilled and the transaction completed).

Under SA GAAP, the Company accounted for the acquisition of the Free Gold assets from the date upon which the Company assumed joint operational control of the assets together with the seller. Under US GAAP, the Company accounted for the acquisition from May 1, 2002, the first day of the month after which all the conditions precedent to the transaction had been fulfilled and the transaction completed.

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, Harmony hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized.

HARMONY GOLD MINING COMPANY LIMITED

By:

/s/ Frank Abbott

By:

/s/

Zacharias Bernardus Swanepoel

F.

Abbott

Z.

B.

Swanepoel

Financial

Director

Chief

Executive

Officer

Date: December 17 , 2003

213

CERTIFICATION

I, Zacharias Bernardus Swanepoel, certify that:

1.

I have reviewed this annual report on Form 20-F of Harmony Gold Mining Company Limited;

2.

Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report; and

3.

Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report.

Date: December 17, 2003

/s/_ Zacharias Bernardus Swanepoel

Zacharias Bernardus Swanepoel

Chief Executive Officer

214

CERTIFICATION

I, Frank Abbott, certify that:

1.

I have reviewed this annual report on Form 20-F of Harmony Gold Mining Company Limited;

2.

Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report; and

3.

Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report.

Date: December 17, 2003

/s/ Frank Abbott

Frank

Abbott

Chief Financial Officer

215