

## Operational review



### Gold: Harmony

#### Overview

		F2014	F2013
Gold produced	kg	36 453	35 374
	000oz	1 172	1 137
Cash operating costs	R/kg	328 931	324 979
	US\$/oz	988	1 146
<b>Financial performance</b>			
Revenue	R million	15 682	15 902
Cost of sales	R million	(16 088)	(16 448)
Gross loss	R million	(406)	(546)
Net loss for the year (including discontinued operations)	R million	(1 270)	(2 349)
Total headline earnings per share (includes discontinued operations)	cents per share	26	52
Total capital expenditure	R million	2 528	3 649
<b>Market performance</b>			
Average gold price received	R/kg	432 165	454 725
	US\$/oz	1 299	1 603
Market capitalisation as at 30 June	R billion	13.6	15.6

#### Harmony Gold Mining Company Limited (Harmony)

Harmony operates and develops world class gold assets in South Africa and Papua New Guinea (PNG). It has nine underground mines, one open pit operation and several surface sources in South Africa. Harmony also has a 50% joint venture in PNG with Newcrest Mining Limited, which includes the Hidden Valley open pit mine, the Golpu exploration project as well as other exploration properties. Harmony also has additional, 100%-owned, PNG exploration areas. Harmony currently employs approximately 34 746 people (including contractors).

For the financial year ended June 2014, Harmony reported a 23% improvement to its operating loss from continuing operations, from R2 022 million (restated) in F2013 to an operating loss of R1 560 million in F2014. The improvement was achieved despite a 5% decrease in Harmony's realised gold price (in R/kg terms) and was mainly due to a 4% increase in gold sold together with good cost control. In the year under review Harmony achieved below inflation increases to its all-in sustaining cost. Corporate and administration costs were reduced by 7% whilst exploration expenditure decreased by 32%.

Harmony's headline earnings from continuing operations increased by R102 million to R114 million in F2014. Basic earnings however were negatively affected by a R1.4 billion impairment most of

which related to the Phakisa mine. The impairment of Phakisa mine was due to a change in the life of mine plan during the annual planning process, resulting from the decision not to proceed with the sinking of the proposed decline shaft, following the completion of a feasibility study during the year.

Harmony continues to improve its Papua New Guinea (PNG) assets and is progressing a concept study on a scalable mine at the Golpu project in PNG. The modular approach to developing the Golpu will require less capital and allows for a long-life mine that will be flexible and adaptable.

The ARM statement of financial position at 30 June 2014 reflects a mark-to-market investment in Harmony of R1.98 billion (F2013: R2.27 billion) at a share price of R31.15 per share (F2013: R35.75 per share). Changes in the value of the investment in Harmony, to the extent that they represent a significant or prolonged decline below the cost of the investment, are adjusted through the income statement, net of tax. Gains above the cost are accounted for, net of deferred capital gains tax, through the statement of comprehensive income. Dividends are recognised in the ARM income statement on the last day of registration following dividend declaration.



Harmony's results for the 12 months ended 30 June 2014 can be viewed on Harmony's website at [www.harmony.co.za](http://www.harmony.co.za)