

HARMONY GOLD MINING CO LTD

Form 20-F

December 23, 2002

As filed with the Securities and Exchange Commission on December 23, 2002

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 20-F

ANNUAL REPORT PURSUANT TO SECTION 13 OF THE
SECURITIES EXCHANGE ACT OF 1934,
for the fiscal year ended June 30, 2002

Commission File Number: 001-31545

Harmony Gold Mining Company Limited

(Exact name of registrant as specified in its charter)

Republic of South Africa

(Jurisdiction of incorporation or organization)

Suite No. 1
Private Bag X1
Melrose Arch, 2076
South Africa

(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act: None

Securities registered or to be registered pursuant to Section 12(g) of the Act:

Ordinary shares, with nominal value Rand 50 cents per share*

(Title of Class)

American Depositary Shares (as evidenced by American Depositary Receipts),

each representing one ordinary share

(Title of Class)

Warrants, each to purchase one ordinary share

(Title of Class)

* Not for trading, but only in connection with the registration of American Depositary Shares, pursuant to the requirements of the Securities and Exchange Commission.

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

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The number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the last full fiscal year covered by this Annual Report was:

169,929,842 ordinary shares, with nominal value of Rand 50 cents per share
8,013,446 warrants, each to purchase one ordinary share

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days:

Yes No

Indicate by check mark which financial statement item the registrant has elected to follow:

Item 17 Item 18

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Defined terms

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

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

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

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

Forward-looking statements

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

These forward-looking statements, including, among others, those relating to the future business prospects, revenues and income of Harmony, wherever they may occur in this annual report and the exhibits to this annual report, are necessarily estimates reflecting the best judgment of the senior management of Harmony and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking

statements. As a consequence, these forward-looking statements should be considered in light of various important factors, including those set forth in this annual report. Important factors that could cause actual results to differ materially from estimates or projections contained in the forward-looking statements include, without limitation:

- overall economic and business conditions in South Africa and elsewhere;
- the ability to achieve anticipated efficiencies and other cost savings in connection with past and future acquisitions;
- decreases in the market price of gold;
- the occurrence of hazards associated with underground and surface gold mining;
- the occurrence of labor disruptions;
- availability, terms and deployment of capital;
- changes in government regulation, particularly environmental regulation;
- fluctuations in exchange rates, currency devaluations and other macroeconomic monetary policies; and
- political instability in South Africa and regionally.

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

Presentation of financial information

Harmony is a South African company and the majority of its operations are located there. Accordingly, its books of account are maintained in South African Rand and its annual and interim financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice, or S.A. GAAP, as prescribed by law and are based on International Accounting Standards. Harmony also prepares annual financial statements in accordance with generally accepted accounting principles in the United States which are translated into U.S. dollars. The financial information included in this annual report has been prepared in accordance with United States Generally Accepted Accounting Principles, or U.S. GAAP, and is presented in U.S. dollars. Unless otherwise stated, balance sheet item amounts are translated from Rand to U.S. dollars at the exchange rate prevailing on the last business day of the period (Rand 10.39 per \$1.00 as at June 28, 2002), except for specific items included within shareholders' equity that are converted at the exchange rate prevailing on the date the transaction was entered into, and income statement item amounts are translated from Rand to U.S. dollars at the average exchange rate for the period (Rand 10.20 per \$1.00 for fiscal 2002).

For the convenience of the reader, certain information in this annual report presented in Rand, A\$, C\$ and £ has been translated into U.S. dollars. By including convenience currency translations in this annual report, we are not representing that the Rand, A\$, C\$ and £ amounts actually represent the U.S. or Australian dollar amounts, as the case may be, shown or that these amounts could be converted into U.S. or Australian dollars, as the case may be, at the rates indicated. Unless otherwise stated, the conversion rate for translations from Rand amounts into U.S. dollar amounts is Rand 8.74 per \$1.00, which was the noon buying rate on December 13, 2002.

PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

SELECTED FINANCIAL DATA

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

Selected Historical Consolidated Financial Data

The following selected historical consolidated financial data for the last five fiscal years has been extracted from the more detailed information and financial statements, including Harmony's audited consolidated financial statements for each of the years in the three years ended June 30, 2002 and at June 30, 2001 and 2002 and the related notes, which appear elsewhere in this annual report. The historical consolidated financial data at June 30, 1998, 1999 and 2000, and for each of the years in the two years ended June 30, 1998 and 1999, has been extracted from Harmony's audited consolidated financial statements not included in this annual report.

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

	Fiscal year ended June 30,				
	2002 ¹	2001 ²	2000 ³	1999 ⁴	1998
	(in \$ thousands, except per share amounts)				
Income statement data					
Revenues	696,840	607,220	490,651	381,412	249,536
Operating Income	206,375	88,424	72,971	64,878	3,640
Equity income of joint venture	13,176 ⁵				
Equity loss of associate companies	473 ⁶		1,401 ⁷		
Income before taxes and minority Interests	103,659	29,804	73,489	30,199	(7,149)
Minority interests	(1,575)	(349)	(2,910)		
Income/ (loss) before cumulative effect of change in accounting principle	87,716	14,830	57,030	27,908	(7,004)
Cumulative effect of change in accounting principle, net of tax ⁸		(5,822)			
Net income/(loss)	87,716	9,008	57,030	27,908	(7,004)
Basic earnings per share (\$)					
Basic earnings per share (\$) before cumulative effect of change in accounting principle ⁹	0.57	0.15	0.68	0.42	(0.14)
Basic earnings/(loss) per share (\$) ¹⁰	0.57	0.09	0.68	0.42	(0.14)
Diluted earnings per share					
Diluted earnings per share before cumulative effect of change in accounting principle ¹¹	0.53	0.14	0.67	0.41	
Diluted earnings per share ¹¹	0.53	0.09	0.67	0.41	
Weighted average number of shares					
Weighted average number of shares used in the computation of basic earnings per share	153,509,862	102,156,205	83,593,424	66,843,932	49,043,746
Weighted average number of shares used in the computation of diluted earnings per share	165,217,088	105,504,328	85,590,876	68,070,172	
Cash dividends per share					
Cash dividends per share (\$)	0.07	0.16	0.19	0.18	
Cash dividends per share (R)	0.75	1.20	1.20	1.10	
Other financial data					
Cash dividends per share (\$) ¹²	0.41				
Cash dividends per share (R) ¹²	4.25				
Cash cost per ounce of gold (\$/oz) ¹³	196	234	245	239	305

¹ Hill 50's financial results have been equity accounted for the month of March 2002 and consolidated thereafter. The Free Gold Company's financial results have been equity accounted from May 1, 2002 and are, accordingly, reflected as a single line item Equity income of joint venture.

² The financial results of the Elandskraal mines and New Hampton have been consolidated from April 1, 2001.

³ Randfontein's financial results have been equity accounted from January 14, 2000 to February 29, 2000 and consolidated thereafter. The financial results of Kalgold have been consolidated from October 1, 1999.

⁴ The financial results of Evander have been consolidated from July 1, 1998.

⁵ Reflects Harmony's equity accounted interest in the Free Gold Company's results from May 1, 2002.

⁶ Reflects Harmony's equity accounted interest in Bendigo's results with effect from January 1, 2002 and in Hill 50's results for the month of March 2002.

⁷ Reflects Harmony's equity accounted interest in Randfontein's results during the period from January 14 to February 29, 2000.

⁸ Harmony adopted FAS 133 on July 1, 2000. As Harmony's derivative instruments held on that date did not meet the FAS 133 criteria for hedge accounting, these derivatives were fair valued and recorded on the balance sheet, resulting in a cumulative effect of change in accounting principle adjustment of approximately \$5.8 million.

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- ⁹ Calculated by dividing income/(loss) before cumulative effect of change in accounting principle by the weighted average number of shares used in the computation of basic earnings per share.
- ¹⁰ Calculated by dividing net income/(loss) by the weighted average number of basic shares used in the computation of basic earnings per share.
- ¹¹ Presented where there is a dilutive effect when including potential ordinary shares in the calculations in 9 and 10 above.
- ¹² Reflects dividends related to fiscal 2002 that were declared on August 2, 2002.

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¹³ Harmony has calculated cash costs per ounce by dividing total cash costs, as determined using the Gold Institute industry standard, by gold ounces sold for all periods presented. The Gold Institute is a non-profit international association of miners, refiners, bullion suppliers and manufacturers of gold products that has developed a uniform format for reporting production costs on a per ounce basis. The standard was first adopted in 1996 and was revised in November 1999. Cash costs, as defined in the Gold Institute standard, include mine production costs, transport and refinery costs, general and administrative costs, costs associated with movements in production inventories and ore stockpiles, costs associated with transfers to deferred stripping and costs associated with royalties. Cash costs have been calculated on a consistent basis for all periods presented. Changes in cash costs per ounce are affected by operational performance, as well as changes in the currency exchange rate between the Rand and the U.S. dollar. Cash costs per ounce is not a U.S. GAAP measure. Cash costs per ounce should not be considered by investors in isolation or as an alternative to net income, income before tax, operating cash flows or any other measure of financial performance presented. While the Gold Institute has provided a definition for the calculation of cash costs per ounce, the calculation of cash costs per ounce may vary from company to company and may not be comparable to other similarly titled measures of other companies. However, Harmony believes that cash costs per ounce is a useful indicator to investors and management of a mining company's performance as it provides (1) an indication of a company's profitability and efficiency, (2) the trends in costs as the company's operations mature, (3) a measure of a company's gross margin per ounce, by comparison of cash costs per ounce to the spot price of gold and (4) an internal benchmark of performance to allow for comparison against other companies.

	At June 30,				
	2002 ¹	2001 ²	2000 ³	1999 ⁴	1998
	(in \$ thousands)				
Balance sheet data					
Cash and cash equivalents	90,223	144,096	77,942	45,318	8,518
Short-term investments				10,744	15,618
Other current assets	109,397	136,794	59,582	32,071	21,252
Property, plant and equipment - net	812,753	667,113	557,725	347,036	251,461
Restricted cash			7,310		
Investments in associates ⁵	42,791				
Investment in joint venture ⁶	102,578				
Other long-term assets ⁷	137,399	81,822	69,629	9,244	4,995
Total assets	1,295,141	1,029,825	772,188	444,413	301,844
Current liabilities	138,677	152,886	150,148	70,583	43,055
Provision for environmental rehabilitation	63,125	53,136	52,525	33,811	21,779
Deferred income and mining taxes	99,789	47,050	48,686	28,442	22,445
Provision for post-retirement benefits	737	1,002	3,709	5,793	3,756
Deferred financial liability	87,226	49,374	40,174		
Long-term loans	152,461	151,466	46,635	14,024	8,546
Preference shares		681			
Minority interest		331			
Shareholders' equity	753,126	573,899	430,311	291,760	202,263
Total liabilities and shareholders' equity	1,295,141	1,029,825	772,188	444,413	301,844

¹ Includes the financial position of Hill 50 acquired during the year.

² Includes the financial position of Elandsdraal and New Hampton acquired during the year.

³ Includes the financial position of Randfontein and Kalgold acquired during the year.

⁴ Includes the financial position of Evander acquired during the year.

⁵ Reflects Harmony's equity-accounted share of the net assets of Bendigo and Highland Gold as at June 30, 2002.

- ⁶ Reflects Harmony's equity-accounted share of the net assets of the Free Gold Company as at June 30, 2002.
- ⁷ Includes mineral subscription and participation rights relating to Harmony's exploration activities and slimes dams and bond issue costs, which are included in Other Assets in note 12 to the consolidated financial statements.

Unaudited Pro Forma Condensed Income Statement

On November 21, 2001, Harmony and ARMGold reached an agreement in principle with AngloGold to purchase the Free Gold assets, subject to specified conditions. Pursuant to the subsequently executed definitive agreements, the Free Gold assets were purchased by the Free Gold Company for Rand 2,200 million, plus an amount equal to any liability for taxes payable by AngloGold in connection with the sale. Rand 1,800 million of the purchase price, plus accrued interest, was paid by the Free Gold Company in April 2002 following the fulfillment of all conditions precedent and Rand 400 million is payable by the Free Gold Company under an interest-free loan on January 1, 2005. The additional amount relating to taxes is payable by the Free Gold Company as and when the tax liability becomes payable by AngloGold. Harmony has estimated that this tax liability will be approximately Rand 632 million and will be payable in March 2003. The Free Gold Company assumed management control of the Free Gold assets from January 1, 2002, and completed the acquisition on April 23, 2002 (the date on which all conditions precedent to the transaction were fulfilled), with the profits and cash flows generated by the Free Gold assets up to that date being for the account of the Free Gold Company. See Item 4. Information on the Company Business History and Business Harmony's Mining Operations.

For purposes of U.S. GAAP, Harmony equity accounted for its interest in the Free Gold Company with effect from May 1, 2002 and the purchase price of the Free Gold assets was determined to be Rand 2,213 million (\$208.0 million at an exchange rate of R10.64 per \$1.00). This figure is the sum of the cash payment of Rand 1,800 million (\$169.2 million at an exchange rate of R10.64 per \$1.00), the fair value of the interest-free loan of Rand 270 million (\$25.4 million at an exchange rate of R10.64 per \$1.00) and the estimated tax payable to AngloGold of Rand 632 million (\$59.4 million at an exchange rate of R10.64 per \$1.00), offset by the cash flows of Rand 489 million (\$46.0 million at an exchange rate of R10.64 per \$1.00) generated by the Free Gold assets during the period from January 1, 2002 until the completion of the acquisition on April 23, 2002.

On April 18, 2002, Harmony entered into a term loan facility of Rand 500 million, all of which has been drawn down, with BoE Bank Limited for the purpose of partially funding (i) Harmony's acquisition of shares in the Free Gold Company and (ii) loans made by Harmony to the Free Gold Company in connection with the acquisition of the Free Gold assets. This facility is collateralized by a pledge of Harmony's shares in the Free Gold Company and is guaranteed by Randfontein, Evander, Kalgold and Lydex. The loan is repayable in full on April 23, 2006, and eight equal semi-annual installments are due beginning October 23, 2002. The loan bears interest at a rate equal to the Johannesburg Interbank Agreed Rate for deposits in Rand, or JIBAR, plus 1.5% plus specified costs, which is accrued daily from the drawdown date and is payable quarterly in arrears commencing July 23, 2002.

Harmony closed its offer for all of the outstanding shares and listed options of Hill 50 on May 3, 2002 and subsequently completed a compulsory acquisition of the remaining shares and options under the rules of the Australian Stock Exchange. The total cash bid valued Hill 50 at approximately A\$233 million (R1,419 million at an exchange rate of R6.09 per A\$1.00, or \$124.8 million at an exchange rate of R11.37 per \$1.00). In an effort to increase efficiency and reduce corporate expenditures, in the quarter ended June 30, 2002 Harmony

integrated New Hampton's Jubilee operations with Hill 50's New Celebration operations to form the South Kalgoorlie operations and combined the corporate offices associated with these operations.

The following unaudited pro forma condensed income statement of Harmony has been prepared to illustrate the estimated effect of the acquisition of Hill 50 and Harmony's interest in the Free Gold assets during fiscal 2002 as if such acquisitions had taken place on July 1, 2001. This unaudited pro forma condensed income statement has been derived by the application of pro forma adjustments to the historical consolidated financial information of Harmony and the historical financial information of the Free Gold assets and Hill 50. The historical consolidated financial statements of Harmony for the years ended June 30, 2002, 2001 and 2000, the historical financial statements of the Free Gold assets for the calendar year ended December 31, 2001 and the historical financial statements of Hill 50 for the fiscal year ended June 30, 2001 have been included elsewhere in this annual report. The historical consolidated financial statements of Harmony and the Free Gold assets have been prepared in accordance with U.S. GAAP. The historical financial statements of Hill 50 have been prepared in accordance with Australian GAAP and reconciled to U.S. GAAP. The allocation of the consideration for the Free Gold assets and Hill 50 acquisitions to the fair values of the assets acquired and the liabilities assumed in the acquisitions remains subject to final determination and, accordingly, the amounts reflected herein may differ from the amounts that would have been determined if the final fair value allocations were known.

The unaudited pro forma condensed income statement should not be considered indicative of results that would have been achieved had the acquisitions been consummated on the dates or during the periods indicated and does not purport to indicate results of operations as of any future date or any future period. The unaudited pro forma condensed income statement should be read in conjunction with the historical consolidated financial statements of Harmony, Hill 50 and the Free Gold Company and related notes thereto included elsewhere in this annual report.

The unaudited pro forma condensed income statement excludes the effects of the following transactions: