

## **THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

The definitions and interpretations commencing on page 11 of this Circular apply, *mutatis mutandis*, throughout this Circular, including this front cover.

### **Action required by Shareholders:**

- This Circular is important and should be read in its entirety. Moreover, Shareholders are referred to the section titled: “*Action required by Shareholders*” commencing on page 5 of this Circular, which sets forth the detailed action required of them in respect of the matters dealt with in this Circular.
- If you are in any doubt as to what action you should take in relation to this Circular, please consult your CSDP, Broker, banker, accountant, attorney or other professional advisor immediately.
- If you have disposed of all your Ordinary Shares, this Circular (together with the Notice of General Meeting and Form of Proxy) should be handed to the purchaser of such Ordinary Shares or to the CSDP, Broker or other agent through whom such disposal was effected.

**Harmony does not accept responsibility, and will not be held liable, for any action of, or omission by, any CSDP or Broker including, without limitation, any failure on the part of the CSDP or Broker of any beneficial owner of Ordinary Shares to notify such beneficial owner of the details set out in this Circular.**

Nothing in this Circular constitutes (or forms part of) any offer for the sale of, or solicitation of any offer to purchase or subscribe for, any securities of Harmony in any jurisdiction, nor shall it or any part of it form the basis of or be relied on in connection with any contract or commitment whatsoever in any jurisdiction.



## **CIRCULAR TO HARMONY SHAREHOLDERS**

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in connection with:

- **the approval of implementation of the Acquisition (by Harmony of the Moab Khotsong and Great Noligwa mining operations and related infrastructure from AngloGold Ashanti) as a Category 1 transaction in terms of the JSE Listings Requirements;**
- **the approval of the proposed conversion of all of the Ordinary Shares (whether issued or unissued) from par value Ordinary Shares of ZAR0.50 each to no par value Ordinary Shares;**
- **the approval of a proposed increase in the authorised share capital of Harmony through the proposed creation of 4 400 000 Preference Shares;**
- **the approval of amendments to the Company's MOI to reflect the proposed changes in the share capital of the Company as outlined above and in this Circular;**
- **the specific authority for the issue of 6 700 000 authorised but unissued Ordinary Shares to the ESOP Trust;**
- **the specific authority for the issue of: (i) 4 400 000 authorised but unissued Preference Shares to the Harmony Community Trust; and (ii) Conversion Shares to the Harmony Community Trust;**
- **the specific authority for the repurchase of the Harmony Community Trust Shares from the Harmony Community Trust pursuant to the Harmony Community Trust Call Option;**

- the approval of the issue of new Ordinary Shares pursuant to implementation of the Potential Equity Capital Raising, which new Ordinary Shares may have voting power equal to or in excess of 30% of the entire issued share capital of the Company immediately prior to such issue; and
- the waiver by independent holders of more than 50% of the voting rights of all the issued Ordinary Shares, in terms of regulation 86(4) of the Companies Regulations, of the benefit of receiving a mandatory offer from one or more of the underwriters, which may be triggered by implementation of the Potential Equity Capital Raising,

and incorporating:

- a notice convening a General Meeting of Shareholders; and
- a Form of Proxy (*blue*) in respect of the General Meeting (to be completed by Certificated Shareholders and Dematerialised Shareholders with "own-name" registration only).

Financial Advisor and Transaction Sponsor to Harmony



JSE Sponsor

J.P.Morgan

Independent Reporting Accountants in respect of Target Operations



Technical Advisor to Harmony



Legal Advisor to Harmony as to South African law



Independent Reporting Accountants to Harmony



Competent Person



Corporate Advisor to Harmony in respect of the ESOP



Legal Advisor to Harmony as to United States law



Date of issue: 7 December 2017

*This Circular is available in English only and copies thereof may be obtained during normal business hours from the registered offices of Harmony and the Sponsor at the addresses set forth in the "Corporate Information, and Advisors" section of this Circular, commencing on page 3. This Circular will also be available on the Harmony website ([www.harmony.co.za/investors/reporting](http://www.harmony.co.za/investors/reporting)) as from the date of posting hereof until the date of the General Meeting.*

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## IMPORTANT INFORMATION, DISCLAIMERS AND FORWARD-LOOKING STATEMENTS

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The definitions and interpretations commencing on page 11 of this Circular apply, *mutatis mutandis*, to this section and throughout this Circular.

### GENERAL

This Circular is for information purposes only and does not constitute or form part of an offer to sell, or the solicitation of offers to purchase or subscribe for, any securities of Harmony in any jurisdiction. The securities referred to herein have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold, exercised, resold, transferred or delivered, directly or indirectly, in or into the United States except pursuant to registration under, or an exemption from the registration requirements of, the Securities Act.

The Potential Equity Capital Raising referred to in this Circular may take the form of a rights offer, and if a rights offer is made, it would then be made pursuant to a separate rights offer circular that will be posted to Shareholders in due course in accordance with the Companies Act, and such circular will only be addressed to persons to whom it may lawfully be made. In addition, such public offering of securities to be made in the United States, will be made by means of a prospectus that may be obtained from Harmony and which prospects will contain detailed information about Harmony, its management and financial statements. This Circular does not contain all of the information required for a rights offer circular to Shareholders in accordance with the relevant requirements of the Companies Act and JSE Listings Requirements, or a prospectus under the Securities Act, and does not, and is not intended to, constitute an offer to subscribe for, or a solicitation of an offer to purchase, any securities pursuant to the Potential Equity Capital Raising in South Africa, the United States or elsewhere.

Information included in this Circular relating to AngloGold Ashanti and the Target Operations has been presented in terms of the JSE Listings Requirements for the benefit of Shareholders and has been derived from publicly available sources and information made available to Harmony by AngloGold Ashanti as part of the due diligence which Harmony conducted prior to the announcement of the Acquisition. Consequently, the integrity of the information reviewed and quoted herein, is dependent on the accuracy and completeness of publicly available information and the information made available by AngloGold Ashanti pursuant to the aforementioned due diligence, and Harmony and the Harmony Directors and officers are not aware of any errors in such information. Subject to the foregoing, and to the maximum extent permitted by law, Harmony and the Harmony Directors and officers disclaim all liability for information concerning AngloGold Ashanti and the Target Operations included in this Circular.

### NOTICE TO SHAREHOLDERS IN THE UNITED STATES OF AMERICA

This Circular has been prepared in accordance with applicable South African law and practice and not the proxy and information provisions of the Exchange Act, and the rules and regulations thereunder, applicable to U.S. domestic companies. Accordingly, the disclosures, including the *pro forma* financial information contained in **Annexure 3** of this Circular, may differ from those that would be published by a U.S. domestic company.

Full details of the Potential Equity Capital Raising, including the financial effects, will be provided to Shareholders outside of the United States in a rights offer circular to be posted to Shareholders outside the United States if a rights offer is made. In the United States, the Potential Equity Capital Raising referred to in this Circular would be made pursuant to a registration statement on Form F-3 to be filed with the SEC, including a related U.S. prospectus which, if a rights offer is made, would be available to Shareholders and holders of ADSs in the United States in due course.

### CERTAIN FORWARD-LOOKING STATEMENTS

This Circular contains “forward-looking information” within the meaning of section 27A of the Securities Act and section 21E of the Exchange Act. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements, including, without limitation those concerning: strategy; the economic outlook for the gold mining industry; expectations regarding gold prices, production, cash costs and other operating results; growth prospects and outlook of Harmony’s operations, individually or in the aggregate, including the completion and commencement of commercial operations at Harmony’s exploration and production projects and the completion of acquisitions and dispositions; Harmony’s liquidity and capital

resources and expenditure; and the outcome and consequences of any pending litigation proceedings. These forward-looking statements are not based on historical facts, but rather reflect Harmony's current expectations concerning future results and events and generally may be identified by the use of forward-looking words or phrases such as "believe," "expect," "forecast," "foresee," "plan," "intend," "seek," "aim," "anticipate," "estimate," "predict," "potential," "assume," "continue," "may," "will," "should," "could," "shall," "risk," or "confident" or the negative of these terms or similar expressions that are predictions of (or indicate) future events and future trends. Similarly, statements that describe Harmony's objectives, plans or goals are or may be forward-looking statements.

Examples of forward-looking statements include statements regarding a future financial position or future profits, cash flows, corporate strategy, estimates of capital expenditures, acquisition strategy, or future capital expenditure levels, and other economic factors, such as, amongst other things, interest rates.

By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause Harmony's actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied by these forward-looking statements. Although Harmony believes that the expectations reflected in these forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct.

For further information about the risks, uncertainties and other factors that may cause the actual results and performance of Harmony to differ from those noted in any forward-looking statements, please review Harmony's latest Integrated Annual Report or Annual Report on Form 20-F filed with the SEC. New factors that could cause the business of Harmony not to develop as expected may emerge from time to time, and it is not possible to predict all such factors. The forward-looking statements included in this Circular are made only as of the Last Practicable Date and Harmony undertakes no obligation and does not intend to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this Circular or to reflect any change in Harmony's expectations with regard thereto, except as may be required by law. In addition, any forward-looking statements included in this Circular have not been reviewed nor reported on by the external auditors.

#### **DATE OF INFORMATION PROVIDED**

Unless the context clearly indicates otherwise, all information provided in this Circular is provided as at the Last Practicable Date.

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## CORPORATE INFORMATION AND ADVISORS

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### **Registered office of Harmony**

Harmony Gold Mining Company Limited  
(Registration number 1950/038232/06)  
Randfontein Office Park  
Corner Main Reef Road and Ward Avenue  
Randfontein, 1759  
South Africa  
(PO Box 2, Randfontein, 1760, South Africa)

### **Group Company Secretary of Harmony**

Riana Bisschoff  
Randfontein Office Park  
Corner Main Reef Road and Ward Avenue  
Randfontein, 1759  
South Africa  
(PO Box 2, Randfontein, 1760, South Africa)  
Email: riana.bisschoff@harmony.co.za

**Place of incorporation:** South Africa

**Date of incorporation:** 25 August 1950

**Website:** www.harmony.co.za

### **Investor Enquiries**

Marian van der Walt  
Executive: Corporate and Investor Relations  
Email: harmonyIR@harmony.co.za

### **Transfer Secretaries**

Link Market Services South Africa  
Proprietary Limited  
(Registration number 2000/007239/07)  
13th Floor, Rennie House  
19 Ameshoff Street, Braamfontein  
Johannesburg, 2000  
South Africa  
(PO Box 4844, Johannesburg, 2000, South Africa)  
Tel: +27 86 154 6572  
Fax: +27 86 674 2450  
Email: meetfax@linkmarketservices.co.za

### **ADR Depository**

Deutsche Bank Trust Company Americas c/o  
American Stock Transfer and Trust Company  
Peck Slip Station  
(PO Box 2050, New York, NY 10272-2050)  
Toll free: +1-800-937-5449  
Int: +1-718-921-8137  
Fax: +1-718-765-8782  
Email queries: db@amstock.com

### **Financial Advisor and Transaction Sponsor to Harmony**

UBS South Africa Proprietary Limited  
(Registration number [1995/011140/07])  
64 Wierda Road East  
Wierda Valley  
Sandton, 2196  
Johannesburg  
South Africa

### **Legal Advisor to Harmony as to South African law**

Bowman Gilfillan Inc.  
(Registration number 1998/021409/21)  
11 Alice Lane  
Sandton, 2146  
Johannesburg  
South Africa

### **JSE Sponsor to Harmony**

JP Morgan Equities South Africa Proprietary Limited  
(Registration number 1995/011815/07)  
1 Fricker Road, corner Hurlingham Road  
Illovo, Johannesburg, 2196  
(Private Bag X9936, Sandton, 2146)

### **Independent Reporting Accountants for Harmony**

PricewaterhouseCoopers Inc.  
(Registration number 1998/012055/21)  
2 Eglin Road  
Sunninghill, 2157  
Johannesburg  
South Africa  
(Private Bag X36, Sunninghill, 2157, South Africa)

**Independent Reporting Accountants  
in respect of Target Operations**

Ernst & Young Inc.  
(Registration number 2005/002308/21)  
102 Rivonia Road  
Sandton, 2194  
Johannesburg  
South Africa  
(PO Box 2322, Johannesburg, 2000)

**Technical Advisor**

Fraser McGill Mining & Minerals Advisory  
(Registration number 2016/312801/07)  
The Pivot – Block E  
1 Montecasino Boulevard  
Fourways  
Johannesburg, 2191  
(PO Box 783561, Sandton, Gauteng, 2146)

**Legal Advisor to Harmony as to  
United States law**

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Atlantic House  
Holborn Viaduct  
London, EC1A 2FG

**Competent Person**

John Roger Dixon, a corporate consultant with SRK  
Consulting (South Africa) Proprietary Limited  
(Registration number 1995/012890/07)  
SRK House  
265 Oxford Road  
Illovo, 2196  
Johannesburg  
South Africa  
(PO Box 55291, Northlands, 2116)

**Corporate Advisor to Harmony in respect  
of the ESOP**

Tamela Holdings Proprietary Limited  
(Registration number 2008/011759/07)  
Ground Floor  
Golden Oak House  
Ballyoaks Office Park  
35 Ballyclare Drive  
Bryanston, 2021  
South Africa

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## ACTION REQUIRED BY SHAREHOLDERS

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The definitions and interpretations commencing on page 11 of this Circular apply, *mutatis mutandis*, to this section (unless specifically defined where used or the context indicates a contrary intention).

**Shareholders are requested to take note of the following information regarding the actions required by them in connection with this Circular:**

1. If you are in any doubt as to what action to take, please consult your CSDP, Broker, banker, legal advisor, accountant, or other professional advisor immediately.
2. If you have disposed of all your Ordinary Shares, this Circular (together with the Notice of General Meeting and Form of Proxy) should be handed to the purchaser of such Ordinary Shares or to the CSDP, Broker or other agent through whom such disposal was effected.
3. This Circular contains information relating to the Transactions and associated matters, and the resolutions required from Shareholders in connection with the foregoing. Consequently, you should carefully read through this Circular in its entirety and decide how you wish to vote on the resolutions (as set forth in the Notice of General Meeting) to be proposed at the General Meeting.

#### 4. General Meeting

Shareholders are invited to attend a General Meeting, convened in terms of the Notice of General Meeting (which is attached to, and forms part of, this Circular) for purposes of considering and, if deemed fit, passing, with or without modification, the resolutions set forth in the Notice of General Meeting. The General Meeting will be held at **the Hilton Hotel, 138 Rivonia Road, Sandton, Johannesburg, South Africa at 11:00 (South African Standard Time) on Thursday, 1 February 2018.**

#### 5. Dematerialised Shareholders without "own name" registration

If you have Dematerialised your Ordinary Shares without "own name" registration, then the following actions are relevant to you in connection with the General Meeting:

*Voting at the General Meeting:*

- Your CSDP or Broker should contact you to ascertain how you wish to cast your vote (or abstain from casting your vote) at the General Meeting and thereafter to cast your vote (or abstain from casting your vote) in accordance with your instructions.
- If you have not been contacted by your CSDP or Broker, it would be advisable for you to contact your CSDP or Broker and furnish them with your voting instructions.
- If your CSDP or Broker does not obtain voting instructions from you, they will vote in accordance with the instructions contained in the agreement concluded between you and your CSDP or Broker.
- You must **NOT** complete the attached Form of Proxy.

*Attendance and representation at the General Meeting:*

In accordance with the mandate between you and your CSDP or Broker, you must advise your CSDP or Broker if you wish to attend the General Meeting in person, or if you wish to send a proxy to represent you at the General Meeting. Your CSDP or Broker will issue the necessary letter of representation to you or your proxy to attend the General Meeting.

**Harmony does not accept responsibility and will not be held liable, under any applicable law or regulation, for any action of, or omission by, the CSDP or Broker of a Dematerialised Shareholder, including, without limitation, any failure on the part of the CSDP or Broker of any beneficial owner to notify such beneficial owner of the General Meeting or of the matters set forth in this Circular.**

#### 6. Dematerialised Shareholders with "own name" registration and Certificated Shareholders

If you have not Dematerialised your Ordinary Shares or have Dematerialised your Ordinary Shares with "own name" registration, then the following is relevant to you in connection with the General Meeting:



*Voting, attendance and representation at the General Meeting:*

- You may attend, speak and vote at the General Meeting in person and you may vote (or abstain from voting) at the General Meeting.
- Alternatively, you may appoint one or more proxies to represent you at the General Meeting by completing the attached Form of Proxy in accordance with the instructions it contains. A proxy need not be a Shareholder. It is requested that the Form of Proxy be lodged with or posted to the Transfer Secretaries, in accordance with the details provided below, to be received by no later than **11:00 (South African Standard Time) on Tuesday, 30 January 2018:**

**Hand deliveries to:**

Link Market Services South Africa  
Proprietary Limited  
13th Floor, Rennie House  
19 Ameshoff Street, Braamfontein  
Johannesburg, 2001  
South Africa

**Postal, fax or email deliveries to:**

Link Market Services South Africa  
Proprietary Limited  
PO Box 4844  
Johannesburg, 2000  
Fax: +27 86 674 2450  
Email: meetfax@linkmarketservices.co.za

- If you do not lodge or post the Form of Proxy to reach the Transfer Secretaries by the relevant time, you will nevertheless be entitled to have the Form of Proxy lodged immediately prior to the General Meeting with the chairman of the General Meeting.

## **7. Identification of Shareholders and proxies**

In terms of section 63(1) of the Companies Act, before any person may attend or participate in the General Meeting, that person must present reasonably satisfactory identification and the person presiding at the General Meeting must be reasonably satisfied that the right of the person to participate and vote at the General Meeting, either as a Shareholder, or as a proxy for a Shareholder, has been reasonably verified. Acceptable forms of identification include a valid green-bar coded or smart card identification document issued by the South African Department of Home Affairs, South African driver's licence or a valid passport.

## **8. Electronic Participation**

Harmony intends to offer Shareholders (or a representative or proxy for a Shareholder) reasonable access through electronic facilities to participate in the General Meeting by means of conference call facility. Shareholders will be able to listen to the proceedings of the General Meeting and raise questions and are invited to indicate their intention to make use of the facility by making application in writing (including details as to how the Shareholder or representative can be contacted) to the Transfer Secretaries at the address set out on page 3 of this Circular to be received by the Transfer Secretaries at least 3 Business Days prior to the date of the General Meeting, namely before **11:00 (South African Standard Time) on Monday, 29 January 2018.**

The Transfer Secretaries will, by way of email, by no later than **11:00 (South African Standard Time) on Tuesday, 30 January 2018**, provide the relevant details of the conference call to enable interested Shareholders to participate in the General Meeting. Voting will not be possible via the conference call facility and Shareholders wishing to vote their Ordinary Shares at the General Meeting will need to be represented at such meeting either in person, by proxy or by letter of representation, as provided for in the Notice of General Meeting.

The Company reserves the right not to provide for electronic participation at the General Meeting in the event that it is not practical to do so, for whatever reason, including an insufficient number of Shareholders (or their representatives or proxies) choosing to make use of the facility. Harmony will make available the facility at no cost to the user, however any third-party costs relating to the use or access of the facility will be for the users account, and the Shareholders hereby are deemed to agree that Harmony has no responsibility or liability for any loss, damage, penalty or claim arising in any way from using the facility, whether or not as a result of any act or omission on the part of the Company or anyone else.

## **9. Holders of ADRs**

In terms of the Deposit Agreement, holders of Harmony's ADRs are not required to be treated as holders of Ordinary Shares and do not have the same rights as holders of Ordinary Shares. Instead, if you are a holder of ADRs, your rights regarding the General Meeting are governed by the terms of the Deposit Agreement.



Consistent with the requirements under the Deposit Agreement, the Company has informed the Depositary of the General Meeting and the Record Dates and the Company has requested the Depositary, which holds the Ordinary Shares underlying the ADRs, to seek the ADR holders' instructions for the General Meeting. As a result, ADR holders may instruct the Depositary to vote the Ordinary Shares underlying their own ADRs. The Depositary establishes the ADR voting record date, being the date by which you must hold ADRs in order to be eligible to instruct the Depositary on how to vote. For this purpose, the Depositary has set the ADR voting record date for the General Meeting as **18 December 2017**.

Because the Company has asked the Depositary to seek ADR holders' instructions, the Depositary will notify ADR holders of the upcoming vote and arrange to deliver the Company's voting materials and form of notice to them. The Depositary then will attempt, as far as practicable, subject to South African law and the terms of the Deposit Agreement, to vote the relevant Ordinary Shares as the ADR holders instruct. If ADR holders do not instruct the Depositary to vote the Ordinary Shares underlying their ADRs, the Depositary may under certain circumstances give a discretionary proxy to a person designated by the Company to vote deposited Ordinary Shares. The Company cannot guarantee that ADR holders will receive this proxy material from the Depositary in time to permit them to instruct the Depositary to vote the Ordinary Shares underlying their ADRs. In addition, there may be other circumstances in which ADR holders may not be able to exercise voting rights. Furthermore, ADR holders can exercise their right to vote the Ordinary Shares underlying their ADRs by surrendering their ADRs to the Depositary in order to withdraw the relevant Ordinary Shares. Any holders of ADRs who wish to participate in the General Meeting will need to surrender their ADRs to the Depositary, withdraw the underlying Ordinary Shares from the custodian bank and be registered in the Register prior to the record date of **18 December 2017**. ADR holders should note that the Depositary may charge a fee for the surrender of your ADRs and the delivery of the underlying Ordinary Shares. The amount of any such charge should be confirmed directly with the Depositary.

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## IMPORTANT DATES AND TIMES

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The definitions and interpretations commencing on page 11 of this Circular apply, *mutatis mutandis*, to this section.

### Key action

Last Practicable Date	Friday, 24 November, 2017
Posting Record Date to be eligible to receive the Circular and Notice of General Meeting	Friday, 1 December 2017
SENS announcement (confirming: (i) publication of Circular on Harmony's website; and (ii) posting of Circular on Friday, 8 December 2017) on	Thursday, 7 December 2017
Posting Circular to Shareholders	Friday, 8 December 2017
Last Day to Trade in order to be eligible to participate and vote at the General Meeting	Tuesday, 23 January 2018
Voting Record Date to participate in and vote at the General Meeting	Friday, 26 January 2018
Last Day and time to give notice to Transfer Secretaries to participate in the General Meeting electronically by 11:00 on	Monday, 29 January 2018
Last day and time to lodge Forms of Proxy with the Transfer Secretaries, by 11:00 on <sup>6</sup>	Tuesday, 30 January 2018
General Meeting of Shareholders at 11:00 on	Thursday, 1 February 2018
Results of General Meeting released on SENS	Thursday, 1 February 2018

### Notes:

1. All dates and times above and quoted generally in this Circular are South African local times unless otherwise stated.
2. The above dates and times are subject to amendments. Any such material amendment will be released on SENS and published in the South African press.
3. Shareholders are reminded that Ordinary Shares can only be traded in Dematerialised form. It is therefore suggested that Certificated Shareholders on the South African share register of Harmony Dematerialise their Ordinary Shares prior to the Last Day to Trade. No orders to Dematerialise or rematerialise Ordinary Shares will be processed from the Business Day following the Last Day to Trade up to and including the Voting Record Date, but such orders will again be processed from the first Business Day after the Voting Record Date.
4. The Certificated Register will be closed between the Last Day to Trade and the Voting Record Date.
5. If the General Meeting is adjourned or postponed, Forms of Proxy submitted for the General Meeting will remain valid in respect of any adjournment or postponement of the General Meeting, unless the contrary is stated on such proxy form.
6. Any Form of Proxy not delivered to the Transfer Secretaries by the stipulated date and time may be handed to the chairman of the General Meeting (or any adjournment or postponement thereof) at the General Meeting (or any adjournment or postponement thereof).

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## DEFINITIONS AND INTERPRETATIONS

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In this Circular and the documents attached hereto, unless otherwise stated or the context indicates otherwise: (i) the words in the first column below shall have the meaning assigned to them in the second column; (ii) a reference to the singular shall include the plural and *vice versa*; (iii) an expression which denotes one gender includes all other genders; (iv) a natural person includes a juristic person and vice versa; and (v) cognate expressions shall bear corresponding meanings:

<b>"Acquisition"</b>	the transaction described in the Sale Agreement, in terms of which Harmony, through the Harmony SPV, shall acquire (and take assumption of, as applicable) the Target Operations from AngloGold Ashanti, in consideration for payment in cash of the Purchase Price and in accordance with the terms and subject to the conditions set forth in the Sale Agreement;
<b>"Acquisition Agreements"</b>	amongst others, the agreements and arrangements set forth in paragraph 4.3 of this Circular;
<b>"Acquisition Bridge Facility"</b>	a syndicated facility agreement, dated 18 October 2017 and amended on or around 13 November 2017, entered into in connection with the Acquisition, by Harmony as parent and borrower, the Harmony SPV as the acquiring entity in terms of the Acquisition and original guarantor and UBS, Nedbank Limited (acting through its Nedbank Corporate and Investment Banking division), JP Morgan Securities plc and Absa Bank Limited (acting through its Corporate and Investment Banking division) collectively, as lenders, for the provision of a committed bridge term loan facility in an aggregate amount of US\$200 000 000;
<b>"ADRs"</b>	American Depository Receipts of Harmony, being the certificate evidencing a specific number of ADSs;
<b>"ADSs"</b>	American Depository Shares, each of which represent one Ordinary Share;
<b>"AISC"</b>	all-in sustaining cost;
<b>"Allocation Criteria"</b>	criteria for allocation of the ESOP Units to Eligible Employees in terms of the ESOP Trust;
<b>"Amended MOI"</b>	Harmony's MOI, if the amendments proposed by special resolution number 3 set forth in the Notice of General Meeting are adopted, filed and accepted by the CIPC, which amendments are set forth in <b>Annexure 10</b> to this Circular;
<b>"AngloGold Ashanti"</b>	AngloGold Ashanti Limited, a public company: (i) incorporated in accordance with the laws of South Africa under registration number: 1944/017354/06; and (ii) listed on the Main Board of the JSE;
<b>"Assumed Liabilities"</b>	has the meaning given to the term " <i>Sale Liabilities</i> " under the Sale Agreement, and includes the Vaal River Sale Liabilities;
<b>"Bad Leaver"</b>	an Employee Beneficiary who leaves the employ of the Company such that she/he no longer constitutes an employee of Harmony, by reason of resignation, abscondment, dismissal for poor work performance, misconduct or any other form of lawful dismissal;
<b>"BEE"</b>	Broad-based black economic empowerment as defined in the BEE Act;
<b>"BEE Act"</b>	Broad-based Black Economic Empowerment Act, No. 53 of 2003, as amended;
<b>"BEE Agreements"</b>	the Harmony Community Trust Subscription and Relationship Agreement and the BEE SPV Transaction Agreements, collectively;
<b>"BEE Stakeholders"</b>	the ESOP Trust, the Harmony Community Trust and the BEE SPV, collectively;
<b>"BEE SPV"</b>	Harmony BEE SPV Proprietary Limited, a private company: (i) incorporated in accordance with the laws of South Africa under registration number: 2017/372128/07; and (ii) the shareholders of which will be determined as provided for in paragraph 6.2.3 of this Circular;

<b>"BEE SPV Loan Agreement"</b>	a vendor loan agreement, to be entered into between Harmony and the BEE SPV, in terms of which Harmony will make a loan to the BEE SPV, solely to enable the BEE SPV to purchase the outstanding loan account claims against the Harmony SPV pursuant to the BEE SPV Sale (as described in (ii) in the definition of BEE SPV Sale);
<b>"BEE SPV Shares"</b>	Harmony SPV Shares held by the BEE SPV from time to time;
<b>"BEE SPV Shareholders' Agreement"</b>	shareholders' agreement, to be entered into between Harmony and the BEE SPV to regulate their relationship as shareholders of the Harmony SPV;
<b>"BEE SPV Sale"</b>	proposed transaction in terms of which: (i) the BEE SPV will purchase from Harmony such number of Harmony SPV Shares equal to 3% of the issued ordinary share capital of the Harmony SPV; and (ii) Harmony will cede a portion of its loan account claim (against the Harmony SPV) equal to 3% of Harmony's entire loan account claim arising from the Harmony SPV Loan, in each case in accordance with and subject to the terms of the BEE SPV Sale Agreement;
<b>"BEE SPV Sale Agreement"</b>	share sale and cession of claims agreement, to be entered into between the Harmony SPV and the BEE SPV, in terms of which the BEE SPV Sale would be implemented;
<b>"BEE SPV Transaction Agreements"</b>	the BEE SPV Loan Agreement, the BEE SPV Sale Agreement and the Harmony SPV Shareholders' Agreement, collectively;
<b>"BEE Transactions"</b>	the ESOP Trust Share Issue, the Harmony Community Trust Share Issue and the BEE SPV Sale, collectively and separately, as the context may require;
<b>"Board" or "Directors"</b>	the board of directors of Harmony as at the Last Practicable Date, whose names are listed on page 21 of this Circular;
<b>"Board Report"</b>	the report of the Board in terms of regulation 31(7) of the Companies Regulations, pertaining to the conversion of the Ordinary Shares from par value Ordinary Shares to no par value Ordinary Shares, as set forth in <b>Annexure 11</b> to this Circular;
<b>"Broker"</b>	a "stockbroker" as defined in the Financial Markets Act, or its nominee;
<b>"Business Day"</b>	a day other than: (i) a Saturday or Sunday; or (ii) a gazetted public holiday in South Africa or the State of New York;
<b>"Certificated Shareholders"</b>	Shareholders who hold Certificated Shares;
<b>"Certificated Shares"</b>	issued Ordinary Shares that have not been Dematerialised, but title to which is evidenced by a share certificate or other documents of title acceptable to the Company,
<b>"Chamber of Mines"</b>	the Chamber of Mines of South Africa;
<b>"CIPC"</b>	the Companies and Intellectual Property Commission, established in terms of section 185 of the Companies Act;
<b>"Circular"</b>	this document, dated Thursday, 7 December 2017, including the Notice of General Meeting and the Form of Proxy attached hereto;
<b>"Companies Act"</b>	the South African Companies Act, No. 71 of 2008, as amended;
<b>"Companies Regulations"</b>	the Companies Regulations 2011, as promulgated in terms of section 223 of the Companies Act;
<b>"Company" or "Harmony"</b>	Harmony Gold Mining Company Limited, a public company: (i) incorporated in accordance with the laws of South Africa under registration number: 1950/038232/06; and (ii) listed on the Main Board of the JSE;
<b>"Company Secretary"</b>	the Company Secretary of Harmony, who as at the date of this Circular is as set out on page 3 under the "Corporate Information and Advisors" section of this Circular;

<b>“Competent Person”</b>	John Roger Dixon, a corporate consultant with SRK Consulting (South Africa) Proprietary Limited, registration number: 1995/012890/07, the lead and independent competent person in connection with preparing the Competent Person’s Report;
<b>“Competent Person’s Report”</b>	the competent persons report prepared by the Competent Person on the Mineral Reserves and Resources of the Target Operations in compliance with the SAMVAL Code and SAMREC Code and in terms of section 12.8 of the JSE Listings Requirements;
<b>“Competition Act”</b>	the South African Competition Act, No. 89 of 1998, as amended;
<b>“Competition Authorities”</b>	the South African Competition Commission established pursuant to Chapter 4, Part A of the Competition Act; the South African Competition Tribunal Commission established pursuant to Chapter 4, Part B of the Competition Act; and/or the Competition Appeal Court Commission established pursuant to Chapter 4, Part C of the Competition Act, as the case may be;
<b>“Conversion”</b>	the conversion of the Preference Shares into Conversion Shares, as described in paragraph 8.2;
<b>“Conversion Shares”</b>	Ordinary Shares into which the Preference Shares may convert, on the terms set forth in paragraph 13 of <b>Annexure 10</b> to this Circular;
<b>“CSDP”</b>	a Central Securities Depository Participant, being a “ <i>participant</i> ” as defined in section 1 of the Financial Markets Act;
<b>“Depository”</b>	Deutsche Bank Trust Company Americas: (i) incorporated in 1903 as a bank with limited liability in the State of New York, under and is an indirect wholly owned subsidiary of Deutsche Bank AG; and (ii) subject to the regulation and supervision of the New York State Banking Department, the Federal Reserve Board and the Federal Deposit Insurance Corporation;
<b>“Deposit Agreement”</b>	the agreement entered into between Harmony and the Depository, dated 7 October 2011, in terms of which, among other things, Harmony appointed the Depository as its depository for the ADSs, and which agreement is governed by New York State laws;
<b>“Dematerialised” or “Dematerialisation”</b>	the process whereby physical share certificates are replaced with electronic records evidencing ownership of shares in accordance with the rules of State, as contemplated in the Financial Markets Act;
<b>“Dematerialised Shareholders”</b>	Shareholders who hold Dematerialised Shares;
<b>“Dematerialised Shares”</b>	Ordinary Shares which have been Dematerialised and ownership of which is recorded in a sub-register of Shareholders administered by a CSDP, which sub-register forms part of the Register;
<b>“EBITDA”</b>	earnings before interest, taxes, depreciation and amortisation, in each case to be determined in accordance with IFRS;
<b>“Eligible Employee”</b>	a current or future permanent employee of Harmony who is employed in South Africa, below the level of Harmony “ <i>management</i> ” (determined in accordance with Harmony’s recognised employment and occupational levels) and who does not participate in any other share incentive scheme of Harmony, but specifically excluding any employees on fixed term contracts, independent contractors, any person engaged by temporary employment services/labour brokers or any Good Leaver;
<b>“Employee Beneficiary”</b>	an Eligible Employee who acquires vested rights in the ESOP Trust through their receipt of ESOP Units by way of an allocation notice delivered to such Eligible Employee by Harmony;
<b>“EPS”</b>	earnings per Ordinary Share, in each case to be determined in accordance with IFRS;



<b>“Electronic Notice”</b>	written notice by Shareholders to the Company (marked for the attention of the Company Secretary), to be submitted by no later than <b>11:00 (South African Standard Time) on Monday, 29 January 2018</b> stating that they wish to participate in the General Meeting via electronic communication;
<b>“ESOP”</b>	the proposed employee share ownership plan for the benefit of the Eligible Employees, to be governed by and administered in accordance with the ESOP Trust Deed;
<b>“ESOP Pool Shares”</b>	(i) initially, 1 809 000 of the ESOP Trust Shares that are subscribed for by the ESOP Trust which are not immediately allocated to any Employee Beneficiary and thus not directly attributable to any allocated ESOP Units; and  (ii) subsequently, any other ESOP Trust Shares that are not directly attributable to ESOP Units as a result of the ESOP Units being cancelled in terms of the provisions contained in the ESOP Trust Deed;
<b>“ESOP Trust”</b>	the trustees for the time being of the Harmony ESOP Trust, a trust to be established for the benefit of the Eligible Employees and registered in accordance with the laws of South Africa;
<b>“ESOP Trust Deed”</b>	the trust deed establishing the ESOP Trust, and which deed sets forth, among other things, governance related matters pertaining to the ESOP Trust;
<b>“ESOP Trust Lock-in Period”</b>	the period commencing on the date of the ESOP Trust Share Issue and ending at midnight, 36 months after the date of the ESOP Trust Share Issue or such date as determined by Harmony in the event of a change of control (as determined in terms of the ESOP Trust Deed);
<b>“ESOP Trust Shares”</b>	6 700 000 Ordinary Shares to be issued to the ESOP Trust, which would constitute approximately 1.5% of the issued Ordinary Shares in the share capital of Harmony as at the Last Practicable Date;
<b>“ESOP Trust Share Issue”</b>	proposal in terms of which the ESOP Trust will subscribe for, and be issued with, ESOP Trust Shares;
<b>“ESOP Trust Trustees”</b>	trustees of the ESOP Trust, appointed from time to time in accordance with the terms of the ESOP Trust Deed;
<b>“ESOP Units”</b>	means the vested rights of an Employee Beneficiary to: <ul style="list-style-type: none"> <li>(i) a number of ESOP Trust Shares held by the ESOP Trust; and</li> <li>(ii) a distribution of the income of the ESOP Trust based on such attributable ESOP Trust Shares; and</li> <li>(iii) any other ancillary assets and/or distributions that may be made in respect of the ESOP Trust Shares,</li> </ul> with each ESOP Unit created being directly attributable to 1 ESOP Trust Share;
<b>“Exchange Act”</b>	the U.S. Securities Exchange Act of 1934, as amended;
<b>“Exchange Control Regulations”</b>	the Exchange Control Regulations, 1961, promulgated in terms of Section 9 of the Currency and Exchanges Act, No. 9 of 1933, as amended;
<b>“Financial Markets Act”</b>	the South African Financial Markets Act, No. 19 of 2012, as amended;
<b>“Financial Surveillance Department”</b>	the Financial Surveillance Department of the South African Reserve Bank;
<b>“FY16”</b>	the financial year for the Company commencing on 1 July 2015 and ending 30 June 2016;
<b>“FY17”</b>	the financial year for the Company commencing on 1 July 2016 and ending 30 June 2017;

<b>"Form of Proxy"</b>	the form of proxy incorporated into this Circular for use by Certificated Shareholders and Dematerialised Shareholders with "own name" registration only, for purposes of appointing a proxy to represent such Shareholder at the General Meeting;
<b>"General Meeting"</b>	the meeting of Shareholders to be held at <b>the Hilton Hotel, 138 Rivonia Road, Sandton, Johannesburg, South Africa at 11:00 (South African Standard Time) on Thursday, 1 February 2018</b> for the purposes of considering, and if deemed fit, passing, the resolutions set forth in the Notice of General Meeting;
<b>"Good Leaver"</b>	means an Employee Beneficiary who leaves the employ of the Company such that she/he no longer constitutes an employee of Harmony, by reason of retirement, death, dismissal for operational reasons (retrenchment), dismissal for permanent ill-health, permanent injury or disability; or where such Employee Beneficiary remains employed by the Company but is promoted to a level of Harmony " <i>management</i> " (determined in accordance with Harmony's recognised employment and occupational levels) and thus no longer qualifies as an Eligible Employee; or an Employee Beneficiary who is no longer employed by Harmony by reason of being transferred along with a mine or mining operation sold or transferred by Harmony as a going concern;
<b>"g/t"</b>	grams per tonne;
<b>"Harmony Group" or "Group"</b>	Harmony and its direct and indirect subsidiaries from time to time;
<b>"Harmony Community Trust"</b>	the trustees for the time being of the Harmony Gold Community Trust, a trust established for the empowerment and upliftment of the communities in which Harmony operates and which trust is registered in accordance with the laws of South Africa under Master's reference number: IT 248/2013;
<b>"Harmony Community Trust Call Option"</b>	the call option, which the Company has, to acquire the Harmony Community Trust Shares in certain circumstances either at Market Value or at a discount to Market Value, as described more fully in paragraph 6.2.2 of this Circular and <b>Annexure 9</b> of this Circular;
<b>"Harmony Community Trust Deed"</b>	trust deed pursuant to which the Harmony Community Trust was established, and which deed sets forth, among other things, governance related matters pertaining to the Harmony Community Trust;
<b>"Harmony Community Trust Lock-in Period"</b>	the period commencing on the date on which the Harmony Community Trust Share Issue is implemented and terminating on a date 10 years thereafter;
<b>"Harmony Community Trust Shares"</b>	Preference Shares or Conversion Shares (as the case may be) held by the Harmony Community Trust from time to time;
<b>"Harmony Community Trust Share Issue"</b>	proposal in terms of which the Harmony Community Trust will subscribe for and be issued with 4 400 000 Preference Shares, in accordance with and subject to the terms of the Harmony Community Trust Subscription and Relationship Agreement;
<b>"Harmony Community Trust Subscription Shares"</b>	4 400 000 Preference Shares, to be issued to the Harmony Community Trust in terms of the Harmony Community Trust Subscription and Relationship Agreement and which, on Conversion, would constitute approximately 1% of the issued Ordinary Shares in the share capital of Harmony as at the Last Practicable Date;
<b>"Harmony Community Trust Subscription and Relationship Agreement"</b>	the subscription and relationship agreement, dated 4 December 2017, entered into between Harmony and the Harmony Community Trust, in terms of which, amongst other things: (i) the Harmony Community Trust Share Issue shall be implemented; and (ii) the relationship between Harmony and the Harmony Community Trust is regulated, including amongst other things, certain undertakings made by the Harmony Community Trust in favour of Harmony, pre-emptive rights in favour of Harmony and the Harmony Community Trust Call Option, all of which are addressed in this Circular;

<b>"Harmony SPV"</b>	Harmony Moab Khotsong Operations Proprietary Limited (formerly Coreland Property Investment Company Proprietary Limited), a private company: (i) incorporated in accordance with the laws of South Africa under registration number: 2006/039120/07; and (ii) a wholly owned subsidiary of Harmony;
<b>"Harmony SPV Loan"</b>	an unsecured shareholder loan equal to approximately the Rand value of the Purchase Price, which Harmony intends to provide to the Harmony SPV (in accordance with the funding provisions under the Harmony SPV Shareholders' Agreement), to enable the Harmony SPV to settle the corresponding portion of the Purchase Price in connection with the Acquisition, and the principal outstanding amount of which will bear interest on market related terms;
<b>"Harmony SPV Shareholders' Agreement"</b>	the agreement to be entered into between Harmony, the BEE SPV and the Harmony SPV regulating, amongst other things, the relationship of Harmony and the BEE SPV as shareholders in the Harmony SPV with effect from the date on which the BEE SPV Sale Agreement becomes effective and pursuant to which the Harmony SPV Loan shall be advanced;
<b>"Harmony SPV Shares"</b>	ordinary shares of no par value in the share capital of the Harmony SPV;
<b>"Hidden Valley"</b>	the mine located in Papua New Guinea, which is 100% owned by Harmony;
<b>"IFRS"</b>	International Financial Reporting Standards, as issued by the International Accounting Standards Board;
<b>"JSE"</b>	as the context requires, either the: (i) JSE Limited, registration number: 2005/022939/06, a limited liability public company incorporated in accordance with the laws of South Africa and licensed as an exchange under the Financial Markets Act; or (ii) securities exchange operated by the aforementioned company;
<b>"JSE Listings Requirements"</b>	the listings requirements published by the JSE, as amended;
<b>"Kopanang Purchaser"</b>	a subsidiary of Heaven-Sent SA Sunshine Investment Company Limited, a Hong Kong headquartered Chinese firm, and which is not a related or inter-related person to Harmony or AngloGold Ashanti; and the purchaser of the Kopanang mine and West Gold plant from AngloGold Ashanti as contemplated in the sale agreement entered into on or around the date of the Sale Agreement;
<b>"KOSH Basin"</b>	the Klerksdorp, Orkney, Stilfontein and Hartebeestfontein areas, collectively;
<b>"KOSH Water Directives"</b>	means the directives dated 13 April 2005, 15 April 2005, 7 May 2005, 30 June 2005 and 1 November 2005 issued to AngloGold Ashanti by the Regional Director: Free State Department of Water Affairs in terms of section 19(3) of the National Water Act, No. 36 of 1998, as amended, in connection with the management of water in the KOSH Basin area;
<b>"Last Day to Trade"</b>	the last Business Day to trade Ordinary Shares in order to settle same and reflect in the Register so as to be eligible to vote on the resolutions set forth in the Notice of General Meeting;
<b>"Last Practicable Date"</b>	Friday, 24 November 2017, being the last practicable date prior to finalisation of this Circular and as at which date all information in this Circular has been provided;
<b>"Life of Mine"</b>	as understood in the context of the SAMREC Code;
<b>"Market Value"</b>	in relation to the Ordinary Shares, the 30 day volume weighted average price of the Ordinary Shares traded on the JSE as at the date that is the last Business Day prior to the relevant calculation date;
<b>"MOI"</b>	the memorandum of incorporation of the Company in force as at the Last Practicable Date;
<b>"MPRDA"</b>	the South African Mineral and Petroleum Resources Development Act, No.28 of 2002, as amended;

<b>"Margaret Water Company"</b>	the Margaret Water Company NPC, a non-profit company incorporated in accordance with the laws of South Africa under registration number: 2007/017805/08;
<b>"Mine"</b>	as understood in the context of the SAMREC Code;
<b>"Mineral Resource"</b>	as understood in the context of the SAMREC Code;
<b>"Mineral Reserve"</b>	as understood in the context of the SAMREC Code;
<b>"Mispah Tailings Facilities"</b>	the Mispah 1 and Mispah 2 tailings storage facilities, Kopanang Pay Dam, the Return Water Dam, associated dams, tailings and related infrastructure;
<b>"MWC Members Interest"</b>	has the meaning given to the term " <i>MWC Members Interest</i> " as defined in the Sale Agreement, being AngloGold Ashanti's members interest in the Margaret Water Company;
<b>"NAV"</b>	net asset value;
<b>"Newcrest"</b>	Newcrest Mining Limited, a public company: (i) incorporated in accordance with the laws of Australia under Australian company number: 005 683 625; and (ii) listed on the Australian stock exchange;
<b>"NYSE"</b>	the New York Stock Exchange LLC;
<b>"Notice of General Meeting"</b>	the notice to Shareholders convening the General Meeting to conduct the business described therein and to consider and, if deemed fit, adopt with or without modification, the resolutions set forth therein, and which notice is attached to, and forms part of, this Circular;
<b>"Nufcor"</b>	Nuclear Fuels Corporation of South Africa Proprietary Limited, a private company incorporated in accordance with the laws of South Africa under registration number: 1951/002768/07;
<b>"Nufcor Sale Claims"</b>	has the meaning given to the term " <i>Nufcor Sale Claims</i> " as defined in the Sale Agreement, and in broad commercial terms includes 100% of AngloGold Ashanti's claims on loan account against Nufcor as at the Closing Date (as defined in the Sale Agreement);
<b>"Nufcor Sale Equity"</b>	has the meaning given to the term " <i>Nufcor Sale Equity</i> " as defined in the Sale Agreement, and includes the Nufcor Sale Claims and Nufcor Sale Shares, collectively;
<b>"Nufcor Sale Shares"</b>	has the meaning given to the term " <i>Nufcor Sale Shares</i> " as defined in the Sale Agreement, and in broad commercial terms includes 100% of the issued ordinary share capital of Nufcor;
<b>"Ordinary Shares"</b>	ordinary shares in the share capital of Harmony;
<b>"Own-name Dematerialised Harmony Shareholders"</b>	Dematerialised Shareholders who have instructed their CSDP to hold their Dematerialised Shares in their own name on the sub-registers maintained by the CSDP;
<b>"Oz/TEC"</b>	ounce per total employee costed;
<b>"Parent Guarantee"</b>	a parent guarantee, dated 18 October 2017, between the Company and AngloGold Ashanti, in terms of which, amongst other things, Harmony guarantees the due and punctual performance by the Harmony SPV of the Harmony SPV's obligations, liabilities and responsibilities in terms of the Sale Agreement and other Acquisition Agreements, including ancillary agreements related thereto and/or contemplated therein;
<b>"Posting Record Date"</b>	the date determined by the Board in terms of section 59 of the Companies Act for Shareholders to be eligible to receive the Circular, being Friday, 1 December 2017;

<b>“Preference Shares”</b>	4 400 000 convertible preference shares of no par value in the share capital of Harmony, which shares will have the preferences, rights and limitations set forth in paragraph 13 of <b>Annexure 10</b> of this Circular, and which terms will be created through an amendment of the MOI, and which amendment is proposed for approval by the Shareholders in the Notice of General Meeting;
<b>“Potential Equity Capital Raising”</b>	a potential equity capital raising, of an amount to be determined by the Company immediately prior to launch of the potential equity capital raising, proposed to be undertaken by the Company in connection with refinancing the Acquisition Bridge Facility;
<b>“Purchase Price”</b>	an aggregate cash consideration equal to the Rand equivalent of US\$300 000 000;
<b>“Record Dates”</b>	Posting Record Date and Voting Record Date, collectively;
<b>“Register”</b>	the register of Certificated Shareholders maintained by the Transfer Secretaries on behalf of the Company and each of the sub-registers of Dematerialised Shareholders maintained by the relevant CSDPs in terms of the Financial Markets Act;
<b>“Sale Agreement”</b>	the share and asset sale and purchase agreement entered into between Harmony, the Harmony SPV and AngloGold Ashanti, dated 18 October 2017 and amended on or around 15 November 2017, in terms of which the Acquisition shall be implemented;
<b>“SAMCODES”</b>	the South African Mineral Reporting Codes, which set out the minimum standards, recommendations and guidelines for the public reporting of mineral related issues in South Africa, as amended from time to time;
<b>“SAMREC Code”</b>	the South African Code for Reporting of Exploration Results, Mineral Resources and Mineral Reserves, including the guidelines contained therein, as amended from time to time;
<b>“SAMVAL Code”</b>	the South African Code for Reporting of Mineral Asset Valuation, including the guidelines contained therein, as amended from time to time;
<b>“SEC”</b>	the U.S. Securities and Exchange Commission;
<b>“SENS”</b>	the Stock Exchange News Service of the JSE;
<b>“Securities Act”</b>	the U.S. Securities Act of 1933, as amended;
<b>“Senior Secured Revolving Credit Facility”</b>	the three-year syndicated term loan and revolving credit facilities agreement, entered into by Harmony and Nedbank Limited, ABSA Bank Limited, JP Morgan Chase Bank, Caterpillar Financial Services Corporation, HSBC Bank plc, Citibank and Bank of China, on or around 28 July 2017, in terms of which a facility of US\$350 000 000 is made available to Harmony;
<b>“Shareholders”</b>	registered holders of issued Ordinary Shares, as recorded in the Register as at the Last Practicable Date;
<b>“South Africa”</b>	the Republic of South Africa;
<b>“Sponsor”</b>	Harmony’s sponsor appointed pursuant to the JSE Listings Requirements, being JP Morgan Equities South Africa Proprietary Limited, a private company incorporated in accordance with the laws of South Africa under registration number: 1995/011815/07;
<b>“Strate”</b>	Strate Proprietary Limited, a private company incorporated in accordance with the laws of South Africa under registration number: 1998/022242/07, which is a registered central securities depository in terms of the Financial Markets Act and responsible for the electronic settlement system for transactions that take place on the JSE and off market trades;
<b>“subsidiary”</b>	a subsidiary company, as defined in section 3 of the Companies Act;
<b>“Target Assets”</b>	the VR Mining Business, the Nufcor Sale Equity and the MWC Members Interest, collectively;
<b>“Target Operations”</b>	the Target Assets and the Assumed Liabilities, collectively,



<b>"TNAV"</b>	tangible net asset value;
<b>"Transactions"</b>	the Acquisition and BEE Transactions, collectively and separately, as the context may require;
<b>"Transfer Secretaries"</b>	the transfer secretaries of the Company, as at the Last Practicable Date, being Link Market Services South Africa Proprietary Limited, a private company incorporated in accordance with the laws of South Africa under registration number: 2000/007239/07, and whose registered office is located at 13 <sup>th</sup> Floor, Rennie House, 19 Ameshoff Street, Braamfontein (PO Box 4844, Johannesburg, 2000);
<b>"UBS"</b>	UBS Limited, a private company incorporated in accordance with the laws of England and Wales under company number: 203 5362;
<b>"United States" or "U.S."</b>	the United States of America, its territories and possessions, any state of the United States and the District of Columbia;
<b>"US\$"</b>	United States dollars, the lawful currency of the United States;
<b>"VR Mining Business"</b>	has the meaning given to the term " <i>VR Mining Business</i> " as defined in the Sale Agreement, and in broad commercial terms includes: (i) the Great Nologwa Mine and related infrastructure, facilities and other fixed assets; and (ii) the Moab Khotsong Mine and related infrastructure, facilities and other fixed assets, in each case operated by AngloGold Ashanti in or around the municipalities of Tlokwe and Matlosana, North West Province, South Africa, in respect of which AngloGold Ashanti has agreed, in accordance with the Sale Agreement, to sell to Harmony the: (i) Vaal River Sale Assets; (ii) Vaal River Sale Liabilities; and (iii) Vaal River Environmental Obligations;
<b>"Vaal River Environmental Obligations"</b>	has the meaning given to the term " <i>Environmental Obligations</i> " as defined in the Sale Agreement, and in broad commercial terms, includes without limitation all past, present and future environmental obligations and liabilities of AngloGold Ashanti in terms of environmental law arising from the Target Operations and all taxes related thereto;
<b>"Vaal River Sale Assets"</b>	has the meaning given to the term " <i>Sale Assets</i> " as defined in the Sale Agreement, and in broad commercial terms includes certain assets relating to the VR Mining Business, including (amongst other things): the Great Nologwa and Moab Khotsong Mines and related infrastructure and equipment; the Mining Rights (as defined in the Sale Agreement); the Surface Right Permits (as defined in the Sale Agreement); the Mispah Tailings Facilities; all geological core related to the Great Nologwa and Moab Khotsong Mines and associated core yard; certain transferring contracts; certain transferring critical spares; certain immovable properties; certain servitudes; certain transferable permits (subject to obtaining any required consents and permissions); certain transferable surface rights permits; certain plant and equipment; and certain other movable, corporeal assets owned by AngloGold Ashanti, but excluding certain identified excluded assets, including certain other marginal ore rock dumps around the associated assets in the Vaal River region and related infrastructure; certain medical facilities in the Vaal River region; certain residences including the Great Nologwa Kopanang residence; certain security related infrastructure; and certain warehouses in the Vaal River region; and as more fully described in <b>Annexure 5 – Executive Summary of the Competent Person's Report related to the Target Operations</b> ;
<b>"Vaal River Sale Liabilities"</b>	has the meaning given to the term " <i>Sale Liabilities</i> " as defined in the Sale Agreement, and in broad commercial terms includes all obligations and liabilities of AngloGold Ashanti in relation to, associated with, and arising out of the VR Mining Business; but excluding certain specified obligations and liabilities of AngloGold Ashanti, including without limitation in respect of certain accounts payable; tax and royalties; employee share benefit plans; employee dismissals; debt facilities; and all rates, levies and taxes payable to any local authority in respect of certain immovable properties and surface rights permits;

- “Voting Record Date”** the date on which Shareholders must be entered in the Register in order to be eligible to vote at the General Meeting, expected to be Friday, 26 January 2018;
- “VWAP”** the volume weighted average trading price of the Ordinary Shares listed on the JSE for the 30 days on which trading takes place through the usual trading systems of the JSE;
- “ZAR” or “R”** South African rand, the official currency of South Africa;
- “2010 Mining Charter”** the Amendment of the Broad-Based Socio Economic Empowerment Charter for the South African Mining and Minerals Industry (together with the Mining Charter scorecard) published, in terms of Section 100(2) of the MPRDA, under Government Gazette No. 33573 of 20 September 2010; and
- “2017 Mining Charter”** the Reviewed Broad-based Black Economic Empowerment Charter for the South African Mining and Metals Industry published on 15 June 2017, and the implementation of which is currently suspended and subject to the outcome of a review application brought by the Chamber of Mines against the Department of Mineral Resources and to which other parties have been joined, in respect of the lawfulness, or otherwise fairness of the 2017 Mining Charter’s implementation.





## Harmony Gold Mining Company Limited

(Incorporated in South Africa)

(Registration number: 1950/038232/06)

ISIN: ZAE000015228 JSE share code: HAR

("Harmony" or the "Company")

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### DIRECTORS

#### Executive Directors:

PW Steenkamp (CEO, South African)  
F Abbott (Financial Director, South African)  
HE Mashego (South African)

#### Non-executive Directors:

PT Motsepe (Chairman, South African)  
JM Motloba (Deputy Chairman, South African)  
FFT De Buck (Lead Independent, South African)  
JA Chissano (Mozambiquan)  
KV Dicks (South African)  
Dr DSS Lushaba (South African)  
M Msimang (South African)  
KT Nondumo (South African)  
VP Pillay (South African)  
JL Wetton (South African)  
AJ Wilkens (South African)

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## CIRCULAR TO HARMONY SHAREHOLDERS

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### 1. INTRODUCTION

Shareholders are referred to the announcement released by Harmony on SENS on 19 October 2017, wherein Shareholders were advised about the Acquisition, pursuant to which Harmony, the Harmony SPV (in its capacity as purchaser) and AngloGold Ashanti had entered into the Sale Agreement, in terms of which the Harmony SPV agreed to acquire (and assume, as applicable) the Target Operations from AngloGold Ashanti, for the Purchase Price.

The Acquisition constitutes a Category 1 transaction for Harmony under the provisions of Section 9 of the JSE Listings Requirements and is consequently subject to Shareholder approval as detailed in the Notice of General Meeting.

As advised in the announcement, Harmony has secured a US\$200 million bridge loan facility, from a syndicate of banks, which Acquisition Bridge Facility will be utilised to fund a portion of the Purchase Price in connection with the Acquisition. It is envisaged that the remaining portion of the Purchase Price, being US\$100 million, will be funded by Harmony through drawings from its existing Senior Secured Revolving Credit Facility. Given that the foregoing debt will be raised at Harmony level and in recognising that the Harmony SPV will be the acquiring entity in terms of the Acquisition, Harmony intends to loan an amount equal to the Rand value of the Purchase Price to the Harmony SPV pursuant to the Harmony SPV Loan, to enable the Harmony SPV to settle the Purchase Price pursuant to the terms of the Sale Agreement. Pursuant to and taking into account the standing resolutions adopted by Shareholders at the recent annual general meeting of Harmony held on Thursday, 23 November 2017 for the provision of intra-group financial assistance envisaged by the Harmony SPV Loan, the Board adopted resolutions authorising the financial assistance occasioned by the Harmony SPV Loan, as described more fully in paragraph 4.6 of this Circular.

Harmony is assessing various refinancing options to optimally repay the Acquisition Bridge Facility, which may be repaid in whole or in part from the proceeds of a Potential Equity Capital Raising. The number of Ordinary Shares to be issued pursuant to the Potential Equity Capital Raising may constitute more than 30% of the issued Ordinary Shares in the Company and consequently, the approval of Shareholders to issue such number of Ordinary Shares is required in terms of section 41(3) of the Companies Act, as detailed in the Notice of General Meeting.

Shareholders were further advised in the announcement referred to above, that Harmony remains committed to promoting social and economic transformation in the South African mining environment. In this regard, Harmony has successfully concluded a number of BEE transactions that have resulted in empowering a broad-based group of South African citizens and is currently fully empowered under the MPRDA and the 2010 Mining Charter. Pursuant to Harmony's continued commitment to supporting further transformation of the mining sector, the economy and in connection with the implementation of the Acquisition (more specifically, the condition precedent in the Sale Agreement to obtain the approval of the Minister in terms of Section 11 of the MPRDA), Harmony proposes to implement the BEE Transactions which are intended to go beyond compliance and ultimately benefit South Africa, and which transactions will involve:

- pursuant to the ESOP Trust Share Issue, the ESOP Trust Shares being issued to the ESOP Trust, which would constitute approximately 1.5% of the issued Ordinary Shares as at the Last Practicable Date;
- pursuant to the Harmony Community Trust Share Issue, the Harmony Community Trust Subscription Shares being issued to the Harmony Community Trust, which, on Conversion, would constitute approximately 1% of the issued Ordinary Shares as at the Last Practicable Date; and
- the BEE SPV purchasing from Harmony such number of Harmony SPV Shares equal to approximately 3% of the issued ordinary share capital of the Harmony SPV, and Harmony will cede a portion of its loan account claim (against the Harmony SPV) equal to approximately 3% of Harmony's entire loan account claim arising from the Harmony SPV Loan, in each case in accordance with and subject to the terms of the BEE SPV Sale Agreement.

In order for the Company to prepare for implementation of the BEE Transactions, specific details of which are included in paragraph 6 of this Circular, Shareholder approval is required for the following corporate actions:

- conversion of the authorised share capital of Harmony from par value Ordinary Shares of ZAR0.50 to no par value Ordinary Shares;
- an increase of the authorised share capital of Harmony through the creation of 4 400 000 Preference Shares, all of which are to be issued pursuant to the Harmony Community Trust Share Issue and none of which will be listed on the JSE;
- the issue of 6 700 000 new Ordinary Shares pursuant to the ESOP Trust Share Issue;
- the issue of 4 400 000 Preference Shares to the Harmony Community Trust and, pursuant to the Conversion, the issue of Conversion Shares to the Harmony Community Trust; and
- the repurchase of the Harmony Community Trust Subscription Shares, if the Harmony Community Trust Call Option is exercised,

in each case on the basis detailed in the Notice of General Meeting.

## **2. PURPOSE OF THE CIRCULAR**

Consistent with the approvals required from Shareholders as discussed above and elsewhere in this Circular, the purpose of this Circular is to:

- provide Shareholders with the relevant information in respect of the Transactions so as to enable them to make an informed decision as to whether or not they should vote in favour of the resolutions set forth in the Notice of General Meeting; and
- convene the General Meeting in order for Shareholders to consider and determine whether to pass the resolutions set forth in the Notice of General Meeting, which includes resolutions approving the Transactions and Potential Equity Capital Raising.

### 3. OVERVIEW OF HARMONY AND THE TARGET OPERATIONS

#### 3.1 Harmony

Harmony is a gold mining and exploration company, and the Group conducts its activities in South Africa, one of the world's best-known gold mining regions, and in Papua New Guinea, one of the world's premier new gold-copper regions. Harmony, which has more than six decades of experience and is: (i) according to market information available to its management, South Africa's third largest gold producer and the fifteenth largest globally for FY17; and (ii) currently exploring and evaluating growing a significant copper-gold portfolio in Papua New Guinea.

In South Africa, the Group operates nine underground Mines on the world-renowned Witwatersrand Basin – two on the West Rand and seven in the Free State. In addition, the Group has an open-pit Mine on the Kraaipan Greenstone Belt as well as several surface operations.

In Papua New Guinea, the Group: (i) owns 100% of the Hidden Valley operation (previously held 50:50 in a joint venture with Newcrest until full ownership was acquired on 25 October 2016), which is an open-pit gold and silver mining operation and includes the processing plant. The investment in the stages 5 and 6 cutbacks at Hidden Valley is underway; (ii) is part of a 50:50 joint venture with Newcrest, which includes the Wafi-Golpu copper-gold project in Morobe Province and significant exploration tenements; and (iii) has a wholly-owned exploration portfolio that focuses on highly prospective areas in Papua New Guinea, including the Kili Teke copper-gold prospect. Harmony has been a very successful explorer in Papua New Guinea, by investing in and growing the Golpu project and by discovering the Kili Teke prospect. In developing a portfolio of world-class gold-copper assets in Papua New Guinea – replacing ounces at a discovery cost of less than US\$10 per gold equivalent ounce – Harmony is focused on creating excellent long-term value for Harmony's shareholders.

In FY17, the Group's South African operations accounted for 91% of total gold and silver production of 1.09 Moz (FY16: 1.08 Moz) and 1.05 Moz (FY16: 1.33 Moz), respectively, with the remaining 9% coming from Papua New Guinea. The Company's total attributable gold equivalent Mineral Resource of 104.3 Moz was declared as at the end of FY17 (FY16: 105.2 Moz). Gold contained in the Mineral Resources at the South African operations represents 53.2% of Harmony's total, with Papua New Guinea representing 46.8% of total gold and gold equivalent Mineral Resources as at the end of FY17.

Harmony has a primary listing on the JSE (under trading symbol: HAR), and its ordinary shares are quoted in the form of ADRs on the NYSE (under trading symbol: HMY).

Harmony supports the South African government's broad-based BEE initiatives and continues to recognise the importance of sustainable and meaningful participation by historically disadvantaged South Africans in the mainstream economy and in the South African mining environment. In this regard, Harmony has successfully concluded a number of BEE transactions in the past, that have resulted in empowering a broad-based group of South African citizens and believes that it is currently fully empowered under the MPRDA and the 2010 Mining Charter. Harmony's empowerment credentials with reference to the 2010 Mining Charter are reported in its integrated reports for FY17. Harmony's total score against the 2010 Mining Charter's nine pillars for the calendar year ended 31 December 2016 is 93%. Harmony's ownership exceeds the level of 26% imposed by the 2010 Mining Charter, with African Rainbow Minerals Limited owning 14.55% of the issued Ordinary Shares. The 2017 Mining Charter, which in broad terms increased certain requirements existing under the 2010 Mining Charter, is subject to the outcome of the judicial review application brought by the Chamber of Mines against the Department of Mineral Resources and to which other parties have been joined, in respect of the lawfulness, or otherwise fairness of the 2017 Mining Charter's implementation. Notwithstanding the outcome of the aforementioned court process, Harmony remains proactively engaged in accelerating transformation of the mining sector and the economy overall.

There has not been any controlling shareholder or change in trading objects in Harmony during the five years preceding the Last Practicable Date. For more information on Harmony's shareholders, please refer to paragraph 12 – Major Shareholders.

There has been no material change in the financial or trading position of Harmony since 30 June 2017.

### 3.2 Target Operations

The Target Operations are located around 180 km from Johannesburg, near the Vaal River, on the Free State-North West Province border, and in broad terms comprise the Moab Khotsong Mine, which incorporates the Great Noligwa Mine and related infrastructure. The Moab Khotsong Mine was developed in 1993, and commenced production in 2003, and has a single shaft system mining to a depth of 3 100m. The Great Noligwa Mine commenced production in 1968 and operates a twin-shaft system.

The Moab Khotsong and Great Noligwa Mines are treated as one cash-generating unit and produced 280 koz of gold in aggregate at an AISC of US\$884/oz for the 12 months ended 31 December 2016 and produced 130 koz of gold in aggregate at an AISC of US\$998/oz for the six months ended 30 June 2017. As of 31 December 2016, the combined SAMREC Code compliant "above infrastructure" Mineral Reserves consisted of 1.7 Moz of gold at average grade of 8.8 g/t. In addition, Moab Khotsong and Great Noligwa have a substantial combined gold Mineral Resource of approximately 4.98 Moz above infrastructure and 12.5 Moz "below infrastructure", yielding total Mineral Resource of 17.5 Moz with an average grade of 15.7 g/t. The average grade recovered in 2016 was 9.05 g/t as compared to 8.50 g/t in the previous year and the productivity was 3.82 oz/TEC in 2016 compared to 3.44 oz/TEC in 2015. In addition, the Mines share a milling and treatment circuit and together treated 1.0 million tonnes in 2016. The below infrastructure Mineral Resource includes 6.8 Moz in the Zaaiplaats project area which provides Harmony upside potential.

Given the geological complexity of the Vaal Reef, being the principal economic reef, scattered mining with backfill support is employed. The Great Noligwa Mine's operating infrastructure and employees have been incorporated into Moab Khotsong Mine since 2015. As at the end of 2016, there was an average of 6 310 employees (permanent and contractor) working at these mines. Moab Khotsong achieved a full calendar year without a fatality in September 2016 and showed a 10% year-on-year increase in gold production.

The Target Operations includes Nufcor, which is the only uranium calcining facility in South Africa and processes uranium mined and recovered at the Moab Khotsong Mine including on behalf of third-party uranium producers.

Furthermore, the Target Operations includes the MWC Members Interest in the Margaret Water Company, which was established in 2007 by the mining operators in the Vaal River region at the time being AngloGold Ashanti, Harmony and Simmer and Jack (now owned by Village Main Reef Proprietary Limited), to pump approximately 50 Ml/day of underground water in order to prevent flooding and to ensure the sustainability of mining operations in the Vaal River region. In addition, MWC is critical to managing and rehabilitating the underground water of the KOSH Basin over the long term.

**The following table below indicates the performance of the Target Operations in respect of limited key performance indicators:**

	Six months ended 30 June 2017	Six months ended 31 December 2016	Six months ended 30 June 2016
Gold production (kg)	4 049	4 783	3 934
Gold price (R/kg)	524 155	571 923	607 857
Cash operating costs (R/kg)	358 216	328 022	359 507

For more detailed information on the Target Operations forming part of the Acquisition, please see **Annexure 5 – Executive Summary of the Competent Person's Report related to the Target Operations**. The full Competent Person's Report, is available for viewing on Harmony's website (at: [www.harmony.co.za/investors/reporting](http://www.harmony.co.za/investors/reporting)). The Competent Person does not have any direct or indirect beneficial interest in any asset of Harmony.

### 3.3 Prospects

On a standalone basis, Harmony continues to make progress in its objective of growing from a 1.1 Moz gold producer to a 1.5 Moz producer by financial year 2019. The first steps to growing ounces was obtaining 100% ownership in Hidden Valley (expected to produce 180 000oz per annum from FY19) and the commencement and completion of the Central Plant reclamation project (expected to produce 15 000oz per annum for approximately 19 years from FY19) in FY17. Focused exploration targets, unlocking the value of Wafi-Golpu and identifying value accretive acquisitions remain key in improving the quality of Harmony's assets, driving down costs and achieving its aspiration of being a 1.5 Moz producer in financial year 2019. Harmony has also changed its operating model to ensure, that two executive teams – one in South Africa and the other in Papua New Guinea – supported by corporate services, focus on optimising all of Harmony's assets and increasing value for Harmony's shareholders.

In the financial year ending June 2018, Harmony plans to produce approximately 1.1 Moz of gold at an AISC of approximately US\$1 180/oz (approximately ZAR520 000/kg at an exchange rate of ZAR13.74/US\$). Safety and disciplined grade management at Harmony is an imperative to achieving the foregoing and delivering on Harmony's strategy to produce safe, profitable ounces and increase margins. Harmony will not mine areas that are unsafe or at grades lower than planned.

Harmony remains confident in the outlook for the Target Operations. The Target Operations are expected to add annual gold production in excess of 250 koz at an AISC below Harmony's target of US\$950/oz and are expected to increase cash flow and earnings per share at current gold prices from year one post implementation of the Acquisition.

## 4. THE ACQUISITION

### 4.1 The rationale for the Acquisition

Harmony's management undertook a due diligence in relation to the Acquisition during June 2017 and believes that the Acquisition is value accretive and represents a unique opportunity for Harmony to acquire a portfolio of South African gold assets which have an excellent strategic, financial, operational and geographical fit with Harmony's current operations in line with its stated acquisition criteria of expanding its South African operations.

The Acquisition is expected to enhance Harmony's asset base and its position as a robust cash-generative gold mining company, with a proven track record of turning assets to profitability, as follows:

- enhances Harmony's near-term production at an attractive AISC;
- adds annual gold production in excess of 250 koz at an AISC below Harmony's target of US\$950/oz;
- increases Harmony's South African underground Mineral Resource base by 17.5 Moz (an increase of 38% from 53.4 Moz to 73.6 Moz), of which 12.51 Moz is below infrastructure;
- is a natural strategic fit with Harmony's current asset base providing multiple opportunities to optimise operational performance of the assets and realise synergies;
- increases cash flow and earnings per share at current gold prices from year one; and
- results in an improved cash flow profile and scale, facilitating Harmony's ability to fund future growth projects.

Harmony believes the Acquisition is beneficial to all its stakeholders, in that it:

- creates value for Harmony's shareholders and delivers on its strategic objectives;
- creates further investment and employment opportunities in the South African gold mining sector through the potential extension of the Life of Mine of the Vaal River Sale Assets;
- benefits South Africa and its social transformation agenda; and
- delivers on Harmony's BEE commitment.



## 4.2 Salient features of the Acquisition

The Acquisition shall be implemented in accordance with, and on the terms of, the Sale Agreement, in terms of which Harmony will, through the Harmony SPV: (i) acquire the VR Mining Business by way of a purchase of assets; (ii) acquire the Nufcor Sale Equity by way of a purchase of shares and associated claims; and (iii) take assignment and transfer of the MWC Members Interest, in each case from AngloGold Ashanti. Consistent with the foregoing, Harmony will, acquire, take assignment of and/or assume (as applicable) the Target Operations for an aggregate consideration of US\$300 000 000, which Purchase Price shall be payable in cash in full on closing of the Acquisition and not be subject to any post-closing adjustments. Further details on the Sale Agreement and other Acquisition related agreements and arrangements is discussed in paragraph 4.3 below.

The Acquisition Bridge Facility will be drawn to fund a portion of the Purchase Price in connection with the Acquisition. The remaining portion of the Purchase Price, being US\$100 000 000, will be funded by Harmony through drawings from its existing Senior Secured Revolving Credit Facility. Given that the foregoing debt will be raised at Harmony level and in recognising that the Harmony SPV is the acquiring entity in terms of the Acquisition, Harmony intends to make the Harmony SPV Loan to the Harmony SPV, to place the Harmony SPV in a position to settle the Purchase Price pursuant to the terms of the Sale Agreement. For further details on the Acquisition Bridge Facility and the Senior Secured Revolving Credit Facility, see **Annexure 6** – Material Loans and **Annexure 7** – Material Contracts.

The implementation of the Acquisition is subject to the conditions precedent discussed in more detail in paragraph 4.5 below, and is expected to close on or before 31 July 2018. As announced on 6 December 2017, Harmony expects, subject to market conditions and operating performance, to refinance the Acquisition Bridge Facility through up to US\$100 million from internal cash resources, given the strong cash flows in the five months to 30 November 2017 and Hidden Valley's processing infrastructure upgrade having been completed ahead of schedule (and processing of ore consequently having commenced on 15 November 2017). It is therefore envisaged that the remaining portion of the Acquisition Bridge Facility, being approximately US\$100 million, will be refinanced through a Potential Equity Capital Raising, with the objective of maintaining a strong balance sheet, its dividend policy and preserving its long-term financial flexibility.

Following the Acquisition, Nufcor will become an indirect subsidiary of Harmony (being a wholly owned direct subsidiary of the Harmony SPV) and Nufcor will be required to amend its memorandum of incorporation to comply with paragraph 10.21 of Schedule 10 to the JSE Listings Requirements. The valuation of the Nufcor Sale Shares was done in accordance with the valuation principles applied by Harmony in valuing the Target Operations and the value attributed to the Nufcor Sale Shares is immaterial in the context of the broader Acquisition.

## 4.3 The Acquisition Agreements

The Acquisition Agreements comprise, amongst others, the Sale Agreement, the Parent Guarantee, certain service level agreements, certain lease arrangements and an agreement regulating access and use of the Mispah Tailings Facilities.

### 4.3.1 Sale Agreement

As discussed in paragraph 4.2 above, in terms of the Sale Agreement Harmony, through the Harmony SPV, has agreed to acquire the Target Operations for the Purchase Price, subject to the conditions precedent set forth in paragraph 4.5.

The Sale Agreement provides for terms customary in agreements of this nature and includes (amongst other things):

- (i) negotiated representations, warranties, undertakings, indemnities and limitations on liability customary for a transaction of this nature;
- (ii) a break fee of an amount equal to the Rand equivalent of US\$3 million payable in the event that the Sale Agreement terminates because of a failure, within the respective time periods stipulated in the Sale Agreement, to: (a) obtain the approval of the Minister in terms of Section 11 of the MPRDA for implementation of the Acquisition and one of the reasons therefor being that, in the opinion of the Minister, the Harmony SPV is not sufficiently empowered or has not taken steps to become sufficiently empowered to obtain such approval; (b) obtain shareholder approval for the Transactions; or (c) enter into the BEE Transactions (and related agreements and deeds);

- (ii) provisions governing the operation of the Target Operations during the period between signing and closing; and
- (iv) a specific material adverse change-based termination right.

As part of the Acquisition, the Harmony SPV shall assume and take transfer of AngloGold Ashanti's actual and contingent obligations and liabilities associated with the VR Mining Business, including all environmental obligations arising from the applicable environmental law associated with the VR Mining Business on the terms contained in the Sale Agreement. However, the Harmony SPV shall not assume or take transfer of certain of AngloGold Ashanti's pre-closing obligations and liabilities, including (amongst others), those in relation to accounts payable; tax and royalties; employee share incentive plans; employee dismissals; debt, borrowing, lending, or other financing facilities to which AngloGold Ashanti is a party; and all rates, levies and taxes payable to any local authority in respect of certain immovable properties and surface rights permits, in each case associated with the VR Mining Business. In addition, in respect of liability for claims resulting from silicosis and other occupational lung diseases, AngloGold Ashanti, Harmony and the Harmony SPV have agreed that AngloGold Ashanti is liable for any pre-closing period liability and the Harmony SPV is liable for any post-closing period liability.

#### **4.3.2 Parent Guarantee**

In terms of the Parent Guarantee, Harmony guarantees the due and punctual performance by the Harmony SPV of the Harmony SPV's obligations, liabilities and responsibilities in terms of the Sale Agreement and other Acquisition Agreements, including ancillary agreements related thereto and/or contemplated therein.

#### **4.3.3 Service Level Agreements**

In terms of the Sale Agreement, Harmony, the Harmony SPV and AngloGold Ashanti, undertook to work together in good faith to enter into service level agreements together with the Kopanang Purchaser (to the extent necessary) in order to regulate access to and use of assets which are material to the VR Mining Business and other operations. By way of example, the service level agreements are intended to cover (but not limited to) the following matters: (i) the treatment of sewage and effluent; (ii) the supply of process and potable water; (iii) the supply of electricity; (iv) the use of waste landfill sites and core storage yards; (v) the supply of compressed air; and (vi) the provision of locomotives as well as rail and related services.

#### **4.3.4 Mispah Tailings Facilities Agreement**

AngloGold Ashanti entered into a sale and purchase agreement with the Kopanang Purchaser on or around the same date as the Sale Agreement in terms of which, amongst other things, the Kopanang Purchaser shall acquire the Kopanang mine, related infrastructure and the associated mining rights from AngloGold Ashanti. As described elsewhere in this Circular, the Harmony SPV shall acquire the Mispah Tailings Facilities forming part of the Vaal River Sale Assets pursuant to the Acquisition. Certain of the associated mining rights forming part of the Kopanang Purchaser's acquisition of the Kopanang mine relate to the underlying property of the Mispah Tailings Facilities, namely in connection with deep level mining activities. Following implementation of both the aforementioned transactions involving the Kopanang Purchaser and AngloGold Ashanti on the one hand, and Harmony, the Harmony SPV and AngloGold Ashanti on the other, the Kopanang Purchaser's mining rights will encroach on the properties on which the Mispah Tailings Facilities are situated. Accordingly, AngloGold Ashanti, Harmony, the Harmony SPV and the Kopanang Purchaser have entered into the Mispah Tailings Facilities agreement to regulate their rights and obligations in relation to the use of the Mispah Tailings Facilities and mining of the underlying property. Amongst other things, the Mispah Tailings Facilities agreement confirms the Harmony SPV's ownership of the Mispah Tailings Facilities and its sole right to utilise the surface area of the properties on which the Mispah Tailings Facilities are situated. On or around 15 November 2017, the Kopanang Purchaser entered into a novation agreement in terms of which it took assignment and novation of Village Main Reef Gold Investments 06 Proprietary Limited's rights and obligations contemplated under the Mispah Tailings Facilities agreement, the latter being the original party.



#### **4.3.5 Village Property Lease**

The Village Property (as described in the Sale Agreement and forming part of the Vaal River Sale Assets) long term lease may be concluded with AngloGold Ashanti following the exercise by Harmony SPV of its option to lease the Village Property at a nominal annual rent, in the event that: (i) the relevant local municipality fails to approve the subdivision and consolidation of the relevant portion of the Village Greater Property (which shall constitute the boundary lines of the Village Property) within an agreed time period, which relevant portion forms part of the Acquisition; or (ii) the costs associated with the foregoing subdivision and consolidation of the relevant portion of the Village Greater Property being greater than R500 000 (being AngloGold Ashanti's agreed contribution) and the Harmony SPV does not agree to carry any additional amount in excess of R500 000.

#### **4.3.6 Head Lease Agreement**

Harmony, AngloGold Ashanti and the Kopanang Purchaser undertook in good faith to enter into a head lease agreement prior to closing of the Acquisition in terms of which (amongst other things), the Harmony SPV shall continue to lease certain houses and residences on the Village Property (as described in the Sale Agreement and forming part of the Vaal River Sale Assets) to certain employees of AngloGold Ashanti and the Kopanang mine who are already in occupation of such houses and residences on the Village Property.

### **4.4 Harmony's view on value of the Target Operations**

#### **4.4.1 Introduction**

By acquiring the Moab Khotsong underground Mine, which incorporates the Great Nologwa underground Mine and related infrastructure, Harmony believes it will significantly improve its overall operating cash flows, increase its average overall underground recovered grade and significantly grow its South African underground Mineral Resource base.

Harmony believes that there is the potential to increase the Moab Khotsong and Great Nologwa Mines' Life of Mine by mining additional high grade Isolated Blocks of Ground ("IBGs"), extracting of the high grade Great Nologwa shaft pillar, as well as optimising the current plant facilities to treat the Mispah Tailings Facilities. Harmony believes that there is also further optionality in the Zaaiplaats project (discussed further in paragraph 4.4.5).

Relating to the foregoing, the underground Mineral Reserves above infrastructure totalled approximately 1.7 million ounces at 8.8 g/t as at 31 December 2016, while the underground Mineral Resources above infrastructure at the Moab Khotsong and Great Nologwa Mines as at 31 December 2016 were approximately 4.98 million ounces at 18.5 g/t.

#### **4.4.2 Moab Khotsong**

Harmony believes that Moab Khotsong is a high quality, cash-generating gold Mine with well-invested and maintained infrastructure which can underpin near term cash flows and support the creation of value. Harmony's assessment of the value is broadly in-line with the preferred value of US\$260 million recommended by the independent competent valuator as part of the Competent Person's Report.

#### **4.4.3 Great Nologwa**

The Great Nologwa Mine, which has been placed on care and maintenance in recent years by AngloGold Ashanti has existing infrastructure utilised to service the Moab Khotsong mining operations. The Mineral Reserve of the Great Nologwa Mine is currently being extracted through the Moab Khotsong Mine.

Harmony has performed due diligence on Great Nologwa and believes that additional value can be extracted by mining additional high grade IBGs as well as the high grade shaft pillar.

Extraction of the shaft pillar is technically similar to what Harmony has successfully achieved at its Bambanani operation in the Free State, where since February 2010, Harmony has been able to extract 479 252 oz of gold at an average recovered grade of 9.89 g/t, and extend the Life of Mine to 2022. Total project capital to mine the Bambanani shaft pillar was ZAR610 million.

Harmony believes that the extraction of the Great Nologwa shaft pillar will yield a similarly positive outcome. The technical nature of the mining is similar and Harmony has proven expertise in this area.

Further to the above and based on its experience in mining IBGs, Harmony believes that it will be able to extend the Life of Mine of the Moab Khotsong and Great Nologwa Mines from 5 to at least 10 years subject to the outcome of the necessary studies after completion of the Acquisition.

Harmony estimates that the net present value from extracting the shaft pillar and mining the IBGs has the potential to be substantial, based on a set of macroeconomic, technical and operational assumptions consistent with Harmony's customary planning assumptions.

Harmony's internal assessment of the value of mining additional high grade IBGs as well as the high grade shaft pillar at Great Nologwa Mine is broadly in line with the valuation of the Moab Khotsong Mine.

#### **4.4.4 Mispah Tailings Retreatment**

The Mispah 1 tailings facility specifically, contains a Mineral Resource of over 70 million tonnes of surface tailings with an average gold grade of 0.30 g/t. With the current installed plant excess capacity and the treatment and processing of waste rock nearing the end of its life, Harmony believes that there is considerable scope to convert these facilities to a surface tailings retreatment operation, similar to those currently operated by Harmony at the Phoenix plant and the Central plant operations situated in or around the city of Welkom in the Free State.

Harmony believes that optimisation of current plant facilities would have minimal capital requirements and low technical risk, and would create a relatively low cost, long life operation.

The necessary studies, including obtaining the necessary permissions, still have to be completed to ensure value can be unlocked after completion of the Acquisition. Harmony estimates a potential net present value of approximately US\$20 to 40 million based on its prior experience of developing similar plants and on a set of macroeconomic, technical and operational assumptions that are consistent with its customary planning assumptions.

#### **4.4.5 Zaaiplaats project**

The Zaaiplaats project is potentially an extension of the Moab Khotsong Mine which contained a Mineral Resource base of 6.8 Moz with an average gold grade of 17.2 g/t as at 31 December 2016. It is currently in pre-feasibility stage and Harmony will assess its attractiveness after completion of the Acquisition. Zaaiplaats is expected to provide Harmony with optionality, particularly in a rising Rand gold price environment. Harmony has attributed no value to Zaaiplaats. It is currently viewed as a potential future expansion opportunity. Further studies will be conducted, after completion of the Acquisition and the appropriate decision will be made subject to the outcome of those studies.

#### **4.4.6 Synergies**

Through its analysis and due diligence investigation, and in applying the "*Harmony Operational Excellence and Operating Model*" to Moab Khotsong Mine's operations, Harmony believes that it will be able to realise substantial cost savings. These are reflected in its operating model and valuation.

Harmony believes that the main source of these cost savings will be through a reduction in central support services costs allocated to the Mine i.e. incorporating the Moab Khotsong Mine into its existing centralised management structures and support services. Alongside these savings, Harmony has also identified certain procurement and metallurgy-related savings which it believes can be achieved.

In estimating these cost opportunities, Harmony has been cognisant of the environment in which it operates and its social responsibilities and these factors have been factored into Harmony's estimates.

#### 4.4.7 Conclusion

Harmony believes the Acquisition is value accretive and will enhance its position as a higher-grade producer and cash-generative gold mining company. Harmony anticipates that the Acquisition will boost Harmony's operational cash flows by more than 60%, and increase its average overall underground recovered grade by 11% and grow its South African underground Mineral Resource base by 38%, in each case as compared to performance in FY17.

Furthermore, Harmony's assessment of value of the Target Operations, based on what Harmony believes are a conservative set of macroeconomic, technical and operational assumptions that are consistent with its customary planning assumptions indicates significant upside to the Purchase Price.

*This paragraph 4.4 contains various forward looking statements, including statements of Harmony's current expectations and plans. Please refer to page 1, "Important Information, Disclaimers and Forward Looking Statements" – "Certain Forward Looking Statements". The expectations expressed are based on Harmony's investigation of the Target Operations to date and various assumptions (including about various macroeconomic, technical and operational matters). As Harmony does not control the Target Operations, its understanding of the Target Operations has been more limited than assets it owns and accordingly, further investigation, either before or after closing of the Acquisition, may cause Harmony's expectations (including as to future derivable value) and plans to change, and the assumptions underlying Harmony's expectations may prove inaccurate.*

#### 4.5 Conditions Precedent relating to the Acquisition

The implementation of the Acquisition is conditional on the fulfilment or waiver, as the case may be, of conditions precedent customary for a transaction of this nature and as provided in the Sale Agreement, which conditions precedent include, amongst others, the following:

- Shareholder approval for implementation of the Acquisition as a Category 1 transaction in terms of the JSE Listings Requirements (majority of votes cast) shall have been obtained;
- Harmony and the Harmony SPV entering into the BEE Transactions (and related agreements and deeds), by no later than 15 January 2018 and such agreements becoming unconditional in accordance with their terms;
- Competition Authorities having approved the Acquisition in terms of the Competition Act, either unconditionally or subject to such conditions as are acceptable to the relevant party acting reasonably;
- the Minister of Mineral Resources having approved the Acquisition, in terms of section 11 and section 102 of the MPRDA, either unconditionally or subject to such conditions as are acceptable to the relevant party acting reasonably;
- any approval of the Financial Surveillance Department of the South African Reserve Bank ("**SARB**") in terms of the Exchange Control Regulations shall have been obtained;
- Harmony having obtained all consents and waivers under the relevant revolving credit facility agreements necessary for Harmony, the Harmony SPV and/or any of their affiliates to (amongst other things): (i) perform their obligations under the Sale Agreement and the Acquisition Bridge Facility; and (ii) draw down on the funds made available under the Acquisition Bridge Facility and the Senior Secured Revolving Credit Facility for the purposes of the Acquisition;
- AngloGold Ashanti having obtained all necessary consents under all of the relevant revolving credit and loan facility agreements to which it is party to (amongst other things) perform its obligations under the Sale Agreement;
- the Regional Director: Free State Department of Water Affairs having waived or issued revised KOSH Water Directives, in terms of which revised water directive Harmony would assume all past, present and future obligations and liabilities of AngloGold Ashanti in terms of the KOSH Water Directives in relation to the VR Mining Business;
- the written approval of the Minister of Mineral Resources (or its duly authorised representative) permission for the transfer of the Vaal River Trust Money (being approximately ZAR296 000 000 as at 31 December 2016) from the AngloGold Ashanti rehabilitation trust to the Harmony rehabilitation trust shall have been obtained; and

- the written approval of the South African Revenue Service for the transfer of the Vaal River Trust Money (being approximately ZAR296 000 000 as at 31 December 2016) from the AngloGold Ashanti rehabilitation trust to the Harmony rehabilitation trust shall have been obtained.

On 7 November 2017, Harmony received SARB approval for funding the Purchase Price (through the Acquisition Bridge Facility and its existing Senior Secured Revolving Credit Facility) for the Acquisition and consequently, the condition described above relating to SARB approval has been satisfied. Harmony and AngloGold Ashanti are committed to engaging with the relevant authorities and affected stakeholders in order to fulfil the remaining conditions precedent to enable the Acquisition to become unconditional as soon as possible.

#### **4.6 Categorisation of the Acquisition, the Harmony SPV Loan and related Shareholder approvals**

The Acquisition is classified as a Category 1 transaction for Harmony under section 9 of the JSE Listings Requirements and consequently requires the approval of the requisite majority of holders of Ordinary Shares present and voting at the General Meeting. Accordingly, it is proposed that Shareholders approve ordinary resolution number 1 in the Notice of General Meeting, in order to provide the Board with the relevant authority to implement the Acquisition.

The arrangement whereby Harmony intends lending an amount equal to the Rand value of the Purchase Price to the Harmony SPV pursuant to the Harmony SPV Loan, will constitute financial assistance as contemplated in section 45 of the Companies Act. The Board notes that at the most recent annual general meeting of Harmony held on Thursday, 23 November 2017, the Shareholders have, as required by section 45 of the Companies Act, generally authorised financial assistance (to related or inter-related companies of the Company) by way of a special resolution, which special resolution authorises the provision of the financial assistance occasioned by the Harmony SPV Loan.

Pursuant to and taking into account the foregoing financial assistance shareholder authority, Shareholders are advised that the Board has adopted resolutions authorising the intra-group financial assistance required in relation to the Harmony SPV Loan, and the Directors are satisfied, pursuant to providing financial assistance related to the Harmony SPV Loan, that for the purposes of section 45(3) of the Companies Act:

- immediately after providing such financial assistance, Harmony would satisfy the solvency and liquidity test, as contemplated in Section 4 of the Companies Act;
- the terms under which the financial assistance is proposed to be given are fair and reasonable to Harmony; and
- all applicable requirements and restrictions (if any) in respect of the financial assistance by Harmony contained in the Company's memorandum of incorporation have been satisfied.

## **5. POTENTIAL EQUITY CAPITAL RAISING**

Harmony is assessing various refinancing options to optimally repay the Acquisition Bridge Facility, which may be repaid in whole or in part from the proceeds of a Potential Equity Capital Raising. The nature and terms of the Potential Equity Capital Raising has not been finalised but may include a rights offer. If required, a circular will be sent to Shareholders containing full details of the Potential Equity Capital Raising.

Further, if the voting power of the Ordinary Shares that are issuable as a result of the Potential Equity Capital Raising will be equal to or exceed 30% of the voting power of all the Ordinary Shares in issue immediately before the implementation thereof, section 41(3) of the Companies Act requires the approval of Shareholders by special resolution and consequently it is proposed that Shareholders approve special resolution number 5 in the Notice of General Meeting. At this stage, it is not certain whether the number of Ordinary Shares offered in terms of the Potential Equity Capital Raising will exceed the aforementioned 30% threshold to require the aforementioned special resolution, however, the special resolution is proposed in order to cover such an eventuality. Such authority will include the authority to allot and issue any Ordinary Shares in the authorised but unissued share capital of the Company to any underwriter(s) of the Potential Equity Capital Raising (whether or not any such underwriter is a related party to the Company (as defined for the purposes of the JSE Listings Requirements) and/or a person falling within the ambit of section 41(1) of the Companies Act, being a Director, future Director, prescribed officer or future prescribed officer of the Company or a person related or inter-related to the Company or related or inter-related to a Director or prescribed officer of the Company (or a nominee of any of the foregoing persons)).

Harmony is also seeking, in terms of ordinary resolution number 5 of the resolutions recorded in the Notice of General Meeting, a waiver by independent holders of more than 50% of the voting rights of all the issued Ordinary Shares, in terms of regulation 86(4) of the Companies Regulations, of the benefit of receiving a mandatory offer from one or more of the underwriters, which may be triggered by implementation of the Potential Equity Capital Raising. This will ensure that the underwriters have the ability to fulfil their underwriting obligations without having to make a mandatory offer to Shareholders.

## **6. THE BEE TRANSACTIONS**

### **6.1 The rationale for the BEE Transactions**

As mentioned in paragraph 3.1 above, Harmony believes that it is currently fully empowered under the MPRDA and the 2010 Mining Charter. Notwithstanding, Harmony is firmly committed towards supporting further transformation of the mining sector and the economy, and in connection with the implementation of the Acquisition (and more specifically, the condition precedent in the Sale Agreement to obtain the approval of the Minister in terms of section 11 of the MPRDA), it proposes implementation of the BEE Transactions.

Harmony's mining rights are an integral component of its operations and although Harmony believes that it is currently fully empowered under the MPRDA and the 2010 Mining Charter, the BEE Transactions are aimed at further aligning the interests of the national transformation agenda and Harmony's key stakeholders, namely employees, Shareholders and the Department of Mineral Resources as regulator. Furthermore and in light of Harmony's previous employment share ownership plan having expired, Harmony desires to continue to recognise the benefit of aligning the interests of its employees with those of the Shareholders by providing for meaningful equity based participation in the South African Group by current or future permanent employees employed by a South African Group company, who do not participate in Harmony's other equity based, long-term share ownership plans, namely, the Eligible Employees.

In light of the imperatives outlined above and in connection with the implementation of the Acquisition, Harmony wishes to implement the BEE Transactions (as described in more detail in paragraph 6.2 below), which are intended to enhance the sustainability and growth prospects of Harmony, particularly in the South African context, by (as applicable):

- demonstrating Harmony's continued commitment towards accelerating transformation in the mining sector and South Africa as a whole;
- improving Harmony's ability to attract and retain talented employees who are historically disadvantaged South Africans;
- aligning the interests of Harmony's employees and Shareholders and rewarding Eligible Employees who have demonstrated their commitment and have contributed to the success of Harmony; and
- supporting the policies of the government, including the Minister of the Department of Mineral Resources, in terms of the MPRDA and the Constitution of South Africa.

### **6.2 Overview of the BEE Transactions**

Set forth below, is an overview of each of the BEE Transactions aimed at facilitating the introduction of the BEE Stakeholders into the Group.

#### **6.2.1 Salient details of the ESOP Trust and the ESOP Trust Share Issue**

- **Rationale for establishment of the ESOP Trust and the ESOP Trust Share Issue:**  
As at the Last Practicable Date, the previous Harmony employment share ownership plan has expired and the underlying trust shares have vested in the beneficiaries. Harmony subsequently made an application to the Master of the High Court for the winding-up of the relevant trust and the winding-up has since been completed. Accordingly, Harmony desires to continue to recognise the benefit of aligning the interests of its employees with those of the Shareholders by providing for meaningful equity based participation in the South African Group by current or future permanent employees working at the South African operations, who do not participate in Harmony's other equity based, long-term share ownership plans, namely, the Eligible Employees. The establishment of the ESOP Trust and the consequent ESOP Trust Share Issue is aimed at achieving the foregoing alignment of interests.



- **Establishment of the ESOP Trust:** Consistent with the foregoing, the ESOP Trust has been established pursuant to the ESOP Trust Deed for the purpose of, amongst other things, holding and administering the ESOP Trust Shares on behalf of (and for the benefit of) the Employee Beneficiaries, in each case subject to the ESOP Trust Deed. The ESOP Trust will not be regarded a public Shareholder for the purposes of the JSE Listings Requirements, as it has been established for the benefit of Harmony employees, where restrictions on trading the ESOP Trust Shares will be imposed by Harmony in the ESOP Trust Deed.
- **Allocation of equity interest to the ESOP Trust:** After the issue of ESOP Trust Shares, the effective participation of the ESOP Trust in the issued ordinary share capital of Harmony as at the Last Practicable Date, is expected to be 1.5%.
- **Consideration:** The ESOP Trust Shares are being issued to the ESOP Trust in consideration for services rendered by (and to incentivise) Eligible Employees and not for monetary consideration. Additionally, the Board has, for purposes of section 40 of the Companies Act, determined that the services rendered (and to be rendered) by Eligible Employees constitutes adequate consideration for the ESOP Trust Shares.
- **Allocation of ESOP Units:** The terms of the ESOP Trust Deed provide that only Eligible Employees may be appointed as Employee Beneficiaries through the allocation of ESOP Units, and the ESOP Trust Trustees will apply the Allocation Criteria in order to determine the number of ESOP Units to be allocated to each Eligible Employee. In broad terms, the Allocation Criteria provide that initially, each Eligible Employee that qualifies upon the formation of the ESOP Trust or within 6 months thereafter, shall receive an equal number of ESOP Units resulting in each Employee Beneficiary receiving 225 ESOP Units upon the formation of the ESOP Trust which are directly attributable to 225 ESOP Trust Shares. Further (more complete) details on allocation of ESOP Units is set forth in paragraph 6 of **Annexure 8**.
- **Further salient details and features:** Further salient details and features of the ESOP Trust and ESOP Trust Share are set forth in **Annexure 8** of this Circular.
- **Shareholder approvals relating to the ESOP Trust Share Issue:**

- *ESOP Trust Share Issue*

In accordance with the JSE Listings Requirements and article 6.10 of the Company's MOI, the Board may only issue authorised but unissued Ordinary Shares on a *pro rata* (pre-emptive) basis (i.e. to existing Shareholders in proportion to their existing shareholdings), unless the Shareholders have authorised a specific issue or general issue of such authorised but unissued Ordinary Shares otherwise than to existing Shareholders in proportion to their existing shareholdings. In addition, paragraph 14.11 of Schedule 14 to the JSE Listings Requirements provides that any issue of equity securities to employees which do not fall within the rules applicable to Schedule 14 schemes, will be treated as a specific issue of shares for cash in terms of the JSE Listings Requirements.

Consistent with the foregoing, the ESOP Trust Share Issue is not a pre-emptive share issuance and it is not intended that the ESOP Trust will be a Schedule 14 scheme (in that, among other things, the voting rights attached to the ESOP Trust Shares will be taken into account at general meetings for the purposes of resolutions proposed in terms of the JSE Listings Requirements), consequently the ESOP Trust Share Issue must specifically be authorised by at least 75% of holders of Ordinary Shares present and voting at the General Meeting in accordance with the JSE Listings Requirements.

Accordingly, it is proposed that Shareholders approve ordinary resolution numbers 2 and 4 set forth in the Notice of General Meeting, in order to provide the Board with the relevant authority to issue the ESOP Trust Shares.

As will be evident from the foregoing resolutions in the Notice of General Meeting, implementation of the ESOP Trust Share Issue is proposed not to be subject to any other approval required from Shareholders (including approval of the Acquisition) as described in this Circular and the ESOP Trust Share Issue is thus capable of being

implemented as a standalone transaction subject to the relevant Shareholder approval being obtained in order to implement the ESOP Trust Share Issue.

### 6.2.2 Salient details of the Harmony Community Trust Share Issue

- **Rationale for Harmony Community Trust Share Issue:** Harmony intends to share the benefits flowing from the Acquisition (and its other operations) with all communities residing in the vicinity of its South African operations, as determined by Harmony and named in the Harmony Community Trust Deed. Harmony is committed to strengthening and maintaining these relationships throughout the foreseeable future, since these communities are mostly historically disadvantaged communities who will contribute towards the achievement of Harmony's long-term goal of being a sustainable South African mining company. Consequently, the Harmony Community Trust Share Issue is aimed at achieving the foregoing by ensuring guaranteed consistent income flow to the Harmony Community Trust to enable it to carry out its prescribed activities as set forth in the Harmony Community Trust Deed.
- **Established Harmony Community Trust:** Consistent with the foregoing, the Harmony Community Trust was previously established pursuant to the Harmony Community Trust Deed, for the purpose of administering benefits that flow from the Company's operations for and on behalf of all relationship communities, and it is proposed that the Harmony Community Trust Subscription Shares will be issued to the Harmony Community Trust to further assist the Harmony Community Trust in pursuing its goal of benefiting the relevant communities. The Harmony Community Trust will be regarded as a public shareholder for the purposes of the JSE Listings Requirements.
- **Allocation of equity interest to the Harmony Community Trust:** In accordance with the terms of the Harmony Community Trust Subscription and Relationship Agreement, it is proposed that 4 400 000 Preference Shares be issued to the Harmony Community Trust pursuant to the Harmony Community Trust Share Issue. After the issue of Harmony Community Trust Subscription Shares in accordance with the Harmony Community Trust Subscription and Relationship Agreement, the effective participation of the Harmony Community Trust in the issued ordinary share capital of Harmony as at the Last Practicable Date, is expected to be 1%.
- **Consideration:** As recorded in the Harmony Community Trust Subscription and Relationship Agreement, the Harmony Community Trust Subscription Shares are being issued to the Harmony Community Trust: (i) in consideration for the undertakings and commitments given by the Harmony Community Trust in terms of the Harmony Community Trust Subscription and Relationship Agreement (including, amongst other things, an undertaking to comply with the requirements of the BEE Act and not to do anything that would negatively impact on the Company's status as contemplated by the BEE Act); and (ii) not for monetary consideration. Additionally, the Board has, for purposes of section 40 of the Companies Act, determined that such commitments and undertakings constitutes adequate consideration for the Harmony Community Trust Subscription Shares.
- **Salient terms of the Preference Shares:** The Preference Shares proposed to be issued pursuant to the Harmony Community Trust Share Issue, shall have the Preference Share terms and features described in more detail in paragraph 8 below and in **Annexure 10** of this Circular.
- **Harmony Community Trust Subscription and Relationship Agreement:** In addition to regulating the subscription for the Harmony Community Trust Subscription Shares, the Harmony Community Trust Subscription and Relationship Agreement (which Harmony and the Harmony Community Trust have entered into) also regulates the ongoing relationship between the Harmony Community Trust and Harmony for so long as the Harmony Community Trust holds shares in Harmony, and the terms of which includes, amongst other things: (i) a lock-up undertaking relating to the Harmony Community Trust Subscription Shares for a period of 10 years; (ii) pre-emptive rights in favour of Harmony if the Harmony Community Trust seeks to dispose of the Harmony Community Trust Shares; and (iii) a Harmony Community Trust Call Option, in terms of which Harmony has a call option over the Harmony Community Trust Shares, in certain circumstances.



- **Further salient details and features:** Further salient details and features of the Harmony Community Trust, Harmony Community Trust Share Issue, Harmony Community Trust Subscription and Relationship Agreement and Harmony Community Trust Call Option are set forth in **Annexure 9** of this Circular.
- **Shareholder approvals relating to the Harmony Community Trust Share Issue, the Conversion and the Harmony Community Trust Call Option:**

- *Harmony Community Trust Share Issue and the Conversion*

For purposes of the Harmony Community Trust Share Issue, Harmony is required to create the Preference Shares through an increase of its authorised share capital in accordance with section 36 of the Companies Act. In order to give effect to such increase of share capital (and thus creation of the Preference Shares), the Company must amend its MOI in accordance with section 16 of the Companies Act. For purposes of implementing the foregoing corporate actions, the approval of at least 75% of holders of Ordinary Shares present and voting at the General Meeting is required in each case, as further described in paragraph 8 of this Circular.

In accordance with the JSE Listings Requirements and article 6.10 of the Company's MOI, the Board may only issue authorised but unissued Harmony shares on a *pro rata* (pre-emptive) basis (i.e. to existing Shareholders in proportion to their existing shareholdings), unless the Shareholders have authorised a specific issue or general issue of such authorised but unissued shares otherwise than to existing Shareholders in proportion to their existing shareholdings. Consistent with the foregoing, the proposed Harmony Community Trust Share Issue is not a pre-emptive share issue, and consequently the Harmony Community Trust Share Issue must specifically be authorised by at least 75% of the holders of Ordinary Shares present and voting at the General Meeting in accordance with the JSE Listings Requirements. Furthermore, the Board has considered the pre-emption rights of the Shareholders and believes that the issue of the Preference Shares may be implemented without having to offer the Preference Shares proportionally to each Shareholder, but rather by the Shareholders waiving their pre-emption rights by means of ordinary resolution number 4 in the Notice of General Meeting and the issue of the Preference Shares solely in connection with the Harmony Community Trust Share Issue, will allow Harmony to achieve its objective described above.

In addition, paragraphs 5.51(g) and 5.53(a)(i) of the JSE Listings Requirements requires that companies may only undertake a specific issue of convertible securities for cash if they obtain the approval of at least 75% of the shareholders who are not participating in the specific issue, or associates of such participants. The Preference Shares proposed to be issued to the Harmony Community Trust are convertible securities, in that the terms set forth in the Amended MOI provides that the Company shall be entitled, at its election, by way of Board resolution to convert each Preference Share into an Ordinary Share (on a 1:1 basis): (i) after the 10<sup>th</sup> anniversary of the date on which the Preference Share in question was issued; or (ii) if the Company reasonably anticipates that an "*affected transaction*" (as defined in the Companies Act) or delisting will take place in respect of the Company. On Conversion, the Preference Shares shall convert into Ordinary Shares at the then prevailing market value of such Ordinary Shares.

Consistent with the foregoing, it is proposed that Shareholders approve ordinary resolutions number 3 and 4 as set forth in the Notice of General Meeting, in order to provide the Board with the relevant authority to issue: (i) 4 400 000 Preference Shares to the Harmony Community Trust pursuant to implementation of the Harmony Community Trust Share Issue; and (ii) if the Preference Shares are converted, to issue an Ordinary Share for each issued Preference Share in accordance with the conversion terms set forth in the Amended MOI.

- *Harmony Community Trust Call Option*

The Board shall be entitled to repurchase the Harmony Community Trust Shares pursuant to the Harmony Community Trust Call Option on the basis set forth in the Harmony Community Trust Subscription and Relationship Agreement and as described

more fully in paragraph 7.7 of **Annexure 9**. If the Harmony Community Trust Call Option is exercised, then the repurchase price payable by Harmony for the Harmony Community Trust Shares will either be the: (i) Market Value attributable to the shares at the time Harmony exercises the call option; or (ii) Market Value with a 25% discount, in circumstances where the option is exercised owing to the Harmony Community Trust having committed an event of default under the Harmony Community Trust Subscription and Relationship Agreement.

As such, the Harmony Community Trust Call Option constitutes a specific repurchase in terms of the JSE Listings Requirements, and consequently the Harmony Community Trust Call Option must be specifically authorised by at least 75% of holders of Ordinary Shares present and voting at the General Meeting in accordance with the JSE Listings Requirements.

Accordingly, it is proposed that Shareholders approve special resolution number 4 as set forth in the Notice of General Meeting, in order to provide the Board with the requisite authority to exercise the Harmony Community Trust Call Option on the terms and subject to the conditions of the Harmony Community Trust Subscription and Relationship Agreement.

### **6.2.3 Salient details of the BEE SPV and the BEE SPV Sale**

- **Rationale for the BEE SPV Sale:** In order to promote and develop the participation of empowerment groupings comprised of historically disadvantaged South Africans in the mining sector, Harmony seeks to introduce an empowerment grouping (including industrialists), at asset level. In this respect, it is proposed that the BEE SPV would be introduced at the Harmony SPV level pursuant to the BEE SPV Transaction Agreements. Through its introduction at asset level (i.e. in the Harmony SPV), the BEE SPV would, post-Acquisition, have direct exposure to (and active participation in the management of) the Target Operations housed in the Harmony SPV. The BEE SPV will be required to add value to the operation of the Target Operations from an operational perspective.
- **Establishment of the BEE SPV:** The shareholders of the BEE SPV shall comprise an empowerment grouping (including industrialists), invited by Harmony to participate in an evaluation process, and Harmony expects to complete the process and select the shareholders of the BEE SPV by 15 January 2018.
- **Allocation of equity interest in the Harmony SPV:** Pursuant to the BEE SPV Sale Agreement: (i) the BEE SPV will purchase from Harmony such number of Harmony SPV Shares equal to approximately 3% of the issued ordinary share capital of the Harmony SPV; and (ii) Harmony will cede a portion of its loan account claim (against the Harmony SPV) equal to approximately 3% of Harmony's entire loan account claim arising from the Harmony SPV Loan, in each case in accordance with and subject to the terms of the BEE SPV Sale Agreement.
- **Funding relating to the BEE SPV Sale:** The Company intends to enter into the BEE SPV Loan Agreement with the BEE SPV in terms of which it shall lend on a secured basis, a Rand amount to the BEE SPV for the purchase of a portion of Harmony's loan account claim against the Harmony SPV as described above. The BEE SPV will provide its own funding for the purchase of the Harmony SPV Shares as described above.
- **No Shareholder authorisation required:** The above has been included for information purposes only, given that it is a component part of the BEE Transactions presented to the Department of Mineral Resources in connection with the Acquisition, but the actions described above do not require any Shareholder approval.

### **6.3 Conditions Precedent relating to the BEE Transactions**

The implementation of the BEE Transactions (other than the ESOP Trust Share Issue) is conditional on the fulfilment or waiver, as the case may be, of the following conditions precedent:

- the Sale Agreement becoming unconditional in accordance with its terms;
- the agreements and deeds relevant to the BEE Transactions becoming unconditional in accordance with their terms,

save that, for the avoidance of doubt, the ESOP Trust Share Issue is not conditional on the foregoing or any other approval required from Shareholders (including approval of the Acquisition) as described in this Circular and the Notice of General Meeting, and the ESOP Trust Share Issue is thus capable of being implemented as a standalone transaction subject to the relevant shareholder approval being obtained in order to implement the ESOP Trust Share Issue.

## **7. CONVERSION OF THE AUTHORISED SHARE CAPITAL**

### **7.1 The rationale for the conversion of the authorised share capital**

As at the Last Practicable Date, the entire authorised share capital of Harmony comprised 1 200 000 000 Ordinary Shares with a par value of ZAR0.50 each. In order to implement the Harmony Community Trust Share Issue, Harmony proposes to create the Preference Shares, which shares are convertible into Ordinary Shares. In terms of regulation 31(2) of the Companies Regulations, Harmony may not authorise new par value shares, the effect being that the Preference Shares must be created as no par value shares. Given that the no par value Preference Shares will convert into Ordinary Shares, and recognising that at the Last Practicable Date all the Ordinary Shares are par value shares, Harmony proposes to align the different classes in its authorised share capital by converting all of its Ordinary Shares (whether issued or not) from par value Ordinary Shares of ZAR0.50 each to no par value Ordinary Shares.

### **7.2 Shareholder approval**

In order to convert its authorised share capital from Ordinary Shares with a par value of ZAR0.50 each to Ordinary Shares of no par value, an amendment to Harmony's MOI is required to give effect to the proposed conversion in terms of regulation 31(5)(c) of the Companies Regulations, and consequently such amendment to the MOI requires the approval of at least 75% of holders of Ordinary Shares present and voting at the General Meeting. The proposed resolutions, being special resolution numbers 1, 2 and 3 of the resolutions set forth in the Notice of General Meeting, will have the effect of amending the MOI to give effect to the proposed conversion of the Company's authorised share capital. The JSE has approved the consequential amendments to the MOI in order to give effect to the proposed conversion, subject to the amendments being filed with the CIPC.

### **7.3 Board report requirement**

In addition, the Companies Regulations require that, when a company proposes a resolution to convert its shares into no par value shares, the board shall prepare a report in respect of the proposed conversion which, amongst other things, evaluates whether there are any material adverse effects of the conversion on shareholders. Accordingly, the report of the Board for this purpose is included as **Annexure 11** of this Circular.

## **8. PREFERENCE SHARES**

### **8.1 The rationale for the creation of the Preference Shares**

As described in paragraph 6.2.2 above, Harmony intends to share the benefits flowing from the Acquisition (and other operations) with all communities residing in the vicinity of its South African operations. Consequently, Harmony proposes to create a new class of authorised shares, in the form of the Preference Shares, that will, after issuance to the Harmony Community Trust pursuant to the Harmony Community Trust Share Issue, ensure that if the Harmony Community Trust has not received an aggregate dividend of R2 per share during a financial year of the Company, then a preference dividend will be declared for an amount equal to the difference between R2 per share and the aggregate actual dividend received (if any) by the Harmony Community Trust for any financial year.

### **8.2 Salient terms of the Preference Shares**

The Preference Shares shall have the preferences, rights, limitations and such other terms associated with the Preference Shares as described in more detail in paragraph 13 in **Annexure 10** of this Circular.

In substance, the Preference Shares will rank *pari passu* with the Ordinary Shares as to voting and dividend rights, the primary difference being that the Preference Shares will have a guaranteed annual trickle dividend, as described in paragraph 8.1 above, to help fund the prescribed activities of the Harmony Community Trust as set forth in the Harmony Community Trust Deed.

In addition, the Preference Shares are convertible into Ordinary Shares (on 1:1 basis) at the discretion of the Board either after the Harmony Community Trust Lock-in Period or if the Company reasonably anticipates that an “*affected transaction*” (as defined in the Companies Act) or delisting will take place in respect of the Company. On Conversion, the Preference Shares shall convert into Ordinary Shares at the then prevailing market value of such Ordinary Shares.

The Preference Shares will not: (i) be listed on the JSE, but on Conversion, the resultant Ordinary Shares will be listed on the JSE; and (ii) be taken into account in the categorisation of transactions in terms of the JSE Listings Requirements.

### **8.3 Shareholder approval for creation of the Preference Shares**

In order to create the Preference Shares, Harmony needs to increase its authorised share capital by creating 4 400 000 Preference Shares, and an amendment to Harmony’s MOI in terms of section 36(2) of the Companies Act is required. Consequently, such amendment to Harmony’s MOI requires the approval of at least 75% of holders of Ordinary Shares present and voting at the General Meeting.

Accordingly, the proposed resolutions, being special resolution numbers 2 and 3 of the resolutions set forth in the Notice of General Meeting, will have the effect of amending the MOI to give effect to an increase in Harmony’s authorised share capital through the creation of 4 400 000 Preference Shares. The JSE has approved the consequential amendments to the details of the Company’s share capital in the MOI for the creation of the Preference Shares, subject to such amendments being filed with the CIPC.

## **9. PRO FORMA FINANCIAL EFFECTS**

The table below sets forth the *pro forma* financial effects of the Transactions. This is based on the published audited annual financial statements of Harmony for the financial year ended 30 June 2017 and the annual results for the Target Operations for the financial year ended 31 December 2016.

The *pro forma* financial effects have been prepared for illustrative purposes only and because of their *pro forma* nature, may not fairly present the Company’s financial position, changes in equity, results of operations or cash flows, nor the effect and impact of the Transactions going forward.

The *pro forma* financial effects have been prepared in order to assist Shareholders in assessing the impact of the Transactions on the Company’s EPS, diluted EPS, HEPS, diluted HEPS, adjusted HEPS, diluted adjusted HEPS, NAV per Share and TNAV per Share.

The *pro forma* financial effects are presented in a manner that is consistent with: (i) Harmony’s accounting policies for the year ended 30 June 2017; and (ii) the relevant provisions of the JSE Listings Requirements and the Guide on *Pro Forma* Financial Information issued by the South African Institute of Chartered Accountants. For a full understanding of Harmony’s accounting policies, please refer to Harmony’s annual audited financial statements for the year ended 30 June 2017, which can be found on Harmony’s website.

It has been assumed for purposes of the *pro forma* financial effects that: (i) the Transactions took place with effect from 1 July 2016 for the consolidated income statement and 30 June 2017 for the consolidated balance sheet; (ii) the Acquisition is financed through the Acquisition Bridge Facility and drawings from the Senior Secured Revolving Facility; and (iii) the BEE SPV Sale is funded by Harmony.

No adjustments have been made in these *pro forma* financial effects for the Potential Equity Capital Raising or costs associated therewith.

The Board is responsible for the compilation, contents and preparation of the *pro forma* financial effects. Their responsibility includes determining that the *pro forma* financial effects have been properly compiled on the basis stated, which is consistent with the accounting policies of Harmony and that the *pro forma* adjustments are appropriate for purposes of the *pro forma* financial effects disclosed pursuant to the JSE Listings Requirements. Consistent with the foregoing, the *pro forma* financial effects set forth in the table below are based on available information and certain assumptions and estimates, which the Board believe, are reasonable. The *pro forma* financial effects have not been prepared in accordance with the requirements of Regulation S-X under the Exchange Act and differs in material respects from *pro forma* financial information that could be included in a registration statement or proxy statement prepared in accordance with the rules administered by the SEC.

The detailed notes and assumptions to the *pro forma* financial effects are presented in **Annexure 3** of this Circular and the *pro forma* financial effects should be read in conjunction with the *pro forma* consolidated income statement, the *pro forma* consolidated balance sheet and the related notes set forth in **Annexure 3** of this Circular and the Independent Reporting Accountant's assurance report on *pro forma* financial information that is contained in **Annexure 4** of this Circular.

	<i>Pro forma</i> Before Transactions <sup>1</sup>	<i>Pro forma</i> After Acquisition <sup>2</sup>	<i>Pro forma</i> After Transactions <sup>2</sup>	% change
Basic EPS (cents)	82	240	227	176%
Diluted EPS (cents)	79	230	214	172%
HEPS (cents)	298	458	444	49%
Diluted HEPS (cents)	284	437	420	48%
NAV (cents)	6 658	6 643	6 643	0%
TNAV (cents)	6 521	6 416	6 416	(2%)
Weighted average number of Ordinary Shares ('000)	438 443	438 443	438 443	0%
Weighted diluted number of Ordinary Shares ('000)	459 220	459 220	463 059	1%
Number of Shares in issue for NAV and TNAV ('000)	439 957	439 957	439 957	0%

**Notes and assumptions:**

1. The Harmony information reflected in the "*Pro Forma Before Transactions*" column has been extracted from the Harmony audited annual financial statements for the financial year ended 30 June 2017.
2. The Harmony information reflected in the "*Pro forma After Acquisition*" and "*Pro forma After Transactions*" columns have been calculated on the basis that: (i) the Transactions were effective 1 July 2016; (ii) the Acquisition is financed through the Acquisition Bridge Facility and drawings from the Senior Secured Revolving Facility; and (iii) the BEE SPV Sale is funded by Harmony.
3. The detailed notes and assumptions to the *pro forma* financial effects are presented in **Annexure 3** and the *pro forma* financial effects should be read in conjunction with the *pro forma* consolidated income statement, the *pro forma* consolidated balance sheet and the related notes set forth in **Annexure 3** and the Independent Reporting Accountant's assurance report on *pro forma* financial information that is contained in **Annexure 4**.
4. No adjustment has been made in the *pro forma* financial effects for the Potential Equity Capital Raising or costs associated therewith.

## 10. INFORMATION ON DIRECTORS

### 10.1 Directors and Management Details

No new directors of the Company are proposed under or as a result of the Transactions. As at the Last Practicable Date, the members of the Board comprise the individuals named on page 21. The full names and indication of the principal activities performed by each Director and members of senior management of Harmony, including activities performed outside the Group, as well as the foregoing persons' management expertise and experience are contained in **Annexure 12** of this Circular.

### 10.2 Directors' emoluments

The remuneration and the benefits of the Directors, prescribed officers and senior management of Harmony will not be varied as a result of the Transactions, although success incentives for executives will be considered by the remuneration committee of Harmony.

### 10.3 Directors and prescribed officers' interests in securities

The table below sets forth, to the knowledge of Harmony's management, the total amount of Ordinary Shares directly or indirectly owned by the Directors, prescribed officers, and their associates as at the Last Practicable Date and in respect of any Director who resigned during the 18-month period preceding the Last Practicable Date. To the extent that a Director or prescribed officer has not been listed in the table below, such Director, prescribed officer or their associates do not own directly or indirectly any Ordinary Shares during the period as aforementioned. There has been no change in the Directors and prescribed officers' securities in Harmony between the end of FY17 and the date of this Circular.



	Direct beneficial	Indirect beneficial	Associates	Total	% of total issued shares
<b>Non-executive Directors</b>					
Ken Dicks	35 000	–	–	35 000	0.0080
Andre Wilkens	–	101 303	–	101 303	0.0230
<b>Executive Directors</b>					
Frank Abbott	763 817	–	–	763 817	0.1718
Mashego Mashego	593	–	–	593	0.0001
<b>Prescribed Officers</b>					
Beyers Nel	42 486	–	–	42 486	0.0095
Phillip Tobias	59 590	–	–	59 590	0.0134
Johannes van Heerden	75 000	–	–	75 000	0.0169

Save as set out in the table above, no other Director held or acquired any shares in the Company, other than through share incentive schemes (executive directors only) during FY17 – refer to the *Remuneration report* (forming part of the annual integrated report for FY17) for details of share incentives awarded to executive directors.

#### 10.4 Directors' interests in transactions

As disclosed in Harmony's published annual financial statements for FY17, Modise Motloba, Harmony's deputy chairman, is also a director of Tsys Limited. Tsys Limited entered into a contract with the Group in February 2017 to provide services relating to the Group's small and medium enterprise development projects. The contract has a value of up to R4.8 million (US\$0.4 million) per annum, with approximately R1 million having been paid during FY17. The contract has a 30-day notice period.

Other than the foregoing, none of the Directors or officers of Harmony or any major Shareholder or other companies in the Group or, to the knowledge of Harmony's management, their families, or any Director which has resigned in the previous 18 months, had any interest, direct or indirect, in any transaction effected by the Company during the current or immediately financial year or during any earlier financial year and which remain in any respect outstanding or unperformed.

### 11. SHARE CAPITAL OF HARMONY

The authorised and issued share capital of the Company, before and after the: (i) proposed conversion of Ordinary Shares from par value to no par value; and (ii) the ESOP Trust Share Issue and the Harmony Community Trust Share Issue, is shown as at the Last Practicable Date in the table below.

<b>Share capital before conversion, the ESOP Trust Share Issue and Harmony Community Trust Share Issue</b>	<b>Number of Shares</b>
<b>Authorised share capital</b>	
1 200 000 000 ordinary shares with par value of ZAR0.50 each	
<b>Issued share capital</b>	
444 560 003 ordinary shares with par value of ZAR0.50 each	444 560 003
Treasury shares	(47 381)
<b>Total net issued share capital</b>	<b>444 512 622</b>
<b>Share capital after conversion, the ESOP Trust Share Issue and the Harmony Community Trust Share Issue</b>	
<b>Authorised share capital</b>	
1 200 000 000 ordinary shares of no par value	
4 400 000 preference shares of no par value	
<b>Increase in issued share capital</b>	
6 700 000 ordinary shares of no par value	6 700 000
4 400 000 preference shares of no par value	4 400 000
Treasury shares	–
<b>Total net issued share capital</b>	<b>455 612 622</b>



At the Last Practicable Date, Harmony's entire issued share capital comprised of 444 560 003 Ordinary Shares with a par value of ZAR0.50 (2016: 437 299 479) of the 1 200 000 000 Ordinary Shares that are authorised. All the Ordinary Shares rank *pari passu* in all respects, there being no conversion or exchange rights attached thereto, and all of the Ordinary Shares will have equal rights to participate in capital, dividend and profit distributions by the Company. As at the Last Practicable Date, Harmony has 47 381 treasury shares. The Ordinary Shares are listed on the JSE (under trading symbol: HAR), and are quoted in the form of ADRs on the NYSE (under trading symbol: HMY).

At the annual general meeting held on Thursday, 23 November 2017, Shareholders approved a resolution placing 15% of the Company's shares under the control of the Directors for such purposes as they deem fit. Shareholders further approved a resolution granting the Directors the general authority to issue Ordinary Shares for cash provided that such shares may not exceed 5% of the Company's shares in issue as at the date of the notice of the aforementioned AGM, excluding treasury shares and which shall be reduced from the number of shares placed under the control of the Directors as aforementioned. The foregoing authorities have not been used as at the date of this Circular.

## 12. MAJOR SHAREHOLDERS

As at the Last Practicable Date, the following Shareholders have at least a 5% beneficial shareholding in Harmony:

Shareholder	% Total Ordinary Shares
African Rainbow Minerals Limited	14.55
VanEck Global	8.96
Public Investment Corporation of South Africa	5.91
Total	29.42

## 13. LETTER OF SUPPORT

Harmony has obtained a letter of support from the following Shareholder, in terms of which (amongst other things) it has confirmed in principle its support for the Transactions and the resolutions provided for in the Notice of General Meeting:

Shareholder	% Total Ordinary Shares
African Rainbow Minerals Limited	14.55
Total	14.55

## 14. FINANCIAL INFORMATION AND WORKING CAPITAL STATEMENT

### 14.1 *Pro forma* financial information

The *pro forma* financial effects and *pro forma* financial information relating to the Transactions is set forth in paragraph 9 and **Annexure 3** of this Circular, and the Independent Reporting Accountant's report on the *pro forma* financial information of Harmony is attached to this Circular as **Annexure 4** of this Circular.

### 14.2 Historical financial information of the Target Operations

The historical and interim financial information relating to the Target Operations is attached to this Circular as **Annexure 1** of this Circular.

### 14.3 Working Capital Statement

Having considered the effects of the Transactions, the Directors are of the opinion that, post implementation of the Transactions and Potential Equity Capital Raising:

- the Group will, in the ordinary course of business, be able to pay its debts for a period of 12 months after the date of this Circular;
- the Group would be able to service the debt it has incurred as a result of the Transactions;

- the assets of the Group, fairly valued, will be in excess of its liabilities for a period of at least 12 months after the date of this Circular. For this purpose, the assets and liabilities are recognised and measured in accordance with the accounting policies used in the Group's latest audited consolidated annual financial statements;
- the share capital and reserves of the Group will be adequate for ordinary business purposes for a period of at least 12 months after the date of this Circular; and
- the working capital of the Group as enlarged by Acquisition is sufficient for the Group's present requirements and will be adequate for ordinary business purposes for a period of at least 12 months after the date of this Circular.

## 15. MATERIAL CHANGE

There have been no material changes in the financial or trading position of the Group and Target Operations between the FY17 and the date of this Circular.

## 16. MATERIAL LOANS

The Acquisition will result in a change to the material loans of Harmony, in that the Purchase Price will be funded through drawings from the Acquisition Bridge Facility and the Senior Secured Revolving Credit Facility, as described elsewhere in this Circular. In this respect, please see the relevant information of the foregoing material loans set forth in **Annexure 6** of this Circular.

The Target Operations will have no material loans on acquisition by Harmony.

## 17. MATERIAL CONTRACTS

Save for the agreements described in **Annexure 7** of this Circular, as at the Last Practicable Date, there are no material contracts of Harmony which can be considered: (a) restrictive funding arrangements; or (b) entered into otherwise than in the ordinary course of business, and which contracts: (i) were entered into within two years prior to the date of this Circular, or (ii) were entered into at any time and contain an obligation or settlement that is material to Harmony, as the case may be.

There are no material contracts of the Target Operations which can be considered: (a) restrictive funding arrangements; or (b) entered into otherwise than in the ordinary course of business, and which contracts: (i) were entered into within two years prior to the date of this Circular; or (ii) were entered into at any time and contain an obligation or settlement that is material to the Target Operations, as the case may be.

## 18. SHARE TRADING HISTORY

**Annexure 13** of this Circular sets forth the aggregate volumes and values of Ordinary Shares traded on the JSE, as well as the highest and lowest traded prices:

- for each trading day during the 30-day period ended on the Last Practicable Date; and
- for each month over the previous 12 months prior to the date of issue of this Circular.

## 19. LITIGATION STATEMENT

### 19.1 Harmony

#### 19.1.1 AngloGold Ashanti court case

On 3 March 2011, judgment was handed down in the Constitutional Court, in the case of *Mr Thembekile Mankayi v AngloGold Ashanti* regarding employees' common-law claims against their employers in respect of compensatable diseases referred to in Occupational Diseases In Mines And Works Act, No. 78 of 1973, as amended ("ODMWA"). The judgment allows claimants, such as Mr Mankayi, to institute action against their current and former employers for damages suffered as a result of them contracting occupational diseases which result, amongst others, from their exposure to harmful quantities of dust while they

were employed at a controlled mine as referred to in ODMWA. In this regard, should anyone bring similar claims against Harmony in future, those claimants would need to prove that silicosis, as an example, was contracted while in the employ of Harmony and that it was contracted due to negligence on Harmony's part to provide a safe and healthy working environment. The link between the cause (negligence by Harmony in exposing a claimant to harmful quantities of dust while in its employ) and the effect (the silicosis) will be an essential part of any case.

### **19.1.2 Consolidated class action**

On 23 August 2012, Harmony and certain subsidiaries of the Group (collectively or individually, the Harmony defendants), were served with court papers in terms of which three former employees made application to the South Gauteng High Court to certify a class action for purposes of instituting action against the Harmony defendants. In essence, the applicants want the court to declare them as suitable members to represent a class of current and former mineworkers who have contracted occupational lung diseases for purposes of instituting a class action for certain relief, and to obtain directions from the court as to what procedure to follow in pursuing the relief required against the Harmony defendants. Similar applications were also brought against various other gold mining companies for similar relief during August 2012.

On 8 January 2013, the Harmony defendants, alongside other gold mining companies operating in South Africa (collectively the respondents), were served with another application to certify another class action. In this application, two classes of persons were sought to be established representing, firstly, a class of current and former mine workers who have silicosis (whether or not accompanied by any other disease) and who work or have worked on gold mines owned and/or controlled by the respondents, and secondly, a class of dependents of mine workers who have died as a result of silicosis (whether or not accompanied by any other disease) and who worked on gold mines owned and/or controlled by the respondents.

The Harmony defendants opposed both applications.

Following receipt of the aforesaid application in 2013, the Harmony defendants were advised that there was a potential overlap between the application of 23 August 2012 and the application of 8 January 2013. On 17 October 2013, the five certification applications were consolidated by order of court.

The consolidated application was heard in October 2015. On 13 May 2016, the Gauteng Local Division of High Court, Johannesburg, ordered the certification of a class action consisting of current and former underground mineworkers who have contracted silicosis and dependents of underground mineworkers who have died of silicosis (silicosis class), and current and former underground mineworkers who have contracted pulmonary tuberculosis, and the dependents of deceased underground mineworkers who died of pulmonary tuberculosis (a tuberculosis class), which classes are to proceed as a single class action against the mining companies cited in the consolidated application. The High Court also ordered that any claimant who has a claim for general damages, and who dies before the finalisation of his case, will have such general damages transmitted to the estate of the deceased claimant. The High Court did not make an order on the merits of the claimants' cases or any potential claims to be instituted by the mineworkers or their dependents.

On 23 June 2016, the High Court granted leave to appeal to the Supreme Court of Appeal against the order of transmissibility of general damages. The Harmony defendants submitted their notice of appeal in respect of the transmissibility of the general damages order to the Supreme Court of Appeal on 25 July 2016.

The mining companies, including the Harmony defendants, also requested leave to appeal from the Supreme Court of Appeal against the balance of the judgment and orders of the High Court certifying the class action in respect of the silicosis class and tuberculosis class. Leave to appeal to the Supreme Court of Appeal was granted on 13 September 2016. Harmony defendants submitted their notice of appeal in respect of the remainder of the order certifying a class action in respect of the silicosis class and the tuberculosis class to the Supreme Court of Appeal on 27 September 2016.

On 28 February 2017, the Harmony defendants filed their heads of argument with the Supreme Court of Appeal in respect of the above appeals. The appeals will be heard together and are set down for hearing during the week of 19 March 2018.

### **19.1.3 Individual claims**

On 3 May 2013, an individual action was instituted against Harmony by a former employee. The plaintiff subsequently joined one of Harmony's subsidiaries to the action. The plaintiff is claiming ZAR25 million (US\$1.9 million) in damages, plus interest, from Harmony, its subsidiary, and another gold mining group of companies. The plaintiff alleges to have contracted silicosis with progressive massive fibrosis during the course of his employment. The action is being defended and Harmony is proceeding with trial preparation in the normal course. A trial date has not yet been allocated for the matter. At this stage, and in the absence of a court decision on this matter, it is not yet certain as to whether Harmony and its subsidiary will incur any costs (except legal fees) related to the above claim.

During the period September 2011 to December 2016, 12 individual actions were instituted against Harmony by former employees, or dependents of former employees, in which damages are claimed ranging from ZAR500 000 (US\$38 000) to ZAR5 million (US\$380 000) arising from the alleged contraction of silicosis, alleged exposure to blasting fumes and smoke, or the loss of support following medical incapacitation, or death, of former employees as a result of the alleged contraction of silicosis. All of these actions are being defended. Nine of these actions have been suspended pending the outcome of the appeals presently before the Supreme Court of Appeal in respect of the consolidated application for the certification of a class action referred to above.

### **19.1.4 The working group**

Anglo American South Africa Limited, AngloGold Ashanti, Gold Fields Limited, Sibanye-Stillwater and Harmony (collectively the working group) announced in November 2014 that they have formed a gold mining industry working group to address issues relating to the compensation and medical care for occupational lung diseases in the gold mining industry in South Africa. Subsequently African Rainbow Minerals Limited also joined the working group. Essentially, the companies are seeking a comprehensive and sustainable solution which deals both with the legacy compensation issues and future legal frameworks which, while being fair to employees, also ensures the future sustainability of companies in the gold mining industry.

The companies have engaged all stakeholders on these matters, including government, organised labour, other mining companies and legal representatives of claimants who have filed legal suits against the companies. The Working Group believes that achieving a comprehensive settlement which is fair to past, present and future employees and sustainable for the sector is preferable to protracted litigation.

### **19.1.5 Watut River damage claims – Papua New Guinea**

Legal proceedings commenced in December 2010 against Hidden Valley over alleged damage to the Watut River (which runs adjacent to the Hidden Valley mine), alleged to have been caused by waste rock and overburden run-off from the mine. The damages sought by the plaintiffs were not specified. The defendants intend to defend the claims. No active steps have been taken by the plaintiffs in this proceeding for more than five years. It is not practicable to make any reasonable assessment of the prospects of the plaintiffs succeeding should they proceed with these claims, nor the potential liability of the defendants if the plaintiffs were to succeed. As a result, no provision has been recognised in the financial statements for this matter.

## **19.2 Target Operations**

There are no other legal or arbitration proceedings relating to the Target Operations, including proceedings that are pending or threatened, of which Harmony is aware, that may have or have had in the recent past, being at least the previous 12 months, a material effect on the financial position of the Target Operations.

## 20. OPINION AND RECOMMENDATION

The Board has evaluated the rationale for, and the terms and conditions of, the Transactions, and given that the Board is of the view that the Transactions are consistent with Harmony's strategy and that the Acquisition is expected to significantly enhance Shareholder value, the Board unanimously recommends that Shareholders vote in favour of the resolutions necessary to approve the Transactions and those matters pertaining to the Potential Equity Capital Raising, as set forth in the Notice of General Meeting.

Each of the Directors who hold Ordinary Shares intends to vote his or her Ordinary Shares in favour of the resolutions necessary to approve the Transactions and those matters pertaining to the Potential Equity Capital Raising, as set forth in the Notice of General Meeting.

## 21. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors, whose names are set forth on page 21 of this Circular, individually and collectively accept full responsibility for the accuracy of the information given in this Circular and certify that, to the best of their knowledge and belief, no facts have been omitted that would make any statement in this Circular false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this Circular contains all information required by law and the JSE Listings Requirements.

## 22. EXPENSES RELATING TO THE TRANSACTIONS

It is estimated that the total expenses which have been incurred by Harmony, or that are expected to be incurred by Harmony, relating to the Transactions will amount to approximately R96 308 341 (excluding VAT), and that payment will be made to the following parties according to the amounts indicated below.

<b>Nature of expense</b>	<b>Payable to</b>	<b>Amount (ZAR)</b>
Financial advisor and transaction sponsor fees <sup>1</sup>	UBS	70 000 000
Legal fees	Bowmans	11 500 000
Due diligence fees	SRK	10 120 382
Circular printing and posting	Ince	348 430
Documentation, inspection and ruling request fees	JSE	105 279
Independent reporting accountants fees	PWC	600 000
Corporate advisor to Harmony in respect of the ESOP	Tamela	1 980 000
Technical advisor	Fraser MacGill	1 654 250
<b>Total</b>		<b>96 308 341</b>

1. UBS has contracted as part of one mandate to provide financial advisory and transaction sponsor services. There is no separate fee allocated to these services.

Except as disclosed above, there have been no preliminary expenses incurred within the preceding three years.

## 23. EXPERT'S CONSENTS

The Independent Reporting Accountants, whose reporting accountant's reports are included as **Annexure 2** and **Annexure 4** (respectively) of this Circular, have given and have not, prior to publication of this Circular, withdrawn, their written consent to the inclusion of their reports in the form and context in which they appear herein.

The Competent Person, whose competent person's report is summarised in **Annexure 5** of this Circular and incorporated by reference elsewhere in the Circular, has given and has not, prior to publication of this Circular, withdrawn, its written consent to the inclusion of its summary report in the form and context in which it appears herein.

Each of the Company's advisors, whose names appear on the inside front cover of this Circular, have consented in writing to act in the capacities stated and to their names appearing in this Circular.

## 24. SPONSOR INDEPENDENCE

UBS South Africa Proprietary Limited is acting as financial advisor and transaction sponsor to Harmony. Furthermore, UBS AG has provided US\$50 million, or 25% of the amount made available to Harmony under the Acquisition Bridge Facility. Notwithstanding the foregoing, UBS South Africa Proprietary Limited does not believe this will compromise its independence to act as transaction sponsor to Harmony, due to the fact that the team which provides the sponsor services is separate from the team that is acting as financial advisor.

## 25. NOTICE OF GENERAL MEETING

The General Meeting will be held at **the Hilton Hotel, 138 Rivonia Road, Sandton, Johannesburg, South Africa at 11:00 (South African Standard Time) on Thursday, 1 February 2018** in order for Shareholders to consider and, if deemed fit, pass, with or without modification, the resolutions set forth in the Notice of General Meeting (which notice is attached to, and forms part of, this Circular).

## 26. ACTION TO BE TAKEN BY SHAREHOLDERS AND HOLDERS OF ADRs

Please refer to page 5 of this Circular, which sets forth in detail the actions required to be taken by Shareholders and holders of the ADRs and the Depository in connection with the General Meeting.

## 27. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents, or copies thereof, will be available for inspection at the office of the Company Secretary during normal business hours at the registered office of Harmony, at Randfontein Office Park, corner Main Reef Road and Ward Avenue, Randfontein, 1759, South Africa from the date of this Circular up to and including Thursday, 1 February 2018:

- a signed copy of this Circular (available in English only);
- the Amended MOI;
- the Sale Agreement;
- the Parent Guarantee;
- the ESOP Trust Deed;
- the Harmony Community Trust Deed;
- the Harmony Community Trust Subscription and Relationship Agreement;
- a signed copy of the letter of support from African Rainbow Minerals Limited as described in paragraph 13 above;
- the Independent Reporting Accountant's reports on the historical financial information of the Target Operations as set out in **Annexure 2**;
- the Independent Reporting Accountant's report on the *pro forma* financial information as set out in **Annexure 4**;
- material contracts as set forth in **Annexure 7**;
- the Competent Person's Report, the executive summary of which is set out in **Annexure 5**; and
- the letters of consent referred to in paragraph 23 above.



## 28. DOCUMENTS INCORPORATED BY REFERENCE

The following information has been incorporated by reference and is available for viewing on Harmony's website at [www.harmony.co.za](http://www.harmony.co.za) from the date of this Circular:

<b>Information incorporated by reference</b>	<b>Specific location on website</b>
Harmony's annual results for the years ended 30 June 2015, 2016 and 2017	<a href="http://www.harmony.co.za/investors/reporting/annual-reports">www.harmony.co.za/investors/reporting/annual-reports</a>
the Company's Integrated Annual Report for the year ended 2017	<a href="http://www.harmony.co.za/investors/reporting/annual-reports">www.harmony.co.za/investors/reporting/annual-reports</a>
the Amended MOI	<a href="http://www.harmony.co.za/investors/reporting">www.harmony.co.za/investors/reporting</a>
the full copy of the Competent Person's Report	<a href="http://www.harmony.co.za/investors/reporting">www.harmony.co.za/investors/reporting</a>

By order of the Board

### **HARMONY GOLD MINING COMPANY LIMITED**

**Peter Steenkamp and Frank Abbott**

*Chief Executive Officer and Financial Director*

### **REGISTERED OFFICES OF HARMONY**

Randfontein Office Park  
Corner Main Reef Road and Ward Avenue  
Randfontein, 1759  
South Africa

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**HISTORICAL FINANCIAL INFORMATION OF THE TARGET OPERATIONS**


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**1. HISTORICAL COMBINED FINANCIAL INFORMATION OF THE TARGET OPERATIONS FOR THE SIX MONTHS ENDED 30 JUNE 2017, AND YEARS ENDED 31 DECEMBER 2016, 31 DECEMBER 2015 AND 31 DECEMBER 2014**
**1.1 Combined statement of comprehensive income**

Figures in millions	Notes	Six months ended 30 June 2017 (Reviewed) SA Rands	Year ended 31 December 2016 (Audited) SA Rands	Year ended 31 December 2015 (Reviewed) SA Rands	Year ended 31 December 2014 (Reviewed) SA Rands
<b>Revenue</b>	2	2 195	5 327	4 008	4 596
Gold income	2	2 137	5 101	3 739	4 282
Cost of sales	3	(1 781)	(3 731)	(3 308)	(3 362)
<b>Gross profit</b>		<b>356</b>	<b>1 370</b>	<b>431</b>	<b>920</b>
Special items	5	(14)	(21)	(1)	3
<b>Operating profit</b>		<b>342</b>	<b>1 349</b>	<b>430</b>	<b>923</b>
Interest received	2	2	4	3	3
Fair value adjustments on investments held by trust funds		1	(7)	(9)	7
Unwinding of obligations		(22)	(59)	(34)	(29)
<b>Profit before taxation</b>		<b>323</b>	<b>1 287</b>	<b>390</b>	<b>904</b>
Taxation	6	(109)	(435)	(132)	(314)
<b>Profit for the period</b>		<b>214</b>	<b>852</b>	<b>258</b>	<b>590</b>
Other comprehensive income		–	–	–	–
<b>Total comprehensive profit for the period</b>		<b>214</b>	<b>852</b>	<b>258</b>	<b>590</b>

## 1.2 Combined statement of financial position

Figures in millions	Notes	30 June 2017 (Reviewed) SA Rands	31 December 2016 (Audited) SA Rands	31 December 2015 (Reviewed) SA Rands	31 December 2014 (Reviewed) SA Rands
<b>ASSETS</b>					
<b>Non-current assets</b>		<b>4 296</b>	<b>4 399</b>	<b>4 552</b>	<b>4 284</b>
Tangible assets	7	3 940	4 045	4 223	3 968
Investments held by environmental trusts	8	354	352	328	315
Trade and other receivables	9	2	2	1	1
<b>Current assets</b>		<b>282</b>	<b>235</b>	<b>263</b>	<b>340</b>
Inventories	10	175	137	175	168
Trade and other receivables	9	107	46	88	150
Cash and cash equivalents		–	52	–	22
<b>Total assets</b>		<b>4 578</b>	<b>4 634</b>	<b>4 815</b>	<b>4 624</b>
<b>EQUITY AND LIABILITIES</b>					
Owner's loan	11	1 118	1 327	2 146	2 559
Retained earnings	11	1 914	1 700	848	590
<b>Shareholder's equity</b>		<b>3 032</b>	<b>3 027</b>	<b>2 994</b>	<b>3 149</b>
<b>Non-current liabilities</b>		<b>1 166</b>	<b>1 272</b>	<b>1 452</b>	<b>1 109</b>
Environmental rehabilitation provisions	12	225	260	349	150
Provision for post-retirement benefits	13	14	14	13	12
Deferred taxation	14	927	998	1 090	947
<b>Current liabilities</b>		<b>380</b>	<b>335</b>	<b>369</b>	<b>367</b>
Trade and other payables	15	380	335	369	367
<b>Total liabilities</b>		<b>1 546</b>	<b>1 607</b>	<b>1 821</b>	<b>1 476</b>
<b>Total equity and liabilities</b>		<b>4 578</b>	<b>4 634</b>	<b>4 815</b>	<b>4 624</b>

## 1.3 Commentary

### Moab Khotsong Operating Results

#### Key factors affecting results

##### Gold prices

Operating results are directly related to the price of gold, which can fluctuate widely and is affected by numerous factors beyond its control.

Yearly average spot gold prices.

- 2014 – \$1,266 per ounce
- 2015 – \$1,159 per ounce
- 2016 – \$1,248 per ounce

##### Production levels

In addition to gold prices, gold income in any year is also influenced by its level of gold production. Production for Moab Khotsong was as follows:

- 2014 – 312,000oz
- 2015 – 254,000oz
- 2016 – 280,000oz

### ***Foreign exchange fluctuations***

The sale of gold is in US dollars. Revenue reflected in South African Rand is therefore significantly influenced by the fluctuations of the exchange rate. Gold income tend to be adversely impacted by local currency strength and favourably impacted by local currency weakness.

<b>Average annual exchange rates to the US dollar</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
South African Rand	<b>14.68</b>	12.77	10.83

### **Comparison of financial and operational performance in 2016 with 2015**

#### ***Production***

Production increased by 10% to 280 000oz due to 7% higher tonnes mined and a 6% increase in yield compared to the prior year.

#### ***Gold income***

Gold income from Moab Khotsong in 2016 increased by ZAR1,362 million, or 36 percent, to ZAR5,101 million from ZAR3,739 million in 2015. The increase was as a result of the 8% increase in the gold price received, increase in gold sold as a result of higher production and the weakening of the South African Rand against the US dollar.

#### ***Cost of sales***

Cost of sales increased from ZAR3,308 million in 2015 to ZAR3,731 million in 2016, which represents a ZAR423 million or 13 percent increase. The increase was primarily due to increased production volumes as well inflationary increases in labour, consumable stores, power, services and other charges.

Revenue from by-products, included in cost of sales, decreased in 2016.

#### ***Rehabilitation costs***

Rehabilitation costs decreased from a charge of ZAR107 million in 2015 to a credit of ZAR7 million in 2016. The decrease was due to changes in the timing and estimates of the future cash flows, as well as changes to estimates of inflation rates and discount rates compared to 2015.

#### ***Amortisation of tangible and intangible assets***

Amortisation of tangible and intangible assets expense increased by ZAR133 million, or 22 percent, to ZAR727 million in 2016 from ZAR594 million in 2015. The increase was mainly due to increased production.

### **Comparison of financial and operational performance in 2015 with 2014**

#### ***Production***

Production decreased by 19% to 254 000ozs due to 10% lower tonnes mined and 9% decrease in yield. Production for the year was adversely impact by a higher number of safety related stoppages compared to the prior year.

#### ***Gold income***

Gold income from Moab Khotsong in 2015 decreased by ZAR543 million, or 13 percent, to ZAR3,739 million from ZAR4,282 million in 2014. The decrease was mainly due an 8% decrease in the gold price received and the lower volumes sold. The decrease was partially offset by the weakening of the South African Rand against the US dollar.

#### ***Cost of sales***

Cost of sales decreased from ZAR3,362 million in 2014 to ZAR3,308 million in 2015, which represents a ZAR54 million or two percent decrease. Labour, services and other costs decreased in 2015. This decrease was partially offset by an increase in consumable stores and power costs. The inflationary impact on labour was offset by the reduction in the overall number of employees.

Revenue from by-products, included in cost of sales, decreased in 2015.

### **Rehabilitation costs**

Rehabilitation costs increased from ZAR59 million in 2014 to ZAR107 million in 2015. The increase was due to changes to timing of cash flows and changes in estimate of cash flows inflation rates and discount rates compared to 2015.

### **Amortisation of tangible and intangible assets**

Amortisation of tangible and intangible assets expense decreased by ZAR28 million, or five percent, to ZAR594 million in 2015 from ZAR622 million in 2014. The decrease was mainly due to decreased production following safety stoppages that impacted the production profile and depreciation charge.

## **1. ACCOUNTING POLICIES**

### **General information**

The VR operations (including Moab Khotsong, Great Nologwa and Kopanang mines) are included in the South African operations of AngloGold Ashanti, a public company registered in South Africa. The Nuclear Fuels Corporation of South Africa Proprietary Limited (Nufcor) is a subsidiary of AngloGold Ashanti, while AngloGold Ashanti also retains a Member's Interest in Margaret Water Company NPC (MWC).

For purposes of this historical combined financial information, the VR Mining Business comprises the Sale Assets (mining sale assets including the Moab Khotsong and Great Nologwa mines, and the related contracts, mining rights, surface right permits, trust monies and mining properties) and Sale Liabilities (all obligations and liabilities of the Sale Assets, whether actual or contingent, less certain excluded liabilities). The VR Mining Business together with the Nufcor Sale Equity (including the Uranium Trust) and the MWC Members Interest, are together hereinafter referred to as "Target Operations".

The historical combined financial information has been derived from the consolidated financial statements of AngloGold Ashanti using the historical results of operations, assets and liabilities attributable to the Target Operations. AngloGold Ashanti's consolidated financial statements were prepared in accordance with IFRS. The Directors have relied on the fact that the historical combined financial information has been derived from these consolidated financial statements of AngloGold Ashanti, that are free from material misstatement, whether due to fraud or error, and that AngloGold Ashanti's directors were responsible for the compilation of AngloGold Ashanti's consolidated financial statements and the internal controls as they determined are necessary to enable the preparation and presentation of their consolidated financial statements.

### **Basis of preparation of historical combined financial information**

The historical combined financial information, has been prepared in accordance with sections 8.1 to 8.13 of the JSE Listings Requirements. This basis of preparation describes how the financial information has been prepared.

IFRS do not provide for the preparation of historical combined financial information, and accordingly in preparing the historical combined financial information, certain accounting conventions commonly used in the preparation of historical combined financial information for inclusion in circulars, have been applied, which are discussed in more detail below.

In preparing the historical combined financial statements of the Target Operations, the recognition and measurement principles of IFRS, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council have been applied, except for the material departures from these principles as has been noted below. The historical combined financial information has been further supplemented with certain relevant note disclosures that are considered necessary to understand these historical combined financial information of the Target Operations.

### **Historical combined financial information**

The Target Operations do not constitute a separate legal entity. The historical combined financial information for the Reporting Periods (the six months ended 30 June 2017, and years ended 31 December 2016, 31 December 2015 and 31 December 2014) has been prepared by aggregating the historical financial information relating to the Target Operations to be disposed of, to Harmony Gold Mining Company Limited (Harmony).

The historical combined financial information has been prepared with the objective of presenting the results and net assets of the Target Operations for the Reporting Periods. The Target Operations have, for the periods presented, been under the control of AngloGold Ashanti. Consequently, this historical combined financial information may not necessarily be indicative of the financial performance that would have been achieved, had the Target Operations operated independently for the Reporting Periods. Furthermore, it may not be indicative of the financial results in future periods.

The MWC Members' Interest is included in the results of the VR Mining Business by incorporating AngloGold Ashanti's share of the costs to fund its share of the operating and capital expenditure.

### ***Share capital and retained income***

Since the consolidated Target Operations do not constitute a separate legal entity, it is not meaningful to disclose a historical analysis of the share capital and retained income balances. The total shareholders' equity of the Target Operations as disclosed in the historical combined financial information represents the cumulative investment of AngloGold Ashanti in the Target Operations.

### ***Statement of changes in equity***

The historical combined financial information does not include a statement of changes in equity, as the consolidated Target Operations do not constitute a separate legal entity and it is not considered meaningful to disclose a historical analysis of share capital, owner's loan and retained earnings balances.

### ***Statement of cash flows***

The historical combined financial information does not include a statement of cash flows, as the VR Mining Business, except for the Nufcor and the environmental rehabilitation trust, did not operate its own bank accounts. Although Nufcor and the environmental rehabilitation trust operate their own bank accounts, all items for the VR Mining Business are non-cash and therefore presenting cash flow results for them will not be meaningful.

### ***IAS 24 – Related Party Disclosures***

The consolidated Target Operations do not constitute a separate legal entity and there are therefore numerous transactions between the Target Operations and other divisions of AngloGold Ashanti, due to it not operating its own bank accounts and receiving centralised services. Therefore, no disclosures for transactions and balances owing to other divisions of AngloGold Ashanti as related parties are made, as these are not considered to be related parties. Subsidiaries of AngloGold Ashanti are related parties.

Throughout the Reporting Periods, those persons having the authority and responsibility for planning, directing and controlling the activities of the Target Operations were represented by AngloGold Ashanti key management personnel as the Target Operations' activities were managed as part of AngloGold Ashanti. For this reason, it is not relevant to disclose historical financial information relating to those individuals who will be the key management personnel of the Target Operations post acquisition by Harmony.

### ***Employee share ownership plan***

The Target Operations have not historically existed as a standalone legal entity and as such, no share ownership plans existed over any securities of the Target Operations. Amounts have been included in cost of sales in this historical combined financial information reflective of amounts previously allocated by AngloGold Ashanti to the Target Operations for employees who formed part of the AngloGold Ashanti group employee share option plan.

### ***Intercompany transactions and funding***

All transactions between the Target Operations and AngloGold Ashanti, which have historically been eliminated in the consolidated financial statements of AngloGold Ashanti, have now been presented in Owner's loans and reflected as equity in the historical combined financial information. As the Target Operations, except for Nufcor, MWC and the environmental rehabilitation trusts, is a division of the South African operations of AngloGold Ashanti, it did not have its own cash balances and borrowings. Therefore, the balances with AngloGold Ashanti, together with the cash balances and borrowing relating to Nufcor, MWC and the environmental rehabilitation trust, are representative of the net funding of the Target Operations for the Reporting Periods and reflected in shareholders' equity as it represents the cumulative investment of AngloGold Ashanti in the Target Operations.



### ***Listed investments held by environmental trusts***

Listed equity investments held by the environmental trusts are classified as available-for-sale financial assets and subsequently measured at fair value. Listed investments' fair values are calculated by reference to the quoted selling price at the close of business on the reporting date. Changes in fair value are recognised in profit or loss for the period in which they arise as fair value through profit and loss.

This differs from the policy in which AngloGold Ashanti recognised changes in fair value in other comprehensive income and these amounts are removed from other comprehensive income and reported in profit or loss for the period when the asset is derecognised or when there is objective evidence that the asset is impaired based on a significant or prolonged decrease in the fair value of the equity instrument below its cost.

Investments which management has the intention and ability to hold to maturity, are classified as held-to-maturity financial assets and are subsequently measured at amortised cost using the effective interest rate method. If there is evidence that held-to-maturity financial assets are impaired, the carrying amount of the assets is reduced and the loss recognised in profit or loss for the period.

### ***Gold revenue***

The VR Mining Business processed its reef, together with the Kopanang mine, at the Great Nologwa Plant Complex. Mispah Plant, Kopanang Plant and West Gold Plant processed surface sources (marginal ore dumps). The VR production and sales were allocated from the plants to the business units based on actual production for the month. The revenue allocated to the VR Mining Business is reflected as revenue in this historical combined financial information as there is a rational and fair basis to allocate the revenue and is deemed representative of the gold income directly related to the Sale Assets.

Nufcor acts as an agent for the processing and sale of uranium on behalf of AngloGold Ashanti and does therefore not have any uranium revenue. Agent fees are immaterial.

### ***Cost of sales***

The VR Mining Business did not previously operate independently, with the result that it benefited from certain centralised functions provided by AngloGold Ashanti's South African regional services, throughout the Reporting Periods. The historical combined financial information for the VR Mining Business includes costs directly related to services consumed by the VR Mining Business (referred to as "Central service functions"). Such costs include the costs for accounting activities, employee related services, supply chain services and information management services.

Costs of sales also includes the costs of certain key functions (e.g. metallurgy costs, workshops, accommodation, engineering services and sustainable development) which were centrally managed and accounted for, but incurred in operating the VR Mining business (referred to as "Centrally managed costs"). The costs are determined using allocation drivers such as employee numbers, production volumes and certain other metrics.

These costs are all for services or goods directly attributable to the VR Mining Business and do not include any recharges from AngloGold Ashanti in respect of general overhead costs.

### ***Cost of sales – Other cash costs***

These costs include mining royalties, IFRS 2 charges and other items. Mining royalties are calculated for the Vaal River lease area and allocated to the VR Mining Business based on its production for the year.

### ***Cost of sales – Amortisation of assets***

The amortisation charge includes amortisation on the Target Operations' directly attributable assets, as well as the VR Mining Business' share of depreciation on centralised assets (e.g. metallurgical plans and regional shared assets). For purposes of the statement of financial position, only those assets that are directly attributable to the Target Operations are accounted for.

### ***Income tax expense***

Income tax is calculated at a legal entity level for AngloGold Ashanti, separated for the West Wits and Vaal River lease areas. Ordinarily, the allocation of this income tax charge to the VR Mining Business would not be meaningful as it is not necessarily representative of the tax charges that would have been reported had the VR Mining Business operated as a separate legal entity, as AngloGold Ashanti is subject to certain income tax provisions that would not apply to the VR Mining Business as a separate legal entity. Since

the VR Mining Business has no significant permanent differences and the tax entity's eventual taxable income will be affected by factors outside of the financial statements, the income statement tax expense to be attributed to the VR Mining Business has been calculated at 34% (the marginal gold mining tax rate) of the profit or loss before tax for the VR Mining Business. This charge/credit will all be treated as tax expense due to the difficulty in allocating this between current and deferred taxation.

The environmental rehabilitation trusts are tax exempt while Nufcor is taxed at a marginal rate of 28%.

### ***Deferred tax***

Deferred tax is calculated at an AngloGold Ashanti statutory level applying tax rules and accounting principles that apply at that level which will not result in the same balances had the VR Mining Business been a standalone entity. The total deferred tax balance at the statutory level has been allocated to the VR Mining Business using the significant carrying values on the statement of financial position that attract deferred tax, including: property, plant and equipment; prepayments; environmental obligations and other liabilities (including employee related liabilities).

These deferred tax liabilities may not be fully representative of the balances that would have been recognised had the VR Mining Business been operating as a separate entity in the Reporting Periods.

Gold mines in South Africa are taxed at a variable rate based on their profit margins. The rate used to calculate deferred tax is the budgeted tax rate over the life-of-mine plans and hence the rates are reset at each year-end following completion of the business planning cycle.

Deferred tax for Nufcor and the environmental rehabilitation trusts are included in the historical combined financial information at the same amounts that are recorded for the legal entity temporary differences.

### ***VAT receivable (included in recoverable tax, rebates, levies and duties)***

VAT is recognised at a statutory level. VAT on transactions is not recorded in each operation, but centrally for AngloGold Ashanti. The total AngloGold Ashanti net VAT receivable was allocated to the VR Mining Business based on its purchases of goods and services in the last quarter of the respective Reporting Period as a proportion of the total purchases of goods and services in the last quarter of the respective Reporting Period for AngloGold Ashanti. The vatable expenses used to determine the allocation are primarily cash costs, excluding labour. VAT receivable for Nufcor have been aggregated with the VAT calculated for the VR Mining Business.

### ***Cash-generating unit***

The Moab Khotsong Mine, which makes up almost all of the assets of the VR Mining Business, constituted the lowest level cash-generating unit within the AngloGold Ashanti South Africa operations. When assessing the impairment of the Moab Khotsong Mine, certain assets and liabilities relating to centralised and processing infrastructure were allocated to the carrying value of the cash-generating unit. No impairments were identified for the Moab Khotsong Mine for the Reporting Periods. An impairment review at Vaal River regional level is not necessarily reflective of the impairment review that a standalone entity may have performed.

As the Nufcor cash flows are not independent from those of the VR operations, it is not considered a separate cash-generating unit.

### ***Environmental rehabilitation obligations***

Only the environmental rehabilitation obligations directly linked to the Target Operations are reflected in the historical combined financial information for the Reporting Periods

### ***Contingent liabilities – Occupational Diseases in Mines and Works Act (ODMWA) litigation***

The contingent liability for ODMWA relating to any past or current employees of the VR Mining Business is not being transferred as part of the sale of the business as this liability has been retained by AngloGold Ashanti. Therefore, the liability and related costs have not been reflected in the historical combined financial information for the Reporting Periods.

### ***Critical accounting judgements***

In preparing the historical combined financial information, management have made certain estimates and assumptions that materially affect the reported amounts of assets and liabilities at the date of the historical combined financial information, and the reported amounts of revenue and expenses during the period and related disclosures. The reported results may vary materially if alternative assumptions are applied.

The following accounting policies have been identified as being particularly complex or involving subjective judgements or assessments:

### ***Carrying value of tangible assets***

The majority of mining assets are amortised using the units-of-production method where the mine operating plan calls for production from a well-defined gold mineral reserves. For mobile and other equipment, the straight-line method is applied over the estimated useful life of the asset which does not exceed the estimated mine life based on gold mineral reserves and resources as the useful lives of these assets are considered to be limited to the life of the relevant mine. The calculation of the units-of-production rate of amortisation could be impacted to the extent that actual production in the future is different from current forecast production based on gold mineral reserves. This would generally arise when there are significant changes in any of the factors or assumptions used in estimating gold mineral reserves.

These factors could include:

- changes in gold mineral reserves;
- the grade of ore may vary significantly from time to time;
- differences between actual commodity prices and commodity price assumptions;
- unforeseen operational issues at mine sites; and
- changes in capital, operating, mining, processing and reclamation costs, discount rates and foreign exchange rates.

Changes in gold mineral reserves could similarly impact the useful lives of assets amortised on the straight-line method, where those lives are limited to the life of the mine.

The carrying values of tangible assets are reviewed and tested when events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time and impact on the recoverable amounts. The cash flows and value in use are significantly affected by a number of factors including published reserves, resources, exploration potential and production estimates, together with economic factors such as spot and future metal prices, discount rates, foreign currency exchange rates, estimates of costs to produce reserves and future capital expenditure. At the reporting date, an assessment is made of whether any of the indicators which gave rise to previously recognised impairments have changed such that the impairment loss no longer exists or may have decreased. The impairment loss is then assessed on the original factors for reversal and if indicated, such reversal is recognised.

The recoverable amount is estimated based on the positive indicators. If an impairment loss has decreased, the carrying amount is recorded at the recoverable amount, as limited in terms of IAS 36.

### ***Provision for environmental rehabilitation obligations***

Mining and exploration activities are subject to various laws and regulations governing the protection of the environment. Management's best estimate for environmental obligations is recognised in the period in which they are incurred. Actual costs incurred in future periods could differ materially from the estimates. Additionally, future changes to environmental laws and regulations, life of mine estimates, inflation rates, foreign currency exchange rates and discount rates could affect the carrying amount of this provision.

### ***Gold mineral reserves and resources estimates***

Gold mineral reserves and resources are estimates of the amount of product that can be economically and legally extracted from the properties. In order to calculate the gold mineral reserves and resources, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates.

Estimating the quantity and/or grade of the reserves and resources requires the size, shape and depth of orebodies to be determined by analysing geological data such as the logging and assaying of drill samples. This process may require complex and difficult geological judgements and calculations to interpret the data.

The group is required to determine and report its Ore Reserve in accordance with the South African Code for the reporting of Exploration Results, Mineral Resources and Mineral Reserves (The SAMREC Code) 2016 Edition.

Because the economic assumptions used to estimate changes in the reserves and resources from period to period, and because additional geological data is generated during the course of operations, estimates of the reserves and resources may change from period to period. Changes in the reported reserves and resources may affect the Target Operation's financial results and financial position in a number of ways, including the following:

- asset carrying values may be affected due to changes in estimated future cash flows;
- depreciation, depletion and amortisation charged in the income statement may change where such charges are determined by the units-of-production method, or where the useful economic lives of assets change;
- decommissioning site restoration and environmental provisions may change where changes in the estimated reserves and resources affect expectations about the timing or cost of these activities; and
- the carrying value of deferred tax assets may change due to changes in estimates of the likely recovery of the tax benefits.

### ***Significant accounting policies***

The historical combined financial information is prepared on the historical cost basis except for certain financial instruments and liabilities that are stated at fair value. Significant details of the Target Operations' historical combined financial information accounting policies are consistent with those applied in the previous annual financial statements of AngloGold Ashanti, except as noted above in the "Basis of preparation of historical combined financial information" section.

### ***Tangible assets***

#### *Mine development costs*

Capitalised mine development costs include expenditure incurred to develop new orebodies, to define further mineralisation in existing orebodies and, to expand the capacity of a mine. Mine development costs include acquired proved and probable Ore Reserve at cost at the acquisition date. These costs are amortised from the date on which commercial production begins.

Depreciation, depletion and amortisation of mine development costs are computed by the units-of-production method based on estimated reserves. The reserves reflect estimated quantities of reserves which can be recovered economically in the future from known mineral deposits.

#### *Mine infrastructure*

Mine plant facilities, including decommissioning assets, are amortised using the lesser of their useful life or units-of-production method based on estimated reserves. Other tangible assets comprising vehicles and computer equipment are depreciated by the straight-line method over their estimated useful lives.

#### *Land and assets under construction*

Land and assets under construction are not depreciated and are measured at historical cost less impairments.

#### *Mineral rights and dumps*

Mineral rights are amortised using the units-of-production method based on the estimated reserves. Dumps are amortised over the period of treatment.

### ***Impairment***

Assets that are subject to amortisation are tested for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

## ***Inventories***

Inventories are valued at the lower of cost and net realisable value after appropriate allowances for redundant and obsolete items. The consumable stores balances allocated to the VR Mining Business represent specific stores that service the VR Mining Business. Stores are valued at average cost.

## ***Provisions***

Provisions are recognised when a present obligation exists, whether legal or constructive, because of a past event for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised only when the reimbursement is virtually certain. The amount to be reimbursed is recognised as a separate asset. Where a joint and several liability exists with one or more other parties, no provision is recognised to the extent that those other parties are expected to settle part or all of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

Litigation and administrative proceedings are evaluated on a case-by-case basis considering the information available, including that of legal counsel, to assess potential outcomes. Where it is considered probable that an obligation will result in an outflow of resources, a provision is recorded for the present value of the expected cash outflows if these are reasonably measurable. These provisions cover the estimated payments to plaintiffs, court fees and the cost of potential settlements.

## ***Financial instruments***

Financial instruments are initially measured at fair value. Transaction costs are included in the initial measurement of financial instruments, except financial instruments classified as at fair value through profit or loss. Subsequently financial assets are fair valued through profit and loss.

A financial asset is derecognised when the right to receive cash flows from the asset has expired or the group has transferred its rights to receive cash and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

On derecognition of a financial asset, the difference between the proceeds received or receivable and the carrying amount of the asset is included in profit or loss.

On derecognition of a financial liability, the difference between the carrying amount of the liability extinguished or transferred to another party and the amount paid is included in profit or loss.

Regular way purchases and sales of all financial assets and liabilities are accounted for at settlement date.

The Target Operations' financial instruments consist primarily of the following financial assets: investments held by environmental trusts, cash and cash equivalents, trade and other receivables and the following financial liabilities: trade and other payables.

### *Trade and other receivables*

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less accumulated impairment. Impairment of trade and other receivables is established when there is objective evidence as a result of a loss event that the group will not be able to collect all amounts due according to the original terms of the receivables. Objective evidence includes failure by the counterparty to perform in terms of contractual arrangements and agreed terms. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Impairments relate to specific accounts whereby the carrying amount is directly reduced. The impairment is recognised in profit or loss for the period.

### *Cash and cash equivalents*

Cash and cash equivalents are defined as cash on hand, demand deposits and short term, highly liquid investments which are readily convertible to known amounts of cash and subject to insignificant risk of changes in value. They are measured at amortised cost which is deemed to be fair value as they have a short-term maturity.

### *Financial liabilities*

Financial liabilities, other than derivatives and liabilities classified as at fair value through profit or loss, are subsequently measured at amortised cost, using the effective interest rate method.

### *Fair value*

Financial instruments are measured at fair value at each reporting date where relevant. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

### **Environmental rehabilitation provisions**

The long term remediation obligations comprising decommissioning and restoration liabilities relating to past operations are based on environmental management plans, in compliance with current environmental and regulatory requirements. Provisions for non-recurring remediation costs are made when there is a present obligation, it is probable that expenditure on remediation work will be required and the cost can be estimated within a reasonable range of possible outcomes. The costs are based on currently available facts, technology expected to be available at the time of the clean-up, laws and regulations presently or virtually certain to be enacted and prior experience in remediation of contaminated sites. Contributions for the South African operations are made to environmental rehabilitation trust funds, created in accordance with local statutory requirements where applicable, to solely fund the estimated cost of rehabilitation during and at the end of the life of a mine.

Environmental obligations are provided at the present value of the expenditures expected to settle the obligation, using estimated cash flows based on current prices. The unwinding of the environmental obligation is included in profit or loss for the period. Estimated future costs of environmental obligations are reviewed regularly and adjusted as appropriate for new circumstances or changes in law or technology. Changes in estimates are capitalised or reversed against the relevant asset. To the extent that there are no future economic benefits, the amounts are expensed. Estimates are discounted at a pre-tax rate that reflects current market assessments of the time value of money.

Gains or losses from the expected disposal of assets are not taken into account when determining the provision.

### **Foreign currencies**

The South African rand is the functional currency of the Target Operations and this historical combined financial information is accordingly presented in South African rand.

Foreign currency transactions are translated into the functional currency using the approximate exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at the reporting period exchange rate of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss for the period.

### **Revenue recognition**

Revenue is recognised at the fair value of the consideration received or receivable to the extent that it is probable that economic benefits will flow to the entity and revenue and costs can be reliably measured. The following criteria must also be present:

- the sale of mining products is recognised when the significant risks and rewards of ownership of the products are transferred to the buyer;
- interest is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the entity; and
- where a by-product is not regarded as significant, revenue is credited against cost of sales, when the significant risks and rewards of ownership of the products are transferred to the buyer.



## Special items

Items of income and expense that require separate disclosure, in accordance with IAS 1.97, are classified as special items on the face of the statement of comprehensive income. Special items that relate to the underlying performance of the business are classified as operating special items and include impairment charges and reversals. Special items that do not relate to underlying business performance are classified as non-operating special items.

	<b>Six months ended 30 June 2017 (Reviewed) SA Rands</b>	<b>Year ended 31 December 2016 (Audited) SA Rands</b>	<b>Year ended 31 December 2015 (Reviewed) SA Rands</b>	<b>Year ended 31 December 2014 (Reviewed) SA Rands</b>
Figures in millions				
<b>2. REVENUE</b>				
Revenue consists of the following principal categories:				
Gold income	2 137	5 101	3 739	4 282
By-products (note 3)	56	222	266	311
Interest received	2	4	3	3
	<b>2 195</b>	<b>5 327</b>	<b>4 008</b>	<b>4 596</b>
<b>3. COST OF SALES</b>				
Cash operating costs	1 473	3 119	2 775	2 853
By-products revenue (note 2)	(56)	(222)	(266)	(311)
	1 417	2 897	2 509	2 542
Royalties	11	27	16	50
Other cash costs	19	55	47	43
Retrenchment costs	–	46	32	49
Rehabilitation and other non-cash costs	20	(7)	107	59
Amortisation of tangible assets	307	727	594	622
Inventory change	7	(14)	3	(3)
	<b>1 781</b>	<b>3 731</b>	<b>3 308</b>	<b>3 362</b>
In Included in cash operating costs are the costs for the following:				
Centrally managed costs	267	579	498	463
Centralised service functions	139	242	241	225
<b>4. EMPLOYEE BENEFITS</b>				
Employee benefits	618	1 191	1 089	1 085
Health care and medical scheme costs				
– current medical expenses	63	122	113	106
Pension and provident plan costs				
– defined contribution	39	78	74	75
Retrenchment costs	–	46	32	49
Share-based payment expense	3	4	5	5
Included in cost of sales and special items	723	1 441	1 313	1 320
<b>5. SPECIAL ITEMS</b>				
Loss on derecognition of assets	–	12	–	1
Write-down of inventories (note 10)	14	9	–	–
Other	–	–	1	(4)
	<b>14</b>	<b>21</b>	<b>1</b>	<b>(3)</b>

	Six months ended 30 June 2017 (Reviewed) SA Rands	Year ended 31 December 2016 (Audited) SA Rands	Year ended 31 December 2015 (Reviewed) SA Rands	Year ended 31 December 2014 (Reviewed) SA Rands
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Figures in millions

## 6. TAXATION

Comprising:

South African normal taxation at a marginal rate of 34% for the VR Mining Business<sup>1</sup> and 28% for all other entities

– Tax expense	109	435	132	314
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1. Mining tax on gold mining taxable income in South Africa is determined according to a formula, based on the taxable income from mining operations, net of any qualifying capital expenditure from mining operations. 5% of total mining revenue is exempt from taxation as a result of applying the gold mining formula while the balance is taxed at 34%. All qualifying mining capital expenditure is deducted from taxable mining income to the extent that it does not result in an assessed loss and accounting depreciation is eliminated when calculating the company's mining taxable income. Excess capital expenditure is carried forward as unredeemed capital to be claimed from future mining taxable income.

The mining tax formula can only apply to a lease area as a whole and cannot logically apply in isolation to a mine within an existing lease area. The marginal tax rate of 34% is therefore used to estimate the tax expense of the VR Mining Business.

Non-mining taxable income is taxed at 28%.

	Six months ended 30 June 2017 (Reviewed) SA Rands	Year ended 31 December 2016 (Audited) SA Rands	Year ended 31 December 2015 (Reviewed) SA Rands	Year ended 31 December 2014 (Reviewed) SA Rands
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Figures in millions

## 7. TANGIBLE ASSETS

For a detailed analysis of the main categories of property, plant and equipment refer to **Annexure A**.

### Cost

Opening balance	10 177	11 609	11 457	11 431
Additions				
– project capital	–	–	–	2
– stay-in-business capital	255	608	565	529
Transfers and other movements <sup>2</sup>	(127)	(2 040)	(413)	(505)

<b>Closing balance</b>	<b>10 305</b>	<b>10 177</b>	<b>11 609</b>	<b>11 457</b>
------------------------	---------------	---------------	---------------	---------------

### Accumulated amortisation and impairment

Opening balance	6 132	7 386	7 489	7 480
Amortisation for the year	276	658	494	520
Derecognition of assets	(43)	(1 912)	(597)	(511)

<b>Closing balance</b>	<b>6 365</b>	<b>6 132</b>	<b>7 386</b>	<b>7 489</b>
------------------------	--------------	--------------	--------------	--------------

<b>Carrying amount (Annexure A)</b>	<b>3 940</b>	<b>4 045</b>	<b>4 223</b>	<b>3 968</b>
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2. Transfers and other movements include amounts from change in estimates of decommissioning assets, asset reclassifications and derecognition of assets.

	Six months ended 30 June 2017 (Reviewed) SA Rands	Year ended 31 December 2016 (Audited) SA Rands	Year ended 31 December 2015 (Reviewed) SA Rands	Year ended 31 December 2014 (Reviewed) SA Rands
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Figures in millions

## 8. INVESTMENTS HELD BY ENVIRONMENTAL TRUSTS

Investments held by environmental trusts comprise:

Financial instruments designated as fair value through profit or loss

	354	352	328	315
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Investments held by environmental trusts are independently managed with exposure to various asset classes including cash, equity and bonds.

## 9. TRADE AND OTHER RECEIVABLES

### Non-current

Post-retirement medical prepayments

	2	2	1	1
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### Current

Trade receivables

	33	12	29	98
--	----	----	----	----

Prepayments and accrued income

	28	12	15	10
--	----	----	----	----

Recoverable tax, rebates, levies and duties

	46	22	44	42
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	<b>107</b>	<b>46</b>	<b>88</b>	<b>150</b>
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**Total trade and other receivables**

	<b>109</b>	<b>48</b>	<b>89</b>	<b>151</b>
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Current trade receivables are non-interest bearing and are generally on terms less than 90 days.

## 10. INVENTORIES

Work in progress

– metals in process

	64	26	51	40
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Finished goods

– gold doré/bullion

	8	14	–	3
--	---	----	---	---

– by-products

	30	18	41	35
--	----	----	----	----

Total metal inventories

	102	58	92	78
--	-----	----	----	----

Mine operating supplies

	73	79	83	90
--	----	----	----	----

	<b>175</b>	<b>137</b>	<b>175</b>	<b>168</b>
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Inventories written down to net realisable value and recognised as an expense (note 5)

	14	9	–	–
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## 11. SHAREHOLDER'S EQUITY

The Owner's loan balance represents the cumulative investment by AngloGold Ashanti in the Target Operations. The Retained earnings are representative of profits after tax since the earliest period presented.

	<b>Six months ended 30 June 2017 (Reviewed) SA Rands</b>	<b>Year ended 31 December 2016 (Audited) SA Rands</b>	<b>Year ended 31 December 2015 (Reviewed) SA Rands</b>	<b>Year ended 31 December 2014 (Reviewed) SA Rands</b>
--	--	---	--	--

Figures in millions

## 12. ENVIRONMENTAL REHABILITATION PROVISIONS

Provision for decommissioning				
Balance at beginning of year	260	349	150	118
Change in estimates	(47)	(119)	176	20
Utilised during the year	–	(1)	–	–
Unwinding of decommissioning obligation	12	31	23	12
<b>Total environmental obligations</b>	<b>225</b>	<b>260</b>	<b>349</b>	<b>150</b>
Premature closure obligations	666	666	621	595
Less: Environmental trusts (note 8)	354	352	328	315
Less: Environmental guarantees issued to the DMR	334	334	334	334
<b>Unfunded premature closure obligations</b>	<b>22</b>	<b>20</b>	<b>41</b>	<b>54</b>
Real pre-tax risk-free discount rate	10.11%	9.84%	11.15%	9.33%
Undiscounted amount of environmental obligations in real terms	548	548	538	485

## 13. PROVISION FOR POST-RETIREMENT BENEFITS

<b>Defined benefit plans</b>	14	14	13	12
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The provision for pension, provident and medical schemes covers substantially all employees. During 2016, regulatory approval was granted for the pension fund liability to be transferred to a non-recourse policy for pensioners and for the active employees' pension obligation to be transferred to a defined contribution fund. Therefore, no post-retirement pension obligations are shown for the combined historical financial information. The post-retirement pension costs for the Reporting Periods is immaterial

The provision for post-retirement medical funding represents the provision for health care benefits for employees and retired employees and their registered dependents.

The post-retirement benefit costs are assessed in accordance with the advice of independent professional qualified actuaries. The actuarial method used is the projected unit credit funding method. This scheme is unfunded. The last valuation was performed as at 31 December 2016.

For the combined historical financial information, the number of employees to be transferred to Harmony, and who are covered by the medical promise, as a percentage of all affected employees was used to calculate the obligation. An actuarial valuation specific to the affected employees was not obtained.

It is not meaningful to disclose the movement in the obligation nor the assumptions used in the valuation as transferred employees are not representative of the total population.

	<b>Six months ended 30 June 2017 (Reviewed) SA Rands</b>	<b>Year ended 31 December 2016 (Audited) SA Rands</b>	<b>Year ended 31 December 2015 (Reviewed) SA Rands</b>	<b>Year ended 31 December 2014 (Reviewed) SA Rands</b>
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Figures in millions

#### 14. DEFERRED TAXATION

The deferred taxation balance arises mainly on temporary differences from tangible assets, environmental obligations, prepayments and other liabilities:

Deferred taxation	927	998	1 090	947
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Long-term deferred tax rate

The tax rate used to calculate deferred tax is based on the Vaal River lease area's current estimate of future profitability when temporary differences will reverse. Depending on the profitability of the operations, the tax rate can consequently be significantly different from year to year. For all other entities, the rate is 28%.

26.7%	26.7%	28.6%	25.2%
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#### 15. TRADE AND OTHER PAYABLES

Trade payables	147	143	170	189
Leave pay provision	109	102	97	92
Accruals and other	124	90	102	86
	<b>380</b>	<b>335</b>	<b>369</b>	<b>367</b>

Trade and other payables are non-interest bearing and are normally settled within 60 days.

	<b>30 June 2017 (Reviewed) SA Rands</b>	<b>31 December 2016 (Audited) SA Rands</b>	<b>31 December 2015 (Reviewed) SA Rands</b>	<b>31 December 2014 (Reviewed) SA Rands</b>
--	---	--	---	---

Figures in millions

#### 16. CONTRACTUAL COMMITMENTS AND CONTINGENCIES

##### Capital commitments

*Acquisition of tangible assets*

Contracted for	31	13	13	7
Not contracted for	2 880	2 702	2 810	2 737

Authorised by the directors of AngloGold Ashanti

2 911	2 715	2 823	2 744
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Allocated to project capital:

within one year	2	2	25	40
thereafter	2 569	2 596	2 564	2 520
	<b>2 571</b>	<b>2 598</b>	<b>2 589</b>	<b>2 560</b>

*Allocated to stay-in-business capital:*

within one year	292	16	43	133
thereafter	48	102	191	51
	<b>340</b>	<b>118</b>	<b>234</b>	<b>184</b>

Purchase obligations

Contracted for	130	207	186	54
Within one year	130	207	186	54

Purchase obligations represent contractual obligations for the purchase of mining contract services, supplies, consumables, inventories, explosives and activated carbon.

To service these capital commitments, purchase obligations and other operational requirements, the Acquired Assets are dependent on existing cash resources, cash generated from operations and borrowing facilities of the AngloGold Ashanti group.

### **Contingent liabilities**

#### **Other**

**Groundwater pollution** – The company has identified groundwater contamination plumes at its Vaal River Operations, which have occurred primarily as a result of seepage from mine residue stockpiles. Numerous scientific, technical and legal studies have been undertaken to assist in determining the magnitude of the contamination and to find sustainable remediation solutions. The company has instituted processes to reduce future potential seepage and it has been demonstrated that Monitored Natural Attenuation (MNA) by the existing environment will contribute to improvements in some instances. Furthermore, literature reviews, field trials and base line modelling techniques suggest, but have not yet proven, that the use of phyto-technologies can address the soil and groundwater contamination at all South African operations. Subject to the completion of trials and the technology being a proven remediation technique, no reliable estimate can be made for the obligation.

**Deep groundwater pollution** – The company has identified potential water ingress and future pollution risk posed by deep ground water in certain underground mines in South Africa. Various studies have been undertaken by AngloGold Ashanti Limited since 1999 to understand this potential risk. Due to the interconnected nature of mining operations, any proposed solution needs to be a combined one supported by all the mines located in these gold fields. As a result, the Mineral and Petroleum Resources Development Act (MPRDA) requires that the affected mining companies develop a Regional Mine Closure Strategy to be approved by the Department of Mineral Resources. In view of the limitation of current information for the accurate estimation of a liability, no reliable estimate can be made for the obligation.



## 17. FINANCIAL INSTRUMENTS

Figures in millions	Loans and receivables SA Rands	FVTPL/Held for trading SA Rands	Total SA Rands	Fair value SA Rands
<b>30 June 2017 (Reviewed)</b>				
<b>Financial assets</b>				
Investments held by environmental trusts	–	354	354	354
Sundry receivables included in trade and other receivables	9	–	9	9
	<b>9</b>	<b>354</b>	<b>363</b>	<b>363</b>
<b>31 December 2016 (Audited)</b>				
<b>Financial assets</b>				
Investments held by environmental trusts	–	352	352	352
Sundry receivables included in trade and other receivables	7	–	7	7
Cash and cash equivalents	52	–	52	52
	<b>59</b>	<b>352</b>	<b>411</b>	<b>411</b>
<b>31 December 2015 (Reviewed)</b>				
<b>Financial assets</b>				
Investments held by environmental trusts	–	328	328	328
Sundry receivables included in trade and other receivables	18	–	18	18
	<b>18</b>	<b>328</b>	<b>346</b>	<b>346</b>
<b>31 December 2014 (Reviewed)</b>				
<b>Financial assets</b>				
Investments held by environmental trusts	–	315	315	315
Sundry receivables included in trade and other receivables	8	–	8	8
Cash and cash equivalents	22	–	22	22
	<b>30</b>	<b>315</b>	<b>345</b>	<b>345</b>
				<b>Financial liabilities SA Rands</b>
<b>30 June 2017 (Reviewed)</b>				
<b>Financial liabilities</b>				
Trade payables				147
<b>31 December 2016 (Audited)</b>				
<b>Financial liabilities</b>				
Trade payables				143
<b>31 December 2015 (Reviewed)</b>				
<b>Financial liabilities</b>				
Trade payables				170
<b>31 December 2014 (Reviewed)</b>				
<b>Financial liabilities</b>				
Trade payables				189

The carrying amounts of sundry receivables, cash and cash equivalents and financial liabilities approximate fair value due to their short-term nature.

### Fair value disclosures

The following is an analysis of the financial instruments that are measured subsequent to initial recognition at fair value. They are grouped into levels 1 to 3 based on the extent to which the fair value is observable. The levels are classified as follows:

Level 1 – fair value is based on quoted prices in active markets for identical financial assets or liabilities.

Level 2 – fair value is determined using directly observable inputs other than Level 1 inputs.

Level 3 – fair value is determined on inputs not based on observable market data.

Figures in millions	Carrying value SA Rands	Fair value Level 1 SA Rands
<b>Financial assets through profit and loss</b>		
Investments held by environmental trusts		
30 June 2017 (Reviewed)	354	354
31 December 2016 (Audited)	352	352
31 December 2015 (Reviewed)	328	328
31 December 2014 (Reviewed)	315	315

### Managing risk in the AngloGold Ashanti company

#### Interest rate and liquidity risk

At each of the financial reporting periods, the Target Operations were in a net current asset position. Current liabilities were funded from operating cash flows.

Financial liabilities, comprising of trade and other payables, mature within one year.

The carrying amount of the Target Operations' financial assets and liabilities that are subject to interest rate risk is as follows:

Figures in millions	Subject to interest rate movements		
	Floating SA Rands	Non-interest- bearing SA Rands	Total SA Rands
<b>30 June 2017 (Reviewed)</b>			
<b>Financial assets</b>			
Investments held by environmental trusts	4	350	354
Sundry receivables included in trade and other receivables	–	9	9
	<b>4</b>	<b>359</b>	<b>363</b>
<b>Financial liabilities</b>			
Trade and other payables	–	147	147
<b>31 December 2016 (Audited)</b>			
<b>Financial assets</b>			
Investments held by environmental trusts	21	331	352
Sundry receivables included in trade and other receivables	–	7	7
Cash and cash equivalents	52	–	52
	<b>73</b>	<b>338</b>	<b>411</b>
<b>Financial liabilities</b>			
Trade and other payables	–	143	143

Figures in millions	Floating SA Rands	Non-interest- bearing SA Rands	Total SA Rands
<b>31 December 2015 (Reviewed)</b>			
<b>Financial assets</b>			
Investments held by environmental trusts	52	276	328
Sundry receivables included in trade and other receivables	–	18	18
	<b>52</b>	<b>294</b>	<b>346</b>
<b>Financial liabilities</b>			
Trade and other payables	–	170	170
<b>31 December 2014 (Reviewed)</b>			
<b>Financial assets</b>			
Investments held by environmental trusts	14	301	314
Sundry receivables included in trade and other receivables	–	8	8
Cash and cash equivalents	22	–	22
	<b>36</b>	<b>309</b>	<b>345</b>
<b>Financial liabilities</b>			
Trade and other payables	–	189	189

### Interest rate sensitivity

Due to the fact that the Target Operations do not have significant financial assets and liabilities subject to ZAR interest rates, any movement in the ZAR interest rates will not have a material impact on the profit/loss for the period.

The following table details the business's remaining contractual maturity for its financial liabilities. The table has been compiled based on the undiscounted cash flows of financial liabilities based on the earliest date on which repayment of the liabilities can be demanded. The cash flows include both the principal and interest payments.

Figures in millions	Weighted average effective rate (%)	Less than 12 months SA Rands	Total SA Rands
<b>Non-derivative financial instruments – trade and other payables</b>			
30 June 2017 (Reviewed)	n/a	147	147
31 December 2016 (Audited)	n/a	143	143
31 December 2015 (Reviewed)	n/a	170	170
31 December 2014 (Reviewed)	n/a	189	189

### Credit risk

Potential concentrations of credit risk consist primarily of investments held by environmental trusts, short-term cash investments and trade accounts receivable. Credit risk arises from the risk that a counterparty may default or not meet its obligations timeously. The Target Operations benefit from the policy to minimise credit risk by ensuring that counterparties are banking institutions of the highest quality, that appropriate credit limits are in place for each counterparty and that short-term cash investments are spread among a number of different counterparties. Banking counterparty limits are reviewed annually by the board.

Trade receivables comprises mainly amounts owing from third party building rentals and third-party cost recoveries.

The carrying amount of the financial assets represents the business's maximum exposure to credit risk without taking into consideration any collateral provided:

	<b>Maximum credit risk</b>			
Figures in millions	<b>30 June 2017 (Reviewed) SA Rands</b>	<b>31 December 2016 (Audited) SA Rands</b>	<b>31 December 2015 (Reviewed) SA Rands</b>	<b>31 December 2014 (Reviewed) SA Rands</b>
<b>Financial assets and other credit exposures</b>				
Investments held by environmental trusts	354	352	328	315
Sundry receivables included in trade and other receivables	9	7	18	8
Cash and cash equivalents	–	52	–	22
	<b>363</b>	<b>411</b>	<b>346</b>	<b>345</b>

## 18. RELATED PARTY TRANSACTIONS

As noted in the basis of preparation the Target Operations do not constitute a separate legal entity, therefore there are numerous transactions between the Acquired Assets and the other divisions of AngloGold Ashanti due to it not operating its own bank accounts or receiving centralised services. Accordingly, transactions and balances owing to other divisions of AngloGold Ashanti have not been disclosed as these are not considered to be related parties. Subsidiaries of AngloGold Ashanti are related parties.

## 19. POST BALANCE SHEET EVENTS

On 19 October 2017, AngloGold Ashanti entered into the Sale and Purchase Agreement (SPA). In terms of the SPA, the Target Operations will be sold. The Acquisition requires various regulatory approvals, including approval by the South African competition authorities and the Department of Mineral Resources. In addition, the parties have agreed conduct of business provisions applicable to the conduct of the Target Operations in the period between the signature of the SPA and the Effective Date. Fulfilment of the conditions precedent to the Acquisition is expected by the date stated in the Circular, which date may be extended, as provided for in the SPA. The conditions precedent may also be waived, as provided for in the SPA.

## TANGIBLE ASSETS

	30 June 2017 (Reviewed)		
	Cost	Accumulated	Carrying
Figures in millions	SA Rands	amortisation SA Rands	amount SA Rands
<b>Owned assets</b>			
Mine development costs	8 852	6 185	2 667
Mine infrastructure	403	147	256
Mineral rights and dumps	88	33	55
Assets under construction	962	–	962
<b>Note 7</b>	<b>10 305</b>	<b>6 365</b>	<b>3 940</b>
	31 December 2016 (Audited)		
	Cost	Accumulated	Carrying
Figures in millions	SA Rands	amortisation SA Rands	amount SA Rands
<b>Owned assets</b>			
Mine development costs	8 661	5 968	2 693
Mine infrastructure	441	133	308
Mineral rights and dumps	89	31	58
Assets under construction	986	–	986
<b>Note 7</b>	<b>10 177</b>	<b>6 132</b>	<b>4 045</b>
	31 December 2015 (Reviewed)		
	Cost	Accumulated	Carrying
Figures in millions	SA Rands	amortisation SA Rands	amount SA Rands
<b>Owned assets</b>			
Mine development costs	9 949	7 211	2 738
Mine infrastructure	492	109	383
Mineral rights and dumps	89	27	62
Assets under construction	1 079	39	1 040
<b>Note 7</b>	<b>11 609</b>	<b>7 386</b>	<b>4 223</b>
	31 December 2014 (Reviewed)		
	Cost	Accumulated	Carrying
Figures in millions	SA Rands	amortisation SA Rands	amount SA Rands
<b>Owned assets</b>			
Mine development costs	10 114	7 327	2 787
Mine infrastructure	254	99	155
Mineral rights and dumps	89	24	65
Assets under construction	1 000	39	961
<b>Note 7</b>	<b>11 457</b>	<b>7 489</b>	<b>3 968</b>

The carrying amount of tangible assets can be reconciled as follows:

Figures in millions	Carrying amount at beginning of period SA Rands	Additions SA Rands	Transfers and other movements SA Rands	Amortisation SA Rands	Impairments and derecognitions SA Rands	Carrying amount at end of period SA Rands
<b>30 June 2017 (Reviewed)</b>						
<b>Owned assets</b>						
Mine development costs	2 693	216	(27)	(258)	43	2 667
Mine infrastructure	308	12	(49)	(15)	–	256
Mineral rights and dumps	58	–	–	(3)	–	55
Assets under construction	986	27	(51)	–	–	962
<b>Note 7</b>	<b>4 045</b>	<b>255</b>	<b>(127)</b>	<b>(276)</b>	<b>43</b>	<b>3 940</b>

Figures in millions	Carrying amount at beginning of period SA Rands	Additions SA Rands	Transfers and other movements SA Rands	Amortisation SA Rands	Impairments and derecognitions SA Rands	Carrying amount at end of period SA Rands
<b>31 December 2016 (Audited)</b>						
<b>Owned assets</b>						
Mine development costs	2 738	483	(1 771)	(630)	1 873	2 693
Mine infrastructure	383	34	(85)	(24)	–	308
Mineral rights and dumps	62	–	–	(4)	–	58
Assets under construction	1 040	91	(184)	–	39	986
<b>Note 7</b>	<b>4 223</b>	<b>608</b>	<b>(2 040)</b>	<b>(658)</b>	<b>1 912</b>	<b>4 045</b>

The carrying amount of tangible assets can be reconciled as follows:

Figures in millions	Carrying amount at beginning of period SA Rands	Additions SA Rands	Transfers and other movements SA Rands	Amortisation SA Rands	Impairments and derecognitions SA Rands	Carrying amount at end of period SA Rands
<b>31 December 2015 (Reviewed)</b>						
<b>Owned assets</b>						
Mine development costs	2 787	414	(579)	(481)	597	2 738
Mine infrastructure	155	22	216	(10)	–	383
Mineral rights and dumps	65	–	–	(3)	–	62
Assets under construction	961	129	(50)	–	–	1 040
<b>Note 7</b>	<b>3 968</b>	<b>565</b>	<b>(413)</b>	<b>(494)</b>	<b>597</b>	<b>4 223</b>

Figures in millions	Carrying amount at beginning of period SA Rands	Additions SA Rands	Transfers and other movements SA Rands	Amortisation SA Rands	Impairments and derecognitions SA Rands	Carrying amount at end of period SA Rands
<b>31 December 2014 (Reviewed)</b>						
<b>Owned assets</b>						
Mine development costs	2 840	411	(464)	(511)	511	2 787
Mine infrastructure	80	34	47	(6)	–	155
Mineral rights and dumps	68	–	–	(3)	–	65
Assets under construction	963	86	(88)	–	–	961
<b>Note 7</b>	<b>3 951</b>	<b>531</b>	<b>(505)</b>	<b>(520)</b>	<b>511</b>	<b>3 968</b>



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## INDEPENDENT REPORTING ACCOUNTANT'S REPORTS IN RESPECT OF THE TARGET OPERATIONS

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### Form of opinion on the Report of Combined Historical Financial Information

*Capitalised terms used but not defined in our Reporting Accountant's Report shall bear the same meanings ascribed to them in the Circular.*

#### The Directors

Harmony Gold Mining Company Limited  
Corner Main Reef Road and Ward Avenue  
Randfontein, 1759  
South Africa

Dear Sirs

### Independent Reporting Accountant's Report on the Historical Combined Financial Information of the Target Operations

#### Introduction

At your request, we present our Reporting Accountant's Report on the Historical Combined Financial Information of the Target Operations as at and for the year ended 31 December 2016, (the "Historical Combined Financial Information") for inclusion in Annexure 1 of the Circular to Harmony Gold Mining Company Limited shareholders to be dated on or about 7 December 2017 ("Circular"). This report is required for the purposes of complying with Section 8.48 of the Listings Requirements of the JSE Limited (the "JSE Listings Requirements") (the "Listings Requirements") and is given for the purpose of complying with those requirements and for no other purpose. We are the independent auditors of the seller of the above assets and interests, AngloGold Ashanti Limited.

To the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with the Listings Requirements and consenting to its inclusion in the Circular.

#### Opinion

We have audited the Historical Combined Financial Information of the Target Operations, which comprise the Combined statement of financial position at 31 December 2016, and the Combined statement of comprehensive income for the year then ended, and notes to the Historical Combined Financial Information, including the basis of preparation and summary of significant accounting policies.

In our opinion, the Historical Combined Financial Information for the year ended 31 December 2016 consisting of the combined financial position of the Target Operations and its combined financial performance for the year ended 31 December 2016 included in the Circular has been prepared, in all material respects, in accordance with basis of preparation as set out in note 1 of the Historical Combined Financial Information and the respective JSE Listings Requirements.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of AngloGold Ashanti Limited in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code), the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the financial statements in South Africa, and we have fulfilled our other ethical responsibilities in accordance with the IRBA Code, IESBA Code, and in accordance with other ethical requirements applicable to performing the audit in South Africa. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Emphasis of Matter – Basis of Accounting and Restriction on use**

We draw attention to note 1 of the Historical Combined Financial Information which describes the basis of preparation and presentation of the Historical Combined Financial Information, including the approach to and the purpose for preparation and combination of the information and that the preparation involves complex allocations of certain items. Consequently, the Historical Combined Financial Information may not necessarily be indicative of the financial performance that would have been achieved if the Target Operations has operated as an independent group, nor may it be indicative of the results of operations of the Target Operations for any future period.

The Historical Combined Financial Information has been prepared solely for the purpose of complying with the respective Listings Requirements of the JSE. As a result, the Historical Combined Financial Information may not be suitable or relied on for another purpose.

## **Other Information**

The Directors are responsible for the other information contained in this Circular.

Our reporting accountants report on the Historical Combined Financial Information does not cover the other information contained in this Circular and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Historical Combined Financial Information, our responsibility is to read the other information contained in this Circular and, in doing so, consider whether the other information is materially inconsistent with the Historical Combined Financial Information or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of Directors**

The Directors are responsible for the compilation, contents and preparation of the Circular in accordance with the Listings Requirements. The Directors' responsibilities also include determining the acceptability of the basis of preparation of the Historical Combined Financial Information contained therein to which this Independent Reporting Accountant's Report relates.

The Historical Combined Financial Information has been derived from the audited consolidated financial statements of AngloGold Ashanti Limited. The Directors have relied on the fact that the Historical Combined Financial Information has been derived from the audited consolidated financial statements of AngloGold Ashanti Limited, that are free from material misstatement, whether due to fraud or error, and that AngloGold Ashanti Limited's directors were responsible for the compilation of AngloGold Ashanti Limited's audited consolidated financial statements and the internal controls as they determined is necessary to enable the preparation and presentation of those audited consolidated financial statements.

Those charged with governance are responsible for overseeing the process to compile the Historical Combined Financial Information.

## **Auditors' Responsibilities for the Audit of the Historical Combined Financial Information**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Historical Combined Financial Information.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Ernst & Young Inc.**

Director: Ernest Adriaan Lodewyk Botha  
Registered Auditor  
Reporting Accountant Specialist  
Date: 4 December 2017

## **Form of review opinion on the Historical Combined Financial Information for the years ended 31 December 2015 and 2014**

*Capitalised terms used but not defined in our Reporting Accountant's Report shall bear the same meanings ascribed to them in the Circular.*

### **The Directors**

Harmony Gold Mining Company Limited  
Corner Main Reef Road and Ward Avenue  
Randfontein, 1759  
South Africa

Dear Sirs

## **Independent Reporting Accountant's Review Report on the Historical Combined Financial Information of the Target Operations**

### **Introduction**

At your request, we present our Reporting Accountant's Review Report on the Historical Combined Financial Information of the Target Operations as at and for the years ended 31 December 2015 and 2014, (the "Historical Combined Financial Information") for inclusion in **Annexure 1** of the Circular to Harmony Gold Mining Company shareholders to be dated on or about 7 December 2017 ("Circular"). This report is required for the purposes of complying with Section 8.48 of the Listings Requirements of the JSE Limited (the "JSE Listings Requirements") (the "Listings Requirements") and is given for the purpose of complying with those requirements and for no other purpose. We are the independent auditors of the seller of the above assets, AngloGold Ashanti Limited.

To the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with the Listings Requirements and consenting to its inclusion in the Circular.

### **Review conclusion**

We have reviewed the Historical Combined Financial Information of the Target Operations, which comprise the Combined statement of financial position at 31 December 2015 and 2014, and the Combined statement of comprehensive income for the years then ended, and notes to the Historical Combined Financial Information, including the basis of preparation and summary of significant accounting policies.

Based on our review, nothing has come to our attention that the Historical Combined Financial Information as at and for the year ended 31 December 2015 and 2014 included in Annexure 1 of the Circular has not been prepared, in all material respects, in accordance with the basis of preparation as set out in note 1 of the Historical Combined Financial Information and the respective JSE Listings Requirements.

### **Basis for Conclusion**

We conducted our review of the Historical Combined Financial Information in accordance with the International Standards on Review Engagements (ISRE) 2410, Review of Interim Financial Information performed by the Independent Auditor of the Entity. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Review of the Financial Statements section of our report. We are independent of AngloGold Ashanti Limited in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code), the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA code) and the ethical requirements that are relevant to our audit of the financial statements in South Africa, and we have fulfilled our other ethical responsibilities in accordance with the IRBA Code, IESBA Code, and in accordance with other ethical requirements applicable to performing the audit in South Africa. We believe that the review evidence we have obtained is sufficient and appropriate to provide a basis for our review conclusion.

### **Emphasis of Matter – Basis of Accounting and Restriction on use**

We draw attention to note 1 of the Historical Combined Financial Information which describes the basis of preparation and presentation of the Historical Combined Financial Information, including the approach to and

the purpose for preparation and combination of the information and that the preparation involves complex allocations of certain items. Consequently, the Historical Combined Financial Information may not necessarily be indicative of the financial performance that would have been achieved if the Target Operations has operated as an independent group, nor may it be indicative of the results of operations of the Target Operations for any future period.

The Historical Combined Financial Information has been prepared solely for the purpose of complying with the respective Listings Requirements of the JSE. As a result, the Historical Combined Financial Information may not be suitable or relied on for another purpose.

### **Other Information**

The Directors are responsible for the other information contained in this Circular.

Our reporting accountants review report on the Historical Combined Financial Information does not cover the other information contained in this Circular and we do not express any form of assurance conclusion thereon.

In connection with our review of the Historical Combined Financial Information, our responsibility is to read the other information contained in this Circular and, in doing so, consider whether the other information is materially inconsistent with the Historical Combined Financial Information or our knowledge obtained in the review or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibility of the Directors**

The Directors are responsible for the compilation, contents and preparation of the Circular in accordance with the Listings Requirements. The Directors' responsibilities also include determining the acceptability of the basis of preparation of the Historical Combined Financial Information contained therein to which this Independent Reporting Accountant's Report relates.

The Historical Combined Financial Information has been derived from the audited consolidated financial statements of AngloGold Ashanti Limited. The Directors have relied on the fact that the Historical Combined Financial Information has been derived from the audited consolidated financial statements of AngloGold Ashanti Limited, that are free from material misstatement, whether due to fraud or error, and that AngloGold Ashanti Limited's directors were responsible for the compilation of AngloGold Ashanti Limited's audited consolidated financial statements and the internal controls as they determined is necessary to enable the preparation and presentation of those audited consolidated financial statements.

Those charged with governance are responsible for overseeing the process to compile the Historical Combined Financial Information.

### **Auditors' Responsibilities for the Review of the Historical Combined Financial Information**

Our responsibility is to express a review conclusion on the Historical Combined Financial Information based on our review.

ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the Combined Historical Financial Statements are not prepared in all material respects in accordance with the applicable financial reporting framework.

A review of the Historical Combined Financial Information in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and others, as appropriate, applying analytical procedures, and evaluating the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these Historical Combined Financial Information.

### **Ernst & Young Inc.**

Director: Ernest Adriaan Lodewyk Botha  
Registered Auditor  
Reporting Accountant Specialist  
Date: 4 December 2017

## **Form of review opinion on the Combined Historical Interim Financial Information as at and for the six months ended 30 June 2017**

*Capitalised terms used but not defined in our Reporting Accountant's Report shall bear the same meanings ascribed to them in the Circular.*

### **The Directors**

Harmony Gold Mining Company Limited  
Corner Main Reef Road and Ward Avenue  
Randfontein, 1759  
South Africa

Dear Sirs

## **Independent Reporting Accountant's Review Report on the Historical Combined Financial Information of the Target Operations**

### **Introduction**

At your request, we present our Reporting Accountant's Review Report on the Historical Combined Financial Information of the Target Operations as at and for the six months ended 30 June 2017, (the "Historical Combined Financial Information") for inclusion in Annexure 1 of the Circular to Harmony Gold Mining Company shareholders to be dated on or about 7 December 2017 ("Circular"). This report is required for the purposes of complying with Section 8.48 of the Listings Requirements of the JSE Limited (the "JSE Listings Requirements") (the "Listings Requirements") and is given for the purpose of complying with those requirements and for no other purpose. We are the independent auditors of the seller of the above assets, AngloGold Ashanti Limited.

To the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with the Listings Requirements and consenting to its inclusion in the Circular.

### **Review conclusion**

We have reviewed the Historical Combined Financial Information of the Target Operations, which comprise the Combined statement of financial position as at 30 June 2017, and the Combined statement of comprehensive income for the six months then ended, and notes to the Historical Combined Financial Information, including the basis of preparation and summary of significant accounting policies.

Based on our review, nothing has come to our attention that the Historical Combined Financial Information as at and for the six months then ended 30 June 2017 included in Annexure 1 of the Circular has not been prepared, in all material respects, in accordance with the basis of preparation as set out in note 1 of the Historical Combined Financial Information and the respective JSE Listings Requirements.

### **Basis for Conclusion**

We conducted our review of the Historical Combined Financial Information in accordance with the International Standards on Review Engagements (ISRE) 2410, Review of Interim Financial Information performed by the Independent Auditor of the Entity. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Review of the Financial Statements section of our report. We are independent of AngloGold Ashanti Limited in with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code), the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA code) and the ethical requirements that are relevant to our audit of the financial statements in South Africa, and we have fulfilled our other ethical responsibilities in accordance with the IRBA Code, IESBA Code, and in accordance with other ethical requirements applicable to performing the audit in South Africa. We believe that the review evidence we have obtained is sufficient and appropriate to provide a basis for our review conclusion.

### **Emphasis of Matter – Basis of Accounting and Restriction on use**

We draw attention to note 1 of the Historical Combined Financial Information which describes the basis of preparation and presentation of the Historical Combined Financial Information, including the approach to and the purpose for preparation the information and that the preparation involves complex allocations of certain



items. Consequently, the Historical Combined Financial Information may not necessarily be indicative of the financial performance that would have been achieved if the Target Operations has operated as an independent group, nor may it be indicative of the results of operations of the Target Operations for any future period.

The Historical Combined Financial Information has been prepared solely for the purpose of complying with the respective Listings Requirements. As a result, the Historical Combined Financial Information may not be suitable or relied on for another purpose.

### **Other Information**

The Directors are responsible for the other information contained in this Circular.

Our reporting accountants review report on the Historical Combined Financial Information does not cover the other information contained in this Circular and we do not express any form of assurance conclusion thereon.

In connection with our review of the Historical Combined Financial Information, our responsibility is to read the other information contained in this Circular and, in doing so, consider whether the other information is materially inconsistent with the Historical Combined Financial Information or our knowledge obtained in the review or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibility of the Directors**

The Directors are responsible for the compilation, contents and preparation of the Circular in accordance with the Listings Requirements. The Directors' responsibilities also includes determining the acceptability of the basis of preparation of the Historical Combined Financial Information contained therein to which this Independent Reporting Accountant's Report relates.

The Historical Combined Financial Information has been derived from the reviewed consolidated interim financial statements of AngloGold Ashanti Limited. The Directors have relied on the fact that the Historical Combined Financial Information has been derived from the reviewed consolidated interim financial statements of AngloGold Ashanti Limited, that are free from material misstatement, whether due to fraud or error, and that AngloGold Ashanti Limited's directors were responsible for the compilation of AngloGold Ashanti Limited's reviewed consolidated interim financial statements and the internal controls as they determined is necessary to enable the preparation and presentation of those reviewed consolidated interim financial statements.

Those charged with governance are responsible for overseeing the process to compile the Historical Combined Financial Information.

### **Auditors' Responsibilities for the Review of the Historical Combined Financial Information**

Our responsibility is to express a review conclusion on the Historical Combined Financial Information based on our review.

ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the Combined Historical Financial Statements are not prepared in all material respects in accordance with the applicable financial reporting framework.

A review of the Historical Combined Financial Information in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and others, as appropriate, applying analytical procedures, and evaluating the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these Historical Combined Financial Information.

### **Ernst & Young Inc.**

Director: Ernest Adriaan Lodewyk Botha  
Registered Auditor  
Reporting Accountant Specialist  
Date: 4 December 2017

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## **PRO FORMA FINANCIAL INFORMATION OF HARMONY**

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The *pro forma* financial information presented below has been prepared for illustrative purposes only and because of its *pro forma* nature, may not fairly present the Company's financial position, changes in equity, results of operations or cash flows, nor the effect and impact of the Transactions going forward.

The *pro forma* financial effects are presented in a manner that is consistent with: (i) Harmony's accounting policies for the year ended 30 June 2017; and (ii) the relevant provisions of the JSE Listings Requirements and the Guide on *Pro Forma* Financial Information issued by the South African Institute of Chartered Accountants. For a full understanding of Harmony's accounting policies, please refer to Harmony's annual audited financial statements for the year ended 30 June 2017, which can be found on Harmony's website.

It has been assumed for purposes of the *pro forma* financial effects that: (i) the Transactions took place with effect from 1 July 2016 for the consolidated income statement and 30 June 2017 for the consolidated balance sheet; (ii) the Acquisition is financed through the Acquisition Bridge Facility and drawings from the Senior Secured Revolving Facility; and (iii) the BEE SPV Sale is funded by Harmony.

No adjustments have been made in these *pro forma* financial effects for the Potential Equity Capital Raising or costs associated therewith.

The Board is responsible for the compilation, contents and preparation of the *pro forma* financial information. Their responsibility includes determining that the *pro forma* financial information has been properly compiled on the basis stated, which is consistent with the accounting policies of Harmony and that the *pro forma* adjustments are appropriate for purposes of the *pro forma* financial information disclosed pursuant to the JSE Listings Requirements. Consistent with the foregoing, the *pro forma* financial information set forth below are based on available information and certain assumptions and estimates, which the Board believe, are reasonable. The *pro forma* financial information has not been prepared in accordance with the requirements of Regulation S-X under the Exchange Act and differs in material respects from *pro forma* financial information that could be included in a registration statement or proxy statement prepared in accordance with the rules administered by the SEC.

**Pro forma consolidated income statement for the year ended 30 June 2017**

Figures in Rand million	Adjustments relating to the Acquisition						
	Before Transactions <sup>1</sup>	Target Operations <sup>2</sup>	Purchase Consideration <sup>3</sup>	Consolidation Adjustments <sup>4</sup>	Transaction Costs <sup>5</sup>	Pro Forma After Acquisition	Pro Forma After Transactions
Revenue	19,264	5,101	-	-	-	24,365	24,365
Cost of sales	(19,639)	(3,731)	-	-	-	(23,370)	(23,425)
<b>Gross profit/(loss)</b>	<b>(375)</b>	<b>1,370</b>	-	-	-	<b>995</b>	<b>940</b>
Corporate, administration and other expenditure	(517)	-	-	-	-	(517)	(517)
Exploration expenditure	(241)	-	-	-	-	(241)	(241)
Gains on derivatives	1,025	-	-	-	-	1,025	1,025
Other operating expenses	(886)	(21)	-	-	-	(907)	(913)
<b>Operating profit/(loss)</b>	<b>(994)</b>	<b>1,349</b>	-	-	-	<b>355</b>	<b>294</b>
Gain on bargain purchase	848	-	-	-	-	848	848
Transaction costs	-	-	-	-	(96)	(96)	(96)
Profit/(loss) from associates	(22)	-	-	-	-	(22)	(22)
Loss on liquidation of subsidiaries	(14)	-	-	-	-	(14)	(14)
Investment income	268	(3)	-	-	-	265	265
Finance costs	(234)	(59) <sup>8</sup>	(188)	28	-	(453)	(453)
<b>Profit/(loss) before taxation</b>	<b>(148)</b>	<b>1,287</b>	<b>(188)</b>	<b>28</b>	<b>(96)</b>	<b>883</b>	<b>822</b>
Taxation	510	(435)	63	-	33	171	171
<b>Net profit for the year</b>	<b>362</b>	<b>852</b>	<b>(125)</b>	<b>28</b>	<b>(63)</b>	<b>1,054</b>	<b>993</b>
Attributable to:							
Owners of Harmony	362	852	(125)	28	(63)	1,054	993
Reconciliation of headline earnings with profit for the year:							
Net profit for the year	362	852	(125)	28	(63)	1,054	993
Adjusted for:							
Gain on bargain purchase*	(848)	-	-	-	-	(848)	(848)
Loss on liquidation of subsidiary*	14	-	-	-	-	14	14
Impairment of assets	1,718	-	-	-	-	1,718	1,718
Taxation effect on impairment of assets	(26)	-	-	-	-	(26)	(26)
Profit on sale of property, plant and equipment	(42)	-	-	-	-	(42)	(42)
Taxation effect on profit on sale of property, plant and equipment	7	-	-	-	-	7	7
Loss on scrapping of property, plant and equipment	140	12	-	-	-	152	152
Taxation effect on loss on scrapping of property, plant and equipment	(19)	(4)	-	-	-	(23)	(23)
	<b>1,306</b>	<b>860</b>	<b>(125)</b>	<b>28</b>	<b>(63)</b>	<b>2,006</b>	<b>1,945</b>

\*There is no taxation effect on these items

	Adjustments relating to the Acquisition						
	Before Transactions <sup>1</sup>	Target Operations <sup>2</sup>	Purchase Consideration <sup>3</sup>	Consolidation Adjustments <sup>4</sup>	Transaction Costs <sup>5</sup>	Pro Forma After the Acquisition	Pro Forma After the BEE Transactions
<b>Earnings per ordinary share (cents)</b>							
Basic earnings	82	-	-	-	-	240	227
Diluted earnings	79	-	-	-	-	230	214
HEPS	298	-	-	-	-	458	444
Diluted HEPS	284	-	-	-	-	437	420
Weighted average number of shares issued ('000)	438,443	-	-	-	-	438,443	438,443
Weighted average number of shares for diluted earnings ('000) <sup>6</sup>	459,220	-	-	-	-	459,220	3,839

**Notes:**

- The "Before Transactions" financial information is based on Harmony's audited consolidated financial statements for the year ended 30 June 2017.
  - The "Target Operations" financial information is based on the audited historical financial information of the Target Operations for the year ended 31 December 2016, contained in **Annexure 1** to this Circular. The line item "Special items" has been included in other operating expenses in line with Harmony's reporting principles.
  - The purchase consideration represents the additional finance costs of R188 million relating to the external debt raised to settle the Purchase Price at an average interest rate of 4.5% per annum, with the related taxation impact. The external debt is denominated in US\$ and will need to be restated to Rands at each reporting date, with any restatement arising from currency movements being charged to income in the period. No adjustment in this regard has been processed within the *pro formas*.
  - The consolidation adjustments relate to an adjustment to the unwinding of the rehabilitation obligation, where shared infrastructure currently used by the Target Operations will not be taken over in the Acquisition. There are no adjustments arising from the provisional fair value allocation exercise in terms of IFRS 3, *Business Combinations* that was performed for the purpose of the *pro forma* financial statements. A fair value allocation exercise will need to be performed on the effective date of the Acquisition which may result in an additional charge to the income statement going forward. .
  - Transaction costs directly attributable to the Acquisition, amounting to R96 million and the related taxation impact of R33 million are expenses as incurred. This adjustment will not have a continuing effect.
  - Cost of sales has been adjusted for the IFRS 2, *Share-based payments* charge related to the issue of shares to the ESOP Trust in terms of the ESOP Trust Share Issue. The spot price of R24.70 on 24 November 2017 was used in the calculation of the IFRS 2 charge over a three-year vesting period.
  - Other operating expenses has been adjusted for the IFRS 2 expense related to the BEE SPV Sale.
- The award to the BEE partner will be accounted for as an in-substance option as the partner will only share in the upside, and not the downside of the equity interest until the date that the financing provided by Harmony is fully repaid. The award is accounted for as an equity-settled share-based payment arrangement. The in-substance option carries no vesting condition and the fair value of the option is expensed on the grant date as a once-off charge.
- The share-based cost was calculated using the Monte Carlo simulation. The fair value of the option is the difference between the expected future enterprise value of the Harmony SPV and expected loan balance at redemption date, and the present value of the trickle dividend determined in accordance with the cash flow waterfall per the (draft) transaction and funding arrangements.
- The following assumptions were applied at the assumed practical date of 24 November 2017:

Business value (R'million)	483
Exercise price (R'million)	1
Risk-free interest rate	7.89%
Expected volatility *	40.99%
Vesting period (from grant date)	0 years
Equity value attributable to the BEE partner	3.00%
Expected redemption date	31 December 2022

\* The volatility is measured in relation to a comparable listed company's share price volatility.

8. The finance costs for the Target Operations relates to the unwinding of obligations.

9. Weighted average shares for diluted earnings has been adjusted for 3 839 184 shares related to the issue of shares to the ESOP Trust.

10. All adjustments are of a recurring nature except where otherwise stated.

11. Please refer to paragraph 3.2 of the Circular regarding the limited key performance indicators of the Target Operations.

12. The implementation of the Harmony Community Trust Subscription and Relationship Agreement has no impact on the consolidated financial statements of Harmony as the Harmony Community Trust is consolidated into Harmony in terms of IFRS 10, *Consolidated Financial Statements*.

**Pro forma consolidated balance sheet as at 30 June 2017**

Figures in Rand million	Adjustments relating to the Acquisition						
	Before Transactions <sup>1</sup>	Target Operations <sup>2</sup>	Purchase Consideration <sup>3</sup>	Consolidation Adjustments <sup>4</sup>	Transaction Costs <sup>5</sup>	Pro Forma After Acquisition	Pro Forma After Transactions
<b>ASSETS</b>							
<b>Non-current assets</b>							
Property, plant and equipment	30,044	3,940	–	–	–	33,984	33,984
Investment in acquired business	–	–	4,194	(4,194)	–	–	–
Intangible assets	603	–	–	399	–	1,002	1,002
Restricted cash	64	–	–	–	–	64	64
Restricted investments	2,658	354	–	–	–	3,012	3,012
Investments in associates	46	–	–	–	–	46	46
Investments in financial assets	4	–	–	75	–	79	79
Inventories	38	–	–	–	–	38	38
Trade and other receivables	185	2	–	(2)	–	185	185
Derivative financial assets	306	–	–	–	–	306	306
<b>Total non-current assets</b>	<b>33,948</b>	<b>4,296</b>	<b>4,194</b>	<b>(3,722)</b>	<b>–</b>	<b>38,716</b>	<b>38,716</b>
<b>Current assets</b>							
Inventories	1,127	175	–	–	–	1,302	1,302
Restricted cash	18	–	–	–	–	18	18
Trade and other receivables	1,003	107	–	(107)	–	1,003	1,003
Derivative financial assets	1,541	–	–	–	–	1,541	1,541
Cash and cash equivalents	1,246	–	–	–	(96)	1,150	1,150
<b>Total current assets</b>	<b>4,935</b>	<b>282</b>	<b>–</b>	<b>(107)</b>	<b>(96)</b>	<b>5,014</b>	<b>5,014</b>
<b>Total assets</b>	<b>38,883</b>	<b>4,578</b>	<b>4,194</b>	<b>(3,829)</b>	<b>(96)</b>	<b>43,730</b>	<b>43,730</b>
<b>EQUITY AND LIABILITIES</b>							
<b>Share capital and reserves</b>							
Share capital	28,336	1,118	–	(1,118)	–	28,336	28,336
Other reserves	5,441	–	–	–	–	5,441	5,447
Accumulated loss/Retained earnings	(4,486)	1,914	–	(1,914)	(63)	(4,549)	(4,555)
<b>Total equity</b>	<b>29,291</b>	<b>3,032</b>	<b>–</b>	<b>(3,032)</b>	<b>(63)</b>	<b>29,228</b>	<b>29,228</b>
<b>BEE Transactions</b>							

Figures in Rand million	Adjustments relating to the Acquisition						Pro Forma After Transactions
	Before Transactions <sup>1</sup>	Target Operations <sup>2</sup>	Purchase Consideration <sup>3</sup>	Consolidation Adjustments <sup>4</sup>	Transaction Costs <sup>5</sup>	Pro Forma After Acquisition	
<b>Non-current liabilities</b>							
Deferred tax liabilities	1,702	927	-	(526)	-	2,103	2,103
Provision for environmental rehabilitation	2,638	225	-	-	-	2,863	2,863
Provision for silicosis settlement	917	-	-	-	-	917	917
Retirement benefit obligation	179	14	-	-	-	193	193
Other non-current liabilities	13	-	-	-	-	13	13
Borrowings	299	-	1,398	-	-	1,697	1,697
<b>Total non-current liabilities</b>	<b>5,748</b>	<b>1,166</b>	<b>1,398</b>	<b>(526)</b>	<b>-</b>	<b>7,786</b>	<b>7,786</b>
<b>Current liabilities</b>							
Borrowings	1,834	-	2,796	-	-	4,630	4,630
Trade and other payables	2,010	380	-	(271)	(33)	2,086	2,086
<b>Total current liabilities</b>	<b>3,844</b>	<b>380</b>	<b>2,796</b>	<b>(271)</b>	<b>(33)</b>	<b>6,716</b>	<b>6,716</b>
<b>Total equity and liabilities</b>	<b>38,883</b>	<b>4,578</b>	<b>4,194</b>	<b>(3,829)</b>	<b>(96)</b>	<b>43,730</b>	<b>43,730</b>
NAV per share (cents)	6,658					6,643	6,643
TNAV per share (cents)	6,521					6,416	6,416
Number of shares issued ('000)	439,957					439,957	439,957

**Notes:**

- The "Before Transactions" financial information is based on Harmony's audited consolidated financial statements for the year ended 30 June 2017.
- The "Target Operations" financial information is based on the audited historical financial information of the Target Operations as at 30 June 2017, contained in **Annexure 1** to this Circular.
- The purchase consideration of US\$300 million is converted to Rands at the exchange rate of R13.98: US\$1 being at the last practicable date and assumed to be funded from new debt facilities.
- Consolidation adjustments relate to consolidation entries and adjustments to the carrying value of tangible and intangible assets acquired based on a provisional fair value allocation exercise in terms of IFRS 3 as follows:

	R'millions
Net asset value reported:	3,032
Adjusted as follows:	
Investment in financial assets of R75 million for the Nufcor entity	75
Deferred tax (reversal of existing balance and accrual of deferred tax arising on difference between book and tax value of assets acquired)	526
No trade and other receivables balances will be taken over	(109)
Only the leave provision will be assumed. All other trade payables will be for the account of AngloGold Ashanti	271
<b>Net assets acquired</b>	<b>3,795</b>
Purchase consideration	4,194
<b>Goodwill acquired</b>	<b>399</b>

- The transaction costs directly attributable to the Acquisition, amounting to R96 million and the related taxation impact of R33 million are expensed as incurred.
- Other reserves and Retained Income have been adjusted for the IFRS 2 share-based payment related to the BEE SPV Sale.
- The implementation of the Harmony Community Trust Subscription and Relationship Agreement has no impact on the consolidated financial statements of Harmony as the Harmony Community Trust is consolidated into Harmony in terms of IFRS 10, *Consolidated Financial Statements*.



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## INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF *PRO FORMA* FINANCIAL INFORMATION

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4 December 2017

The Board of Directors  
Harmony Gold Mining Company Limited  
Randfontein Office Park  
Corner Main Reef Road and Ward Avenue  
Randfontein, 1759  
South Africa

Independent reporting accountant's assurance report on the compilation of *pro forma* financial information of Harmony Gold Mining Company Limited

### Introduction

Harmony Gold Mining Company Limited ("Harmony" or "the Company") is issuing a circular to its shareholders ("the Circular") regarding the acquisition of various operations ("the Target Operations") from AngloGold Ashanti ("the Acquisition") and the conclusion of various BEE transactions ("BEE Transactions") (collectively "the Transactions").

At your request and for the purposes of the Circular to be dated on or about 7 December 2017, we present our assurance report on the compilation of the *pro forma* financial information of Harmony by the directors. The *pro forma* financial information, presented in paragraph 9 and **Annexure 3** to the Circular, consists of the *pro forma* statement of financial position as at 30 June 2017, the *pro forma* statement of comprehensive income for the six months then ended 30 June 2017 and the *pro forma* financial effects ("the *Pro Forma* Financial Information"). The *Pro Forma* Financial Information has been compiled on the basis of the applicable criteria specified in the JSE Limited (JSE) Listings Requirements.

The *Pro Forma* Financial Information has been compiled by the directors to illustrate the impact of the Transactions on the Company's reported financial position as at 30 June 2017 and the Company's financial performance for the period then ended, as if the Transactions have taken place at 30 June 2017 and 1 January 2017, respectively. As part of this process, information about the Company's financial position and financial performance has been extracted by the directors from the Company's financial statements for the six months ended 30 June 2017, on which an audit report has been published.

### Directors' responsibility

The directors of Harmony are responsible for the compilation, contents and presentation of the *Pro Forma* Financial Information on the basis of the applicable criteria specified in the JSE Listings Requirements and described in paragraph 9 and **Annexure 3**. The directors of Harmony are also responsible for the financial information from which it has been prepared.

### Our independence and quality control

We have complied with the independence and other ethical requirements of the Code of Professional Conduct for Registered Auditors issued by the Independent Regulatory Board for Auditors (IRBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Part A and B).

The firm applies International Standard on Quality Control 1 and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

## Reporting accountant's responsibility

Our responsibility is to express an opinion about whether the *Pro Forma* Financial Information has been compiled, in all material respects, by the directors on the basis specified in the JSE Listings Requirements based on our procedures performed. We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, Assurance Engagements to Report on the Compilation of *Pro Forma* Financial Information Included in a Prospectus. This standard requires that we plan and perform our procedures to obtain reasonable assurance about whether the *Pro Forma* Financial Information has been compiled, in all material respects, on the basis specified in the JSE Listings Requirements.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the *Pro Forma* Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the *Pro Forma* Financial Information.

As the purpose of *Pro Forma* Financial Information included in a circular is solely to illustrate the impact of a significant corporate action or event on unadjusted financial information of the entity as if the corporate action or event had occurred or had been undertaken at an earlier date selected for purposes of the illustration, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the *Pro Forma* Financial Information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used in the compilation of the *Pro Forma* Financial Information provides a reasonable basis for presenting the significant effects directly attributable to the corporate action or event, and to obtain sufficient appropriate evidence about whether:

- The related *pro forma* adjustments give appropriate effect to those criteria; and
- The *Pro Forma* Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

Our procedures selected depend on our judgment, having regard to our understanding of the nature of the Company, the corporate action or event in respect of which the *Pro Forma* Financial Information has been compiled, and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the *Pro Forma* Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Opinion

In our opinion, the *Pro Forma* Financial Information has been compiled, in all material respects, on the basis of the applicable criteria specified by the JSE Listings Requirements and described in paragraph 9 and **Annexure 3** of the Circular.

## Purpose of this report

This report has been prepared for the purpose of the Circular and for no other purpose.

## PricewaterhouseCoopers Inc.

Director: Hendrik Odendaal  
Registered Auditor  
Sunninghill

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## EXECUTIVE SUMMARY OF THE COMPETENT PERSON'S REPORT IN RESPECT OF THE TARGET OPERATIONS

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### Executive Summary

#### ES1: Purpose

SRK Consulting (South Africa) (Pty) Ltd. (SRK) was requested by Harmony Gold Mining Company Ltd. (Harmony), to compile a Competent Person's Report (CPR) on selected assets of AngloGold Ashanti (AGA) at the Vaal River Operations (VROs) for the purpose of a potential transaction.

SRK has conducted a Due Diligence (DD) review of the assets in question in the first half of 2017.

#### Description of Assets

The assets and interests valued in this report are as follows:

- Moab Khotsong (MK) Mine which incorporates the Great Noligwa (GN) Mine and all of the associated fixed plant, equipment and infrastructure. The MK Mine also includes the Zaaiplaats Project which is a down dip extension below the current infrastructure;
- The GN plant complex which includes – GN Gold and Uranium Processing Plant, GN Backfill Plant, Mispah Gold Plant, Mispah 1 and 2. (Referred to individually as Mispah 1 or Mispah 2 or collectively as Mispah Tailings Storage Facilities (Mispah TSFs)), the South Return Water Dam (RWD), the Kopanang Pay Dam (KPD), and Vaal River smelt-house;
- The Marginal Ore Dumps (MODs) situated at GN and MK;
- AGA's entire interests in Margaret Water Company (MWC) and all associated pumping and water infrastructure;
- AGA's entire interest in Nufcor (Pty) Limited (NUFCOR);
- MK and GN Mine Primary Healthcare Centre;
- Vaal River Village, uMuziMuhle Village as well as the properties located in the towns of Orkney and Klerksdorp housing people working at MK and GN Mines;
- Vaal River Region Compulsory Training Centre including the Gateway Training Centre and the Trackless Mining Training Centre; and
- The entire South African Metallurgical Technical Services (SAMTS) office.

#### ES2: Effective Date and Valuation Date

The effective date (Effective Date) and Valuation Date of this CPR is deemed to be 1 January 2018.

#### ES3: Compliance

This CPR has been prepared in accordance with the 2016 South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves (the SAMREC Code) and the 2016 South African Code for the Reporting of Mineral Asset Valuation (the SAMVAL Code) as well as per the Johannesburg Stock Exchange (JSE) Listings Requirements.

A shorthand notation has been used to denote compliance of a given section, so for example, SR1.1 refers to Section 1.1 Synopsis of Table 1 of the SAMREC Code and SV1.2 refers to T1.2 Synopsis of Table 1 of the SAMVAL Code.

#### ES4: Forward-Looking Statements

This report contains statements of a forward-looking nature which are subject to a number of known and unknown risks, uncertainties and other factors that may cause the results to differ materially from those anticipated in this report. The achievability of these projections is neither assured nor guaranteed by SRK. The projections cannot be assured as they are based on economic assumptions, many of which are beyond the control of AGA and SRK. Future cash flows and profits derived from such projections are inherently uncertain and actual results may be significantly more or less favourable.

## **ES5: Mineral Tenure**

### **Legal Opinion on Title**

The mining rights granted to AGA were administered in terms of section 23 (1) of the Mineral and Petroleum Resources Development Act, 28 of 2002.

This report relies on information disclosed by AGA and uploaded to the Data Room. The legality of the underlying agreements was not verified. The report provided to SRK by Fasken Martineau (legal advisors) on 13 October 2017, which is attached and marked Appendix B, addresses the security of tenure of the properties, mining rights and surface rights with reference to Table 1.5 (included in the main body of the report, Section 1.5.2, VROs Mineral Rights held by AGA) and the information made available as at 13 October 2017.

### **ES6: Geology**

The Witwatersrand Supergroup occupies a central position of the Archaean Kaapvaal Craton. It covers an area of 350 x 200 km with an average thickness of 5 to 8 km, underlain by the Dominion Group, Archaean Granitoids and Greenstone basement, and is overlain by the Ventersdorp Supergroup (Frimmel, 2005; Smieja-Krol *et al.*, 2009).

The Witwatersrand was separated into a Lower Witwatersrand System, which contained the basal Hospital Hill Series overlain by the Government Reef Series and finally the Jeppestown Series, and an Upper Witwatersrand System containing the Main-Bird (MB) Series and the Kimberley-Elsburg Series by Mellor in 1911, and although numerous revisions and adaptations have been done, including SACS (1980) the basic subdivisions have been retained. The Lower Witwatersrand System is now known as the West Rand Group and the Upper Witwatersrand System is known as the Central Rand Group. The West Rand Group contains numerous well-developed argillaceous units, whereas the Central Rand Group is more arenaceous. The most important gold (Au) bearing horizons are mostly restricted to the Central Rand Group.

### **Deposit Type**

The Vaal Reef (V Reef) is the primary economic horizon at MK Mine and the Crystalkop Reef (C Reef) is the secondary economic horizon, which contributes less than 2% of the total mining volume. Both reefs are narrow tabular deposits forming part of the Witwatersrand Supergroup and are stratigraphically located near the middle of the Central Rand Group. The V Reef lies approximately 255 m below the C Reef.

The geology at MK Mine is structurally complex with large fault-loss areas between the three mining areas. The geological setting is one of crustal extension, dominated by major south-dipping fault systems with north-dipping Zuiping faults wedged between the south-dipping faults. The De Hoek and Buffels East faults structurally bound the reef blocks of the Middle Mine to the north-west and southeast respectively. The northern boundary of MK Middle Mine is a north-dipping Zuiping fault. Extensive drilling is currently underway on the extremities of Middle Mine, targeting potential preserved blocks. MK (particularly Middle Mine) requires a reduced drill spacing pattern on the order of 50 x 50 m which allows for accurate delineation of the structurally bound mineable blocks, whereby accurate and efficient mine designs can be implemented ensuring optimal extraction and maximum orebody utilisation.

### **Mineralisation**

The mineralisation model adopted by AGA for Witwatersrand deposits is that of gold precipitation in the Witwatersrand conglomerates from hydrothermal fluids. Reactions that took place at elevated temperatures ranging between (300 – 350°C) caused the fluids to precipitate Au and other elements. Migrating liquid and gaseous hydrocarbons precipitated as a solid hydrocarbon (carbon), which was then mesophased through metamorphism and structural deformation. Carbon was preferentially precipitated in bedding-parallel fractures that most commonly followed the base of the V Reef package (A-bottom sub-facies). Gold and uranium mineralisation is also commonly observed within the A-middle and A-top sub-facies of the V Reef. Au was precipitated very soon after the carbon, giving the critical gold-carbon association that characterises the high-grade V Reef.

A geological model is employed to delineate variations (either lateral or vertical) in characteristics of the V Reef and C Reef. The current geological model thus subdivides the V Reef and C Reef into homogeneous zones based on geological and grade characteristics.

SRK have a different interpretation of the source of the gold within the Witwatersrand Reefs. SRK subscribe to the 'modified placer' interpretation, where the gold and uranium is syn-sedimentary alluvial metal, deposited along with the conglomerates, and concentrated in the conglomerates through repeated deposition and

erosional cycles. Small scale (cm) hydrothermal re-mobilisation of the gold after deposition has occurred. Regardless of which of the two interpretations are considered however, the controls on the mineralisation are very similar, as the sedimentological characteristics which control the gold and uranium distribution in the modified placer interpretation are also interpreted as controls on the fluid flow and gold deposition in the AGA interpretation. The primary characteristics which inform the definition of estimation domains, using either interpretation, are the sedimentological and mineralogical characteristics of the conglomerates.

## ES7: Mineral Resources

### Underground Mineral Resources

AGA report the underground Mineral Resources above a mining width (175 cm at GN Mine, 172 cm at MK Mine and 136 cm at Zaaipiaats Project).

The Mineral Resources are reported after the application of geological loss factors detailed in Table ES.1.

**Table ES.1: Geological discounts applied to the Mineral Resources for reporting**

Classification	MK Mine <sup>2</sup>	GN Mine V Reef <sup>3</sup>	GN Mine C Reef
Measured	2%	0%	6%
Indicated <sup>1</sup>	3% – 18%	6.3% – 21.3%	13.7% – 28.7%
Inferred	30%	33.7%	33.7%

**Notes:**

- AGA subdivide their Indicated Mineral Resources into three sub-classes for their internal reporting. Each of these sub classed is assigned a different geological loss, hence the ranges listed;
- The same losses are applied to the V Reef, C Reef and Zaaipiaats Project; and
- GN is predominantly mining pillars, where the geological losses are assumed to be adequately defined in the Measured Mineral Resource blocks.

The Mineral Resource tabulations are based on the 31 December 2016 declaration by AGA, but have been depleted to the effective date. The depletion is based on the actual production results up till 30 September 2017, and planned production from October 2017 to December 2017. The Mineral Resources have been depleted for planned and actual production from stopes and reef development. The Mineral Resources are reported in Table ES.2 and Table ES.3 for gold (Au) and uranium (U<sub>3</sub>O<sub>8</sub>) respectively.

**Table ES.2: MK, GN Mines and Zaaipiaats Project Mineral Resource Statement for Au effective as at 1 January 2018**

Operation	Reef type and area	Category	Quantity (Mt)	Au Grade (g/t)	Contained Au (Moz)
Zaaipiaats	V Reef	Measured	–	–	–
		Indicated	8.96	24.83	7.15
		Inferred	3.32	34.47	3.68
MK	V Reef	Measured	2.16	20.06	1.39
		Indicated	4.68	19.46	2.93
		Inferred	0.79	16.83	0.43
GN	V Reef	Measured	0.86	16.42	0.45
		Indicated	1.39	15.35	0.69
		Inferred	0.24	14.31	0.11
GN	C Reef	Measured	0.01	7.50	0.00
		Indicated	0.29	16.51	0.15
		Inferred	0.16	17.49	0.09
<b>Total Underground</b>		<b>Measured</b>	<b>3.03</b>	<b>18.97</b>	<b>1.85</b>
		<b>Indicated</b>	<b>15.33</b>	<b>22.17</b>	<b>10.93</b>
		<b>Inferred</b>	<b>4.51</b>	<b>29.71</b>	<b>4.31</b>

**Notes:**

1. Mineral Resources are reported inclusive of any Mineral Reserves derived from them;
2. A Mineral Resource is not a Mineral Reserve, and there is no guarantee that all or part of it will be converted to a Mineral Reserve;
3. All figures are rounded to reflect the relative accuracy of the estimate;
4. Mineral Resources are reported above a Au cut-off grade of 700 cm.g/t, which is derived using a Au price of USD1 447 per oz of Au, and exchange rate of USD/ZAR14.75, and Au recoveries of 96 percent;
5. The Mineral Resources at Zaaipplaats Project are currently below infrastructure; and
6. 1 troy oz = 31.103486g.

**Table ES.3: MK, GN Mines and Zaaipplaats Project Mineral Resource Statement for U<sub>3</sub>O<sub>8</sub> effective as at 1 January 2018**

Operation	Category	Quantity (Mt)	U <sub>3</sub> O <sub>8</sub> Grade (kg/t)	Contained U <sub>3</sub> O <sub>8</sub> (M Lb)
<b>Underground Operations</b>				
Zaaipplaats V Reef	Measured	–	–	–
	Indicated	15.08	0.85	28.28
	Inferred	8.16	0.81	14.58
MK Mine V Reef	Measured	–	–	–
	Indicated	6.84	0.81	12.25
	Inferred	0.79	0.89	1.56
GN Mine V Reef	Measured	–	–	–
	Indicated	2.25	0.54	2.67
	Inferred	0.24	0.51	0.27
GN Mine C Reef	Measured	–	–	–
	Indicated	0.31	0.61	0.41
	Inferred	0.16	0.68	0.23
<b>Total Underground</b>	<b>Measured</b>	<b>–</b>	<b>–</b>	<b>–</b>
	<b>Indicated</b>	<b>24.48</b>	<b>0.81</b>	<b>43.61</b>
	<b>Inferred</b>	<b>9.35</b>	<b>0.81</b>	<b>16.61</b>

**Notes:**

1. Mineral Resources are reported inclusive of any Mineral Reserves derived from them. A Mineral Resource is not a Mineral Reserve, and there is no guarantee that all or part of it will be converted to a Mineral Reserve;
2. All figures are rounded to reflect the relative accuracy of the estimate;
3. The Mineral Resources are reported above the Au cut-off regardless of the U<sub>3</sub>O<sub>8</sub> grade as U<sub>3</sub>O<sub>8</sub> is reported as a by-product; and
4. The Mineral Resources at Zaaipplaats are currently below infrastructure.

**Surface Sources Mineral Resources Statement**

The GN MOD, RWD and Mispah 2 have no declared Mineral Resources stated during the period which is currently under review.

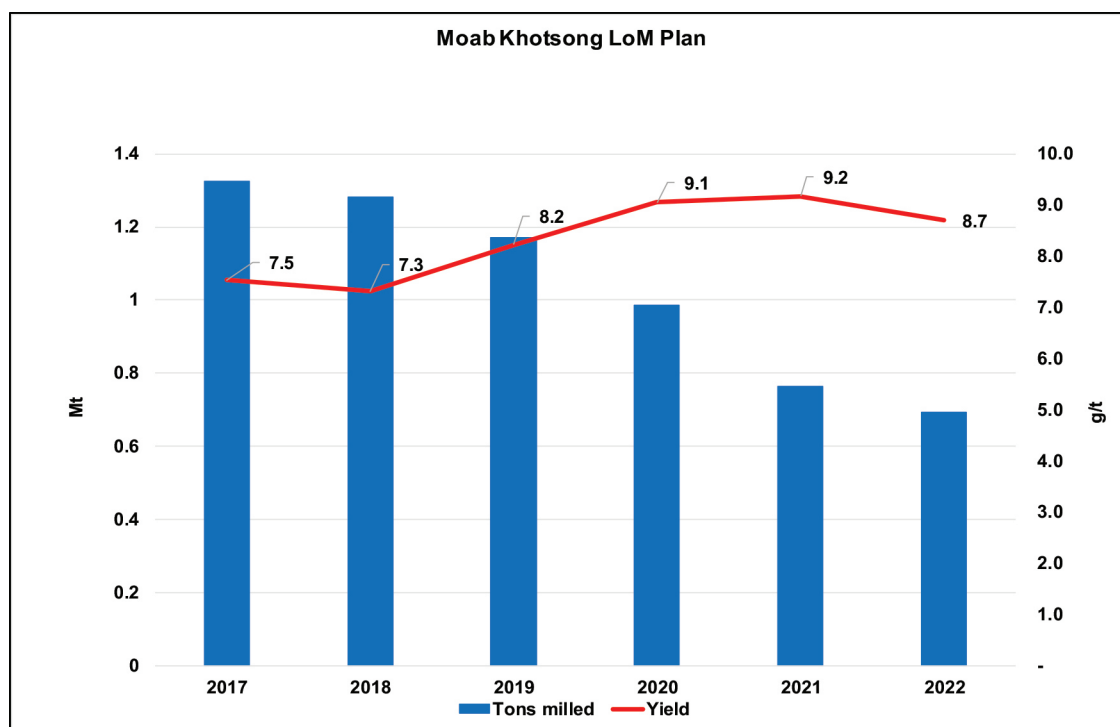
The Mineral Resources for Surface Operations for Au and U<sub>3</sub>O<sub>8</sub> as at 1 January 2018 is shown in Table ES.4 below.

**Table ES.4: Mineral Resources for Surface Operations for Au and U<sub>3</sub>O<sub>8</sub> as at 1 January 2018**

Operation	Category	Quantity (Mt)	Au Grade (g/t)	U <sub>3</sub> O <sub>8</sub> Grade (kg/t)	Contained	
					Au (Moz)	Contained U <sub>3</sub> O <sub>8</sub> (M Lb)
Mispah 1 TSF	Indicated	73.15	0.30	0.12	0.71	19.35
Kopanang Pay Dam	Indicated	10.98	0.20	0.13	0.07	3.15
Moab MOD	Inferred	7.35	0.37	–	0.09	–
<b>Total Surface Operations</b>		<b>91.49</b>	<b>0.29</b>	<b>0.13</b>	<b>0.87</b>	<b>22.50</b>

## ES8: Mining and Mineral Reserves

The mining method applied at the MK Mine is scattered conventional utilizing backfill support. The declared Mineral Reserves for MK Mine are based on a comprehensive Life of Mine (LoM) plan which is presented in Figure ES.1. Au is the main mineral while  $U_3O_8$  is produced as a by-product. The development waste is currently hoisted with reef at the MK Mine operation.



**Figure ES.1: MK Mine LoM plan**

The production and team efficiencies applied in the LoM plan correlate with those realised in the past. The efficiencies applied in the LoM plan are based on the historical performance statistics including the Section 54 stoppages. The cut-off parameters are outlined in Table ES.5 and the declared Mineral Reserve estimates for Au and  $U_3O_8$  are provided in Table ES.6 and Table ES.7.

**Table ES.5: MK Mine Mineral Reserve modifying factors applied in the LoM plan**

MK	Au price ZAR/kg	Au Cut-off grade (g/t)	Au Cut-off value (cm.g/t)	Stoping width (cm)	Dilution (%)	Metallurgical Recovery	
						MCF (%)	Factor (%)
V Reef – Middle Mine	530 000	4.07	700	172.0	62.7	77.9	96.1
V Reef – Top Mine	530 000	4.09	700	171.0	54.3	77.8	96.4
V Reef – GN	530 000	4.55	700	154.0	38.2	61.4	96.2
C Reef – GN	530 000	5.83	700	120.0	53.9	61.9	95.6

No material changes were observed in the modifying factors from 2016 to the Effective Date of 1 January 2018.

### Mineral Reserve for Moab Khotsong

The Mineral Reserves are included within the Measured and Indicated Mineral Resources, and are not in addition to them. The Mineral Reserve statement for the MK Mine operation is based on the SAMREC Code. The Mineral Reserves as at 1 January 2018 for Au and  $U_3O_8$  are provided in Table ES.6 and Table ES.7. The  $U_3O_8$  Mineral Reserves have been declared under the probable category to align with the Mineral Resource categories.

The Mineral Reserves are based on the 31 December 2016 declaration by AGA. They have been depleted up until 30 September 2017 and forecasted to December 2017.



**Table ES.6: MK Mine Mineral Reserves statement for Au as at 1 January 2018**

Operation	Reef type and area	Category	Quantity (Mt)	Au Grade (g/t)	Contained Au (Moz)
MK Mine	V Reef – Middle Mine	Proved	1.10	9.92	0.35
		Probable	2.10	9.87	0.67
		<b>Total</b>	<b>3.21</b>	<b>9.88</b>	<b>1.02</b>
	V Reef – Top Mine	Proved	0.14	7.09	0.03
		Probable	0.20	6.12	0.04
		<b>Total</b>	<b>0.35</b>	<b>6.35</b>	<b>0.07</b>
GN Mine	V Reef	Proved	0.77	6.69	0.17
		Probable	0.23	6.02	0.04
		<b>Total</b>	<b>1.01</b>	<b>6.47</b>	<b>0.21</b>
	C Reef	Proved			
		Probable	0.31	6.01	0.07
		<b>Total</b>	<b>0.31</b>	<b>6.33</b>	<b>0.07</b>
<b>Total MK and GN Mines</b>		<b>Proved</b>	<b>2.02</b>	<b>8.47</b>	<b>0.55</b>
		<b>Probable</b>	<b>2.84</b>	<b>8.87</b>	<b>0.82</b>
		<b>Total</b>	<b>4.86</b>	<b>8.71</b>	<b>1.37</b>

**Notes:**

The modifying factors applied in the LoM plan are as follows:

1. The average stoping width applied over the LoM is 183 cm and the channel width 93 cm;
2. The applied MCF is 73.95% and the overall dilution 54%;
3. Exchange rate is ZAR14.99/USD; and
4. The pay limit at level 4 costing on a real basis is 14.4 g/t.

**Table ES.7: MK Mine Mineral Reserves estimate for U<sub>3</sub>O<sub>8</sub> as at 1 January 2018**

Category	Quantity (Mt)	Au Grade (kg/t)	Contained U <sub>3</sub> O <sub>8</sub> (M Lb)
Probable	4.48	0.31	0.63

**Notes:**

1. The following parameters have been applied for the U<sub>3</sub>O<sub>8</sub> estimates;
2. The recovery is 70%; and
3. MCF of 100%.

Pre-Feasibility Studies (PFS) have been completed for the Zaaiplaats Project, the latest of which was 2017.

The Zaaiplaats Project is not included in the Mineral Reserve in this CPR as the project was not NPV positive at the applied real discount rate of 7.5%.

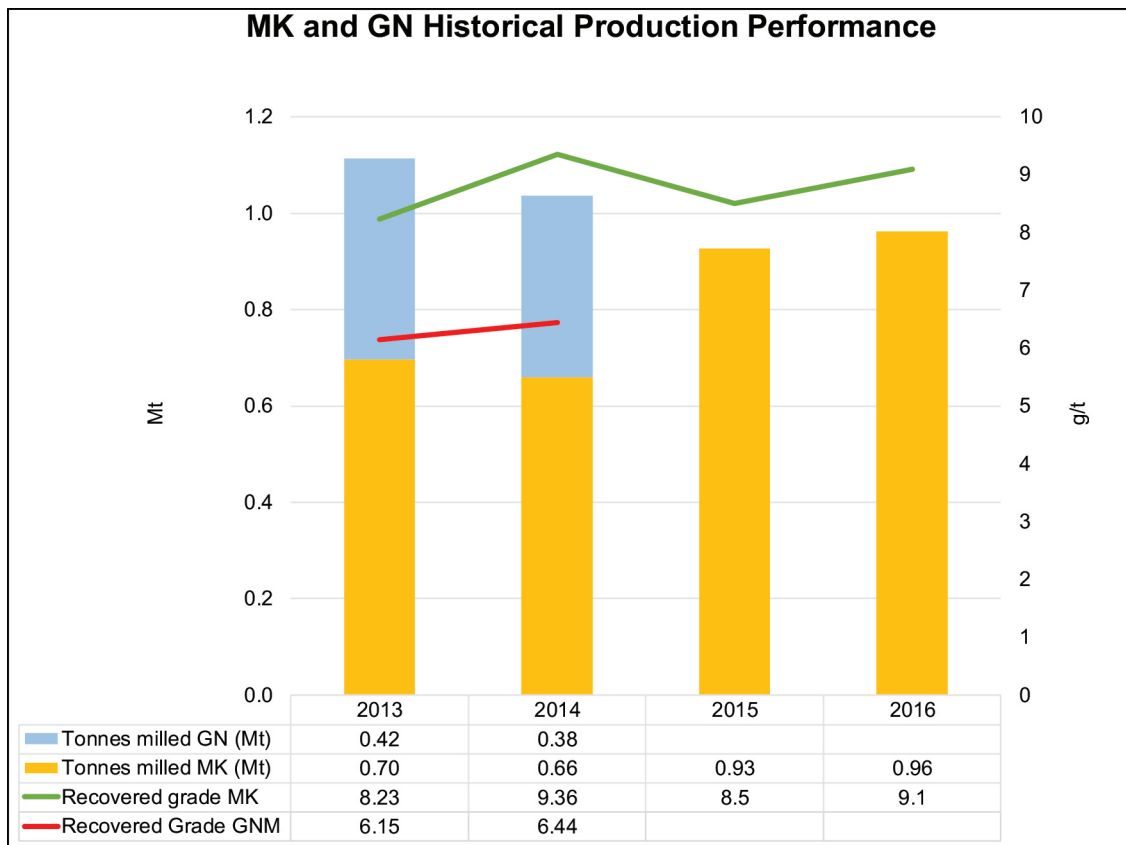
The GN Shaft pillar is excluded from the Mineral Reserves as it is at a concept level of study and has not been studied to the level of a PFS. The estimated Au content included in the Mineral Resources of the GN Shaft pillar is approximately 0.39 Moz. The shaft barrel at MK Mine has to be available for pumping until the end of the LoM.

**SRK Comments**

- The scattered conventional mining with backfill support is proven and SRK believe it is suitable for the characteristics of the orebodies at the MK Mine. The operational crews are experienced in the method;
- The mine planning process at MK Mine is conducted with diligence and reasonable modifying factors are applied to convert the Mineral Resources to Mineral Reserves. The modifying factors are reasonable and take cognisance of past performance. SRK is of the view that the LoM plan is realistic and achievable. No significant risk factors were identified; and
- SRK believes the methodology applied to convert the Mineral Resources to Mineral Reserves meets the requirements of the SAMREC Code.

## ES9: Historical Production History

Brief historical operating statistics for MK Mine are summarised in the graph ES.2 below.



**Figure ES.2: MK Mine Historical Production History**

It can be seen in ES.2 that there has been a gradual improvement in production from 2013 to 2016 at MK Mine operation. Although the average gold grade is volatile, there is an upward trend.

## ES10: Operating Cost

The production tonnage planned for MK Mine reduces over the duration of the LoM. The unit operating costs incurred at MK Mine increase as the production reduces. The costs are escalated by inflation over the LoM.

SRK believes the costs applied in the LoM plan are reasonable.

## ES11: Geotechnical Engineering

The practical approach implemented by the mine to cater for the provisions of the Code of Practice (CoP) to combat rockfall and rockburst accidents as well as the sufficiency of the seismic monitoring were considered. Both aspects are suitably managed.

The area-specific strategies are suitable.

A geotechnical design at a PFS level has been completed for the Zaiplaats Project.

## ES12: Ventilation and cooling

MK Mine is mining at an average depth of 2 800 m below surface with rock temperatures exceeding 53.0°C and therefore is classified as an ultra-deep level mine. The ventilation and cooling infrastructure was originally designed for a production rate of 160 ktpm. Current production is 81 ktpm on average.

The current ventilation quantity (800 kg/s) and reduced cooling (75 MW to 42 MW) has sufficient cooling power for the provision of acceptable environmental conditions throughout the mine.

Average wet bulb temperatures in the Middle Mine do not exceed 28.5°C (Mine standard: 27.5°C). This is in line with industry norms for mines at similar depths.

Production at GN Mine was stopped in 2015. The total ventilation and cooling capacity (1000 kg/s and 50 MW respectively) can be made available if required.

The ventilation and cooling capacities are sufficient for the LoM production.

### **Occupational health**

Silica dust with a crystalline silica content of 18 to 70% is one of the main occupational health risks in the Vaal Reefs area. The AGA mines have an industry leading silica dust suppression and enhanced medical surveillance in place in their quest towards zero harm.

Health surveillance records indicate that early diagnosed cases have been on the decline since 2006.

There are short term fluctuations in the number of employees previously exposed being diagnosed with Silicosis. The lag period from exposure to diagnosis is 10 to 20 years.

The mitigating action to reduce the Silicosis risk is the continuation of dust suppression measures.

### **Safety**

There has been a significant reduction in injuries and fatal accidents from 2002 to 2016 across all the AGA VROs, and this is a commendable achievement.

In spite of the improvement, the number of Section 54 safety stoppages were at an all-time high in 2015 at MK. Lost shifts totalled 48 days and the production loss was 1 047 kg Au.

The Labour Court of South Africa, Johannesburg handed down an important decision in November 2016, when it granted AGA an interdict of a Section 54 work stoppage that had been issued by the Department of Mineral Resources (DMR). The judge found that the Section 54 applied at Kopanang Mine lacked "proportionality"; in other words it was unfair to close the entire mine when the safety incidents had occurred at only one level (44 level). This should result in a reduction in the number of lost shifts as a result of Section 54 stoppages in the Vaal Reefs area.

### **ES13: Hydrogeology and Surface Water**

External water supply to VROs is provided from the following sources:

Potable water is supplied by Midvaal Water Company. Water supplied by the Midvaal Water Company is utilised by the VROs for domestic purposes as well as for mining and metallurgical processing.

Process water for the GN plant is provided from the Eye Dam, sewage treatment water, and boreholes as well as return water from the Mispah TSFs. The Kopanang Shaft, supplies the GN plant with process water as well as potable water. Water is also returned to the Kopanang complex. Currently more water is transferred to the Kopanang complex than is received.

The villages and the outside sections are supplied water from the Midvaal Water Company.

The Mispah TSFs, MK and GN assets are south of the river and villages and training centre to the north of the Vaal River. The Vaal River will be the main receptor of any pollution from the TSF and Plant/Shaft complexes. The potential issues associated with hydrogeology and surface water are:

- Pollution of the water resources from the tailings dam, MODs and metallurgical plants. The cost to implement seepage collection facilities will be in the order of ZAR15 million and will be funded through working capital;
- Operational compliance with Water Use Licence (WUL) conditions is not possible without treating the decant prior to storage in the RWD. While not practical and unlikely to be implemented, there is a large capital amount required to meet the WUL requirements (ZAR100 – 200 million) and will be funded through working capital if needed; and
- Upgrading of the Pollution Control Dam (PCD) to limit discharge at approximately ZAR50 million and will be funded through working capital.

Table ES.8 and Table ES.9 show a summary of the operating costs for WUL compliance and additional aspects that may be required as post closure costs/liabilities respectively.

**Table ES.8: Summary of the Costs for Water**

<b>Cost of Compliance OPEX in Near Term Requirements</b>	<b>High Risk<sup>1</sup> Cost (ZAR million)</b>	<b>Low Risk<sup>2</sup></b>
Separation of reticulation from the AGA assets	75	
Separation of clean and dirty water at TSF to be reprocessed	15	
Water treatment of TSF decant prior to storage in RWD to comply to WUL		150
10 years of OPEX to treat TSF prior to storage in RWD		200
Construction of interception measures at Mispah TSFs	50	
Upgrading of PCD to limit discharge	50	
<b>Total</b>	<b>190</b>	<b>350</b>

**Notes:**

1. These items will be required during separation to comply with current legislation; and
2. These items are required to comply with the WUL. These requirements are impractical and unlikely to be enforced.

**Table ES.9: Additional Requirements**

<b>CAPEX Requirements</b>	<b>Cost (ZAR million)</b>
In situ clean-up of water courses	50
Sinkhole formation management	10 – 50
<b>Total</b>	<b>100</b>

There may be additional water risks for contingent liability from:

- In situ clean-up of water courses at ZAR50 million;
- Potential for sinkhole formation management of ZAR10 million to ZAR50 million; and
- As the mine is located on dolomitic geology, there is a risk that sink holes may form related to mining activities particularly watering and dewatering of the dolomitic aquifers.

The impact of these risks materializing is not included in the valuation but is shown for informative purposes. Cognisance of the risks has been taken in the Financial Valuation (FV).

The closure costs including the costs associated with water are discussed in the closure section.

**ES14: Tailings Disposal**

The Mispah TSFs consist of three compartments with the first compartment commissioned in the early 1990s. There was concern over the geotechnical founding conditions of the Mispah 1 site and this was mitigated by extensive geotechnical investigations and a design that resulted in an active sinkhole on the site being backfilled with waste rock and a plug of concrete cast against the layer of diamictite. As part of the long-term requirements water control measures needed to be maintained on an on-going basis throughout the life of the TSF. A stability analysis undertaken in concluded that is only one mention of a sinkhole or doline in the reviewed data, and concluded that *"This tends to confirm that the general area is not prone to sinkholes or dolines"*.

The existing TSF can accommodate LoM tailings tonnage and it can be concluded that the Mispah TSFs are being operated by a competent team and in a professional manner. It is, however, noted that the way dolomite risks are assessed has changed over the years. If the dolomite investigations and risks have not been revisited since the 1990s then they may no longer be in line with current best practice.

The capital expenditure identified is minimal, however it is subject to there being no latent risks associated with the foundation dolomites.

The capital expenditure identified excludes the processing and disposal of the MOD.

## ES15: Mineral Processing Facilities

In terms of the transaction, Harmony are acquiring the following AGA mineral processing facilities:

- GN Gold Plant;
- GN Uranium Plant (also known as South Uranium Plant);
- GN Backfill Plant;
- Mispah Gold Plant;
- GN Central Smelt-house; and
- NUFCOR.

Underground ore is processed through the GN Gold Plant and the GN Uranium Plant in a Reverse Leach arrangement. Ore is milled in the Gold Plant then forwarded to the Uranium Plant for  $U_3O_8$  extraction and returned to the Gold Plant for Au extraction.

The GN Gold Plant features conventional Carbon in Pulp (CIP) processing, with electrowinning cathode slimes being further processed to Doré bullion in the GN Central Smelt-house.

Backfill is produced from the Gold Plant tailings for underground mine support.

Historically MOD material has been processed through three plants including the Mispah Gold Plant.

$U_3O_8$  processing incorporates hot sulphuric acid leaching ahead of Counter Current Decantation, Counter Current Ion Exchange, Solvent Extraction and Ammonium Diuranate (ADU) precipitation. ADU, also known as yellowcake is despatched to NUFCOR for further processing.

NUFCOR produces  $U_3O_8$  which is packaged and exported.

The mineral processing assets included in this transaction are generally in fair condition, with capacity that generally exceeds the planned throughput requirements.

Surplus capacity is likely however, to impact negatively on operating costs. This has been acknowledged in projected operating costs but there is also a risk that process operating costs may increase at reduced throughput. It will accordingly be important to minimise overheads. There may however, be an opportunity to manage operating costs as throughput reduces by shutting down surplus capacity.

Au extraction efficiency has been good but there is a risk that this could be lower than planned in periods of lower Au grade. Au recovery could also drop if ore with inferior metallurgical characteristics is treated.

$U_3O_8$  processing is currently not profitable. Ongoing operation has been motivated by a historically observed improvement in Au recovery after  $U_3O_8$  leaching with sulphuric acid. There is thus, a risk that Au recovery would drop should  $U_3O_8$  processing be discontinued for any reason.

## ES16: Infrastructure and Capital Expenditure

The infrastructure is mature, well maintained and adequate to support the LoM. The capacity of the MK Mine hoisting and rock handling system is more than adequate to support the LoM.

The planned capital expenditure is Sustaining Capital, Ore Reserve Development (ORD) and some exploration capital.

The LoM capital is shown in the Table ES.10.

**Table ES.10: The LoM capital**

<b>Capital</b>	<b>Units</b>	<b>Total</b>
Stay-in-business Capital MK Mine (SIBC)	(ZAR million)	234
Items of a Capital Nature (ICN)	(ZAR million)	50
ORD Capital	(ZAR million)	956
Exploration Capital	(ZAR million)	12
<b>Total Project Capital</b>	<b>(ZAR million)</b>	
<b>Total Sustaining Capital (SIBC+ICN)</b>	<b>(ZAR million)</b>	<b>284</b>
<b>Total Other Capital</b>	<b>(ZAR million)</b>	<b>968</b>
<b>Total Capital</b>	<b>(ZAR million)</b>	<b>1 252</b>

**Notes:**

1. The figures above are in real terms;
2. The environmental and closure capital includes some funds already provided for in the rehabilitation and closure fund; and
3. Sustaining capital for MK Mine varies from  $\pm 4\%$  of C1 operating costs in 2018, dropping in the last years of the LoM for the MK mining areas. This is considered to be adequate.

The PFS for the Zaaiploots Project indicates a capital requirement of ZAR11.63 billion from 2018 to 2030, Mineral Reserve Development of ZAR16.14 billion from 2022 to 2040, and sustaining capital varying from 1.3% to 5.5% of operating costs.

**ES17: Power Supply**

Power supply agreements for those assets forming part of this transaction will have to be re-negotiated and transferred to Harmony. Generally the electrical infrastructure has been designed for the rated throughput of the plants and mining during full production, hence it is considered more than adequate for the mining and processing going into the future, due to reduction in mining rates and plant throughput.

Emergency power requirements have been allowed for in the existing electrical network, to provide ventilation, pumping at MK Mine and hoist personnel out from underground during Eskom power outages. The emergency generators should form part of the transaction as they are critical to maintaining hoisting, ventilation and pumping at MK.

It can be concluded from the above that the installed main electrical infrastructure (8 x 132/6.6 kV 20 MVA) at the main consumer substation is sufficient for the requirements of the LoM.

Redistribution of operating and maintenance costs for the electrical infrastructure supplying the accommodation units (which include the houses in the Vaal River Village, uMuziMuhle Village and properties located in the towns of Orkney and Klerksdorp will be part of the transaction.

**ES18: Environmental, Social Impact and Mine Closure**

AGA has addressed the South African environmental legal compliance requirements, notably with respect to mandatory authorisations and licences. VROs is in possession of the necessary Mining Rights and has an approved Environmental Management Plan (EMP), Social Labour Plan (SLP), Water Use Licence (WUL) and Air Emission Licence (AEL). Following change of ownership, it will be necessary to update the legal register and make application to the relevant authorities for the transfer and/or amendment of environmental authorisations, licences, certificates and permits.

The VROs have developed an Environmental Management System (EMS) for which they have received ISO 14001 certification. In compliance with applicable laws, regulation and requirements, the EMS commits VROs management to continual improvement of environmental management and performance. The EMS and EMP requirements are implemented by dedicated environmental and social staff. Although it is evident that compliance audits are being conducted for VROs, it is necessary that these are undertaken in fulfilment with permit requirements to monitor environmental performance at VROs and avoid potential directives by authorities.

VROs has formalised and structured engagement with local authorities. There is evidence that it also proactively engages with external stakeholders to manage issues and build community relations. Given the extensive property portfolio that VROs service and maintain, it will be necessary to support initiatives to transfer ownership of land and properties thereby reducing social dependencies and financial liability at closure.

VROs undertakes an annual assessment of the premature and planned closure liability, for the biophysical closure of the operations. This assessment does not include internal or external social closure requirements, as these are considered under the SLP, nor does it include post closure water management. The process that VROs follows complies with legal requirements as contained in the MPRDA. The premature closure liability, as calculated at the end of 2016, for the assets under consideration is ZAR639 million for biophysical closure. As required by legislation, AGA have made provisions to fund the liability using a combination of funds contributed to a Trust Fund and Bank Guarantees.

**ES19: Mine Closure and Liabilities**

The VROs undertakes an annual assessment of the premature and planned closure liability, for the biophysical closure of the operations. Annually, each aspect of the operation is considered to understand what changes have occurred since the last review, focussing on infrastructure constructed or demolished as well as understanding additional disturbance created or rehabilitation undertaken. This review is used to update the

closure quantities for each of the operational areas. Rates are then applied to the quantities to determine the resultant liability. SRK understands that a full review of rates is only undertaken every third year, with the rates adjusted between full review by the prevailing inflation rate. The last rate update was undertaken in 2014 and is due again in 2017.

Using the information available, the premature closure liability, as calculated at the end of 2016, for the assets under consideration is ZAR639 million, with the apportionment of the liability presented in Table ES.11.

**Table ES.11: Estimate of premature liability for assets included in transaction**

<b>Aspect</b>	<b>AGA 2016 Premature Liability Estimate (ZAR million)</b>
Shafts	104.9
Metallurgical Plant	124.8
Water Dams	30.2
SAMTS Offices	2.6
TSF	137.3
Waste Rock dump	39.3
Sustainable Development	27.8
Engineering Services	11.1
Properties	45.8
Land Management	0.5
Incorporated	27.6
Residences	7.7
Business Services	79.6
<b>Total</b>	<b>639.2</b>

As required by legislation, AGA has made provisions to fund the liability using a combination of funds contributed to a Trust Fund and Bank Guarantees. Currently, AGA has ZAR835 million in Trust and ZAR943 million in Bank Guarantees for the liability of the entire VROs, which includes assets not part of this transaction. Approval is awaited from the South African Revenue Service for the transfer of ZAR340 million to the Harmony rehabilitation fund.

In addition to the liability for the VROs, SRK understands from AGA, that the liability for NUF COR is ZAR13 million as calculated at the end of 2015. However, there is currently no legal requirement under the Nuclear Energy Act to provide for closure liability.

The liability associated with internal and external social closure and post closure water management are not included in the liability estimate of ZAR639 million. AGA recognises that there is a contingent liability for post closure water management, but has not yet quantified this contingent liability.

The contingent liability for water treatment at closure (based on work undertaken by other Consultants in 2015) could be as much as ZAR1.5 billion for the capital costs and ZAR2 billion for the operating costs and that these could be incurred approximately 10 years after the conclusion of underground mining. Whilst it appears likely that some of these costs will be mitigated through water sales, customers (external and internal) may exist for the pumped water prior to the commencement of treatment. These plans are conceptual and the final impact cannot be readily quantified.

## **ES20: Valuation**

### **Techno-Economic Model Parameters**

SRK makes use of Consensus Economics Inc., a global macroeconomic survey firm, to inform their views on Au and U<sub>3</sub>O<sub>8</sub> prices. The seven analysts consulted by Consensus Economics gave a range of long-term price forecasts of USD845 to USD1 419/oz. An exchange rate forecast has been provided by UBS, a global firm providing financial services to private, corporate and institutional clients, and the spot rate has also been considered. The Techno-Economic Model (TEM) developed for the valuation is in real-terms but some real-terms inflation (in excess of Consumer Price Index (CPI)) has been allowed for power and labour, which have historically increased at higher than CPI.



The parameters used in the analysis are shown in Table ES.11. The forecasts from Consensus Economics for the Au and U<sub>3</sub>O<sub>8</sub> prices from Quarter 3, 2017 are shown in Table ES.12.

**Table ES.12: Au and U<sub>3</sub>O<sub>8</sub> Consensus Economics price forecasts and the UBS ZAR:USD**

Commodity	Units	SPOT						LTP
		18 September 2017	2017	2018	2019	2020	2021	
Au	(USD/oz)	1 307	1 250	1 250	1 220	1 220	1 200	1 180
U <sub>3</sub> O <sub>8</sub>	(USD/lb)	21	22	24	29	34	34	29
ZAR:USD			14.23	13.73	13.42	13.11	13.89	13.89

SRK has made use of the Consensus Economics forecast in conjunction with the above exchange rates from UBS as a base case. The spot rates prevailing on 18 September for the Au price and 20 September 2017 for the exchange rate, USD1 307/oz and 13.30 ZAR:USD respectively, were also evaluated using the TEM. The NPV obtained, USD309 million, with the spot rate and price and was confirmed as positive and still within the selected valuation range.

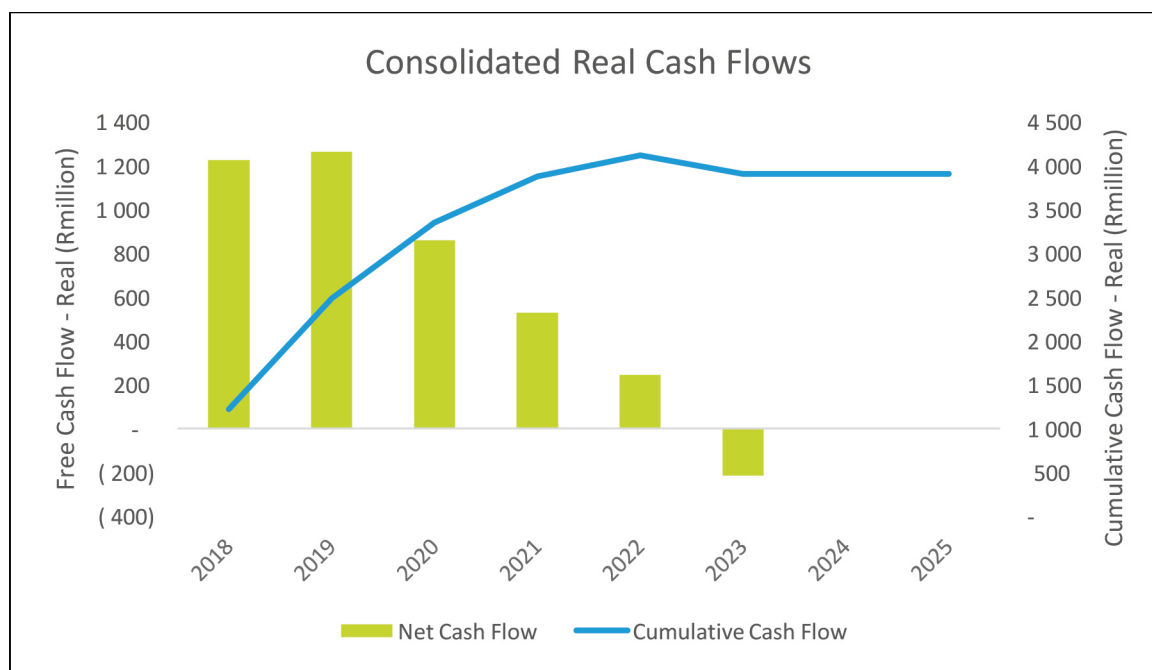
The U<sub>3</sub>O<sub>8</sub> price forecast shows a long-term price of USD29/lb. The forecast is quite volatile currently with several market commentators predicting large gains and a price of USD40-60/lb in the long term. U<sub>3</sub>O<sub>8</sub> is produced at MK Mine primarily to improve the Au yield. An improvement in the U<sub>3</sub>O<sub>8</sub> price would improve returns.

The Income Approach and Market Approach have been selected for the valuation of MK Mine, a producing property. The valuation is presented in USD, which is the currency of the transaction. The MK Mine is valued as a single operating entity and includes all the assets listed in the Description of Assets.

### Income Approach

A detailed TEM was constructed to determine the NPV of the MK Mine. The TEM facilitated the testing of a range of price and cost scenarios and to assess the impact of various risks materialising.

Figure ES.3 shows the MK Mine is cash positive from 2018 until the final year where there is a slight negative cash flow, which is included in the TEM.



**Figure ES.3: Consolidated Real Cash Flows for MK Mine**

The sensitivity of the post-tax, pre-finance, NPV in USD million at the selected base case real discount rate of 7.5%, which is considered reasonable for a Au asset in South Africa, to three key variables is shown in Table ES.13 and Table ES.14.

**Table ES.13: Two-factor sensitivity to Au Price and Exchange Rate**

ZAR:USD	USD/oz	974 -20%	1 096 -10%	1 218 0%	1 340 10%	1 461 20%
10.86	-20%	(175)	(66)	36	137	218
12.22	-10%	(66)	49	160	246	326
13.58	0%	36	160	257	343	429
14.94	10%	137	246	343	438	539
16.30	20%	218	326	429	539	641

The base case cost and economic assumptions applied to the Mineral Reserves in the TEM produce an NPV of USD257 million.

The NPV is sensitive to changes in grade, recovery, price and exchange rate. The effects of changes in any of these is similar. A 10% reduction in revenue reduces NPV to USD160 million and a 10% increase in price improves NPV to USD343 million.

There is no significant capital me in the absence of the Zaaiplaats Project or the GN Shaft pillar. No sensitivity on capital is included but a sensitivity on OPEX was incorporated from the TEM.

**Table ES.14: NPV Sensitivity to OPEX**

OPEX adjustment	-10%	-5%	0%	5%
NPV (USD million)	322	289	257	225

Table ES.13 shows the impact of reducing the OPEX. The allocated costs detailed in the TEM, including various regional services, represent an opportunity to reduce costs, particularly in the event that various synergies are possible for the new owner. Various procurement initiatives were also underway at AGA to reduce costs but these have not been included as it is not clear that a new owner would use the same suppliers or have the same buying power. A 5% saving in OPEX (equivalent to reducing the allocated costs excluding metallurgical costs by 20%) would see NPV increase to USD289 million.

There are a number of potential opportunities, including the mining of the GN pillar, the development of the Zaaiplaats Project and the treatment of the surface Mineral Resource. SRK consider these opportunities to offset the potential risks of additional closure or environmental costs. Any extension of the LoM would reduce the NPV impact of these risks and allow additional time to fund. The potential opportunities have not been studied to the required level and have therefore not been detailed in the CPR and also not included in the base case valuation.

There are no significant capital mes and the mine is predicted to operate with a positive cash flow under all reasonable scenarios for the remaining LoM. The risks discussed in the main body of the report are covered by the sensitivities presented.

Significant risks to the NPV include the contingent liability for the pumping and treatment of water from the Vaal Reefs area via the MWC (approximately 50MI/day). Mitigation opportunities exist, through commercialisation of the water and extension of the LoM. The TEM assumes that the treated water will be sold on a commercial basis. Construction of the water treatment plant is assumed to commence in 2029, with commissioning in 2032. Water sales are assumed to offset OPEX from 2042. This is based on a high level study commissioned by AGA. CAPEX and the first 10 years of OPEX amounts to USD45 million. Failure to commercialise the water by 2042 would reduce the base NPV in this TEM by a further USD5 million.

Harmony have indicated that they have received guidance that 70% of the purchase price will be tax deductible. The value of this deduction is USD46 million and is included in the base case as it would apply to any third party purchasing the assets.

The Income Approach range is driven by the uncertainty around the price. Whilst there are several other sources of uncertainty around cost the price uncertainty dominates. The weighted average price is USD1 218 per ounce with a long-term price of USD1 180. The weighted average exchange rate is ZAR13.58:USD and, combined with the USD price is equivalent to a Au price of ZAR531 311 per kg. The spot price of USD1 307 per ounce and the spot exchange rate of 13.30 ZAR:USD applied throughout the LoM would increase the NPV by approximately USD50 million to USD306 million.

## Market Approach

The Market Approach values the ounces in Mineral Reserves and Mineral Resources as in Tables ES2, ES3, ES4, ES6 and ES7 based on transactions recorded in the South African market. Additionally, the Enterprise Value per Mineral Resource and Mineral Reserve ounce was also calculated based on South African gold producers. The ounces of the Zaaiploats Project have been included in the Mineral Resource. These ounces comprise approximately 63% of the total Mineral Resources ounces and, whilst meeting the criteria for eventual economic extraction, there is no certainty that these Mineral Resources will be converted to Mineral Reserves.

South African Au deposits are unusual in their depth, extent and maturity. Transactions were thus filtered to limit the review to South African assets and companies excluding the sale of 50% of South Deep to Gold Fields in 2006 because of the magnitude of the transaction. South African assets with no Mineral Resources or Mineral Reserves were also excluded.

In the transactions reviewed, the median price paid per Mineral Resource ounce (inclusive) was USD27 (USD15 for Au equivalent) and the price paid per Mineral Reserve ounce was USD135 (USD104 per Au equivalent). The review of EV per ounce for Sibanye, AGA and Harmony showed a price range of USD16 – 29 per Mineral Resource ounce and USD93 – 155 per Mineral Reserve ounce. The metal equivalent Mineral Resource/Reserve is determined by dividing total revenue from all minerals by the Au price.

## Valuation Conclusions

Table ES.15 shows the final selected valuation ranges.

**Table ES.15: Final selected valuation ranges**

Summary	Income Approach (USD million)	Market Approach (USD million)	Final (USD million)
Low	160	127	150
Preferred	257	273	260
High	343	465	350

The implied values from the EV/oz for Harmony are selected as the low and preferred value, USD127 and USD273 million respectively, for the Market Approach. The high value, USD465 million for the Market Approach is selected from the median price paid for Au exclusive Mineral Resources.

The Income Approach range is driven by the uncertainty around the price. Whilst there are several other sources of uncertainty around cost the price uncertainty dominates. The weighted average price is USD1 218 per ounce with a long-term price of USD1 180. The weighted average exchange rate is ZAR13.58 USD, equivalent to a price of ZAR531 311 per kg. The spot price of USD1 307 per ounce and the spot exchange rate of 13.30 ZAR:USD applied throughout would increase the NPV by approximately USD50 million to USD306 million.

The Market Approach implies a slightly higher valuation than the Income Approach. Preference has been given to the Income Approach as this is a producing mine and given the uncertainties inherent in the Market Approach.

The recommended value placed on the entity as described is USD260 million.

## ES21: Risks and Opportunities

SRK has not explicitly included conceptual risks or opportunities in the TEM as the magnitude or timing cannot be accurately determined. These risks and opportunities have been described for the information of the reader along with the indicative NPV impacts.

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## MATERIAL LOANS

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### In relation to Harmony:

#### Senior Revolving Credit Facility

The three-year term and revolving credit facilities agreement, entered into by Harmony and Nedbank Limited, ABSA Bank Limited, JP Morgan Chase Bank, Caterpillar Financial Services Corporation, HSBC Bank plc, Citibank, State Bank of India and Bank of China, on or around 28 July 2017, in terms of which a revolving credit facility of US\$350 000 000 is made available to Harmony with a maturity date of August 2020.

<b>Facility:</b>	US\$ denominated term loan (of US\$175 million) and revolving credit facilities (of US\$175 million)
<b>Description:</b>	(see introduction above)
<b>Lenders:</b>	Nedbank Limited, ABSA Bank Limited, JP Morgan Chase Bank, Caterpillar Financial Services Corporation, SBC Bank plc, Citibank, State Bank of India, Bank of China
<b>Term of loan:</b>	3 Years from Financial Close
<b>Repayment terms:</b>	Bullet repayment at end of term
<b>Interest rate:</b>	3 month LIBOR
<b>Interest rate margin:</b>	Term loan: 315 basis points; revolving credit facilities: 300 basis points
<b>Secured (Yes/No)</b>	Yes
<b>Security and/or guarantors:</b>	Cession and pledge over all the shares and claims in the main operating subsidiaries in the Group
<b>Conversion/Redemption terms:</b>	–
<b>Borrowers:</b>	Harmony

#### Bridge Facility Agreement

The Bridge Facility Agreement is a syndicated facility agreement dated 18 October 2017 and amended on or around 13 November 2017, entered into in connection with the Acquisition, by Harmony as parent and borrower, the Harmony SPV as the acquiring entity in terms of the Acquisition and original guarantor and by UBS Limited, Nedbank Limited (acting through its Nedbank Corporate and Investment Banking division), JP Morgan Securities plc and Absa Bank Limited (acting through its Corporate and Investment Banking division) collectively, as lenders, for the provision of a committed bridge term loan facility in an aggregate amount of US\$200 000 000.

<b>Facility:</b>	US\$200 000 000 bridge term loan facility
<b>Description:</b>	(see introduction above)
<b>Lenders:</b>	Nedbank Limited (acting through its Nedbank Corporate and Investment Banking division); UBS Limited; JP Morgan Securities plc and Absa Bank Limited (acting through its Corporate and Investment Banking Division)
<b>Term of loan:</b>	6 months from Signature Date (unless the "Extension Option" under Clause 6.2 is utilised, in which case the term will be 12 months from Signature Date).

<b>Repayment terms:</b>	The Loan is to be repaid in full on the Final Repayment Date
<b>Interest rate:</b>	LIBOR plus the Margin
<b>Interest rate margin:</b>	2.5% per annum from the Signature Date until the Initial Final Repayment Date (i.e. six months after Signature Date) (the <b>First Margin Step-up Date</b> ). If the Extension Option is utilised, then 3% for the period from the First Margin Step-up Date until the date falling three months after the Initial Repayment Date (the <b>Second Margin Step-up Date</b> ) and 3.5% from the Second Margin Step-up Date until the Extended Final Repayment Date (i.e. 12 months after the Signature Date)
<b>Secured (Yes/No)</b>	Yes
<b>Security and/or guarantors:</b>	<ul style="list-style-type: none"> <li>• Cession in Security given by Harmony over shares in, and loan claims against, the Harmony SPV</li> <li>• Cession in Security to be given by the BEE SPV over shares in, and loan claims against, the Harmony SPV</li> </ul>
<b>Conversion/Redemption terms:</b>	–
<b>Borrowers:</b>	Harmony
<b>In relation to the Target Operations:</b>	
	The Target Operations will have no material loans on acquisition by Harmony.

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## MATERIAL CONTRACTS

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### Harmony:

The following are material contracts of Harmony which can be considered: (a) restrictive funding arrangements; or (b) entered into otherwise than in the ordinary course of business, and which contracts: (i) were entered into within 2 years prior to the date of this Circular, or (ii) were entered into at any time and contain an obligation or settlement that is material to Harmony.

1. **Acquisition of Moab Khotsong, Great Nologwa and related infrastructure from AngloGold Ashanti**

On 18 October 2017, Harmony entered into the Acquisition Agreements with AngloGold Ashanti to acquire, through the Harmony SPV, the Target Operations for the Purchase Price, as described in further detail in paragraph 4 (and elsewhere) of the Circular.

2. **US\$200 million Acquisition Bridge Facility**

On 18 October 2017, Harmony entered into a US\$200 million bridge term loan facility with a syndicate of banks, namely UBS, Nedbank Limited (acting through its Nedbank Corporate and Investment Banking division), JP Morgan Securities plc and Absa Bank Limited (acting through its Corporate and Investment Banking division) for the purposes of funding a portion of the Purchase Price, to be discharged to AngloGold Ashanti for the Acquisition. Terms of the Acquisition Bridge Facility is further set forth in **Annexure 6** under the caption "*Bridge Facility Agreement*" and the flow of funds is described in more detail elsewhere in the Circular.

3. **US\$350 million Senior Secured Revolving Credit Facility**

On 28 July 2017, Harmony entered into an agreement for a new three-year term loan (of US\$175 million) and revolving credit facilities (of US\$175 million). The Senior Secured Revolving Credit Facility replaces the previous US\$250 million revolving credit facility loan and was agreed on similar terms. Approximately US\$100 million of the funds available under the Senior Secured Revolving Credit Facility shall be drawn for purposes of discharging the balance of the Purchase Price to AngloGold Ashanti for the Acquisition. Terms of the Senior Secured Revolving Credit Facility is further set forth in **Annexure 6** and the flow of funds is described in more detail elsewhere in the Circular.

### Target Operations:

There are no material contracts of the Target Operations which can be considered: (a) restrictive funding arrangements; or (b) entered into otherwise than in the ordinary course of business, and which contracts: (i) were entered into within two years prior to the date of this Circular, or (ii) were entered into at any time and contain an obligation or settlement that is material to the Target Operations.

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## SALIENT FEATURES OF THE ESOP TRUST AND THE ESOP TRUST SHARE ISSUE

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The definitions and interpretations commencing on page 11 of the Circular apply, *mutatis mutandis*, to this Annexure.

Pursuant to paragraph 6.2.1 of, and elsewhere in, the Circular as well as the JSE Listings Requirements, this **Annexure 8** of the Circular sets forth the salient features of the ESOP Trust and ESOP Trust Share Issue which forms part of the BEE Transactions, and which ESOP Trust Share Issue intends to give effect to Harmony's BEE plan agreed pursuant to the Sale Agreement, which plan Harmony is required to implement as a condition precedent to the Sale Agreement and implementation of the Acquisition.

### 1. **Rationale for establishment of the ESOP Trust and the ESOP Trust Share Issue:**

As at the Last Practicable Date, the previous Harmony employment share ownership plan has expired and the underlying trust shares have vested in the beneficiaries. Harmony subsequently made an application to the Master of the High Court for the winding-up of the relevant trust and the winding-up has since been completed. Accordingly, Harmony desires to continue to recognise the benefit of aligning the interests of its employees with those of the Shareholders by providing for meaningful equity based participation in the South African Group by current or future permanent employees employed by Harmony in South Africa who do not participate in Harmony's other equity based, long-term share ownership plans, namely, the Eligible Employees. The establishment of the ESOP Trust and the consequent ESOP Trust Share Issue is aimed at achieving the foregoing alignment of interests.

### 2. **Establishment of the ESOP Trust:**

Consistent with the foregoing, the ESOP Trust has been established pursuant to the ESOP Trust Deed for the purpose of, among other things, subscribing for, holding and administering the ESOP Trust Shares on behalf of (and for the benefit of) the Employee Beneficiaries. The ESOP Trust will not be regarded a public Shareholder for the purposes of the JSE Listings Requirements, as it has been established for the benefit of Harmony's employees, where restrictions on trading the ESOP Trust Shares will be imposed by Harmony in terms of the ESOP Trust Deed – see "*ESOP Trust Lock-in Period*" in paragraph 8 of this Annexure.

### 3. **Administration of the ESOP Trust:**

The ESOP Trust and trust property will be under the management and care of the ESOP Trust Trustees, comprising of 4 ESOP Trust Trustees who have been appointed by Harmony, 6 ESOP Trustees who have been appointed by the Unions (as defined below) and an additional independent ESOP Trustee who has been appointed jointly by Harmony and the Unions.

As defined in the ESOP Trust Deed, "*Unions*" means the National Union of Mine Workers (NUM), UASA Trade Union (UASA), Trade Union Solidarity (Solidarity), the Association of Mineworkers and Construction Union (AMCU) and such other unions as may be recognised by Harmony from time to time.

The Employee Beneficiaries all form part of the abovementioned Unions and thus in terms of the administration of the ESOP Trust, the Employee Beneficiaries' interests are effectively represented through the persons appointed by the Unions on their behalf, as their representative trustees. Notably, the ESOP Trust Trustees who have been appointed by Harmony will recuse themselves at any general meeting of Harmony which requires a voting of the ESOP Trust Shares for purposes of resolutions proposed in terms of the JSE Listings Requirements – see paragraph 7 of this Annexure.

### 4. **Allocation of equity interest to the ESOP Trust:**

After the issue of ESOP Trust Shares, the effective participation of the ESOP Trust in the issued ordinary share capital of Harmony as at the Last Practicable Date, is expected to be 1.5%.



5. **Consideration:**

The ESOP Trust Shares are being issued to the ESOP Trust in consideration for services rendered by (and to incentivise) Eligible Employees and not for monetary consideration. Additionally, the Board has, for purposes of section 40 of the Companies Act, determined that the services rendered (and to be rendered) by Eligible Employees constitutes adequate consideration for the ESOP Trust Shares.

6. **Allocation of ESOP Units:**

The terms of the ESOP Trust Deed provide that only Eligible Employees may be appointed as Employee Beneficiaries through the allocation of ESOP Units. ESOP Units are allocated by the ESOP Trust Trustees through the issuing of an allocation notice to Eligible Employees. Upon the issue of the allocation notices and allocation of the ESOP Units, Eligible Employees immediately become Employee Beneficiaries of the ESOP Trust.

An allocation of ESOP Units is made by the ESOP Trust Trustees upon application of the Allocation Criteria. The Allocation Criteria essentially provides that initially, each Eligible Employee that joins/qualifies upon the formation of the ESOP Trust or within 6 months thereafter, shall receive an equal number of ESOP Units resulting in each Employee Beneficiary receiving 225 ESOP Units upon the formation of the ESOP Trust which are directly attributable to 225 ESOP Trust Shares.

Following the expiration of the 6 month period referred to above, and provided that there are still ESOP Pool Shares, Eligible Employees that join/qualify will receive an allocation of ESOP Units which are attributable to the ESOP Pool Shares, on a *pro rata* basis depending on when such persons join/qualify as Eligible Employees having regard to the remaining complete months left in the ESOP Trust Lock-in Period, to be determined in accordance with the following formula:

$$X = (A \div B) \times C$$

Where:

“X” represents the number of ESOP Units that shall be allocated (rounded off to the nearest whole number);

“A” represents the number of whole/complete months remaining in the ESOP Trust Lock-in Period at the time of the allocation;

“B” equals 36 months being the duration of the ESOP Trust Lock-in Period; and

“C” represents the number of ESOP Units vested in each Eligible Employee during the initial allocation of ESOP Units upon the inception of the ESOP Trust, being 225.

Please see below illustrative examples of how the above formula will be applied:

1. An employee who joins after **month 3:**

$$X = (A/B) \times C$$

$$A = (36 - 0) = 36$$

$$B = 36$$

$$C = 225$$

$$X = 225$$

As this is within the initial six months “grace period” the Employee is deemed to receive full amount.

2. An employee who joins after **month 8:**

$$X = (A/B) \times C$$

$$A = (36 - 8) = 28$$

$$B = 36$$

$$C = 225$$

$$X = 175$$

3. An employee who joins after **month 15:**

$$X = (A/B) \times C$$

$$A = (36 - 15) = 21$$

$$B = 36$$

$$C = 225$$

$$X = 131$$

*Kindly note that the above worked examples are only for illustrative purposes.*

7. **Voting:**

The ESOP Trust Trustees shall be the registered owners of the ESOP Trust Shares following the ESOP Trust Share Issue, and it shall be entitled to vote or abstain from voting the ESOP Trust Shares at any general meeting of Harmony in their discretion and in the best interests of the Employee Beneficiaries, provided that the ESOP Trust Trustees appointed by Harmony shall recuse themselves at such meeting for purposes of voting on resolutions proposed in terms of the JSE Listings Requirements.

8. **ESOP Trust Lock-in Period:**

The ESOP Trust may not dispose or encumber the ESOP Trust Shares during the ESOP Trust Lock-in Period.

In addition, the Employee Beneficiaries may not prior to the expiration of the ESOP Trust Lock-in Period, sell or transfer their ESOP Units, breach of which would result in their ESOP Units being cancelled for no consideration and they will cease to be an Employee Beneficiary of the ESOP Trust.

9. **Employment Service Requirements:**

Employee Beneficiaries who cease to remain in the employ of the Company prior to the expiry of the ESOP Trust Lock-in Period shall have their ESOP Units cancelled. If such person constitutes a Good Leaver, the ESOP Trust Shares attributable to his/her ESOP Units shall be sold and she/he shall receive the attributable proceeds (less any taxes) as consideration in respect of their ESOP Units. If such person constitutes a Bad Leaver, his/her ESOP Units will be cancelled for no consideration and she/he shall cease to be Employee Beneficiary of the ESOP Trust. However, both a Good Leaver and a Bad Leaver will still be entitled to receive any dividends accruing to him/her which have accumulated prior to such person ceasing to be an Employee Beneficiary of the ESOP Trust.

10. **Income of the ESOP Trust:**

Dividends distributed in respect of the ESOP Trust Shares prior to the expiry of the ESOP Trust Lock-in Period, which are attributable to allocated ESOP Units, shall immediately vest in the Employee Beneficiaries' hands. However, the dividends shall be held by the ESOP Trust Trustees on behalf of the Employee Beneficiaries and thereafter, be distributed (less any relevant taxes, including dividend withholding tax) to such Employee Beneficiaries either upon such Employee Beneficiary's termination of employment, if such Employee Beneficiary cease to remain in the employ of Harmony prior to the expiry of the ESOP Trust Lock-in Period, or upon the expiry of the ESOP Trust Lock-in Period.

Dividends which are distributed in respect of the ESOP Pool Shares, shall vest and be distributed to the ESOP Trust and used by the ESOP Trust Trustees to settle any ESOP Trust expenses, costs or taxes.

11. **Distribution of ESOP Trust Shares:**

Upon the expiry of the ESOP Trust Lock-in Period, each Employee Beneficiary shall be entitled to such number of ESOP Trust Shares (excluding any ESOP Pool Shares) which are directly attributable to the number of ESOP Units held by each Employee Beneficiary.

Prior to the expiry of the ESOP Trust Lock-in Period, if the Employee Beneficiaries wish to receive the ESOP Trust Shares they will be required to notify the ESOP Trust Trustees at least 60 days prior to the expiry of the ESOP Trust Lock-in Period and advise the ESOP Trust Trustees of the details of their CSDP and how they intend settling any tax obligations triggered as a result of the shares vesting in them.

Should the Employee Beneficiaries fail to provide such written instructions, the ESOP Trust Trustees shall sell the attributable ESOP Trust Shares on the Employee Beneficiaries' behalf and thereafter distribute the proceeds from the sale (net any taxes, however so arisen, and costs) to the Employee Beneficiary concerned. The ESOP Trust Shares sold for this purpose, shall be sold as part of a bulk sale and in calculating the amount of proceeds to be distributed to each Employee Beneficiary, the ESOP Trust Trustees shall apply an average amount attributable to each ESOP Trust Share sold in the bulk sale, in accordance with the following formula:

$$Y = (E - F)/G$$

Where:

- "Y" represents the average amount of proceeds per ESOP Trust Share sold as part of the bulk sale;
- "E" represents the total proceeds from the bulk sale of those ESOP Trust Shares (specifically excluding any ESOP Pool Shares);
- "F" represents the total amount of costs and securities transfer taxes attributable to the bulk sale; and
- "G" represents the total ESOP Trust Shares sold as part of the bulk sale process (specifically excluding any ESOP Pool Shares).

**12. ESOP Pool Shares in the ESOP Trust:**

Initially, it is intended that ESOP Units in respect of a portion of the ESOP Trust Shares will not all be immediately allocated at inception of the ESOP Trust through the allocation of ESOP Units, but rather a portion will form part of the pool (ESOP Pool Shares) for future allocations to Eligible Employees that join/qualify at a later stage after the formation of the ESOP Trust.

In addition, ESOP Pool Shares that become available because of a cancellation of ESOP Units (for e.g. due to Bad Leavers) may also be utilised by the ESOP Trust Trustees for future allocation to new Eligible Employees. Such allocation to new Eligible Employees of ESOP Units which are directly attributable to the ESOP Pool Shares shall continue to take place up until the expiry of the ESOP Trust Lock-in Period.

Upon the expiry of the ESOP Trust Lock-in Period, if there are still any ESOP Pool Shares, the ESOP Trust Trustees shall at their discretion be entitled to transfer the ESOP Pool Shares to any other Harmony trust, with similar objectives to the ESOP Trust, or be entitled to sell the ESOP Pool Shares and distribute the proceeds either to Harmony (provided the proceeds will ultimately benefit its employees) or to another Harmony trust.

**13. Winding up of the ESOP Trust:**

The ESOP Trust shall terminate if Harmony and the ESOP Trust Trustees resolve to terminate the ESOP Trust after a period of at least three months following the distribution of the ESOP Trust Shares to the Employee Beneficiaries.

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## SALIENT FEATURES OF THE HARMONY COMMUNITY TRUST SHARE ISSUE

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The definitions and interpretations commencing on page 11 of the Circular apply, *mutatis mutandis*, to this Annexure.

Pursuant to paragraph 6.2.2 of, and elsewhere in, the Circular and the JSE Listings Requirements, this **Annexure 9** of the Circular contains the salient features of the Harmony Community Trust Share Issue which forms part of the BEE Transactions and intends to give effect to Harmony's BEE plan agreed pursuant to the Sale Agreement, which plan Harmony is required to implement as a condition precedent to the Sale Agreement and implementation of the Acquisition.

### 1. **Rationale for Harmony Community Trust Share Issue:**

Harmony intends to share the benefits flowing from the Acquisition (and its other operations) with all communities residing in the vicinity of its South African operations. Harmony is committed to strengthening and maintaining these relationships throughout the foreseeable future, since these communities are mostly historically disadvantaged communities who will contribute towards the achievement of Harmony's long-term goal of being a sustainable South African mining company. Consequently, the Harmony Community Trust Share Issue is aimed at achieving the foregoing by ensuring guaranteed consistent income flow to the Harmony Community Trust to enable it to carry out its prescribed activities as set forth in the Harmony Community Trust Deed.

### 2. **Established Harmony Community Trust:**

Consistent with the foregoing, the Harmony Community Trust was previously established pursuant to the Harmony Community Trust Deed, for the purpose of administering benefits that flow from the Company's operations for and on behalf of all relationship communities, and it is proposed that the Harmony Community Trust Subscription Shares will be issued to the Harmony Community Trust to further assist it in pursuing its goal of benefiting the relevant communities.

### 3. **Allocation of equity interest to the Harmony Community Trust:**

In accordance with the terms of the Harmony Community Trust Subscription and Relationship Agreement, it is proposed that 4 400 000 Preference Shares (which are convertible, into Ordinary Shares at the then prevailing market value of such Ordinary Shares at the date of Conversion, at the discretion of the Board either after the expiry of the Harmony Community Trust Lock-in Period or if the Company reasonably anticipates that an "*affected transaction*" (as defined in the Companies Act) or a delisting will take place in relation to the Company) be issued to the Harmony Community Trust pursuant to the Harmony Community Trust Share Issue. After the issue of Harmony Community Trust Subscription Shares in accordance with the Harmony Community Trust Subscription and Relationship Agreement, the effective participation of the Harmony Community Trust in the issued ordinary share capital of Harmony as at the Last Practicable Date, is expected to be 1%.

### 4. **Administration of the Harmony Community Trust:**

The Harmony Community Trust will be administered by the trustees of the Harmony Community Trust for the benefit of the beneficiaries under the Harmony Community Trust Deed and in the manner and upon the terms and conditions set out in the Harmony Community Trust Deed.

At least one trustee shall be appointed by Harmony, provided such trustee will not be a Director. At least three trustees of the Harmony Community Trust must not be "connected persons" as defined in section 1 of the Income Tax Act, No. 58 of 1962, as amended. No single trustee of the Harmony Community Trust shall directly or indirectly control the decision-making powers relating to the Trust. In line with current practice, Harmony also makes provision for one trustee to represent the communities. The position is advertised and candidates interviewed and then selected on pre-determined criteria.

If at any time the position of a trustee is vacated, the remaining trustees shall as soon as practicable, assume some other person or persons to replace the position vacated so as to bring the number up to 5 trustees. If the remaining trustees fail to appoint another person to a vacant position within 60 days, or if there are no trustees, Harmony shall make the necessary appointment or appointments of trustees of the Harmony Community Trust.

5. **Consideration:**

As recorded in the Harmony Community Trust Subscription and Relationship Agreement, Harmony Community Trust Subscription Shares are being issued to the Harmony Community Trust: (i) in consideration for the undertakings and commitments given by the Harmony Community Trust in terms of the Harmony Community Trust Subscription and Relationship Agreement (including, amongst other things, an undertaking to comply with the requirements of the BEE Act and not to do anything that would negatively impact on the Company's status as contemplated by the BEE Act); and (ii) not for monetary consideration. Additionally, the Board has, for purposes of section 40 of the Companies Act, determined that such commitments and undertakings constitute adequate consideration for the Harmony Community Trust Shares.

6. **Salient terms of the Preference Shares:**

The Preference Shares proposed to be issued pursuant to the Harmony Community Trust Share Issue, shall have the terms and features described in paragraph 13 of **Annexure 10** to this Circular.

7. **Harmony Community Trust Subscription and Relationship Agreement:**

Harmony and the Harmony Community Trust have entered into the Harmony Community Trust Subscription and Relationship Agreement to regulate the ongoing relationship between the Harmony Community Trust and Harmony for so long as the Harmony Community Trust holds shares in Harmony in accordance with the Harmony Community Trust Subscription and Relationship Agreement, the terms of which include, amongst others:

7.1 **Duration:**

Commencing on the date on which the Harmony Community Trust Subscription and Relationship Agreement becomes unconditional and shall continue to be of force and effect between its parties indefinitely until terminated in accordance with its terms.

7.2 **General Undertakings:**

The Harmony Community Trust has undertaken to adhere to certain restrictions which seek to ensure that it maintains its existence as a ring-fenced special purpose vehicle, the purpose of which is to hold the Harmony Community Trust Subscription Shares for the benefit of the communities in which Harmony operates. The capacity of the Harmony Community Trust is accordingly restricted to, amongst other things: (i) complying fully with the terms of the Harmony Community Trust Deed; (ii) maintaining its existence in terms of the Trust Property Control Act, No. 57 of 1988, as amended; (iii) not, unless the Company gives its prior written consent or unless permitted in terms of the relevant transaction documents (as contemplated in the Harmony Community Trust Subscription and Relationship Agreement), permit (to the extent within its power) or agree to any amendment to the Harmony Community Trust Deed; and (iv) render its tax and other regulatory or statutory returns timeously, and retain copies of all correspondence to such effect.

7.3 **BEE Undertakings:**

The Harmony Community Trust has undertaken to comply with the requirements of the BEE Act and the MPRDA applicable to community trusts, and to not do anything which would negatively impact on Harmony's BEE status.

7.4 **Lock-up:**

The Harmony Community Trust may not dispose of or encumber the Harmony Community Trust Shares until the expiry of the Harmony Community Trust Lock-in Period, save as may be permitted under the Harmony Community Trust Subscription and Relationship Agreement.

7.5 **Voting:**

The Harmony Community Trust will be entitled to exercise all voting rights attached to the Harmony Community Trust Subscription Shares of which it shall be the registered owner following implementation of the Harmony Community Trust Share Issue, until such Harmony Community Trust Subscription Shares are either repurchased by the Company or purchased by a nominee of the Company or transferred to a third party in accordance with the terms of the Harmony Community Trust Subscription and Relationship Agreement. Following any conversion of the Harmony Community Trust Subscription Shares into Ordinary Shares, if any, the Harmony Community Trust shall be entitled to exercise all voting rights attached to such Ordinary Shares. Following any transfer of the Harmony Community Trust Subscription Shares, the new holders of such shares shall be entitled to exercise all of the voting rights attached to the shares received.

7.6 **Pre-emptive Rights:**

The Harmony Community Trust shall not be entitled to dispose of any of its Harmony Community Trust Subscription Shares without first offering all of the Harmony Community Trust Subscription Shares for sale to the Company in accordance with the provisions of the Harmony Community Trust Subscription and Relationship Agreement.

7.7 **Harmony Community Trust Call Option:**

Upon the occurrence of certain specified events (including, but not limited to, if the Harmony Community Trust commits a breach of the Harmony Community Trust Subscription and Relationship Agreement (or other "transaction agreement" as defined therein), or the Company determines, in its reasonable opinion, that any act or omission of the Harmony Community Trust or its trustees or beneficiaries has caused or could cause significant reputational harm to the Harmony Community Trust and/or the Harmony Group), Harmony will have a call option in terms of which it may require the Harmony Community Trust to sell the Harmony Community Trust Shares to it or its nominee at a Market Value or at a 25% discount to Market Value, depending on the trigger for the exercise of the call option.

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## PROPOSED AMENDMENTS TO THE MOI

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The Board proposes the following amendments to the MOI:

### 1. PROPOSED AMENDMENT NO. 1 – CLAUSE 1.1.12

The Board proposes that the following new definition of “Ordinary Share” be added as a new clause 1.1.12, updating the MOI with reference to Ordinary Shares throughout, as well as the consequential numbering and cross referencing of the remaining clauses of the MOI:

*“1.1.12 **“Ordinary Share”** means an ordinary no par value Share in the authorised share capital of the Company, having the rights and privileges set out in clause 6.1.1;”*

### 2. PROPOSED AMENDMENT NO. 2 – CLAUSE 1.1.14

The Board proposes that the following new definition of “Preference Share” be added as a new clause 1.1.14, with the consequential numbering and cross referencing of the remaining clauses of the MOI:

*“1.1.14 **“Preference Share”** shall have the meaning given thereto in **Schedule 1**;”*

### 3. PROPOSED AMENDMENT NO. 4 – CLAUSE 6.1.1

The Board proposes that the existing clause 6.1.1 be amended to read as follows (additions are underlined and deletions are indicated by strikethrough):

*“6.1.1 1,200,000,000 (one billion and two hundred million) ~~ordinary Share~~ Ordinary Shares with no par value ~~a par value of R0.50 (fifty cents) each~~, of the same class, each of which ranks *pari passu* in respect of all rights and entitles the holder to –”*

### 4. PROPOSED AMENDMENT NO. 4 – CLAUSE 6.1.1.1

The Board proposes that the existing clause 6.1.1.1 be amended to read as follows (additions are underlined and deletions are indicated by strikethrough):

*“6.1.1.1 vote on any matter to be decided by the Shareholders of the Company and to 1 (one) vote in respect of each ~~ordinary Share~~ Ordinary Share held in the case of a vote by means of a poll;”*

### 5. PROPOSED AMENDMENT NO. 5 – CLAUSE 6.1.1.2

The Board proposes that the existing clause 6.1.1.2 be amended to read as follows (additions are underlined):

*“6.1.1.2 participate proportionally in any distribution made by the Company (excluding any distribution made in respect of the Preference Shares in terms of paragraph 3 of **Schedule 1**); and”*

### 6. PROPOSED AMENDMENT NO. 6 – CLAUSE 6.10

The Board proposes that the existing clause 6.10 be amended to read as follows (additions are underlined and deletions are indicated by strikethrough):

*“6.10 Subject to what may be authorised by the Act, the JSE Listings Requirements and at meetings of Shareholders in accordance with clause 6.12, and subject to clause 6.11, the Board may only issue unissued ~~ordinary~~ Shares if such ~~ordinary~~ Shares have first been offered to existing ~~ordinary~~ Shareholders in proportion to their shareholding on such terms and in accordance with such procedures as the Board may determine, unless such Shares are issued for the acquisition of assets by the Company.”*



7. **PROPOSED AMENDMENT NO. 7 – CLAUSE 13.3**

The Board proposes that the existing clause 13.3 be amended to read as follows (additions are underlined and deletions are indicated by strikethrough):

*“13.3 The Board may not resolve to offer a cash payment in lieu of awarding a capitalisation sShare, as contemplated in clause 13.2.3 unless the Board –...”*

8. **PROPOSED AMENDMENT NO. 8 – CLAUSE 20.1.3**

The Board proposes that the existing clause 20.1.3 be amended to read as follows (additions are underlined and deletions are indicated by strikethrough):

*“20.1.3 the holders of Securities other than ~~ordinary~~ Ordinary Shares and the Preference Shares shall not be entitled to vote on any resolution at a meeting of Shareholders, except as provided in clause 20.2.”*

9. **PROPOSED AMENDMENT NO. 9 – CLAUSE 20.2**

The Board proposes that the existing clause 20.2 be amended to read as follows (additions are underlined and deletions are indicated by strikethrough):

*“20.2 If any resolution is proposed as contemplated in clause 6.4, the holders of such Shares (“**Affected Shareholders**”) shall be entitled to vote at the meeting of ~~ordinary~~ Ordinary Shareholders as contemplated in clause 20.1, provided that –”*

10. **PROPOSED AMENDMENT NO. 10 – CLAUSE 20.2.2**

The Board proposes that the existing clause 20.2.2 be amended to read as follows (additions are underlined and deletions are indicated by strikethrough):

*“20.2.2 the total voting rights of the Affected Shareholders in respect of the Affected Shares shall not be more than 24.99% (twenty four point nine nine percent) of the total votes (including the votes of the ~~ordinary~~ Ordinary Shareholders) exercisable at that meeting (with any cumulative fraction of a vote in respect of any Affected Shares held by an Affected Shareholder rounded down to the nearest whole number).”*

11. **PROPOSED AMENDMENT NO. 11 – CLAUSE 34.7.2**

The Board proposes that the existing clause 34.7.2 be amended to read as follows (additions are underlined and deletions are indicated by strikethrough):

*“34.7.2 in the case of joint holders, the holder whose name appears first in the Securities Register in respect of the sShare, at his registered address; or”*

12. **PROPOSED AMENDMENT NO. 12 – CLAUSE 38.1**

The Board proposes that the existing clause 38.1 be amended to read as follows (additions are underlined and deletions are indicated by strikethrough):

*“38.1 Subject to the provisions of clause 6.4 and section 17 of the Act, this Memorandum of Incorporation may only be altered or amended by way of a special resolution of the ~~ordinary~~ Ordinary Shareholders in accordance with section 16(1)(c) of the Act, except if such amendment is in compliance with a Court order as contemplated in section 16(1)(a) of the Act.”*

13. **PROPOSED AMENDMENT NO. 13 –**

The Board proposes that the existing Schedule 1 be replaced to read as follows (additions are underlined and deletions are indicated by strikethrough):

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## ADDITIONAL CLASSES OF SHARES

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### 1. **AUTHORISED**

*The Company is hereby authorised to issue up 4 400 000 (four million four hundred thousand) convertible no par value preference shares in the share capital of the Company, having the rights and privileges set out in this **Schedule 1** (each a "**Preference Share**")*

### 2. **RANKING**

2.1 *Except for the additional benefit set forth in clause 3 and the limitation set forth in clause 4 of this **Schedule 1** below, the Preference Shares shall rank pari passu with the Ordinary Shares in the Company in all respects, including having the right to:*

2.1.1.1 *vote on any matter to be decided by the Shareholders of the Company and to 1 (one) vote in respect of each Preference Share held in the case of a vote by means of a poll;*

2.1.1.2 *to be treated pari passu with the holders of Ordinary Shares in respect of any sub-division or consolidation of Ordinary Shares or elective or non-elective award of capitalisation Shares;*

2.1.1.3 *participate proportionally (based on the total number of Shares in issue) in any distribution made by the Company to all Shareholders; and*

2.1.1.4 *receive proportionally (based on the total number of Shares in issue) the net assets of the Company upon its liquidation.*

### 3. **PREFERENCE DIVIDEND**

*In addition to any distributions which the holder/s of Preference Shares receive/s in terms of clause 2.1.1.3 of this **Schedule 1**, by way of proportionally participating in any distribution made to all Shareholders in any financial year of the Company (if any) as provided for in clause 2.1.1.3 ("**Total Ordinary Distribution**"), then the Company shall, if the Total Ordinary Distribution is less than R2 per Share (the "**Target Dividend**"), declare and distribute to the holder/s of Preference Shares, within 30 (thirty) days of the end of the relevant financial year, a distribution equivalent to the difference between the Target Dividend and the Total Ordinary Distribution.*

### 4. **RIGHTS OFFERS**

*Unless otherwise agreed to or directed by the Company, the holder of each Preference Share shall not be entitled to participate in a renounceable or non-renounceable rights offer in respect of Ordinary Shares.*

### 5. **CONVERSION**

5.1.1 *The Company shall be entitled, at its election, by way of board resolution to convert each Preference Share into an Ordinary Share (on a 1:1 basis):*

5.1.1.1 *after the 10th (tenth) anniversary of the date on which the Preference Share in question was issued; or*

5.1.1.2 *if the Company reasonably anticipates that an "affected transaction" (as defined in the Companies Act) or delisting will take place in respect of the Company."*

5.1.2 *On conversion, the Preference Shares shall convert into Ordinary Shares at the then prevailing market value of such Ordinary Shares.*

*The Company is not authorised to issue any further Shares in addition to the Shares contemplated in clause 6.1.1 of the Memorandum of Incorporation to which this schedule is Schedule 1.*

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## THE BOARD REPORT IN TERMS OF REGULATIONS 31(7) AND 31(8) OF THE COMPANIES REGULATIONS

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### Harmony Gold Mining Company Limited

(Incorporated in South Africa)  
(Registration number: 1950/038232/06)  
ISIN: ZAE000015228 JSE share code: HAR  
("Harmony" or the "Company")

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## BOARD REPORT PREPARED AND PUBLISHED BY THE BOARD OF DIRECTORS IN TERMS OF REGULATIONS 31(7) AND 31(8) OF THE COMPANIES REGULATIONS, 2011, IN RELATION TO THE CONVERSION OF THE COMPANY'S ORDINARY SHARE CAPITAL TO NO PAR VALUE SHARES

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### 1. INTRODUCTION

- 1.1 Capitalised terms used but not defined in this paragraph 1, shall have the meaning ascribed thereto in paragraph 2 below.
- 1.2 As at the Last Practicable Date, the Company has an authorised share capital of 1 200 000 000 Ordinary Shares with a par value of ZAR0.50 each, of which 444 560 003 Ordinary Shares (with a par value of ZAR0.50 each) are currently in issue.
- 1.3 As described in more detail in the circular to Shareholders, dated Thursday, 7 December 2017 (the "**Circular**"), Harmony intends, through one of its wholly owned subsidiaries, to acquire (the "**Acquisition**") the Moab Khotsong and Great Nologwa Mines and related infrastructure from AngloGold Ashanti Limited ("**AGA**"). As part of, and as a condition precedent to, implementation of the Acquisition, Harmony has agreed with AGA to implement certain black economic empowerment ("**BEE**") transactions. These BEE transactions include implementation of a BEE transaction involving the Harmony Community Trust, pursuant to which Harmony intends to share the benefits flowing from the Acquisition (and its operations) with all communities residing in the vicinity of Harmony's South African operations. Consequently, Harmony proposes to create a new class of authorised shares, in the form of the Preference Shares, which it proposes to issue to the Harmony Community Trust, such that after issuance of the Preference Shares to the Harmony Community Trust, the Harmony Community Trust would, as holder of Preference Shares, receive a guaranteed income flow to enable it to carry out its prescribed activities in accordance with the Harmony Community Trust Deed. Further details concerning the Preference Shares and the BEE transaction involving the Harmony Community Trust is set forth in the Circular.
- 1.4 In order to create the Preference Shares, Harmony proposes to amend its MOI to: (i) increase its authorised share capital through the creation of 4 400 000 Preference Shares; and (ii) to adopt the preferences, rights, limitations and other terms that will attach to the Preference Shares.
- 1.5 The Companies Act came into effect on 1 May 2011 and replaced the Old Companies Act. Relevant to creating and authorising the Preference Shares, the Board notes that in terms of regulation 31(2) of the Companies Regulations (read with section 35(2) of the Companies Act), a company is not permitted to create any new par value shares, or shares with a nominal value.

- 1.6 However, in terms of item 6(2) in the Transitional Arrangements detailed in Schedule 5 of the Companies Act and the Companies Regulations, pre-existing companies like Harmony that have, prior to the date that the Companies Act came into effect (being 1 May 2011):
- 1.6.1 issued shares with a par value, are allowed to retain such shares as par value shares; and
  - 1.6.2 authorised but not yet issued shares with a par value, are allowed to issue such shares, but may not authorise an increase of such par value shares.
- 1.7 Since regulation 31(2) of the Companies Regulations does not permit the creation of further authorised par value shares, the Preference Shares can only be authorised and created as no par value shares. Furthermore, it is intended that the Preference Shares may convert into Ordinary Shares in the share capital of Harmony, which Ordinary Shares are currently par value shares.
- 1.8 Accordingly, Harmony wishes to align the structure of its share capital, such that all shares in the share capital of the Company are no par value shares, and consequently the Board has resolved to propose to the Shareholders that the Company's authorised and issued ordinary share capital be converted from Ordinary Shares with a par value of ZAR0.50 each into Ordinary Shares with no par value, in accordance with the relevant provisions set forth in the Companies Act and the Companies Regulations (the "**Proposed Conversion**").
- 1.9 In order to implement the Proposed Conversion, the following statutory requirements are relevant:
- 1.9.1 regulation 31(6) of the Companies Regulations provides that a board of a company may at any time propose an amendment of the company's memorandum of incorporation to effect a conversion of its authorised and issued shares of par value to shares of no par value, provided that such proposal will only have been adopted if it is approved by: (i) if applicable, a special resolution adopted by the holders of shares of each class of existing shares; and (ii) a further special resolution adopted by a meeting of the company's shareholders called for that purpose. At the date of the Circular, Harmony only has one class of shares in its issued share capital, namely, Ordinary Shares with a par value of ZAR0.50 each, and as such only a meeting of the holders of Ordinary Shares is required, being the General Meeting convened by the Notice of General Meeting;
  - 1.9.2 regulation 31(7) of the Companies Regulations provides that the board of a company is required to prepare a report in respect of a proposed resolution to convert any par value shares into no par value shares ("**Board Report**"). This document constitutes the Board Report in relation to the Proposed Conversion;
  - 1.9.3 regulation 31(8) of the Companies Regulations provides that the company must publish the shareholder resolution referred to in paragraph 1.9.1, together with the Board Report referred to in paragraph 1.9.2, to the company's shareholders before the meeting at which the resolution will be considered by the shareholders. In this respect, the special resolutions required to effect the Proposed Conversion, are published in the Notice of General Meeting attached to the Circular.
- 1.10 Consequently, this Board Report:
- 1.10.1 considers the requirements prescribed by regulation 31(7) of the Companies Regulations; and
  - 1.10.2 is delivered to Shareholders, in terms of regulation 31(8) of the Companies Regulations, in light of Shareholders being asked to approve the Resolutions, being the special resolutions required to be approved by Shareholders in order to implement the Proposed Conversion.

## 2. DEFINITIONS

For the purposes of this Board Report, unless the context requires otherwise:

- 2.1 "**Amended MOI**" Harmony's MOI, if the amendments proposed by special resolution number 3 set forth in the Notice of General Meeting are adopted, filed and accepted by the CIPC, which amendments are set forth in **Annexure 10** of the Circular;
- 2.2 "**Board**" or "**Directors**" means the board of directors of Harmony as at the Last Practicable Date, whose names are listed on page 21 of the Circular;

- 2.3 **“Board Report”** means this report prepared by the Board in terms of regulation 31(7) of the Companies Regulations;
- 2.4 **“Business Day”** means a day other than: (i) a Saturday or Sunday; or (ii) a gazetted public holiday in South Africa or the City of New York;
- 2.5 **“CIPC”** the Companies and Intellectual Property Commission, established in terms of section 185 of the Companies Act;
- 2.6 **“Circular”** has the meaning ascribed to it in paragraph 1.3;
- 2.7 **“Companies Act”** means the South African Companies Act, No. 71 of 2008, as amended;
- 2.8 **“Companies Regulations”** means the Companies Regulations 2011, as promulgated in terms of section 223 of the Companies Act;
- 2.9 **“Company”** or **“Harmony”** means Harmony Gold Mining Company Limited, a public company: (i) duly registered and incorporated in accordance with the laws of South Africa under registration number: 1950/038232/06; and (ii) listed on the Main Board of the JSE;
- 2.10 **“General Meeting”** means the meeting of Shareholders to be held at the Hilton Hotel, 138 Rivonia Road, Sandton, Johannesburg, South Africa at 11:00 (South African Standard Time) on Thursday, 1 February 2018 for the purposes of considering, and if deemed fit, passing, the resolutions set forth in the Notice of General Meeting;
- 2.11 **“Harmony Community Trust”** means the trustees for the time being of the Harmony Gold Community Trust a trust established for the empowerment and upliftment of the communities in which Harmony operates and which trust is registered in accordance with the laws of South Africa under Master’s reference number: IT 248/2013;
- 2.12 **“Harmony Community Trust Deed”** means the trust deed pursuant to which the Harmony Community Trust was established, and which deed sets forth, among other things, governance related matters pertaining to the Harmony Community Trust;
- 2.13 **“Last Practicable Date”** Friday, 24 November 2017, being the last practicable date prior to finalisation of the Circular;
- 2.14 **“MOI”** means the memorandum of incorporation of the Company, in force as at the Last Practicable Date;
- 2.15 **“Notice of General Meeting”** the notice to Shareholders convening the General Meeting to conduct the business described therein and to consider and, if deemed fit, adopt with or without modification, the resolutions set forth therein, and which notice is attached to, and forms part of, the Circular;
- 2.16 **“Old Companies Act”** means the Companies Act, No. 61 of 1973;
- 2.17 **“Ordinary Shares”** ordinary shares in the share capital of the Company;
- 2.18 **“Preference Shares”** means 4 400 000 convertible preference shares of no par value in the share capital of Harmony, having such preferences, rights, limitations and such other terms as set forth in the Amended MOI, which amendments are proposed for approval by the Shareholders in the Notice of General Meeting;
- 2.19 **“Proposed Conversion”** has the meaning ascribed to it in paragraph 1.8;
- 2.20 **“Resolutions”** means the special resolutions contemplated in paragraph 4 of this Board Report, which are to be considered and voted on by the Shareholders at the General Meeting, being the general meeting convened by the Notice of General Meeting, and which are required to effect the Proposed Conversion;
- 2.21 **“Securities”** means any shares, debentures or other instruments irrespective of their form or title, issued, or authorised to be issued, by the Company;
- 2.22 **“Shareholders”** means registered holders of issued Ordinary Shares, as recorded in the relevant share register as at the Last Practicable Date; and
- 2.23 **“ZAR”** or **“R”** means South African rand, the official currency of South Africa.

### 3. THE BOARD REPORT

- 3.1 In terms of regulation 31(7) of the Companies Regulations, this Board Report is required to, at a minimum:
- 3.1.1 state all information relevant to the value of the Securities affected by the Proposed Conversion;
  - 3.1.2 identify holders of the Company's Securities affected by the Proposed Conversion;
  - 3.1.3 describe the material effects that the Proposed Conversion will have on the rights of the holders of the Company's Securities affected by the Proposed Conversion; and
  - 3.1.4 evaluate any material adverse effects of the Proposed Conversion against the compensation that any of those persons will receive as part of the Proposed Conversion.
- 3.2 Consistent with the foregoing, the Board publishes this Board Report: (i) in which it considers the impact of the Proposed Conversion in relation to the foregoing requirements in paragraphs 5 through 8 (both inclusive) below; and (ii) in respect of the Resolutions.

### 4. RESOLUTIONS

In order to comply with the provisions of regulation 31(6) of the Companies Regulations, the Board intends proposing the following special resolutions to implement the Proposed Conversion:

- 4.1 in respect of the conversion of Ordinary Shares, approval by a special resolution adopted by the Shareholders of Ordinary Shares, being special resolution number 1 included in the Notice of General Meeting:

***“Special Resolution Number 1 – Conversion of the authorised Ordinary Shares of the Company from par value to no par value Ordinary Shares***

*“Resolved as a special resolution that, following the Shareholders’ consideration of the Board Report set out in **Annexure 11** of this Circular prepared in terms of regulation 31(7) of the Companies Regulations, and subject to the passing of Ordinary Resolution Number 1 and Special Resolution Number 3, the Company’s Ordinary Shares (comprising the authorised, issued and unissued Ordinary Shares) with a par value of ZAR0.50 (fifty cents) each (whether issued or unissued), be and are hereby converted, with effect from the date that this resolution is filed with the CIPC, into Ordinary Shares (comprising the authorised, issued and unissued Ordinary Shares) with no par value, on the basis that each existing Ordinary Shares with a par value of ZAR0.50 (fifty cents) shall convert into one Ordinary Share with no par value, such that the no par value Ordinary Shares have the same rights and rank *pari passu* in all respects with the existing par value Ordinary Shares.”*

- 4.2 in order to give effect to the Proposed Conversion, approval for amendments to the Company's MOI is required, being special resolution number 3 included in the Notice of General Meeting:

***“Special Resolution Number 3 – Approval of the amendments to the Company’s MOI***

*“Resolved as a special resolution that, subject to the passing of Ordinary Resolution Number 1 and Special Resolution Numbers 1 and 2, and in order to give effect to Special Resolution Numbers 2 and 3, in terms of section 36(2)(a) read with section 16(1)(c) of the Companies Act and regulation 31(6) of the Companies Regulations, the MOI be and is hereby amended in order to incorporate the changes set forth in **Annexure 10** of the Circular to which this Notice of General Meeting is attached and that the Company Secretary of the Company be and is hereby authorised to authenticate, as a certified copy, a revised and updated copy of the Company’s MOI, being the Amended MOI, and to file it with the CIPC.”*

### 5. INFORMATION RELEVANT TO THE VALUE OF THE SECURITIES AFFECTED BY THE PROPOSED CONVERSION

- 5.1 The Securities affected by the Proposed Conversion are the authorised and issued Ordinary Shares of the Company, currently comprising 1 200 000 000 authorised Ordinary Shares with a par value of ZAR0.50, of which 444 560 003 Ordinary Shares with a par value of ZAR0.50 each have been issued.



- 5.2 The Ordinary Shares are issued and listed on the Main Board of the JSE, trading under the share code HAR, and the Ordinary Shares are quoted in the form of ADRs on the NYSE (under trading symbol: HMY).
- 5.3 Information in relation to the historic net asset value, earnings, headline earnings and distribution per Ordinary Share is detailed in the financial statements of Harmony for the financial years ended June 2015, June 2016 and June 2017, which are available in electronic form on the Company's website: [www.harmony.co.za/investors/reporting/annual-reports](http://www.harmony.co.za/investors/reporting/annual-reports).
- 5.4 The underlying rights of the holders of the Ordinary Shares will not be affected by the Proposed Conversion.
- 5.5 Given that the number of Ordinary Shares in issue and the rights attaching to those shares will be unaffected by the Proposed Conversion, the Proposed Conversion will have no impact on the historic net asset value, earnings, headline earnings and distributions per Ordinary Share and should have no impact on the price at which Ordinary Shares trade on the JSE.
- 5.6 Shareholders holding share certificates in respect of Ordinary Shares with a par value of ZAR0.50 will not be asked to surrender their share certificates at this point in time and will be able to dematerialise the share certificates of such Harmony Ordinary Shares with a par value of ZAR0.50 in order to trade in their Ordinary Shares. If required, Shareholders may then request share certificates for their no par value shares and accordingly become certificated shareholders again.

## **6. HOLDERS OF THE SECURITIES AFFECTED BY THE PROPOSED CONVERSION**

As at the Last Practicable Date, the Company only has one class of authorised and issued shares, being the Ordinary Shares, and the Proposed Conversion will equally impact all registered holders of Ordinary Shares. The only effect on registered holders of the registered holders of the Ordinary Shares will be that such holders will now become the registered holders of an identical number of Ordinary Shares of no par value.

## **7. MATERIAL EFFECTS THAT THE PROPOSED CONVERSION WILL HAVE ON THE RIGHTS OF SHAREHOLDERS**

- 7.1 The Proposed Conversion will result in the conversion of each Ordinary Share of ZAR0.50 into an Ordinary Share of no par value.
- 7.2 Accordingly, after the Proposed Conversion, each registered holder of Ordinary Shares will own the identical number of Ordinary Shares as such registered holder held before the Proposed Conversion, and the no par value Ordinary Shares held by a registered holder will represent the same proportion of the total issued Ordinary Shares of the Company as the par value Ordinary Shares which such registered holder held in the total issued number of Ordinary Shares of the Company before the Proposed Conversion.
- 7.3 The Proposed Conversion will have no impact on any rights attached to the Ordinary Shares and the no par value Ordinary Shares will confer on the registered holder all of the same rights as they enjoyed as the holder of par value Ordinary Shares before the Proposed Conversion, including, without limitation, the following rights:
  - 7.3.1 the voting rights, namely the right to attend, speak, participate in and vote at a meeting of the Shareholders;
  - 7.3.2 the right to be entered into the Company's securities register;
  - 7.3.3 the economic rights, including the right to receive dividends, if and when declared and/or made by the Company;
  - 7.3.4 the rights on any liquidation or winding up; and
  - 7.3.5 any other distribution rights.



## **8. EVALUATION OF MATERIAL ADVERSE EFFECTS OF THE PROPOSED CONVERSION AGAINST COMPENSATION OFFERED**

- 8.1 As detailed in paragraph 7 above, the Proposed Conversion has (and will have) no adverse effects on the Shareholders as they will remain in the same position and enjoy the same rights before and after the Proposed Conversion.
- 8.2 In light of the foregoing, the Company has determined that no compensation is deemed necessary or is contemplated, in the context of the Proposed Conversion of Ordinary Shares as there are no adverse effects following the Proposed Conversion on holders of Ordinary Shares.

## **9. GENERAL**

In terms of regulation 31(8)(b) of the Companies Regulations, a copy of this Board Report will be filed at the CIPC and at the South African Revenue Services at the same time as this Board Report is published to the Shareholders.

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## DIRECTORS AND MANAGEMENT DETAILS

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No new directors of the Company are proposed under or as a result of the Transactions. The members of the Board as of the date of this Circular are set forth below.

### NON-EXECUTIVE DIRECTORS

#### **Patrice Tlhopane Motsepe (55) (South African) – Chairman**

BA (Legal), LLB, Doctorate of Commerce (Honorius Causa) (Wits), Doctor of Management and Commerce (Honorius Causa) (Fort Hare)

#### **Member of the nomination committee**

Patrice Motsepe was appointed to the Avmin Board in 2003 as part of the Avmin/ARMgold/Harmony transaction. When the transaction was concluded in 2004, Avmin changed its name to African Rainbow Minerals (ARM) and he became Executive Chairman of ARM. Patrice was a partner in one of the largest law firms in South Africa, Bowman Gilfillan Inc. He was a visiting attorney in the USA with the law firm, McGuire Woods Battle and Boothe. In 1994 he founded Future Mining, which grew rapidly to become a successful contract mining company. He then formed ARMgold in 1997, which listed on the JSE in 2002. ARMgold merged with Harmony in 2003 and this ultimately led to the takeover of Avmin.

In 2002 Patrice was voted South Africa's Business Leader of the Year by the chief executive officers of the top 100 companies in South Africa. In the same year, he was the winner of the Ernst & Young Best Entrepreneur of the Year Award. Patrice is a recipient of numerous other business and leadership awards and recognitions including:

- World Economic Forum Global Leader of Tomorrow, 1999
- Afrikaanse Handelsinstituut, MS Louw Award for Exceptional Business Achievement, 2003
- South African Jewish Report, Special Board Members Award for Outstanding Achievement, 2004
- African Business Roundtable, USA, Entrepreneur & Freedom of Trade Award, 2009
- McGuire Woods Outstanding Alumnus Awards, 2009
- BRICS (Brazil, Russia, India, China, South Africa) Business Council, Outstanding Leadership Award, 2014
- Harvard University Veritas Award for Excellence in Global Business and Philanthropy, 2014
- Forbes 100 Greatest Living Business Minds, 2017

Patrice is the founder and Chairman of Ubuntu-Botho Investments, African Rainbow Capital (ARC) and African Rainbow Energy and Power (AREP) and is also the Chairman of Harmony and the Deputy Chairman of Sanlam.

He is also a member of the:

- International Business Council of the World Economic Forum, which is made up of 100 of the most highly respected and influential chief executives from all industries
- JP Morgan International Council
- Harvard Global Advisory Council
- Council of the International Council on Mining and Metals (ICMM)

His past business responsibilities include being the Founding President of Business Unity South Africa (BUSA), the representative voice of organised business in South Africa, from January 2004 to May 2008, and Chairman of the BRICS Business Council for 2013. He is also President of Mamelodi Sundowns Football Club.

In January 2013 Patrice and his wife, Precious joined the Giving Pledge, which was started by Warren Buffett and Bill and Melinda Gates. Patrice committed to give half of the wealth of the Motsepe family to the poor and for philanthropic purposes during his lifetime and beyond and that of his wife.

### **Modise John Motloba (51) (South African) – Independent Non-executive Deputy Chairman**

BSc, Diploma in Strategic Management

#### **Chairman of the social and ethics committee and a member of the nomination committee and the audit and risk committee**

Modise was appointed to the board on 30 July 2004. He is the founder and chief executive officer of Quartile Capital Holdings Proprietary Limited, a 100% black-owned, managed and controlled niche financial services and investment group with expertise in corporate financial advisory, fund management, wealth, SMME development and finance and principal investments. He has more than 24 years' working experience in the financial sector both in South Africa and the United States. Modise has been involved in the transformation of the financial sector and playing a leadership role in business organisations including:

- Former President of the Association of Black Securities & Investments Professionals (ABSIP) and led ABSIP in the negotiations and launch of the Financial Sector Charter.
- Former President of the NAFCOJ-Johannesburg Chamber of Commerce and Industry.
- Chairman and founder of Phuthanang Youth Trust, a Soweto-based Foundation focusing on education, skills development, SMME development, health, sports and environment for the youth and general community.

His extensive experience in board leadership spans more than 13 years, at both listed and non-listed companies in major sectors and areas such as banking (investment banking, central banking and development finance institutions), agriculture, insurance and mining.

### **Fikile Felicity De Buck (57) (South African) – Lead Independent Non-executive Director**

BA (Economics and Accounting), FCCA

#### **Chairman of the nomination committee and a member of the social and ethics committee, the remuneration committee and the audit and risk committee**

Fikile was appointed to the board on 30 March 2006. A certified chartered accountant, she was the second person to obtain this qualification in Botswana. She was awarded the Stuart Crystal Prize for Best Accounting Student at Birmingham Polytechnic (UK), now Birmingham University, the first black overseas student to be awarded this prize. Fikile is a fellow of the Association of Chartered Certified Accountants United Kingdom. From 2000 to 2008, she worked in various capacities, including as chief financial officer and chief operations officer, at the Council for Medical Schemes in South Africa. Prior to that she worked in various capacities at the Botswana Development Corporation and was its first treasurer. She also served on various boards representing the corporation's interests, and was the founding chairman of the Credit Guarantee Insurance Corporation of Africa Limited. She has 24 years' experience in financial reporting at executive level. Fikile is a director of D&D Company Proprietary Limited, a non-executive director and chairman of the audit committee and a member of various other committees of Atlatsa Resources Corporation. She was included in the coffee table book, "South Africa's Most Inspirational Women" (2011). Fikile mentors a number of young people, mostly women. She is also a member of Women In Mining South Africa.

### **Mavuso Msimang (75) (South African) – Deputy Lead Independent Non-Executive Director**

MBA (Project Management), BSc

#### **Member of the nomination committee and the social and ethics committee. Successor to the lead independent non-executive director**

Mavuso was appointed to the board on 26 March 2011. He has 28 years' experience in management at executive level, and was involved in the successful transformation and restructuring of various state-owned entities over a period of 16 years until 2010. Mavuso held several senior positions in public sector organisations, including South African Tourism, South African National Parks and the State IT Agency (SITA), where he successively served as chief executive officer. He retired from the civil service in 2010 following a three-year stint as Director-General at the Department of Home Affairs. He has also worked for international development agencies such as the World University Service of Canada and CARE International in Ethiopia and Kenya. He also held senior management positions with the United Nations Children's Fund and the World Food me. Msimang currently serves on various civic society, environmental management and private sector boards. He is also chairman of Corruption Watch and is an outspoken critic of public sector corruption and maladministration.

## **EXECUTIVE DIRECTORS**

### **Peter William Steenkamp (58) (South African) – Chief-Executive Officer**

B Eng (Mining); Mine Managers Certificate Metal Mines; Mine Manager's Certificate Fiery Mines; CPIR; MDP; BLDP

Peter Steenkamp was appointed chief executive officer and executive director on 1 January 2016. He has some 38 years' experience in the mining industry, including his last position as Senior Vice President: Mining of Sasol Mining Proprietary Limited, and executive positions at Harmony, from 2003 to 2007, and at African Rainbow Minerals (ARM) and Pamodzi Gold.

He is a member and past president of the Association of Mine Managers of South Africa, and a member of the Southern African Institute of Mining and Metallurgy and the South African Colliery Managers' Association.

### **Frank Abbott (62) (South African) – Financial Director**

BCom; CA(SA); MBL

Frank was appointed to the board as non-executive director on 1 October 1994, and as financial director in 1997. In 2004, he was appointed financial director of African Rainbow Minerals Limited, and resigned as such during 2009. He was reappointed financial director of Harmony in February 2012.

Frank joined the Rand Mines Group in 1981, where he obtained broad financial management experience at an operational level. He was a director of various listed mining companies and currently serves as a non-executive director on the board of African Rainbow Minerals Limited.

### **Harry Ephraim 'Mashego' Mashego (53) (South African) – Executive Director: Corporate Affairs**

BA (Education), BA (Hons) (Human Resources Management), Joint Management Development, Global Executive Development Programme

Mashego joined Harmony in 2005 and has been responsible for group human resources development, transformation and, most recently, government relations. He has more than 20 years' experience in human resources, acquired largely in the industrial sector. Mashego was appointed as an executive director on 24 February 2010.

## **INDEPENDENT NON-EXECUTIVE DIRECTORS**

### **Joaquim Alberto Chissano (78) (Mozambique) – Independent Non-executive Directors**

PhD

#### **Member of the nomination committee and the social and ethics committee**

Joaquim was appointed to the board on 20 April 2005. A former president of Mozambique (1986 – 2005), he also served as chairman of the African Union for 2003/2004. On leaving the presidency, he established the Joaquim Chissano Foundation for Peace Development and Culture, and has led various international peace initiatives on behalf of the United Nations, the African Union and the Southern African Development Community to Guinea-Bissau, the Democratic Republic of the Congo, Uganda and Madagascar. In 2006 he was awarded the annual Chatham House prize for significant contributions to improving international relations, in 2007 he received the inaugural Mo Ibrahim Prize for Achievement in African Leadership. Joaquim was appointed to the global development me advisory panel of the Bill and Melinda Gates Foundation in December 2009. Recently he was awarded the 2015 North-South Prize by the Council of Europe for contribution to human rights, democracy and world peace, thus promoting global interdependence and solidarity.

### **Kenneth Victor Dicks (78) (South African) – Independent Non-executive Directors**

Mine Manager's Certificate (Metalliferous Mines), Mine Manager's Certificate (Fiery Coal Mines), Management diplomas (Unisa and INSEAD)

#### **Member of the technical committee and the investment committee**

Ken was appointed to the board on 13 February 2008. He has a mining engineering background with 39 years' experience in the formal mining industry. He worked for the gold and uranium division of Anglo American plc and its precursor for 37 years in various senior positions.

### **Dr Dugmore Simosezwe Lushaba (51) (South African) – Independent Non-executive Directors**

BSc (Hons); MBA; DBA; CD (SA)

#### **Chairman of the investment committee, member of the audit and risk committee and the remuneration committee**

Simo joined the board on 18 October 2002. He was previously a general manager at Spoornet (Rail and Terminal Services division), was vice president of Lonmin Plc and chief executive of Rand Water. He is a non-executive director on the board of Cashbuild Limited and facilitates mes on corporate governance for the Institute of Directors (South Africa), of which he is a member. He was also appointed as an administrator of the South African Post Office to stabilise the organization and develop a strategic turnaround plan following the resignation of its board. He later became chairman of the board of directors of the South African Post Office, a position he held until December 2016. Previously, he was chairman of the boards of Spescom Limited and Pikitup (Johannesburg), and a director of Trans-Caledon Tunnel Authority, the Water Research Commission and Rand Water.

### **Karabo Tshailane Nondumo (39) (South African) – Independent Non-executive Directors**

BAcc; HDip (Acc); CA(SA)

#### **Member of the audit and risk committee and of the technical committee**

Karabo was appointed to the board on 3 May 2013. She is an executive director of the KM Group of companies, providers of integrated information and communications technology solutions to enterprises, as well as of products and services to the mining, engineering and manufacturing industries. She has held various roles at Vodacom Group Limited including that of executive head of Vodacom business as well as of Vodacom's mergers and acquisitions. She was inaugural chief executive officer of AWCA Investment Holdings Limited and former head of global markets operations at Rand Refinery Proprietary Limited. She was an associate and executive assistant to the former executive chairman at Shanduka Group. She was seconded to Shanduka Coal, where she was a shareholder representative, and also served on various boards representing Shanduka's interests. She is a qualified chartered accountant, a member of the South African Institute of Chartered Accountants and of African Women Chartered Accountants. She is an independent non-executive director of Sanlam Limited, Merafe Resources Limited, Richards Bay Coal Terminal Proprietary Limited and MTN Group Limited's operating companies in South Sudan. She is on the advisory board of Senatla Capital.

### **Vinogaren Parmanandhan Pillay (60) (South African) – Independent Non-executive Directors**

BSc (Hons); MSc

#### **Chairman of the remuneration committee and member of the technical committee and the investment committee**

Vishnu was appointed to the board on 8 May 2013 and is currently executive head: joint ventures and exit operations of Anglo American Platinum Limited. Before joining Anglo American Platinum in 2011, he was executive vice-president and head of South African operations for Gold Fields Limited and, prior to that, vice-president and head of operations at Driefontein Gold Mine. His 25 years at Gold Fields Limited were interrupted by a two-year period with the Council for Scientific and Industrial Research, where he was director of mining technology and group executive for institutional planning and operations.

### **John Leslie Wetton (68) (South African) – Independent Non-executive Directors**

CA(SA); FCA

#### **Chairman of the audit and risk committee and member of the social and ethics committee, remuneration committee and investment committee**

John was appointed to the board on 1 July 2011. He was with Ernst & Young from 1967 to 2010, mainly in corporate audit, but for his final 10 years he played a business development role across Africa. He led Ernst & Young's mining group for a number of years and acted as senior partner for some of the firm's major mining and construction clients. He was a member of Ernst & Young's executive management committee and was, until retirement, a member of the Ernst & Young Africa governance board.

**Andries Jacobus Wilkens (68) (South African) – Non-executive Director**

Mine Manager's Certificate of Competency; MDPA (UNISA); RMIIA; Mini MBA Oil and Gas

**Chairman of the technical committee and member of the investment committee and the remuneration committee**

André was appointed to the board on 7 August 2007. He was appointed to the board of African Rainbow Minerals Limited in 2004 and was its chief executive officer until March 2012. He is currently executive director growth and strategic development (based in the office of African Rainbow Minerals' executive chairman). He headed ARMgold Limited for five years and ARM Platinum for a year before being appointed chief operating officer of Harmony after its merger with ARMgold in 2003. André has more than 46 years' experience in the mining industry, particularly in gold, platinum group metals, iron ore, manganese, coal, chrome, nickel and copper.

## SHARE TRADING HISTORY

The table below sets out the aggregate volumes and values of Ordinary Shares traded on the JSE, as well as the highest and lowest traded prices:

- (i) for each trading day during the 30-day period ended on the Last Practicable Date; and
- (ii) for each month over the previous 12 months prior to the date of issue of the Circular.

	Share Price High (R per share)	Share Price Low (R per share)	Average Daily Trading Volume (Number of shares)	Value (Rand)
<b>Daily Ended November 2017:</b>				
24	24.90	24.43	904,755	22,366,915
23	24.63	24.22	737,071	18,020,109
22	24.57	23.88	1,256,667	30,494,467
21	24.90	24.28	2,134,545	52,411,898
20	25.30	24.17	1,259,314	30,984,099
17	25.89	24.78	1,921,479	47,990,287
16	26.05	25.27	884,136	22,639,345
15	26.48	25.27	1,984,118	51,168,609
14	26.31	24.92	1,202,227	30,399,790
13	26.88	25.60	1,038,293	27,568,562
10	26.89	25.78	1,452,882	38,363,018
9	26.36	25.25	1,194,488	30,985,883
8	25.88	24.70	1,011,347	25,524,322
7	26.15	24.80	2,179,291	55,453,967
6	25.30	24.65	1,379,881	34,501,678
3	24.95	24.50	1,302,567	32,300,864
2	24.99	24.28	868,594	21,374,323
1	24.77	24.20	1,411,640	34,717,451
<b>Daily Ended October 2017:</b>				
31	24.80	23.90	1,625,568	39,478,724
30	24.62	24.20	737,800	18,042,898
27	24.49	23.52	1,523,502	36,924,144
26	24.64	23.59	4,987,410	120,397,935
25	23.67	22.00	3,350,444	76,719,857
24	22.50	21.89	1,931,479	43,032,856
23	22.06	21.43	1,880,443	40,881,307
20	22.59	21.74	4,625,670	102,471,575
19	23.80	22.09	3,383,659	76,712,511
18	23.74	23.16	1,078,258	25,257,725
17	23.84	23.07	1,862,484	43,427,612
16	24.83	24.08	1,860,771	45,361,169



	<b>Share Price High (R per share)</b>	<b>Share Price Low (R per share)</b>	<b>Average Daily Trading Volume (Number of shares)</b>	<b>Value (Rand)</b>
<b>Monthly Ended:</b>				
November 2017	26.89	23.76	2,483,537	784,020,039
October 2017	26.14	21.43	1,625,568	1,029,235,283
September 2017	28.28	23.59	1,001,649	844,261,021
August 2017	25.97	21.52	1,676,789	1,010,411,966
July 2017	23.68	20.24	2,136,524	550,282,908
June 2017	26.55	20.09	2,338,827	921,065,574
May 2017	32.29	26.11	1,128,207	1,121,187,504
April 2017	38.60	28.37	2,089,767	1,346,205,402
March 2017	32.90	27.03	6,265,937	1,441,425,655
February 2017	39.06	31.50	2,294,257	1,757,749,174
January 2017	35.49	30.10	2,119,867	1,347,317,161
December 2016	32.20	25.87	960,367	1,149,902,170



## Harmony Gold Mining Company Limited

(Incorporated in South Africa)

(Registration number: 1950/038232/06)

ISIN: ZAE000015228 JSE share code: HAR

("Harmony" or the "Company")

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## NOTICE OF GENERAL MEETING

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**NOTICE IS HEREBY GIVEN** to the Shareholders that a General Meeting of the Shareholders will be held at **the Hilton Hotel, 138 Rivonia Road, Sandton, Johannesburg, South Africa at 11:00 (South African Standard Time) on Thursday, 1 February 2018.**

### Purpose:

The purpose of the General Meeting is to consider and, if deemed fit, pass, with or without amendment, the resolutions set out hereunder in the manner required by the Companies Act, the JSE Listings Requirements and other stock exchanges on which the Ordinary Shares are listed.

### Notes:

- The definitions and interpretations commencing on page 11 of the Circular to which this Notice of General Meeting is attached apply, *mutatis mutandis*, throughout this Notice of General Meeting.
- In terms of section 63(1) of the Companies Act, meeting participants (including proxies) will be required to present reasonably satisfactory identification and the person presiding at the General Meeting must be reasonably satisfied that the right of that person to participate and vote at the General Meeting, either as a Shareholder, or as a proxy for a Shareholder, has been reasonably verified before being entitled to attend or participate in the General Meeting. Acceptable forms of identification include a valid green-bar coded or smart card identification document issued by the South African Department of Home Affairs, South African driver's licence or a valid passport.
- The Company will provide for electronic participation, provided that Shareholders wishing to participate electronically in the General Meeting follow the prescribed procedures set forth at the end of this Notice of General Meeting under the title: "*Electronic Participation*".
- Shareholders who are entitled to attend and vote at the General Meeting are reminded that they are entitled to appoint a proxy to attend, participate and vote at the General Meeting in place of such Shareholder, provided that in doing so such Shareholder completes the attached Form of Proxy and follows the prescribed procedures set forth at the end of this Notice of General Meeting under the title: "*Voting and Proxies*".

### Record Dates:

In terms of section 59(1)(a) and (b) of the Companies Act (and to the extent relevant the JSE Listings Requirements), the Board has set the following record dates for the purposes of determining which Shareholders are entitled to:

- receive the Notice of General Meeting (being the date on which a Shareholder must be registered in the Register in order to receive the Notice of General Meeting), which date is **Friday, 1 December 2017**; and
- participate in and vote at the General Meeting (being the date on which a Shareholder must be registered in the Register in order to participate in and vote at the General Meeting), which date is **Friday, 26 January 2018**.

## **Acquisition Approval:**

### **Ordinary Resolution Number 1 – Approval of implementation of the Acquisition as a Category 1 transaction**

*“Resolved as an ordinary resolution that, subject to Special Resolution Numbers 2 and 3 and Ordinary Resolution Numbers 2, 3 and 4, as required by and in terms of section 9.20 of the JSE Listings Requirements, the acquisition by Harmony, through its wholly owned subsidiary, the Harmony SPV, of the Target Operations from AngloGold Ashanti for an aggregate cash consideration of US\$300 000 000, be and is hereby approved, and the Sale Agreement, being the agreement concluded between Harmony, the Harmony SPV and AngloGold Ashanti, dated 18 October 2017, be and is hereby authorised, and Harmony is hereby authorised to implement the Acquisition on the terms and subject to the conditions set forth in the Sale Agreement.”*

In order for this Ordinary Resolution Number 1 to be adopted, it must be supported by more than 50% (fifty percent) of the voting rights entitled to be exercised on this Ordinary Resolution.

The reason for this Ordinary Resolution Number 1 is that the Acquisition is classified by the JSE as a Category 1 transaction for the purposes of section 9 of the JSE Listings Requirements and consequently, Harmony is required to obtain the approval of the Shareholders for the Acquisition, in accordance with the provisions of the JSE Listings Requirements and the Sale Agreement.

The effect of adopting this Ordinary Resolution Number 1 will be that Harmony will have obtained the approval of the Shareholders for the Acquisition as required in terms of the JSE Listings Requirements and the Sale Agreement.

## **Changes to the Share Capital Approvals:**

### **Special Resolution Number 1 – Conversion of the authorised Ordinary Shares of the Company from par value to no par value Ordinary Shares**

*“Resolved as a special resolution that, following the Shareholders’ consideration of the Board Report set out in **Annexure 11** of this Circular prepared in terms of regulation 31(7) of the Companies Regulations and subject to the passing of Special Resolution Number 3, the Company’s Ordinary Shares (comprising the authorised, issued and unissued Ordinary Shares) with a par value of ZAR0.50 (fifty cents) each (whether issued or unissued), be and are hereby converted, with effect from the date that this resolution is filed with the CIPC, into Ordinary Shares (comprising the authorised, issued and unissued Ordinary Shares) with no par value, on the basis that each existing Ordinary Share with a par value of ZAR0.50 (fifty cents) shall convert into one Ordinary Share with no par value, such that the no par value Ordinary Shares have the same rights and rank *pari passu* in all respects with the existing par value Ordinary Shares.”*

In order for this Special Resolution Number 1 to be adopted, it must be supported by at least 75% (seventy five percent) of the voting rights entitled to be exercised on this Special Resolution.

The reason for this Special Resolution Number 1 is that the Companies Act restricts a company’s ability to restructure its par value share capital. More specifically, the Companies Act and Companies Regulations provide that a company may only authorise no par value shares. Accordingly, cognisant of the fact that all Ordinary Shares in Harmony’s authorised share capital are par value shares, given the proposal in Special Resolution Number 2 to increase Harmony’s authorised shares through the creation of no par value Preference Shares in compliance with the requirements of the Companies Act and Companies Regulations and in order to align the share capital structure of the Company, the Board has proposed that the entire authorised and issued share capital of the Company be converted to no par value shares, such that all classes of shares in Harmony’s authorised and issued share capital will comprise only of no par value shares.

The effect of adopting this Special Resolution Number 1 is that the Company’s Ordinary Shares (comprising the authorised, issued and unissued Ordinary Shares) will be converted from 1 200 000 000 authorised Ordinary Shares of ZAR0.50 each and 444 560 003 issued Ordinary Shares of ZAR0.50 each into 1 200 000 000 authorised Ordinary Shares of no par value and 444 560 003 issued Ordinary Shares of no par value.

## **Special Resolution Number 2 – Creation of a new class of Preference Shares**

*“Resolved as a special resolution that, subject to the passing of Ordinary Resolution Number 1 and Special Resolution Number 3, and in terms of section 36 of the Companies Act, the authorised share capital of the Company be and is hereby increased by the creation of 4 400 000 Preference Shares of no par value; being a class of shares contemplated in section 36(1)(d) of the Companies Act, and having such preferences, rights, limitations, as set forth in the Amended MOI, so that after such increase the authorised share capital of the Company shall comprise:*

- 1 200 000 000 ordinary shares; and
- 4 400 000 Preference Shares.”

In order for this Special Resolution Number 2 to be adopted, it must be supported by at least 75% (seventy five percent) of the voting rights entitled to be exercised on this Special Resolution.

The reason for, and effect of, this Special Resolution Number 2 is to increase the authorised share capital of the Company by the creation of 4 400 000 Preference Shares, such that Harmony can achieve its objective of implementing the Harmony Community Trust Share Issue in accordance with the Harmony Community Trust Subscription and Relationship Agreement (as described in the Circular and Ordinary Resolution Number 3).

## **Special Resolution Number 3 – Approval of the amendments to the Company’s MOI**

*“Resolved as a special resolution that, subject to the passing of Ordinary Resolution Number 1 and Special Resolution Numbers 1 and 2, and in order to give effect to Special Resolution Numbers 1 and 2, in terms of section 36(2)(a) read with section 16(1)(c) of the Companies Act and regulation 31(6) of the Companies Regulations, the MOI be and is hereby amended in order to incorporate the changes set forth in **Annexure 10** of the Circular to which this Notice of General Meeting is attached and that the Company Secretary of the Company be and is hereby authorised to authenticate, as a certified copy, a revised and updated copy of the Company’s MOI, being the Amended MOI, and to file it with the CIPC.”*

In order for this Special Resolution Number 3 to be adopted, it must be supported by at least 75% (seventy five percent) of the voting rights entitled to be exercised on this Special Resolution.

The reason for this Special Resolution Number 3 is to give effect to the actions set forth in Special Resolution Numbers 1 and 2 above by way of amendment of the Company’s MOI to incorporate the detail (including the terms of the Preference Shares) set forth in **Annexure 10** of this Circular into the Company’s MOI.

The effect of adopting this Special Resolution Number 3 is to ensure that the Company’s MOI contains the correct detail in relation to the Company’s authorised share capital.

## **BEE Transactions Approvals:**

### **Ordinary Resolution Number 2 – Approval of specific authority to issue the ESOP Trust Shares to the ESOP Trust**

*“Resolved as an ordinary resolution that, subject to the passing of Ordinary Resolution Number 4, and in terms of (and subject to) paragraph 5.51 of the JSE Listings Requirements, the Board be and are hereby authorised to issue the ESOP Trust Shares (being 6 700 000 Ordinary Shares) to the ESOP Trust.”*

In order for this Ordinary Resolution Number 2 to be adopted, it must be supported by at least 75% (seventy five percent) of the voting rights entitled to be exercised on this Ordinary Resolution.

The reason for this Ordinary Resolution Number 2 is that paragraph 5.51(g) of the JSE Listings Requirements requires that companies may only undertake a specific issue of shares for cash if they obtain the approval of at least 75% of the shareholders who are not participating in the specific issue, or associates of such participants.

The effect of adopting this Ordinary Resolution Number 2 is that it will authorise the Board to, pursuant to implementation by Harmony of the ESOP Trust Share Issue, issue 6 700 000 new Ordinary Shares to the ESOP Trust: (i) in consideration for services rendered by (and to incentivise) employees of Harmony who are eligible in terms of the ESOP Trust Deed; and (ii) not for monetary consideration.

### **Ordinary Resolution Number 3 – Approval of specific authority to issue the: (i) Harmony Community Trust Subscription Shares to the Harmony Community Trust; and (ii) Conversion Shares**

*“Resolved as an ordinary resolution that, subject to the passing of Ordinary Resolution Numbers 1 and 4 and Special Resolution Numbers 2 and 3, in terms of (and subject to) paragraphs 5.51 and 5.53 (as applicable) of the JSE Listings Requirements, the Board be and are hereby authorised to issue: (i) the Harmony Community Trust Shares (being 4 400 000 Preference Shares) to the Harmony Community Trust in accordance with the terms of the Harmony Community Trust Subscription and Relationship Agreement and for such consideration as determined by the Board to be adequate in terms of section 40(1)(a) of the Companies Act; and (ii) Conversion Shares to the holder/s of Preference Shares, being an Ordinary Share for each issued Preference Share in the event that the Preference Shares are converted in accordance with the conversion terms set forth in the Amended MOI.”*

In order for this Ordinary Resolution Number 3 to be adopted, it must be supported by at least 75% (seventy five percent) of the voting rights entitled to be exercised on this Ordinary Resolution.

The reason for this Ordinary Resolution Number 3 is that paragraphs 5.51(g) and 5.53(a) of the JSE Listings Requirements requires that companies may only undertake a specific issue of convertible securities for cash if they obtain the approval of at least 75% of the shareholders who are not participating in the specific issue, or associates of such participants. The Preference Shares proposed to be issued to the Harmony Community Trust are convertible securities, in that the Amended MOI provides that the Company shall be entitled, at its election, by way of Board resolution to convert each Preference Share into an Ordinary Share (on a 1:1 basis): (i) after the 10<sup>th</sup> anniversary of the date on which the Preference Share in question was issued; or (ii) if the Company reasonably anticipates that an “*affected transaction*” (as defined in the Companies Act) or a delisting will take place in respect of the Company.

The effect of adopting this Ordinary Resolution Number 3 is that it will authorise the Board to issue: (i) pursuant to implementation by Harmony of the Harmony Community Trust Share Issue, 4 400 000 Preference Shares to the Harmony Community Trust in consideration for the undertakings and commitments given by the Harmony Community Trust in terms of the Harmony Community Trust Subscription and Relationship Agreement (including, amongst other things, an undertaking to comply with the requirements of the BEE Act and not to do anything that would negatively impact on the Company’s status as contemplated by the BEE Act) and not for monetary consideration; and (ii) if the Preference Shares are converted, to issue one Ordinary Share for each issued Preference Share in accordance with the conversion terms set forth in the Amended MOI.

### **Ordinary Resolution Number 4 – Waiver of pre-emptive rights in respect of the ESOP Trust Share Issue and Harmony Community Trust Share Issue**

*“Resolved as an ordinary resolution that, subject to the passing of Ordinary Resolution Numbers 2 and 3, and in terms of article 6.10 of the MOI, and to the extent necessary, all and any pre-emptive rights which the Shareholders may be entitled to under the MOI in connection with the ESOP Trust Share Issue and the Harmony Community Trust Share Issue, be and are hereby waived to the fullest extent possible.”*

In order for this Ordinary Resolution Number 4 to be adopted, it must be supported by more than 50% (fifty percent) of the voting rights entitled to be exercised on this Ordinary Resolution.

The reason for this Ordinary Resolution Number 4 is that article 6.10 of the Company’s MOI provides that the Board may only issue authorised but unissued Harmony shares on a *pro rata* (pre-emptive) basis (i.e. to existing Shareholders in proportion to their existing shareholdings). Consistent with the foregoing, the proposed ESOP Trust Share Issue and the Harmony Community Trust Share Issue are not pre-emptive share issuances, and consequently the Board has considered the pre-emption rights of the Shareholders and proposes that issuances not be offered *pro rata* to each Shareholder, but rather that the issuances be implemented by the Shareholders waiving their pre-emptive rights for purposes of enabling the ESOP Trust Share Issue and the Harmony Community Trust Share Issue to be implemented to achieve the objectives of Harmony as described in the Circular.

The effect of adopting this Ordinary Resolution Number 4 is that it will authorise the Board to issue the ESOP Trust Shares and the Harmony Community Trust Subscription Shares pursuant to Ordinary Resolution Numbers 2 and 3 respectively, by waiving any applicable pre-emptive rights.

#### **Special Resolution Number 4 – Approval of specific authority to repurchase the Harmony Community Trust Shares pursuant to the exercise of the Harmony Community Trust Call Option**

*“Resolved as a special resolution that, subject to the passing of Ordinary Resolution Numbers 1, 3 and 4, and in terms of paragraph 5.69 of the JSE Listings Requirements and the MOI, the Company be and is hereby authorised, should it elect to exercise the Harmony Community Trust Call Option, to acquire the Harmony Community Trust Shares; such specific authority being subject to the requirements of paragraph 5.69 of the JSE Listings Requirements having been met in relation to the acquisition made by the Company pursuant to this Special Resolution Number 4. The specific authority granted in terms of this Special Resolution Number 4 shall be valid until such time as the acquisition contemplated in this Special Resolution Number 4 has been implemented or it is amended or revoked by another special resolution.”*

In order for this Special Resolution Number 4 to be adopted, it must be supported by at least 75% (seventy five percent) of the voting rights entitled to be exercised on this Special Resolution.

The reason for this Special Resolution Number 4 is that paragraph 5.69 of the JSE Listings Requirements requires that companies may only undertake a specific repurchase of shares, if they obtain the approval of at least 75% of the shareholders who are not participating in the specific repurchase, or associates of such participants.

The effect of adopting this Special Resolution Number 4 is that if the Company becomes entitled to exercise the Harmony Community Trust Call Option, the Board will be authorised to repurchase the Harmony Community Trust Shares in accordance with the Harmony Community Trust Subscription and Relationship Agreement.

#### **Potential Equity Capital Raising Approvals:**

#### **Special Resolution Number 5 – Authorisation for the ability to issue 30% or more of the Ordinary Shares for the purposes of implementing the Potential Equity Capital Raising**

*“Resolved as a special resolution that, subject to the passing of Ordinary Resolution Number 1, and to the extent required in terms of section 41(3) of the Companies Act, the Board be and is hereby authorised to issue Ordinary Shares in the authorised but unissued share capital of the Company pursuant to the Potential Equity Capital Raising, even if such number of Ordinary Shares have voting power equal to or in excess of 30% (thirty percent) of the voting rights of all the Ordinary Shares held by the Shareholders immediately before the implementation of the Potential Equity Capital Raising. Such authority will include the authority to issue any Ordinary Shares in the authorised but unissued share capital of the Company to any underwriters of the Potential Equity Capital Raising and/or any person falling within the ambit of section 41(1) of the Companies Act, being a Director, future Director, prescribed officer or future prescribed officer of the Company or a person related or inter-related to the Company or related or inter-related to a Director or prescribed officer of the Company.”*

In order for this Special Resolution Number 5 to be adopted, it must be supported by at least 75% (seventy five percent) of the voting rights entitled to be exercised on this Special Resolution.

The reason for Special Resolution Number 5 is to authorise the issue of Ordinary Shares which have voting rights equal to or in excess of 30% of the voting rights of all issued Ordinary Shares immediately prior to the proposed issuance and/or issue of Ordinary Shares to a person falling within the ambit of section 41(1) of the Companies Act.

The effect of adopting this Special Resolution Number 5 is that the Board will be authorised, in terms of section 41(3) of the Companies Act, to issue such number of Ordinary Shares having voting rights equal to or in excess of 30% of the voting rights of all Ordinary Shares in issue immediately prior to the proposed issuance and/or to issue Ordinary Shares to a person falling within the ambit of section 41(1) of the Companies Act, in each case to the extent required for the purposes of implementation of the Potential Equity Capital Raising.



## **Ordinary Resolution Number 5 – Waiver of mandatory offer provisions of the Companies Act**

*“Resolved as an ordinary resolution that, subject to the passing of Special Resolution Number 5, in the event that pursuant to the performance of their obligations to underwrite the Potential Equity Capital Raising, one or more of the underwriters (either alone or together with its respective related, inter-related or concert parties) to the Potential Equity Capital Raising, is able to exercise at least 35% (thirty five percent) of all of the voting rights attached to the Ordinary Shares, the benefit of a mandatory offer from such underwriter/s in terms of section 123 of the Companies Act to acquire any remaining securities of Harmony on terms determined in accordance with the Companies Act and the Takeover Regulations, be and is hereby irrevocably waived as contemplated in Regulation 86(4) of the Companies Regulations.”*

In order for this Ordinary Resolution Number 5 to be adopted, it must be supported by more than 50% (fifty percent) of the voting rights entitled to be exercised on this Ordinary Resolution.

The reason for this Ordinary Resolution Number 5 is that section 123(3) of the Companies Act provides that, in the event that pursuant to the acquisition of a beneficial interest in voting rights attached to securities of a company, a person is able to exercise at least 35% of all of the voting rights attached to the securities of that company, the person is required to offer to acquire any remaining securities of that company on terms determined in accordance with the Companies Act and the Takeover Regulations. Regulation 86(4) of the Companies Regulations provides that a transaction is exempt from the obligation to make a mandatory offer if the independent holders of more than 50% of the general voting rights of all issued securities of the company have agreed to waive the benefit of such a mandatory offer.

The adoption of this Ordinary Resolution will give effect to a waiver of the right to receive a mandatory offer from the underwriter/s of the Potential Equity Capital Raising in the event that, pursuant to the Potential Equity Capital Raising, one or more such underwriters (either alone or together with its related or inter-related parties or concert parties) is able to exercise at least 35% of all of the voting rights attached to securities of Harmony.

## **Ordinary Resolution Number 6 – General Authorisation**

*“Resolved as an ordinary resolution that, the chief executive officer and the financial director of Harmony, acting jointly, be and are hereby authorised to take all such actions necessary, and sign all documents required, to give effect to the foregoing resolutions.”*

In order for this Ordinary Resolution Number 6 to be adopted, it must be supported by more than 50% (fifty percent) of the voting rights entitled to be exercised on this Ordinary Resolution.

## **VOTING AND PROXIES**

Shareholders who have not Dematerialised their Ordinary Shares or who have Dematerialised their Ordinary Shares with “own name” registration, and who are entitled to attend, participate in and vote at the General Meeting, are entitled to appoint a proxy to attend, speak and vote in their stead. A proxy need not be a Shareholder and shall be entitled to vote on a show of hands or a poll. It is requested that a Form of Proxy to be forwarded to the Transfer Secretaries, so as to reach the Transfer Secretaries by no later than 48 (forty-eight) hours before the commencement of the General Meeting, i.e. by **11:00 on Tuesday, 30 January 2018**. If Shareholders who have not Dematerialised their Ordinary Shares or who have Dematerialised their Ordinary Shares with “own name” registration, and who are entitled to attend, participate in and vote at the General Meeting do not deliver a Form of Proxy to the Transfer Secretaries by the time stipulated above, such Shareholders will nevertheless be entitled to lodge the Form of Proxy in respect of the General Meeting immediately prior to the General Meeting, in accordance with the instructions therein, with the approval of the chairman of the General Meeting.

Shareholders who have Dematerialised their Ordinary Shares, other than those Shareholders who have Dematerialised their Ordinary Shares with “own name” registration, should contact their CSDP or Broker in the manner and within the time stipulated in the agreement entered into between them and their CSDP or Broker:

- to furnish them with their voting instructions; or
- in the event that they wish to attend the General Meeting, to obtain the necessary letter of representation to do so.

On a show of hands, every Shareholder present in person or represented by proxy and entitled to vote shall have only one vote irrespective of the number of Ordinary Shares such Shareholder holds. On a poll, every Shareholder present in person or represented by proxy and entitled to vote, shall be entitled to cast one vote per Share held.



## **ELECTRONIC PARTICIPATION**

Harmony intends to offer Shareholders (or a representative or proxy for a Shareholder) reasonable access through electronic facilities to participate in the General Meeting by means of conference call facility. Shareholders will be able to listen to the proceedings of the General Meeting and raise questions and are invited to indicate their intention to make use of the facility by making application in writing (including details as to how the Shareholder or representative can be contacted) to the Transfer Secretaries at the address set out on page 3 of this Circular to be received by the Transfer Secretaries at least 3 Business Days prior to the date of the General Meeting, namely before **11:00 (South African Standard Time) on Monday, 29 January 2018**.

The Transfer Secretaries will, by way of email, by no later than **11:00 (South African Standard Time) on Tuesday, 30 January 2018**, provide the relevant details of the conference call to enable interested Shareholders to participate in the General Meeting. Voting will not be possible via the conference call facility and Shareholders wishing to vote their Ordinary Shares at the General Meeting will need to be represented at such meeting either in person, by proxy or by letter of representation, as provided for in the Notice of General Meeting.

The Company reserves the right not to provide for electronic participation at the General Meeting in the event that it is not practical to do so, for whatever reason, including an insufficient number of Shareholders (or their representatives or proxies) choosing to make use of the facility. Harmony will make available the facility at no cost to the user, however any third-party costs relating to the use or access of the facility will be for the users account, and the Shareholders hereby are deemed to agree that Harmony has no responsibility or liability for any loss, damage, penalty or claim arising in any way from using the facility, whether or not as a result of any act or omission on the part of the Company or anyone else.

By order of the Harmony Board

### **HARMONY GOLD MINING COMPANY LIMITED**

**Peter Steenkamp and Frank Abbott**

*Chief Executive Officer and Financial Director*

Randfontein



## Harmony Gold Mining Company Limited

(Incorporated in South Africa)  
 (Registration number: 1950/038232/06)  
 ISIN: ZAE000015228 JSE share code: HAR  
 ("Harmony" or the "Company")

### FORM OF PROXY

**FOR USE BY CERTIFICATED HARMONY SHAREHOLDERS AND OWN-NAME DEMATERIALIZED HARMONY SHAREHOLDERS AT THE GENERAL MEETING OF HARMONY TO BE HELD AT THE HILTON HOTEL, 138 RIVONIA ROAD, SANDTON, JOHANNESBURG, SOUTH AFRICA AT 11:00 (SOUTH AFRICAN STANDARD TIME) ON THURSDAY, 1 FEBRUARY 2018**

For completion by Certificated Shareholders and Dematerialised Shareholders with "own-name" registration and who are unable to attend and vote at the General Meeting of the Company to be held at the **Hilton Hotel, 138 Rivonia Road, Sandton, Johannesburg, South Africa at 11:00 (South African Standard Time) on Thursday, 1 February 2018**, or at any adjournment thereof.

Shareholders (whether Certificated Shareholders or Dematerialised Shareholders with or without "own-name" registration) through a nominee must not complete this form of proxy but should timeously inform that nominee, or, if applicable, their participant or stockbroker of their intention to attend the General Meeting and request such nominee, participant or stockbroker to issue them with the necessary letter of representation to attend or provide such nominee, participant or stockbroker with their voting instructions should they not wish to attend the General Meeting in person but wish to be represented by proxy at such meeting. Such Shareholders must not return this form of proxy to the Transfer Secretaries.

Each Shareholder is entitled to appoint a proxy (who need not be a Shareholder of the Company) to attend, speak and vote in place of that Shareholder at the General Meeting. Please read the notes to this form of proxy below.

I/We (please print names in full)

of (address)

Telephone/Cellphone number:

Email address:

being the holder/s of  shares in the Company, do hereby appoint:

1  or, failing him/her

2  or, failing him/her

The chairman of the General Meeting, as my/our proxy to attend, speak and, on a poll or ballot, vote for me/us and on my/our behalf at this General Meeting of Shareholders or at any postponement or adjournment thereof, and to vote or to abstain from voting at the General Meeting as follows on the ordinary and special resolutions to be proposed at such meeting:

ORDINARY RESOLUTIONS	FOR	AGAINST	ABSTAIN
Ordinary Resolution Number 1 – Approval of implementation of the Acquisition as a Category 1 transaction			
Ordinary Resolution Number 2 – Approval of specific authority to issue the ESOP Trust Shares to the ESOP Trust			
Ordinary Resolution Number 3 – Approval of specific authority to issue the: (i) Harmony Community Trust Subscription Shares to the Harmony Community Trust; and (ii) Conversion Shares			
Ordinary Resolution Number 4 – Waiver of pre-emptive rights in respect of ESOP Trust Share Issue and Harmony Community Trust Share Issue			
Ordinary Resolution Number 5 – Waiver of mandatory offer provisions of the Companies Act			
Ordinary Resolution Number 6 – General Authorisation			
SPECIAL RESOLUTIONS	FOR	AGAINST	ABSTAIN
Special Resolution Number 1 – Conversion of the authorised Ordinary Shares of the Company from par value to no par value Ordinary Shares			
Special Resolution Number 2 – Creation of a new class of Preference Shares			
Special Resolution Number 3 – Approval of the amendments to the Company's MOI			
Special Resolution Number 4 – Approval of specific authority to repurchase the Harmony Community Trust Shares pursuant to the exercise of the Harmony Community Trust Call Option			
Special Resolution Number 5 – Authorisation for the ability to issue 30% or more of the Ordinary Shares for the purposes of implementing the Potential Equity Capital Raising			

Please indicate with an 'X' or a tick in the appropriate spaces above how you wish your votes to be cast. If no indication is given, the proxy may vote or abstain as she/he sees fit. However, if you wish to cast your votes in respect of a lesser number of Shares than you own in the Company, insert the number of Shares held in respect of which you desire to vote (see note 5).

Signed at  this day of  2017/2018

Signature

Assisted by me, where applicable (name and signature)

Completed forms of proxy must be lodged with Link Market Services South Africa Proprietary Limited by no later than 11:00 (SA time) on Tuesday, 30 January 2018.

**This proxy form is not for use by holders of American Depository Receipts issued by the Deutsche Bank Trust Company Americas.**

**Please read the notes and instructions on the following page.**

## NOTES TO THE PROXY

1. A form of proxy is only to be completed by those ordinary shareholders who are:
  - registered holders of ordinary shares in certificated form; or
  - holders of dematerialised shares of the Company in their own name.
2. If you have already dematerialised your ordinary shares through a central securities depository participant (CSDP) or broker and wish to attend the general meeting, you must request your CSDP or broker to provide you with a letter of representation or instruct your CSDP or broker to vote by proxy on your behalf in terms of the agreement entered into between yourself and your CSDP or broker.
3. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space provided. The person whose name stands first on the form of proxy and who is present at the general meeting of shareholders will be entitled to act to the exclusion of those whose names follow.
4. On a show of hands, a shareholder of the Company present in person or by proxy will have one (1) vote irrespective of the number of shares she/he holds or represents, provided that a proxy will, irrespective of the number of shareholders she/he represent, have only one (1) vote. On a poll, a shareholder has the number of votes determined in accordance with the voting rights associated with the shares held by that shareholder, namely, one (1) vote in respect of each ordinary share held in the issued share capital of the Company.
5. A shareholder's instructions to the proxy must be indicated by inserting the relevant numbers of votes exercisable by the shareholder in the appropriate box. Failure to comply will be deemed to authorise the proxy to vote or to abstain from voting at the general meeting as she/he deems fit in respect of all the shareholder's votes exercisable. A shareholder or the proxy is not obliged to use all the votes exercisable by the shareholder or by the proxy, but the total of votes cast and in respect of which abstention is recorded may not exceed the total of votes exercisable by the shareholder or by the proxy.
6. Forms of proxy (enclosed) must be dated and signed by the shareholder appointing a proxy and, for the sake of good order, are urged (but not required) to be submitted to the offices of the transfer secretaries, Link Market Services South Africa Proprietary Limited, 13th Floor, Rennie House, 19 Ameshoff Street, Braamfontein, Johannesburg, 2001 (PO Box 4844, Johannesburg, 2000, fax number: +27 86 674 2450, email: meetfax@linkmarketservices.co.za) by no later than 11:00 (SA time) on Tuesday, 30 January 2018.
7. Completing and lodging this form of proxy will not preclude the relevant shareholder from attending the general meeting and speaking and voting in person to the exclusion of any proxy appointed in terms hereof.
8. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity or other legal capacity must be attached to this form of proxy, unless previously recorded by the transfer secretaries or waived by the chairman of the general meeting.
9. The completion of blank spaces overleaf need not be initialled. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.
10. Despite the foregoing, the chairman of the general meeting may waive any formalities that would otherwise be a prerequisite for a valid proxy.
11. If any shares are jointly held, all joint shareholders must sign this form of proxy. If more than one of those shareholders is present at the general meeting either in person or by proxy, the person whose name appears first in the register will be entitled to vote.

## TRANSFER SECRETARIES OFFICES

### South Africa

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