Scope of report

This Annual Report covers the financial year from 1 July 2009 to 30 June 2010 (FY10). Harmony Gold Mining Company Limited (Harmony) is committed to the principle of integrated reporting and has, for the first time, incorporated an account of broader social, environmental and economic performance throughout this report. Together with this annual report, the company has also produced:

- An online Sustainable Development Report 2010, which provides a more detailed account of the environmental, social and governance (ESG) aspects of Harmony's business. The Sustainable Development Report 2010 has been compiled in accordance with the G3 guidelines of the Global Reporting Initiative (GRI) and in alignment with the principles of integrated reporting as recommended by the King Report on Governance for South Africa and the King Code of Governance Principles (collectively King II). This report on sustainable development may be found at www.harmony.co.za/sd/reports/2010.
- An annual report prepared on a Form 20-F, which has been filed with the US Securities and Exchange Commission (SEC), in compliance with the listings regulations of the NYSE.

The joint aim of these reports is that in combination they seek to provide to all Harmony's stakeholders – shareholders, investors, employees, suppliers, regulatory authorities and governments around the world – an informative description of Harmony's business and its operations, and their impacts.

Operational and financial information in this report covers the period FY10 with comparative annual data provided for information purposes. The annual financial statements included in this report have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board, the South African Companies Act 1973, the Company Laws Amendment Act (No 24 of 2006), the listings requirements of the JSE Limited and the guidelines of King II.

The mineral resource and mineral reserve information provided in this annual report has been compiled in accordance with the South African Code for Reporting of Exploration Results, Mineral Reserves and Mineral Resources (SAMREC), the Australian Code for Reporting Mineral Resources and Mineral Reserves (JORC) and Industry Guide 7 of the United States' SEC. This information has been gathered, reviewed and confirmed by the relevant Competent Persons as defined by SAMREC.

These reports, as well as additional detailed information on Harmony, including its regulatory filings, press releases, stock exchange announcements and quarterly reports, are available on the company's website at www.harmony.co.za.

All use of $ or dollar refers to US dollars, unless otherwise stated. In addition, all production volumes are reported in metric tonnes (t) unless specifically referred to as being imperial tons.

Forward-looking statement

Statements in this report include "forward-looking statements" that express or imply expectations of future events or results. Forward-looking statements are statements that are not historical facts. These statements include financial projections and estimates and their underlying assumptions, statements regarding plans, objectives and expectations with respect to future operations, products and services, and statements regarding future performance.

Forward-looking statements are generally identified by the words "expect," "anticipates," "believes," "intends," "estimates" and other similar expressions. All forward-looking statements involve a number of risks, uncertainties and other factors, and Harmony cannot give assurances that such statements will prove to be correct. Risks, uncertainties and other factors could cause actual events or results to differ from those expressed or implied by the forward-looking statements.

Although Harmony's management believes that the expectations reflected in such forward-looking statements are reasonable, investors are cautioned that forward-looking information and statements are subject to various risks and uncertainties, many of which are difficult to predict and generally beyond the control of Harmony, that could cause actual results and developments to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. Certain of these risks and uncertainties are discussed in this report on pages 190 to 203 and in the Form 20-F that Harmony has filed with the SEC. The Form 20-F may be downloaded from the company's website at www.harmony.co.za.

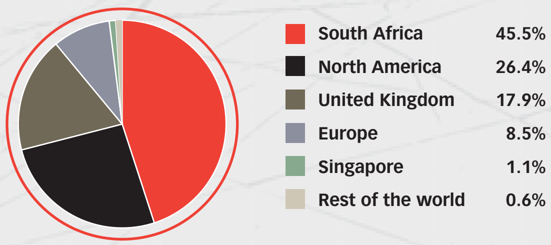
This report has been printed on Titan Hi-Q, which was produced in an ISO 14001 accredited facility that ensures all processes involved in production are of the highest environmental standards. FSC Mixed Sources CoC certification ensures fibre is sourced from certified and well managed forests.

Contents

Target, South Africa

Harmony, one of the world's ten largest gold mining companies, operates in South Africa and in Papua New Guinea (PNG), where the Hidden Valley mine recently came into production. In FY10, Harmony produced 1.43 million ounces* of gold (FY09:1.46 million ounces).

Geographic distribution of shareholders – 30 June 2010



In South Africa, the company has 10 underground and several surface operations. In PNG, Harmony has a 50% interest in Morobe Mining Joint Ventures (MMJV), which include Hidden Valley, an open-cast gold and silver mine which began production in FY10, the Wafi-Golpu project, and extensive exploration tenements. Harmony's partner in MMJV is Newcrest Mining Limited (Newcrest), which acquired its interest in this venture from Harmony, the original developer, in FY09. Harmony's exploration portfolio focuses principally on highly prospective areas in PNG, through MMJV and the 8 000km^2 of exploration tenements which are 100% owned by Harmony, as well as exploration projects in South Africa.

At year-end (30 June 2010), the company employed 42 597 people, mostly in South Africa, of whom 36 893 were full-time employees and 5 704 contractors (FY09: 45 685 people, including contractors).

Harmony's corporate headquarters are located in Randfontein, Gauteng, South Africa.

Significant capital expenditure in recent years has aimed at accessing the group's extensive resources and extending the lives of its mines. As at 30 June 2010, Harmony reported mineral reserves of 48.1 million ounces and mineral resources of 189.2 million ounces.

Strategy

Harmony's strategy is to produce 2 million safe and profitable ounces of gold by 2013. Following a review of assets during FY10, action was taken and capital committed to increase production at existing operations, further the development of current projects and advance scoping studies so as to ensure the future production pipeline of tomorrow's gold by growing reserves and resources and strengthening the quality of our asset base. See both the *Chairman's letter* and the *Chief executive officer's review* for further details on Harmony's strategy.

Our challenge going forward is to meet our targets and objectives and, more specifically, to deliver consistent production results, improve productivity, curb costs and to create and deliver value to shareholders.

Shareholder information

Harmony is a public listed company with its primary listing on the JSE Limited (share code: HAR) in South Africa. Harmony's ordinary shares are also listed on the London Stock Exchange (HRM) and are quoted in the form of American Depositary Receipts on the New York Stock Exchange (HMY). They are also traded over the counter on the Brussels and Berlin exchanges. Harmony voluntarily delisted from Nasdaq in the United States and Euronext Paris on 21 June 2010 and 30 August 2010 respectively.

Harmony's shareholders are located around the world, primarily in South Africa (45%), United States (26%) and the United Kingdom (18%). At 30 June 2010, there were 428.7 million ordinary shares in issue and the company had a market capitalisation of R34.89 billion (US$4.5 billion).

** Of this, 51 046 ounces were capitalised*

Key statistics – 2010

Operating and financial

Operating performance		**FY10**	FY09
Ore milled	000t	**17 963**	17 888
– Underground	000t	**8 519**	9 021
– Surface	000t	**9 444**	8 867
Gold produced[1]	kg	**44 433**	45 437
	000oz	**1 429**	1 461
– Underground	kg	**38 799**	41 871
	000oz	**1 248**	1 346
– Surface	kg	**5 634**	3 566
	000oz	**181**	115
Operating cost	R/kg	**195 162**	168 661
	US$/oz	**801**	583
Yield	g/t	**2.39**	2.54
– Underground	g/t	**4.54**	4.64
– Surface	g/t	**0.44**	0.40
Financial performance			
Revenue	R million	**11 284**	11 496
	US$ million	**1 489**	1 277
Production costs	R million	**8 358**	7 657
	US$ million	**1 103**	850
Cash operating profit	R million	**2 926**	3 839
	US$ million	**386**	427
Operating margin	%	**26**	33
Net (loss)/profit for the year[2]	R million	**(192)**	2 927
	US$ million	**(24)**	311
Total basic (loss)/earnings per share[2]	SA cents	**(46)**	707
	US cents	**(6)**	75
Total headline (loss)/earnings per share[2]	SA cents	**(7)**	262
	US cents	**(1)**	29
Capital expenditure	R million	**3 353**	4 382
	US$ million	**442**	487
Market performance			
Average gold price received	R/kg	**266 009**	250 826
	US$/oz	**1 092**	867
R/US$ exchange rate (average for period)	US$/oz	**7.58**	9.00
R/US$ exchange rate – at end of the period	US$/oz	**7.63**	7.72

(1) 1 588 kilograms (51 046 ounces) capitalised.

(2) Includes discontinued operations.

Note: All statistics are for continuing operations unless otherwise stated.

Target, South Africa

Sustainability

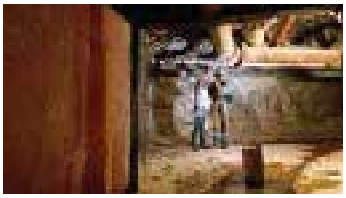
Economic		**FY10**	FY09
Total payments to employees	R million	**4 912**	5 261
Dividends paid to shareholders	R million	**213**	–
Payments made to government(taxation and royalties)(2)	R million	**116**	1 335
Equity ownership in the company by HDSAs	%	**36**	36
BBBEE procurement expenditure in South Africa	R million	**2 036**	3 190
Occupational health and safety			
FIFR	Per 200 000 hours worked		
– South Africa		**0.04**	0.04
– PNG		**0.04**	0
LTIFR	Per 200 000 hours worked		
– South Africa		**1.54**	1.87
– PNG		**0.14**	0.02
FIFR	Per million hours worked		
– South Africa		**0.21**	0.21
– PNG		**0.20**	0
LTIFR	Per million hours worked		
– South Africa		**7.73**	9.35
– PNG		**0.70**	0.20
South Africa			
Shifts lost as a result of occupational illness and injury		**27 254**	33 432
Noise-induced hearing loss (NIHL) cases identified	Per 1 000 employees	**12**	10
Silicosis cases identified	Per 1 000 employees	**25**	11
Total number of new TB cases reported	Per 100 000 employees	**3 638**	3 628
Number of people on HAART		**3 226**	4 255
People			
Number of employees and contractors			
– Total		**42 597**	45 685
– South Africa		**40 119**	42 278
– PNG		**2 478**	3 497
Community			
South Africa			
– Corporate social responsibility (CSR) projects	R million	**23**	17
– Local economic development (LED)	R million	**59**	11
PNG	US$ million	**1.1**	NR
Environment			
Total energy usage			
– South Africa	000MWh	**3 659**	3 434
– PNG	000MWh	**105**	NR
Total CO_2 emissions			
– South Africa	000t CO_2e	**4 403**	4 183
– PNG	000t CO_2e	**128**	44
Total amount of water used for primary activities			
– South Africa	000m^3	**44 339**	32 971
– PNG	000m^3	**1 843**	1 312
Total cyanide usage			
– South Africa	t	**7 884**	6 304
– PNG	t	**3 429**	NR
Provisions allocated for rehabilitation and closure			
– South Africa	R million	**1 987**	1 597
– PNG	US$ million	**53**	–

(2) Excludes value-added tax/general sales tax
NR= not reported

Operations at a glance

South Africa

Underground operations



Bambanani

Production(1)	4 137kg	133 007oz
Cash operating cost	R176 253/kg	US$723/oz
Operating profit	R369 million	US$49 million
Capital expenditure	R207 million	US$28 million
Mineral resources at year-end	7.4Moz	
Mineral reserves at year-end	1.4Moz	
No of employees (including contractors)	3 887	

Doornkop

Production	1 950kg	62 694oz
Cash operating cost	R200 324/kg	US$822/oz
Operating profit	R107 million	US$14 million
Capital expenditure	R342 million	US$45 million
Mineral resources at year-end	21.6Moz	
Mineral reserves at year-end	0.4Moz	
No of employees (including contractors)	2 649	

Evander

Production	3 475kg	111 724oz
Cash operating cost	R248 190/kg	US$1 018/oz
Operating profit	R51 million	US$7 million
Capital expenditure	R175 million	US$23 million
Mineral resources at year-end	35.1Moz	
Mineral reserves at year-end	12.8Moz	
No of employees (including contractors)	3 331	

Joel

Production	2 006kg	64 495oz
Cash operating cost	R193 019/kg	US$792/oz
Operating profit	R145 million	US$19 million
Capital expenditure	R88 million	US$10 million
Mineral resources at year-end	4.8Moz	
Mineral reserves at year-end	0.5Moz	
No of employees (including contractors)	1 470	

Kusasalethu

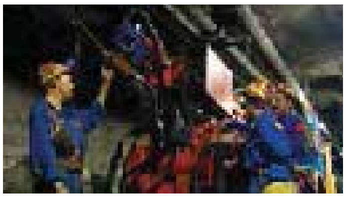
Production	5 444kg	175 029 oz
Cash operating cost	R208 864/kg	US$857/oz
Operating profit	R301 million	US$40 million
Capital expenditure	R430 million	US$57 million
Mineral resources at year-end	11.6Moz	
Mineral reserves at year-end	7.5Moz	
No of employees (including contractors)	5 685	

Masimong

Production	4 840kg	155 609oz
Cash operating cost	R146 674/kg	US$602/oz
Operating profit	R575 million	US$75 million
Capital expenditure	R177 million	US$23 million
Mineral resources at year-end	19.2Moz	
Mineral reserves at year-end	1.2Moz	
No of employees (including contractors)	3 205	

Phakisa

Production	1 371 kg	44 079oz
Cash operating cost	R232 190/kg	US$953/oz
Operating profit	R49 million	US$6 million
Capital expenditure	R486 million	US$64 million
Mineral resources at year-end	23Moz	
Mineral reserves at year-end	5.2Moz	
No of employees (including contractors)	3 034	



Target

Production(2)	3 539 kg	113 781oz
Cash operating cost	R190 720/kg	US$783/oz
Operating profit	R214 million	US$28 million
Capital expenditure	R382 million	US$51 million
Mineral resources at year-end	12.5Moz	
Mineral reserves at year-end	2.8Moz	
No of employees (including contractors)	3 078	

Tshepong

Production	6 749kg	216 986oz
Cash operating cost	R164 938/kg	US$677/oz
Operating profit	R676 million	US$90 million
Capital expenditure	R261 million	US$35 million
Mineral resources at year-end	12.4Moz	
Mineral reserves at year-end	3.9Moz	
No of employees (including contractors)	5 097	

Virginia

Production	5 288kg	170 013oz
Cash operating cost	R252 537/kg	US$1 036/oz
Operating profit	R75 million	US$10 million
Capital expenditure	R180 million	US$24 million
Mineral resources at year-end	12.7Moz	
Mineral reserves at year-end	0.6Moz	
No of employees (including contractors)	4 036	

Surface operations

Kalgold

Production	1 526kg	49 063oz
Cash operating cost	R182 215/kg	US$748/oz
Operating profit	R116 million	US$15 million
Capital expenditure	R11 million	US$1 million
Mineral resources at year-end	3.7Moz	
Mineral reserves at year-end	0.8Moz	
No of employees (including contractors)	480	

Phoenix

Production	647kg	20 801oz
Cash operating cost	R185 762/kg	US$762/oz
Operating profit	R52 million	US$7 million
Capital expenditure	R5 million	US$1 million
Mineral resources at year-end	0.9Moz	
Mineral reserves at year-end	0.9Moz	
No of employees (including contractors)	1 193	

Other

Production	1 558kg	50 090oz
Cash operating cost	R140 965/kg	US$622/oz
Operating profit	R183 million	US$24 million
Capital expenditure	R69 million	US$9 million
Mineral resources at year-end	8.1Moz	
Mineral reserves at year-end	6.3Moz	
No of employees (including contractors)		

Papua New Guinea

Open pit operation

Hidden Valley (50% attributable)

Gold – Production(3)	1 903kg	61 173oz
Silver – Production(3)	6 927kg	222 717oz
Cash operating cost	R244 544/kg	US$1 003/oz
Operating profit	R16 million	US$2 million
Capital expenditure	R541 million	US$71 million
Gold – Mineral resources at year-end	2.5Moz	
Mineral reserves at year-end	1.6Moz	
Silver – Mineral resources at year-end	51.2Moz	
Mineral reserves at year-end	32.0Moz	
No of employees (including contractors)	2 476	

Resources and reserves attributable (50%) to Harmony (Hamata, Wafi, Golpu and Nambonga)

Gold – Mineral resources at year-end	8.3Moz
Gold – Mineral reserves at year-end	0.9Moz

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(1) Bambanani includes Steyn 2 which has not yet reached commercial levels of production. Consequently 33kg (1 061oz) of Bambanani's production was capitalised.

(2) Target includes Target 3 which has not yet reached commercial levels of production. Consequently 117kg (3 762oz) of Target's production was capitalised.

(3) Includes production for first 10 months while commercial production has not yet been reached. 1 438kg (46 234oz) of gold and 4 504kg (144 821oz) of silver were capitalised.

Patrice Motsepe,
Chairman

Dear shareholder

A year ago I had the pleasure of congratulating Harmony's committed team of managers and employees on their efforts in aiding the company to weather the economic storm of 2008. This year, I extend my thanks to a team that has continued to build and position Harmony for a safe, sustainable and profitable long-term future.

As we continue to strive to deliver on our key objectives of profitability, growth and safety, the experience and skills of our management team, enables us to competitively manage and operate our current and new mines. This combination of a world class management team, coupled with a good range of mining assets, provides a compelling endorsement of Harmony's investment merits.

Looking ahead, we anticipate cost challenges, notably the prospect of administered electricity costs that, in round figures, are set to rise by 25% in each of the next two years. However, this is manageable if our productivity advances and our target to remain South Africa's lowest-cost producer measured in terms of rands per underground tonnes mined is achieved.

Strategy

Harmony's focussed strategy is based on two main pillars: the competitive production of profitable ounces of gold and safety. This strategy has as its overall goal the production of 2 million, safe and profitable ounces annually by FY2013. In striving for this, the intention is to transform Harmony into a sustainable company that has free cash flow and that is able to generate earnings to fund both growth and dividends.

Growing the company and generating free cash flow will entail:

- optimising our asset portfolio so as to yield lower-cost, more profitable, high-margin ounces. To this end our portfolio was reviewed and restructured;
- increasing levels of operational efficiency and productivity, to which end capital projects are being commissioned and achievable plans have been compiled for the development of face length so as to optimise mining flexibility; and
- exploring and expanding into new geographic regions, developing mines, acquiring low-cost assets and entering into joint ventures.

Together, these actions will help us achieve the targeted growth in ounces and generate free cash flow.

Safety

It is with deep regret that I extend my condolences to the families and colleagues of the 22 miners who lost their lives at work during the year. Every fatality at our mines is one fatality too many.

Chairman’s letter cont.

We remain determined in our efforts to continuously improve safety standards and records, and our target of zero fatalities remains steadfast. We make every effort to ensure that stringent safety procedures are implemented at all operations and that adherence to these procedures is so ingrained as to become second nature to every one of our employees.

I would like to extend my gratitude to those who have contributed to improving Harmony’s safety efforts.

Mining

Harmony has significant growth potential in Papua New Guinea and together with our South African operations will continue to underpin planned growth as the key focus of our business.

Harmony has planned for increased production over the next five years and our fundamental aim is to generate profit for our shareholders, whilst continuing to grow. Equally, we are committed to profitable opportunities that can provide secure job opportunities and fair remuneration for our employees and that enable us to contribute to the betterment of the communities and the countries where we operate.

We met our sustainable operating margin objective of 26% in this past financial year. Maintaining this margin will almost inevitably lead to the closure of old and unprofitable shafts, as happened in the year under review. We cannot allow loss-making operations to threaten our overall economic security. Our immediate plans in this regard are described in more detail in the CEO’s annual review.

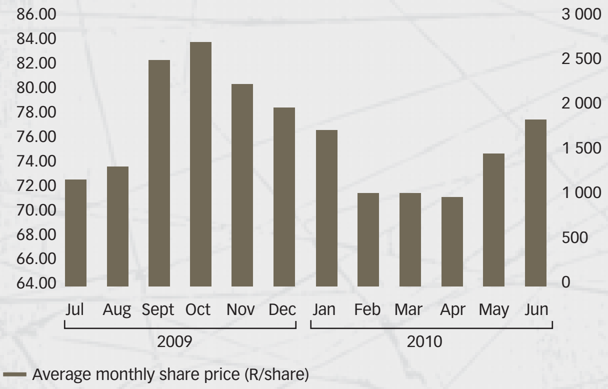
We will continue to pursue appropriate opportunities for acquisitions or take overs. Fundamentally, though, Harmony’s future will be tied principally to its own exploration successes, as indicated by our projects in Papua New Guinea. In that country, the Hidden Valley mine has reached commercial production, one of our exciting achievements of the year.

The gold market

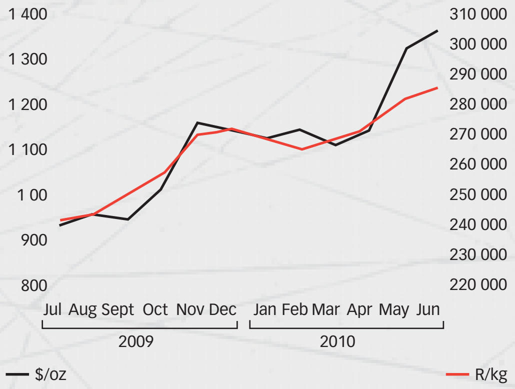
Our confidence in gold has been and continues to be justified. The metal’s price performance over the past year – reaching an all-time record of $1 261/oz towards the end of our financial year, comes at the end of a decade of sustained increases and at a time when the prospects for some of the major economies in the world remain uncertain.

Harmony is not alone in its view on stronger gold prices. Normally cautious leading gold analysts such as GFMS and the World Gold Council forecast prices reaching heights of $1 300/oz by December 2010. These levels were in fact breached by

Average monthly share price



Average monthly gold price



the end of September. These predictions are based on market fundamentals of supply and demand rather than on short-term speculation. Our view is that the world's financial markets have not yet stabilised, indicating a steady gold price progression in the medium and long term.

On the demand side, the Asian giants, China and India, continue to build their official gold reserve holdings, while individuals across the globe increase their holdings either directly through their holdings of bullion or indirectly through exchange traded funds. By way of example, on the production side China, which has emerged as the single largest national producer of newly-mined gold, still has to import gold to meet both domestic private and official demand. In South Africa, though, overall production from the country's mature mines continues to decline.

While this positive outlook remains in place, Harmony's forward planning is conservative, which affords protection against adverse currency shifts as the company's operating costs are largely denominated in South African rands.

In the year under review, the rand continued to strengthen against the dollar, which squeezed our operating margins. The rand's exchange rate against the dollar averaged R7.58/$ as compared with R9.00/$ during the 2009 financial year. The result was that though the year's average gold price rose by 26% to $1 092/oz from $867/oz the previous year, in rand terms the average price received rose by only 6% to R266 009/kg from R250 826/kg.

Based solely on existing operations in South Africa and Papua New Guinea, our planning envisages a steady and substantial increase in gold production to an annual 2 million ounces over the next three years, while maintaining unit costs to less than R200 000/kg in real terms. In addition, our Wafi-Golpu project in Papua New Guinea is at the conceptual study stage. At present its equivalent gold mineral resource stands at 39 million ounces, with significant scope for additions – indeed a very exciting prospect for the company! Our target is to bring its gold-copper operations into commercial production by 2016.

Harmony, a sound investment case

Given the above, I firmly believe that Harmony represents a solid emerging-markets investment case. Its main attributes are:

- a sustained focus on profitable operations;
- steady production growth prospects with rising average grades;
- unhedged against the gold price and exchange rates;
- balance sheet in a net debt position with financial resources and cash flow to target future acquisitions;
- a large resource base on which to build production growth;
- a world class management team skilled in developing and operating mines at all stages of their mine lives; and
- a focussed commitment to delivering progressive returns to shareholders through dividends and share price growth.

Thanks

My unqualified thanks go to the board, the chief executive officer, Graham Briggs, for his outstanding leadership and to the first-rate team of managers and employees for their unstinting efforts and commitment towards growing Harmony into a leading world-class gold producer. I am confident that their contributions will ensure Harmony's sound future.

Lastly, I want to thank Frank Abbott, who, post year-end, has retired as an executive director, for his contribution to the growth of Harmony over many years. Frank will remain on our board as a non-executive director. I would also like to welcome Harry Ephraim "Mashego" Mashego, the new executive director at Harmony.

Patrice Motsepe
Chairman
25 October 2010

Graham Briggs,
Chief executive officer

I am very pleased to present to shareholders this report for the year, on the occasion of Harmony's 60th year in business. While this report reviews the 2010 financial year (FY10), and our prospects going forward, it also reflects on pages 10 and 11 on the 60 years that have past.

There have been significant changes in this company in the past six decades. Harmony started out as a single operating entity running a modest, yet flagship operation, in the then new goldfields in South Africa's Free State Province. The company has transformed itself, particularly over the past 15 or so years, into a significant global producer with a substantial asset base in South Africa and PNG, a first-class management team, shareholders around the globe, and enviable growth prospects. Looking back, it is indeed a remarkable feat for a gold mining company to have provided jobs, delivered returns to shareholders, paid taxes, and made substantial investments into local communities as Harmony has done over a period of 60 years. And what is perhaps even more phenomenal is that – based on our current resource base and development projects – we will continue to do so for many years into the future.

Integrated reporting

This report provides an account of the operating and financial performance of the company. It also provides – we believe – insight into the way in which we work on a number of levels. As the information needs of our stakeholders have changed from the purely financial to requiring a broader view of the company, so our reporting has adapted. For the past five years, we have produced a separate Sustainable Development Report aligned with the principles and recommendations of the King Report on Corporate Governance 2002 (King II) and as well as the G3 guidelines of the GRI. This year, in line with changes in global best practice, we have taken constructive steps towards the further integration of the economic, social and environmental aspects of the business, both in our management structures and their accountability, and in the way in which we report. This, our first integrated annual report, is the product of these steps.

A year of continued delivery

I am pleased to report that we have maintained the impetus provided by the strategy we began developing three years ago. We have stuck to our guns and delivered results. Looking back at the year under review, we have enjoyed a number of highlights. Key among them were:

- the stability of our teams;
- the achievement of many of our objectives, on which I elaborate below; and
- the good support we have received from employees and unions on the direction in which we are steering the company.

Even for a good story there is always a flip side, the so-called lowlights:

- Safety is the first of these and I deal below with the way in which we are attempting to address this most significant of issues. Despite the tragic fatalities experienced, there is a glimmer of hope in that many of our leading safety indicators are moving in the right direction.

Chief executive officer's review cont.

- Another disappointment has been that production was not in line with our plans. Although some of this reduction was attributable to the deliberate closure of unprofitable operations, I am confident that we have made the right choices, sacrificing unprofitable ounces to protect our sustainability and profitability.
- Another lowlight – and one that we share with our peers – must be the negative view of the South African mining industry in general, and the gold mining industry in particular. I deal with a number of the issues that have given rise to this below.

While we continue to follow the path that our strategy dictates, this has continued to evolve as we have delivered on a number of milestones, adjusted our plans in accordance with market realities, and uncovered new opportunities.

Committed to working safely

Ensuring the safety, health and well-being of our employees is a primary area of focus for Harmony and we continue to strive for zero fatalities. We have taken active steps to ensure that the only acceptable production is safe production, and have linked remuneration to safety performance at all levels of our organisation. The OHSAS 18001 standard is being introduced across the group and 180 health and safety personnel were trained as lead auditors on this system in FY10.

It is with great regret, however, that I report that in South Africa 21 employees lost their lives in mine-related incidents in FY10 (FY09: 22), and there was one fatality in PNG (FY09: 0). The board and management extend their condolences to the families and colleagues of those who lost their lives. While it is disappointing that this fatal injury frequency rate (FIFR) remained unchanged year-on-year, at 0.21 per million hours worked, the lost-time injury frequency rate (LTIFR) improved by 17% to 7.72 (FY09: 9.35).

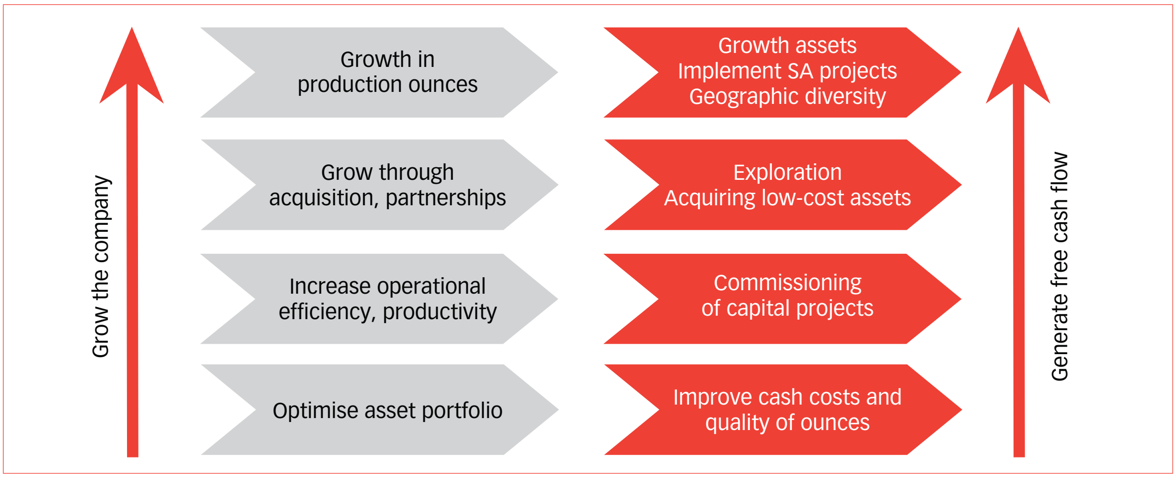
Positioned to deliver

At the heart of our strategy is the determination to create a sustainable company – one that generates earnings to fund dividends and growth. Four key objectives underpin this strategy, namely:

- optimising our asset portfolio, by improving cash costs and the quality of the ounces we produce;
- increasing operational efficiency and productivity, particularly through the commissioning of major capital projects;
- growing production ounces, by delivering into production the South African growth projects and by fully exploiting growth opportunities in PNG. An important element of this growth objective is the pursuit of geographic diversity; and
- growing through acquisitions and partnerships, through exploration and the acquisition of low-cost assets.

In the pages that follow I will show you how we will achieve this strategy, which is illustrated below.

Creating a sustainable company – generating earnings that fund dividends and growth… a company with free cash flow



Harmony's reportable injury frequency rate (RIFR) also improved by 16% to 4.19 compared to the previous year (FY09: 4.97), as did the all injury frequency rate (AIFR) which improved by 9% to 17.05 per million hours worked (FY09: 18.73).

In addition to our annual safety and health workshop, in which all role players make a contribution, our safety and health focus areas in FY10 were:

- fall of ground prevention initiatives. Falls of ground accounted for 66% of fatalities and 21% of lost-time injuries in FY10;
- preventing trucks and tramming accidents. These were the cause of 15% of fatalities and 14% of lost-time injuries;
- increased attention to occupational health and hygiene, particularly dust, noise and tuberculosis; and
- an emphasis on instilling safe behaviour in what should be the low-risk metallurgical plants.

We have conducted extensive back analysis to determine the root causes of accidents, what could have been done to prevent them, and what can be done to prevent them in the future. There is rarely a single, identifiable cause of an accident, even in the case of a fall of ground. It is often a combination of causes and our approach in dealing with safety must be holistic.

During the year, we focused a great deal of effort on behaviour on the one hand, and technology on the other. Regarding technology, for example, we have been developing safer locomotives, anti-collision devices and, in development ends, trailing with support netting to prevent falls of ground. We have the proof that such focused attention can deliver results: Kusasalethu (formerly Elandsrand) was one of our worst safety performers in FY08, and is now one of our best performers. I would also like to congratulate management, employees and unions at Evander 8 shaft for achieving two million fatality-free shifts during the year, once again showing that a fatality-free deep-level mining environment is possible.

Bullish about gold

Gold continues to be a store of value and a currency. Harmony's confidence in gold remains undimmed. Since January 2009, when it first became apparent that the financial setbacks of 2008 did not signify a deep world-wide economic recession, gold's dollar price performance has been little short of spectacular.

In part the price advance has been based on the searches by investors for safe havens, particularly through the increasingly popular global exchange traded funds (ETFs). But the fundamentals of supply and demand for physical gold are, arguably, more important. On the supply side, a number of new mines initiated some years back are coming on stream now and some existing producers are ramping up production. Against this, however, must be set falling production from countries such as South Africa where mines are mature. Recycling, too, has risen as holders have taken profits, but deliveries from this sector depend to a considerable extent on expectations of the future price direction.

In June 2009, on the eve of our past financial year, the London morning gold fix stood at $941/oz. The dollar gold price than improved more or less steadily to around $1 200/oz by late December 2009, which level it failed to hold for some months before sprinting to just short of $1 260/oz on 21 June 2010. After a brief period of consolidation, the gold price had exceeded $1 300/oz by end September 2010.

Our caution, however, stems from the strength of the South African rand. While gold rose by 26% in dollar terms in FY10, in rand terms the rise was only 6% to R266 009/kg. Our South African mine costs are measured in rands and we face some considerable pressure from rising costs over which the country's gold miners have limited control.

Our view on the rand is that it is more prone to downside than to upside. The currency has been supported by equity investment inflows, parallelling investors' views on emerging markets, particularly those with well-traded currencies. Investment flows however can quickly reverse.

There is always much debate about the exchange rate and what in fact it should be. Which is better – a weak rand, a strong rand or something in between? Obviously a weaker rand would suit us very well as our expenditure is in rands, with our earnings pegged in dollars. As a company we are very sensitive to the rand/dollar exchange rate, more so probably than the gold price. A significant issue in South Africa these days is employment and, indeed, the lack thereof. To create jobs the manufacturing and mining sectors need to improve their efficiency and productivity levels, and a weaker currency would be helpful.

Chief executive officer’s review cont.

We are prudently basing this current financial year’s operational planning on gold averaging R250 000/kg, based on a dollar gold price of $950/oz and an exchange rate of R8.19:$1. Our longer-term financial modelling – the basis on which we plan mine developments – is based on a price of R275 000/kg.

Harmony is not in the business of producing gold for the sake of size – our strict policy is to produce safe, profitable ounces only, even though that might lead to more closures of unprofitable shafts and deter us from making marginal acquisitions. In South Africa, our objective is to remain the lowest cost producer measured in terms of tonnes milled. Our target is to cut the group’s overall on-mine cash costs to R160 000/kg in real terms (2010 money) by 2014 from the past financial year’s average of R195 162/kg. However, if mining inflation persists, then we would at least aim to hold cash costs static in actual terms.

Operating and financial performance

A key feature of the year under review was the restructuring of Harmony's asset base in line with our strategy to deliver safe, profitable and sustainable ounces. Significant steps taken during the financial year to improve the quality of our portfolio include:

- closure of the Brand 3, Merriespruit 3, Harmony 2, and Evander 2, 5 and 7 shafts as their orebodies reached the end of their economic lives;
- continued investment in exploration and development at the Phakisa, Kusasalethu (formerly Elandsrand), Doornkop, Tshepong decline shaft and Hidden Valley growth projects, reaffirming their robust life-of-mine plans and reserve positions;
- acquisition of Pamodzi Gold Free State (Proprietary) Limited's (in liquidation) Free State assets which include the President Steyn 1 and 2 shafts, Loraine 3, Freddies 7 and 9, the Steyn plant and surface stockpiles;
- an international exploration programme resulting in the discovery of a new zone of mineralisation adjacent to the main Golpu resource in PNG;
- re-assessment of the Evander operation and projects; and
- post year-end, Mount Magnet in Western Australia was sold, allowing us to focus on growing, developing and operating our portfolio of quality assets in PNG.

Some of these issues are dealt with in greater detail below, and also in the *Review of Operations* and *Exploration Overview* on pages 48 and 96 respectively.

In last year’s review I indicated that the decision to pay a dividend signalled the health of the company. This signal remains valid and I am very pleased to report that the company declared a final dividend of 50 SA cents per share for the second successive year. This dividend indicates Harmony's return to stability and continuing delivery on its strategy to attain sustainable profitability, funding dividends and growth.

Key features of our financial and operational performance in FY10 were:

- gold production remained steady at 1.429 million ounces or 44 433 kilograms (51 046 ounces (1 588 kg) were capitalised);
- gold price received rose by 6% to R266 009/kg, and by 26% to US$1 092/oz
- revenue of R11 284 million;
- operating margin of 26%; and
- cash operating profit of R2 926 million.

Substantial reserve and resource base

In August 2010, Harmony published its annual statement of mineral resources and mineral reserves (as at 30 June 2010), which was produced in accordance with the South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves (SAMREC Code) and the Australian Code (JORC Code). The measured and indicated mineral resources are inclusive of those mineral resources modified to produce the mineral reserves.

The review during the year was informed by our careful, considered restructuring of Harmony's asset base, focusing on better quality ounces. At the end of June 2010, Harmony's attributable gold mineral reserve was maintained at 48.1 million ounces, which is similar to the previous year's declared reserve, despite the shaft closures and depletion which took place during the year. Attributable gold mineral resources declined by 9% to 189.2 million ounces. A detailed account may be found in the *Mineral resources and mineral reserves* section on pages 114 to 163 of this report.

(1) Headline earnings adjusted for employee remuneration and restructuring costs

Delivering growth

This is an exciting time for Harmony as many of our growth projects start to deliver and come into their own over the next few years, a reward for the sacrifices made to the bottom line as we funded these projects.

So, while we seek greater diversity, we will continue to invest in our growth projects. These assets will, we believe, become the best gold mines in South Africa over the next three years and provide the cash flow necessary to allow us to fund growth in Wafi-Golpu and other opportunities that may arise. We remain committed to South Africa and see our South African assets as an important part of our portfolio.

Our growth in the short to medium term will come from four projects in South Africa – Doornkop, Kusasalethu, Phakisa and Tshepong – and from Hidden Valley in PNG. Most of the capital has been spent and we have already seen production benefits from these projects. Together these projects will drive the company down the cost curve. While we have revised our annual growth target to 2 million ounces (from 2.2 million ounces) by 2013, this still reflects a tremendous increase – some 570 000 ounces more than we are producing today.

Kusasalethu, South Africa

Chief executive officer’s review cont.

Forecast gold production – FY13

Operation	Target ounces	Target kg	Life of mine	Comments
Kusasalethu	310 000	9 642	Approx 25 years	In build-up
Phakisa	250 000	7 776	18-21 years	In build-up
Doornkop	210 000	6 531	Approx 15 years	In build-up
Tshepong	230 000	7 154	Approx 17 years	Sub 66 and 71 decline in build-up
Target	200 000	6 220	12-17 years	Build up of Target 3: development of Block 3 at Target 1
Masimong	160 000	4 976	12 years	Steady state production
Hidden Valley*	140 000	4 354	10 years+	Exploration may increase life
Bambanani	130 000	4 043	Approx 11 years	Steady state production
Evander	90 000	2 799	Approx 11 years	8 shaft decline, targeting high grade areas
Virginia	85 000	2 644	Approx 10 years	Down from 280 000oz after three shaft closures
Joel	80 000	2 488	Approx 7 years	Recent exploration successes
Kalgold	45 000	1 400	14 years	Steady state production
Various surface sources	60 000	1 866	10-20 years	Tailings retreatment, rock dumps, clean up programmes
Total annual production	Approx 2Moz	Approx 62 000kg		

** This is the 50% attributable to Harmony.*

Exploration

A cornerstone pillar of Harmony’s growth strategy is the acquisition of quality assets that offer higher grades. During the past year we identified and evaluated a number of assets in South Africa, elsewhere in Africa and in South East Asia, which may potentially fit the Harmony portfolio. Although we have not been able to identify any projects of sufficient value at a reasonable price, we continue to assess acquisition opportunities, provided they meet our acquisition criteria. We will therefore not make rushed decisions.

We have, however, been very successful in acquiring valuable exploration tenements. Our aim is to enhance our competitive edge at an earlier stage in the pipeline, to expand our geographic diversity and to leverage off our existing base in one of the world's premier new gold regions, PNG. As a result we have increased our exploration budget significantly to R377 million for FY11 ($49 million).

While returns may only come about in the long-term, we are confident that those returns will indeed be generated – our track record of success in PNG speaks for itself. In fact, our cost of exploration – less than $10/oz discovered – is without equal among the major players.

Building on this success, we announced a significant increase in the mineral resource at the Wafi-Golpu porphyry copper-gold project, in partnership with Newcrest Mining Limited. This mineral resource for Wafi-Golpu now contains 16 million ounces of gold and 4.8 million pounds of copper. Expressed as gold equivalents, this resource amounts to 39 million ounces of gold. These results have a profoundly positive impact on our resource base and drilling results continue to prove that investing in exploration has been a very good long-term decision.

Doing business in South Africa

Increasingly, though sporadically, the question of sovereign risk arises and is frequently difficult to explain to people who take their cue from newspaper headlines.

At present there is a degree of uncertainty among some foreign investors of the possible nationalisation of the country's mines. South Africa's economy is currently growing slowly, at little more than 3% a year, a far slower rate than that of Asia's emerging growth economies or indeed some of Africa's growing economies. South Africa needs to grow much faster if benefits are to be spread rapidly.

The nationalisation debate continues both in and outside of government. I hope that this issue is clarified in the near future as I believe that investors in long-term capital projects may wait until the issue of nationalisation has been resolved before investing in the country. Unfortunately I cannot provide any clarity on what may transpire only to say that we will continue to conduct ourselves and continue to make informed decisions in the long-term interest of stakeholders and shareholders in particular

Government has, correctly in my opinion, sought to redress earlier inequities by means of various polices and initiatives which are aimed at making South Africa competitive and through the Mining Charter which specifies that ownership of at least 26% of the country's mines be in the hands of historically disadvantaged South Africans (HDSAs) by 2014. Deciding how and to whom transfers should be made was left largely to the discretion of the mining companies, and these were not free hand-outs. Harmony secured all of its new order mining rights two years ago and achieved compliance with the charter. We will continue to engage with government and other stakeholders to ensure that legislation applicable to the mining industry continues to position South Africa as a globally competitive and attractive country for investment. Since the end of the financial year, government has announced changes to the Mining Charter – changes which largely clarify uncertainties and ambiguities in the original charter.

Another complex issue we have faced is that of illegal or, in fact, criminal mining. Over the past two years we have been affected by scores of miners who have entered some of our mines illegally, stolen mine property or equipment and mined parts of our orebodies. It is not only theft, but worse it is a development that can threaten the underground safety of our own employees. Our mine security officials have taken the matter in hand, fully supported by the South African Police Service, the DMR and the Department of Justice. Nevertheless much remains to be done. Illegal mining is a very complex problem – in fact akin to organised crime with a global reach. We have to fight what we can. We try and secure shaft areas to prevent people from going underground illegally and stop them from destroying existing infrastructure. We have invested a significant amount of money in infrastructure and systems to do just that.

There are other immediate exogenous problems that we in the mining industry have to address. Input costs, over which we have little control, are rising sharply. After several years of under-investment in power generation, Eskom, the electricity parastatal, is hurrying to build more power stations and has been granted the right to increase power costs by 25% annually in the next two years. Electricity for pumping, milling, cooling and ventilation accounts for approximately 13% of our operating costs, costs that cannot be side-stepped. The effect of price increases of this magnitude cannot be over-stated.

Harmony has reduced its electricity consumption by 28% since 2008 but, despite the promises made by Eskom, there are still concerns over Eskom's build programme and ability to deliver. We have played our part, both to conserve energy and to cut costs, and have beaten our reduction targets considerably. Much of our intensive work is done at off-peak times between midnight and 4am, and cut-backs during the day are conducted in terms of our demand-side management programme. We have also installed generators for emergencies to ensure that any power cuts do not endanger lives.

The unions represented on our mines have generally been highly co-operative in helping restrain costs. Most unionised workers are well aware that jobs could be jeopardised by rising costs that threaten continuing operations.

Corporate citizenship

Central to our vision at Harmony is that we are good neighbours. To this end we have dedicated executives responsible for environmental management and community relations, including corporate social responsibility and local economic development. We report extensively on our engagement with communities and the challenges we face as well as our positive contributions in our Sustainable Development Report. In South Africa, we have made extensive progress in achieving compliance with all the initiatives of the Mining Charter, and indeed we aim – in most cases – to exceed compliance targets.

In PNG, we have worked very closely with government and community leaders in ensuring local employment, skills development and the development of economic activity. An area of significant concern to us has been the effects of mining activity on the Watut River, and in particular the build-up of sedimentation that has had a considerable impact on downstream communities. We have commissioned a series of studies to assess the current situation and make recommendations and are working closely with government, a local NGO and community members to ensure a fair and favourable outcome.

Listings

On 21 June 2010 and 30 August 2010, Harmony voluntarily terminated the listing of its American Depository Receipts on the NASDAQ Stock Exchange and its shares on the NYSE Euronext Paris Stock Exchange respectively. Harmony will continue to be listed on the JSE, New York Stock Exchange (NYSE Euronext) and the London Stock Exchange. This is yet another example of our cost-cutting and rationalisation exercise.

Recognition

Hannes Meyer was appointed to Harmony's executive management team as Financial Director Designate with effect from 1 August 2009 and then assumed the role of Financial Director on 1 November 2009. Frank Abbott, Harmony's Interim Financial Director since August 2007, handed over his financial director's responsibilities to Hannes on 1 November 2009, but continued to serve Harmony as an executive director until 31 July 2010.

We thank Frank for his extensive and unstinting contribution to the group and are delighted that he has agreed to remain on Harmony's Board of Directors as a non-executive director with effect from 1 August 2010.

In February 2010, we appointed Harry Ephraim Mashego, whom we know as "Mashego" Mashego, as an executive director, effective 24 February 2010. Mashego has more than 20 years' experience in human resources.

This is the new Harmony

In late August 2010, post year-end, we gave investors a full day of presentations, which culminated in the unveiling of the new Harmony. The presentations and accompanying discussions can be accessed by all shareholders and stakeholders via a webcast which is available at www.harmony.co.za. I invite all shareholders to take the time to view these and to get to know the fundamental detail of your company.

In essence, we put before our audience, our view that the new Harmony has a good mix of assets which are among the best gold mines in South Africa. Each shaft has its own business plan in place, designed in accordance with its own specific requirements. Together they provide us with a firm handle on the business, with the ability to address and pro-actively overcome challenges that may arise. Our plans are clear, and I am confident that we will achieve our targets regarding:

- improving productivity;
- commissioning projects;
- increasing production; and
- undertaking successful exploration.

Our growth target is to reach annual production of 2 million ounces by 2013 and, better still, most of the capital required to bring these projects to fruition has already been spent. We are positioned to generate sufficient cash to fund this growth and to pay dividends. We are and will continue to be the lowest cost South African underground gold producer on a R/tonne mined basis.

As a result, we believe that the new Harmony will be the South African gold miner of choice going forward.

Graham Briggs
Chief executive officer
25 October 2010

Harmony's approach to sustainability reporting

Harmony has adopted the principle of integrated reporting for its 2010 annual and sustainability reports. It recognises that integrated reporting combines reporting on its financial and non-financial performances, and provides a holistic view of the company by explaining and promoting understanding of the cause and effect of the various issues affecting the bottom-line.

The overall aim of Harmony's reporting effort is improved communication with shareholders and the broader group of stakeholders, to build up a formal, approved record of the company's financial and non-financial performance, and to comply with the listing requirements of the various stock exchanges on which Harmony is listed.

Social, environmental and economic considerations of the business, the opportunities and challenges they present, and the company's performance in these respects are presented throughout the annual report. Because Harmony believes that it is important to report in greater detail than is feasible in the annual report, and in line with its commitment to report in line with the Global Reporting Initiative (GRI), the company has also produced a separate, more detailed *Sustainable Development Report 2010* that is available online at www.harmony.co.za.

Certain key performance indicators have been assured by PricewaterhouseCoopers in accordance with their brief to assure these performance indicators and Harmony's reporting to a B+ level. This assurance statement my be found on pages 28 and 29.

Harmony identified what it considers to be the most material sustainability issues for inclusion in this year's *Sustainable Development Report*. This identification process was undertaken, discipline by discipline, by means of workshops and the gathering of feedback by the individual discipline heads through continuous and regular interaction and discourse with stakeholders. The material issues identified, Harmony's performance in FY2010 and targets for FY2011 are tabulated on the pages that follow.

For more detailed information, go to the Sustainable Development Report at www.harmony.co.za.

Independent assurance report to the Directors of Harmony Gold Mining Company Limited

Introduction

We have been engaged by the Directors of Harmony Gold Mining Company Limited (Harmony) to perform an independent assurance engagement in respect of certain South African Identified Sustainability Information included in Harmony's Annual Report 2010 for the year ended 30 June 2010. Additional indicators were also included and assured in the Harmony Sustainable Development Report 2010 and a separate assurance report is included therein.

Scope and subject matter

The following South African Identified Sustainability Information reported in the Annual Report was selected for an expression of limited assurance:

- BBBEE procurement expenditure in South African rands and this as a percentage of total expenditure (page 41)
- Total number of significant environmental incidents (page 45)
- Total energy consumption in MWh (page 44)
- Total CO_2 emissions in tonnes (page 45)
- Total amount of water used for primary activities in m^3 (page 43)
- Total cyanide usage in tonnes (page 45)
- Total number of fatalities (page 34)
- Lost-time injury frequency rate (LTIFR) (page 34)
- Total number of shifts lost due to accidents and illnesses (page 34)
- Total number of individuals on highly active anti-retroviral therapy (HAART) (page 37)
- Total number of new tuberculosis (TB) cases identified (page 37)
- Total number of new silicosis cases identified (page 36)
- Total number of new noise-induced hearing loss (NIHL) cases reported (page 36)
- Staff turnover levels (page 38)
- Percentage of HDSAs in management (page 39)
- Percentage of women in mining (page 39)
- Total amount spent on corporate social responsibility (CSR) programme (page 40)
- Total amount spent on local economic development (LED) projects (page 40)
- Harmony's assertion that it has achieved a B+ Global Reporting Initiative (GRI) application level (page 27)

Our responsibilities do not extend to any other information.

Responsibilities of the Directors

Harmony's Directors are responsible for the preparation and presentation of the Identified Sustainability Information, as incorporated in the 2010 Annual Report, in accordance with their internally defined procedures and for maintaining adequate records and internal controls that are designed to support the reporting process.

Responsibility of the independent assurance provider

Our responsibility is to conduct a limited assurance engagement and, based on our assurance procedures, report our conclusions to the directors.

We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance engagements other than audits or reviews of historical financial information* issued by the International Auditing and Assurance Standards Board. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain assurance on the Identified Sustainability Information as per the terms of our engagement.

Summary of work performed

Our procedures included examination, on a test basis, of evidence relevant to the Identified Sustainability Information. It also included an assessment of the significant estimates and judgements made by the Directors in the preparation of the Identified Sustainability Information.

Our work consisted of:

- reviewing processes that Harmony have in place for determining the Identified Sustainability Information included in the Annual Report;
- obtaining an understanding of the systems used to generate, aggregate and report the Identified Sustainability Information at the sampled operations;
- conducting interviews with management at the sampled operations and at corporate head office;
- evaluating the data generation and reporting processes against the reporting criteria;
- performing key controls testing and testing the accuracy of data reported on a sample basis; and
- reviewing the consistency between the Identified Sustainability Information and related statements in Harmony's Annual Report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion. Harmony's internal corporate reporting criteria and the Global Reporting Initiative's (GRI) new generation (G3) guidelines were applied for evaluating the Identified Sustainability Information. The Glossary of Terms and Abbreviations (pages 359 and 364 respectively) provide detail on the applied definitions of the Identified Sustainability Information.

Inherent limitations

Non-financial data is subject to more inherent limitations than financial data, given both the nature and the methods used for determining, calculating, sampling or estimating such data. Qualitative interpretations of relevance, materiality and the accuracy of data are subject to individual assumptions and judgements.

Conversion factors used to derive CO_2 emissions and energy used from fuel and electricity consumed, is based upon information and factors derived by independent third parties. Our assurance work has not included an examination of the derivation of those factors and other third party information.

We have not carried out any work on data reported for prior reporting periods nor in respect of future projections and targets. We have not conducted any work outside of the agreed scope and therefore restrict our opinion to the Identified Sustainability Information.

Conclusion

Based on our work performed, nothing has come to our attention that causes us to believe that the Identified Sustainability Information selected for limited assurance has not been prepared, in all material respects, in accordance with the defined reporting criteria.

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc.
Director: HP Odendaal
Johannesburg
25 October 2010

Harmony and sustainability cont.

Governance and economic sustainability

The **economic dimension** of sustainability concerns the impact of the organisation on the economic conditions of its stakeholders and on economic systems at local, national and global levels. The company's economic imperatives are achieved within a context of sound **corporate governance**. Harmony believes that these two areas go hand in hand and reports on them in one combined section at www.harmony.co.za/sd/reports/2010/.

Governance

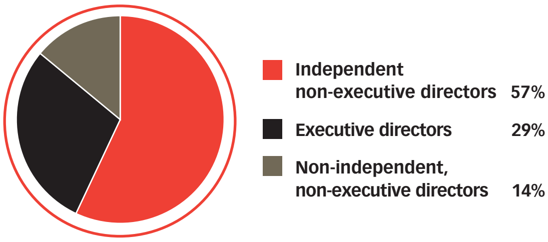
Issue	Performance in FY10	Targets for FY11
Harmony has identified five primary areas of focus in respect of governance, namely:		
Compliance with legislation in the countries in which the company operates.	No significant fines were paid by the company in any areas of operation in FY10, and no actions were brought against the company for anti-competitive behaviour and/or anti-trust or monopoly practices.	Ongoing compliance
Implementation of good practice in respect of governance and reporting.	In line with the company's primary listing on the JSE, disclosure practices and policies are guided by the South African Companies Act, JSE regulations and the King Report on Corporate Governance 2002 (King II). Harmony complies with the regulations of other exchanges on which it is listed, as well as that of the United States Securities and Exchange Commission (SEC) and the Public Company Accounting Reform and Investor Protection Act of 2002 (Sarbanes-Oxley Act of 2002 or SOx). Harmony has adopted an integrated approach to reporting, which combines financial and non-financial reporting. Harmony's Sustainable Development Report has been developed in alignment with the requirements of the GRI.	Implementation of King III and requirements of the amended Companies Act, ensuring not only compliance, but also good practice.

Hidden Valley, PNG

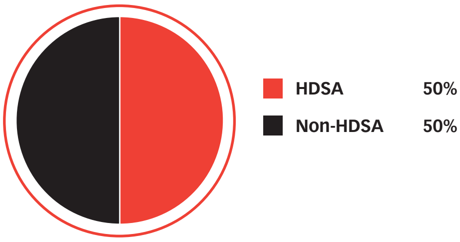
Governance cont.

Issue	Performance in FY10	Targets for FY11
Establishment and maintenance of board and company structures to uphold the rights and interests of stakeholders and to report thereon.	Specific attention is paid to sustainability by the Sustainable Development Committee. Given the special historical circumstances and the requirements of legislation in South Africa, Harmony also has in place an Empowerment Committee. (See pages 179 to 181 for further details). Harmony has paid specific attention to the composition of its board, including representation by historically disadvantaged South Africans (HDSAs) and women.	Implementation of King III and requirements of the amended Companies Act, ensuring not only compliance, but also good practice.
Ensuring integrity and ethics in all aspects of the business.	Harmony's Code of Ethics commits the company, its employees and contractors to a set of values that embodies the highest ethical standards and prohibits conflicts of interest. These values include transparency, trust, accountability, respect, equality and responsibility. An Ethics Committee meets quarterly to monitor ethical behaviour within Harmony's business environment. Harmony employees are encouraged to use the company's whistle-blowing or crime line, which is managed by an external security contractor and is accessible 24 hours a day.	The Code of Ethics will be brought in line with the provisions of King III.
Ensuring appropriate levels of risk management and mitigation.	Harmony has a formal risk policy framework and an extensive risk management structure to manage all categories of risk. The risk factors and primary risks identified in FY10 and how they are being managed are comprehensively covered on pages 190 to 203 of this annual report and in the Form 20-F. Safety, health, environment and human rights risks are evaluated, and appropriate levels of due diligence are applied prior to engaging in significant contracts. A precautionary approach is taken in the planning and developing of new projects in compliance with South African legislation and good practice.	Ongoing adoption of best practice and alignment with King III.

Composition of board – 30 June 2010



Composition of board – 30 June 2010



Harmony and sustainability cont.

Governance and economic sustainability cont.

Economic sustainability

Issue	Performance in FY10	Targets for FY11
The ability of the company to produce profitable, safe ounces of gold.	Harmony delivered a satisfactory financial performance for the year. Total gold production of 1.43 million ounces* (44 433 kilograms) declined by 2% compared with the previous year, largely as a result of the planned closures of shafts and mines in South Africa. Regrettably, there were 22 fatalities across the group during the year – see safety discussion below.	Harmony aims to produce 1.7 million ounces of gold in FY11, growing to 2 million ounces in FY13. Harmony's aim is to achieve these targets safely – eliminating all fatal accidents.
The gold market and exchange rates which influence the company's profitability.	Although international financial markets have not yet fully stabilised following the recent global economic crisis, Harmony believes that gold remains a profitable product and expects the gold price in dollar terms to be sustained and possibly even to increase in the medium to long term. Harmony is highly exposed to the R/$ exchange rate, given that the bulk of the company's current operations are based in South Africa. While Harmony's earnings are determined by dollar gold prices, its costs are largely incurred in rands. The rand:dollar exchange rate has over the past year proved to be remarkably resilient. The strengthening of the rand against the US dollar throughout FY10 placed continued pressure on Harmony's profit margins.	Harmony remains positive on gold. However, the gold price and exchange rate are not within the company's control. Harmony's strategic plans for FY11 have been based on a gold price of R250 000/kg, assuming a gold price of $950/oz and an exchange rate of R8.19/US$, with financial modelling done at R275 000/kg.
The company's investment in the future – exploration and development to sustain operations and to grow.	A key feature of FY10 was the restructuring of Harmony's asset portfolio in line with its production targets. This is discussed further on page 20. In addition, the company spent R3.3 billion on capital expenditure in FY10, largely on the group's four growth projects in South Africa and the development of Hidden Valley in PNG. Harmony has spent R15.4 billion on capital projects over the past five years. For more detail on Harmony's growth projects, see pages 22, 51 and 92.	Ongoing development of growth projects. R3.4 billion allocated for capital expenditure and R377 million for exploration in FY11.

** Of this, 51 046 ounces were capitalised*

Economic sustainability cont.

Issue	Performance in FY10	Targets for FY11
Economic transformation and empowerment.	Harmony is committed to economic transformation and empowerment in South Africa and PNG:	
	South Africa:	
	Harmony has achieved compliance with the Mining Charter through partnerships and the sale to HDSA companies of interests in the company and its underlying operations. At 30 June 2010, around 36% of production was attributable to HDSA interests. See discussion on affirmative procurement below.	Maintain HDSA interests at current levels.
	PNG:	
	Contracts were awarded by MMJV to the landowner company (NKW Holdings Limited) owned by three landowner groups – Nauti, Kwembu and Winima – for catering, fuel haulage, general freight, plant hire, security, labour hire and bus services. MMJV is complying to the Memorandum of Agreement (MOA) on the Hidden Valley project and will continue to offer business development opportunities to landowners as the mine enters production and more opportunities become available.	Continue to maintain and develop relationships, and comply to all requirements of the MOA.

Morobe Province, PNG

Harmony and sustainability cont.

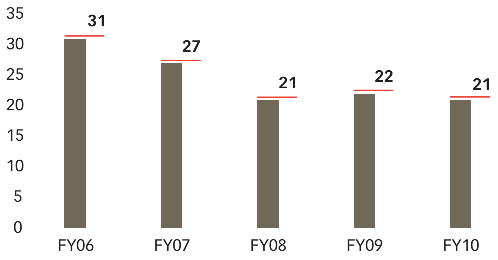
Social performance

The social dimension of sustainability concerns the impact the organisation has on the social environment in which it operates. Comprehensive discussions on the safety, occupational health and well-being, labour practices and community issues may be found in the Sustainable Development Report at www.harmony.co.za/sd/reports/2010/.

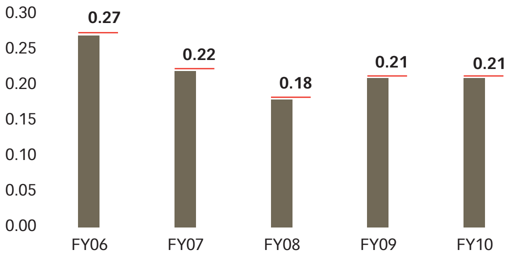
Safety

Issue	Performance in FY10	Targets for FY11
There are two primary material issues regarding employee and community safety for Harmony, namely:		
The elimination of accidents, by managing risk and ensuring the appropriate structures, systems and training are in place.	Regrettably, 22 employees lost their lives in mine-related incidents in FY10 (FY09: 22). A total of 21 of these fatalities were at the South African operations. South Africa: The FIFR remained unchanged year-on-year at 0.21, while the LTIFR improved by 17.3% to 7.73 per million hours worked (FY09: 9.35). The RIFR improved by 16% to 4.19 per million hours worked compared to FY09 (4.97). The all injury frequency rate (AIFR) improved by 9% to 17.05 per million hours worked (FY09: 18.73). A total of 27 254 shifts were lost as a result of occupational injury or illness, a 19% improvement on the previous year (FY09: 33 812). Comprehensive safety programmes are in place to reduce the incidence of accidents, particularly fatalities. While lost time and all injuries have consistently declined, the FIFR remained unchanged year-on-year.	Elimination of fatalities. Ongoing improvement in lagging and leading indicators.

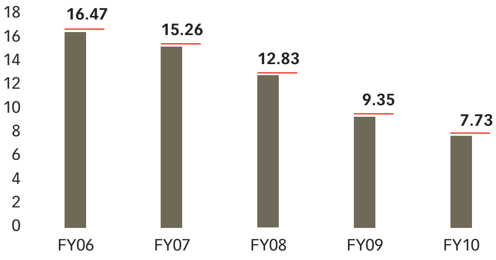
South Africa: Fatalities
FY08 – FY12 (R million)



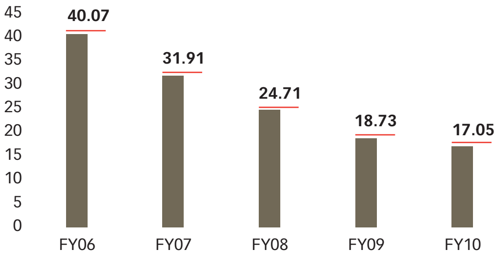
South Africa: FIFR
(per million hours worked)



South Africa: LTIFR
(per million hours worked)



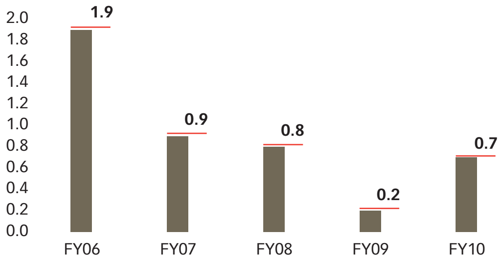
South Africa: AFIR
(per million hours worked)



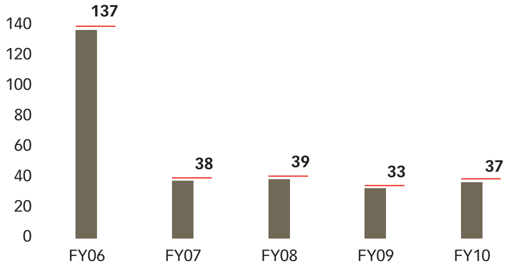
Safety cont.

Issue	Performance in FY10	Targets for FY11
	PNG: The FIFR increased to 0.1 per million hours worked (FY09: 0), as did the LTIFR year-on-year to 0.7 per million hours worked (FY09: 0.1). The AIFR increased by 15% to 37.4 per million hours worked (FY09: 32.5).	Elimination of accidents.
Addressing the issue of illegal miners in South Africa.	Harmony does everything reasonably practicable to ensure the safety of its workers. Illegal or criminal mining activities, however, endanger the criminals' own safety as well as that of company employees. Criminal mining is an organised crime and Harmony can only deal with level one of this crime, being the criminal miner. Harmony proactively addressed illegal mining activities in FY10 by liaising with the DMR, the South African Police Services (SAPS), the Department of Justice, private security companies, local businesses and affected communities. Further tripartite negotiations and investigations initiated by the Minister of Mineral Resources are currently under way. The company also communicates regularly with employees across the board on the effects of illegal mining. In FY10, Harmony's close working relationship with the unions assisted in the implementation of a 'food ban' at the Free State operations with the aim of controlling illegal mining. Among various other initiatives, access control measures have been upgraded at Harmony's operations with regular security surveys underground implemented to curb illegal mining activities.	Eliminate illegal mining, as far as this is practically possible.

PNG: LTIFR
(per million hours worked)



PNG: AIFR
(per million hours worked)



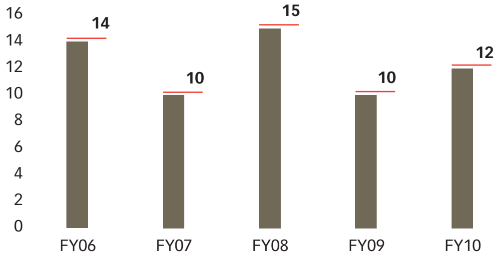
Harmony and sustainability cont.

Social performance cont.

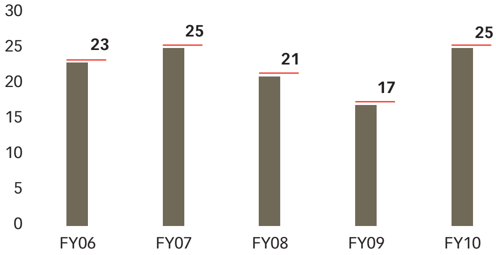
Occupational health and well-being (including HIV & AIDS and TB)

Issue	Performance in FY10	Targets for FY11
Appropriate levels of surveillance and care for safe, healthy and productive employees.	South Africa: In compliance with the Mine Health and Safety Act, medical surveillance (57 045 medical surveillance examinations) continued at the group's four medical surveillance centres. In total 442 cases of NIHL were identified in FY10 (FY09: 478), while a total of 452 cases were compensated. There were 881 suspected cases of silicosis identified and 400 cases were compensated. There has been a gradual downward trend in silicosis over the years. A large percentage of the silicosis cases submitted are non-compensable as the introduction of the sensitive digital X-ray technology in FY05 has resulted in early and over-reporting.	Harmony has committed to industry milestones for NIHL and silicosis under the auspices of the Mine Health and Safety Council (MHSC). See the Sustainable Development Report.
	PNG: The medical centres at Wafi and Wau provide full-time primary healthcare and occupational health surveillance to PNG employees, their dependants and the local community (in emergency situations only). The Hidden Valley medical centre provides full-time primary healthcare and occupational health surveillance to employees only.	Continue ongoing surveillance for potential occupational illnesses.

South Africa: New cases of NIHL identified
(rate per 1 000 employees)



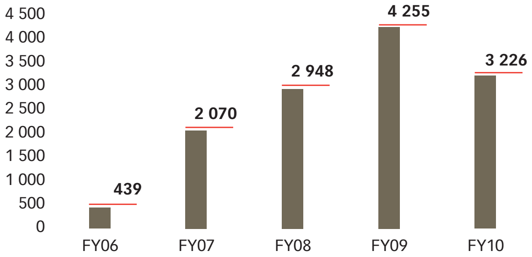
South Africa: New cases of silicosis identified
(rate per 1 000 employees)



Occupational health and well-being (including HIV & AIDS and TB) cont.

Issue	Performance in FY10	Targets for FY11
Effective disease management among employees and community members.	South Africa: Despite high HIV infection levels, the TB rate is in gradual decline. A total of 1 302 cases were diagnosed (1 485 in FY09). Access to Highly Active Anti Retroviral Therapy (HAART) for the treatment of HIV & AIDS is available to all company employees through the company's comprehensive HIV & AIDS programme, at the company's health care facilities, or through private medical aid schemes when appropriate. In FY10, a total of 3 226 employees participated in the company's HAART programme, compared with 4 255 in FY09. It is possible that fluctuations in population numbers have contributed to this decline.	Maintain highly effective TB and HIV programmes with the aim of continuing to see a decline in TB, with more people under active HIV & AIDS management.

South Africa: Number of employees on HAART
(including contractors)



	PNG: Health contacts decreased in FY10 as a result of a reduction in staff and contractors on site as the Hidden Valley mine began production. Primary health issues are upper respiratory tract infections and malaria, neither of which are occupational illnesses. MMJV administered a cholera vaccination programme to high-risk staff at all its operations as well as an education programme for employees and the surrounding communities. No cases of cholera were identified at the MMJV medical centres.	Maintain health management programmes and be responsive to public health threats.

Harmony and sustainability cont.

Social performance cont.

Labour practices

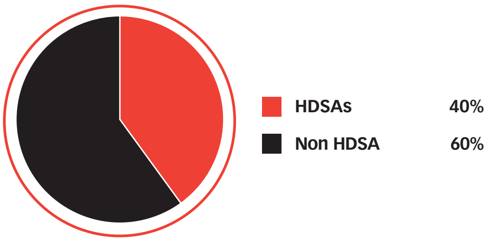
Issue	Performance in FY10	Targets for FY11
Recruiting, developing, managing and retaining employees through initiatives such as ABET, training and development and the leadership and supervisory development programmes.	Total staff turnover – 15% in South Africa and 13% in PNG. This is a significant decrease in the turnover rate and can be attributed to the company's range of retention initiatives. In line with Harmony's goal of investing in the training and development of current and potential employees, skills development programmes are offered by the company. A total of 30 747 employees were trained during the year in South Africa, at a cost to company of some R23.01 million. With the specific focus on the training and development of HDSAs to facilitate transformation, 90% of the employees trained in FY10 were HDSAs with 11% of them being women. To address the skills needs in PNG, mentoring and skills development programmes commenced in FY10. These programmes will assist in the company's objective of retaining its employees.	Ongoing training and development of employees.

Jewellery School, South Africa

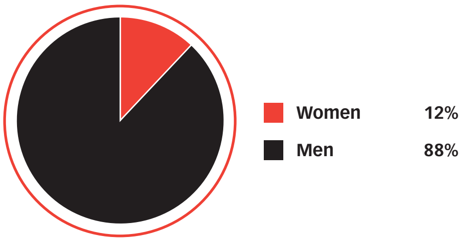
Labour practices cont.

Issue	Performance in FY10	Targets for FY11
Developing and ensuring diversity above required compliance levels.	South Africa: In South Africa, recruitment, development and retention initiatives are focused on HDSAs in line with the Mining Charter's requirement that HDSA employees make up 40% of management in South Africa by 2009. Harmony's representation of HDSAs in management was 40% for FY10 (FY09: 37%). In line with the Mining Charter stipulation that 10% of the total workforce should be women, the representation of women across the Harmony group in FY10 was 12% (FY09: 11%).	Maintain or exceed target of 40% HDSAs in management and 10% women in mining.
	PNG: The localisation process continued at PNG with an emphasis on locally recruited employees (LREs) being hired. Around 8% of the workforce was made up of foreign labour in FY10. Percentage of women employed was 15% at year-end.	96% LREs employed by FY12. New leadership development programme to support this. Target of 17% women in mining by FY13.
Promoting sound and constructive industrial relations.	South Africa: Harmony is committed to freedom of association for employees and collective bargaining. Around 88% of the South African workforce is unionised or covered by collective bargaining agreements. Industrial relations in South Africa were positive and constructive in FY10. PNG: There are no active unions at MMJV and Harmony PNG sites. Industrial relations at the Hidden Valley site are currently overseen by the Employee Representative Committee (ERC) in conjunction with MMJV management.	Maintain constructive relations with employees and unions and avoid industrial action. Engage in constructive employee relations in PNG.

South Africa – HDSAs in management



South Africa – Women in mining



Social performance cont.

Community

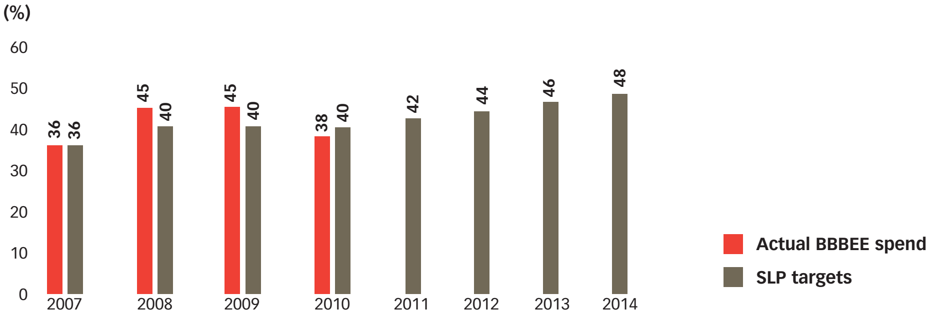
Issue	Performance in FY10	Targets for FY11
There are four primary material issues for Harmony in respect of working with our communities for Harmony, namely:		
Identifying and implementing sustainable socio-economic development initiatives such as enterprise and community skills development in line with Harmony's business philosophy, and in compliance with our commitments.	South Africa: Harmony undertakes corporate social responsibility (CSR)/local economic development (LED) in four key areas – education; socio-economic development; sports, arts and culture; and broad-based black economic empowerment (BBBEE) support – in its mining and labour-sending communities. CSR further encompasses broader community development and includes national socio-economic development programmes such as mathematics and science development. LED initiatives are undertaken in line with the requirements of the Mining Charter, MPRDA regulations and the Codes of Good Practice for the Minerals and Mining Industry. During FY10 Harmony spent a total of R58.82 million (FY09: R10.7 million) on LED projects and some R23.08 million (FY09: R16.9 million) on CSR projects.	Continue to implement CSR and LED programmes in line with the company's policy and in compliance with the Mining Charter.
	PNG: In PNG Harmony's socio-economic development programmes for the benefit of the communities in which Harmony operates, were aimed at addressing health, education, agriculture and infrastructure priorities.	Continue to implement socio-economic development programmes in line with agreements.

Jewellery School, South Africa

Community cont.

Issue	Performance in FY10	Targets for FY11
Affirmative procurement with an emphasis on promoting business with HDSAs, women and local communities.	South Africa: Harmony is committed to the transformation of its procurement practices and performance. Harmony's broad-based black economic empowerment (BBBEE) procurement expenditure in FY10 amounted to R2 036 million (38% of total expenditure). Harmony's BBBEE spend by category for FY10 was as follows: capital at R1 498 million (27%); services at R307 million (5%); and consumables at R231 million (4%). Harmony's enterprise development centres, now operational in Welkom and Soweto, were structured to support affirmative procurement with the aim of making it easier for BBBEE suppliers to conduct business with Harmony.	Continue affirmative procurement strategies in compliance with the Mining Charter and DTI targets. Target of 42% has been set for FY11, and a progression plan of 2% per annum to end at 48% by FY14.
Improving employees' housing and living conditions.	In South Africa, Harmony's housing strategy encompasses the promotion of home ownership as well as the integration of mining communities into local structures. In FY10 this strategy focused on the upgrading of hostels and the hostel de-densification project in compliance with Charter requirements. Approximately 80% of Harmony's hostels have been converted to accommodate two people per room. At PNG operations, employees are from the surrounding area and therefore live in their own accommodation when on field breaks.	Continued compliance with SLP commitments.

BBBEE procurement versus SLP targets



Social performance cont.

Community cont.

Issue	Performance in FY10	Targets for FY11
Developing and promoting sound and responsive internal and external relationships through effective stakeholder engagement.	South Africa: Harmony undertakes active and ongoing engagement with stakeholders. Harmony's LED priorities are stakeholder-driven and guided by a stakeholder engagement process involving the appropriate municipalities, communities, the DMR, NGOs and governments of the labour-sending countries of Lesotho, Mozambique and Swaziland.	Continue to undertake stakeholder engagement and to deal constructively and rapidly with any issues raised.
	PNG: Harmony has undertaken extensive community engagement programmes to address the community's concerns over the environmental impacts of the mine, particularly those concerning the Watut River sedimentation issues.	Continue to undertake stakeholder engagement and to deal constructively and rapidly with any issues raised.

Wafi Golpu, PNG

Environment

The environmental dimension of sustainability concerns an organisation's impact on living and non-living natural systems, including ecosystems, land, air, and water. Environmental indicators include performance related inputs (e.g. material, energy, water) and outputs (e.g. emissions, effluents, waste). In addition, they cover performance related to biodiversity and environmental compliance and other relevant information such as environmental expenditure and the impacts of products and services. A comprehensive discussion of the company's environmental performance may be found at www.harmony.co.za/sd/reports/2010/.

Environment

Issue	Performance in FY10	Targets for FY11
There are four primary material issues in respect of environmental performance for Harmony, namely: (cont.)		
Implementing environmental management and auditing systems that ensure compliance with legislation and regulation in the countries in which Harmony operates as well as compliance with the company's own internal policies and standards.	South Africa: Harmony is implementing environmental management systems that ensure compliance with legislation and regulation by all operations, and that environmental management is addressed formally and systematically. In line with the MPRDA, environmental management plans (EMPs) were drawn up for each operation and submitted and agreed to by the DMR. Amendments to these plans are made as and when required. Harmony is continuing with the implementation of ISO 14001 at all its operations – Doornkop has been certified as being compliant.	All operations will operate and comply with ISO14001 standards, while all new and long-life assets will be ISO certified within the next three years.
	PNG: MMJV is currently developing an integrated sustainable business management system (SBMS) which, when implemented, will meet the requirements of ISO 14001 and other relevant international safety and community standards.	The development and implementation of the environmental principles and standards of the SBMS. Full implementation of the SBMS is targeted for FY12.
The responsible use of resources such as energy and water.	South Africa: As Harmony's operations make extensive use of water, the company has embarked on a group-wide campaign to reduce the consumption of fresh water whilst optimising the re-use of process water. The total water used for primary activities in FY10 increased to 44 338 781m^3. Potable water used declined by 7.7% Of the total volume of water used during the year, approximately 31% was recycled. Most of the energy consumed by Harmony is in the form of electricity drawn from Eskom, the national energy utility. Eskom is primarily driven by coal-fired power stations. Hoisting, cooling and ventilation systems all require significant amounts of electrical power and make the company a considerable user of electricity.	Group targets have been set for energy and fresh water usage. These targets include operations with total emissions exceeding 100 000 tonnes CO_2e to have and maintain energy conservation plans by 2012. The group target is to reduce energy consumption by 10% per tonne milled (base year 2005). In addition the company aims to reduce fresh water consumption by 2% by 2013 and to improve the use of affected water by 5% by 2013.

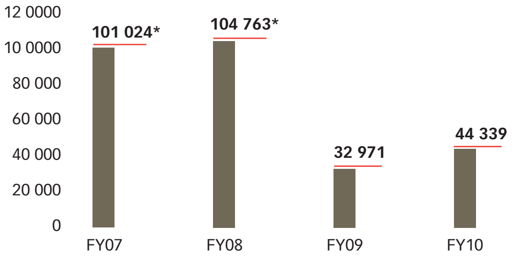
Harmony and sustainability cont.

Environment cont.

Environment cont.

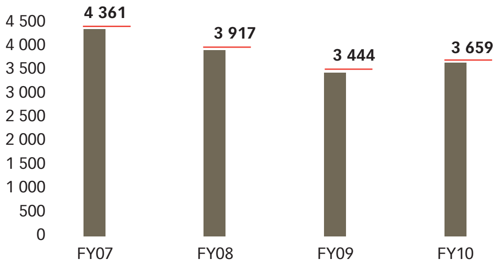
Issue	Performance in FY10	Targets for FY11
	South Africa: (cont.) Energy is therefore a major part of Harmony's operating costs with this being increased in the last two years by rising electricity tariffs. In FY10, total electrical energy consumption was 3 659 376MWh (FY09: 3 444 444MWh) for the South African operations, a negligible increase from FY09.	
	PNG: Water is the most significant resource used by MMJV. In FY10 modifications were made to the Hidden Valley processing plant to significantly reduce the amount of fresh water used and to increase the amount of treated recycled water utilised in the process. Total water usage at PNG in FY10 was 1 843 000m³.	Further opportunities to reduce fresh water use will be explored. The most significant initiative to reduce the amount of energy used at Hidden Valley is the connection to the new national hydro-power transmission line planned for FY11. This will reduce the reliance on diesel-generated power on site. The main goal for MMJV operations is to switch the Hidden Valley mine's generation of electricity from diesel to hydroelectric sources through the PNG electricity grid. This major change in fuel consumption is on target for completion in FY11.

Water consumption
(000m^3)



** Significant reduction following closure of operating shafts*

South Africa – Energy consumption (000MWh)
(Energy from electricity purchased)



Environment cont.

Issue	Performance in FY10	Targets for FY11
Ensuring appropriate risk management practices and mitigation measures are in place to prevent or minimise the company's impact on the environment. Specific areas of concern include the management of cyanide, water pollution abatement, addressing acid mine drainage (AMD), and understanding and developing plans to deal with climate change.	Appropriate risk management practices and mitigation measures are in place to prevent or minimise the company's impact on the environment. Specific areas of concern include the management of cyanide, the discharge of water to the environment, addressing AMD, and understanding and developing plans to deal with climate change. South Africa: There were five significant environmental incidents reported in South Africa in FY10. Harmony has been a signatory to the International Cyanide Management Code for the Manufacture, Transport and Use of Cyanide in the production of Gold (the Cyanide Code) since June 2007. The Cyanide Code, developed by the United Nations' Environment Programme and the International Council on Mining and Metals (ICMM), is a voluntary industry programme for companies involved in the production of gold using cyanide. Four plants in South Africa have been certified with substantial compliance. In FY10, Harmony used 7 884 tonnes of cyanide (FY09: 6 304 tonnes) in South Africa. Harmony participated in the global Carbon Disclosure Project (CDP) in FY10. Harmony's total scope 1 and 2 emissions in FY10 in South Africa were 4 402 675 tonnes CO_2e (FY09: 4 183 373 tonnes CO_2e). These emissions are mostly indirect and a consequence of electricity used and purchased from Eskom.	Targets include ongoing risk management to prevent and mitigate environmental incidents, continued implementation of and compliance with the Cyanide Code, and reducing GHG emissions by 5% by 2013.
	PNG: Apart from the impacts on the Watut River, which are discussed in detail in the Sustainable Development Report, there were a number of environmental incidents reported in PNG that have had a minor impact on the environment. These were not considered major or at a level that would have any effect on the ecosystem. Hidden Valley mine is implementing the Cyanide Code, and is preparing for certification in the latter part of FY11. The processing plant was designed to comply with the Cyanide Code and a gap analysis has been commissioned to identify any key actions necessary to meet Code's requirements.	Targets for PNG include: • Achieving compliance with environmental obligations and standardS. • Developing environmental skills and expertise within MMJV. • Developing environmental monitoring data appropriately and effectively. • Meeting the environmental objectives of the Watut River Impact Management Project (WRIMP).

Harmony and sustainability cont.

Environment cont.

Environment cont.

Issue	Performance in FY10	Targets for FY11
	PNG: (cont.) Harmony is developing a framework for establishing an internal GHG management strategy, including standardised emission measurements and estimation techniques at PNG. GHG emissions in PNG are only direct and treated as scope 1 emissions as they are all generated from diesel generators and no electricity is purchased. In FY10, total emissions increased by 65% to 128 371 CO_2e. This is because the Hidden Valley mine, previously in development, is now fully operational.	
Ensuring that closure plans are in place, including appropriate funding mechanisms, and that rehabilitation and closure are planned for during the life of mine, and undertaken at closure.	Closure plans are developed as required, and appropriate funding mechanisms are in place at all operations. As far as possible, rehabilitation and closure are planned for during the life of mine, and undertaken at closure. This is a key priority for Harmony. South Africa: The total rehabilitation liability was estimated at R2 229 million at June 2010, while funding was R1 987 million. PNG: A closure plan has been developed for Hidden Valley and the provision for rehabilitation and closure liabilities is US$52.7 million.	Develop closure plans for all operations. Conduct annual review of closure liabilities and continue provision for rehabilitation and closure funding.

Introduction

Harmony's gold mining operations are located in South Africa and Papua New Guinea (PNG). In South Africa these operations are found on the world- renowned Witwatersrand Basin and the Kraaipan Greenstone Belt. In PNG, Harmony's assets are in located in Morobe Province, a highly prospective gold mining region.

Harmony produced 1 428 544 ounces of gold (44 433 kilograms)* in FY10 at an overall grade of 2.39g/t, generating revenue of R11.28 billion and an operating profit of R2.93 billion. Operating cash costs for the group as a whole were R195 162/kg (US$801/oz) to give an operating margin of 26%.

The largest contributors to group production were the South African operations Tshepong (15%), Kusasalethu (12%), Virginia (12%) and Masimong (11%), which together accounted for half of total production.

Harmony has in recent years embarked on a process to transform itself into a sustainable, lower-cost, high-margin gold producer with a significant production pipeline. In line with this, a review of the asset portfolio was conducted during FY10, following which certain of the Virginia and Evander shafts ceased production sooner than initially planned. In addition, given the focus on profitability, the group's strategic production target was revised to 2 million ounces by FY13. More importantly, the plan is for Harmony's South African assets to generate sufficient cash to fund the company's growth ambitions.

More detailed information on the economic performance and consequences of Harmony's operations is provided in the online *Sustainable Development Report* which is available on the corporate website, www.harmony.co.za. A summary of this report is to be found in this annual report on pages 26 to 46.

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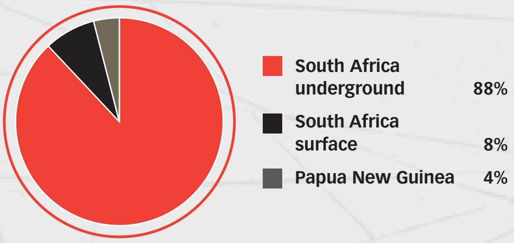
* *Of this total production, 51 046 ounces (1 588 kilograms) were capitalised*

Note: In the key statistics tables throughout this section, the term operating profit is comparable to the term production profit in the segment report, and not the operating profit line item in the income statement

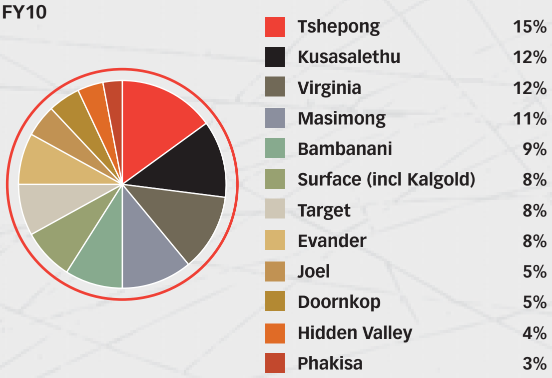
Contribution to production

FY10



Contribution to group production

FY10



South Africa

The South African operations include 10 underground mines and several surface operations that include Kalgold and the Phoenix project as well as assorted other surface operating entities. Its South African operations also house nine gold plants. Together these operations produced 1 367 372 ounces (42 530 kilograms)* of gold, at an average grade of 2.40g/t (FY09: 2.54g/t) – the average grade for the year for the underground operations was 4.54g/t (FY09: 4.64g/t) and for the surface operations, 0.41g/t (FY09: 0.40g/t). Given its importance in creating mining flexibility and improved operational productivity, ore reserve development continued to be a key area of focus.

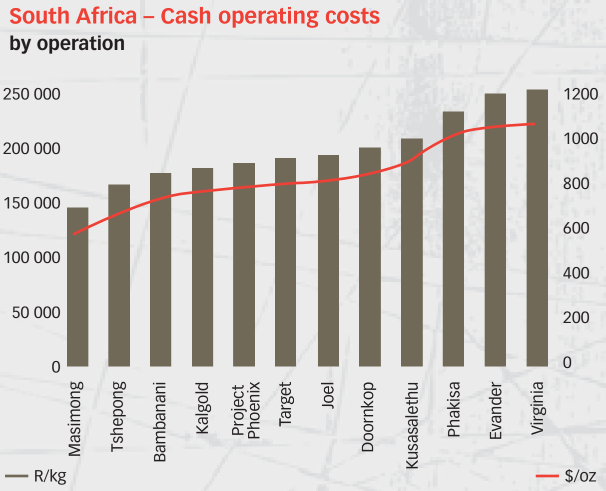
During FY10, the group acquired the President Steyn 1 and 2 shafts, Lorainne 3 and the Free State 7 and 9 shafts, together with the President Steyn gold plant, collectively known as the Pamodzi Free State assets. Steyn 1 and 2 have been incorporated under the management of Bambanani, Lorraine 3 has been renamed Target 3 and incorporated under the management of the Target operation and Free State 7 and 9.

The average cash operating cost for these South African operations was R194 621/kg (US$799/oz) (FY09: R168 661/kg; US$583/oz) – increases of 15% and 37% respectively. Cost increases in dollar terms were aggravated by the strength of the rand. In terms of tonnes mined, costs were R467/tonne (US$56/ton) as compared to R428/tonne (US$43/ton) in FY09. These increases were driven largely by the escalating cost of electricity and labour as well as by the introduction of royalty payments from March 2010 in terms of the Mineral and Petroleum Resources Royalty Act.

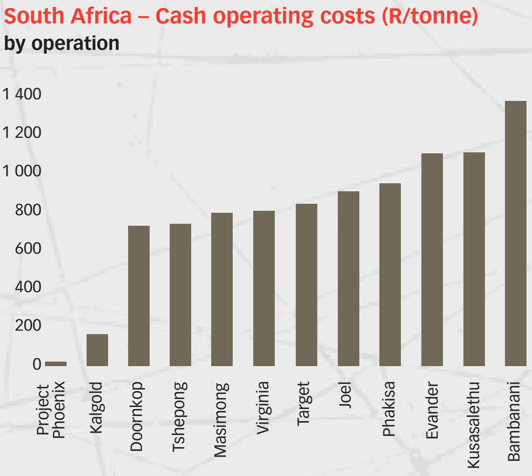
Capital expenditure at the South Africa operations totalled R2.8 billion (US$371 million) as compared to R2.6 billion (US$289 million) the previous year. The increase in capital expenditure was due in large part to the equipping of the Steyn 2 shaft and shaft pillar arch at Bambanani east.

** Of this total South African production, 4 823 ounces (150 kilograms) were capitalised*

Note: In the key statistics tables throughout this section, the term operating profit is comparable to the term production profit in the segment report, and not the operating profit line in the income statement.


South Africa – Cash operating costs
by operation

Total cash operating cost: R194 621/kg (US$799/oz)
(Exchange rate of US$1: R7.58)


South Africa – Cash operating costs (R/tonne)
by operation

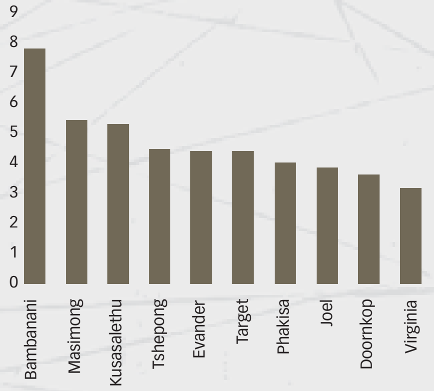
Total cash operating cost per tonne: R467/per tonne (US$56/ton)

Project update

Project	Phase	Milestones achieved in FY10	Full production	Capital expenditure to date	Outstanding expenditure
Doornkop South Reef Project	Ramping up – production of 46 422 ounces in FY10	• Equipping of the man winder compartments • Equipping of the rock winder compartments • Completion of the main pump station 207 level	• FY15/16 • Annual full production of 250 000 ounces at a LOM grade of 4.96g/t	R1.47 billion	R294 million
Kusasalethu New Mine Project	Ramping up – production of 95 836 ounces in FY10	• More than half of production now sourced from the new mine • No 3 backfill shaft sunk to 109 level • 115 level pump station commissioned	• FY13/14 • Annual full production of 286 000 ounces at a LOM grade of 6.37g/t	R1 034 million	R77 million
Phakisa Project	Ramping up – production of 44 079 ounces in FY10	• Rail-veyor infrastructure completed with commissioning of third rail-veyor train • Phase 1 (ice plants, surface buildings and change houses) implemented • Installation of permanent water handling system	• FY13/14 • Annual full production of 245 000 ounces at a LOM grade of 7.70g/t	R1.5 billion	R228 million
Tshepong Sub–71 decline Project	Development still in progress – first gold production scheduled for July 2012	• New raise lines developed from the decline shaft	• July 2019 • Annual full production of 73 000 ounces at a LOM grade of 5.73g/t	R133 million	R114 million

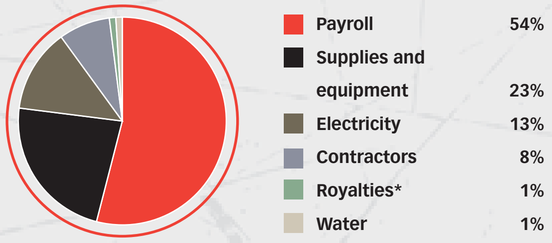
South Africa – Grade (g/t)

by underground operation



South Africa – breakdown of cash operating costs

FY10

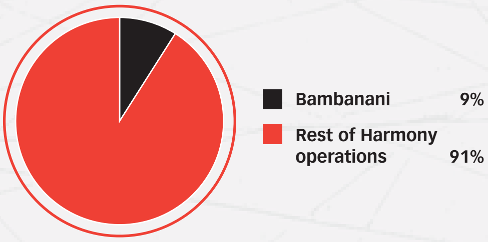


**Royalty payments in line with the Mineral and Petroleum Resources Royalty Act came into effect in March 2010. It is estimated that these royalty payments will constitute 2% of total costs at the South African operations.*

Bambanani

Free State operations:
Underground
Bambanani

Contribution to group production – FY10



Description

Harmony's Bambanani mine is located in the Free State, near Welkom. One of the group's older mines, it consists of a surface shaft and a sub-shaft. Ore mined is conveyed to Harmony 1 plant, seven kilometres away, for processing. This deep-level operation conducts mostly scattered mining on the Basal Reef with around a quarter of its mining activities involving remnant pillar extraction. Development is under way in preparation for the extraction of the shaft pillar, due to begin in 2012. Following the acquisition of the Pamodzi Gold's Free State assets, the President Steyn (1 and 2 shafts) operation was incorporated into Bambanani.

Bambanani employed 3 887 people in all in FY10 – 3 611 were employees and 276 contractors.

Detailed information on Bambanani's resources and reserves are available in the *Mineral resources and mineral reserves* section of this annual report on pages 132 to 142.

Safety

The improved safety performance in FY08 and FY09 stalled somewhat in FY10. Bambanani regrettably had one fatality in FY10 (FY09: one) and reported a LTIFR of 9.29 per million hours worked (FY09: 7.48).

More detailed information on safety performance and Harmony's sustainable development concerns in South Africa can be found in the online *Sustainable Development Report* on the corporate website, www.harmony.co.za. A summary of this can be found on pages 26 to 46 of this annual report.

Bambanani key statistics

Production		**FY10**	**FY09**	**FY08**
Volumes milled	000t (metric)	**528**	517	827
	000t (imperial)	**582**	570	912
Gold produced††	kg	**4 137**	3 780	4 817
	oz	**133 007**	121 530	154 879
Average grade	g/t	**7.77**	7.32	5.82
	oz/t	**0.227**	0.213	0.170
Financial				
Revenue	R million	**1 114**	924	932
	US$ million	**147**	103	128
Operating cost*	R/kg	**176 253**	176 834	148 671
	US$/oz	**723**	611	639
Operating profit	R million	**369**	273	191
	US$ million	**49**	31	26
Capital expenditure	R million	**207**	52	107
	US$ million	**28**	6	15

Sustainability		
Number of employees		
Employees		**3 611**
Contractors		**276**
Total		**3 887**
HDSAs in management**	%	**44**
Women in mining**	%	**9**
Expenditure on training and development	R million	**13**
Safety		
No. of fatalities		**1**
LTIFR	per million hours worked	**9.29**
Environment		
Energy used	000MWh	**467**
Water used for primary activities	000m^3	**3 505**
GHG emissions	000t CO_2e	**559**
Expenditure on local economic development	R million	**4**
Status of mining right	New order mining right granted in December 2007	

* *Includes royalty payment in FY10*

** *Indicator reported in terms of the MPRDA and the South African Mining Charter*

†† *33 kilograms (1 061 ounces) were capitalised*

Bambanani cont.

Operations review

In all, 528 000 tonnes were milled in FY10, an increase of 2% from 2009. The head grade improved by 9% to 8.07g/t, contributing to a 9% increase in gold produced to 133 007 ounces, of which 4 104 ounces were capitalised.

The conversion of Bambanani into a high-grade, low-volume operation continued during FY10. There was increased emphasis on disciplined mining throughout the year and in particular on the achievement of daily tramming and hoisting targets as well as efficient vamping and clean mining.

Following a fatal fall of ground incident in the second quarter, extensive changes were made to the mining method in the steeply dipping, high-stope-width panels in the lower levels of the sub-shaft. Although these changes, from breast to down-dip mining, temporarily led to reduced volumes mined while alterations to mining plans and methods were implemented, these revisions proved to be successful regarding both safety and production performance. The application of down-dip stoping is now well entrenched.

Greater attention is also being given to the improvement of the blast cycle by increasing the number of blasts per panel in the sub-shaft (historically difficult, high channel steep stopes) and the delivery of higher volumes to maintain plant throughput at targeted levels.

Regarding development, two raise lines were completed in the sub-shaft area and on-reef development in this area has come to an end. Development grade was boosted at year-end with the development of the high-grade shaft pillar raise, although this is considered as stoping.

Mining in the sub-shaft area will come to an end in the next three years, following which mining will take place around the high-grade shaft pillar. Mining of the shaft pillar will take eight years. Backfill will be used to minimise ground control-related risks when mining begins in the shaft pillar in June 2012.

This project will involve the mining of 2.2Mt at an average grade of 11.08g/t, yielding just over 26 000 kilogram (835 900 ounces) of gold.

Equipping of the Steyn 2 shaft is under way. Face length flexibility, infrastructural shortcomings and heat are the main obstacles to production here. Progress was made with the decline shaft infrastructure and the haulage from 73 level to Bambanani is being rehabilitated to assist Steyn 2 in maintaining its shaft bottom and keeping it clean of spillage. Areas affected by heat problems at Steyn 2 are now being supplied with chilled water from Bambanani and temperatures have substantially improved.

Steyn 2 is expected to yield around 46 000oz of gold annually over six years at an average grade of 6.92g/t.

Financial review

Revenue and cash operating profit increased significantly in both rand and dollar terms, a result of the higher average gold price received for the year. Revenue was R1 114 million (US$147 million) and cash operating profit, R369 million (US$49 million), up by 21% and 35% respectively. Production cost of R745 million (US$98 million) for the year was 14% higher (36% up in dollar terms). The major contributors to increased costs were rises in electricity and labour costs.

Capital expenditure more than quadrupled in FY10 to R207 million due to the inclusion of an amount of R94 million capital costs of the Steyn operations. The majority of the remaining capital at Bambanani East was for the shaft pillar work amounting to R66 million.

Outlook*

Production is planned to increase to around 766 000 tonnes in FY11, at an average grade of 6.98 g/t. Grade is expected to improve further once the shaft pillar is exploited, rising from FY12 onwards. Gold production will peak in FY13 at 6 000 kilograms (193 000 ounces). Cash costs** are expected to be stable at around R190 000/kg ($775/oz), with a substantial decline expected with the mining of the shaft pillar from FY13.

Excluding Steyn: Capital expenditure** of R197 million (US$26 million) is planned for FY11 – R14 million (US$2 million) on ongoing development, R19 million ($3 million) on major equipment maintenance and R164 million (US$21 million) on project capital.

Including Steyn: Capital expenditure** of R250 million (US$33 million) is planned for FY11 – R16 million (US$2 million) on ongoing development, R24 million (US$3 million) on major equipment maintenance, R30 million (US$4 million) on other shaft capital and R180 million (US$24 million) on project capital.

Current productivity levels of 140.0g/TEC are forecast to improve to an average of 205g/TEC during peak production.

* *Please refer to the forward-looking statements*

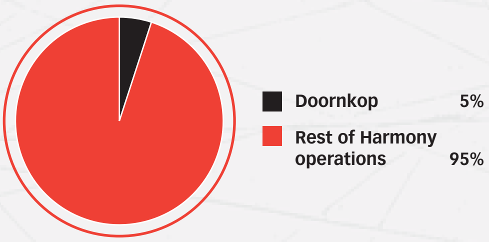
** *June 2010 money terms. The exchange rate of R7.63/US$ as at 30 June 2010 has been used for all forward-looking conversions.*

Bambanani, South Africa

Review of operations – South Africa

Doornkop

Contribution to group production – FY10



Description

Located 30 kilometres west of Johannesburg in Gauteng, Doornkop is a single-shaft operation mining to a depth of just less than 2 000m. Doornkop mines the Kimberley and South reefs by means of both narrow-reef conventional mining and mechanised bord-and-pillar mining. Ore mined is processed at Doornkop's carbon-in-pulp plant. Production at Doornkop's South Reef Project which accesses the higher grade South Reef continues to ramp up. Full production at this project is scheduled for FY15.

Doornkop employed 2 649 people in FY10, of whom 1 645 were employees and 1 004 contractors.

Detailed information on Doornkop's resources and reserves are available in the *Mineral resources and mineral reserves* section of this annual report on pages 143 to 146.

Safety

Although there was an improvement in certain safety indicators at Doornkop in FY10, there were most regrettably two fatalities (FY09: no fatalities). The LTIFR improved to 5.50 per 1 million hours worked (FY09: 6.25). A greater focus on safety-related matters led to streamlined procedures and improved training, maintenance and behaviour.

More detailed information on safety performance and Harmony's sustainable development concerns in South Africa can be found in the online *Sustainable Development Report* on the corporate website, www.harmony.co.za. A summary of this can be found on pages 26 to 46 of this annual report.

Doornkop key statistics

Production		**FY10**	**FY09**	**FY08**
Volumes milled	000t (metric)	**540**	549	448
	000t (imperial)	**595**	605	494
Gold produced	kg	**1 950**	1 311	1 370
	oz	**62 694**	42 150	44 038
Average grade	g/t	**3.61**	2.38	3.06
	oz/t	**0.105**	0.070	0.089
Financial				
Revenue	R million	**517**	343	258
	US$ million	**68**	38	35
Operating cost*	R/kg	**200 324**	232 699	175 178
	US$/oz	**822**	804	749
Operating profit	R million	**107**	62	33
	US$ million	**14**	7	4
Capital expenditure	R million	**342**	395	349
	US$ million	**45**	44	48

Sustainability		
Number of employees		
Employees		**1 645**
Contractors		**1 004**
Total		**2 649**
HDSAs in management**	%	**38**
Women in mining**	%	**8**
Expenditure on training and development	R million	**10**
Safety		
No. of fatalities		**2**
LTIFR	per million hours worked	**5.50**
Environment		
Energy used	000MWh	**155**
Water used for primary activities	000m^3	**2 725**
GHG emissions	000t CO_2e	**184**
Expenditure on local economic development	R million	**4**
Status of mining right	New order mining right granted in December 2007	

* *Includes royalty payment in FY10*

** *Indicator reported in terms of the MPRDA and the South African Mining Charter*

Doornkop cont.

Operations review

Despite a 2% decline in volumes milled to 540 000 tonnes, an increase of 52% in grade contributed to gold produced being 49% up at 62 694 ounces year-on-year. The much improved grade was a result of the growth in high-grade volumes mined from the South Reef and under achievement on the low-grade Kimberley Reef as well as a high mine call factor for the shaft as a whole.

The greater volume of South Reef ore mined was in line with the build up of production at the South Reef project. Tonnes mined from South Reef mining areas accounted for 50% of total tonnes mined in FY10 – up from 30% the year before – while the contribution from the Kimberley Reef declined from 70% to 50%. The average grade of South Reef tonnes mined rose to 5.4g/t while that of the Kimberley Reef remained flat.

The low-grade Kimberley Reef operation is mechanised and production during the year was compromised by the lack of availability of trackless machinery. The new trackless fleet that has been purchased will improve production in the coming year.

There was a steady improvement in development metres achieved which will help to ensure that the build-up in the South Reef project is achieved and that targets are met. Problems were however encountered with the equipping of the shaft in terms of the South Reef project given the temporary shaft time constraints experienced. The winder compartments were subsequently equipped and the conveyor belt on 212 level (shaft bottom) was completed.

Much effort has been put into increasing our understanding of the geology of the South Reef orebody. This work has led to an increase in South Reef reserve ounces with the move in resources from inferred to indicated and measured categories, and has also increased confidence in the life-of-mine production plan. Further work to improve the geological model of the South reef continues.

There is currently a four-year plan in place for the mining of the Kimberley Reef in terms of which production areas on the Kimberley Reef will account for up to 75% of Doornkop's total gold production annually. This proportion will decline as higher-grade volumes from the South Reef project build up. A new geological model has been developed of the Kimberley Reef to identify target areas for exploration, the results of which may extend the four-year plan currently in place.

The mine as a whole is building up to mine and process 1.6Mt annually.

Financial review

The higher gold price received together with the significant increase in ounces produced resulted in revenue for the year being 51% higher in rand terms and 79% up in dollar terms. Production costs of R410 million ($54 million) were 46% and 74% up in rand and dollar terms respectively. These increases were largely driven by higher labour costs, owing to the build up in the staff complement in anticipation of the operation's future production profile, by once-off transport costs incurred around the surface conveyor belt fire, and by additional store costs related to the equipping of the South Reef workplaces.

Despite the cost increases, cash operating profit increased by 73% to R107 million. Capital expenditure of R342 million ($45 million) exceeded the planned amount of R305 million owing to repairs done to a fire-damaged surface conveyor belt (R28 million), the purchase of trackless equipment for the Kimberley Reef section and an approved change in the scope of the South Reef project following on the delays resulting from the lack of shaft time. In all, the bulk of this expenditure (66%) was on the South Reef project.

Outlook*

The build-up of production from the South Reef continues with full production from this project scheduled for the last quarter of FY15. Tonnes mined are forecast at around 993 000 tonnes in FY11, at a recovered grade of 3.59g/t. South Reef ore is expected to account for 53% of the total milled and 74% of the gold produced in FY11. Cash costs** are anticipated to improve to approximately R181 200/kg (US$739/oz) in FY11.

Planned capital expenditure** for FY11 is R320 million ($42 million) – R 136 million ($18 million) on on-going development, R49 million ($6 million) on other shaft capital and major equipment maintenance and R 135 million ($18 million) on the South Reef project.

Currently productivity levels of 122g/TEC are forecast to improve to 131g/TEC in FY11.

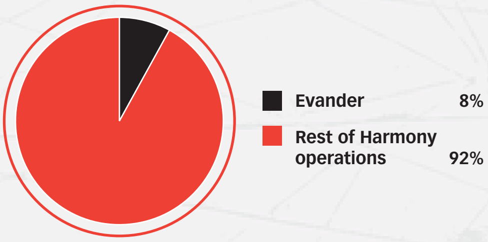
Please refer to the forward-looking statements

*** June 2010 money terms. The exchange rate of R7.63/US$ as at 30 June 2010 has been used for all forward-looking conversions.*

Doornkop, South Africa

Evander

Contribution to group production – FY10



Description

The Evander operation (Evander 8), located in Mpumalanga, mines the Kimberley Reef in the Evander Basin. Ore mined is milled and processed at the Kinross plant, which has a hybrid CIP/CIL process. Evander 8 shaft has an expected life-of-mine of around 11years. A project to deepen this shaft, by means of an additional twin decline system down to 25 level and extensions to the infrastructure, is currently under way. Following a review by Harmony of uneconomical operations, the Evander 7 shaft ceased production given that its orebody had been depleted while the Evander 2 and 5 shafts were closed.

The Evander operation employed 3 331 people – 3 052 employees and 279 contractors – in FY10.

Detailed information on Evander's resources and reserves are available in the *Mineral resources and mineral reserves* section of this annual report on pages 150 to 152.

Safety

There were most regrettably two fatalities (FY09: two fatalities) at Evander in FY10. Despite this, the LTIFR improved to 7.41 per 1 million hours worked (FY09: 10.39).

More detailed information on safety performance and Harmony's sustainable development concerns in South Africa can be found in the online *Sustainable Development Report* on the corporate website, www.harmony.co.za. A summary of this can be found on pages 26 to 46 of this annual report.

Evander key statistics

Production		**FY10**	**FY09**	**FY08**
Volumes milled	000t (metric)	**788**	1 125	1 312
	000t (imperial)	**869**	1 241	1 447
Gold produced	kg	**3 475**	5 912	7 210
	oz	**111 724**	190 075	231 799
Average grade	g/t	**4.41**	5.25	5.50
	oz/t	**0.129**	0.153	0.160
Financial				
Revenue	R million	**910**	1 514	1 402
	US$ million	**120**	168	193
Operating cost*	R/kg	**248 190**	165 377	121 641
	US$/oz	**1 018**	572	526
Operating profit	R million	**51**	516	486
	US$ million	**7**	57	66
Capital expenditure	R million	**175**	210	242
	US$ million	**23**	24	33
Sustainability				
Number of employees				
Employees		**2 865**		
Contractors		**466**		
Total		**3 331**		
HDSAs in management**	%	**31**		
Women in mining**	%	**8**		
Expenditure on training and development	R million	**22**		
Safety				
No. of fatalities		**2**		
LTIFR	per million hours worked	**7.41**		
Environment				
Energy used	000MWh	**397**		
Water used for primary activities	000m^3	**5 267**		
GHG emissions	000t CO$_2$e	**491**		
Expenditure on local economic development	R million	**5**		
Status of mining right	New order mining right granted in December 2007			

* *Includes royalty payment in FY10*

** *Indicator reported in terms of the MPRDA and the South African Mining Charter*

Evander cont.

Operations review

Ore milled for the year totalled 788 000 tonnes, a decline of 30% on FY09. This together with a decline in grade resulted in a 41% decrease in gold produced to 111 724 ounces. This drop in operational performance was caused by a combination of factors, the most significant being the restructuring during the year of the Evander operations. A due diligence of these operations – Evander 2, 5, 7 and 8 – led to the conclusion that the only economically viable shaft was Evander 8. Mining operations at Evander 2, 5 and 7 shafts thus ceased during the year and Evander 8 was restructured. The shaft infrastructure at Evander 7 will be utilised by Evander 8 for the pumping of water and the hoisting of rock as well as being available for use as a second escape. High temperatures underground, caused by ventilation return capacity restrictions at Evander 8 remained problematic and hampered production.

Once the restructuring of Evander had been completed, a feasibility study was undertaken which proved the viability of Evander 8. Greater attention was thus given to this shaft and a re-engineering project was implemented which involves not just the deepening of the decline but its repositioning within the payshoot. This will give immediate access to the high-grade areas between 24 and 25 level, and will contribute to improved productivity with consequent financial benefits. The project's parameters include the optimisation of logistics, cooling and ventilation as well as an upgrade of the refrigeration plant. It is estimated that, on a monthly basis, this project will yield 245 kilograms (7 876 ounces) from 29 000tpm at an average grade of 8.56g/t. The monthly capacity of the conveyor belt is to be upgraded to 46 000tpm.

Following the closure of the Evander 2 and 5 shafts as well as the Winkelhaak plant, a one-year clean up programme was begun at and in the vicinity of the plant. The aim of this programme, which will continue into FY11, is to clean up any metal contained in the plant footprints, to process rock from the dumps on the vicinity, to rehabilitate the Winkelhaak plant, and to clean the surface rail network. In FY10, around 292 642 tonnes were treated via this programme at a recovered grade of 1.81g/t, yielding 528 kilograms (16 975 ounces) of gold.

Current productivity rates of 93g/TEC are planned to increase to an average of 145g/TEC over the remaining life of this operation.

Financial review

Revenue declined by 40% in rand terms to R910 million while production costs fell by 14% in rand terms to R859 million and were almost constant in dollars at $113 million. Unit costs however rose by 50% to R248 190/kg and by 78% to $1 018/oz, a result of reduced production. Operating profit plunged to R51 million ($7 million).

Capital expenditure of R175 million, which declined by 17%, was spent mostly on ongoing development (R84 million), major equipment maintenance (R18 million) and on shaft capital (R45 million) with the balance being spent on major project capital for Evander 8 (R28 million).

Outlook*

Mining will continue to take place on the edges of the higher grade payshoot during FY11 while development takes place to make the high-grade areas available.

In FY11, 514 000 tonnes are expected to be milled at an average recovered grade of 4.52g/t. Capital expenditure** of R196 million ($26 million) is planned for FY11 – R56 million ($7 million) on on-going development, R21 million ($3 million) on major equipment maintenance and R119 million ($16 million) on major project and other shaft capital.

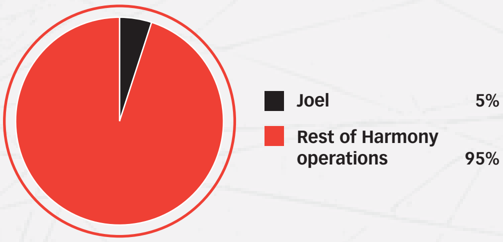
* *Please refer to the forward-looking statements*

** *June 2010 money terms. The exchange rate of R7.63/US$ as at 30 June 2010 has been used for all forward-looking conversions.*

Joel

Free State operations:
Underground
Joel

Contribution to group production – FY10



Description

Joel mine, which is located in the Free State, on the south-western edge of the Witwatersrand Basin, comprises two shafts, North and South shafts. Previously ore mined at Joel was transported to Central Plant, 38km away for processing but, since the recommissioning of the Joel Plant in November 2009, is now processed on site. Scattered mining takes place on the Beatrix Reef, down to a depth of some 1 400m. Upgrading of the infrastructure at North Shaft is currently in progress.

Joel employed 1 470 in FY10, of which 1 436 were employees and 34 contractors.

Detailed information on Joel's resources and reserves are available in the *Mineral resources and mineral reserves* section of this annual report on pages 132 to 142.

Safety

Safety performance at Joel deteriorated in FY10. Having had no fatalities for two years, there was tragically one fatality in FY10, the result of a rockfall, while the LTIFR for the year was 4.26 per million hours worked (FY09: 2.59).

More detailed information on safety performance and Harmony's sustainable development concerns in South Africa can be found in the online *Sustainable Development Report* on the corporate website, www.harmony.co.za. A summary of this can be found on pages 26 to 46 of this annual report.

Joel cont.

Joel key statistics

Production		**FY10**	**FY09**	**FY08**
Volumes milled	000t (metric)	**439**	513	407
	000t (imperial)	**484**	566	449
Gold produced	kg	**2 006**	2 043	1 852
	oz	**64 495**	65 684	59 557
Average grade	g/t	**4.57**	3.98	4.55
	oz/t	**0.133**	0.116	0.133
Financial				
Revenue	R million	**524**	503	375
	US$ million	**69**	56	52
Cash costs*	R/kg	**193 019**	183 925	148 035
	US$/oz	**792**	636	638
Operating profit	R million	**145**	137	91
	US$ million	**19**	15	13
Capital expenditure	R million	**88**	56	39
	US$ million	**10**	6	5
Sustainability				
Number of employees				
Employees		**1 436**		
Contractors		**34**		
Total		**1 470**		
HDSAs in management**	%	**50**		
Women in mining**	%	**10**		
Expenditure on training and development	R million	**6**		
Safety				
No. of fatalities		**1**		
LTIFR	per million hours worked	**4.26**		
Environment				
Energy used	000MWh	**79**		
Water used for primary activities	$000m^3$	**682**		
GHG emissions[†]	000t CO_2e	**94**		
Expenditure on local economic development	R million	**3**		
Status of mining right	New order mining right granted in December 2007			

* *Includes royalty payment in FY10*

** *Indicator reported in terms of the MPRDA and the South African Mining Charter*

† *Includes Joel plant*

Operations review

Despite a 15% improvement in grade mined, volumes milled declined by 14% to 439 000 tonnes in FY10, resulting in an overall decline of 2% in gold produced to 2 006 kilograms (64 495 ounces). The improved grade was a result of increased face grade in the west, greater vamping in the upper mine and reduced stoping widths.

Volumes mined were negatively affected by a mud slide at the bottom of North shaft, a guided rope shaft. A temporary mud press was subsequently installed and mud is removed daily from the bottom of the shaft. Despite this, raise boring of the North shaft expansion to 129 level was completed although hoisting constraints resulted in the equipping of the shaft deepening project to 129 level being delayed.

An extensive programme to rectify the problems experienced with North shaft had begun by the end of June 2010. While production at Joel has progressively moved to the deeper portions of the mine, some 1 400 metres below surface, the North Shaft, which accesses these areas, was never fully equipped for this and adjustments to the shaft spillage arrangements are now being made retrospectively. The modifications being made include: changing the winder from sinking to production mode; installing larger skips; ensuring that emergency egress is available; raise boring the lift shaft from 121 to 129 level; and improving cleaning arrangements at the shaft bottom.

Operations were halted while these changes were under way. The shaft resumed operations in August 2010, once repairs to the shaft bottom had been completed. In the interim, the Joel plant has been processing waste to maximise gold production. The opportunity will be taken to install the permanent spillage arrangement during December 2010.

Once mining from 129 level has begun, production is expected to peak at around 78 000oz annually at an average grade of 5.82g/t and an average cost in real terms of R180 103/kg. To ensure that these production targets are met, plans have been put in place to ensure the operability of the North shaft and conduct a planned maintenance programme to minimise breakdowns, to maintain blast advances and to assess the feasibility of mining below 129 level to 137 level. A successful drilling programme has been completed and a pre-feasibility study is in progress.

Financial review

Revenue increased by 4% to R524 million and by 23% to $69 million, boosted by the higher gold price. Cash operating costs in rand terms were contained, rising by 5% to R193 019/kg. Consequently, operating profit was up by 6% to R145 million (up 27% to US$19 million). Capital expenditure of R88 million was 57% higher than in FY09 mainly due to capital spent on the programme to upgrade the North shaft.

Outlook*

Production at Joel is expected to decrease marginally to 426 000 tonnes in FY11, while the average grade mined will rise to around 4.74g/t. Gold production will consequently be slightly higher at around 2 029 kilograms (65 234 ounces). Cash costs are expected to be approximately R217 085/kg (US$885/oz).

Total capital expenditure** planned for FY11 is R66 million (US$9 million) – R32million (US$4 million) on on-going development and R34 million (US$5 million) on major equipment maintenance and other shaft capital.

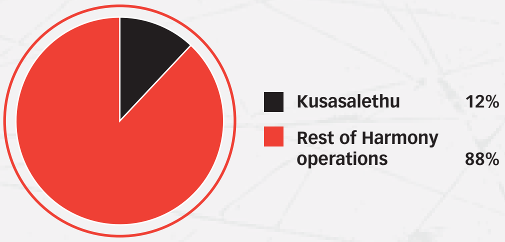
Current productivity levels of 125g/TEC are forecast to improve to an annual average of 152g/TEC during peak production.

* *Please refer to the forward-looking statements*

** *June 2010 money terms. The exchange rate of R7.63/US$ as at 30 June 2010 has been used for all forward-looking conversions.*

Kusasalethu

Contribution to group production – FY10



Description

The Kusasalethu mine (formerly Elandsrand), which is located on the Gauteng-North West Province border, comprises twin vertical and twin sub-vertical shaft systems. Mining at Kusasalethu is undertaken using conventional mining methods in a sequential grid layout. The deepening project, which is almost complete, involves the extension of the sub-vertical shafts to access the deeper parts of the Ventersdorp Contact Reef up to a depth of 3 600 metres. Work on the project is currently focussed on accessing and opening up areas of the new mine and the development and construction of the necessary support infrastructure. Ore mined at Kusasalethu is treated at the Kusasalethu plant.

The rebranding and name change of this operation in February 2010 was based on entrenching a culture, endorsed by both management and the unions, to ensure safe, productive mining. The five core values of this new culture are safety as the first priority; accountability; respect; honesty; and rewarding excellence.

Kusasalethu employed 5 685 people – 5 049 employees and 636 contractors – in FY10.

Detailed information on Kusasalethu's resources and reserves are available in the *Mineral resources and mineral reserves* section of this annual report on pages 143 to 149.

Safety

Historically, this mine has had a less than impressive safety record which affected the ability to meet targets and achieve plans. Hand-in-hand with the new vision for the mine has gone a concerted effort to focus on creating a safe working environment at Kusasalethu. This has borne fruit and overall safety performance improved in FY10, but there were most regrettably two fatalities (FY09: five fatalities). The LTIFR improved to 6.68 per million hours worked (FY09: 12.67). Seismicity continued to be a risk and steps were taken to improve the quality of the pre-conditioning at the stope face so as to reduce the possibility of face ejection during small, volatile seismic events.

More detailed information on safety performance and Harmony's sustainable development concerns in South Africa can be found in the online *Sustainable Development Report* on the corporate website, www.harmony.co.za. A summary of this can be found on pages 26 to 46 of this annual report.

Kusasalethu key statistics

Production		**FY10**	**FY09**	**FY08**
Volumes milled	000t (metric)	**1 035**	962	890
	000t (imperial)	**1 141**	1 061	981
Gold produced	kg	**5 444**	5 422	5 108
	oz	**175 029**	174 321	164 215
Average grade	g/t	**5.26**	5.64	5.74
	oz/t	**0.153**	0.164	0.167
Financial				
Revenue	R million	**1 392**	1 422	964
	US$ million	**184**	158	133
Operating cost*	R/kg	**208 864**	191 097	152 611
	US$/oz	**857**	660	652
Operating profit	R million	**301**	366	213
	US$ million	**40**	41	30
Capital expenditure	R million	**430**	422	318
	US$ million	**57**	47	44

Sustainability		
Number of employees		
Employees		**5 049**
Contractors		**636**
Total		**5 685**
HDSAs in management**	%	**33**
Women in mining**	%	**10**
Expenditure on training and development	R million	**39**
Safety		
No. of fatalities		**2**
LTIFR	per million hours worked	**6.68**
Environment		
Energy used	000MWh	**629**
Water used for primary activities	000m^3	**2 138**
GHG emissions	000t CO_2e	**765**
Expenditure on local economic development	R million	**10**
Status of mining right	New order mining right granted in December 2007	

* *Includes royalty payment in FY10*

** *Indicator reported in terms of the MPRDA and the South African Mining Charter*

Kusasalethu cont.

Operations review

Although volumes milled rose by 8% to just over 1Mt, a 7% decline in grade resulted in gold produced being fractionally higher on the 2009 financial year at 175 029 ounces. Currently, 60% of production at Kusasalethu is from production areas below 100 level (the new mine expansion project) and 40% from production areas in the 'old' mine, above 100 level.

Underperformance on square metres broken was the mine's biggest challenge in FY10. Scaling in the main reef and waste ore pass systems resulted in blockages in both systems, which contributed to waste dilution and resulted in the lower recovered grade during the year.

By year-end it was decided to separate reef and waste and to continue with the removal of the blockage in the waste pass system between the old mine (above 100 level) and the new mine (below 100 level). Once the blockage has been removed, waste rock and reef ore will again be tipped into one ore pass system to accommodate the rehabilitation of both ore pass systems. While this will dilute the recovered grade, it will not affect gold production.

Productivity, which is currently at 84g/TEC, is a concern. Plans are in place to increase this to 158g/TEC in 2013, once peak production has been achieved, by increasing volumes from the new mine where the mining operation is more efficient. The mine deepening project infrastructure is 95% complete. The shaft infrastructure is in place and work over the next two years will focus mainly on the provision of sufficient cooling and ventilation into the new mine areas.

Financial review

The stronger rand over the year has resulted in revenue in rand terms declining by 2% to R1 392 million, negating the effect of the higher dollar gold price received. Cash operating cost rose by 9% to R208 864/kg and by 30% to $857/oz, also a function of the strength of the rand. This also had an impact on cash operating profit which declined by 18% in rand terms to R301 million and by 2% in dollars terms to $40 million.

Capital expenditure for the year totalled R430 million ($57 million), spent mostly on on-going development (R266 million), the maintenance of equipment (R34 million) and development of the new mine project (R90 million).

Outlook*

The planned build-up in production at Kusasalethu will continue in line with the life-of-mine plan for the new mine project. Milling volumes of 1.3 million tonnes are planned for FY11, at an average grade of 5.16g/t, yielding 200 000oz. Once levels 109 and 113 have come into production by July 2013, gold output is scheduled to rise to more than 300 000oz. The grade mined will increase progressively, averaging 6.45g/t, as the mine reaches full production by 2013 and as more mining takes place in the high-grade facies where the Elsburg Reef sub-outcrops against the Ventersdorp Contact Reef, causing localised enrichment on the western side of the mining lease area.

Total capital expenditure** planned for FY11 is R414 million (US$54 million) – R284 million (US$37 million) on on-going development, R39 million (US$5 million) on major equipment maintenance and R39 million (US$5 million) on other shaft capital. The balance of R52 million (US$7 million) is planned for the Kusasalethu new mine project.

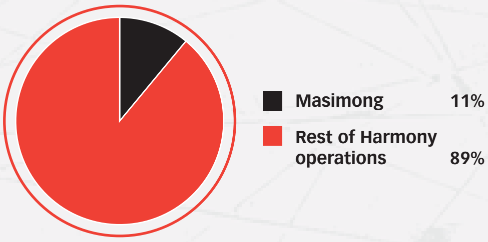
** Please refer to the forward-looking statements*

*** June 2010 money terms. The exchange rate of R7.63/US$ as at 30 June 2010 has been used for all forward-looking conversions.*

Masimong

Free State operations:
Underground
Masimong

Contribution to group production – FY10



Description

Masimong, which is in the central Free State, consists of an operating shaft – 5 shaft – and 4 shaft which, although closed, is used for ventilation, pumping and as a second outlet. Ore mined at Masimong is processed at the Harmony 1 Plant around 23 kilometres away. Conventional drilling, blasting and scraping operations are focussed on the Basal and B reefs. The shafts are intermediate in depth, extending to around 2 300 metres.

Masimong employed 3 205 in FY10, of which 3 067 were employees and 138 contractors.

Detailed information on Masimong's resources and reserves are available in the *Mineral resources and mineral reserves* section of this annual report on pages 132 to 142.

Safety

Overall safety performance at Masimong improved in FY10, but there was most regrettably one fatality (FY09: two fatalities). The LTIFR improved to 7.37 per 1 million hours worked (FY09: 8.67).

More detailed information on safety performance and Harmony's sustainable development concerns in South Africa can be found in the online *Sustainable Development Report* on the corporate website, www.harmony.co.za. A summary of this can be found on pages 26 to 46 of this annual report.

Masimong cont.

Masimong key statistics

Production		**FY10**	**FY09**	**FY08**
Volumes milled	000t (metric)	**899**	890	809
	000t (imperial)	**991**	981	892
Gold produced	kg	**4 840**	4 791	3 621
	oz	**155 609**	154 034	116 424
Average grade	g/t	**5.38**	5.38	4.48
	oz/t	**0.157**	0.157	0.131
Financial				
Revenue	R million	**1 277**	1 215	698
	US$ million	**168**	135	96
Operating costs*	R/kg	**146 674**	137 598	175 593
	US$/oz	**602**	476	756
Operating profit	R million	**575**	554	61
	US$ million	**76**	62	8
Capital expenditure	R million	**177**	130	114
	US$ million	**23**	14	16
Sustainability				
Number of employees				
Employees		**3 067**		
Contractors		**138**		
Total		**3 205**		
HDSAs in management**	%	**19**		
Women in mining**	%	**12**		
Expenditure on training and development	R million	**14**		
Safety				
No. of fatalities		**1**		
LTIFR	per million hours worked	**7.37**		
Environment				
Energy used	000MWh	**229**		
Water used for primary activities	000m^3	**1 722**		
GHG emissions	000t CO_2e	**274**		
Expenditure on local economic development	R million	**13**		
Status of mining right	New order mining right granted in December 2007			

* *Includes royalty payment in FY10*

** *Indicator reported in terms of the MPRDA and the South African Mining Charter*

Operations review

Volumes milled increased marginally year-on-year by 1% to 899 000 tonnes and grades were maintained. Consequently, gold produced was also 1% up at 155 609 ounces.

Maintaining grades on the B Reef proved challenging as mining moved out of the high-grade channels while those mined on the Basal Reef generally remained constant. Nevertheless grades were maintained overall for the year at 5.38g/t. Productivity levels improved to average 28.81t/TEC for the year.

The infrastructural upgrade, which began in FY09 and included improved resource management and the installation of new tracks, locomotives and compressors, was completed in FY10. Masimong will reap the benefits of this upgrade by way of improved productivity, efficiencies and output in coming years.

Ventilation is a challenge at Masimong as the booster fans currently installed themselves generate heat and consume electricity. Steps are being taken to counter this. Pressure doors have been installed as an interim measure and a new ventilation system is being installed.

A new refrigeration plant is to be installed by September 2011 at a cost of R61 million. Following the upgrade programme, full production is scheduled for 2012 at a forecast average rate of annual production of around 158 000 ounces at an average grade of 5.11g/t. To help achieve this, face advances are planned to increase from 2m^2/TEC to 7m^2/TEC and every effort has been made to ensure that panels are well equipped and crews motivated, and steps have been taken to overcome the erratic grade of the B reef.

Financial review

Revenue was 5% up in rands to R1 277 million while in dollars, it increased by 24% to US$168 million. Cost increases were well controlled during the year with unit costs rising by 7% to R146 674/kg and, in dollars, by 26% to US$602/oz, making Masimong the lowest cost producer among Harmony's operations. The higher gold price achieved in dollars was countered by the strong rand, resulting in operating profit increasing by 4% to R575 million and by 21% to $76 million. Capital expenditure of R177 million ($23 million) was spent largely on booster fans, emergency generators and the infrastructure upgrade.

Outlook*

Volumes milled are expected to rise to 1 million tonnes in FY11 at a grade of around 4.9g/t. Gold production is forecast to be approximately 4 900 kilograms (158 000 ounces) at a cash cost** in the region of R167 132/kg (US$681/oz).

Capital expenditure** of R208 million (US$27 million) is planned for FY11 – R119 million (US$16 million) on on-going development and R89 million (US$12 million) on major equipment maintenance and other shaft capital. Of this, the major items are R28 million (US$4 million) to be spent on the refrigerator plant at Masimong 5 shaft and R19 million (US$2 million) on the upgrading of rail bound equipment.

Current productivity levels of 138g/TEC are forecast to improve to an annual average of 172g/TEC during peak production.

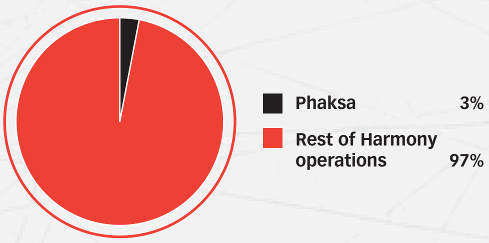
* *Please refer to the forward-looking statements*

*** *June 2010 money terms. The exchange rate of R7.63/US$ as at 30 June 2010 has been used for all forward-looking conversions.*

Phakisa

Free State operations:
Underground
Phakisa

Contribution to group production – FY10



Description

Phakisa mine, located in the Free State, mines the Basal Reef. Once the mine expansion project has been completed this mine will operate to a depth of some 2 400 metres and have a monthly capacity of 83 000 tonnes. Phakisa came into production in FY08. This operation includes the Nyala shaft, 5.5 kilometres away, which is used to hoist rock and is available as a second escape route. Ore mined at Phakisa is processed at Harmony 1 Plant, some 20 kilometres away.

Phakisa employed 3 034 in FY10, of which 2 858 were employees and 176 contractors. This is scheduled to increase to 3 181 people in FY11.

Detailed information on Phakisa's resources and reserves are available in the *Mineral resources and mineral reserves* section of this annual report on pages 132 to 142.

Safety

During FY10, Phakisa had three fatal accidents (FY09: no fatalities). Two fatalities were a result of a fall of ground in the development section and one was caused by a training accident. Post year-end, an explosion underground tragically resulted in five fatalities. The LTIFR for FY10 improved to 8.40 per million hours worked (FY09: 9.19).

More detailed information on safety performance and Harmony's sustainable development concerns in South Africa can be found in the online *Sustainable Development Report* on the corporate website, www.harmony.co.za. A summary of this can be found on pages 26 to 46 of this annual report.

Phakisa key statistics

Production		**FY10**	**FY09**	**FY08**
Volumes milled	000t (metric)	**339**	185	31
	000t (imperial)	**374**	204	34
Gold produced	kg	**1 371**	691	125
	oz	**44 079**	22 216	4 024
Average grade	g/t	**4.04**	3.74	4.04
	oz/t	**0.118**	0.109	0.118
Financial				
Revenue	R million	**375**	171	28
	US$ million	**50**	19	4
Operating costs*	R/kg	**232 190**	160 712	129 853
	US$/oz	**953**	555	497
Operating profit	R million	**49**	64	11
	US$ million	**7**	7	2
Capital expenditure	R million	**486**	461	293
	US$ million	**64**	51	40
Sustainability				
Number of employees				
Employees		**2 858**		
Contractors		**176**		
Total		**3 034**		
HDSAs in management**	%	**32**		
Women in mining**	%	**11**		
Expenditure on training and development	R million	**10**		
Safety				
No. of fatalities		**3**		
LTIFR	per million hours worked	**8.40**		
Environment				
Energy used	000MWh	**67**		
Water used for primary activities	000m^3	**408**		
GHG emissions	000t CO_2e	**81**		
Expenditure on local economic development	R million	**2**		
Status of mining right	New order mining right granted in December 2007			

* *Includes royalty payment in FY10*

** *Indicator reported in terms of the MPRDA and the South African Mining Charter*

Phakisa cont.

Operations review

Milled volumes increased by 83% year-on-year. This together with an 8% improvement in the grade mined contributed to a 98% increase in gold produced to 44 079 ounces.

The increase in volumes was in line with the build-up in production currently under way. Plans are still on track to attain monthly production capacity of 83 000 tonnes by FY13. The build-up was affected by geological issues, illegal mining activities and down-time on the new infrastructure. The rail-veyor infrastructure necessary for full production was completed and the third rail-veyor was commissioned in December 2009. Implementation of phase 1 was concluded with the replacement of the original skips and cages by an eight-tonne skip and a detachable cage. Fine-tuning of this infrastructure and of the ice plants and rock handling systems in particular, continued. The five ice plants were found to be underperforming and the original equipment manufacturers have been engaged to assist with remedial action and to advise on ways of improving performance.

Mining was also undertaken at the Nyala shaft where payable pillars are available for mining. For FY10, 32% of total combined Phakisa/Nyala production came from Nyala.

Since it is a new mine, development at Phakisa is currently centred close to the shaft in the lower grade southern areas. The major drive is on development of the area to the north to access higher grade areas and to move closer to the average reserve grade. Grades will improve as development progresses towards the north and more reef is exposed within the major north-west to south-east trending Basal Reef payshoot. A steep build-up in production is planned, building up to annual production of more than 1Mt a year at an average grade of 7.94g/t and yielding around 270 000oz.

Financial review

Revenue for the year rose by 119% to R375 million, boosted by the increase in production and the higher gold price received. In dollar terms, revenue was up 163% to US$49 million. Costs increased as a result of production build up costs as well as the cost of employees transferred from shafts that had been closed to Phakisa. With the transition from project phase into production, a portion of Phakisa's commissioning costs were capitalised. Cash operating costs in rands increased by 44% to R232 190/kg and were 72% up in dollar terms to $953/oz.

Capital expenditure for the year was R486 million ($64 million), the bulk of which was spent on the expansion project as well as on on-going development and the maintenance of major equipment.

Outlook*

As the mine continues with its build-up to full production and given greater flexibility and availability of face length, the grade at Phakisa is expected to improve further in FY11. The mine is on track to attain full production during FY13. The average grade mined should increase from FY12 onwards when mining is scheduled to move into the higher-grade north areas.

Volumes milled will continue to increase in FY11, rising to 563 470 tonnes, while the grade is expected to average approximately 4.2 g/t. Gold production of 2 350 kilograms (75 555 ounces) is planned for FY11 at a cash cost** of R242 080/kg (US$987/oz). Cash costs should decline once this operation has reached full production.

Planned capital expenditure** for FY11 is R391 million (US$51 million). Of this, R182 million (US$24 million) will be spent on on-going development and R44 million (US$6 million) on major equipment maintenance and other shaft capital. Capital planned for the major project is R165 million (US$22 million).

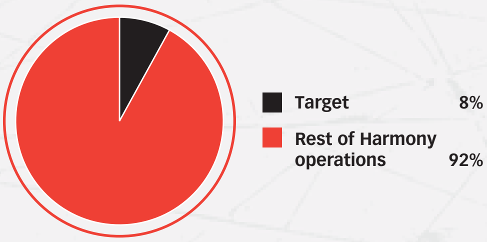
Current productivity levels of 46g/TEC are forecast to improve to an annual average of 224g/TEC during peak production.

** Please refer to the forward-looking statements*

*** June 2010 money terms. The exchange rate of R7.63/US$ as at 30 June 2010 has been used for all forward-looking conversions.*

Target

Contribution to group production – FY10



Description

Located in the Free State, Target mine consists of a single surface shaft system with a sub-shaft and a decline. Ore is processed at the Target plant situated adjacent to the shaft. Both mechanised (86%) and conventional (14%) mining are undertaken on the geologically complex Elsburg and Dreyerskraal reefs. Mining operations extend to a depth of some 2 350 metres. With the acquisition of Pamodzi's Free State assets, one of these, the Target 3 shaft (formerly Loraine 3) was incorporated into Harmony's Target operation in the second half of the year.

Target employed 3 078 in FY10, of which 2 676 were employees and 402 contractors.

Detailed information on Target's resources and reserves are available in the *Mineral resources and mineral reserves* section of this annual report on pages 132 to 142.

Safety

A concerted effort has been made in recent years to improve safety at Target. Although safety performance improved in terms of LTIFR in FY10, there were regrettably two fatalities during the year (FY09: two), the result of falls of ground. These are now a major focus of the safety programme at Target. The LTIFR improved to 3.39 per million hours worked (FY09: 9.66).

More detailed information on safety performance and Harmony's sustainable development concerns in South Africa can be found in the online *Sustainable Development Report* on the corporate website, www.harmony.co.za. A summary of this can be found on pages 26 to 46 of this annual report.

Target cont.

Target key statistics

Production		**FY10**	**FY09**	**FY08**
Volumes milled	000t (metric)	**777**	644	622
	000t (imperial)	**857**	710	686
Gold produced[††]	kg	**3 539**	2 713	2 476
	oz	**113 782**	87 225	79 602
Average grade	g/t	**4.40**	4.21	3.98
	oz/t	**0.128**	0.123	0.116
Financial				
Revenue	R million	**878**	688	503
	US$ million	**116**	76	69
Operating costs*	R/kg	**190 720**	186 749	167 990
	US$/oz	**783**	645	716
Operating profit	R million	**214**	152	129
	US$ million	**28**	16	18
Capital expenditure	R million	**382**	342	256
	US$ million	**51**	38	35
Sustainability				
Number of employees				
Employees		**2 676**		
Contractors		**402**		
Total		**3 078**		
HDSAs in management**	%	**34**		
Women in mining**	%	**11**		
Expenditure on training and development	R million	**13**		
Safety				
No. of fatalities		**2**		
LTIFR	per million hours worked	**3.73**		
Environment				
Energy used	000MWh	**228**		
Water used for primary activities	$000m^3$	**2 755**		
GHG emissions[†]	000t CO_2e	**279**		
Expenditure on local economic development	R million	**3**		
Status of mining right	New order mining right granted in December 2007			

* *Includes royalty payment in FY10*

** *Indicator reported in terms of the MPRDA and the South African Mining Charter*

† *Includes Target plant*

†† *117 kilograms (3 762 ounces) capitalised*

Operations review

Work done in FY09 to open up and increase the availability of the massive stopes at Target resulted in increased output. Volumes milled rose by 21% to 777 000 tonnes and this together with a 5% increase in grade resulted in ounces produced being 31% up on the year at 113 782 ounces.

FY10 at Target was notable for the consistent quarterly performance achieved, in line with plans. The programme to remodel and re-estimate the Target orebody was completed early in the year and led to much improved planning and design, which resulted in greater availability of the massive stopes, and the resolution of ventilation and cooling problems which enabled the return to production of all 10 narrow-reef, conventional mining panels. This programme will also permit Target to better manage its ore reserves which is crucial to the mine's future success.

The pre-feasibility study for the Block 3 project was completed, giving management a more thorough understanding of the orebody, which facilitated grade predictions and the mine planning function.

Good values were sampled in two raises currently being developed for narrow stoping at Target 1. Development at Target 3 is being done on the Elsburg Reef while, owing to logistical constraints, development of the better grade Basal reef has been delayed.

At Target 3, there were several challenges to be resolved including face length flexibility, infrastructural shortcomings and the build-up of mud and water at the bottom of the shaft. Progress is being made with the cleaning of the sub-shaft infrastructure so as to access the higher-grade Basal Reef mining area. A fridge plant has been installed and should be operational by the first quarter of FY11. This will enable access to more panels in the sub-shaft, contributing in turn to higher grades.

Financial review

Higher production and a higher gold price achieved for the year contributed to revenue rising in terms of both rand and dollars by 28% and 53% to R878 million and US$116 million. Cost increases were well controlled. Cash operating costs were 2% up in rand terms at R190 720/kg and in terms of dollars, up 21% to US$783/oz.

Capital expenditure of R382 million (US$51 million) included R178 million (US$23 million) on on-going development, R44 million (US$6 million) on major equipment maintenance and R77 million (US$10 million) on other shaft capital and major projects. In addition, R70 million (US$9 million) was spent on preparing the Target 3 shaft for full production following the Pamodzi acquisition.

Over-expenditure related mostly to ongoing development which was necessary to achieve the additional development metres required to provide the desired level of mining flexibility. This was achieved and had a positive impact on both tonnes milled and the grade recovered.

Target cont.

Outlook*

Target 1: The revised and improved geological modelling will continue to bear fruit in FY11 and volumes produced are expected to increase to 814 000 tonnes, and the grade to increase to 4.51g/t. Grades should continue to rise to a peak of around 5g/t in FY16. Gold production in FY11 is planned to be around 3 979 kilograms (127 928 ounces) at a cash cost** of approximately R183 060/kg (US$ 746/oz).

Target 3: Volumes for FY11 are expected to be around 283 000 tonnes in FY11, and the grade, 5.16g/t. Gold production in FY11 is planned at around 1 462 kilograms (47 000 ounces) at a cash cost** of approximately R202 736/kg (US$826/oz).

Combined capital expenditure** for both the Target 1 and Target 3 shafts of R457 million (US$60 million) is planned for FY11 – R202 million (US$27 million) on on-going development, R47 million (US$6 million) on major equipment maintenance and R207 million (US$27 million) on other shaft capital and major capital (R101 million; US$13 million) on Block 3.

Current productivity levels of 156g/TEC (Target 1) are forecast to improve to an annual average of 216g/TEC at Target 1 and 153g/TEC at Target 3 during peak production.

* *Please refer to the forward-looking statements*

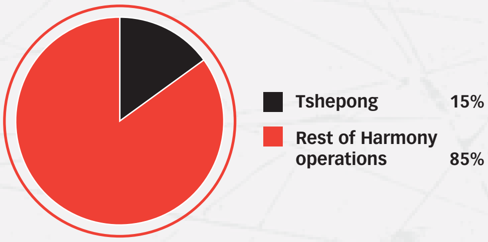
** *June 2010 money terms. The exchange rate of R7.63/US$ as at 30 June 2010 has been used for all forward-looking conversions.*

Target, South Africa

Tshepong

Free State operations:
Underground
Tshepong

Contribution to group production – FY10



Description

Located in the Free State, Tshepong is Harmony's largest operation. The Tshepong mine comprises a single vertical shaft extending to a depth of 2 161 metres below collar. Ore is transported to the Harmony 1 plant, 23 kilometres away. The Tshepong sub-71 decline project is in progress and will extend mining to a depth of 2 366m below surface while the sub-66 project is currently building up production. The mine undertakes conventional undercut mining on the Basal Reef. The B reef is exploited as a high-grade secondary reef.

Tshepong employed 5 064 people in FY10, of whom 4 901 were employees and 163 contractors.

Detailed information on Tshepong's resources and reserves is available in the *Mineral resources and mineral reserves* section of this annual report on pages 132 to 142.

Safety

Overall safety performance improved in FY10. There were regrettably two fatalities during the year, compared with seven the previous year and the LTIFR declined to 12.22 per million hours worked (FY09: 15.82). In addition, Tshepong achieved 1 million fatality-free shifts on 18 February 2010 and came seventh in the category for the most improved LTIFR at the second Hard Rock Safety Summit.

More detailed information on safety performance and Harmony's sustainable development concerns in South Africa can be found in the online *Sustainable Development Report* on the corporate website, www.harmony.co.za. A summary of this can be found on pages 26 to 46 of this annual report.

Tshepong cont.

Tshepong key statistics

Production		**FY10**	**FY09**	**FY08**
Volumes milled	000t (metric)	**1 518**	1 375	1 495
	000t (imperial)	**1 674**	1 516	1 649
Gold produced	kg	**6 749**	7 178	8 271
	oz	**216 986**	230 778	265 914
Average grade	g/t	**4.45**	5.22	5.53
	oz/t	**0.130**	0.152	0.161
Financial				
Revenue	R million	**1 823**	1 780	1 621
	US$ million	**241**	198	223
Operating costs*	R/kg	**164 938**	139 901	105 800
	US$/oz	**677**	483	455
Operating profit	R million	**676**	802	715
	US$ million	**90**	89	98
Capital expenditure	R million	**261**	249	195
	US$ million	**35**	28	27

Sustainability		
Number of employees		
Employees		**4 901**
Contractors		**163**
Total		**5 064**
HDSAs in management**	%	**30**
Women in mining**	%	**11**
Expenditure on training and development	R million	**23**
Safety		
No. of fatalities		**2**
LTIFR	per million hours worked	**12.22**
Environment		
Energy used	000MWh	**288**
Water used for primary activities	000m^3	**1 144**
GHG emissions	000t CO_2e	**347**
Expenditure on local economic development	R million	**6**
Status of mining right	New order mining right granted in December 2007	

* *Includes royalty payment in FY10*

** *Indicator reported in terms of the MPRDA and the South African Mining Charter*

Operations review

Tonnes milled rose by 10% to 1.5Mt in FY10. However, a 15% decline in grade resulted in a 6% reduction in gold produced to 216 986 ounces. The increase in ore milled, which exceeded expectations, was a result of the increase in square metres mined (from 378 039m^2 in FY09 to 385 978m^2 in FY10) and the additional volumes of development waste from the decline which had been trammed to reef. The latter however added to the challenge posed by the lower face grade as mining is currently taking place at the edge of the payshoot where values are more erratic.

Currently under development, the sub-71 project, which will connect Tshepong with Phakisa, remains on track for completion in May 2012. This project extends the existing double decline from 71 to 76 level to enable mining on both the 73 and 75 levels. The project's ultimate goal is to sink the decline to 76 level by May 2012.

Tshepong's full production of around 236 000 ounces annually is scheduled for 2015 with 1.41Mt being mined at an average recovered grade of 5.19 g/t. The average productivity target at full production is 139g/TEC.

Much of the development at the start of the year took place at the edges of the Basal Reef payshoot which resulted in lower development grades. These improved in the second half of the year when new raise lines became available within the deeper extension payshoots in the sub-66 and sub-71 decline areas. Development on the higher-grade channels of the B Reef stalled with the intersection of areas of non-deposition.

Financial review

Revenue rose by 2% to R1 823 million and by 22% to $241 million. Cash operating cost rose by 18% to R164 938/oz and by 40% to US$677/oz with cost pressure coming from increases in wages, electricity tariffs and the cost of supplies and equipment.

Capital expenditure was 5% higher at R261 million (US$35 million), spent primarily on on-going development, major equipment maintenance and other shaft capital, and the sub-71 decline project. Total expenditure to date on this project is R133 million (US$18 million).

Outlook*

Tshepong should achieve its reserve grade of 1 132cmg/t once the mine is fully able to access the orebody through the declines. Volumes are expected to decrease 9% to 1.38Mt in FY11 at a recovered grade of 4.75g/t . Gold production of 6 532 kilograms (210 000 ounces) is planned at an anticipated cash cost** of R187 913 /kg (US$766 /oz).

Total capital expenditure** of R273 million (US$36 million) is planned for FY11 – R177 million (US$23 million) on on-going development, R17 million (US$2 million) on major equipment maintenance and R22 million (US$3 million) on other shaft capital. The balance of R57 million (US$8 million) is planned for the sub-71 decline project.

Current productivity levels of 122g/TEC are forecast to remain constant despite the forecast decrease in gold production.

* *Please refer to the forward-looking statements*

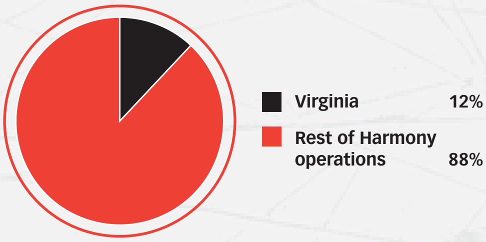
** *June 2010 money terms. The exchange rate of R7.63/US$ as at 30 June 2010 has been used for all forward-looking conversions.*

Review of operations – South Africa

Virginia

Free State operations:
Underground
Virginia

Contribution to group production – FY10



Description

The Virginia operations, situated in the Free State province, are among the oldest in the group and at year-end comprised Unisel and Merriespruit 1. Ore from Unisel is processed at Harmony 1 plant, while that from Merriespruit 1 is treated at Central Plant. These operations, which are of intermediate depth, ranging from 1 000 to 2 000 metres, employ scattered mining and pillar reclamation to access the Basal, Leader, Middle and A reefs.

Virginia employed 4 036 in FY10, of which 3 979 were employees and 57 contractors. This will decrease to approximately 2 500 people in FY11.

Detailed information on Virginia's resources and reserves are available in the *Mineral resources and mineral reserves* section of this annual report on pages 132 to 142.

Safety

There were most regrettably five fatalities at the Virginia operations in FY10 as compared with one the previous year. Following a significant improvement in FY09, there was a slight deterioration in the LTIFR to 12.86 per million hours worked in FY10 (FY09: 12.38).

More detailed information on safety performance and Harmony's sustainable development concerns in South Africa can be found in the online *Sustainable Development Report* on the corporate website, www.harmony.co.za. A summary of this can be found on pages 26 to 46 of this annual report.

Virginia key statistics

Production		**FY10**	**FY09**	**FY08**
Volumes milled	000t (metric)	**1 656**	2 261	2 130
	000t (imperial)	**1 826**	2 493	2 349
Gold produced	kg	**5 288**	8 030	7 708
	oz	**170 013**	258 170	247 820
Average grade	g/t	**3.19**	3.55	3.62
	oz/t	**0.093**	0.104	0.106
Financial				
Revenue	R million	**1 415**	2 033	1 488
	US$ million	**187**	226	204
Operating costs*	R/kg	**252 537**	184 538	169 544
	US$/oz	**1 036**	638	726
Operating profit	R million	**75**	545	180
	US$ million	**10**	61	24
Capital expenditure	R million	**180**	199	152
	US$ million	**24**	22	20

Sustainability		
Number of employees		
Employees		**3 979**
Contractors		**57**
Total		**4 036**
HDSAs in management**	%	**36**
Women in mining**	%	**13**
Expenditure on training and development	R million	**27**
Safety		
No. of fatalities		**5**
LTIFR	per million hours worked	**12.86**
Environment		
Energy used	000MWh	**406**
Water used for primary activities	000m^3	**10 380**
GHG emissions	000t CO_2e	**491**
Expenditure on local economic development	R million	**4**
Status of mining right	New order mining right granted in December 2007	

* *Includes royalty payment in FY10*

** *Indicator reported in terms of the MPRDA and the South African Mining Charter*

Virginia cont.

Operations review

Following a review of Harmony's asset portfolio and the economic viability of the Virginia operations, and given the depletion of their orebodies, mature infrastructure and low grades, production ceased at Brand 3, which has been placed on care and maintenance, and at Harmony 2 and Merriespruit 3. To enable certain sections of Merriespruit 1 to continue operating, a job preservation and profitability agreement was signed with organised labour. As a result of the restructuring of the Virginia operations, production for the year was down 27% to 1.7Mt milled. Together with a 10% decline in grade, this resulted in gold production of 170 013 ounces, a decrease of 34%.

The development at Merriespruit 1 focused on those areas with the best short-term grade potential and better grades are expected as a result. At Unisel, Basal Reef development produced good results while Leader Reef development was negatively affected by poor environmental conditions which will be addressed by the cooling project. Middle Reef development focused on the decline area in pillars and was negatively affected by reef pinch outs and reef variability. B Reef development was undertaken in a fault block which made access easy but results were poor and development was halted. Overall, the shaft produced reserves on the Basal and Leader reefs. Future development will focus more on the better grade E block.

Financial review

Revenue of R1 415 million was down by 30%, which combined with an increase in cash operating cost of 37% to R252 537/kg (US$1 036/oz), resulted in operating profit declining by 86% to R75 million (US$10 million). Capital expenditure of R180 million (US$24 million) was spent largely on on-going development (72%) and on maintenance and other shaft capital (28%).

Outlook*

In FY11, volumes mined are expected to be around 1.1Mt at a grade of 3.75 g/t. Gold production is expected to be 4 212 kilograms (135 419 ounces), while cash costs** are forecast to be approximately R224 000/kg (US$ 913/oz). This forecast is highly dependent on the success of mining and costs at Merriespruit 1.

A great deal of development is still required to access the Basal Reef at Unisel, and the high-grade shaft pillar will be exploited at the end of its life-of-mine.

Capital expenditure** of R78 million (US$10 million) is planned for FY11 – R57 million (US$7 million) on on-going development and R21 million (US$3 million) on major equipment maintenance and other shaft capital.

Current productivity levels of 84g/TEC are forecast to improve to an annual average of 140g/TEC during peak production.

* *Please refer to the forward-looking statements*

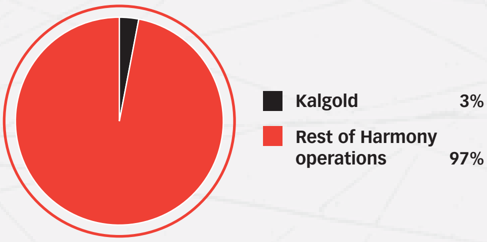
** *June 2010 money terms. The exchange rate of R7.63/US$ as at 30 June 2010 has been used for all forward-looking conversions.*

Kalgold

Surface operations

North West Province: Kalgold

Contribution to group production – FY10



Description

Kalgold is an open-pit mining operation close to Mafikeng in North West Province. The mine accesses gold-bearing ore in a banded ironstone formation in a shear zone within the Kraaipan Greenstone Belt. Tonnage mined at Kalgold is treated at a carbon-in-leach plant on site.

Kalgold employed 480 people – 230 employees and 250 contractors – in FY10.

Detailed information on the Kalgold's resources and reserves are available in the *Mineral resources and mineral reserves* section of this annual report on pages 153 to 154.

Safety

There were no fatalities at Kalgold in FY10 while the LTIFR for the year was 1.49 per million hours worked compared to 2.94 in FY09.

More detailed information on safety performance and Harmony's sustainable development concerns in South Africa can be found in the online *Sustainable Development Report* on the corporate website, www.harmony.co.za. A summary of this can be found on pages 26 to 46 of this annual report.

Kalgold cont.

Kalgold key statistics

Production		**FY10**	**FY09**	**FY08**
Volumes milled	000t (metric)	**1 700**	1 542	1 530
	000t (imperial)	**1 873**	1 700	1 687
Gold produced	kg	**1 526**	2 015	2 869
	oz	**49 063**	64 784	92 229
Average grade	g/t	**0.90**	1.31	1.87
	oz/t	**0.026**	0.038	0.055
Financial				
Revenue	R million	**390**	512	557
	US$ million	**51**	57	77
Operating costs*	R/kg	**182 215**	146 314	94 312
	US$/oz	**748**	506	401
Operating profit	R million	**116**	220	279
	US$ million	**15**	25	39
Capital expenditure	R million	**11**	10	10
	US$ million	**1**	1	1

Sustainability		
Number of employees		
Employees		**230**
Contractors		**250**
Total		**480**
HDSAs in management**	%	**63**
Women in mining**	%	**13**
Expenditure on training and development	R million	**1**
Safety		
No. of fatalities		**0**
LTIFR	per million hours worked	**1.49**
Environment		
Energy used	000MWh	**77**
Water used for primary activities	000m^3	**2 337**
GHG emissions	000t CO_2e	**65**
Expenditure on local economic development	R million	**1**
Status of mining right	New order mining right granted in December 2007	

* *Includes royalty payment in FY10*

** *Indicator reported in terms of the MPRDA and the South African Mining Charter*

Operations review

Kalgold performed in line with expectations in FY10. Volumes processed rose by 10% to 1.7Mt as planned.

Gold production declined by 24% to 1 526kg (49 063oz), a result of the planned decline in grade to 0.90g/t as operations at the high-grade D Zone pit came to an end in March 2009. The sulphide material, which does not present the same problems as the oxidised material, is now being mined at the lower-grade Watertank pit. Mining at the A zone pit, where grades will be similar to those at the Watertank pit, is scheduled to start in 18 months' time.

Harmony continued with the brownfields exploration in areas surrounding the Kalgold operation.

Financial review

Despite the lower level of production and cash costs of R182 215/kg (US$748/oz), Kalgold reported an operating profit of R116 million (US$15 million). Capital expenditure for the year was R11 million (US$1 million), spent mostly on the maintenance of major equipment. Productivity levels at Kalgold in FY10 were 331g/TEC, the highest in the group.

Outlook*

Mining will continue in the Watertank pit during the next year and volumes and grade are expected to be in line with those reported in FY10

Tonnes milled annually will remain stable at around 1.7Mt. An average recovered grade of 0.74g/t over the life of mine will not vary significantly. Annual gold production should therefore be around 1 226kg (39 400 ounces). Cash costs** are expected to be in the region of R216 500/kg in FY11 (US$883/oz), partly due to increased contractor costs resulting from the deeper pit design.

Total capital expenditure** planned for FY11 is R67 million (US$9 million). This will mainly be spent on the upgrade of old plant equipment so as to improve availability.

* *Please refer to the forward-looking statements*

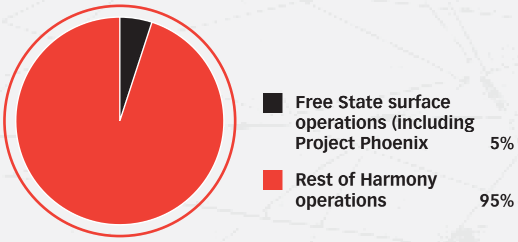
** *June 2010 money terms. The exchange rate of R7.63/US$ as at 30 June 2010 has been used for all forward-looking conversions.*

Kalgold, South Africa

Free State Surface Operations (including Project Phoenix)

Free State operations:
Surface
Phoenix and
waste processing
rock dump

Contribution to group production – FY10



Description

Harmony's Free State surface operations comprise in the main the Phoenix project and the waste rock dumps processing programme.

- The Phoenix operation, located adjacent to Harmony's current and historical operations in the Free State, involves the retreatment of tailings from tailings storage facilities in the region to extract any residual gold. The Phoenix operation makes use of the Saaiplaas plant, located next to the historic Saaiplaas 2 shaft area and in close proximity to the Masimong 4 shaft.
- Around 11 million tonnes of reserves are available in the form of rock dumps in the vicinity of the Free State operations. A programme, run by metallurgical services, to mill and process these dumps as and when there is spare capacity available, has begun.

Combined, these surface operations employed 321 in FY10, of whom 104 were employees and 217 contractors.

Detailed information on the surface operation's resources and reserves are available in the *Mineral resources and mineral reserves* section of this annual report on pages 133 to 135.

Safety

There were no fatalities at the surface operations in FY10. The Phoenix and surface operations achieved an LTIFR of 1.46 and 1.40 per million hours worked respectively for the year.

More detailed information on safety performance and Harmony's sustainable development concerns in South Africa can be found in the online *Sustainable Development Report* on the corporate website, www.harmony.co.za. A summary of this can be found on pages 26 to 46 of this annual report.

Free State Surface Operations key statistics

Production		**FY10**	**FY09**	**FY08**
Volumes milled	000t (metric)	**7 062**	5 965	6 378
	000t (imperial)	**7 787**	6 578	7 033
Gold produced	kg	**1 639**	695	1 002
	oz	**52 693**	22 345	32 215
Average grade	g/t	**0.23**	0.12	0.19
	oz/t	**0.007**	0.003	0.005
Financial				
Revenue	R million	**442**	175	191
	US$ million	**58**	19	26
Operating costs*	R/kg	**170 041**	154 426	75 784
	US$/oz	**698**	534	381
Operating profit	R million	**147**	68	102
	US$ million	**19**	8	14
Capital expenditure	R million	**5**	3	4
	US$ million	**1**	–	–

* *Includes royalty payment in FY10*

Project TPM, South Africa

Free State Surface Operations (including Project Phoenix) cont.

Operations review

Combined the Free State surface operations processed 7Mt which yielded 1 639 kilograms (52 693 ounces) of gold. Of this, the Phoenix project accounted for 647 kilograms (20 801 ounces), the waste rock dump programme and other surface operations in the Free State accounted for the balance. Recovered grades of 0.12g/t and 0.64g/t were achieved respectively by Project Phoenix and the waste rock programme and surface operations.

Project Phoenix, which began three years ago, involves the retreatment of 6 million tonnes annually (500 000tpm) at plant capacity. Plans are being considered to increase tonnages processed to up to 900 000tpm, at which rate the life of the project is around 12 years. This is a function of the current deposition capacity. Should the permitted deposition capacity increase within this period, additional resources will be available for retreatment.

Extensive sampling has been done at the water-based tailings dams which are available for retreatment in the Free State, located mostly between the Bambanani and Unisel operations, as well as in the area of the Merriespruit shafts. There are currently a total of seven dams that have been identified and those will be processed through the Steyn, Central and Target gold plants over the next few years.

Financial review

Project Phoenix's cash operating cost for the year was R185 762/kg, up by 20%. Ore recovered from the waste rock programme and surface operations yielded 992 kilograms (31 924 ounces) of gold at a cost of R159 787/kg for the year. Combined, these surface operations generated revenue of R442 million.

Outlook*

Combined, it is estimated that volumes processed at the Free State surface operations will increase to 9Mt in FY11, excluding the expansion to the Phoenix Project and the St Helena tailings retreatment project which are not included in the plan. The Phoenix recovery grade is expected to increase from 0.12g/t to 0.13g/t when dam 21 is commissioned towards the end of 2010/beginning 2011, to replace dam 22 which is nearing depletion. The grade of other surface sources is expected to increase from 0.71g/t to 1.01g/t due to the higher grades expected from the retreatment of the water-based tailings dams.

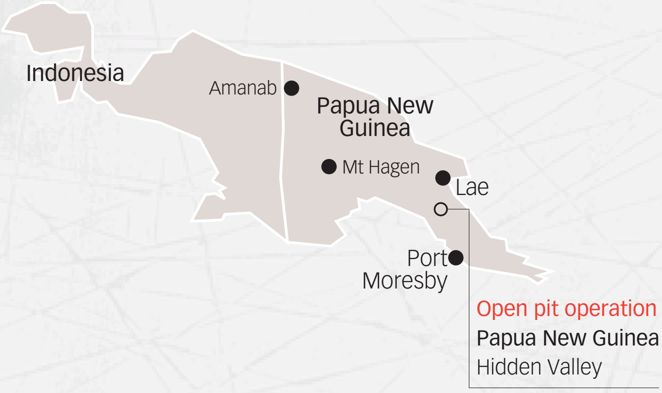
Cash costs** of R169 633/kg (US$691/oz) and R138 428/kg (US$564/oz) are estimated for the year for Project Phoenix and the waste rock programme and surface source operations respectively.

Planned capital expenditure for the Free State surface operations as a whole is R78 million, to be spent on the commissioning of Dam 21, the rehabilitation of equipment, feed dewatering of cluster cyclones, residue flotation testing and to expand the CIL section to a sixth stage for the Phoenix operation. Capital will also be spent on surface sources for slimes dam repairs, site establishment and the commissioning of the dredging projects.

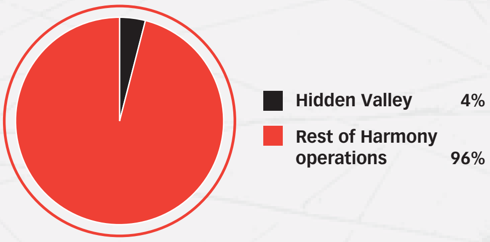
* *Please refer to the forward-looking statements*

*** June 2010 money terms. The exchange rate of R7.63/US$ as at 30 June 2010 has been used for all forward-looking conversions.*

Hidden Valley



Contribution to group production – FY10



Description

The Hidden Valley mine is located in Morobe Province, Papua New Guinea, around 300km north-west of Port Moresby, and is part of the 50:50 joint venture between Harmony and Newcrest Mining Limited. The mine, which has a significant gold and silver reserve, was commissioned during the year and had its first gold pour in June 2009. Ore mined was stockpiled ahead of the full commissioning of the carbon-in-leach gold and silver processing plant in FY10.

Hidden Valley has in production two pits, approximately 5km apart: the Hamata pit, which exploits the Hamata gold orebody, and the larger Hidden Valley pit, which exploits the Hidden Valley and Kaveroi gold and silver orebodies. The operation is located in a highly prospective area and current estimates are that at annual full production over 14 years, Hidden Valley will process an average of 4.7Mt from both pits to produce around 250 000oz of gold and 3.4Moz of silver annually. The joint venture is actively exploring and if potential new resources are identified on the mining lease, the life of the process facility could be extended. A resource development drilling programme is currently under way to support potential resource expansion, while potential plant expansion studies are being reviewed.

Hidden Valley employed 1 698 people in FY10, of whom 806 were employees and 892 contractors. Detailed information on Hidden Valley's resources and reserves are available in the *Mineral resources and mineral reserves* section of this annual report on pages 155 to 159.

Safety

With the start of full-scale operations and the ramping up of production at Hidden Valley, the joint venture has continued with the implementation of its risk management strategy, a key aspect of which is a safety analysis aimed at ensuring that each work function is completed safely and efficiently. Identifying and managing hazards is essential to improving and maintaining safety performance.

There was regrettably one fatality during the year, a result of a vehicle accident. The LTIFR of 0.7 per million hours worked was worse than the 0.1 reported in FY09 as fewer people were on site, once construction personnel had been demobilised.

More detailed information on safety performance and Harmony's sustainable development programme in PNG can be found in the online sustainable development section of the corporate website, www.harmony.co.za. A summary of this can be found on pages 26 to 46 of this annual report.

Hidden Valley key statistics

Production		**FY10 production*†**	**capitalised***	**Planned LOM annual average****
Volumes milled	000t (metric)	**304**	–	4 700
	000t (imperial)	**335**	–	5 180
Gold produced	kg	**465**	1 438	7 915
	oz	**14 939**	46 234	254 000
Silver produced	kg	**2 423**	4 504	123 300
	oz	**77 896**	144 821	3 400 000
Gold – average recovered grade	g/t	**1.53**	–	1.84
	oz/t	**0.045**	–	0.054
Silver – average recovered grade	g/t	**7.97**	–	32.1
	oz/t	**0.233**	–	0.94
Financial				
Revenue	R million	**79**	–	
	US$ million	**10**	–	
Operating costs	R/kg	**244 721**	–	130 00
	US$/oz	**1 003**	–	
Operating profit	R million	**16**	–	
	US$ million	**2**	–	
Capital expenditure	R million	**44**	497	
	US$ million	**6**	65	
Sustainability				
Number of employees				
Employees		**806**		
Contractors		**892**		
Total		**1 698**		
Expenditure on training and development	R million	**2.9**		
Safety				
No. of fatalities		**1**		
LTIFR	per million hours worked	**0.7**		
Environment				
Energy used	MWh	**105**		
Water used for primary activities	000m³	**1 843**		
GHG emissions	Tonnes CO_2e	**128**		

* *Commercial production began in May 2010.*
** *The LOM annual averages represent 100%.*
† *Represents Harmony's 50%.*

A business, production and safety improvement programme, based on the Six Sigma Lean Programme, was developed at Hidden Valley in FY10. This programme is designed to actively involve management in the process of continually improving and meeting targets in all aspects of the business, especially safety.

Hidden Valley cont.

Operations review

Commercial levels of production were achieved in May 2010 and by year-end monthly plant throughput had risen to 300 000t, equivalent to 87% of nameplate capacity. This reflected a more stable operating performance and consistent plant use. During FY10, 2.7 million tonnes were processed to yield 122 346 ounces of gold and 445 435 ounces of silver on a 100% basis, 50% of which is attributable to Harmony.

Despite construction delays resulting from unseasonably heavy rains which hampered progress and restricted site access by causing damage to the access road, both the overland conveyor and the Hidden Valley crushing facilities were completed by December 2009, following which ore from both pits was supplied to the plant.

A programme to systematically identify and address bottlenecks in the production pipeline, eliminate system constraints and improve critical performance efficiencies and plant availability is under way. The process plant is being modified to enable it to better deal with the oxidised material and greater incidence of fines and clay in the weathered feed that is currently being mined in the initial stages of the open pit and supplied to the plant. These modifications are expected to improve overall recoveries. As the mining in the pit progresses into more transitional and fresh material during the next financial year, plant metallurgical recoveries are expected to improve. A project to increase plant capacity to 112% of initial nameplate capacity of 4.2 million tonnes per annum, at a nominal additional cost, will be completed by the end of FY11.

An ongoing programme of employee recruitment and training to build up and enhance operational competence and capability has been instituted to address the problem of operator staff turnover which has had an effect on mining productivities.

The limited availability of competent fresh rock, which is linked to the deep weathering profile of the area at Hidden Valley, has restricted progress made in the construction of stable waste dump facilities. Supplies of suitable rock have been identified and established offsite, which together with innovative waste dump designs that require less rock, have overcome some of these problems. Construction of these stable waste dumps will be ongoing in the next few years.

Hidden Valley management continued its policy of community engagement and local employment as well as the training of local employees. Work continues to mitigate the miner’s impact on the Watut River, with significant operational improvements made to date. Stakeholder engagement on this and other matters is continuing.

Progress is also being made with power supply to the mine and the intention is to connect Hidden Valley to the national electricity grid in FY11. Once fully connected to, this will enable the mine to reduce its reliance on diesel power generators.

Financial review

Revenue generated for the financial year amounted to R79 million ($10 million) with total cash operating costs after silver credits of R244 721 (US$1 003/oz). Attributable capital expenditure by Harmony during the year totalled R541 million (US$71million), which included work on approved mine development (sustaining capital) projects, process plant de-bottlenecking, mine expansion feasibility studies and final close-out costs for the Hidden Valley construction project.

Outlook*

The post-commissioning and performance improvement programme under way will enable Hidden Valley to achieve consistent full-scale mining and production levels in FY11 and to ultimately achieve increased annual plant capacity of 4.7 million tonnes. Capital requirements over the next three years will consist of the project services fleet replacement, which will be used for the construction of the tailings dam and waste dumps, which will be ongoing for the next few years and the de-bottlenecking of the mill.

Estimated attributable gold production from Hidden Valley in FY11 is between 100 000 and 120 000**ounces. Attributable capital expenditure for project completion, development and sustaining capital is expected to be A$50 million (US$42.5 million)** in FY11.

** Please refer to the forward-looking statements*

*** June 2010 money terms.*

Hidden Valley, PNG

Harmony's exploration strategy to target key prospective geological terranes to create shareholder value through the discovery of large long-life gold ore bodies, has proven successful.

The strategic focus that underpins Harmony's exploration investment includes:

- Brownfields exploration work to maximise value from existing infrastructure around current operations.
- Greenfields exploration in highly prospective, under-explored mineral provinces and emerging gold districts to build a balanced pipeline of projects across all stages of the exploration process (ie project generation, advanced projects, resource definition, and projects moving into pre-feasibility).

The approach to exploration investment is also integrated with new business activities and Harmony remains flexible in accessing quality projects through joint venture partnerships, acquisition, or through in-house development. New growth projects are subject to the rigorous application of filter criteria based on project and country related risks and the ability to meet minimum size requirements.

Papua New Guinea

Exploration projects

The New Guinea mobile belt stands out amongst the world's most prospective geological terrane for porphyry copper-gold and epithermal gold mineralisation, with world class deposits including Grasberg-Ertzberg (copper-gold), Porgera (gold), and Ok Tedi (copper-gold). Importantly, the belt is under-explored.

Harmony have built a quality project portfolio comprising over 12 000 square kilometres of exploration and mining tenure in some of the most prospective mineral provinces and emerging gold and copper districts of the New Guinea mobile belt.

In the Morobe Province, Harmony has been active in exploration for the last seven years and the resource base has grown from 7Moz to over 45Moz (gold equivalent – refer resource growth profile on pages 155 to 159). Harmony owns 50% of this inventory, and the discovery cost for Harmony's equity ounces is less than $10/oz.

Outside of the Morobe Mining Joint Ventures (MMJV) area, Harmony continued to expand its 100%-owned tenement portfolio and exploration activities. During FY10, new applications were lodged to secure projects generated in the Southern Highlands and Central provinces. Exploration work began at Amanab in the Sandaun Province, and at Mt Hagen in the Western Highlands Province. These projects represent quality greenfield gold and copper-gold opportunities in highly prospective, under-explored districts of the New Guinea mobile belt.

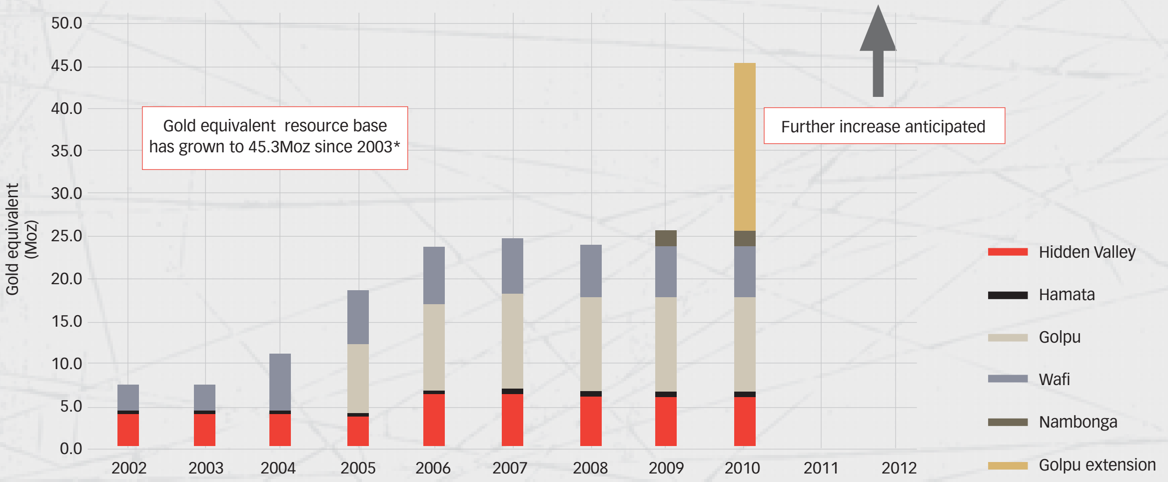
Exploration achievements in PNG – FY10

- Wafi-Golpu resource expanded to:
  - 16Moz Au, 4.8Mt Cu, 55,000t Mo
  - Equivalent to a total gold endowment of 38.5Moz of which Harmony owns 50%
- PNG discovery cost now less than $10/oz, among the best in the world
- Significant expansion of exploration effort in PNG:
  - Exploration portfolio grown to over 8 000km^2 outside of the MMJV area
  - Development of a new and exciting portfolio of first-class gold targets throughout PNG to underpin further growth in the region

Exploration overview cont.

Resource growth profile of the Morobe Mining joint venture in PNG

Highlighting impact of recent exploration success

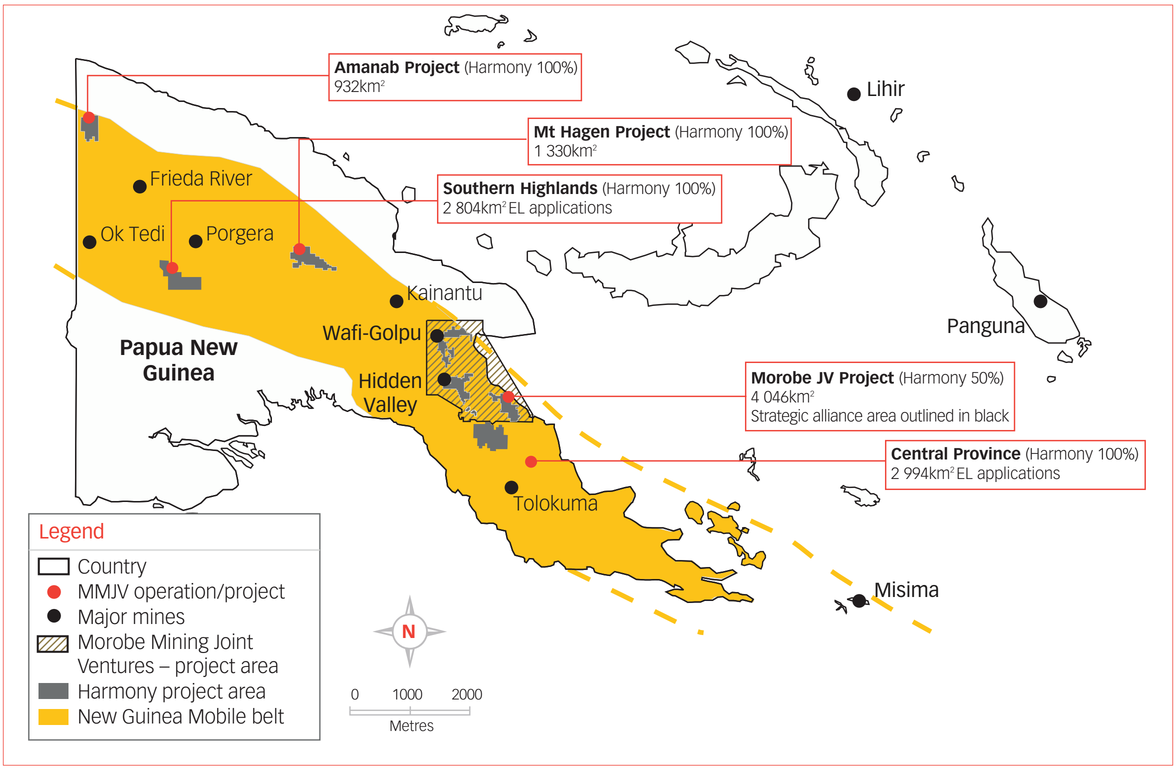


* *100% resource figures quoted.*

Gold equivalent based on prices of US$950/oz Au, $4 412/t Cu, at 100% recovery for both metals. Molybdenium not included in metal equivalents.

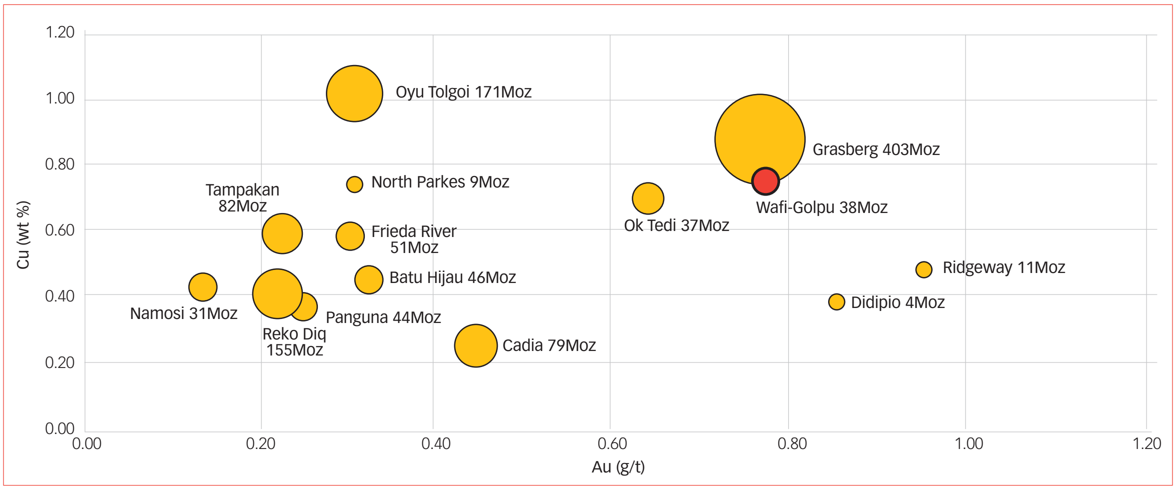
PNG – Harmony tenement locations and major projects

Location of Harmony tenement and project areas in relation to the New Guinea Mobile belt and that of major PNG mines and projects.



Grade comparison of selected South-East Asia porphyry systems

Bubble-size indicates the gold-equivalent endowment (based on US$950/oz Au, $4 412/t Cu at 100% recovery for both metals). The Wafi-Golpu porphyry is one of the highest grade porphyry systems in south-east Asia.



Source: MEG Database and company reports.

Morobe Mining Joint Ventures (Harmony 50%)

The MMJV land holding comprises some 4 046 square kilometres of tenure encompassing the Wafi-Golpu and Hidden Valley projects and is a 50-50 joint venture between Harmony and Newcrest Mining Limited. The tenement package sits within a broader "strategic alliance" area where both Harmony and Newcrest operate as joint venture partners.

The Morobe district is a growing gold province. Currently the total known gold endowment is over 24.8Moz. Copper (4.8Mt), molybdenum (55,000t), and silver (84Moz) all add significant value to the known resources in the district.

During FY10, exploration expenditure for the joint venture totalled A$27.7 million. Work programmes were undertaken on 29 separate prospects in the MMJV area, with exploration statistics including:

- 29 931 metres diamond drilling
- 12 654 surface samples (soils, rock chips, trenches)
- Over 7 000 line kilometres of detailed airborne magnetics.

The outstanding highlight of the 2010 work programme was the discovery and definition of extensions to the Golpu copper-gold deposit.

The exploration programme is set to grow in FY11. The venture partners have approved a FY11 budget of A$48.9 million for the Morobe exploration joint venture (17.6% for greenfield and 82.4% for brownfield activities).

Wafi-Golpu will be advanced through pre-feasibility studies with 47 000 metres of drilling scheduled, while the strategic focus of exploration will shift to brownfield exploration around the Hidden Valley deposits and the development of greenfield targets in the regional project pipeline.

Wafi-Golpu

Wafi-Golpu brownfields exploration

Drilling at the Wafi-Golpu project during FY10 was particularly successful with the discovery of a new zone of copper-gold mineralisation directly adjacent to the Golpu orebody. As a result, the Golpu resource has been upgraded to 500.6Mt @ 0.95% Cu, 0.54g/t Au, and 111ppm Mo (equivalent to 8.8Moz of gold, 4.8Mt of copper and 55 000 kilograms of molybdenum). On a gold equivalent basis, Golpu now stands at 30.9Moz (at a gold price of US$950/oz and a copper price of US$4 412/t). This represents an increase of 20Moz gold equivalent from the 2007 Golpu pre-feasibility resource, now making the deposit a truly world class discovery.

The outlook for additional growth at Golpu is excellent as the deposit remains open both along strike to the north and at depth. Drilling remains ongoing and new zones of high-grade mineralised porphyry have already been intersected which will add to the June 2010 model.

The Golpu copper-gold mineralisation displays features that are typical of most porphyry deposits with zoned alteration and mineralisation patterns. The resource takes this into account and can be categorised into two major components:

- "Porphyry" mineralisation: consists of the very high-grade mineralised core of stockwork veined and altered diorite porphyry. This component of the resource totals 173Mt @ 1.57% copper and 0.88g/t gold and accounts for approximately 60% of the contained copper and gold in the deposit.
- "Metasediment" mineralisation: consists of a halo of copper-gold stockwork vein mineralisation developed in the metasedimentary host rocks that surround the porphyry. The vein intensity and mineralisation is best developed at the diorite porphyry contact, and gradually decreases away from the contact. This style of mineralisation comprises 314Mt @ 0.59% Cu and 0.36g/t Au (ie approximately 40% of the deposit's contained copper and gold).

A third component of supergene mineralisation is also included in the Golpu mineral resource classification, but volumetrically this accounts for less than 3% of the deposit tonnage and less than 2% of the deposits contained copper and gold.

The current resource areas at the Wafi Golpu project (Wafi gold, Nambonga and the Golpu copper-gold deposits) are part of a large intrusive system with extensive and complex overprinting alteration patterns. Drill coverage outside of the existing resource areas remains patchy, and the full potential of the system is yet to be realised.

In addition to Golpu extension drilling, the FY10 exploration programme at the Wafi Golpu project included early stage prospect testing at the Northern Margin, Dokerton, and Miapili prospects. Results have been highly encouraging.

Northern Margin

The Northern Margin gold target lies midway between the Nambonga and Golpu deposits, where drilling across the Northern Margin of the Wafi diatreme has outlined a new zone of epithermal gold-silver mineralisation. The target was based on an area of elevated surface gold geochemistry adjacent to the diatreme contact, which had seen little previous drill testing.

A single hole was drilled, with results including:

WR318: 21.8 metres @ 1.45g/t Au 9.02g/t Ag from 66 metres
17.8 metres @ 1.0g/t Au 5.22g/t Ag from 110 metres
58 metres @ 1.07g/t Au 5.27g/t Ag from 140 metres
35 metres @ 1.02g/t Au 1.9g/t Ag from 304 metres

The Northern Diatreme Margin is sparsely drill tested and the results highlight the potential to significantly expand the known gold mineralisation footprint outside of the current resource areas.

Follow-up drilling to determine the potential size and tenor of this new zone of mineralisation will be scheduled as drill capacity becomes available in FY11.

Miapili

Miapili is a grassroots prospect located within the Wafi Transfer Structure, approximately 900 metres north-east of Golpu. Initial drilling targeted a discrete magnetic anomaly. The drilling intersected porphyry-related vein stockwork mineralisation and returned 97 metres @ 0.75g/t Au and 0.15% Cu from 387 metres in WR315.

Two follow up holes, WR323 and 326, were completed during FY10 with broad intervals of anomalous stockwork mineralisation encountered:

WR323:	6 metres @ 0.32g/t, Au 0.12% Cu from 515 metres
WR326:	78 metres @ 0.2g/t, Au 0.09% Cu from 385 metres
	30 metres @ 0.18g/t, Au 0.12% Cu from 566 metres

The mineralisation is similar in style to that at Golpu and additional follow up drilling is planned to determine the extent and source of this porphyry-related mineralisation in FY11

Dokerton

The Dokerton gold prospect also lies on the Wafi Transfer Structure, approximately 500 metres south-west of the Golpu deposit. Initial drilling was undertaken during the year to test along strike from broad anomalous gold intercepts in historic drill holes. WR320 returned significant intersections including:

WR320:	33 metres @ 2.32g/t Au from 83 metres
	27 metres @ 2.4g/t Au from 126 metres

The results highlight the potential to extend the limits of the Wafi gold resource to the east and follow-up drilling is scheduled for FY11.

Wafi-Golpu drilling, November 2009

Wafi-Golpu concept study

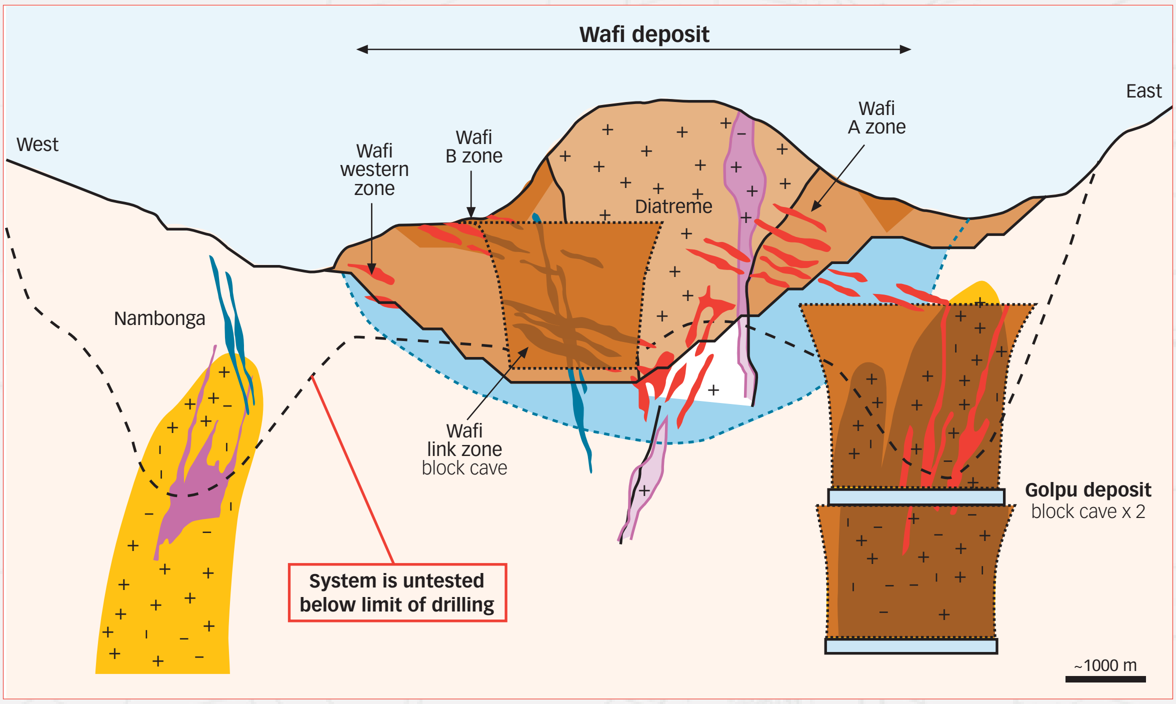
The recent major exploration success at Golpu and step changes in mining and processing practices have led to a re-examination of previous studies and Harmony, as part of Morobe Mining Joint Ventures, entered into a new concept study in late 2009 on the project.

The current concept study on Wafi-Golpu builds on previous studies and evaluated a number of development alternatives for the Wafi gold system and Golpu copper system, either individually or in combination;

- Block cave on Cu-Au porphyry ore from Golpu (two lifts)
- Block cave on Wafi higher grade epithermal gold
- Small open pits based on oxide portion of Wafi and Golpu gold cap
- Large open pit encapsulating most of the Wafi resource (oxide and sulphide)

Schematic section

(looking north)

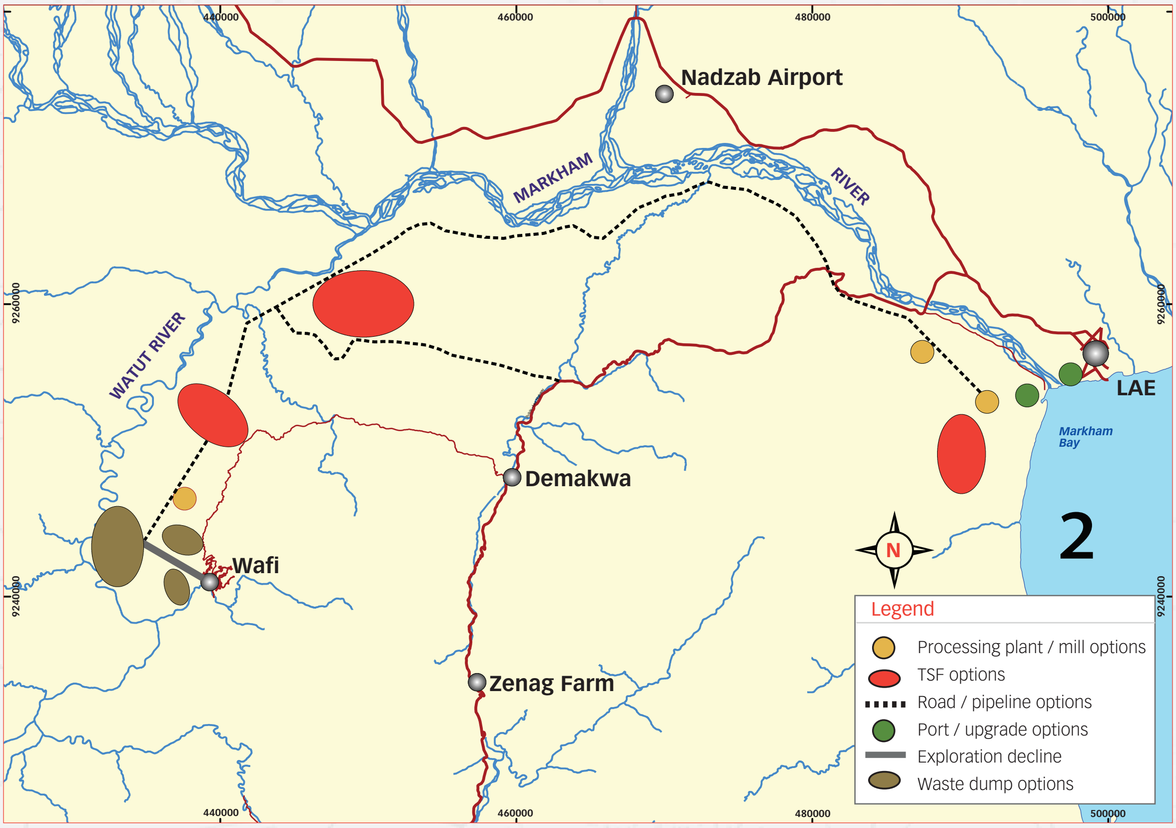


The Wafi-Golpu resources include porphyry copper gold mineralisation and high sulphidation epithermal gold deposits that contain both refractory and non-refractory gold mineralisation. Processing routes have been designed to accommodate the varying natures of these ores.

The study considered producing copper concentrate from Golpu porphyry and gold dore bars from the Wafi ores and the Golpu copper tails.

The location of Wafi-Golpu is advantageous for development. The deposit lies 80km by road from the deep water port of Lae, Papua New Guinea's second largest city. The lodes lie under moderately mountainous terrain at ~500 metres ASL but are only 4 kilometres from the broad flat valley of the Watut River and further on to the Markham River and the coastal flats. The plan is to use this flat land for access and infrastructure, thereby mitigating the challenge of topography in this rugged country.

Infrastructure options



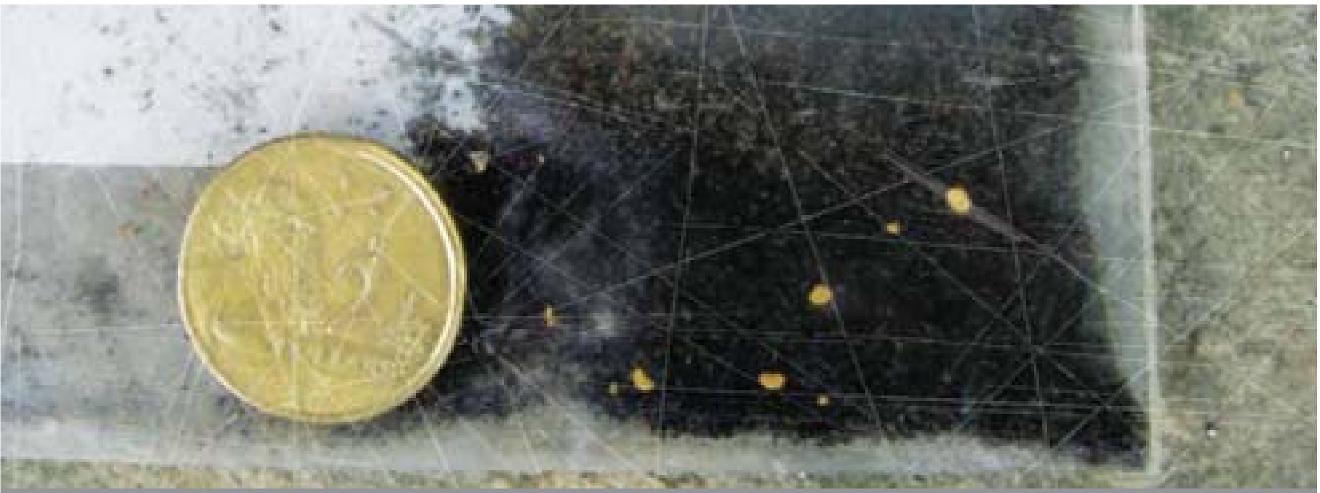
The concept study, which will be finalised early in FY11, has confirmed that the Wafi-Golpu project presents a viable business case that satisfies all of our tollgate hurdles. It is proposed to begin a pre-feasibility study to test the various development options.

The development strategy also generates future opportunities for value creation that will also be tested in the pre-feasibility study, including:

- Expansion of the Golpu resources to the north and at depth
- Improved Wafi resource recovery through enhanced resource modelling;
- Development of Wafi at depth and the Northern and Western zones adjacent to Wafi A zone;
- Further metallurgical process development and enhancement.

An 18-month timeframe has been allocated for the pre-feasibility study. Part of the study work will include early access to the orebodies for detailed geotechnical and metallurgical analysis. This work is expected to begin during FY11.

Exploration overview cont.



Gold panned from Bavaga anomaly drainages. This particular panned concentrate assayed 150g/t of gold

Wafi Golpu greenfields exploration

Wafi Transfer Structure

The Wafi Transfer Structure comprises approximately 17 kilometres of strike and includes the Wafi-Golpu project area. There has been very little previous exploration and the area remains highly prospective for gold and porphyry copper-gold resources similar to those at Wafi Golpu.

A major regional exploration programme began during FY10 which included both grid-based and ridge and spur soil sampling, stream sediment sampling, rock chip sampling, magnetic interpretation and geological mapping. Over 2 100 surface samples were collected and results from the Bavaga and Pekumbe prospect areas were outstanding.

Bavaga

The Bavaga prospect lies approximately 5 kilometres north of the Wafi-Golpu project on EL1105. Results from stream sediment reconnaissance sampling have outlined a 2 kilometre by 1 kilometre +1g/t gold anomaly. Visible gold is readily panned from anomalous drainages. The area has not been explored previously owing to access issues. The anomaly represents a first-class grassroots gold target and follow-up ridge and spur soils and reconnaissance mapping and sampling are planned.

Pekumbe

The Pekumbe prospect lies approximately 5.5 kilometres south-west of Golpu on EL1103. The prospect was generated based on the results of reconnaissance mapping and stream sediment sampling. Initial reconnaissance samples collected in the fourth quarter of the year returned assay results of up to 25g/t Au, 64g/t Ag and 0.3% Cu.

Work during FY10 included some 9.5 line kilometres of geological mapping, 150 soil samples, 409 channel rock chip samples and 233 grab rock chip samples. Reprocessing and imagery of detailed airborne magnetics were also completed and results have outlined a distinct linear target with over 1.6 kilometres of strike.

Results received to date have been highly encouraging with numerous >1g/t Au values from in situ rock chips taken from mineralised sediment, fault pug, massive sulphide lenses and quartz-feldspar porphyry over the strike length of the magnetic target. Soil sampling results have outlined a number of drill targets with surface anomalies up to 0.4g/t Au and 0.2% Cu.

Hidden Valley brownfields exploration

Exploration in the region around Hidden Valley aims to add value through the discovery of major satellite resources, or to provide high grade ore to supplement feed for the Hidden Valley plant. This remains a key strategic focus for the exploration team in FY11.

Work during FY10 continued on integrating the geological and geochemical datasets with detailed helimagnetics to generate new targets. Channel sampling and mapping at the Tais Creek and Waterfall prospects on ML151 have outlined significant zones of carbonate-base metal-style gold mineralisation, directly south of the Hidden Valley orebody.

Waterfall

The Waterfall prospect lies immediately south of the Hidden Valley orebody in the footwall of the Hidden Valley fault. It comprises a stockwork vein network of carbonate base metal veins accompanied by gold mineralisation. Mapping suggests a dominant north-northwest structural control to the mineralisation, similar to the Kaveroi orebody. Initial channel sampling results include:

TCR001: 6 metres @ 3.07g/t Au
TCR002: 20 metres @ 2.46g/t Au
10 metres @ 1.61g/t Au
14 metres @ 2.36g/t Au

Drilling to test the near-surface bedrock potential of the Waterfall prospect is scheduled to begin during the first quarter of FY11.

Tais Creek

Tais Creek is located approximately 700 metres south-west of Hidden Valley. Historic surface soil sampling defined a coincident gold-silver geochemical anomaly over the area, and review work recommended the prospect for drill testing in FY11. Channel sampling and mapping of tracks constructed to access the prospect has confirmed a major carbonate base metal system. Results to date include:

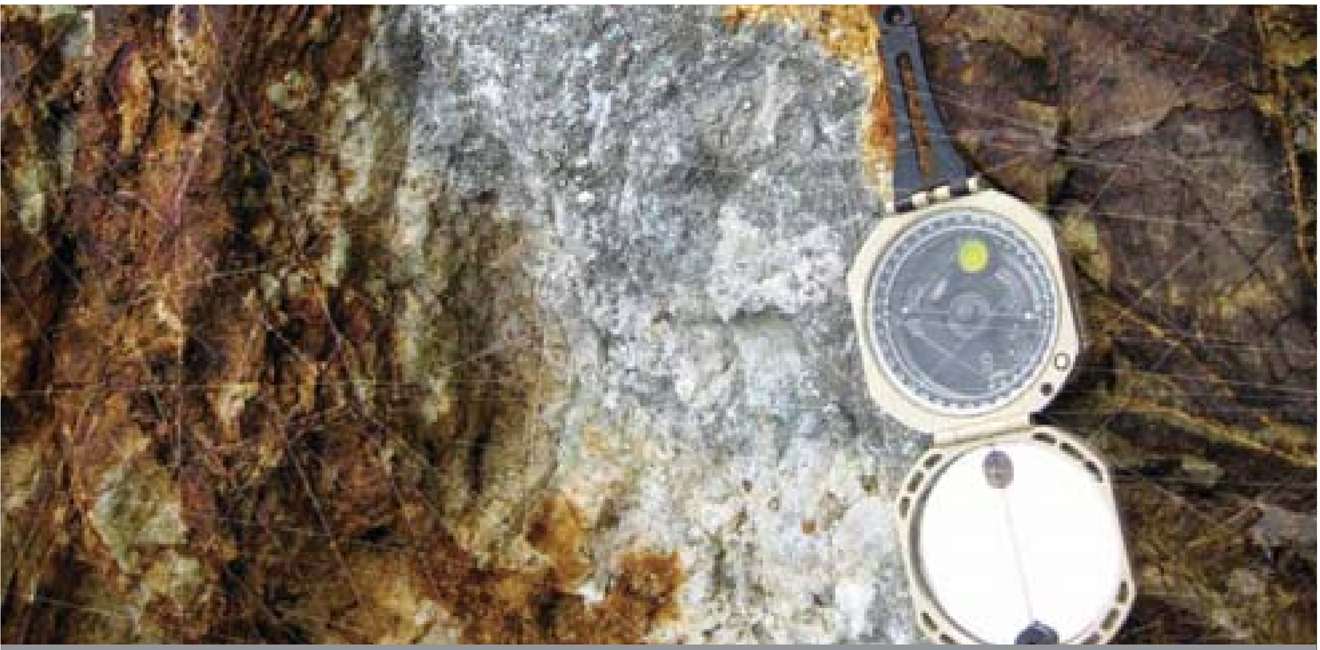
TCR004: 6 metres @ 14.85g/t Au from 436 channel samples
TCR004: 4 metres @ 10.81g/t Au from 486 channel samples
TCR005: 24 metres @ 1.71g/t Au

The intercepts relate to zones of structurally controlled, thin quartz-carbonate-pyrite-base metal sulphide veins within strongly sericite altered granodiorite and metasediments. Elevated silver (up to 1 070ppm), lead, zinc and arsenic occur with elevated gold grades.

Morobe regional greenfields exploration

Regional work continued with the development of greenfields prospects on the broader tenement package. Some 6 400 surface samples were collected from 13 separate prospect areas. In addition, a detailed helicopter-borne magnetic survey was completed at the Morobe Coast to provide context for interpreting mapping and geochemical datasets. Key FY011 regional projects include the broader Kerimenge area, Morobe Coast and the Nimo and Giu prospects.

Exploration overview cont.



Outcropping sulphide mineralisation Bakil Prospect – Mt Hagen Project

PNG exploration projects (Harmony 100%)

Harmony's exploration activities outside of the MMJV were expanded significantly during FY10, with work programmes now under way at both the Amanab and Mt Hagen projects. A total of A$3.9 million was spent on greenfield exploration outside of the MMJV.

This trend is set to continue. A budget of A$14 million has been approved for FY11 greenfield prospect development on Harmony's 100% owned PNG projects. The expanded programme will include work on two new project areas:

- Southern Highlands Project: Located approximately 50 kilometres south-west of Porgera where new exploration licence applications have been lodged to encompass several Porgera-style magnetic targets.
- Central Province Project: Covering a highly prospective portion of the New Guinea Mobile belt between the Tolokuma gold mine and Morobe Province. Several significant geochemical targets exist which have not been followed up by previous explorers.

Outside of the MMJV area, Harmony now holds interest in over 8 000 square kilometres of exploration and mining tenure in PNG.

Mt Hagen

The Mt Hagen project forms a contiguous block of tenure covering 1 330 square kilometres. It consists of two granted exploration licences (EL1596 and EL1611) and several tenement application areas (ELA 1864-1867). The tenements are located approximately 20 kilometres north-north-east of Mt Hagen and are readily accessible via the Highlands Highway that connects Lae and Porgera. The two main projects occurring here are Kurunga and Bakil.

The region is transected by a number of major regional transfer structures and numerous mineralisation styles have been mapped in the area, including porphyry copper-gold mineralisation, quartz sulphide vein stockwork mineralisation, and copper-gold skarn mineralisation.

The Highlands regional stream sediment dataset (a European Union SYSMIN funded Mining Sector Support Programme – released April 2010) has highlighted the area north of Mt Hagen as an emerging copper-gold province. The dataset highlights several high order Cu-Au anomalies within a 200 kilometre long zone, extending from Malamunda in the west to the Yandera Cu-Au porphyry deposit in the east. Harmony's Mt Hagen project tenements lie in the central portion of this zone and encompass some of the highest tenor Cu-Au anomalies in the dataset, with stream sediment sample assays of up to 4.08g/t Au and 1 200ppm Cu.

Kurunga

The focus of exploration activities during the year was the Kurunga prospect where local artisanal miners were winning gold from outcropping copper-gold skarn mineralisation. First pass drill testing was under way at year-end with four holes having been completed. Widespread gold and copper-gold anomalism was intersected in all holes drilled to date with initial results including:

KUDD001: 7 metres @ 2.55g/t Au, 0.44% Cu from 63 metres
4 metres @ 2.76g/t Au from 167 metres
KUDD002: 9 metres @ 0.91g/t Au from 101 metres
KUDD003: 10.5 metres @ 1.46 g/t Au from 9.8 metres

Two styles of mineralisation were encountered in the drilling, suggesting potential for the existence of a major porphyry copper-gold system. These include:

- Copper-gold mineralisation associated with magnetite skarn
- Epithermal gold mineralisation associated with quartz sulphide veining.

Drilling is scheduled for completion during the first quarter of FY11. Follow-up work will include a detailed helimagnetic survey for integration with surface geochemistry, geology and drill results.

Kurunga prospect drilling operations

Exploration overview cont.

Bakil

The Bakil prospect lies approximately 8 kilometres south-west of Kurunga. Geology of the prospect area is dominated by an extensive system of altered volcaniclastic sediments and intrusive units. Rock chip samples returned to date include assays of up to 9.3% Cu.

Greenfields reconnaissance work including ridge and spur soil sampling, mapping and rock-chip sampling of drainages continues.

Amanab

The Amanab project (EL1708) was granted on 6 July 2009 and comprises 932 square kilometres of tenure. The tenement is located approximately 160 kilometres north of the Ok Tedi copper-gold mine in the Sandaun Province of western PNG. Access to the area is by air via the regional centre at Vanimo some 180 kilometres to the north.

The project area encompasses one of 17 recognised alluvial goldfields in PNG. Major deposits at Porgera, Bougainville and Morobe (including Hidden Valley, Wau and Edie Creek) all have similar alluvial goldfields nearby.

A review of historical data highlighted several high-tenor stream sediment anomalies for follow-up work including Yup River, Biaka, Dio River, Akraminag, Mouri and Akrani North.

Initial sampling began in the Yup River area where historic stream sediment data outlined a +0.5g/t anomaly over a 7-kilometre by 3-kilometre drainage catchment. This work is set to continue, with additional ridge and spur soil sampling campaigns planned for the Biaka and Dio River prospects during FY11.

Wafi-Golpu drilling, April 2010

South Africa

Brownfields exploration

Evander South

An 18-month drilling programme was completed early in FY10 involving 24 671 metres of percussion and diamond drilling from 43 holes. The information provided was used to evaluate and update the geological resource model. These results were in turn incorporated into the pre-feasibility study.

Results of the initial drilling programme showed a shift in the location of the Kimberley Reef sub-crop to the east, which removed a significant portion of the shallow part of the target area. However, an additional, larger, less shallow resource was identified. New estimates are of a total resource of 8.1 million ounces (64.31 million tonnes at an average grade of 3.92g/t), a slight increase when compared to the 2007 estimate.

The results of a new pre-feasibility study showed that the orebody could be mined profitably however insufficient higher grade ore exists to significantly overcome the initial capital cost. A further phase of drilling to convert inferred resources to higher grade indicated resources is required to improve this projects' ranking within Harmony's portfolio of projects

Poplar

Exploration at the Poplar area, which is located six kilometres to the north of Evander South, has been conducted by the many previous owners of this property over the past 50 years. The June 2010 resource and reserve declaration reports an indicated resource of 17.2Mt an in-situ grade of 9.28g/t.

The Poplar resource is located at relatively shallow depths of between 500 metres and 1 300 metres, which will allow the project, once it has been approved, to produce its first gold within five years.

Harmony began a 12-month drilling programme in the last quarter of FY10. This programme involves the drilling of 20 holes, (19 000 metres) made up of holes that are to be twinned alongside old boreholes, infill drilling and holes drilled to test the location of the sub-crop. By year end, 4 180 metres had been drilled and two holes completed, both of which intersected the Kimberley reef facies. Samples results are awaited. Results from this drilling programme will be used to update and revise the 2003 pre-feasibility study.

Joel North

A surface drilling programme was undertaken and completed at Joel during the course of FY10. In all, 8 883 metres were drilled. The results of this programme, which involved the drilling to a depth of between 1 250 and 1 400 metres in the area to the north of the current working of the Joel mine, will be used to upgrade the Joel mine's resource between levels 129 (currently the lowest operational level at Joel) and 137. Accessing this ground will involve either the re-equipping of the main shaft, deepening of the lift shaft or the development of a one level decline.

Initial drilling results indicate a wide variety of facies types are present from west to east. In the west (LB27 and LB28), the presence of the Aandenk reef below the Beatrix reef appears to considerably enhance the grade. All intersections showed unfaulted reef bands except for LB25, in the centre, which intersected two reefs, separated by a small reverse fault. The reef is a hybrid composite of VS5, Beatrix and Aandenk. LB24 indicates Beatrix reef, while in the east (LB23 and LB22), VS5 and BV (a reworked VS5/Beatrix composite) dominate.

As a result of this drilling programme and on-shaft facies investigation, the geozones for Joel have been altered to include the area of Aandenk reef in the north-west. This resulted in a re-evaluation of 129, 137 and 145 levels, based on the new geozones. Initial indications are that the Joel North resource has been substantially increased.

Retreatment projects

Project Saints

Project Saints, a proposed retreatment project similar to that of Project Phoenix, has been approved by the board at a cost of R792 million. Project Saints, which is also located in Free State province, involves demothballing and upgrading the St Helena gold plant to enable the retreatment of 1 million tonnes of tailings per month. The focus of this project will be the eight tailings dams found in the Virginia and Welkom area which together make up about a third of the total resource available for retreatment.

Detailed modelling of each dam and the project feasibility study was completed, with particular attention paid to grade distribution and the mining methodology to be used. Additional drilling was undertaken, and the models updated once the assay results had been received. The environmental management programmes have been approved by the Department of Environment and Tourism (DEAT). A final feasibility gate-keeping session was held during the year.

The first phase of the project has an estimated capital expenditure budget of R792 million (the R314 million capital budget for the second and last phase of this project will only be spent in year 8 and will be funded by the project itself). Project Saints is expected to yield a monthly average of 4 225 ounces of gold over a projected life of 20 years. Production should begin 15 months from the start of construction.

A related pre-feasibility study has begun on extracting uranium from the exactly the same Free State tailings dam material as will be treated by Project Saints. This will involve the construction of a newly built uranium extraction plant at an estimated cost of R1 097 million. This pre-feasibility study is due to be completed by the end of December 2010. Indications are that this related project could yield 930 000lbs per annum of U_3O_8.

Project Saints and its related uranium treatment project has several environmental advantages. Following the reprocessing of the material from the eight old tailings dams, the resultant waste material will be disposed of in two larger new tailings dams, to be built using modern, improved technology that incorporates stricter design and construction specifications and is more environmentally friendly. As material from these old dams is re-treated, the resultant tailings will be deposited onto the new larger tailings dams, the first of which will be full after eight years (hence the need for further capital in year 8) and the second of which will have enough capacity to see the project through to completion. This project is expected to create approximately 200 permanent jobs in the Free State.

Project Libra

Based on an extensive drilling programme undertaken in the vicinity of Evander, a planned surface retreatment project is being considered. Results from drilling done on three tailings dams (Kinross, Winkelhaak and Bracken/Leslie) indicate that a viable business case can be made for such a project, Project Libra. The three tailings dams contain 203 million tonnes of plant tailings at an average grade of 0.29g/t.

Having considered various options, it was decided to conduct an initial pre-feasibility study on a mini-retreatment (mini-Libra), lower tonnage option that makes use of spare capacity at the Kinross plant. This initial evaluation of the Kinross plant equipment and the available deposition sites has indicated that such an operation could be implemented at a cost of R126 million. If successful, the pre-feasibility study, scheduled for completion by December 2010, will be followed by a feasibility study that is due to be completed by May 2011. Should mini-Libra be approved, it will require a 12-month construction period. Estimates are that mini Libra will yield 370 kilograms (12 000 ounces) per annum at an operating cost of R126 300/kg over the 10-year duration of the operation.

Project TPM

Ore from Harmony's Free State mines contains uranium as a by-product of gold processing and the TPM Project envisages treating current arisings from the Tshepong, Phakisa and Masimong (TPM) mines primarily for uranium. The initial concept is to reroute the milled ore from these mines, which is treated at the Harmony 1 gold plant, to a uranium plant initially, from where, once the uranium has been extracted, the arisings will be returned to the gold plant for gold extraction. This has the added advantage of improving subsequent gold recovery rates.

A sampling programme was conducted over a period of 12 months and the results used to develop resource models for the TPM shafts. A comprehensive set of procedures relating to uranium sampling and assaying was also finalised. Environmental impact specialist studies on the building of a new uranium plant were completed and incorporated in the environmental management plan (EMP) that was submitted in March 2010.

A pilot flotation plant was constructed and flotation test work performed. The primary aim of the plant was to confirm sulphur recoveries and to optimise the reagent suite for uranium extraction, using live feed from the Harmony 1 plant.

Capital was approved for a feasibility study, which will include a resin-in-pulp demonstration plant, that is scheduled for completion in May 2011. The demonstration plant will start in October 2010 with the test work programme scheduled for completion by the end of December 2010. The feasibility study will develop and present a comprehensive and detailed description of the final optimised process and plant design for the project. Thereafter, and upon final project approval, the actual plant is scheduled to take two years to build, after which first production will begin.

The aim is to have plant that can extract 750 000 lbs/annum of U_3O_8 at a cost of around US$25/lb. The initial capital outlay is estimated to be around R1.4 billion.

In addition, studies to investigate the viability of extracting uranium from tailings facilities at Harmony's other Free State operations are under way. The most likely source of tailings for such a venture would be directly from the current gold tailings retreatment operation of Project Phoenix (Saaiplaas plant) and the envisaged Project Saints (St Helena).

Project TPM, South Africa

As at 30 June 2010, Harmony reported attributable mineral reserves of 48.1 million ounces and mineral resources of 189.2 million ounces. The measured and indicated mineral resources are inclusive of those resources modified to produce the mineral reserves. Mineral reserves are reported as mill delivered tonnes at the grade delivered to the mill. Of the company's 48.1 million ounces of mineral reserves, 9.9 million ounces are classified as being below infrastructure, i.e. capital expenditure for the development of these reserves into projects and ultimately mines has yet to be approved.

We use certain terms in this report such as 'measured', 'indicated' and 'inferred' resources, which the SEC guidelines strictly prohibit US-registered companies from including in their filings with the SEC. US investors are urged to consider closely the disclosure in our Form 20-F. We also use the term 'mineral reserves' herein which has the same meaning as 'ore reserves' as defined in the SAMREC Code.

Steps to improve the quality of our assets in line with Harmony's strategy have included:

- Closure of the Brand 3, Merriespruit 3, Harmony 2, Evander 2,5 and 7 shafts (a total of six shafts) as a result of the current economic situation making it no longer economically viable to operate;
- Continued investment in the exploration and development at the company's Phakisa, Kusasalethu, Doornkop and Hidden Valley growth projects, reaffirming their robust life-of-mine plans and reserve positions;
- Acquisition of the Free Sate assets of Pamodzi Gold Mining Limited which include President Steyn 1 and 2 shafts, Lorraine 3, Freddies 7 and 9, the President Steyn plant and surface stockpiles;
- The reassessment of the Evander operations and projects. Following a review of the economic viability of the Evander South project under various economic scenarios, it was decided to exclude it from Harmony's reserves, while the Libra project (the retreatment of Evander tailings) has been included in the reserve statement;
- An international exploration programme leading to the discovery of a new zone of mineralisation adjacent to the main Golpu resource in Papua New Guinea; and
- The sale of the Mount Magnet project, in Western Australia, so as to allow Harmony to focus on growing, developing and operating its portfolio of quality assets in Papua New Guinea.

Commodity prices

In converting mineral resources to mineral reserves the following parameters were applied:

- gold price of US$950/oz
- an exchange rate of US$/R8.19 for South African operations
- a gold price of R250 000/kg which is a function of the two parameters above
- for the Papua New Guinea operations held within Morobe Mining Joint Ventures, prices of AUD$1 000/oz (gold), AUD$15.33/oz (silver), AUD$5 883/ton (copper) and AUD$17.33 (molybdenum) were used with an exchange rate of PGK/AUD2.30.

Auditing

Harmony's mineral resources and mineral reserves were comprehensively audited by a team of internal competent persons that functions independently of the operating units. The internal audit team verifies compliance with the Harmony's standards in terms of blocking, valuation, classification, cut-off calculations and development of life-of-mine plans which support Harmony's annual mineral resource and mineral reserve statement. This audit process is specifically designed to ensure that Harmony complies with the requirements for internationally recognised procedures and standards such as:

- South African Code for Reporting Mineral Resources and Mineral Reserves – SAMREC Code
- Industry Guide 7 of the United States Securities Exchange Commission
- Sarbanes-Oxley requirements

In addition to the internal audits, Harmony's South African resources and reserves (excluding Rand Uranium (Pty) Ltd) were reviewed and audited by SRK Consulting Engineers and Scientists for compliance with the above. Harmony's Papua New Guinea mineral resources and mineral reserves were independently reviewed by AMC Consultants. for compliance with the standards set out in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Mineral Reserves – The JORC Code.

Mineral resources and mineral reserves cont.

Competent person's declaration

Harmony employs an ore reserve manager at each of its operations who takes responsibility for the reporting of the mineral resources and mineral reserves of the mines for which they are responsible.

The mineral resources and mineral reserves in this report are based on information compiled by the following competent persons:

Reserves and resources South Africa:

Jaco Boshoff, Pri.Sci.Nat who has 15 years' relevant experience and is registered with the South African Council for Natural Scientific Professions (SACNASP).

Reserves and resources PNG:

Michael Smith for the Wafi Golpu mineral resource,
Gregory Job for the Golpu mineral reserve,
James Francis for the Hidden Valley mineral resource and
Anton Kruger for the Hidden Valley mineral reserve.

Messrs Smith, Job, Francis and Kruger are corporate members of the Australian Institute of Mining and Metallurgy and have relevant experience in the type and style of mineralisation on which they report. They are 'Competent Persons' as defined by the code.

Gregory Job takes ultimate responsibility for the PNG operations.

These competent persons consent to the inclusion in the report of the matters based on the information in the form and context in which it appears. Mr Boshoff, Mr Smith and Mr Job are full-time employees of Harmony Gold Mining Company Limited Ltd. Mr Francis and Mr Kruger are full-time employees of Newcrest Mining Limited.

Jaco Boshoff

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South Africa

Gregory Job

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Milton
Queensland, 4064
Australia

Reconciliation FY09/FY10

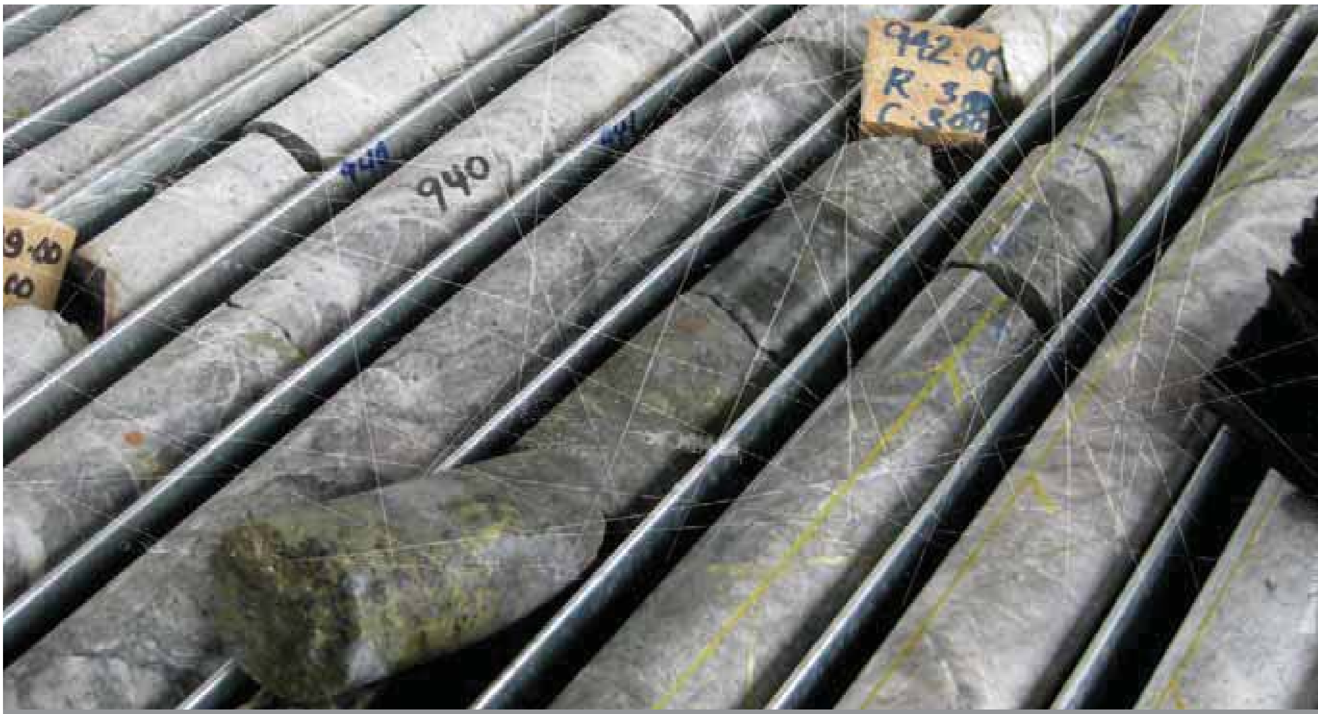
Mineral resources

Year-on-year, attributable mineral resources had a negative variance of 26.5 million ounces. This was mainly a result of the restructuring of operations in South Africa. Attributable mineral resources in PNG increased by 3.0 million ounces to 10.8 million ounces while South African mineral resources decreased by 29.5 million ounces to 178.4 million ounces.

Mineral reserves

Mineral reserves were maintained at 48.1 million ounces, as indicated in the table below.

	Gold (tonnes)	Gold (million oz)
Balance at June 2009	**1 498**	**48.2**
Reductions		
Mined during FY10	(54)	(1.7)
Mine closures	(13)	(0.4)
Projects (Evander South)	(53)	(1.7)
Geology and scope changes	(14)	(0.5)
Increases		
New acquisitions	36	1.2
Rand Uranium equity (40%)	37	1.1
Projects (Libra)	59	1.9
Balance at June 2010	**1 496**	**48.1**



Wafi Golpu, PNG

Summary tables: Harmony's mineral resources and mineral reserves

South Africa underground operations

Increasing level of geoscientific knowledge and confidence

Mineral resources (total)

Tonnes (Mt)	Grade g/t	Gold (000kg)	Gold (000oz)
784.1	5.45	4 275	137 452

Reported as in situ mineralisation estimates

Mineral reserves (total)

Tonnes (Mt)	Grade g/t	Gold (000kg)	Gold (000oz)
127.9	6.16	788	25 322

Reported as mineable production estimates

Inferred

Tonnes (Mt)	Grade g/t	Gold (000kg)	Gold (000oz)
452.4	4.53	2 049	65 887

Indicated

Tonnes (Mt)	Grade g/t	Gold (000kg)	Gold (000oz)
193.7	6.39	1 238	39 796

Probable

Tonnes (Mt)	Grade g/t	Gold (000kg)	Gold (000oz)
76.9	6.24	480	15 421

Measured

Tonnes (Mt)	Grade g/t	Gold (000kg)	Gold (000oz)
137.9	7.16	988	31 769

Proved

Tonnes (Mt)	Grade g/t	Gold (000kg)	Gold (000oz)
51.0	6.04	308	9 901

Consideration of mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors (the modifying factors)

South Africa projects (below infrastructure)

Increasing level of geoscientific knowledge and confidence

Mineral resources (total)

Tonnes (Mt)	Grade g/t	Gold (000kg)	Gold (000oz)
115.5	6.73	777	24 985

Reported as in situ mineralisation estimates

Mineral reserves (total)

Tonnes (Mt)	Grade g/t	Gold (000kg)	Gold (000oz)
42.3	7.28	308	9 895

Reported as mineable production estimates

Inferred

Tonnes (Mt)	Grade g/t	Gold (000kg)	Gold (000oz)
45.4	3.36	153	4 908

Indicated

Tonnes (Mt)	Grade g/t	Gold (000kg)	Gold (000oz)
70.1	8.90	624	20 077

Probable

Tonnes (Mt)	Grade g/t	Gold (000kg)	Gold (000oz)
42.3	7.28	308	9 895

Measured

Tonnes (Mt)	Grade g/t	Gold (000kg)	Gold (000oz)
–	–	–	–

Proved

Tonnes (Mt)	Grade g/t	Gold (000kg)	Gold (000oz)
–	–	–	–

Consideration of mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors (the modifying factors)

Mineral resources and mineral reserves cont.

Summary tables: Harmony's mineral resources and mineral reserves cont.

South Africa surface (including Kalgold)

Increasing level of geoscientific knowledge and confidence

Mineral resources (total)

Tonnes (Mt)	Grade g/t	Gold (000kg)	Gold (000oz)
1 638.0	0.30	495	15 928

Reported as in situ mineralisation estimates

Mineral reserves (total)

Tonnes (Mt)	Grade g/t	Gold (000kg)	Gold (000oz)
1 198.2	0.27	322	10 355

Reported as mineable production estimates

Inferred

Tonnes (Mt)	Grade g/t	Gold (000kg)	Gold (000oz)
234.1	0.32	74	2 392

Indicated

Tonnes (Mt)	Grade g/t	Gold (000kg)	Gold (000oz)
1 248.0	0.29	357	11 471

↔

Probable

Tonnes (Mt)	Grade g/t	Gold (000kg)	Gold (000oz)
1 145.7	0.26	295	9 494

Measured

Tonnes (Mt)	Grade g/t	Gold (000kg)	Gold (000oz)
155.9	0.41	64	2 065

↔

Proved

Tonnes (Mt)	Grade g/t	Gold (000kg)	Gold (000oz)
52.5	0.51	27	861

Consideration of mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors (the modifying factors)

Papua New Guinea*

Increasing level of geoscientific knowledge and confidence

Mineral resources (total)

Tonnes (Mt)	Grade g/t	Gold (000kg)	Gold (000oz)
373.4	0.90	336	10 809

Reported as in situ mineralisation estimates

Mineral reserves (total)

Tonnes (Mt)	Grade g/t	Gold (000kg)	Gold (000oz)
66.4	1.19	79	2 532

Reported as mineable production estimates

Inferred

Tonnes (Mt)	Grade g/t	Gold (000kg)	Gold (000oz)
256.4	0.67	172	5 530

Indicated

Tonnes (Mt)	Grade g/t	Gold (000kg)	Gold (000oz)
112.8	1.38	155	4 992

↔

Probable

Tonnes (Mt)	Grade g/t	Gold (000kg)	Gold (000oz)
62.6	1.13	71	2 272

Measured

Tonnes (Mt)	Grade g/t	Gold (000kg)	Gold (000oz)
4.3	2.07	9	287

↔

Proved

Tonnes (Mt)	Grade g/t	Gold (000kg)	Gold (000oz)
3.8	2.14	8	260

Consideration of mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors (the modifying factors)

** Represents Harmony's equity portion of 50%*

Harmony – total underground and surface (including below infrastructure)

Increasing level of geoscientific knowledge and confidence

Mineral resources (total)

Tonnes (Mt)	Grade g/t	Gold (000kg)	Gold (000oz)
2 911.1	2.02	5 884	189 174

Reported as in situ mineralisation estimates

Mineral reserves (total)

Tonnes (Mt)	Grade g/t	Gold (000kg)	Gold (000oz)
1 434.7	1.04	1 496	48 104

Reported as mineable production estimates

Inferred

Tonnes (Mt)	Grade g/t	Gold (000kg)	Gold (000oz)
988.3	2.48	2 448	78 717

Indicated

Tonnes (Mt)	Grade g/t	Gold (000kg)	Gold (000oz)
1624.6	1.46	2 374	76 336

Probable

Tonnes (Mt)	Grade g/t	Gold (000kg)	Gold (000oz)
1 327.4	0.87	1 153	37 082

Measured

Tonnes (Mt)	Grade g/t	Gold (000kg)	Gold (000oz)
298.2	3.56	1 061	34 121

Proved

Tonnes (Mt)	Grade g/t	Gold (000kg)	Gold (000oz)
107.3	3.20	343	11 022

Consideration of mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors (the modifying factors)

Hidden Valley, PNG

Mineral resources and mineral reserves cont.

Mineral resources statement (Metric)

Gold

	Measured			Indicated			Inferred			Total		
Operations	**Tonnes (Mt)**	**Grade (g/t)**	**Gold kg (000)**	**Tonnes (Mt)**	**Grade (g/t)**	**Gold kg (000)**	**Tonnes (Mt)**	**Grade (g/t)**	**Gold kg (000)**	**Tonnes (Mt)**	**Grade (g/t)**	**Gold kg (000)**
Free State												
Underground	78.8	8.75	690	90.8	8.76	795	229.5	6.01	1 380	399.1	7.18	2 865
Surface	–	–	–	971.9	0.24	234	206.9	0.24	49	1 178.8	0.24	283
Total	78.8	8.75	690	1 062.7	0.97	1 029	436.4	3.27	1 429	1 577.8	1.99	3 148
West Rand												
Underground	45.8	4.38	201	77.2	4.26	329	199.3	2.52	502	322.3	3.20	1 032
Evander												
Underground	3.8	14.01	53	3.7	15.48	57	13.1	11.15	146	20.6	12.46	256
Evander (below infrastructure)	–	–	–	70.1	8.90	624	45.4	3.36	153	115.5	6.73	777
Surface	–	–	–	202.9	0.29	59	–	–	–	202.9	0.29	59
Total	3.8	14.01	53	276.7	2.68	740	58.5	5.11	299	339.0	3.22	1 092
Rand Uranium[1]												
Underground	9.5	4.68	45	22.1	2.56	56	10.6	2.07	22	42.2	2.92	123
Surface	121.9	0.29	35	9.4	0.45	4	–	–	–	131.3	0.30	39
Total	131.4	0.60	80	31.5	1.93	60	10.6	2.07	22	173.5	0.93	162
Kalgold	34.0	0.86	29	63.8	0.94	60	27.2	0.93	25	125.0	0.92	114
SA												
Underground	137.9	7.16	989	263.9	7.06	1 861	497.9	4.42	2 203	899.7	5.62	5 053
Surface	155.9	0.41	64	1 248.0	0.29	357	234.1	0.32	74	1 638.0	0.30	495
Total	293.8	–	1 053	1 511.9	–	2 218	732	–	2 277	2 537.7	–	5 548
Papua New Guinea[2]	4.3	2.07	9	112.8	1.38	155	256.4	0.67	172	373.4	0.90	336
Grand total	**298.1**	**–**	**1 062**	**1 624.7**	**–**	**2 373**	**988.4**	**–**	**2 449**	**2 911.1**	**–**	**5 884**

Silver

	Measured			Indicated			Inferred			Total		
Operations	**Tonnes (Mt)**	**Grade (g/t)**	**Silver kg (000)**	**Tonnes (Mt)**	**Grade (g/t)**	**Silver kg (000)**	**Tonnes (Mt)**	**Grade (g/t)**	**Silver kg (000)**	**Tonnes (Mt)**	**Grade (g/t)**	**Silver kg (000)**
Papua New Guinea[2]												
Hidden Valley	4.2	35.00	147	33.1	33.40	1 105	10.9	31.10	340	48.2	33.02	1 592

Copper

	Measured			**Indicated**			**Inferred**			**Total**		
Operations	**Tonnes (Mt)**	**Grade (%)**	**Cu (Mkg)**	**Tonnes (Mt)**	**Grade (%)**	**Cu (Mkg)**	**Tonnes (Mt)**	**Grade (%)**	**Cu (Mkg)**	**Tonnes (Mt)**	**Grade (%)**	**Cu (Mkg)**
Papua New Guinea[2]												
Golpu	–	–	–	44.9	1.38	621	205.4	0.86	1 763	250.3	0.95	2 384
Nambonga	–	–	–	–	–	–	19.9	0.22	44	19.9	0.22	44
Total	–	–	–	44.9	1.38	621	225.3	0.80	1 807	270.2	0.90	2 428

Molybdenum

	Measured			**Indicated**			**Inferred**			**Total**		
Operations	**Tonnes (Mt)**	**Grade (ppm)**	**Mo (Mkg)**	**Tonnes (Mt)**	**Grade (ppm)**	**Mo (Mkg)**	**Tonnes (Mt)**	**Grade (ppm)**	**Mo (Mkg)**	**Tonnes (Mt)**	**Grade (ppm)**	**Mo (Mkg)**
Papua New Guinea[2]												
Golpu	–	–	–	44.9	107.72	5	205.4	111.33	23	250.3	110.68	28

Uranium

	Measured			**Indicated**			**Inferred**			**Total**		
	Tonnes (Mt)	**Grade (kg/t)**	**U_3O_8 (Mkg)**	**Tonnes (Mt)**	**Grade (kg/t)**	**U_3O_8 (Mkg)**	**Tonnes (Mt)**	**Grade (kg/t)**	**U_3O_8 (Mkg)**	**Tonnes (Mt)**	**Grade (kg/t)**	**U_3O_8 (Mkg)**
South Africa Underground												
Free State												
Masimong	9.7	0.284	3	10.7	0.278	3	76.7	0.238	18	97.1	0.247	24
Phakisa	0.5	0.160	0	22.2	0.196	4	12.7	0.196	2	35.4	0.196	6
Tshepong	0.3	0.209	0	3.5	0.198	1	33.3	0.160	5	37.1	0.164	6
Total	10.5	0.276	3	36.4	0.220	8	122.7	0.212	25	169.6	0.218	36
Rand Uranium[1]												
Cooke 2	3.5	0.243	1	6.8	0.228	2	1.1	0.224	0	11.4	0.232	3
Cooke 3	4.0	0.389	2	11.7	0.286	3	6.9	0.280	2	22.6	0.303	7
Total	7.5	0.321	3	18.5	0.265	5	8.0	0.273	2	34.0	0.279	10
Total SA Underground	18.0	0.295	6	54.9	0.235	13	130.7	0.216	27	203.6	0.228	46
South Africa Surface												
Free State Region	–	–	–	159.9	0.107	17	13.5	0.336	5	173.4	0.125	22
Rand Uranium[1]	24.5	0.206	5	31.2	0.097	3	–	–	–	55.7	0.145	8
Total SA Surface	24.5	0.206	5	191.1	0.105	20	13.5	0.336	5	229.1	0.130	30
Grand total	**42.5**	**–**	**11**	**246**	**–**	**33**	**144.2**	**–**	**32**	**432.7**	**–**	**76**

1 Represents Harmony's equity portion of 40%

2 Represents Harmony's equity portion of 50%

NB Rounding of numbers may result in slight computational discrepancies

Note: 1 tonne = 1 000 kg = 2 204 lbs

Mineral resources and mineral reserves cont.

Mineral resources statement (Imperial)

Gold

	Measured			Indicated			Inferred			Total		
Operations	**Tons (Mt)**	**Grade (oz/ton)**	**Gold oz (000)**	**Tons (Mt)**	**Grade (oz/ton)**	**Gold oz (000)**	**Tons (Mt)**	**Grade (oz/ton)**	**Gold oz (000)**	**Tons (Mt)**	**Grade (oz/ton)**	**Gold oz (000)**
Free State												
Underground	86.8	0.255	22 170	100.1	0.256	25 571	253.0	0.175	44 358	439.9	0.209	92 099
Surface	–	–	–	1 071.3	0.007	7 515	228.0	0.007	1 574	1 299.3	0.007	9 089
Total	86.8	0.255	22 170	1 171.4	0.028	33 086	481.0	0.095	45 932	1 739.2	0.058	101 188
West Rand												
Underground	50.5	0.128	6 455	85.0	0.124	10 573	219.7	0.073	16 141	355.2	0.093	33 169
Evander												
Underground	4.2	0.409	1 709	4.1	0.451	1 836	14.4	0.325	4 686	22.7	0.363	8 231
Evander (below infrastructure)	–	–	–	77.3	0.260	20 077	50.0	0.098	4 908	127.3	0.196	24 985
Surface	–	–	–	223.7	0.008	1 897	–	–	–	223.7	0.008	1 897
Total	4.2	0.409	1 709	305.1	0.078	23 810	64.4	0.149	9 594	373.7	0.094	35 113
Rand Uranium[1]												
Underground	10.5	0.137	1435	24.3	0.075	1816	11.6	0.060	702	46.4	0.085	3 953
Surface	134.4	0.008	1121	10.4	0.013	137	–	–	–	144.8	0.009	1 258
Total	144.9	0.018	2556	34.7	0.056	1953	11.6	0.060	702	191.2	0.027	5211
Kalgold	37.5	0.025	944	70.3	0.027	1922	30.0	0.027	818	137.8	0.027	3 684
SA												
Underground	152	0.209	31 769	290.8	0.206	59 873	548.7	0.129	70 795	991.5	0.164	162 437
Surface	171.9	0.012	2 065	1 375.7	0.008	11 471	258.0	0.009	2 392	1 805.6	0.009	15 928
Total	323.9	–	33 834	1 666.5	–	71 344	806.7	–	73 187	2 797.1	–	178 365
Papua New Guinea[2]	4.8	0.060	287	124.3	0.040	4 992	282.6	0.020	5 530	411.7	0.026	10 809
Grand total	**328.7**	**–**	**34 121**	**1 790.8**	**–**	**76 336**	**1 089.3**	**–**	**78 717**	**3 208.8**	**–**	**189 174**

Silver

	Measured			Indicated			Inferred			Total		
Operations	**Tons (Mt)**	**Grade (oz/ton)**	**Silver oz (000)**	**Tons (Mt)**	**Grade (oz/ton)**	**Silver oz (000)**	**Tons (Mt)**	**Grade (oz/ton)**	**Silver oz (000)**	**Tons (Mt)**	**Grade (oz/ton)**	**Silver oz (000)**
Papua New Guinea[2]												
Hidden Valley	4.6	1.021	4 739	36.5	0.974	35 537	12.0	0.907	10 920	53.1	0.963	51 196

Copper

	Measured			Indicated			Inferred			Total		
Operations	**Tons (Mt)**	**Grade (%)**	**Cu (Mlb)**	**Tons (Mt)**	**Grade (%)**	**Cu (Mlb)**	**Tons (Mt)**	**Grade (%)**	**Cu (Mlb)**	**Tons (Mt)**	**Grade (%)**	**Cu (Mlb)**
Papua New Guinea[2]												
Golpu	–	–	–	49.5	1.256	1 369	226.4	0.778	3 886	275.9	0.864	5 255
Nambonga	–	–	–	–	–	–	21.9	0.200	97	21.9	0.200	97
Total	–	–	–	49.5	1.256	1 369	248.3	0.727	3 983	297.8	0.815	5 352

Molybdenum

	Measured			Indicated			Inferred			Total		
Operations	**Tons (Mt)**	**Grade (lb/ton)**	**Mo (Mlb)**	**Tons (Mt)**	**Grade (lb/ton)**	**Mo (Mlb)**	**Tons (Mt)**	**Grade (lb/ton)**	**Mo (Mlb)**	**Tons (Mt)**	**Grade (lb/ton)**	**Mo (Mlb)**
Papua New Guinea[2]												
Golpu	–	–	–	49.5	0.215	11	226.4	0.223	50	275.9	0.221	61

Uranium

	Measured			Indicated			Inferred			Total		
	Tons (Mt)	**Grade (lb/ton)**	**U_3O_8 (Mlb)**	**Tons (Mt)**	**Grade (lb/ton)**	**U_3O_8 (Mlb)**	**Tons (Mt)**	**Grade (lb/ton)**	**U_3O_8 (Mlb)**	**Tons (Mt)**	**Grade (lb/ton)**	**U_3O_8 (Mlb)**
South Africa Underground												
Free State												
Masimong	10.7	0.567	6	11.8	0.556	7	84.6	0.475	40	107.1	0.493	53
Phakisa	0.5	0.320	0	24.4	0.393	10	14.0	0.393	5	38.9	0.392	15
Tshepong	0.3	0.417	0	3.8	0.396	2	36.7	0.320	12	40.8	0.328	14
Total	11.5	0.551	6	40.0	0.441	19	135.3	0.425	57	186.8	0.436	82
Rand Uranium[1]												
Cooke 2	3.9	0.486	2	7.5	0.455	3	1.2	0.447	1	12.6	0.464	6
Cooke 3	4.4	0.778	3	12.9	0.572	7	7.6	0.561	4	24.9	0.605	14
Total	8.3	0.642	5	20.4	0.529	11	8.8	0.546	5	37.5	0.558	20
Total SA Underground	19.8	0.589	11	60.4	0.471	30	144.1	0.432	62	224.3	0.456	102
South Africa Surface												
Free State Region	0.0	0.000	0	176.2	0.214	38	14.9	0.672	10	191.1	0.250	48
Rand Uranium[1]	27.0	0.412	11	34.4	0.194	7	0.0	0.000	0	61.4	0.290	18
Total SA Surface	27.0	0.412	11	210.6	0.211	45	14.9	0.672	10	252.5	0.259	66
Grand total	**46.8**	**–**	**22**	**271**	**–**	**75**	**159.0**	**–**	**72**	**476.8**	**–**	**168**

1 Represents Harmony's equity portion of 40%

2 Represents Harmony's equity portion of 50%

NB Rounding of numbers may result in slight computational discrepancies

Note: 1 ton = 907 kg = 2 000 lbs

Mineral resources and mineral reserves cont.

Mineral reserve statement (Metric)

Gold

	Proved			Probable			Total		
Operations	**Tonnes (Mt)**	**Gold Grade (g/t)**	**kg[1] (000)**	**Tonnes (Mt)**	**Gold Grade (g/t)**	**kg[1] (000)**	**Tonnes (Mt)**	**Gold Grade (g/t)**	**kg[1] (000)**
Free State									
Underground	32.5	5.98	194	45.1	6.46	291	77.6	6.26	485
Surface	–	–	–	926.5	0.24	224	926.5	0.24	224
Total	32.5	5.98	194	971.6	0.53	515	1 004.1	0.71	709
West Rand									
Underground	14.0	6.30	88	25.9	6.14	159	39.9	6.20	247
Evander									
Underground	2.2	7.20	16	1.6	9.12	15	3.8	8.00	31
Evander (below infrastructure)	–	–	–	42.3	7.28	308	42.3	7.28	308
Surface	–	–	–	202.9	0.29	59	202.9	0.29	59
Total	2.2	7.20	16	246.8	1.55	382	249.0	1.60	398
Rand Uranium[2]									
Underground	2.2	4.20	9	4.4	3.45	15	6.6	3.70	24
Surface	30.6	0.29	9	8.8	0.45	4	39.4	0.33	13
Total	32.8	0.55	18	13.2	1.45	19	46.0	0.81	37
Kalgold	21.9	0.82	18	7.5	1.07	8	29.4	0.88	26
SA									
Underground	50.9	6.04	307	119.3	6.61	788	170.2	6.44	1 095
Surface	52.5	0.51	27	1 145.7	0.26	295	1 198.2	0.27	322
Total	103.4	–	334	1 265	–	1 083	1 368.4	–	1 417
Papua New Guinea[3]	3.8	2.14	8	62.6	1.13	71	66.4	1.19	79
Grand total	**107.2**	**–**	**342**	**1 327.5**	**–**	**1 154**	**1 434.8**	**–**	**1 496**

Silver

	Proved			Probable			Total		
Operations	**Tonnes (Mt)**	**Grade (g/t)**	**Silver kg[1] (000)**	**Tonnes (Mt)**	**Grade (g/t)**	**Silver kg[1] (000)**	**Tonnes (Mt)**	**Grade (g/t)**	**Silver kg[1] (000)**
Papua New Guinea[3]									
Hidden Valley	3.8	35.58	134	24.3	35.52	862	28.1	35.53	996

Copper

	Proved			Probable			Total		
Operations	**Tonnes (Mt)**	**Grade (%)**	**Cu (Mkg[1])**	**Tonnes (Mt)**	**Grade (%)**	**Cu (Mkg[1])**	**Tonnes (Mt)**	**Grade (%)**	**Cu (Mkg[1])**
Papua New Guinea[3]									
Golpu	–	–	–	35.4	1.13	400	35.4	1.13	400

Molybdenum

	Proved			Probable			Total		
Operations	**Tonnes (Mt)**	**Grade (ppm)**	**Mo (Mkg[1])**	**Tonnes (Mt)**	**Grade (ppm)**	**Mo (Mkg[1])**	**Tonnes (Mt)**	**Grade (ppm)**	**Mo (Mkg[1])**
Papua New Guinea[3]									
Golpu	–	–	–	35.4	121.00	4	35.4	121.00	4

1 Metal figures are fully inclusive of all mining dilutions and gold losses, and are reported as mill delivered tonnes and head grades. Metallurgical recovery factors have not been applied to the reserve figures.

2 Represents Harmony's equity portion of 40%

3 Represents Harmony's equity portion of 50%

NB Rounding of numbers may result in slight computational discrepancies

Note: 1 tonne = 1 000 kg = 2 204 lbs

Tshepong, South Africa

Mineral resources and mineral reserves cont.

Mineral reserve statement (Imperial)

Gold

	Proved			Probable			Total		
Operations	**Tons (Mt)**	**Grade (oz/ton)**	**Gold oz[1] (000)**	**Tons (Mt)**	**Grade (oz/ton)**	**Gold oz[1] (000)**	**Tons (Mt)**	**Grade (oz/ton)**	**Gold oz[1] (000)**
Free State									
Underground	35.8	0.174	6 242	49.7	0.188	9 356	85.5	0.182	15 598
Surface	–	–	–	1 021.3	0.007	7 212	1 021.3	0.007	7 212
Total	35.8	0.174	6 242	1 071.0	0.015	16 568	1 106.8	0.021	22 810
West Rand									
Underground	15.5	0.184	2 840	28.5	0.179	5 111	44.0	0.181	7 951
Evander									
Underground	2.5	0.210	520	1.8	0.266	470	4.3	0.234	990
Evander (below infrastructure)	–	–	–	46.6	0.212	9895	46.6	0.212	9 895
Surface	–	–	–	223.7	0.008	1 897	223.7	0.008	1 897
Total	2.5	0.210	520	272.1	0.045	12 262	274.6	0.047	12 782
Rand Uranium[2]									
Underground	2.4	0.122	299	4.8	0.100	484	7.2	0.108	783
Surface	33.8	0.008	286	9.7	0.013	127	43.5	0.010	413
Total	36.2	0.016	585	14.5	0.042	611	50.7	0.024	1 196
Kalgold	24.1	0.024	575	8.3	0.031	258	32.4	0.026	833
SA									
Underground	56.2	0.176	9 901	131.4	0.193	25 316	187.6	0.188	35 217
Surface	57.9	0.015	861	1 263	0.008	9 494	1 320.9	0.008	10 355
Total	114.1	–	10 762	1 394.4	–	34 810	1 508.5	–	45 572
Papua New Guinea[3]	4.2	0.062	260	69.0	0.033	2 272	73.1	0.035	2 532
Grand total	**118.3**	**–**	**11 022**	**1 463.4**	**–**	**37 082**	**1 581.6**	**–**	**48 104**

Silver

	Proved			Probable			Total		
Operations	**Tons (Mt)**	**Grade (oz/ton)**	**Silver oz (000)**	**Tons (Mt)**	**Grade (oz/ton)**	**Silver oz (000)**	**Tons (Mt)**	**Grade (oz/ton)**	**Silver oz (000)**
Papua New Guinea[3]									
Hidden Valley	4.2	1.038	4 320	26.8	1.036	27 726	31	1.036	32 046

Copper

	Proved			Probable			Total		
Operations	**Tons (Mt)**	**Grade (%)**	**Cu (Mlb)**	**Tons (Mt)**	**Grade (%)**	**Cu (Mlb)**	**Tons (Mt)**	**Grade (%)**	**Cu (Mlb)**
Papua New Guinea[3]									
Golpu	–	–	–	39.0	1.025	882	39.0	1.025	882

Molybdenum

	Proved			Probable			Total		
Operations	**Tons (Mt)**	**Grade (lb/ton)**	**Mo (Mlb)**	**Tons (Mt)**	**Grade (lb/ton)**	**Mo (Mlb)**	**Tons (Mt)**	**Grade (lb/ton)**	**Mo (Mlb)**
Papua New Guinea[3]									
Golpu	–	–	–	39.0	0.231	9	39.0	0.231	9

1 Metal figures are fully inclusive of all mining dilutions and gold losses, and are reported as mill delivered tonnes and head grades. Metallurgical recovery factors have not been applied to the reserve figures.

2 Represents Harmony's equity portion of 40%

3 Represents Harmony's equity portion of 50%

NB Rounding of numbers may result in slight computational discrepancies

Note: 1 ton = 907 kg = 2 000 lbs

Wafi Golpu, PNG

Free State operations

Geology

Harmony's Free State operations are located on the south-western corner of the Witwatersrand Basin, between the towns of Allanridge, Welkom, Theunissen and Virginia. The basin, situated on the Kaapvaal Craton, has been filled by a 6-kilometre thick succession of sedimentary rocks, which extends laterally for hundreds of kilometres.

The Free State goldfield is divided into two sections, cut by the north-south striking De Bron Fault. This major structure has a vertical displacement of about 1 500 metres in the region of Bambanani, as well as a lateral shift of 4 kilometres. This lateral shift can allow a reconstruction of the orebodies of Unisel to the west of the De Bron Fault and Merriespruit to the east. A number of other major faults (Stuirmanspan, Dagbreek, Arrarat and Eureka) lie parallel to the De Bron Fault.

To the west of the De Bron, the mines and shafts currently in operation are Target, Tshepong, Phakisa, Nyala, Unisel, Bambanani and Joel. Dips are mostly towards the east, averaging 30 degrees but become steeper as they approach the De Bron Fault. To the east of the fault lie Merriespruit 1 and Masimong. These mostly dip towards the west at 20 degrees, although Masimong is structurally complex and dips of up to 40 degrees have been measured. Between these two blocks lies the uplifted horst block of West Rand Group sediments with no reef preserved.

The western margin area is bound by synclines and reverse thrust faults and is structurally complex. Towards the south and east, reefs sub-crop against overlying strata, eventually cutting out against the Karoo to the east of the lease area.

Most of the mineral resource tends to be concentrated in reef bands located on one or two distinct unconformities. A smaller portion of the mineral resource is located on other unconformities. Mining that has taken place is mostly deep-level underground mining, exploiting the narrow, generally shallow dipping tabular reefs.

The Basal Reef is the most common reef horizon and is mined at all shafts except Target and Joel. It varies from a single pebble lag to channels of more than 2 metres thick. It is commonly overlain by shale, which thickens northwards. Tshepong has resorted to undercutting of its mining panels to reduce the effect of shale dilution.

The second major reef is the Leader Reef, located 15-20 metres above the Basal Reef. This is mined mostly at shafts to the south – Unisel and Merriespruit 1. Further north, it becomes poorly developed with erratic grades. The reef consists of multiple conglomerate units, separated by thin quartzitic zones, often up to 4 metres thick. A selected mining cut on the most economic horizon is often undertaken.

The B Reef is a highly channelised orebody located 140 metres stratigraphically above the Basal Reef. Because of its erratic nature, it is only mined at Masimong and Tshepong. Within the channels, grades are excellent, but this reduces to nothing outside of the channels. Consequently, both shafts have undertaken extensive exploration to locate these pay channels.

The A Reef is also a highly channelised reef, located some 40 metres above the B Reef. This is currently only mined at Harmony 2 and Brand, although an extensive channel lies along the western margin from Nyala to Lorraine. It consists of multiple conglomerate bands of up to 4 metres thick and a selected mining cut is usually required to optimise the orebody.

Joel Mine, located 30 kilometres south of Welkom, is the only Harmony Free State operation to mine the Beatrix Reef. This varies from a single-pebble lag to a multiple conglomerate, often showing mixing of the reef with some of the overlying lower grade VS5 (mixed pebble conglomerate) material. None of the other reefs are present this far south, having sub-cropped against the Beatrix Reef.

The Target operations are located at the northern extent of the Free State goldfields, some 20 kilometres north of Welkom. The reefs currently exploited are the Elsburg-Dreyerskuil conglomerates, which form a wedge-shaped stacked package, comprising 35 separate reef horizons, often separated by quartzite beds. The Elsburg Reefs are truncated by an unconformity surface at the base of the overlying Dreyerskuil Member. Below the sub-crop, the Elsburg dips steeply to the east, with dips becoming progressively shallower down dip. Close to the sub-outcrop, the thickness of the intervening quartzites reduces, resulting in the Elsburg Reefs coalescing to form composite reef packages that are exploited by massive mining techniques at the Target mine. The Dreyerskuil also consists of stacked reefs dipping shallowly to the east. These reefs tend to be less numerous, but more laterally extensive than the underlying Elsburg Reefs.

Gold – Mineral resources

	Measured				Indicated				Inferred				Total			
Operations	**Tonnes (Mt)**	**g/t**	**Gold (000 kg)**	**Gold (000 oz)**	**Tonnes (Mt)**	**g/t**	**Gold (000 kg)**	**Gold (000 oz)**	**Tonnes Mt)**	**g/t**	**Gold (000 kg)**	**Gold (000 oz)**	**Tonnes (Mt)**	**g/t**	**Gold (000 kg)**	**Gold (000 oz)**
Underground																
Bambanani																
Bambanani	11.7	11.47	134	4 318	3.2	9.75	31	1 009	1.0	10.67	11	356	15.9	11.07	176	5 683
Steyn 2	3.2	11.49	37	1 190	0.7	12.04	8	272	0.9	10.01	9	284	4.8	11.30	54	1 746
Total	14.9	11.47	171	5 508	3.9	10.16	39	1 281	1.9	10.37	20	640	20.7	11.12	230	7 429
Joel	5.0	6.85	34	1 096	5.5	7.27	40	1 276	12.5	6.06	76	2 439	23.0	6.52	149	4 811
Masimong 5	11.1	7.68	85	2 732	6.0	7.09	43	1 371	79.7	5.89	469	15 073	96.8	6.17	597	19 176
Phakisa	4.6	7.06	33	1 052	25.7	10.90	279	8 986	60.7	6.69	407	13 074	91.0	7.90	719	23 112
Target																
Target 1	5.4	10.11	55	1 770	14.4	7.37	106	3 411	5.1	6.32	32	1 038	24.9	7.75	193	6 219
Target 3	7.1	9.83	70	2 240	10.1	8.67	88	2 827	5.5	6.85	38	1 210	22.7	8.59	196	6 277
Total	12.5	9.95	125	4 010	24.5	7.91	194	6 238	10.6	6.59	70	2 248	47.6	8.15	389	12 496
Tshepong	12.8	11.00	141	4 527	12.5	10.90	136	4 371	11.3	9.55	108	3 473	36.6	10.52	385	12 371
Virginia																
Merriespruit 1	8.1	5.47	44	1 417	3.3	4.21	14	444	35.4	3.88	137	4 410	46.8	4.18	195	6 271
Unisel	9.8	5.82	57	1 828	9.4	5.29	50	1 604	17.3	5.39	93	3 001	36.5	5.48	200	6 433
Total	17.9	5.66	101	3 245	12.7	5.01	64	2 048	52.7	4.37	230	7 411	83.3	4.75	395	12 704
Total Free State Underground	78.8	8.75	690	22 170	90.8	8.76	795	25 571	229.4	6.01	1 380	44 358	399.0	7.18	2 864	92 099
Surface																
Free State Surface																
Phoenix	–	–	–	–	92.4	0.30	28	899	1.2	0.22	0	9	93.6	0.30	28	908
St Helena	–	–	–	–	288.5	0.25	72	2 319	–	–	–	–	288.5	0.25	72	2 319
Waste rock dumps	–	–	–	–	9.0	0.56	5	162	22.0	0.49	11	345	31.0	0.51	16	507
Slimes dams	–	–	–	–	582.0	0.22	129	4 135	183.6	0.21	38	1,220	765.6	0.22	167	5 355
Total Free State Surface	–	–	–	–	971.9	0.24	234	7 515	206.8	0.24	49	1 574	1 178.7	0.24	283	9 089
Grand total	**78.8**	**–**	**690**	**22 170**	**1 062.7**	**–**	**1 029**	**33 086**	**436.2**	**–**	**1 429**	**45 932**	**1 577.7**	**–**	**3 147**	**101 188**

Mineral resources and mineral reserves cont.

Free State operations cont.

Uranium – Mineral resources

	Measured				Indicated				Inferred				Total			
Operations	**Tonnes (Mt)**	**kg/t**	**U_3O_8 (Mkg)**	**U_3O_8 (Mlb)**	**Tonnes (Mt)**	**kg/t**	**U_3O_8 (Mkg)**	**U_3O_8 (Mlb)**	**Tonnes Mt)**	**kg/t**	**U_3O_8 (Mkg)**	**U_3O_8 (Mlb)**	**Tonnes (Mt)**	**kg/t**	**U_3O_8 (Mkg)**	**U_3O_8 (Mlb)**
Underground																
Masimong 5	9.7	0.28	3	6	10.7	0.28	3	7	76.7	0.24	18	40	97.1	0.25	24	53
Phakisa	0.5	0.16	0	0	22.2	0.20	4	10	12.7	0.20	2	5	35.4	0.20	6	15
Tshepong	0.3	0.21	0	0	3.5	0.20	1	2	33.3	0.16	5	12	37.1	0.16	6	14
Total Free State Underground	10.5	0.28	3	6	36.4	0.22	8	19	122.7	0.21	25	57	169.6	0.22	36	82
Surface	0.0	0.00	–	0	159.9	0.11	17	38	13.5	0.34	5	10	173.4	0.12	22	48
Total Free State Surface	0.0	0.00	–	0	159.9	0.11	17	38	13.5	0.34	5	10	173.4	0.12	22	48
Grand total	**10.5**	**0.28**	**3**	**6**	**196.3**	**0.13**	**25**	**56**	**136.2**	**0.22**	**30**	**67**	**343**	**0.17**	**58**	**130**

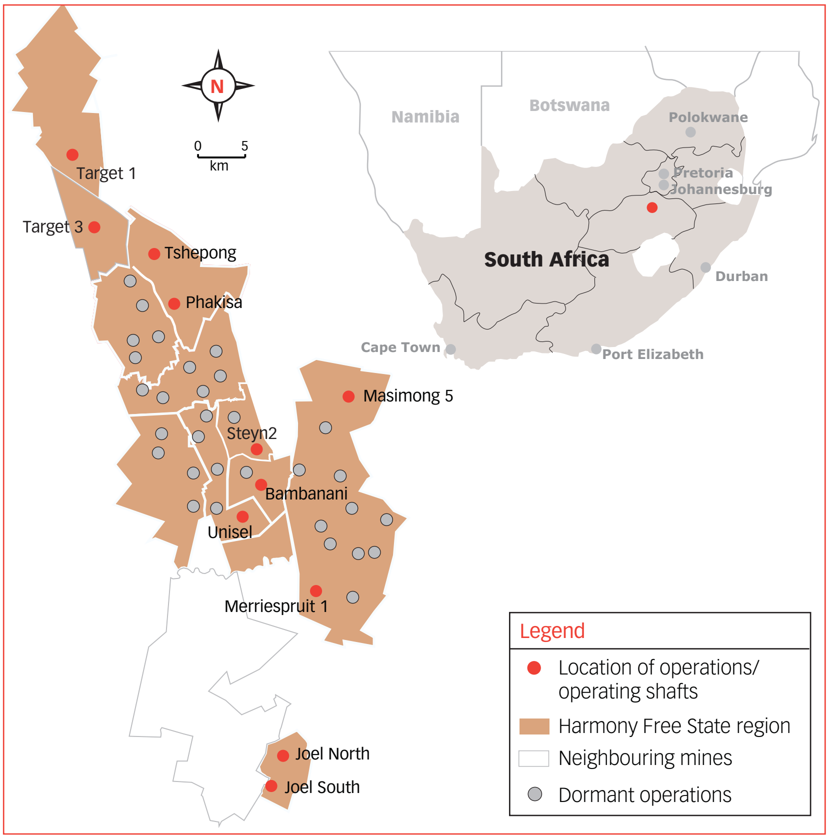
Modifying factors

Operations	MCF (%)	SW (cm)	MW (cm)	PRF (%)
Bambanani	82	187	206	96
Steyn 2	81	142	173	96
Joel	88	150	176	95
Masimong 5	68	135	156	96
Phakisa	82	106	127	96
Target 3	76	100	119	96
Tshepong	66	105	130	96
Merriespruit 1	68	173	214	94
Unisel	76	186	203	95

MCF = Mine call factor
MW = Milling width
SW = Stoping width
PRF = Plant recovery factor

Operations	MCF (%)	PRF (%)
Target 1	100	96
Free State (Phoenix)	100	55
Free State (St Helena)	100	55
Free State (Other)	100	55

MCF = Mine call factor
PRF = Plant recovery factor



Gold – Mineral reserves

	Proved				Probable				Total			
Operations	Tonnes (Mt)	g/t	Gold (000 kg)	Gold (000 oz)	Tonnes (Mt)	g/t	Gold (000 kg)	Gold (000 oz)	Tonnes (Mt)	g/t	Gold (000 kg)	Gold (000 oz)
Underground												
Bambanani												
Bambanani	3.9	10.41	40	1 301	–	–	–	–	3.9	10.41	40	1 301
Steyn 2	0.5	7.26	3	105	0.1	6.95	1	25	0.6	7.20	4	130
Total	4.4	10.08	43	1 406	0.1	6.95	1	25	4.5	10.00	44	1 431
Joel	1.2	6.25	7	240	1.5	5.61	8	264	2.7	5.90	15	504
Masimong 5	5.4	5.11	28	894	1.9	5.09	10	306	7.3	5.10	38	1 200
Phakisa	0.6	4.65	3	94	19.4	8.13	158	5 065	20.0	8.02	161	5 159
Target												
Target 1	4.0	5.50	22	702	7.6	4.49	34	1 104	11.6	4.84	56	1 806
Target 3	1.0	7.59	8	252	3.6	6.33	23	743	4.6	6.61	31	995
Total	5.0	5.93	30	954	11.2	5.08	57	1 847	16.2	5.34	87	2 801
Tshepong	13.1	5.33	70	2 247	9.4	5.36	51	1 626	22.5	5.34	121	3 873
Virginia												
Merriespruit 1	0.4	4.01	2	58	0.1	3.55	0	9	0.5	3.94	2	67
Unisel	2.3	4.71	11	349	1.4	4.67	7	214	3.7	4.70	18	563
Total	2.7	4.60	13	407	1.5	4.62	7	223	4.2	4.60	20	630
Total Free State Underground	32.4	5.98	194	6 242	45	6.46	292	9 356	77.4	6.26	486	15 598
Surface												
Free State Surface												
Phoenix	–	–	–	–	92.4	0.30	28	899	92.4	0.30	28	899
St Helena	–	–	–	–	288.5	0.25	72	2 319	288.5	0.25	72	2 319
Waste rock dumps	–	–	–	–	5.1	0.61	3	99	5.1	0.61	3	99
Slimes dams	–		–	–	540.5	0.22	121	3 895	540.5	0.22	121	3 895
Total Free State Surface	–	–	–	–	926.5	0.24	224	7 212	926.5	0.24	224	7 212
Grand total	**32.4**	**–**	**194**	**6 242**	**971.5**	**–**	**516**	**16 568**	**1 003.90**	**–**	**710**	**22 810**

West Rand

Doornkop

Geology

The structure of the West Rand goldfield is dominated by the Witpoortjie and Panvlakte Horst blocks, which are superimposed over broad folding associated with the south-east plunging West Rand syncline. At the Doornkop mine, both the Kimberley Reef and the South Reef are exploited.

The Doornkop shaft lease area is bounded by and lies to the south-east of the major north-easterly striking Roodepoort Fault, which dips to the south and constitutes the southern edge of the Witpoortjie Horst Block or Gap. This Horst Block is comprised of the stratigraphically older sediments of the West Rand Group, the overlying Central Rand Group sediments having been removed by erosion. A number of other faults, forming part of and lying south-east of the Roodepoort Fault, including the Saxon Fault, also constitute conspicuous structural breaks. A second major fault, the Doornkop Fault, which trends in an east-west direction occurs towards the southern portion of the lease area. This fault dips to the south and has an up-throw to the north.

Nearly the entire upper Witwatersrand section is present in the Doornkop lease area and therefore all the major zones are present, though, due to the distance of the area from the fan head, the number of economic bands and their payability is limited. Eight of the well-known reefs are present in the area, but only the Kimberley Reef and South Reef are considered viable at this stage.

The resource is concentrated in the Kimberley and South Reefs. The Kimberley Reef is contained in the Vlakfontein member of the Westonaria Formation. This reef, also known as the K9 Reef horizon, rests on an unconformity and is a complex multi-pulse conglomerate, which can be separated into four facies or cycles. All four cycles consist on average of an upper conglomerate and a lower quartzite. The characteristics of every cycle are area-dependent and the grades are variable within each cycle.

The South Reef is approximately 900 metres below the current Kimberley Reef mining area, and between 7.5 and 60 metres above the Main Reef horizon. The hanging wall to the South Reef consists of siliceous quartzites with non-persistent bands of 'blue-shot' grit and thin argillite partings. The footwall to the South Reef is a light coloured and fairly siliceous quartzite. Secondary conglomerate bands and stringers in the hanging wall and footwall of the South Reef may contain sporadic gold values.

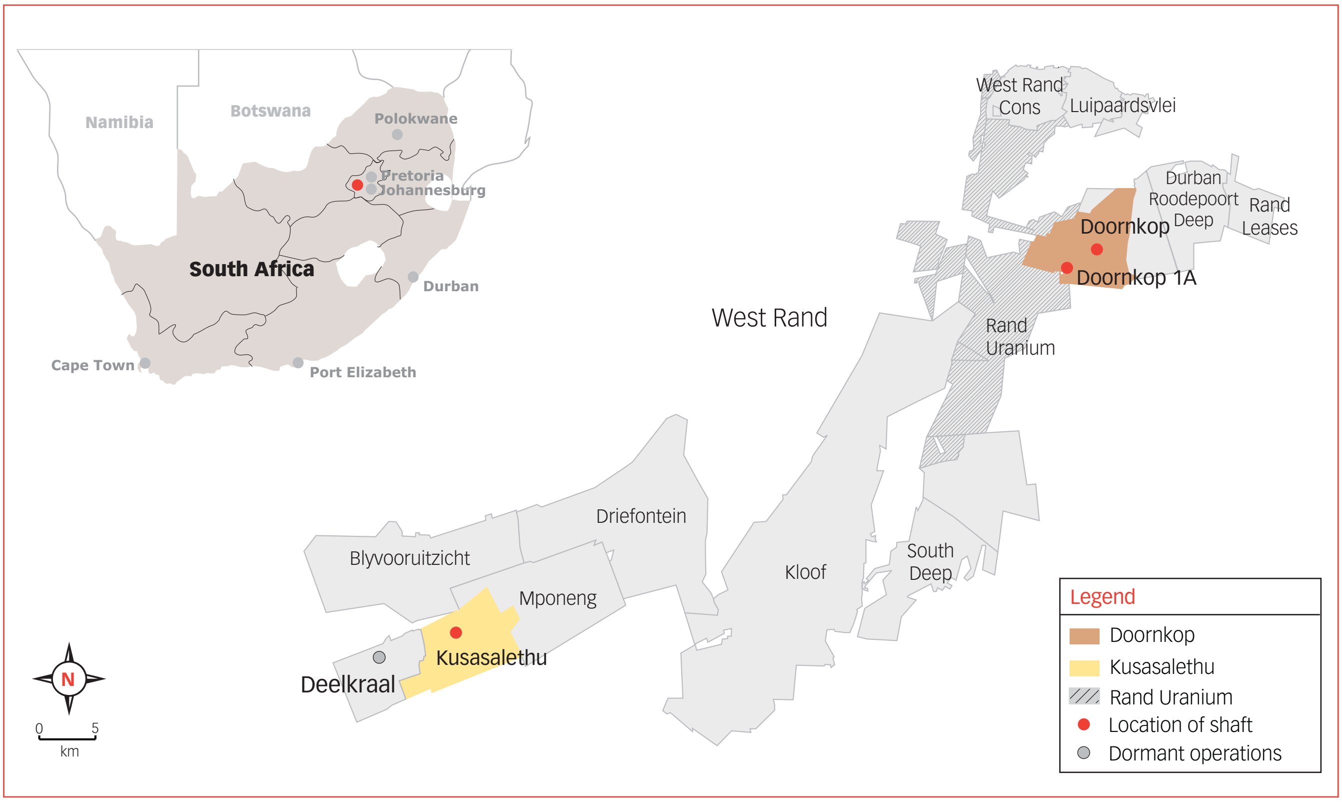
The general strike of the reef is east-west, with a dip from 10 to 20 degrees. The orebody at Doornkop has a strike length of 4 kilometres and a width of 4 kilometres from west to east.

Kusasalethu

Geology

The structure of the orebody on the Far West Rand is dominated by a series of east-trending normal faults with throws of up to 40 metres, as well as a series of north-north-east striking normal faults with generally smaller displacements in the north-west. Faulting is generally less prevalent than in other Witwatersrand Basin goldfields. The primary reefs exploited are the Ventersdorp Contact Reef (VCR) and the Carbon Leader, which are 900 to 1 300 metres apart, increasing from east to west. Secondary targets are the Middelvlei Reef (50 to 75 metres above the Carbon Leader) and the Mondeor Conglomerate Reef Zone, which sub-crops beneath the VCR at Deelkraal and on the western side of Kusasalethu.

Mineral resources and mineral reserves cont.



Doornkop

Gold – Mineral resources

	Measured				Indicated				Inferred				Total			
Operations	**Tonnes (Mt)**	**g/t**	**Gold (000 kg)**	**Gold (000 oz)**	**Tonnes (Mt)**	**g/t**	**Gold (000 kg)**	**Gold (000 oz)**	**Tonnes Mt)**	**g/t**	**Gold (000 kg)**	**Gold (000 oz)**	**Tonnes (Mt)**	**g/t**	**Gold (000 kg)**	**Gold (000 oz)**
Underground																
Doornkop																
Kimberley Reef	31.8	2.22	71	2 269	50.4	1.86	93	3 006	177.9	1.81	321	10 335	260.1	1.87	486	15 610
South Reef	1.0	7.08	7	229	1.9	6.42	12	398	20.0	8.35	167	5 366	22.9	8.13	186	5 993
Grand total	**32.8**	**2.37**	**78**	**2 498**	**52.3**	**2.01**	**105**	**3 404**	**197.9**	**2.47**	**488**	**15 701**	**283.0**	**2.37**	**672**	**21 603**

Modifying factors

Operations	MCF (%)	SW (cm)	MW (cm)	PRF (%)
Doornkop				
Kimberley Reef	95	434	434	95
South Reef	75	124	151	95

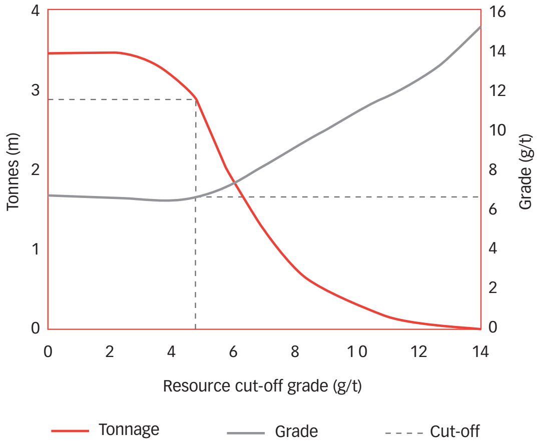
MCF = Mine call factor
SW = Stoping width
MW = Milling width
PRF = Plant recovery factor

Gold – Mineral reserves

	Proved				Probable				Total			
Operations	**Tonnes (Mt)**	**g/t**	**Gold (000 kg)**	**Gold (000 oz)**	**Tonnes (Mt)**	**g/t**	**Gold (000 kg)**	**Gold (000 oz)**	**Tonnes (Mt)**	**g/t**	**Gold (000 kg)**	**Gold (000 oz)**
Underground												
Doornkop												
Kimberley Reef	0.9	1.79	2	53	1.0	2.16	2	68	1.9	1.98	4	121
South Reef	0.7	5.06	3	107	1.5	4.41	7	209	2.1	4.61	10	316
Grand total	**1.6**	**3.13**	**5**	**160**	**2.5**	**3.6**	**9**	**277**	**4.0**	**3.5**	**14**	**437**

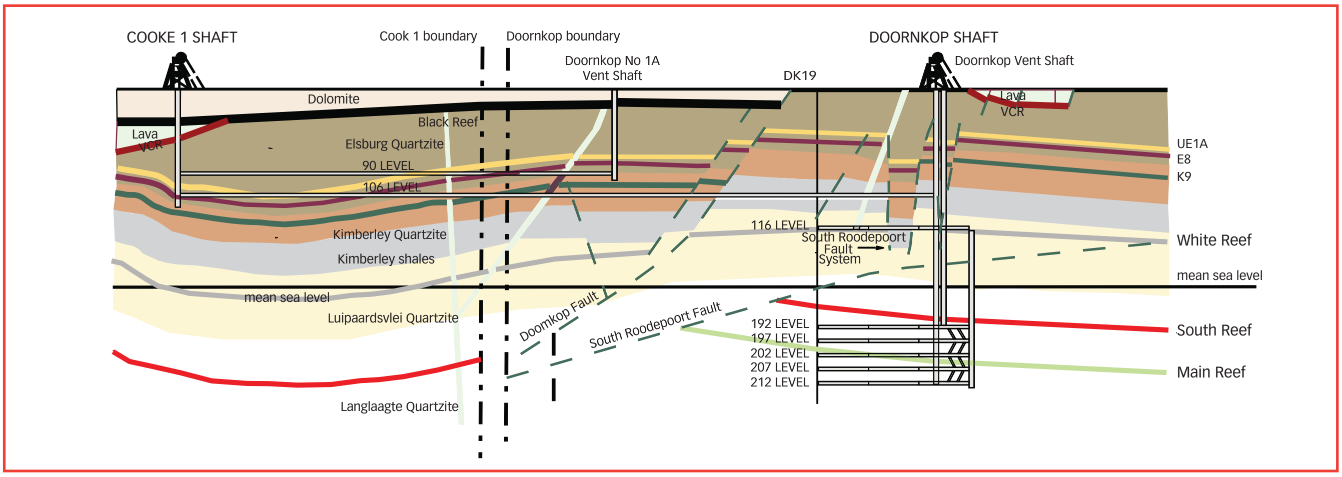
Doornkop South Reef: Grade tonnage curve

(measured and indicated resources)



Cooke 1/Doornkop geological section looking west

Not to scale



Kusasalethu

Gold – Mineral resources

	Measured				Indicated				Inferred				Total			
Operations	**Tonnes (Mt)**	**g/t**	**Gold (000 kg)**	**Gold (000 oz)**	**Tonnes (Mt)**	**g/t**	**Gold (000 kg)**	**Gold (000 oz)**	**Tonnes Mt)**	**g/t**	**Gold (000 kg)**	**Gold (000 oz)**	**Tonnes (Mt)**	**g/t**	**Gold (000 kg)**	**Gold (000 oz)**
Underground																
Kusasalethu	13.0	9.46	123	3 957	24.8	8.97	223	7 169	1.5	9.35	14	440	39.3	9.15	360	11 566
Grand total	**13.0**	**9.46**	**123**	**3 957**	**24.8**	**8.97**	**223**	**7 169**	**1.5**	**9.35**	**14**	**440**	**39.3**	**9.15**	**360**	**11 566**

Modifying factors

Operations	MCF (%)	SW (cm)	MW (cm)	PRF (%)
Kusasalethu	87	129	158	96

MCF = Mine call factor
SW = Stoping width
MW = Milling width
PRF = Plant recovery factor

Gold – Mineral reserves

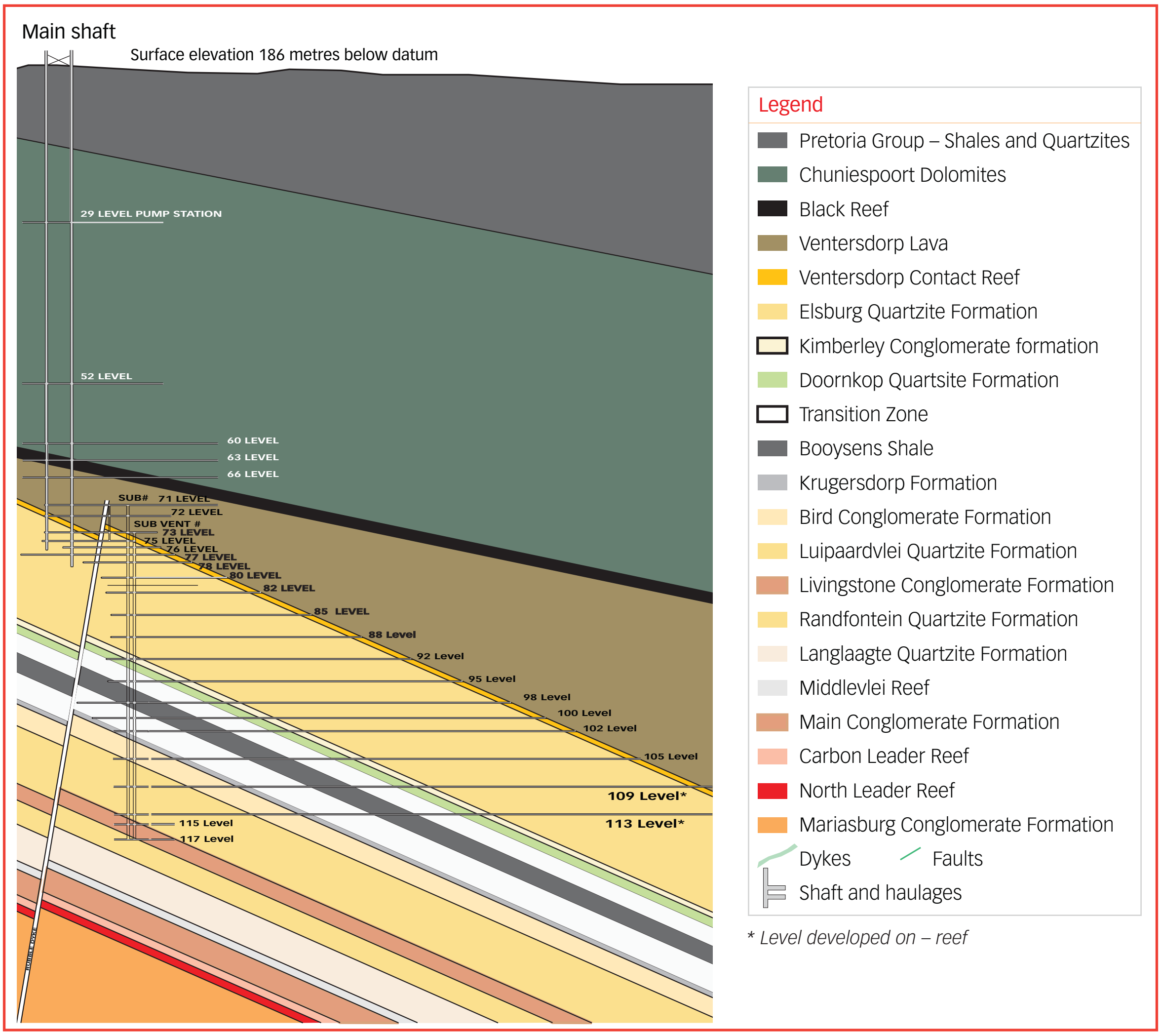
	Proved				Probable				Total			
Operations	**Tonnes (Mt)**	**g/t**	**Gold (000 kg)**	**Gold (000 oz)**	**Tonnes (Mt)**	**g/t**	**Gold (000 kg)**	**Gold (000 oz)**	**Tonnes (Mt)**	**g/t**	**Gold (000 kg)**	**Gold (000 oz)**
Underground												
Kusasalethu	12.4	6.70	83	2 680	23.4	6.42	150	4 834	35.9	6.51	234	7 514
Grand total	**12.4**	**6.70**	**83**	**2 680**	**23.4**	**6.42**	**150**	**4 834**	**35.9**	**6.51**	**234**	**7 514**

Hidden Valley, PNG

Mineral resources and mineral reserves cont.

Kusasalethu cont.

Kusasalethu – Section through main shaft and sub-shaft looking east – Not to scale



Doornkop, South Africa

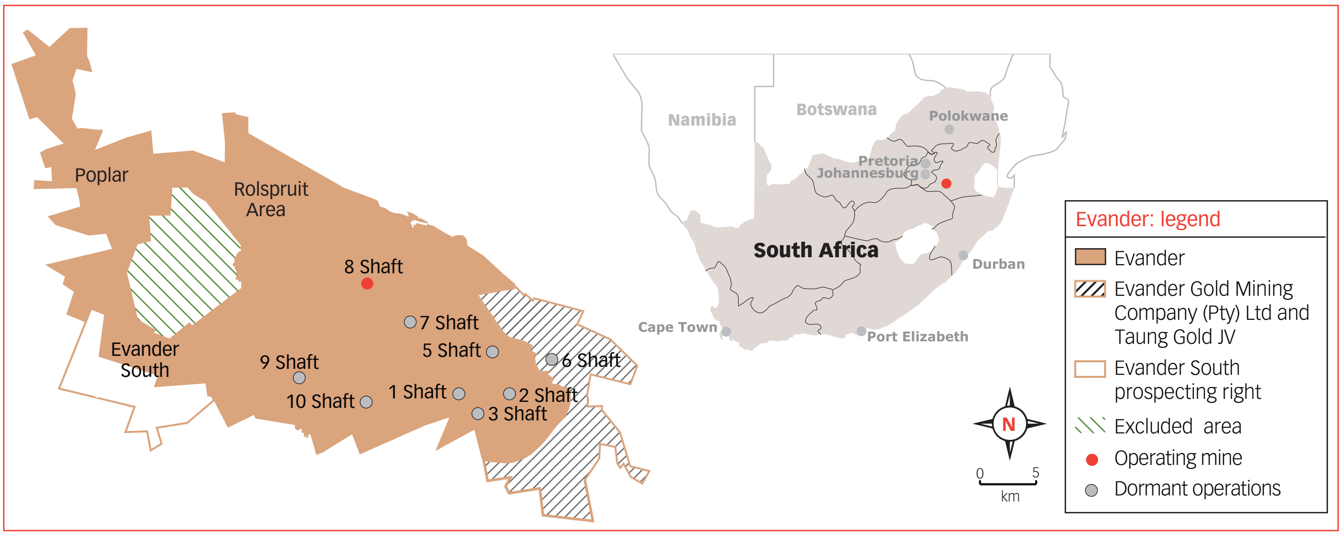
Mineral resources and mineral reserves cont.

East Rand

Evander

Geology

The Evander Basin is a tectonically preserved sub-basin outside the main Witwatersrand Basin and forms an asymmetric syncline, plunging to the north-east. It is structurally complex with a series of east-north-east striking normal faults. At the south-east margin of the basin, vertically to locally overturned reef is present. The only economic reef horizon exploited in the Evander Basin is the Kimberley Reef. The Intermediate Reef is generally poorly mineralised, except where it erodes the sub-cropping Kimberley Reef to the south and west of the basin.



Gold – Mineral resources

	Measured				Indicated				Inferred				Total			
Operations	**Tonnes (Mt)**	**g/t**	**Gold (000 kg)**	**Gold (000 oz)**	**Tonnes (Mt)**	**g/t**	**Gold (000 kg)**	**Gold (000 oz)**	**Tonnes Mt)**	**g/t**	**Gold (000 kg)**	**Gold (000 oz)**	**Tonnes (Mt)**	**g/t**	**Gold (000 kg)**	**Gold (000 oz)**
Underground																
Evander 8	3.7	14.02	52	1 659	3.6	15.51	56	1 805	12.4	11.13	138	4 446	19.7	12.47	246	7 910
Evander 9	0.1	13.69	2	50	0.1	13.99	1	31	0.6	11.57	7	240	0.8	12.07	10	321
Total	3.8	14.2	54	1 709	3.7	15.48	57	1 836	13	11.15	145	4 686	20.5	12.46	256	8 231
Projects - Below Infrastructure																
Evander South	–	–	–	–	23.9	5.35	128	4 107	40.4	3.08	125	4 006	64.3	3.92	253	8 113
Rolspruit	–	–	–	–	29.1	11.59	337	10 847	4.9	5.69	28	902	34.0	10.74	365	11 749
Poplar	–	–	–	–	17.2	9.28	159	5 123	–	–	–	–	17.2	9.28	159	5 123
Total	–	–	–	–	70.2	8.90	624	20 077	45.3	3.36	153	4 908	115.5	6.73	776	24 985
Subtotal	3.8	14.01	53	1 709	73.9	9.23	681	21 913	58.3	5.11	298	9 594	136	7.59	1 032	33 216
Surface																
Libra Project	–	–	–	–	202.9	0.29	59	1 897	–	–	–	–	202.9	0.29	59	1 897
Total	–	–	–	–	202.9	0.29	59	1 897	–	–	–	–	202.9	0.29	59	1 897
Grand total	**3.8**	**14.01**	**53**	**1 709**	**276.8**	**2.68**	**740**	**23 810**	**58.3**	**5.11**	**298**	**9 594**	**338.9**	**3.22**	**1 091**	**35 113**

Modifying factors

Operations	MCF (%)	SW (cm)	MW (cm)	PRF (%)
Evander 8	74	120	169	96
Rolspruit	80	110	137	95
Poplar	70	110	139	95

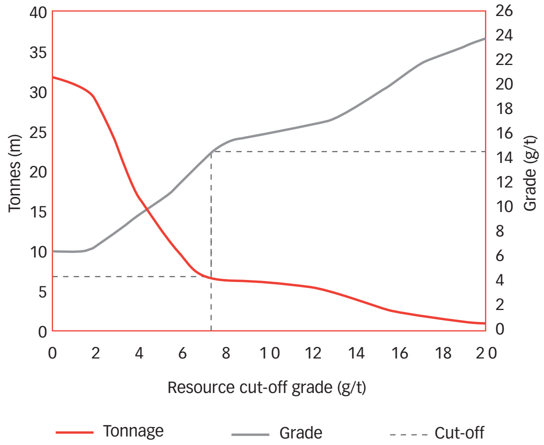
MCF = Mine call factor *MW = Milling width*
SW = Stoping width *PRF = Plant recovery factor*

Operations	MCF (%)	PRF (%)
Libra Project	100	45

MCF = Mine call factor *PRF = Plant recovery factor*

Evander: Grade tonnage curve

(measured and indicated resources)



Gold – Mineral reserves

	Proved				Probable				Total			
Operations	Tonnes (Mt)	g/t	Gold (000 kg)	Gold (000 oz)	Tonnes (Mt)	g/t	Gold (000 kg)	Gold (000 oz)	Tonnes (Mt)	g/t	Gold (000 kg)	Gold (000 oz)
Underground												
Evander 8	2.2	7.20	16	520	1.6	9.12	15	470	3.8	8.00	31	990
Total	2.2	7.20	16	520	1.6	9.12	15	470	3.8	8.00	31	990
Projects - Below Infrastructure												
Rolspruit	–	–	–	–	26.2	8.08	211	6 790	26.2	8.08	211	6 790
Poplar	–	–	–	–	16.1	5.99	97	3 105	16.1	5.99	97	3 105
Total	–	–	–	–	42.3	7.28	308	9 895	42.3	7.28	308	9 895
Subtotal	2.2	7.20	16	520	43.9	7.35	323	10 365	46.1	7.34	339	10 885
Surface												
Libra Project	–	–	–	–	202.9	0.29	59	1 897	202.9	0.29	59	1 897
Total	–	–	-	–	202.9	0.29	59	1 897	202.9	0.29	59	1 897
Grand total	**2.2**	**7.20**	**16**	**520**	**246.8**	**1.55**	**382**	**12 262**	**249.0**	**1.60**	**398**	**12 782**

Far West

Kalgold

Geology

The Kalgold operation is located within the Kraaipan Greenstone Belt, 60 kilometres south of Mafikeng. This belt is part of the larger Amalia-Kraaipan Greenstone terrain, consisting of north trending linear belts of Archaean meta-volcanic and metasedimentary rocks, separated by granitoid units. Mineralisation occurs in shallow dipping quartz veins, which occur in clusters or swarms, within the steeply dipping magnetitechert banded iron formation. Disseminated sulphide mineralisation, dominated mostly by pyrite, occurs around and between the shallow dipping quartz vein swarms. The D Zone, the largest orebody encountered here, has been extensively mined within a single open-pit operation, along a strike length of 1 300 metres. Mineralisation has also been found in the Mielie Field Zone (adjacent to the D Zone), the A Zone and A Zone West (along strike to the north of the D Zone), and the Watertank and Windmill areas to the north of the A Zone.

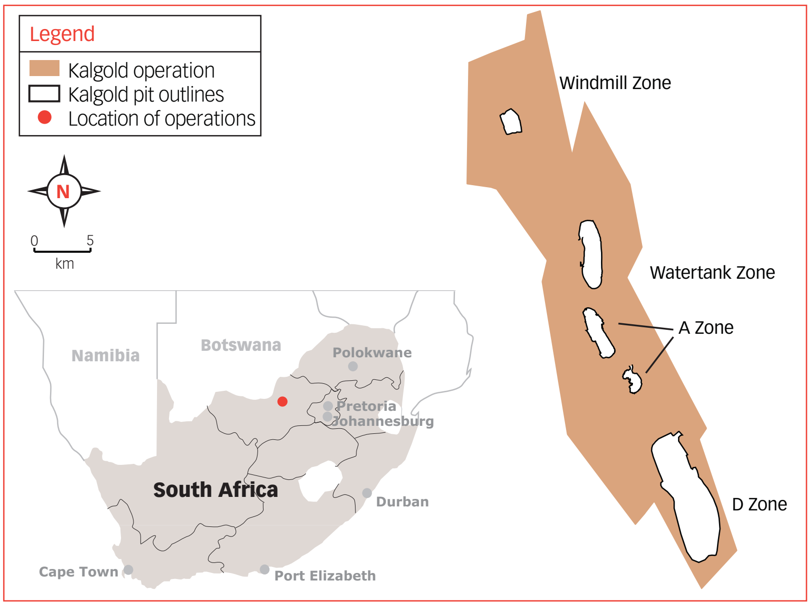
Gold – Mineral resources

	Measured				Indicated				Inferred				Total			
Operations	**Tonnes (Mt)**	**g/t**	**Gold (000 kg)**	**Gold (000 oz)**	**Tonnes (Mt)**	**g/t**	**Gold (000 kg)**	**Gold (000 oz)**	**Tonnes Mt)**	**g/t**	**Gold (000 kg)**	**Gold (000 oz)**	**Tonnes (Mt)**	**g/t**	**Gold (000 kg)**	**Gold (000 oz)**
Kalgold	34.0	0.86	29	944	63.8	0.94	60	1 922	27.2	0.93	25	818	125.0	0.92	115	3 684
Grand total	**34.0**	**0.86**	**29**	**944**	**63.8**	**0.94**	**60**	**1 922**	**27.2**	**0.93**	**25**	**818**	**125.0**	**0.92**	**115**	**3 684**

Modifying factors

Operations	**MCF (%)**	**Dilution (%)**	**PRF (%)**
Kalgold	100	2	85

MCF = Mine call factor *PRF = Plant recovery factor*



Gold – Mineral reserves

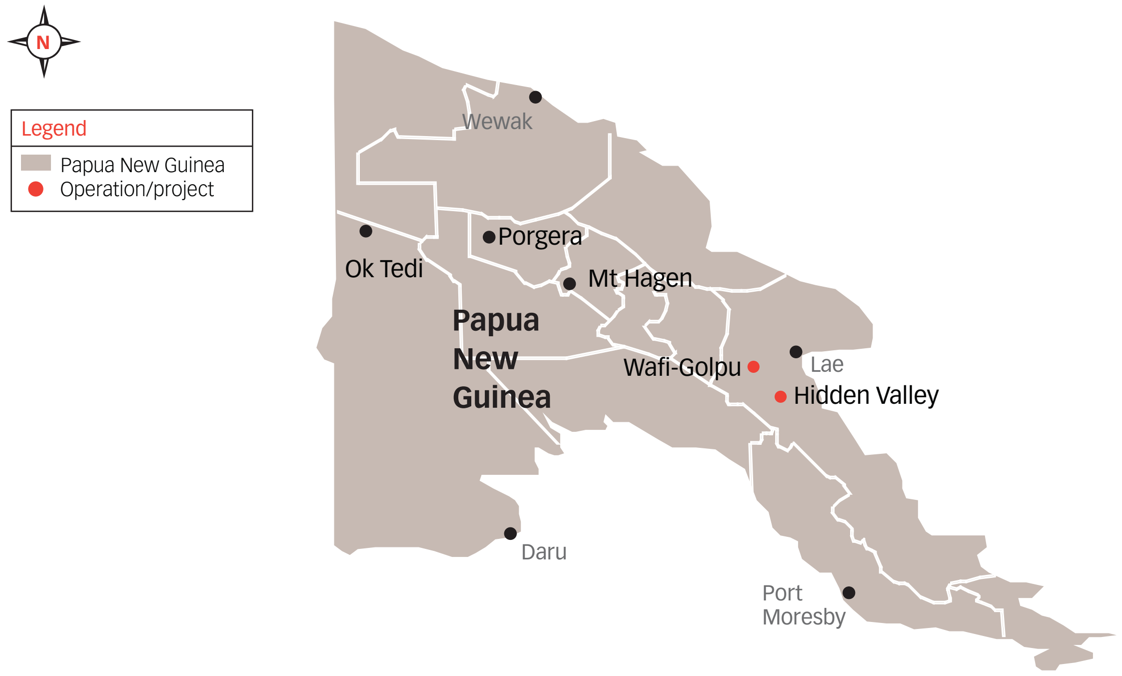
	Proved				Probable				Total			
Operations	**Tonnes (Mt)**	**g/t**	**Gold (000 kg)**	**Gold (000 oz)**	**Tonnes (Mt)**	**g/t**	**Gold (000 kg)**	**Gold (000 oz)**	**Tonnes (Mt)**	**g/t**	**Gold (000 kg)**	**Gold (000 oz)**
Kalgold	21.9	0.82	18	575	7.5	1.07	8	258	29.4	0.88	26	833
Grand total	**21.9**	**0.82**	**18**	**575**	**7.5**	**1.07**	**8**	**258**	**29.4**	**0.88**	**26**	**833**

Papua New Guinea

Mineral resources and mineral reserves

Geology

PNG lies at the northern end of the Australian Plate and has three major components: a continental cratonic platform, an arc of volcanic islands and a central collisional fold belt, consisting of Mesozoic sediments, ophiolite sequences, tertiary sediments and diorite intrusions. During collision, the Wau Graben, the host of major gold and silver deposits, was formed in the fold belt. It coincided with a phase of volcanic activity, resulting in precious and base metals deposits being formed. These include epithermal gold deposits at Hidden Valley, Hamata, Kerimenge and Wafi and porphyry-style copper deposits such as Golpu. Numerous other gold and copper-gold prospects, which are at various stages of exploration and evaluation, occur on Harmony's lease areas.



Note: The mineral resources and mineral reserves detailed in the following tables represent Harmony's 50% equity portion of the Morobe Mining Joint Ventures.

Gold – Mineral resources

	Measured				Indicated				Inferred				Total			
Operations	Tonnes (Mt)	g/t	Gold (000 kg)	Gold (000 oz)	Tonnes (Mt)	g/t	Gold (000 kg)	Gold (000 oz)	Tonnes Mt)	g/t	Gold (000 kg)	Gold (000 oz)	Tonnes (Mt)	g/t	Gold (000 kg)	Gold (000 oz)
Hidden Valley	4.2	2.08	9	282	33.1	1.71	57	1 819	10.9	1.28	14	449	48.2	1.64	80	2 550
Hamata	0.1	1.71	–	5	2.9	2.34	7	221	0.4	2.82	1	37	3.3	2.38	8	263
Wafi	–	–	–	–	31.9	1.97	63	2 017	19.8	1.73	34	1 099	51.7	1.88	97	3 116
Golpu	–	–	–	–	44.9	0.65	29	935	205.4	0.52	107	3 440	250.3	0.54	136	4 375
Nambonga	–	–	–	–	–	–	–	–	19.9	0.79	16	505	19.9	0.79	16	505
Grand total	**4.3**	**2.07**	**9**	**287**	**112.8**	**1.38**	**156**	**4 992**	**256.4**	**0.67**	**172**	**5 530**	**373.4**	**0.90**	**337**	**10 809**

Mineral resources and mineral reserves cont.

Papua New Guinea – Mineral resources and mineral reserves cont.

Modifying factors

Operations	MCF (%)	PRF (%)
Hidden Valley	95	91
Hamata	95	92
Golpu	100	56

MCF = Mine call factor *PRF = Plant recovery factor*

Gold – Mineral reserves

	Proved				Probable				Total			
Operations	Tonnes (Mt)	g/t	Gold (000 kg)	Gold (000 oz)	Tonnes (Mt)	g/t	Gold (000 kg)	Gold (000 oz)	Tonnes (Mt)	g/t	Gold (000 kg)	Gold (000 oz)
Hidden Valley	3.8	2.14	8	260	24.3	1.99	43	1 382	28.1	1.82	51	1 642
Hamata	–	–	–	–	2.9	2.00	6	196	2.9	2.10	6	196
Golpu	–	–	–	–	35.4	0.61	22	694	35.4	0.61	22	694
Grand total	**3.8**	**2.14**	**8**	**260**	**62.6**	**1.13**	**71**	**2 272**	**66.4**	**1.19**	**79**	**2 532**

Silver – Mineral resources

	Measured				Indicated				Inferred				Total			
Operations	Tonnes (Mt)	g/t	Silver (000 kg)	Silver (000 oz)	Tonnes (Mt)	g/t	Silver (000 kg)	Silver (000 oz)	Tonnes Mt)	g/t	Silver (000 kg)	Silver (000 oz)	Tonnes (Mt)	g/t	Silver (000 kg)	Silver (000 oz)
Hidden Valley	4.2	35.00	147	4 739	33.1	33.40	1 105	35 537	10.9	31.10	340	10 920	48.2	33.02	1 592	51 196
Grand total	**4.2**	**35.00**	**147**	**4 739**	**33.1**	**33.40**	**1 105**	**35 537**	**10.9**	**31.10**	**340**	**10 920**	**48.2**	**33.02**	**1,592**	**51 196**

Modifying factors

Operations	MCF (%)	PRF (%)
Hidden Valley	100	77

MCF = Mine call factor *PRF = Plant recovery factor*

Silver – Mineral reserves

	Proved				Probable				Total			
Operations	**Tonnes (Mt)**	**g/t**	**Silver (000 kg)**	**Silver (000 oz)**	**Tonnes (Mt)**	**g/t**	**Silver (000 kg)**	**Silver (000 oz)**	**Tonnes (Mt)**	**g/t**	**Silver (000 kg)**	**Silver (000 oz)**
Hidden Valley	3.8	35.58	134	4 320	24.3	35.52	862	27 726	28.1	35.53	997	32,046
Grand total	**3.8**	**35.58**	**134**	**4 320**	**24.3**	**35.52**	**862**	**27 726**	**28.1**	**35.53**	**997**	**32 046**

Copper – Mineral resources

	Measured				Indicated				Inferred				Total			
Operations	**Tonnes (Mt)**	**%**	**Cu (Mkg)**	**Cu (Mlb)**	**Tonnes (Mt)**	**%**	**Cu (Mkg)**	**Cu (Mlb)**	**Tonnes Mt)**	**%**	**Cu (Mkg)**	**Cu (Mlb)**	**Tonnes (Mt)**	**%**	**Cu (Mkg)**	**Cu (Mlb)**
Golpu	–	–	–	–	44.9	1.38	621	1 369	205.4	0.86	1 763	3 886	250.3	0.95	2 384	5 255
Nambonga	–	–	–	–	–	–	–	–	19.9	0.22	44	97	19.9	0.22	44	97
Grand total	**–**	**–**	**–**	**–**	**44.9**	**1.38**	**621**	**1 369**	**225.3**	**0.80**	**1 807**	**3 983**	**270.2**	**0.90**	**2 428**	**5 352**

Modifying factors

Operations	**MCF (%)**	**PRF (%)**
Golpu	100	88

MCF = Mine call factor *PRF = Plant recovery factor*

Copper – Mineral reserves

	Proved				Probable				Total			
Operations	**Tonnes (Mt)**	**%**	**Cu (Mkg)**	**Cu (Mlb)**	**Tonnes (Mt)**	**%**	**Cu (Mkg)**	**Cu (Mlb)**	**Tonnes (Mt)**	**%**	**Cu (Mkg)**	**Cu (Mlb)**
Golpu	–	–	–	–	35.4	1.13	400	882	35.4	1.13	400	882
Grand total	**–**	**–**	**–**	**–**	**35.4**	**1.13**	**400**	**882**	**35.4**	**1.13**	**400**	**882**

Molybdenum – Mineral resources

	Measured				Indicated				Inferred				Total			
Operations	**Tonnes (Mt)**	**ppm**	**Mo (Mkg)**	**Mo (Mlb)**	**Tonnes (Mt)**	**ppm**	**Mo (Mkg)**	**Mo (Mlb)**	**Tonnes Mt)**	**ppm**	**Mo (Mkg)**	**Mo (Mlb)**	**Tonnes (Mt)**	**ppm**	**Mo (Mkg)**	**Mo (Mlb)**
Golpu	–	–	–	–	44.9	107.72	5	11	205.4	111.33	23	50	250.3	110.68	28	61
Grand total	**–**	**–**	**–**	**–**	**44.9**	**107.72**	**5**	**11**	**205.4**	**111.33**	**23**	**50**	**250.3**	**110.68**	**28**	**61**

Mineral resources and mineral reserves cont.

Papua New Guinea – Mineral resources and mineral reserves cont.

Modifying factors

Operations	MCF (%)	PRF (%)
Golpu	100	36

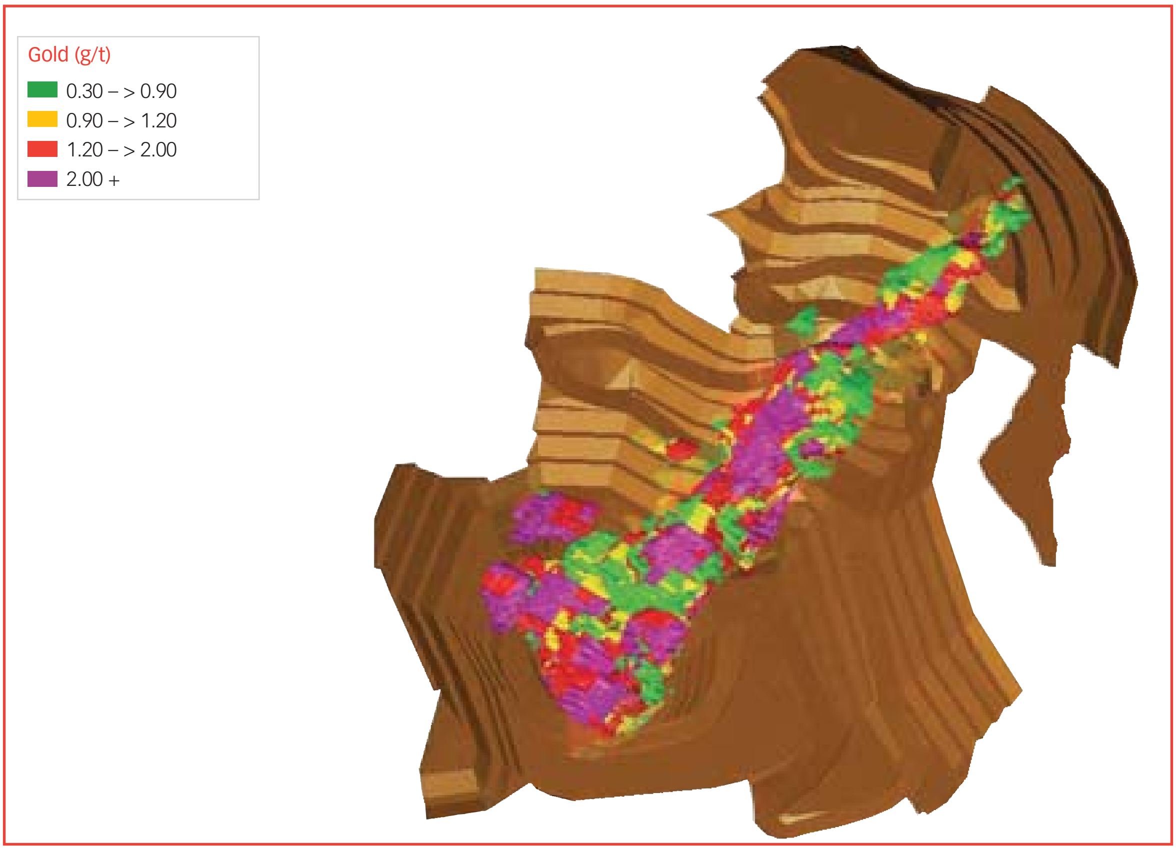
MCF = Mine call factor *PRF = Plant recovery factor*

Molybdenum – Mineral reserves

	Proved				Probable				Total			
Operations	Tonnes (Mt)	ppm	Mo (Mkg)	Mo (Mlb)	Tonnes (Mt)	ppm	Mo (Mkg)	Mo (Mlb)	Tonnes (Mt)	ppm	Mo (Mkg)	Mo (Mlb)
Golpu	–	–	–	–	35.4	121.00	4	9	35.4	121.00	4	9
Grand total	**–**	**–**	**–**	**–**	**35.4**	**121.00**	**4**	**9**	**35.4**	**121.00**	**4**	**9**

Hamata open pit

Hidden Valley



Mineral resources and mineral reserves cont.

Appendix

Reporting code

Harmony uses the South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves (SAMREC Code), which sets out the internationally recognised procedures and standards for reporting of mineral resources and ore/mineral reserves in South Africa. This code was developed by the South African Institute of Mining and Metallurgy and is the recommended guideline for reserve and resource reporting for companies listed on the JSE Limited. Harmony's reporting of its Australian and PNG mineral resources and mineral reserves also complies with the Australian Code for the Reporting of Mineral Resources and Mineral Reserves (JORC code) of the Australian Institute of Mining and Metallurgy. This code is materially the same as the SAMREC code. In reporting reserves, distinct cognisance has also been taken of Industry Guide 7 of the United States Securities Exchange Commission.

Definitions as per the SAMREC code

Mineral resources

A **mineral resource** is a concentration (or occurrence) of material of economic interest in or on the earth's crust in such form, quality and quantity that there are reasonable and realistic prospects for eventual economic extraction. The location, quantity, grade, continuity and other geological characteristics of a mineral resource are known, estimated from specific geological evidence and knowledge, or are interpreted from a well constrained and portrayed geological model.

Mineral resources are sub-divided in order of increasing confidence in respect of geoscientific evidence into inferred, indicated and measured categories.

An **inferred mineral resource** is that part of a mineral resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and sampling, and assumed but not verified geologically and/or through analysis of grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that may be limited or of uncertain quality and reliability.

An **indicated mineral resource** is that part of a mineral resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and the testing of information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed.

A **measured mineral resource** is that part of a mineral resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity.

Mineral reserves

A **mineral reserve** is the economically mineable material derived from a measured and/or indicated mineral resource. It includes diluting and contaminating materials and allows for losses that are expected to occur when the material is mined. Appropriate assessments to a minimum of a pre-feasibility study for a project, or a life of mine plan for an operation, must have been carried out, including consideration of, and modification by, realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors (the modifying factors). Such modifying factors must be disclosed.

A **probable mineral reserve** is the economically mineable material derived from a measured and/or indicated mineral resource. It is estimated with a lower level of confidence than a proved mineral reserve. It includes diluting and contaminating materials and allows for losses that are expected to occur when the material is mined. Appropriate assessments to a minimum of a pre-feasibility study for a project, or a life of mine plan for an operation, must have been carried out, including consideration of, and modification by, realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. Such modifying factors must be disclosed.

A **proved mineral reserve** is the economically mineable material derived from a measured mineral resource. It is estimated with a high level of confidence. It includes diluting and contaminating materials and allows for losses that are expected to occur when the material is mined. Appropriate assessments to a minimum of a pre-feasibility study for a project, or a life of mine plan for an operation, must have been carried out, including consideration of, and modification by, realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. Such modifying factors must be disclosed.

Harmony reporting in compliance with SAMREC

In order to meet the requirements of the SAMREC code that the material reported as a mineral resource should have "reasonable and realistic prospects for eventual economic extraction", Harmony has determined an appropriate cut-off grade which has been applied to the quantified mineralised body according to a process incorporating a long-term view on future economic modifying factors. In applying this process, Harmony uses a gold price of R370 000/kg to derive a cut-off grade to determine the mineral resources at each of its South African underground operations. Mineral resources have been estimated on the basis of geoscientific knowledge with input from the company's mineral reserve managers, geologists and geostatistical staff. Each mine's mineral resources are categorised, blocked-out and ascribed an estimated value. At most mines computerised geostatistical estimation processes are used.

In order to define that portion of a measured and indicated mineral resource that can be converted to a proved and probable mineral reserve, Harmony applies the concept of a cut-off grade. At our underground South African mines, this is done by defining the optimal cut-off as the lowest grade at which an orebody can be mined such that the total profits, under a specified set of mining parameters, are maximised. The cut-off grade is determined using the company's Optimiser software which requires the following as input: the database of measured and indicated resource blocks (per shaft section); an assumed gold price which, for this mineral reserve statement, was taken as R250 000/kg; planned production rates; the mine recovery factor (MRF) which is equivalent to the mine call factor (MCF) multiplied by the plant recovery factor (PRF); and planned cash operating costs (rand per tonne). Rand per tonne cash operating costs are historically based but take cognisance of distinct changes in the cost environment such as restructuring, right-sizing, and other cost reduction initiatives, and for below-infrastructure ounces, an estimate of capital expenditure.

The block cave reserve at Golpu in PNG uses PCBC software to define the optimal mine plan and sequencing. The open-pit reserve at Hidden Valley in PNG is constrained by the capacity of the tailings storage facility with the Whittle optimisation programme guiding the most efficient mine design given this constraint.

The mineral reserves represent that portion of the measured and indicated resources above cutoff in the life-of-mine plan and have been estimated after consideration of the factors affecting extraction, including mining, metallurgical, economic, marketing, legal, environmental, social, and governmental factors.

A range of disciplines, including geology, survey, planning, mining engineering, rock engineering, metallurgy, financial management, human resources management and environmental management, has been involved at each mine in the life-of-mine planning process and the conversion of resources into reserves.

The modifying factors related to the oreflow that are used to convert the mineral resources to mineral reserves through the life-of-mine planning process are stated for each individual shaft. For these factors, historical information is used, except if there is a valid reason to do otherwise. As a result of the depth at which mining occurs and the resulting rock engineering requirements at our South African underground mines, some shafts include stope support pillars into the design of their mining layouts which accounts for discounts of 7% to 10%. A further 15% discount is applied as a life-of-mine factor to provide for unpay and off-reef mining. In general, life-of-mine plan extraction factors do not exceed 85% and are reflected in the mineral reserves.

Glossary of geological terms

Below infrastructure	That part of a company's mineral reserve that can only be accessed following certain capital expenditure which has yet to be approved.
Craton	A part of the earth's crust that has attained stability and has been little deformed for a long period of geological time.
Diorite	A group of plutonic rocks intermediate in composition between acidic and basic.
Felsic:	An igneous rock having abundant light coloured minerals.
Graben	A block of rock that lies between two faults and has moved downward to form a depression between two adjacent fault blocks.
Greenstone	A field term for any compact dark green altered or metamorphosed basic igneous rock that owes its colour to chlorite.
Horst	A block of rock that lies between two faults and has moved upward relative to the two adjacent fault blocks.
Kaapvaal Craton	The ancient protocontinental basement of South Africa.
Lacustrine	Pertaining to sediments formed in lakes.
Mafic	An igneous rock composed chiefly of dark, ferromagnesium minerals.
Ophiolite	A group of mafic and ultramafic igneous rocks derived by metamorphism, whose origin is associated with an early phase of the development of a geosyncline.
Plunge	The inclination of a fold axis or other linear feature, measured in the vertical plane.
Sub-outcrop	A rock stratum that unconformably underlies another rock stratum.
Syncline	Concave fold in stratified rock, in which strata dip down to meet in a trough.
Witwatersrand Basin	A sedimentary basin in South Africa.

Non-Executive Chairman

Patrice Motsepe (48)

BA (Legal), LLB

Appointed to the board in 2003. 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 Anglovaal Mining (Avmin). In 2002 he was voted South Africa's Business Leader of the Year by the CEOs of the top 100 companies in South Africa. In the same year, he was winner of the Ernst & Young Best Entrepreneur of the Year Award.

He is also the Executive Chairman of ARM Limited and the Deputy Chairman of Sanlam. His various business responsibilities included being President of Business Unity South Africa (BUSA) from January 2004 to May 2008. BUSA is the representative voice of organised business in South Africa. Patrice is also President of Mamelodi Sundowns Football Club.

Executive Directors

Graham Briggs (57)

BSc (Hons) (Geology)

Chief Executive Officer

Graham was appointed as chief executive officer in January 2008, after his appointment to the board in 2007. Having joined Harmony as new business manager in 1995, Graham's previous positions include that of chief executive of Harmony Australia. A geologist by training, Graham has more than 35 years' experience in the field and in an operational capacity at a number of South African gold mines, including a stint as ore reserve manager at Beatrix.

Graham serves as a director on Harmony's subsidiary companies and is a member of the board of the VM Group in the United Kingdom.

Hannes Meyer (40)

CA(SA), BCom (Hons)

Financial Director

Hannes joined Harmony in August 2009. During his 14-year career in the mining industry, he gained extensive mining and financial experience at Randgold and Exploration Limited, Randgold Resources Limited, Anglogold Ashanti Limited and TEAL Exploration & Mining Inc (TEAL). His exposure extended to gaining knowledge of mines in Africa, corporate finance and business development. Before joining Harmony, Hannes served as chief financial officer of TEAL, and, from May 2008, as acting chief executive officer of TEAL. He also serves as director on various Harmony subsidiaries and the board of Rand Uranium (Proprietary) Limited.

Frank Abbott (55)

BCom, CA(SA), MBL

Executive Director

Frank was appointed an executive director in August 2007. Frank initially joined the Harmony board as a non-executive director in 1994, after which he was appointed Financial Director in 1997. Following the ARM Limited/ARMI transaction, Frank was appointed financial director of ARM while remaining on Harmony's board as a non-executive director. In August 2007, he was seconded to Harmony as Interim Financial Director, a position he had until handing over to Hannes Meyer in November 2009. Frank remained executive director until his early retirement at the end of July 2010. Post-retirement, Frank remains on the boards of both Harmony and ARM Limited as a non-executive director.

Harry Ephraim "Mashego" Mashego (46)

BA Ed, BA (Hons), GEDP, JMDP

Executive Director

Mashego joined Harmony in July 2005 as Group Human Resources Development Manager. Mashego, who has more than 20 years' experience in human resources, began his career as Human Resources Manager at Eskom. He then progressed in the field at JCI, Atlantis Diesel Engines and Foskor Limited. He was promoted to General Manager at Harmony's Evander Operations in November 2005 and was appointed Executive: Human Resources in August 2007. Mashego was appointed Executive Director: Organisational Development and Transformation in February 2010.

Non-Executive Directors

Fikile De Buck (49)

BA (Economics), FCCA (UK)

Lead Independent Non-Executive Director

Fikile joined the board on 30 March 2006. A chartered certified accountant, she is a fellow of the Association of Chartered Certified Accountants (ACCA) (UK) and a member. From 2000 to 2008, Fikile worked in various capacities at the Council for Medical Schemes in South Africa, including that of chief financial officer and chief operations officer. Prior to that she was treasurer at the Botswana Development Corporation. Fikile is also a non-executive director and chairman of the Audit Committee of Rand Uranium (Proprietary) Limited and of Anooraq Resources Corporation. Fikile was appointed lead, independent non-executive director as well as chairman of the Nomination Committee in August 2010.

Joaquim Chissano (70)

Non-Executive Director

Joaquim was appointed to the board in April 2005. Formerly President of Mozambique (1986 – 2004), Joaquim 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, 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 and was the recipient of the inaugural Mo Ibrahim Prize for Achievement in African Leadership in 2007. He is also a non-executive director of ARM Limited and TEAL. Joaquim was appointed to the Bill and Melinda Gates Foundation in December 2009.

Dr Cheick Diarra (58)

PhD (Mechanical and Aerospace Engineering)

Independent Non-Executive Director

Dr Cheick Diarra joined the board in March 2008. He is also the chairman for Africa at Microsoft. Dr Diarra graduated from the Pierre and Marie Curie University in Paris, France, and obtained his PhD in mechanical and aerospace engineering from Howard University, Washington DC, USA. After six years as an Assistant Professor at Howard, he joined the National Aeronautic and Space Association (NASA) Jet Propulsion Laboratory. Dr Diarra has served as a UNESCO goodwill ambassador and, in 2002 and 2003, he was chief executive officer of the African Virtual University based in Kenya. He is a member of several international and African scientific organisations, and was awarded an African Lifetime Achievement Award for Outstanding Contributions to Science.

Ken Dicks (71)

Mine Managers Certificates (Metalliferous and Fiery Coal Mines); Management Development Diploma and Management Diploma

Independent Non-Executive Director

Ken joined the board in February 2008. He has 39 years' experience in the mining industry mainly in the Anglo American group. He has served on the boards of mining companies such as Freegold, Western Deep Levels and Elandsrand. He is also a non-executive director of Gold One International, following a reverse takeover by Aflease Gold Limited, and Bauba Platinum Limited.

Dr Simo Lushaba (44)

BSc (Hons), MBA and DBA

Independent Non-Executive Director

Simo joined the Harmony board in October 2002. An entrepreneur and an executive business coach, he previously held senior management positions at Spoornet and Lonmin plc and was chief executive of Rand Water. Simo is a member of the board of the Nepad Business Foundation (SA), chairman of Spescom Limited and a board member of Gidani.

Cathie Markus (53)

BA LLB

Independent Non-Executive Director

Cathie joined the board in May 2007. Cathie spent 16 years at Impala Platinum Holdings Limited (Implats), initially as legal advisor and latterly, from 1998 to 2007, as executive director with responsibility for legal compliance and public affairs. Having graduated from the University of the Witwatersrand, Cathie served articles at Bell Dewar & Hall. On qualifying as an attorney, notary and conveyancer, she joined the legal department of Dorbyl Limited. She is currently a trustee of the Impala Bafokeng Trust.

Modise Motloba (44)

BSc, Diploma in Strategic Management

Independent Non-Executive Director

Modise joined the board in July 2004. Currently the chief executive of Quartile Capital (Proprietary) Limited, Modise is also a director of Rand Merchant Bank Structured Insurance, Deutsche Bank Securities SA (Proprietary) Limited, the Land Bank and the Small Enterprise Foundation. Modise's 17 years' experience in investment banking, treasury and fund management includes appointments at Rand Merchant Bank, African Harvest Fund Managers and Goldman Sachs. Modise is a former President of the Association of Black Securities and Investment Professionals (ABSIP) where he was instrumental in formulating and negotiating the historic Financial Services Charter in October 2003.

Cedric Savage (71)

BSc (Eng), MBA, ISMP (Harvard), Independent

Independent Non-Executive Director

Cedric joined the board in September 2003. He retired as the chairman of the Tongaat Hulett Group in May 2009 but remains a trustee of the Tongaat Hulett Group Pension Fund. He started his career in the United Kingdom in 1960 as a graduate engineer with Fairey Aviation. He returned to South Africa in 1963 and worked in the oil (Mobil), textile (Felt & Textiles) and chicken (Rainbow Chickens Limited) industries. He was president of the South African Chamber of Business from 1993 to 1994. He also served as chairman of the Board of Governors of the University of KwaZulu-Natal's Development Foundation and as a member of council of that university. He joined the Tongaat-Hulett Group Limited in 1977 as managing director of Tongaat Foods and progressed to executive chairman of the Building Materials Division; he became chief executive officer of the group in 1991. In May 2000, he assumed the dual roles of chief executive officer and executive chairman. He currently serves on the board of Denel (Proprietary) Limited. He also served on the Nedbank board from 2002 until May 2008, when he retired as non-executive director, and on the board of Datatec Limited from 2001 and Datatec International from 2004, retiring from both boards in August 2009.

André Wilkens (61)

Mine Manager's Certificate of Competency, MDPA, RMIIA

Non-Executive Director

André joined the board in August 2007. He is currently the chief executive officer of ARM Limited and previously held the same position at ARM Platinum. Prior to this, he was the chief operating officer at Harmony, following the merger of the company with ARMgold in 2003. André has a wealth of experience in the mining industry, having joined Anglo American in 1969 and moved up the ranks to mine manager of Vaal Reefs' south mine.

Bob Atkinson (58)

NHD (Metalliferous Mining)

Executive: New Business and Projects

Bob joined Harmony as a Section Manager in 1986 and served as Operations Director on the Executive Committee from June 2001 to May 2003. He was appointed Chief Operating Officer at Harmony Gold Australia and then Executive: Sustainable Development (Safety and Occupational Health) at Harmony in South Africa in July 2004. He has more than 32 years' experience in the mining industry.

Jaco Boshoff (41)

BSc (Hons), MSc (Geology), MBA, PrSciNat

Executive: Reserves and Resources

Jaco joined Harmony in April 1996. He has served as the Executive: Reserves and Resources and Competent Person since March 2004. Prior to this, he was an Ore Reserve Manager from 1998 to 2004 and before that a geologist at Harmony and at Gengold. Jaco is registered as a professional geological scientist with the South African Council for Natural Scientific Professions and has worked in the mining industry for more than 12 years. In July 2010, projects and new business were added to his portfolio.

Matthews Dikane (44)

LLB, LLM (Labour Law), Postgraduate Diploma In Management Practice, Postgraduate Diploma in Corporate Law

Executive: Legal and Compliance

Matthews joined Harmony in 2009. He has 20 years' experience in the mining industry, working his way up through the ranks from learner official to production mine overseer at AngloGold Ashanti Limited. During this time, he studied for his law degree and served his articles at Perrott Van Niekerk Woodhouse Incorporated. He also completed his Master's degree in Labour Law and a Postgraduate Diplomas in Management Practice and Corporate Law. He returned to AngloGold Ashanti's corporate office as a Legal Counsel, later joining Brink Cohen Le Roux as a senior associate where he was made a director.

Leon le Roux (54)

NHD (Mechanical and Electrical Engineering)

Executive: Risk Management and Engineering

Leon joined Harmony on its merger with ARMgold in 2003. Having begun his mining career as a learner official in 1979 and obtaining his GCC (Mines and Works), he worked as an engineer on several AngloGold operations. He joined ARMgold on its formation in 1999 where he held a number of positions in the management team and was later seconded to ARMplatinum. He was appointed to the executive team in June 2009. Post year-end, in September 2010, Leon was deployed to the company's south-east Asia office.

Jackie Mathebula (40)

BAdmin (Hons), MBA, Master of Management (MM, HR)

Executive: Corporate Affairs

Jackie joined Harmony in September 2002 as Employee and Industrial Relations Executive. In 2005, his portfolio became Training, Human Resource Development and Occupational Health, and in 2005 he was appointed Executive: Corporate Affairs. Prior to joining Harmony, he worked at Gensec Bank, Gold Fields Limited and the then Iscor group (now ArcelorMittal South Africa) in the field of human resources. He also worked for the South African government in the Gazankulu Public Service Commission.

Melanie Naidoo-Vermaak (36)

MSc

Executive: Environment

Melanie joined Harmony in 2009. She is an experienced environmental specialist who has worked for both the private sector in the mining industry, as well as the public sector in the Departments of Water Affairs and Forestry and Minerals and Energy. She has spent more than 10 years in this discipline and has international environmental management exposure gained in Australia, Papua New Guinea, Fiji as well as Africa. She has held various positions at some of the world's leading mining companies, including BHP Billiton, Anglo American plc and De Beers Consolidated Mines Limited.

Alwyn Pretorius (39)

BSc Mining Engineering, BSc Industrial Engineering

Chief Operating Officer: North Region

Alwyn joined Harmony on its merger with ARMgold in 2003. He began his career at Vaal Reefs mine as a mining graduate in training in 1993 and was appointed shift boss in 1995, gaining experience in remnant mining. Alwyn obtained his BSc in Industrial Engineering in 1998 and joined ARMgold in 1999 at its Orkney operations, progressing to become mine manager in 2003. Alwyn was appointed Executive, South African operations at Harmony in March 2007, and is the Chief operating officer: North region.

Tom Smith (54)

NHD (Mine Surveying and Metalliferous Mining)

Chief Operating Officer: South Region

Tom joined Harmony in 2002. He began his career in the industry in 1975 as a sampler at Vaal Reefs mine, becoming chief surveyor in 1988. He changed his career to mining in 1991, working as a section manager on the Great Noligwa, Elandsrand and Mponeng mines. He was also involved in projects at Tau Lekoa and Moab Khotsong, acquiring experience in conventional, trackless, pillar and deep-level mining. He was promoted to production manager at AngloGold's Mponeng in 1998. Tom was appointed General Manager of Tshepong in 2000. Following the merger with ARMgold, he was involved in the restructuring of the Free State operations. He joined the executive team in September 2007 and is the Chief operating officer: South region.

Marian van der Walt (37)

BCom (Law), LLB, Higher Diploma in Tax, Diploma in Corporate Governance, Diploma in Insolvency Law, Certificate in Business Leadership

Executive: Corporate and Investor Relations

Marian, who has more than 12 years' legal experience, was appointed Company Secretary in 2003. She completed her articles at Routledge Modise Attorneys and was admitted as an attorney and conveyancer in 1998. She then joined Deloitte and Touche as an insolvency practitioner/administrator and held management and legal positions at the Standard Bank of South Africa Limited in the Commercial Properties Division. Marian was appointed to Harmony's Executive Committee in October 2005 with responsibility for legal, compliance and risk management. Internal audit and Sarbanes-Oxley compliance were added to her portfolio in September 2007. In October 2008, she resigned as company secretary enabling her to accept the position of Executive: Corporate and Investor Relations.

Johannes van Heerden (38)

BCompt (Hons), CA(SA)

Chief Executive Officer: South East Asia

Johannes joined Harmony in 1998 as Financial Manager of the Free State operations. Here he obtained broad financial management experience at an operational level. He was subsequently appointed Group Financial Manager in 2001, before being relocated to Harmony Australasia as Chief Financial Officer in 2003. Johannes presently holds the position of Chief Executive Officer: South East Asia.

Abre van Vuuren (50)

BComm, MDP, DPLR

Executive: Services

Abre joined Harmony in 1997 when the company acquired Grootvlei Gold Mine (Grootvlei). Abre started his career in the mining industry in 1982 when he joined the finance department of Blyvooruitzicht Gold Mine. He gained experience in human resources and progressed through the ranks on various gold mines and collieries in the Rand Mines Group, including Grootvlei. On Harmony's acquisition of Grootvlei, Abre was included in the management team and has since held various positions in services and human resources management. He was promoted to the Executive Committee in 2000 when he became the Industrial Relations Executive. In 2007, Abre assumed responsibility for the services portfolio and currently holds the position of Executive: Services. In September 2010, post year-end, risk and insurance were added to his portfolio, following the deployment of Leon to the company's south-east Asia operations.

Introduction

The board of directors takes ultimate responsibility for Harmony's adherence to sound corporate governance standards and sees to it that all business judgements are made with reasonable care, skill and diligence. Sound corporate governance structures and processes are applied at Harmony and are considered by the board to be pivotal in delivering on sustainable growth in the interests of all stakeholders. Governance structures and processes are reviewed regularly and adapted to accommodate internal corporate developments and to reflect national and international best practice to the extent considered in the best interests of the company. The board is of the opinion that for the period under review, the company has complied with the provisions of the South African Code of Corporate Practice and Conduct as recommended in the King II Report, the Companies Act 1973 and Company Laws Amendment Act (No 24 of 2006) and has provided sufficient information in this annual report on any material deviations.

The King Committee released its third report (King III) on corporate governance in South Africa on 1 September 2009 following the promulgation of the new South African Companies Act, 2008, which at the date of this report had not yet come into effect. According to the King Committee, the Code of Governance and Principles for South Africa as contained in King III (King III code) became effective from 1 March 2010, which was under review in the last part of the 2010 financial year. The JSE has indicated that listed companies should comply with the changes introduced by King III in respect of financial years commencing on or after 1 March 2010.

The board adopted the King III report recommendations as a further enhancement of the group's code of governance principles. Harmony already applies most of King III's principles and recommended practices. The company assessed the additional requirements or further enhancements of the group's code of governance principles and has implemented or is in the process of implementing actions in order to meet the recommendations of King III. Some of the changes introduced by King III such as the concept of IT Governance require extensive changes to existing processes which could not be fully implemented in the four remaining months of the financial year after the King III code became effective. Harmony will be in a good position to provide a comprehensive report on its adherence to King III during the 2011 financial year as required by the JSE. This governance report however already includes information on the most material steps already taken to adhere to King III.

The board considers corporate governance a priority that requires more attention than merely establishing the steps to be taken to demonstrate compliance with codes, legal, regulatory or listing requirements. The board has therefore carefully considered the extent to which the implementation of new corporate governance concepts will be in the best interests of the company. The audit committee and the board continue to review and benchmark the group's governance structures and processes to ensure the directors and the board exercise effective and ethical leadership, good corporate citizenship and sustainability. Harmony is committed to achieving high standards of business integrity and ethics across all its activities. Issues of governance will continue to receive the consideration and attention of the board and its committees in the years ahead.

Board of directors

Harmony is governed by a unitary board which, as at 30 June 2010, was made up of 14 members, seven of whom were independent (determined on the basis of both King III and Sarbanes-Oxley Act in the United States) and four of whom were executive directors.

Given that the group is a South African company, Harmony is highly cognisant of the need for transformation at the highest levels within the company. Two of the non-executive directors are women, and five directors are drawn from groups considered to be historically disadvantaged South Africans (HDSAs).

Corporate governance cont.

As at 30 June 2010, members of Harmony's board of directors were as follows:

Non-independent non-executive chairman

Patrice Motsepe

Lead independent non-executive director

Fikile De Buck (appointed on 13 August 2010 in terms of King III, given the fact that the chairman is not independent)

Executive directors

Graham Briggs (Chief executive officer)	Hannes Meyer (Financial director)
Frank Abbott* (Executive director)	Harry Ephraim Mashego (Executive director)

** Frank retired as executive director on 31 July 2010 but remained on the board as a non-executive director.*

Independent non-executive directors

Dr Cheick Diarra
Ken Dicks
Dr Simo Lushaba
Cathie Markus
Modise Motloba
Cedric Savage

Non-Independent non-executive director

André Wilkens
Joaquim Chissano

In addition to upholding sound principles of corporate governance, the board recognises the interests of communities in which the company operates and on which the company's activities have an impact, and ensures that the company acts as a responsible corporate citizen, creating value for all shareholders.

Board purpose and function

The board is guided in its actions by the board charter (www.harmony.co.za) which is reviewed annually. The charters of the board and the various board committees have been revised to align them with the wording and concepts of King III. The charters will again be reviewed once the Amendment Bill to the Companies Act 2008 has been finalised and is in effect.

The board charter requires that directors exercise leadership, enterprise, integrity and good judgement, accountability, responsibility, due care and transparency. The Charter serves as a guide to board members regarding:

- the purpose and role of the board;
- board responsibilities and authority;
- board composition;
- board meetings, and
- board self-assessment.

The board provides strategic direction to the company at quarterly board meetings and by delegating authority to board committees. It reviews and directs the company's strategic objectives, annual budget and plans. The board also guides and reviews the non-financial performance of the company, that is, those issues relating to the triple-bottom line.

A number of duties, responsibilities and personal liabilities are imposed on Harmony's directors under both common and statutory law, not only in South Africa, but also in the United States, Australia, PNG and the United Kingdom.

Board appointments

In considering new appointments to the board, Harmony takes cognisance of skills, experience, gender and racial composition and believes that it has achieved an acceptable balance of members. The company believes that the non-executive and independent directors are of sufficient calibre, experience and number for their views to carry significant weight in the board's decisions. While the Nomination Committee advises on appointments to the board, consideration of new appointments to the board is undertaken by the board as a whole in accordance with the board charter, which can be accessed on the company's website, in the corporate governance section.

Board meetings

Four board meetings were held during FY10 and a strategy session was held on 18 March 2010. The board charter requires that at least one board meeting be held every quarter. Attendance at these board meetings is reflected in the table below. Resolutions requiring urgent decisions were passed by means of round-robin resolutions and confirmed at the next board meeting.

Name	Board	% attendance
Mr PT Motsepe	4	100
Mr GP Briggs	4	100
Mr HO Meyer	4	100
Mr F Abbott	3	75
Mr HE Mashego	4 *	100
Mr JA Chissano	1	25
Ms FFT De Buck	4	100
Dr CM Diarra	1	25
Mr KV Dicks	4	100
Dr DS Lushaba	4	100
Ms CE Markus	4	100
Mr MJ Motloba	4	100
Mr CML Savage	4	100
Mr AJ Wilkens	4	100

** Mr HE Mashego attended two of these meetings as executive manager prior to his appointment as director.*

Chairman and chief executive officer are distinct

The roles of chairman and chief executive officer are separate and distinct as required by King III. The chairman is not considered to be independent. However, the board is of the view that the value added by Mr Motsepe as chairman to the company is significant, and that the board as a whole is predominantly independent in nature. Post-financial year-end in August 2010, Fikile De Buck was appointed lead independent non-executive director given the fact that the chairman is not independent. This appointment is in line with the requirements of King III.

Board induction and training

On appointment and as part of the company's board induction programme, new directors are briefed by the company secretary and are provided with comprehensive company information packs containing, among other documentation, committee charters, articles of association, corporate governance guidelines, the toolkit for directors (provided by internal auditors KPMG) and a summary of the JSE listings requirements.

Two new directors were appointed to the board in FY10, namely: Hannes Otto Meyer on 1 November 2009 and Harry Ephraim Mashego, also known as Mashego Mashego, on 24 February 2010. There were no resignations from the board during the year.

In August 2009, board members received training on the provisions of the new Companies Act as well as the new King III report. In May 2010, a presentation was done on integrated annual reporting by PricewaterhouseCoopers to the Audit Committee. Articles of interest and updates on corporate governance are frequently sent to the board to keep directors informed in this regard.

Corporate governance cont.

Access to management and the operations and independent advice

Each director has unrestricted access to the advice and services of senior management. All non-executive directors are able to visit Harmony's operations at any time and attend management meetings at their discretion. Specific training sessions are arranged as and when these are requested by directors. Board members have unrestricted access to group information, records, documents and property. If required by a board member, they may take independent professional advice at the group's expense.

Delegation of authority

The board delegates authority for certain matters to specified board committees. These matters are monitored and evaluated by the board at each meeting.

Board self-assessment

In terms of its charter, the board is required to conduct an annual self-assessment as follows:

- The chairman is required to assess the performance of individual board members; and
- the board is required to evaluate the chairman.

These assessments are based on several factors, including expertise, inquiring attitude, objectivity and independence, judgement, understanding of Harmony's business, understanding and commitment to the board's duties and responsibilities, willingness to devote the time needed to prepare for and participate in committee deliberations, timely responses and attendance at meetings.

In 2010, the company engaged the services of KPMG for the second consecutive year to conduct a board self-assessment exercise. A questionnaire was completed by each board member. A full report based on the findings of this evaluation will be circulated to the board and improvements will be made where necessary.

Executive directors

Executive directors have standard employee service agreements and all include a notice period of at least three months. The executive directors have waived their rights to directors' fees.

Executive directors participate in Harmony's share schemes and also benefit from pension contributions (or provident fund), life insurance and medical aid. Their employment letters do not make provision for pre-determined compensation on termination. The number of share options held by executive directors during the financial year is detailed in the *Directors' report* on pages 212 to 213.

Non-executive directors

None of the non-executive directors has a service contract with Harmony. Non-executive directors are entitled to fees as agreed at Harmony's annual general meeting (AGM) and to reimbursement for out-of-pocket expenses incurred on the company's behalf. Details may be found in the *Directors' report* on page 211.

The company is not aware of any director, or the families of any other directors, having any interest, direct or indirect, in any transaction during the last financial year or in any proposed transaction with any company in the Harmony group which has affected or will materially affect Harmony or its investment interest or subsidiaries.

Annual general meeting

The notice of the annual general meeting in 2009 was posted timeously to all shareholders, with clear instructions on the responsibility of shareholders and the resolutions being voted on. The notice for the annual general meeting for FY10 has been posted to shareholders with this annual report and is available on the company's website at www.harmony.co.za. Full details of the directors to be elected/re-elected are provided in the notice of annual general meeting included in this report. Directors are encouraged to attend the annual general meeting, particularly the chairmen of the various board committees.

Rotation of directors

The rotation of directors is accepted as standard practice as it ensures that the board remains dynamic and does not become stagnant. However, such rotation is managed to ensure that the board's skill and diversity is not compromised. In terms of the company's articles of association, one-third of the longest standing directors on the board must retire from office at the annual general meeting. Retiring directors usually make themselves available for re-election and are re-elected at the annual general meeting at which they retire. There are provisions in place within the articles of association for the exemption from retirement of executive directors in terms of their employment contracts although currently, no directors are exempted from retirement under these provisions.

At the annual general meeting that will be held on 1 December 2010, the following directors will retire and make themselves available for re-election:

- PT Motsepe
- JA Chissano
- CE Markus
- AJ Wilkens

In addition, Harry Ephraim Mashego, the newly appointed executive director, will offer himself for election at this annual general meeting. The curriculum vitae of these directors may be found on pages 165 to 167 of this report.

Board committees

To enable the board to properly discharge its responsibilities and duties, certain responsibilities of the board have been delegated to board committees. These committees are:

- Audit Committee
- Empowerment Committee
- Investment Committee
- Nomination Committee
- Remuneration Committee
- Sustainable Development Committee
- Technical Committee

Each board committee discharges its responsibilities in accordance with that committee's charter which can be accessed from the company's website (www.harmony.co.za). Each committee has adopted an agenda plan that is approved by the board on an annual basis, and against which the committee reports to the board. All board committees are chaired by an independent non-executive director, except for the Technical Committee and Empowerment Committee respectively.

The creation of these committees does not reduce the board's overall responsibility and the chairmen of all sub-committees report and make recommendations to the board by means of designated reporting slots at each board meeting. Minutes of all committee meetings are included in the board information packs provided to each board member prior to board meetings.

Audit Committee

The role of the Audit Committee is to: assist the board in discharging its duties relating to the safeguarding of assets; the operation of an adequate system and internal controls and control processes; the preparation of accurate financial reporting and statements in compliance with all applicable legal requirements, corporate governance and accounting standards. It also provides support to the board on the risk profile and risk management of the group. The Audit Committee ensures that there is an internal audit function in place and that the roles of the internal and external audit functions are co-ordinated.

The Audit Committee recommends the appointment of the external auditors to the board and shareholders, and also approves non-audit services provided by the external auditors. The Audit Committee has reviewed the independence of the external auditors and is satisfied that the external auditors are independent.

Corporate governance cont.

The Audit Committee reports and makes recommendations to the board, and the board retains responsibility for implementing such recommendations.

At 30 June 2010, the members of this committee were:

● Cedric Savage (Chairman)	Member since 26 January 2004 and appointed chairman on 5 August 2005
● Fikile De Buck	Member since 30 March 2006
● Dr Simo Lushaba	Member since 24 January 2003
● Modise Motloba	Member since 30 July 2004

All members are independent, non-executive directors.

The internal auditors, the external auditors, the chief executive officer, the financial director and executive managers are invited to the meetings.

Harmony does not have an individual financial expert as defined by the rules of the SEC on its Audit Committee. The company is of the view that the Audit Committee members, through their collective experience, meet the majority of the definitions of the SEC for an Audit Committee financial expert in both the public and private sectors. The members have served as directors and officers of numerous public companies and have over the years developed a good knowledge and understanding of IFRS, overseeing the preparation, audit and evaluation of financial statements. Harmony believes that the combined knowledge, skills and experience of the Audit Committee, and their authority to engage outside experts to provide them with advice on matters relating to their responsibilities as they deem appropriate, enables them as a group to act effectively in the fulfilment of tasks and responsibilities required under SOx.

The Audit Committee is responsible for ensuring that the combined assurance model introduced by King III is applied to provide a coordinated approach to all assurance activities. A combined assurance model has been developed and will be enhanced in the 2011 financial year.

In particular, the committee:

- will ensure that the combined assurance received is appropriate to address all the significant risks facing the company; and
- will monitor the relationship between external service providers and the company.

The Committee considered the appropriateness of the expertise and experience of the Financial Director and concluded that the Financial Director has the necessary expertise and experience. The Committee is also satisfied that the expertise, resources and experience of the finance function are adequate.

In terms of its charter, the Audit Committee is required to meet at least four times a year, or more frequently as circumstances dictate. During FY10, the committee met on five occasions.

Name	**Audit**
Fikile De Buck	5
Dr Simo Lushaba	4
Modise Motloba	2
Cedric Savage	5

Empowerment Committee

The Empowerment Committee ensures that the company meets not only regulations stipulated in the Employment Equity Act, the Labour Relations Act and the Mineral and Petroleum Resources Development Act's (MPRDA) Mining Charter Scorecard, but also the fulfilment of Harmony's own empowerment imperatives.

The responsibilities of the Empowerment Committee include ensuring that a sustainable organisational culture, structures and processes are in place to support the development of empowerment in the company; to monitor the development and progress of empowerment within the company; to address inequalities that may exist in staff profiles and organisational practices; and to review and monitor whether appropriate support is given to historically disadvantaged employees in order to equip them for successful careers in the company.

At 30 June 2010, the members of this committee were as follows:

● Joaquim Chissano (Chairman)	Member since and appointed chairman on 3 May 2006
● Cathie Markus	Member since 29 October 2007
● Modise Motloba	Member since 3 May 2006

Even though the chairman is not considered an independent non-executive director, the rest of the committee comprises independent non-executive directors.

The chief executive officer and executive managers are invited to attend meetings.

The Empowerment Committee met on four occasions during FY10.

Name	**Attendance**
Joaquim Chissano	1
Cathie Markus	4
Modise Motloba	4

The Empowerment Committee charter requires that at least two members are present to constitute a quorum. Cathie Markus acted as chairman of the meetings when Joaquim Chissano was unable to attend.

Investment Committee

The primary purpose of the Investment Committee is to consider projects, acquisitions and disposal of assets in line with the group's overall strategy. This includes performing such other investment related functions as may be designated by the board from time-to-time, considering the viability of capital projects and/or acquisitions and/or disposals and the effect these may have on the group's cash flow, as well as whether these fit into the group's overall strategy. This committee's responsibilities include ensuring that due diligence procedures are followed when acquiring or disposing of assets.

The Investment Committee consists of six non-executive members, of which five are independent. The chairman is an independent, non-executive director.

At 30 June 2010, the members of the investment committee were:

● Dr Simo Lushaba (Chairman)	Member since 26 January 2004 and appointed chairman on 5 August 2005
● Fikile De Buck	Member since 3 May 2006
● Ken Dicks	Member since 13 February 2008
● Cathie Markus	Member since 29 October 2007
● Cedric Savage	Member since 26 January 2004
● André Wilkens	Member since 7 August 2007

Corporate governance cont.

The chief executive officer, the financial director and executive managers are invited to attend Investment Committee meetings.

The committee should meet at least four times a year, but may at its discretion meet more often, depending on the circumstances. The committee met on five occasions in FY10.

Name	**Attendance**
Fikile De Buck	4
Ken Dicks	4
Dr Simo Lushaba	5
Cathie Markus	4
Cedric Savage	4
André Wilkens	5

Nomination Committee

The primary purpose of the Nomination Committee is to ensure that procedures governing appointments to the board are formal and transparent, by making recommendations to the board on all new board appointments and reviewing succession planning for directors. The duties and responsibilities of this committee are set out in the Nomination Committee charter.

At 30 June 2010, the members of this committee were:

● Patrice Motsepe (Chairman)	Member and chairman since 24 October 2003
● Frank Abbott	Member since 5 August 2005
● Joaquim Chissano	Member since 3 May 2006

In August 2010, post year-end, Fikile De Buck was appointed chairman of the Nomination Committee. Frank Abbott, who until July 2010 was executive director and who remains on the board as a non-executive director, was also appointed to this committee. These appointments ensure that the Nomination Committee comprises non-executive directors only.

Members of this committee are required to meet annually or more often at the committee's discretion, depending on prevailing circumstances. The committee met three times in FY10 to consider new appointments to the board during FY10.

Name	**Attendance**
Patrice Motsepe	3
Frank Abbott	1
Joaquim Chissano	2

Remuneration Committee

The primary purpose of the Remuneration Committee is to ensure that the group's directors and executive managers are fairly rewarded for their individual contributions to Harmony's overall performance and to demonstrate to all stakeholders that the remuneration of executive managers is set by a committee of board members who have no personal interest in the outcome of their decisions, and who will give due regard to the interests of the shareholders and to the financial and commercial health of the company.

The committee's primary objectives are to monitor and strengthen the objectivity and credibility of the remuneration system of Harmony's directors and executive managers and to make recommendations to the board on remuneration packages and policies applicable to directors. A formal reward philosophy was approved by the shareholders and adopted by the Remuneration Committee in March 2006 and is reviewed annually by the committee.

At 30 June 2010, the members of this committee were:

Cedric Savage (Chairman)	Member since 24 January 2004 and chairman from 3 May 2006
Dr Simo Lushaba	Member since 5 August 2005
André Wilkens	Member since 7 August 2007

The committee comprises three non-executive directors, two of whom are independent. The structure of this committee is therefore not compliant with King III, which requires that the committee comprise of independent directors only. The chairman of the Remuneration Committee is, however, an independent non-executive director and ensures that decisions are fair and not biased. The chairman, as independent non-executive director, was elected on the basis of his vast business knowledge and experience, and his familiarity with the challenges facing directors and executive managers.

The chief executive officer, the financial director and the executive director: organisational development and transformation are invited to attend all meetings.

The Remuneration Committee is expected to meet at least quarterly or, alternatively, to pass resolutions by round robin if and when a formal meeting cannot be held. In FY10, the committee met six times, including two special meetings held on 1 July 2009 and 18 March 2010 (for approval of the share allocation and incentive schemes and appointment of the financial director).

Name	Attendance
Dr Simo Lushaba	5
Cedric Savage	6
André Wilkens	6

Sustainable Development Committee

The role of the Sustainable Development Committee is to supplement, support, advise and provide guidance on the effectiveness or otherwise of management's efforts in respect of sustainable development. The committee considers the following sustainable development issues: occupational health, safety, HIV/AIDS, social investment and environmental management.

At 30 June 2010, the members of this committee were:

Modise Motloba (Chairman)	Member and chairman since 5 August 2005
Joaquim Chissano	Member since 3 May 2006
Fikile De Buck	Member since 3 May 2006

The committee comprises three non-executive directors, two of whom are independent.

The chief executive officer and executive managers are invited to attend all meetings.

The Sustainable Development Committee, as per its charter, should meet at least four times a year, or more frequently as circumstances dictate. In FY10, four meetings of this committee were held.

Name	Attendance
Joaquim Chissano	2
Fikile De Buck	4
Modise Motloba	4

The Sustainable Development Committee charter requires that at least two members are present to constitute a quorum.

Technical Committee

The Technical Committee was formed in January 2008 to provide a platform for the chief executive officer to discuss the company's strategy, performance against targets, as well as operational results and projects. The Technical Committee apprises the board of key developments, progress against objectives and challenges facing the company's operations. The company's strategic plans are considered by the Technical Committee and recommended for approval to the Investment Committee and the board. The Technical Committee also provides guidance and support to management to ensure that the company remains sustainable and successful.

At 30 June 2010, the members of this committee were:

André Wilkens (Chairman)	Member and chairman since 22 January 2008
Fikile De Buck	Member since 14 July 2008
Ken Dicks	Member since 13 February 2008
Modise Motloba	Member since 22 January 2008
Cedric Savage	Member since 22 January 2008

The committee comprises four independent, non-executive directors. The chairman is not independent. However, the board agreed that, given his vast knowledge of the company's assets and his years of mining experience, he was best suited to be chairman.

The chief executive officer is invited to attend Technical Committee meetings, as are other members of executive management.

As per its charter, the committee should meet at least six times a year. In FY2010, the committee met on six occasions.

Name	Attendance
Fikile De Buck	5
Ken Dicks	6
Modise Motloba	4
Cedric Savage	4
André Wilkens	6

Company secretary

Harmony's company secretary plays an active role in the achievement of good corporate governance. The company secretary supports the chairman and the board in:

- ensuring the effective functioning of the board.
- providing guidance to the chairman, the board and the directors of Harmony's subsidiaries on their responsibilities and duties within the prevailing regulatory and statutory environment.
- providing the board with guidance on how to discharge these responsibilities and duties in the best interests of Harmony.
- raising matters that may warrant the attention of the board.

The company secretary assists in ensuring that the board's decisions and instructions are clearly communicated to the relevant people, and is available to provide a central source of guidance and advice within Harmony on matters of ethics and good governance.

Other committees

Executive Management Committee

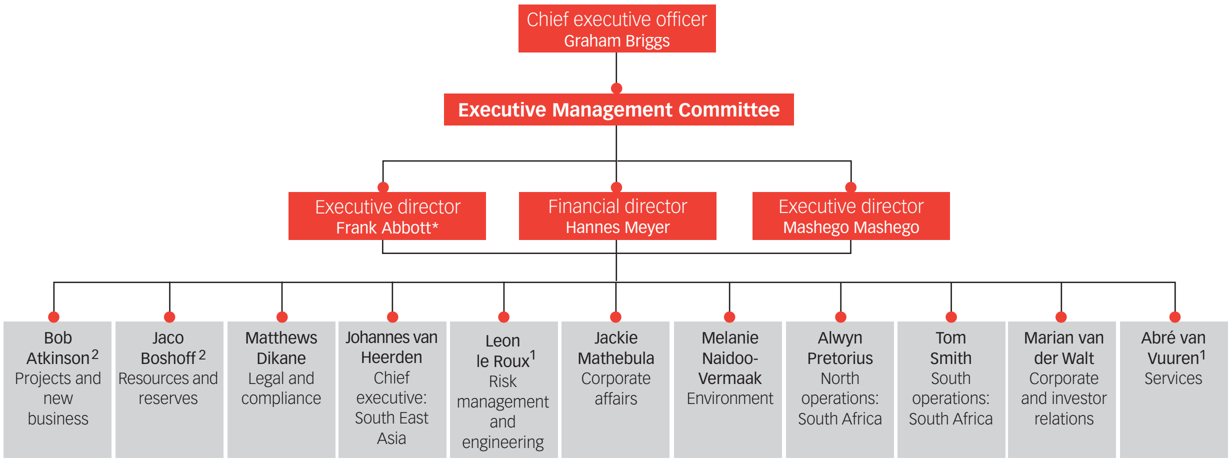
Members of the Executive Management Committee meet on a weekly basis. Standard items on the agenda include: safety, operational results, cash flow, people issues and matters arising.

The committees below are considered to be vital to the functioning of the company and ensuring the appropriate control and provision of information to the board. Certain members of the Executive Management Committee belong to the following committees, which meet regularly.

Committee name	Members	Purpose and function	Frequency of meetings
Corporate Social Responsibility Committee	Chief executive officer, executive management and company secretary	Considers and approves local economic development projects funded by the company	Ad hoc (as and when there are project proposals)
Ethics Committee	Company secretary, organisational development and transformation director as well as services, corporate and investor relations, corporate affairs and legal and compliance executives	Monitors ethical culture and levels of integrity	Quarterly
Group Operational Committee	Chief operating officers and group operations teams	Reviews operations, safety performance, environmental issues and human resources	Weekly
Information Technology Communication Committee	Chief executive officer, financial director, chief operating officers and chief information officer	Oversees information technology within the company	Quarterly
Operations Committee	Chief operating officers, group operations teams and general managers	Oversees the execution of detailed shaft plans, employee relations, procurement, costs and cash flows	Monthly
Risk Management Committee	Financial director, chief operating officers, engineering and risk management executive, company secretary and the head of internal control and governance	Oversight of risk management	Bi-annually
Shaft Review Committee	Chief operating officers, shaft teams and executive managers	Reviews shaft specific operational performance, major capital expenditure and forecasts	Monthly at each shaft
SOx Steering Committee	Head of internal control and governance, financial managers, chief information officer, payroll and supply chain managers	Reviews of SOx compliance	Monthly
Tender Committee	General manager procurement and group technical managers	Monitors all procurement procedures and reviews increases on contract items	Monthly
White Collar Crime Committee	Heads of services departments	Considers confidential reports received on code of ethics violations, fraud and inappropriate behaviour	Monthly

Corporate governance cont.

As at 30 June 2010, the Executive Management Committee was structured as follows:

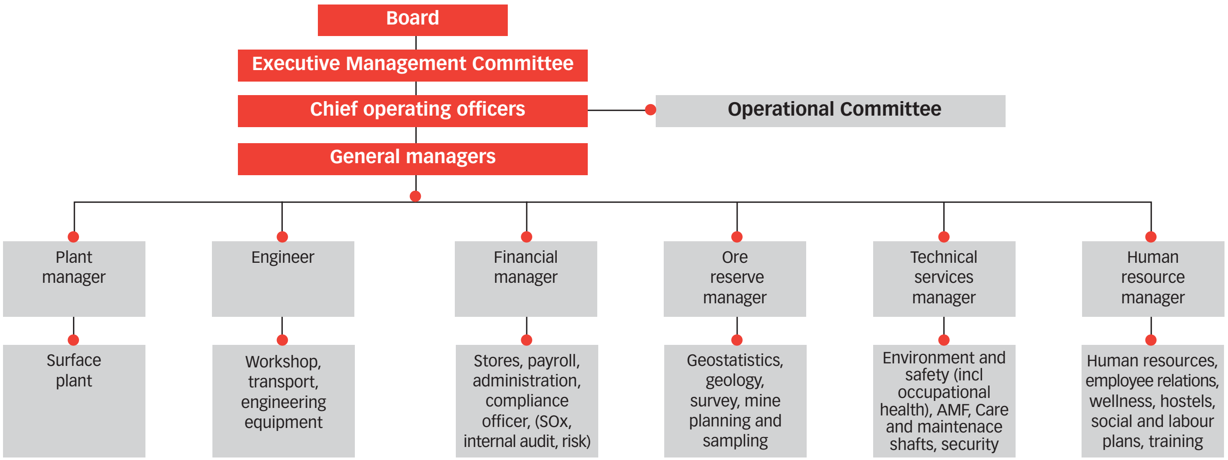


** Frank Abbott retired as Executive director on 31 July 2010 and was appointed non-executive director with effect from 1 August 2010.*

Note: (1) Abré van Vuuren took over responsibility for risk management in September 2010, following Leon le Roux's appointment as Risk Manager in South East Asia.

(2) Post year-end, Bob Atkinson was appointed Executive: Projects and Jaco Boshoff, Executive: Reserves, projects and new business.

Harmony's existing operational reporting structure is as follows:



Code of ethics

Harmony places a great deal of emphasis on instilling and maintaining the highest levels of integrity in the conduct of its business. Harmony has, through a process of constructive employee engagements, enshrined the following values as those which the company and its employees subscribe to. These are: honesty, transparency, trust, accountability, respect and equality.

Harmony's Code of Ethics (www.harmony.co.za) was adopted to respond to the challenge of ethical conduct in a business environment. All employees and contractors are expected to comply with its contents.

All employees are provided with a copy of the Code of Ethics and compliance with the code is a condition of service. The Code of Ethics is applicable to all the company's suppliers, contractors and directors.

An Ethics Committee meeting (see page 183 for details) is held every quarter. This committee's duties and responsibilities include the monitoring of:

- ethical behaviour within Harmony's business environment.
- measures implemented to ensure that the code of ethics is distributed to and signed by all employees of Harmony, and all contracting parties concluding any agreements with Harmony.
- disciplinary action taken against employees who do not act in accordance with the Code.
- the gift register, reports received from the White Collar Crime Committee, and the Code of Ethics on an annual basis.

Harmony's Code of Ethics is reviewed annually. To enhance awareness of the Code of Ethics, an ethics alert is sent to employees from the chief executive officer's desk on a quarterly basis. The ethics alert provides, amongst other things, information on fraudulent activity within the company and how employees can assist in preventing fraud. Non-compliance with the Code of Ethics results in disciplinary action.

A dedicated crime line is manned 24 hours a day and managed by an external security contractor. Alleged irregularities can be reported anonymously by telephone, fax or e-mail. All cases are logged and examined by the White Collar Crime Committee. The Khuluma crime line number is 0800 811 811.

Harmony protects the identities of employees who report non-compliance with the Code of Ethics and encourages employees to make use of the company's whistle-blowing line.

Restrictions on share dealings

Harmony employees and directors are prohibited from dealing in Harmony shares during price sensitive periods. The company secretary regularly distributes written notices, via e-mail, to advise employees and directors of restricted periods. Employees are obliged, in terms of regulatory and governance requirements, to disclose any dealings in Harmony shares by either themselves or related parties to the company secretary. There is a formal clearance procedure in place with respect to directors dealing in Harmony shares.

Risk management

The board is responsible for governing risk management processes in accordance with corporate governance requirements (King III). A comprehensive enterprise risk management programme is in place, which was managed by the Risk Management and Engineering Executive until September 2010, when the risk management responsibility was given to the Executive – Services and the Audit Committee provides oversight in this respect as part of its mandate.

The establishment of a more formalised group-wide risk management process was initiated during the 2008 financial year with the following principal objectives:

- providing the board with assurance that significant business risks are systematically identified, assessed and reduced to acceptable levels in order to achieve an optimal risk-reward balance; and
- making risk identification and risk management an integral part of the daily activities of everyone in the company.

It is Harmony's policy to manage all categories of risk associated with its business operations through the development and maintenance of a formal risk policy framework. A comprehensive report on risk factors and their management may be found on pages 190 to 203.

Corporate governance cont.

Group structure and internal control

Ensuring that the appropriate levels of authority and responsibility are in place for all eventualities remains a key area of focus, with a great deal of attention being focused on internal control during the year.

These controls have been integrated with the group's risk management processes to ensure that control measures for the effective mitigation of risks identified are in place, and to ensure compliance with legislation and securities exchange listing requirements.

Compliance testing, enterprise risk management and legal compliance are the responsibility of an integrated compliance team comprising various identified assurance providers, thus, eliminating any duplication of compliance assurance. An Integrated Compliance Assurance Plan has been developed to provide both executive management and the Audit Committee with assurance that internal controls and risk mitigations are appropriately designed and implemented. A compliance-based assurance plan follows the outputs of the exposure identification, assessment and control evaluation processes while encouraging the allocation of assurance resources based on compliance priorities.

The implementation of this combined approach requires that Harmony's business units each have an assurance provider for every risk or compliance element. Internal audit provides support to this process by addressing the gaps in the control effort rather than replicating management activity or that of the other assurance providers. At the same time, however, the internal audit function provides objective and robust challenges with regard to the effectiveness of management reporting and monitoring processes.

Operational compliance registers are updated by the general managers and their teams on a monthly basis and included in their monthly review packs. A corporate compliance risk register is updated on a quarterly basis. The information from the operational compliance registers and the corporate compliance register is used to indicate compliance levels in the quarterly Audit Committee report.

Internal audit

Harmony has an internal audit function covering its global operations. Internal audit is an independent appraisal function established by the board to evaluate the adequacy and effectiveness of controls, disciplines, systems and procedures within Harmony, to reduce business risks to an acceptable level and in a cost-effective manner. The internal audit function reports to the Audit Committee.

Harmony's internal audit function is internally managed by the Head: Internal Control and Governance with internal audit's services/staff sourced through an arrangement with KPMG Services (Proprietary) Limited.

The procedures and systems, which act as checks and balances in respect of the provision/gathering of information, are reviewed by the board from time to time. This process has been supplemented by the Integrated Compliance Assurance Plan as discussed under the heading *Group structure and internal control* above.

Internal audits are conducted in accordance with the Code of Ethics and Standards of the Professional Practice of Internal Auditing, as laid down by the Institute of Internal Auditors, Inc. Although the role of internal audit is to review internal controls, systems, procedures and risks, among other things, management and ultimately, the board, retain full responsibility for ensuring that Harmony maintains an appropriate framework of controls to reduce business risks to an acceptable level.

Internal audit is responsible for:

- assisting the board and management in monitoring the adequacy and effectiveness of the company's risk management process;
- assisting the board and management in maintaining an effective internal control environment by evaluating those controls continuously to determine whether they are adequately designed, operating efficiently and effectively and to recommend improvements; and
- co-ordinating, combining and integrating the assurance provided by various parties (such as line management, internal and external assurance providers) pursuant to the combined assurance model introduced by King III.

Internal controls reviewed consist of strategic, operating, financial reporting and compliance controls and encompass controls relating to:

- the information management environment;
- the reliability and integrity of financial and operating information;
- the safeguarding of assets; and
- the effective and efficient use of the company's resources.

The annual audit plan is based on an assessment of risk areas identified by internal audit and management, as well as focus areas highlighted by the Audit Committee, Executive Committee and management. The annual audit plan is updated as appropriate to ensure they are responsive to changes in the business. A comprehensive report on internal audit findings is presented to management on completion of audits and the audit committee at quarterly scheduled meetings. Follow-up audits are conducted in areas where significant internal control weaknesses are found. Internal audit's new risk-based audit plan for the 2011 financial year has been approved by the Audit Committee.

Corporate governance best practice requires that the internal audit function reports directly to the audit committee. Such direct reporting is ensured by the audit committee's mandate to:

- evaluate the effectiveness of internal control;
- review and approve the internal audit charter, internal audit plans and internal audit conclusions about internal control;
- review significant internal audit findings and the adequacy of corrective action taken;
- assess the performance of the internal audit function and the adequacy of available internal audit resources;
- review significant differences of opinion between management and the internal audit function; and
- consider the appointment, dismissal or reassignment of the head of internal audit.

The charter of the internal audit department provides that the head of internal audit has direct access to the chief executive officer, the financial director and the chairman of the Audit Committee. The head of internal audit reports administratively to the financial director.

The extent to which the Audit Committee is formally involved in the annual performance assessment of the head of internal audit is in the process of being expanded and formalised.

External audit

The appointment of external auditors is undertaken under the auspices of the Audit Committee, which also has oversight of and responsibility for the appointment of external auditors for functions other than the financial audit. The company's external auditors, PricewaterhouseCoopers Inc, were engaged to undertake the following non-financial activities during the year:

- corporate tax compliance services;
- sustainable development report 2009 review; and
- tax advice regarding the joint operations of Hidden Valley, Wafi-Golpu and Morobe explorations.

Sarbanes-Oxley (SOx)

Section 302

In terms of Section 302 of SOx, the chief executive officer and chief financial officer are required to certify that:

- they have reviewed the annual report;
- based on their knowledge, the report contains no material misstatements or omissions;
- based on their knowledge, financial statements and other financial information included in the annual report fairly present in all material respects the financial condition, results of operations and cash flows of the issuer (being Harmony) for the periods presented in this report;
- they are responsible for establishing and maintaining internal controls and procedures, and have properly designed and evaluated them;
- they have advised the auditors and Audit Committee of all significant deficiencies and material weaknesses; and
- they have identified any significant changes in internal controls in the report.

Section 404

Section 404 of SOx requires management to develop and monitor procedures and controls to ensure its required assertion about the effectiveness of internal control over financial reporting. To comply with Section 404 of SOx, Harmony management implemented an effective and efficient assessment process to manage its reporting obligations. The assessment process followed entails:

- scoping to identify significant accounts, key risks and locations which have an impact on the financial statements.
- updating of documentation and sign off by process owners.
- testing of key controls for operating effectiveness and remediation of deficiencies identified.
- deficiencies are evaluated and classified into the following categories:
    - internal control deficiency
    - significant deficiency
    - material weakness

All significant deficiencies and potential material weaknesses are reported to the SOx Steering Committee and Audit Committee. This process is supported through the implementation of the Integrated Compliance Assurance Plan.

Full details of SOx processes and compliance are reported in the Form 20-F for the financial year 2009 under item 15. Refer to Harmony's website to download the Form 20-F (www.harmony.co.za). The Form 20-F for the financial year 2010 will be filed and made available on our website towards the end of October 2010.

Employee and stakeholder participation

Harmony is committed to maintaining a positive relationship with the unions and associations represented at its operations, with employees directly and with the communities within which it operates. In respect of employee participation and relations with employee representatives, Harmony has both formal and informal employee participation structures in place to deal with a broad range of issues. The company actively encourages open communication, consultation, and the identification and resolution of conflicts through workplace forums.

The group plays an active role in the communities in which it operates. Social and Labour Plans (SLPs), including Local Economic Development (LED) plans have been developed in line with the company's compliance with the MPRDA and the Mining Charter. Further information on these elements is provided in the separate Sustainability Report which may be found at www.harmony.co.za.

Relations with shareholders

Effective and ongoing communication with shareholders is seen as a function of the group's fundamental responsibility to inform shareholders of the company's value proposition. Harmony communicates regularly with shareholders and other stakeholders regarding its financial and operational performances and the company's strategy.

Harmony holds results presentations each quarter to announce the company's quarterly operational results. Shareholders globally are able to view the presentation via a live webcast that is available on Harmony's website. Furthermore, Harmony's management team participates in various institutional conferences and roadshows, both locally and internationally, at which management engages with current and potential investors at either one-on-one meeting sessions or at corporate presentations. Shareholders are encouraged to attend the annual general meeting where interaction is welcomed.

All presentations, webcasts and announcements are available on the company's website, as are selected media interviews with Harmony's chief executive officer. In addition, corporate presentations delivered by Harmony's management team to the investment community are posted on the website.

Information management and access to information

Records are maintained to meet Harmony's legal and financial obligations and to manage the affairs of the company. Harmony complies with the Promotion of Access to Information Act of 2002. All Harmony's shareholders and stakeholders have access to the website-based information manual at www.harmony.co.za.

Sustainable development reporting

Harmony recognises that financial reporting is only one facet of its responsibility to its stakeholders and that reporting on the economic, social and environmental impacts of the company, the so-called "triple bottom line" is an important part of its responsibility to its shareholders and other stakeholders and to society as a whole. Harmony has for the fifth consecutive year, produced a separate Sustainable Development Report. As is recommended by King Report III and in line with best practice, Harmony has adopted the GRI's G3 guidelines as the basis for its sustainable development reporting.

The company is committed to incremental levels of reporting in line with GRI. In FY10, an independent assurance of key sustainability indicators was again undertaken by external auditors PricewaterhouseCoopers for the second consecutive year. In FY10, the company self-declared a B+ level of reporting, which was confirmed by the external auditors and will be submitted to GRI for an independent review.

In FY10, the group submitted a response to the Carbon Disclosure Project's CDP7 questionnaire. The Carbon Disclosure Project (CDP) is an independent not-for-profit organisation which holds the largest database of corporate climate change information in the world. The data is obtained from responses to CDP's annual Information Requests, issued on behalf of institutional investors, purchasing organisations and government bodies. Since its formation in 2000, CDP has become the gold standard for carbon disclosure methodology and process, providing primary climate change data to the global market place. Harmony's response is available at www.cdproject.net.

Reporting in compliance with the Mining Charter

As a South African company, Harmony recognises the importance and value of compliance with the MPRDA and the Mining Charter, and provides an annual report on its compliance to the Department of Mineral Resources. A summary report dealing with the status of the various issues required by the Charter is provided in the company's Sustainability Report at www.harmony.co.za/sd/reports/2010 and also at the back of this report on pages 353 to 354.

Awards and recognition

Harmony again qualified for the JSE's Socially Responsible Index – see www.jse.co.za. In 2010, Harmony received an award from the Professional Management Review (PMR) of Africa acknowledging its contribution to economic growth and as the best mining company in the Free State province.

Sponsor

As required by the listing requirements of the JSE Limited, JP Morgan is Harmony's appointed sponsor.

Harmony's corporate governance practices in compliance with NYSE (Section 303A.11)

Harmony's NYSE 303A.11 disclosure may be found on the company's website at www.harmony.co.za under the heading Corporate Governance. Foreign private issuers, such as Harmony, must briefly highlight any significant ways in which their corporate governance practices differ from those followed by US-listed companies in terms of the NYSE Listing Standards.

Risk management

Harmony has a formal risk policy framework in place, the maintenance and development of which is undertaken on an ongoing basis so as to help management address systematic categories of risk associated with its business operations. Harmony's business, financial, technological, legal and operational risk categories are identified, assessed and managed. The overall aim of Harmony's risk management policy is to reduce the risk it is exposed to as much as reasonably and commercially possible. Equally it ensures compliance with the relevant legislation and fulfils the expectations of employees, communities, shareholders and other stakeholders in terms of corporate governance.

The realisation of the company's business strategy depends on it being able to take calculated risks in a way that does not jeopardise the direct interests of shareholders. Harmony's enterprise risk management system enables the company to anticipate and respond to changes in its business environment and to make informed decisions in conditions of uncertainty.

There may be risks in addition to the ones reported that Harmony does not currently know of or that Harmony currently deems immaterial based on information currently available to it. Any of these risks could have a materially adverse effect on Harmony's business, financial condition or operational results, leading to a decline in the trading prices of Harmony's ordinary shares or its ADSs. The risks described below may be incomplete and therefore may not be the only risks to which we are exposed to. Additional risks and uncertainties not presently known to us or that we now believe are immaterial (which have not been included), could also adversely affect our businesses, results of operations or financial condition. The order of presentation of the risk factors below does not indicate the likelihood of their occurrence or the magnitude or the significance of the individual risks. The risks described below could occur individually or cumulatively and intensify in case of a cumulative occurrence.

Risks relating to Harmony and the gold mining industry

The profitability of our operations, and the cash flows generated by those operations, are affected by changes in the rand price of gold, such that a fall in the gold price below our cash cost of production for any sustained period may lead us to experience losses and to curtail or suspend certain operations.

Substantially all of Harmony's revenues come from the sale of gold. Historically, the market price for gold has fluctuated widely and has been affected by numerous factors over which Harmony has no control, including:

- the demand for gold for industrial uses and for use in jewellery;
- international or regional political and economic trends;
- the strength or weakness of the US dollar (the currency in which gold prices generally are quoted) and of other currencies;
- financial market expectations regarding the rate of inflation;
- interest rates;
- speculative activities;
- actual or expected purchases and sales of gold bullion held by central banks or other large gold bullion holders or dealers;
- forward sales by other gold producers; and
- the production and cost levels for gold in major gold-producing nations, such as South Africa, China, the United States and Australia.

In addition, the current demand for and supply of gold affects the price of gold, but not necessarily in the same manner as current demand and supply affect the prices of other commodities. Historically, gold has retained its value in relative terms against basic goods in times of inflation and monetary crisis. As a result, central banks, financial institutions and individuals hold large amounts of gold as a store of value and production in any given year constitutes a very small portion of the total potential supply of gold. Since the potential supply of gold is large relative to mine production in any given year, normal variations in current production will not necessarily have a significant effect on the supply of gold or its price.

The volatility of gold prices is illustrated in the following table, which shows the annual high, low and average of the afternoon London Bullion Market fixing price of gold in US dollars for the past ten calendar years:

Annual gold price: 2000 – 2010

	Price per ounce (US$)		
Calendar year	High	Low	Average
2000	313	264	282
2001	293	256	271
2002	332	278	309
2003	412	322	361
2004	427	343	389
2005	476	411	434
2006	725	525	604
2007	841	608	695
2008	1 011	713	872
2009	1 212	810	972
2010 (year to 6 October)	1 346	1 058	1 182

On 6 October 2010, the afternoon fixing price of gold on the London bullion market was US$1 346.50/oz.

While the aggregate effect of these factors is impossible to predict, if gold prices should fall below Harmony's cash cost of production and remain at such levels for any sustained period, Harmony may experience losses and be forced to curtail or suspend some or all of its operations. In addition, Harmony would also have to assess the economic impact of low gold prices on its ability to recover any losses that may be incurred during that period and on its ability to maintain adequate reserves. Harmony's average cash cost per ounce of gold produced from continuing operations was US$801 in FY10 and US$583 in FY09.

As the majority of its production costs are incurred in South African rand and gold is sold in US dollars, Harmony's financial condition could be materially harmed by an appreciation in the value of the rand against the US dollar.

Gold is priced throughout the world in US dollars, but most of Harmony's operating costs are incurred in rand. As a result, any significant and sustained appreciation of the rand against the dollar will serve to materially reduce Harmony's rand revenues and overall net income.

As Harmony currently does not enter into forward sales, commodity derivatives or hedging arrangements with respect to its future gold production, it is exposed to the impact of any significant decreases in the gold price.

As a general rule, Harmony sells its gold at the prevailing market price. Currently, the company does not generally enter into forward sales, commodity derivative or hedging arrangements to establish a price in advance for the sale of future gold production, although Harmony may do so in the future. As a result, Harmony may realise the benefit of any short-term increase in the gold price, but is not protected against decreases in the gold price, and if the gold price should decrease significantly, Harmony's revenues may be materially adversely affected.

Estimations of Harmony's gold reserves are based on a number of assumptions, including assumptions as to mining and recovery factors, future cash costs of production and the price of gold. As a result, quantities of gold produced may differ from current estimates.

The mineral reserve estimates contained in this annual report are estimates of the mill delivered quantity and grade of gold in Harmony's deposits and stockpiles. They represent the amount of gold which Harmony believes can be mined, processed and sold at prices sufficient to recover its estimated future cash costs of production, remaining investment and anticipated additional capital expenditures. Harmony's mineral reserves are estimated based upon a number of factors, which have been stated in accordance with the SAMREC and JORC codes, SEC Industry Guide 7 and SOx. Calculations of Harmony's mineral reserves are based on estimates of:

- future cash costs (which in some cases are assumed to decrease significantly);
- future gold prices; and
- future currency exchange rates.

These factors, which significantly impact mineral reserve estimates, are beyond Harmony's control. As a result, the reserve estimates contained in this annual report should not be interpreted as assurances of the economic life of Harmony's gold and other precious metal deposits or the future profitability of operations.

Since these mineral reserves are estimates based on assumptions related to the factors detailed above, should there be changes to these, we may in the future need to revise these estimates. In particular, if Harmony's cash operating and production costs increase or do not decrease as assumed (whether in dollar or rand terms, or in relative terms due to the appreciation of the rand against the US dollar) or the gold price decreases, the recovery of a portion of Harmony's mineral reserves may become uneconomical. This will lead, in turn, to a reduction in estimated reserves.

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

Harmony's operations have limited proved and probable reserves, and exploration and discovery are necessary to maintain current gold production levels at these operations. Exploration for gold and other precious metals is speculative in nature, may be unsuccessful and involves many risks, including those related to:

- locating orebodies;
- identifying the metallurgical properties of orebodies;
- estimating the economic feasibility of mining orebodies;
- developing appropriate metallurgical processes;
- obtaining necessary governmental permits; and
- constructing mining and processing facilities at any site chosen for mining.

Harmony's exploration efforts might not result in the discovery of mineralisation, and any mineralisation discovered might not result in an increase in proved and probable reserves. To access additional reserves, Harmony will need to successfully complete development projects, including extensions to existing mines and, possibly, that of new mines. Development projects would also be necessary to access any new mineralisation discovered as a result of exploration activities around the world. Harmony typically uses feasibility studies to determine whether or not to undertake significant development projects. Feasibility studies include estimates of expected or anticipated economic returns, which are based on assumptions about:

- future gold and other metal prices;
- anticipated tonnage, grades and metallurgical characteristics of ore to be mined and processed;
- anticipated recovery rates of gold and other metals from the ore, and
- anticipated total costs of the project, including capital expenditure and cash costs.

Actual cash costs of production, production and economic returns may differ significantly from those anticipated by feasibility studies for new development projects.

It can take a number of years from the initial feasibility study until development is completed and, during that time, the economic feasibility of production may change. In addition, there are a number of uncertainties inherent in the development and construction of an extension to an existing mine or any new mine, including:

- the availability and timing of necessary environmental and governmental permits;
- the timing and cost of constructing mining and processing facilities, which can be considerable;
- the availability and cost of skilled labour, power, water and other materials;
- the accessibility of transportation and other infrastructure, particularly in remote locations;
- the availability and cost of smelting and refining arrangements; and
- the availability of funds to finance construction and development activities.

Harmony currently maintains a range of focused exploration programmes, concentrating on areas not too distant from its operational mines, as well as a number of prospective known gold mineralised regions around the world. During FY10, the bulk of exploration expenditure was allocated to activities in PNG and South Africa. However, there is no assurance that any future development projects will extend the life of our existing mining operations or result in any new commercial mining operations.

The costs associated with the pumping of water inflows from closed mines adjacent to our operations could adversely affect Harmony's operational results.

Certain of Harmony's mining operations are located adjacent to the mining operations of other mining companies. A mine closure may have an adverse effect on the continued operations at an adjacent mine if appropriate preventative steps are not taken. In particular, this could include the ingress of underground water when pumping operations at the closed mine are suspended. Such ingress can result in damage to property, operational disruptions and additional pumping costs, which would adversely affect any one of our adjacent mining operations.

The supply of electricity and increases in the cost of power may adversely affect Harmony's operational results and financial condition.

Each of our mining operations is dependent on electrical power generated by the state utility Eskom, which holds a monopoly on the South African market. As a result of an increase in demand exceeding available generating capacity, South Africa has been subject to disruptions in electrical power supply. During FY08, the electricity supply was interrupted by Eskom thereby halting production at certain of our mines. This led to management restructuring operating processes to control and reduce our consumption of electricity at all our operations. There have been no further disruptions and we have been able to continue production at 90% electricity allocation as required by the Energy Conservation Scheme (ECS) and interim rules imposed by Eskom. All operations were allocated an ECS allocation in line with the Eskom allocation and equipment and management structures were put in place to monitor and manage real-time consumption. Applications submitted to Eskom for additional energy allocation to the four future growth projects were approved, enabling us to proceed with the projects and to ramp-up to full capacity utilising Eskom power. We also submitted applications for additional power allocation for four metallurgical projects in the Free State, which were also approved by Eskom. Nevertheless, an insufficient supply of electricity may adversely affect our results of operations and financial condition.

As a result of Eskom's planned capital expansion programme to deal with the current power constraints, an average annual tariff increase of 25% for the three-year multi-year price determination period has been approved by the National Energy Regulator South Africa (NERSA). The first increase became effective on 1 April 2010. These increases will have a negative impact on our results of operations going forward.

Certain factors may affect Harmony's ability to support the carrying value of its property, plant and equipment, goodwill and other assets on its balance sheet.
Harmony reviews and tests the carrying value of its assets on an annual basis when events or changes in circumstances suggest that the carrying amount may not be recoverable.

If there are indications that impairment may have occurred, estimates of expected future cash flows for each group of assets are prepared. These estimates of future cash flows are prepared at the lowest level at which identifiable cash flows are identified as being independent of the cash flows of other mining assets and liabilities. Expected future cash flows are inherently uncertain, and could materially change over time. Such cash flows are significantly affected by reserve and production estimates, together with economic factors such as spot and forward gold prices, discount rates, currency exchange rates, estimates of costs to produce reserves and future capital expenditures.

As at 30 June 2010, Harmony had substantial amounts of property, plant and equipment, goodwill and other assets on its consolidated balance sheets. Impairment charges relating to these assets were recorded and if any one or a combination of the uncertainties described above should occur, management may be required to recognise further impairment charges, which could adversely affect Harmony's financial results and condition.

Given the nature of mining and the type of gold mines operated by Harmony, it faces a material risk of liability, delays and increased cash costs of production from environmental and industrial accidents and pollution.
The business of gold mining by its nature involves significant risks and hazards, including environmental hazards and industrial accidents. In particular, hazards associated with underground mining include:
- rock bursts;
- seismic events;
- underground fires;
- cave-ins or falls of ground;
- discharges of gases and toxic chemicals;
- release of radioactive hazards;
- flooding;
- pillar mining;
- accidents; and
- other conditions resulting from drilling, blasting and the removal and processing of material from a deep-level mine.

Hazards associated with open-cast mining (also known as open-pit mining) include:
- flooding of the open-pit;
- collapse of the open-pit walls;
- accidents associated with the operation of large open-pits and rock transportation equipment; and
- accidents associated with the preparation and ignition of large-scale open-pit blasting operations.

Hazards associated with waste-rock mining include:
- accidents associated with operating a waste dump and rock transportation; and
- production disruptions caused by weather.

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

The nature of Harmony's mining operations presents safety risks.

The environmental and industrial risks identified above also present safety risks for Harmony's operations and its employees and could lead to the suspension and potential closure of operations for indeterminate periods. Safety risks, even in situations where no injuries occur, can have a material adverse effect on Harmony's operations and production.

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

Harmony has third-party liability coverage for most potential liabilities, including environmental liabilities. While it believes that its current insurance coverage for the hazards described above is adequate and consistent with industry practice, Harmony may be subject to liability for pollution (excluding sudden and accidental pollution) or other hazards against which it has not insured or cannot insure, including those in respect of past mining activities. Further, Harmony maintains and intends to continue to maintain, property and liability insurance consistent with industry practice, but such insurance contains exclusions and limitations on coverage. In addition, there can be no assurance that insurance will continue to be available at economically acceptable premiums. As a result, in the future, Harmony's insurance coverage may not cover the extent of claims against it for environmental or industrial accidents or pollution.

Harmony's operations may be negatively impacted by inflation.

Harmony's operations have been materially affected by inflation. Inflation in South Africa has fluctuated widely in recent years, reaching 11.6% at the end of FY08 before decreasing significantly to 6.9% at the end of FY09 and to 4.2% by the end of FY10. However, working costs and wages especially, have increased considerably over the past three years resulting in significant cost pressures for the mining industry. In addition, electricity prices have increased by 25% in the current year and are expected to increase by 25% per year for the next two years as the national electricity provider, Eskom, incurs significant capital to expand capacity. Therefore the electricity trend in inflation has not yet filtered through to the mining industry.

The inflation rate in PNG eased to 7% in FY09 (from 10.6% in FY08) and remained relatively stable at 7% for FY10. Although the recent trend in the inflation figures points to a moderation in inflationary pressures, annual inflation remains significantly above those levels recorded in the years prior to 2008. Labour costs have also increased due to a lack of availability of skilled labour as a direct consequence of the number of major projects in PNG. The PNG currency has also remained relatively strong against the Australian and US dollar. Harmony's profits and financial condition could be adversely affected when cost inflation is not offset by devaluation in operating currencies and/or an increase in the price of gold.

The socio-economic framework in the regions in which Harmony operates may have an adverse effect on its operations and profits.

Harmony has operations in South Africa and PNG. As a result, changes or instability to the economic or political environment in any of these countries or in neighbouring countries could affect an investment in Harmony. It is difficult to predict the future political, social and economic direction in these countries, or any other country in which Harmony operates, and the impact government decisions may have on its business.

Actual and potential shortages of production inputs may have an adverse effect on Harmony's operations and profits.

Harmony's operational results may be affected by the availability and pricing of raw materials and other essential production inputs. The price of raw materials may be substantially affected by changes in global supply and demand, along with weather conditions, governmental controls and other factors. A sustained interruption to the supply of any of these materials would require Harmony to find acceptable substitute suppliers and could require it to pay higher prices for such materials. Any significant increase in the prices of these materials would increase operating costs and affect production considerations.

Harmony's financial flexibility could be materially constrained by exchange control regulations as imposed by the SARB.

In terms of South Africa's exchange control regulations, the export of capital from South Africa is restricted. As a result, Harmony's ability to raise and deploy capital outside South Africa is limited. In particular, Harmony is:

- generally not permitted to export capital from South Africa, to hold foreign currency or incur indebtedness denominated in foreign currencies without the approval of the South African exchange control authorities;
- generally not permitted to acquire an interest in a foreign venture without the approval of the South African exchange control authorities and first having complied with the investment criteria of the South African exchange control authorities;
- generally required to repatriate profits of foreign operations to South Africa; and
- limited in its ability to utilise the profits of one foreign business to finance operations of a different foreign business.

These restrictions could hinder Harmony's normal corporate functioning, including its ability to make foreign investments and procure foreign currency denominated financings in the future.

Since 1995, certain exchange controls in South Africa have been relaxed. The extent to which the South African government may further relax such exchange controls cannot be predicted with certainty, although the government has committed itself to a gradual approach to the relaxation of exchange control.

Harmony competes with mining and other companies for key human resources.

Harmony competes with mining and other companies on a global basis to attract and retain key human resources at all levels with the appropriate technical skills and operating and managerial experience necessary to continue to operate its business. The need to recruit, develop and retain skilled employees is particularly critical with respect to historically disadvantaged South Africans (HDSAs), women in mining in South Africa and the recruitment and training of local landowners in PNG. The global shortage of key mining industry human resource skills, including geologists, mining engineers, metallurgists and skilled artisans has been exacerbated in the current environment of increased mining activity across the globe. Despite various initiatives in place, there can be no assurance that we will attract and retain skilled and experienced employees and, should Harmony lose any of its key personnel, its business may be harmed and its operational results and financial condition could be adversely affected.

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

Despite a history of positive and constructive engagement with labour unions, there are periods during which the various stakeholders are unable to agree on dispute resolution processes. Disruptive activities on the part of labour, which normally differ in intensity, then become unavoidable. Given the high level of union membership among our employees, Harmony is at risk of having production stoppages for indefinite periods due to strikes and other disputes. Significant labour disruptions have affected operations and Harmony's financial condition before and Harmony cannot predict whether or not it will experience significant labour disputes in the future.

South African employment law sets out minimum terms and conditions of employment for employees. Though these minimum terms and conditions may be improved by agreements between Harmony and the trade unions, the prescribed minimum terms and conditions set the benchmark for all employment contracts.

During August 2009, we secured a two-year wage settlement with unions representing the majority of our 46 000-strong South African workforce. This provided for increases between 9% and 10.5%, depending on the category, as well as the payment of a minimum wage with effect from July 2010 for employees on the lowest semi-skilled category, supplemented by free board, accommodation and medical assistance, as is the practice in the South African mining industry. For the second year of the agreement, we have agreed a guaranteed wage increase of 7.5% or the Consumer Price Index plus 1%, whichever is the higher of the two.

Harmony is required to submit a report in terms of South African employment law detailing the progress made towards achieving employment equity in the workplace. In the event this report is not submitted, Harmony could incur substantial penalties. We have submitted our report for fiscal 2009.

Developments in South African employment law may increase the cash costs of production or alter Harmony's relationship with its employees and trade unions, which may have an adverse effect on its business, operating results and financial condition.

HIV & AIDS poses risks to Harmony in terms of productivity and costs.
The incidence of HIV & AIDS in South Africa and PNG, poses risks in terms of potentially reduced productivity, and increased medical and other costs. If a significant increase in the incidence of HIV & AIDS infection and HIV & AIDS-related diseases among the workforce over the next several years occurs, then this may have an adverse impact on Harmony's operations, projects and financial condition.

We have developed a new strategy to address Tuberculosis (TB) and HIV & AIDS in South Africa. This strategy was implemented in FY10. This strategy will build on the group's current structures of voluntary counselling and testing (VCT), anti-retroviral therapy (ART) and community-based interventions.

The cost of occupational healthcare services may increase in the future.
Harmony's operations in South Africa are subject to health and safety regulations which could impose significant costs and burdens. The present Mine Health and Safety Act 29 of 1996 imposes various duties on mines and grants the authorities broad powers to, among other things, close unsafe mines and order corrective action relating to health and safety matters.

The Occupational Diseases in Mines and Works Act 78 of 1973 governs the payment of compensation and medical costs related to certain illnesses contracted by persons employed in mines or at sites where activities ancillary to mining are conducted. Occupational healthcare services are available to Harmony employees at its existing healthcare facilities in South Africa.

Operations in PNG are subject to the following PNG laws and regulations; PNG Mining Act 1992, PNG Mining Safety Act 1997, PNG Mining Safety Regulation 1935 (updated 2006), and the PNG Environment Act 2000. As in other countries, enforcement of these acts and regulations has the potential to interrupt mining activities. The PNG Minerals Resources Authority (MRA) administers the safety and environmental legislation on behalf of the PNG Government and has the power to stop work or, in extreme cases, to close a mine until the mine owner complies with the requirements of the MRA. The MRA also mediates in disputes between mine owners and land owners or between land owner groups.

PNG has few health services in country and rural communities. Harmony is putting in place health programmes that will assist communities within its area of operation to have better access to health services in a sustainable manner by assisting with upgrades to health facilities, mentoring and education assistance to community health staff, malaria prevention, potable water solutions, as well as with the development of small agriculture business.

There is a risk that the cost of providing such services and implementing the various programmes could increase in future depending on changes in the nature of underlying legislation and the profile of its employees. This increased cost, should it transpire, is currently indeterminate. Harmony has embarked on a number of initiatives focused on improving the quality of life of its workforce, although there can be no guarantee that such initiatives will not be adversely affected by increased costs.

Corporate governance cont.

Laws governing mineral rights affect Harmony's business.

Harmony's operations in South Africa and PNG are subject to legislation regulating mineral rights and the mining of those rights. In South Africa Harmony is governed by the South African Mineral and Petroleum Resources Development Act 2002 (MPRDA).

Under the MPRDA, tenure over established mining operations is secured for up to 30 years (and renewable for periods not exceeding 30 years each thereafter), provided that mining companies applied for new order mining rights over existing operations within five years of 1 May 2004 or before the existing right expires, whichever was the earlier date, and fulfils requirements specified in the MPRDA and the Broad-Based Socio-Economic Empowerment Charter for the South African Mining Industry (Mining Charter).

All of Harmony's South African operations have been granted their mining licences. Harmony will be eligible to apply for new licences over existing operations, provided that it complies with the Mining Charter. Harmony has taken steps to comply with the expected provisions of the Mining Charter, such as promoting value-added production, exploring black empowerment initiatives and increasing worker participation. Failure to comply with the conditions of the mining licences could have a material adverse effect on operations and Harmony's financial condition.

The Mining Charter was signed by government and stakeholders in October 2002, and contains principles relating to the transfer, over a 10-year period, of 26% of South Africa's mining assets (as equity or attributable units of production) to HDSAs, as defined in the Mining Charter. An interim target of 15% HDSA participation over five years was set and to this end, the South African mining industry committed to securing financing to fund participation by HDSAs in an amount of R100 billion within the first five years of the Mining Charter's tenure. The Mining Charter provides for the review of the participation process after five years to determine what further steps, if any, are needed to achieve target participation of 26%. In order to measure progress in meeting the requirements of the Mining Charter, companies are required to complete a Scorecard, in which the levels of compliance with the objectives of the Mining Charter can be 'ticked off' after five and ten years, respectively. The Mining Charter and Scorecard require programmes for black economic empowerment and the promotion of value-added production, such as jewellery-making and other gold fabrication, in South Africa. In particular, targets are set out for broad-based black economic empowerment in the areas of human resources and skills development; employment equity; procurement and benefication. In addition, the Mining Charter addresses socio-economic issues, such as migrant labour, mine community and rural development and housing and living conditions.

Following a review of the progress made by the mining industry after five years of implementing the provisions of the Mining Charter, the DMR recently amended the Mining Charter and the Revised Mining Charter was released on 13 September 2010. The requirement under the Mining Charter for mining entities to achieve a 26% HDSA ownership of mining assets by the year 2014 has been retained. Amendments to the Mining Charter in the Revised Mining Charter include, inter alia, the requirement by mining companies to

- facilitate local beneficiation of mineral commodities;
- procure a minimum of 40% of capital goods, 70% of services and 50% of consumer goods from HDSA suppliers (i.e. suppliers of which a minimum of 25% + 1 vote of their share capital must be owned by HDSAs) by 2014. These targets will however be exclusive of non-discretionary procurement expenditure;
- achieve a minimum of 40% HDSA demographic representation by 2014 at executive management (board) level, senior management (EXCO) level, core and critical skills, middle management level and junior management level;
- invest up to 5% per cent of annual payroll in essential skills development activities; and
- implement measures to improve the standards of housing and living conditions for mineworkers by converting or upgrading mineworkers' hostels into family units, attaining an occupancy rate of one person per room and facilitating home ownership options for all mineworkers in consultation with organised labour, all of which must be achieved by 2014.

In addition, mining companies are required to monitor and evaluate their compliance with the Revised Mining Charter, and must submit annual compliance reports to the DMR. The Scorecard for the Broad-Based Socio-Economic Empowerment Charter for the South African Mining Industry attached to the Revised Mining Charter (the Scorecard) makes provision for a phased-in approach for compliance with the above targets over the five-year period ending in 2014. For measurement purposes, the Scorecard allocates various weightings to the different elements of the Revised Mining Charter. Failure to comply with the provisions of the Revised Mining Charter will amount to a breach of the MPRDA and may result in the cancellation or suspension of a mining company's existing mining rights. Harmony obtained all of its licences two years ago and has no reason to believe that its mining licences will be cancelled or suspended.

The MPRDA also makes reference to royalties payable to the South African state in terms of the Mineral and Petroleum Resources Royalty Act (Act 28 of 2008) which provides for the payment of a royalty according to a formula based on earnings before interest, tax and depreciation, after the deduction of capital expenditure. This rate is then applied to revenue to calculate the royalty amount due, with a minimum of 0.5% and a maximum of 5% for gold mining companies. For the period from 1 March 2010, when the royalty became effective, until 30 June 2010, the average royalty rate for the group's South African operations was 1.5% of gross sales.

The Mining Act of 1992 (PNG) is based on Australian legislation. Accordingly, mineral rights in PNG also belong to the government of PNG which has a statutory right to obtain a participating interest of up to 30% in mining development projects. The government then issues and administers mining tenements under the relevant mining legislation, and mining companies must pay royalties to the government based on production.

Production has begun at Harmony's PNG mining operation which is now subject to a 2% royalty payment to the government of PNG. Should we desire to expand any of our initiatives in PNG operations into additional areas under exploration, these operations would need to convert the existing exploration licenses prior to the start of mining and that process could require landowner title approval. There can be no assurance that any approval would be received.

Harmony is subject to extensive environmental regulations.

As a gold mining company, Harmony is subject to extensive environmental regulation, and has experienced and expects to continue to experience increased cash costs of production arising from compliance with South African and PNG environmental laws and regulations. The MPRDA, certain other environmental legislation and the administrative policies of the South African government regulate the impact of the company's prospecting and mining operations on the environment.

Pursuant to these regulations, upon the suspension, cancellation, termination or lapsing of a prospecting permit or mining authorisation, Harmony will remain liable for compliance with the provisions of various relevant regulations, including any rehabilitation obligations. This liability will continue until such time as the appropriate authorities have certified that the company has complied with such provisions.

In the future, Harmony may incur significant costs regarding compliance with the increasingly stringent requirements being imposed under new legislation and regulations. This may include the need to increase and accelerate expenditure on environmental rehabilitation and to alter provisions for this expenditure, which could have a material adverse effect on its results and financial condition. Harmony may also face increased environmental costs should other mines in the vicinity of its mines fail to meet their obligations with regard to the pumping or treatment of water.

The South African government has reviewed requirements imposed upon mining companies to ensure environmental restitution. For example, following the introduction of an environmental rights clause in South Africa's constitution, a number of environmental legislative reform processes have been initiated. Legislation passed as a result of these initiatives has tended to be materially more onerous than laws previously applied in South Africa. Examples of such legislation include the MPRDA, the South African National Nuclear Regulator Act 1999, the South African National Water Act of 1998 and the South African National Environmental Management Act 1998, which include stringent 'polluter pays' provisions. The adoption of these or additional or more comprehensive and stringent requirements, in particular with regard to the management of hazardous waste, the pollution of ground and ground-water systems and the duty to rehabilitate closed mines, may result in additional costs and liabilities.

Harmony's PNG operations are also subject to various laws and regulations relating to the protection of the environment, which are similar in scope to those of South Africa.

Compliance with emerging climate change regulations could result in significant costs to the Group, and climate change may present physical risks to our operations.

Greenhouse gases (GHGs) are emitted directly by Harmony's operations and indirectly as a result of the consumption of electricity generated by external utilities. Emissions from electricity consumption are indirectly attributable to Harmony's operations. There are currently a number of international and national measures to address or limit GHG emissions, including the Kyoto Protocol and the Copenhagen Accord, in various phases of discussion or implementation. Both South Africa and PNG are non-Annex I countries and therefore do not have emission reduction targets under the Kyoto Protocol in the First Commitment Period, ending 2012. After the Climate Summit in Copenhagen in December 2009, South Africa committed to 30% clean energy by 2025 with the vision that South Africa's GHG emissions would peak by 2020-2025 at the latest, plateau for a decade and then decline by 40% by 2050. South Africa is currently also developing a National Climate Change Response Policy which is expected to be completed by 2012. This policy will be translated into a legislative, regulatory and fiscal package between now until 2012.

The largest portion of GHG emissions is predominantly electricity related, with electricity expenditure amounting to 10% of Harmony's operational costs in South Africa. While cost management is clearly a strategic issue for Harmony, of even greater importance is that energy supply be constant and reliable, given the implications that the loss of energy has on both production and for health and safety reasons. GHG emissions regulations, which would increase the price of energy, within reason, will not affect Harmony as significantly as regulation which stipulates emission thresholds, or sets technology standards which may result in insecure energy supply. Already certain compliance costs from power suppliers are being passed on to the group in the form of price increases. For instance, in South Africa since 2009, Harmony has paid a levy of R0.02 per kilowatt hour for electricity generated by fossil fuels. These levies may increase over time and additional levies may be introduced in the future in South Africa or PNG, which could result in a significant increase in our costs.

As our current mines have a life expectancy of up to 24 years, we are undertaking capital projects to sustain and increase production at the Phakisa, Doornkop, Kusasalethu, Tshepong and Hidden Valley operations. These expansions will extend the company's mining operations by another 10 years or more, by which time GHG regulations are expected to be a permanent feature of the global economy. Future climate change regulation will therefore need to be considered for all Harmony's extensions and acquisitions. All new greenfields and brownfield projects are required by company policy to consider the impact of climate change in their design and planning.

Harmony is also likely to be exposed to GHG emission regulation thresholds specifically regarding leakage from refrigerant gas usage. Harmony will therefore be required to manage CFC-free refrigerant gas, and will consider using absorption chillers. This could have cost implications for the company.

In addition, Harmony's operations could be exposed to a number of physical risks from climate change, such as increased rainfall, reduced water availability, higher temperatures and extreme weather events. Events or conditions such as flooding or inadequate water supplies could disrupt Harmony's operations and rehabilitation efforts, and could increase health and safety risks at the operations. In addition, such events or conditions could have adversely affect Harmony's workforce and those communities in close proximity to its operations.

Our operations in South Africa are subject to water use licences which could impose significant costs

Under South African law, Harmony's South African operations are subject to water use licences that govern each operation's water usage and that require, among other things, that mining operations achieve and maintain certain water quality limits regarding all water discharges, where these are applicable. The majority of the South African operations are lawful users having existing water permits in terms of the Water Act of 1954. Nevertheless, the South African operations have made applications to the relevant regional directors for water use licences in terms of the National Water Act, 1998. Submissions were made as early as 2003 and the organisation has been working closely with the Regional Directors in the review process and a number of our operations have been issued with licences and/or draft licences.

It is anticipated that the conditions of the licences may require Harmony to consider and implement alternate water management measures that may have a significant cost implication for our business. Any failure on Harmony's part to achieve or maintain compliance with the requirements of these licences with respect to any of its operations may result in Harmony being subject to penalties, fees and expenses or business interruption due to revoked water licences. Any of the above could have a material adverse effect on our business, operating results and financial condition.

The group may have potential exposure to rehabilitate ground water and radiation that may exist where the group has operated and/or continues to operate.

Due to the interconnected nature of mining operations, any proposed solution for potential flooding and potential decant risk posed by deep ground water, needs to be a combined one supported by all the mines located in the goldfields. As a result, the Department of Mineral Resources and affected mining companies are involved in the development of a Regional Mine Closure Strategy. In view of the limitation of current information for the accurate estimation of a liability, no reliable estimate can be made for the obligation.

The group has initiated analytical assessments to identify, quantify and mitigate impacts if and when (or as and where) these impacts may arise. Numerous scientific, technical and legal studies are under way to assist in determining the magnitude of possible contamination of ground water and to find sustainable remediation solutions. The group has instituted processes to reduce possible future potential seepage and it has been demonstrated that Monitored Natural Attenuation (MNA) by the existing environment will contribute to improvement in some instance. The ultimate outcome of the matter cannot presently be determined and no provision for any liability that may result has been made in the financial statements.

Investors in the United States may have difficulty bringing actions, and enforcing judgements, against Harmony, its directors and executive officers based on the civil liabilities provisions of the federal securities laws or other laws of the United States or any state thereof.

Harmony is incorporated in South Africa. Each of its directors and executive officers (and certain experts named herein) reside outside of the United States. Substantially all of the assets of these persons and substantially all of Harmony's assets are located outside the United States. As a result, it may not be possible for investors to enforce a judgement against these persons or the company obtained in a court of the United States predicated upon the civil liability provisions of the federal securities or other laws of the United States or any state thereof. A foreign judgement is not directly enforceable in South Africa, but constitutes a course of action which will be enforced by South African courts provided that:

- the court that pronounced the judgement had jurisdiction to entertain the case according to the principles recognised by South African law with reference to the jurisdiction of foreign courts;
- the judgement is final and conclusive;
- the judgement has not lapsed;
- the recognition and enforcement of the judgement by South African courts would not be contrary to public policy, including observance of the rules on the defendant and that the defendant was given the right to be heard and represented by counsel in a free and fair trial before an impartial tribunal;
- the judgement does not involve the enforcement of a penal or revenue law; and
- the enforcement of the judgement is not otherwise precluded by the provisions of the Protection of Business Act 99 of 1978, as amended, of the Republic of South Africa.

Compliance with new and changing corporate governance and public disclosure requirements adds uncertainty to Harmony's compliance policies and increases its costs of compliance.

Laws, regulations and standards relating to accounting, corporate governance and public disclosure, new SEC regulations and other listing regulations applicable to Harmony are subject to change and can create uncertainty for companies such as Harmony. New or changed laws, regulations and standards could lack specificity or be subject to varying interpretations. Their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs of compliance as a result of ongoing revisions to such governance standards.

Pursuant to Section 404 of SOx, Harmony is required to furnish an annual management report on internal controls over financial reporting. The annual report contains, among other matters, an assessment of the effectiveness of Harmony's internal control over financial reporting as of the end of the financial year, including a statement as to whether or not its internal controls over financial reporting are effective. If Harmony fails to maintain the adequacy of its internal controls, it may not be able to ensure that it can be concluded on an ongoing basis that the company has effective internal control over financial reporting in accordance with SOx. The requirement to evaluate and report on the internal controls also applies to companies that Harmony may acquire and therefore, this assessment may be complicated by any future acquisitions that may be completed. While Harmony continues to dedicate resources and management time to ensuring that there are effective controls over financial reporting, failure to achieve and maintain an effective internal control environment could have a material adverse effect on the market's perception of the company's business and stock price.

Harmony is committed to maintaining high standards of corporate governance and public disclosure, and its efforts to comply with evolving laws, regulations and standards in this regard have resulted in, and are likely to continue to result in, increased general and administrative expenses.

Sales of large quantities of our ordinary shares and ADSs, or the perception that these sales may occur, could adversely affect the prevailing market price of such securities.

The market price of our ordinary shares or ADSs could fall if large quantities of ordinary shares or ADSs are sold in the public market, or there is the perception in the marketplace that such sales could occur. Subject to applicable securities laws, holders of our ordinary shares or ADSs may decide to sell them at any time. The market price of our ordinary shares or ADSs could also fall as a result of any future offerings it makes of ordinary shares, ADSs, or securities exchangeable or exercisable for its ordinary shares or ADSs, or the perception in the marketplace that these sales might occur. We may make such offerings of additional ADS rights, letters of allocation or similar securities at any time or from time to time in the future.

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

Harmony has employee share option schemes as well as other share schemes. The employee share option schemes came into effect in 1994, 2001 and 2003 respectively, and a new share scheme was introduced in 2006. The Harmony board has authorised up to 60 011 669 shares of the issued share capital to be used for these plans. As a result, shareholders' equity interests in Harmony are subject to dilution to the extent of the future exercises of the options, through share schemes.

We may not pay dividends or make similar payments to our shareholders in the future.

While it is Harmony's intention to declare and pay cash dividends, it is policy to only do so if profits and funds are available for that purpose. Whether or not funds are available depends on a variety of factors, including the amount of cash available and on capital expenditures and other cash requirements existing at that time. Under South African law, dividends may only be paid out if the company meets solvency and liquidity tests as set out in the Companies Act of South Africa and Harmony's Articles of Association. Cash dividends or other similar payments may not be paid in the future.

In February 2007, the South African Government announced a proposal to replace Secondary Tax on Companies with a 10% withholding tax on dividends and other distributions payable to shareholders. This proposal is expected to be implemented in phases in the near future. Although this may reduce the tax payable by our South African operations, thereby increasing distributable earnings, the withholding tax will generally reduce the amount of dividends or other distributions received by shareholders.

Free State, South Africa

Directors' report

The Harmony group has underground and surface operations and conducts mainly gold mining and exploration in South Africa and Papua New Guinea.

The company does not have a major controlling shareholder and is managed by its directors for and on behalf of its stakeholders.

The Directors of the company are responsible for the preparation, integrity and fair presentation of the financial statements of the company and its subsidiaries.

The directors have pleasure in submitting the financial statements of the company, together with those of the group for the year ended 30 June 2010. The financial statements presented on pages 216 to 312 and pages 314 to 351 have been prepared in accordance with IFRS and the Companies Act of South Africa.

In addition, the accounts include amounts based on judgements and estimates made by management. The directors consider that in preparing the financial statements they have used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all aspects of IFRS have been complied with.

The directors are satisfied that the information contained in the financial statements fairly represents the results of operations for the year and the financial position for the Harmony group at year-end. The directors have also prepared the additional information included in the annual report and are responsible for both its accuracy and consistency with the financial statements.

The directors are responsible for ensuring that accounting records are kept. The accounting records should disclose with reasonable accuracy the financial position of the company to enable the directors to ensure that the financial statements comply with the relevant legislation.

Harmony and its subsidiaries operate in a well established financial environment, which is well documented and regularly reviewed. This incorporates risk management and internal control procedures, which are designed to provide reasonable, but not absolute, assurance that assets are safeguarded and the risks facing the group are being controlled. The Sarbanes-Oxley compliance process assisted in identifying potential deficiencies in controls.

The going concern criterion has been adopted in preparing the financial statements. Based on current plans as compiled and various initiatives to improve cash flow, the Harmony group will be able to continue as a going concern.

The Code of Ethics has been adhered to. Please refer to the *Corporate Governance* section on page 184 for more information.

The Harmony group's external auditors, PricewaterhouseCoopers Incorporated, have audited the financial statements and their report is presented on page 215. The financial statements were approved by the Board of Directors on 11 October 2010 and signed on its behalf by:

Mr GP Briggs
Chief Executive Officer
Randfontein,
South Africa
25 October 2010

Mr HO Meyer
Financial Director
Randfontein,
South Africa
25 October 2010

Board of directors

Name	Date of appointment
Mr PT Motsepe*(Chairman)	23 September 2003
Ms FFT De Buck#†*	30 March 2006
Mr GP Briggs (Chief executive officer)	7 August 2007
Mr HO Meyer (Financial director)	1 November 2009
Mr F Abbott (Executive director)^	1 October 1994
Mr HE Mashego (Executive director)	24 February 2010
Mr JA Chissano*	20 April 2005
Dr CM Diarra*#	5 March 2008
Mr KV Dicks*#	13 February 2008
Dr DS Lushaba*#	18 October 2002
Ms CE Markus*#	31 May 2007
Mr MJ Motloba*#	30 July 2004
Mr CML Savage*#	23 September 2003
Mr AJ Wilkens*	7 August 2007

* Non-executive directors
# Independent
^ F Abbott retired as executive director at the end of July 2010 and was appointed non executive director from 1 August 2010.
† Appointed lead independent director after 30 June 2010.

Directorate

The abovementioned directors served on the Harmony board during FY10. Abridged CVs of all directors appear on pages 165 to 167 of this report. In terms of the company's Articles of Association, Mr PT Motsepe, Mr JA Chissano, Ms CE Markus and Mr AJ Wilkens qualify for retirement by rotation at the forthcoming Annual General Meeting. The retiring directors are eligible and have made themselves available for re-election to the board. In addition, Mr HE Mashego will be elected as a director of the company.

Directors' interests

The Board of Directors indicated that, at the date of this report, other than Mr André Wilkens, neither they, nor any of their immediate families and associates, held any direct shareholding in the company's issued share capital. No executive director held or acquired any shares in the company, other than through share incentive schemes for the year under review and up to 30 June 2010. Mr André Wilkens holds 101 303 shares in Harmony

Financial statement and results

Financial overview

Following on from the previous financial year in which the company achieved financial stability as part of the previous back-to-basics strategy, Harmony continued with a new strategy of creating a sustainable company – generating earnings that fund dividends and growth – a company with free cash flow.

Accordingly the financial year was characterised by two major themes, the closure of marginal shafts and continued significant investment in the company's growth projects. The once-off cost associated with closure of marginal shafts placed pressure on the income statement while the funding of the growth projects was managed with existing cash resources and the addition of a small amount of debt.

These actions placed Harmony in a strong position to generate sustainable earnings in the future as the asset portfolio is optimised and higher margin operations ramp up to full production. This stability will also ensure that Harmony is well positioned to unlock maximum value for shareholders from our exciting Wafi-Golpu project.

Despite a difficult year from an income statement perspective, these positives have enabled the board to declare a second annual dividend.

Directors' report cont.

Results for the year

The total net loss for FY10 was R192 million (US$24 million), compared with a net profit of R2 927 million (US$311 million) in FY09. Loss per share for FY10 was 46 SA cents (6 US cents), compared to earnings per share of 707 SA cents (75 US cents) in FY09.

The factors contributing to these results are discussed below. Unless stated otherwise, the discussions are for our continuing operations.

Commodity price

During FY10, we received an average gold price of R266 009/kg, an increase of 6% on the R250 826/kg received in FY09. In US dollar terms, we received an average of US$1 092/oz, an increase of 26% an US$867/oz in FY09. This was mainly due to the higher average gold spot price during the year of US$1 089/oz, compared to US$874/oz in FY09. Our average sales price differs from the average gold price owing to the timing of gold sales within each year. During FY10, the gold price traded between a low of US$908.50/oz and a high of US$1 261.00.

Exchange rates

The average exchange rate for the year ended 30 June 2010 was R7.58/US$1, compared to R9.00/US$1. The closing rate at 30 June 2010 was R7.63/US$1, compared to R7.72/US$1 at 30 June 2009. The average value of the rand versus the Australian dollar for FY10 was R6.70/A$1, compared to R6.66/A$1 in FY09. The average value of the kina versus the Australian dollar for FY10 was K2.26/A$1, compared to K1.92/A$1 in FY09.

Gold is priced and sold throughout the world in US dollars, but most of Harmony's operating costs are incurred either in rands, Australian dollars or kina in PNG. As a result, any significant and sustained appreciation of these currencies against the US dollar will serve to reduce Harmony's revenues and overall net income.

Production

Kilograms produced declined by 2%, or 1 004kg, to 44 433kg (of which 1 588kg were capitalised) during 2010. This was mainly a consequence of several shafts at the Evander and Virginia operations being placed on care and maintenance during the year. Offsetting this decrease was the inclusion of production from Hidden Valley, as well as increased production from Doornkop and Phakisa as development of the new mining sections was completed. The average recovered grade at the underground operations decreased from 4.6g/t to 4.5g/t in FY10. Gold production from surface operations in South Africa increased by 5% to 3 731kg.

Revenue

Gold sales decreased by 2% in FY10, from R11 496 million to R11 284 million, a result of the decrease in gold sold. This was offset by the 6% increase in the rand gold price received. In US dollar terms, gold revenue increased by 17%, from US$1 277 million to US$1 489 million, mainly as a result of the increase in the gold price received.

Cost of sales

Cost of sales increased by R825 million (US$300 million) from R9 659 million (US$1 083 million) in 2009 to R10 484 million (US$1 383 million) in 2010. The main changes in cost of sales are analysed as follows:

- Production costs rose by R701 million (US$253 million) in 2010, from R7 657 million (US$850 million) to R8 358 million (US$1 103 million). This equates to an increase in cash costs of R26 501/kg, or 16%. In US dollar terms, owing to the appreciation of the rand against the US dollar, cash costs increased by 37%, or US$218/oz. These increases were driven by the escalating cost of electricity and labour as well as the introduction of royalties in South Africa. The closure of certain shafts in Evander and Virginia also negatively impacted costs.
- Amortisation and depreciation increased by R122 million (US$42 million) during FY10 to R1 375 million (US$181 million). This increase was due to the ramping up of production as the various growth projects moved into the production phase, as well as the general increase in the capital expenditure.
- The charge for the impairment of assets decreased from R546 million (US$71 million) in FY09 to R331 million (US$43 million) in FY10. The impairments for FY10 resulted primarily from the placement of certain Evander and Virginia shafts on care and maintenance, and the impairment of the remaining carrying values. The impairment charge for 2009 resulted primarily from a decrease in the expected life of mine at certain operations, as well as an increase in costs to operate the shafts.

- Employment termination and restructuring costs increased from R39 million (US$4 million) in FY09 to R205 million (US$27 million) in FY10. The costs for 2010 related primarily to the closure of certain shafts at Evander and Virginia. The costs in 2009 were a result of the voluntary retrenchment programme started in December 2007 to decentralise certain central services departments and the cessation of continuous operations.

Operating profit

The group reported an operating profit of R164 million (US$22 million) in FY10, compared with R2 062 million (US$236 million) in FY09. This decrease was as a result of the decline in revenue and the increase in production costs, depreciation and employment termination costs. The inclusion of profit from the sale of the PNG assets to Newcrest in operating profit for FY09 also contributed to the decrease year-on-year.

Other income and expenses

- Profit from associates consists of Harmony's 40% share in the profits of Rand Uranium.
- The amount for FY09 for impairment of investment in associates relates to the impairment of the remaining carrying value of the investment in Pamodzi Gold Limited when it was placed in liquidation.
- The group recognised an amount of R24 million (US$3 million) for loss on sale of investment in subsidiaries on the disposal of Big Bell Operations (Proprietary) Limited (Big Bell) in January 2010.
- The gain of R7 million (US$1 million) recognised in fair value gain/(loss) on financial instruments for FY10 (FY09: loss of R101 million (US$10 million)) relates mainly to movements in the fair value of certain investments recycled from other reserves to the income statement on their disposal or when the investment was considered to be permanently impaired.
- Investment income decreased from R443 million (US$49 million) in FY09 to R218 million (US$29 million) in FY10. The decrease relates to a reduction in interest received on cash balances and loans receivables, where the balances were lower throughout the year. Interest received from the investments held by the environmental trusts was also lower as the profile of these investment portfolios were changed from cash only to include equity-linked instruments.
- A loss of R32 million (US$4 million) from discontinued operations for FY10 was recognised for the Mount Magnet operations. The profit from discontinued operations for FY09 was R1.0 billion (US$95 million), primarily comprising the profit from the sale of the Cooke operations.

Headline earnings

Headline earnings from continuing operations decreased from earnings of 304 SA cents (35 US cents) in 2009 to 1 SA cent (0 US cents) in 2010. The total headline loss including discontinued operations was 7 SA cents (1 US cent) per share in FY10, compared to earnings of 262 SA cents (29 US cents) per share in FY09.

Cash flows

Operating activities

Net cash generated from operating activities was R1 583 million (US$210 million) in FY10, a decrease of R703 million (US$45 million) when compared to the corresponding amount of R2 286 million (US$254 million) in FY09. This decrease related primarily to the decrease of R1 233 million (US$109 million) in cash generated from operations, a result of higher production costs owing to inflationary pressures caused by the increased cost of labour, materials and electricity. Also contributing to the decrease in net cash generated was the reduction in interest received of R240 million (US$23 million). Offsetting these increases was the decrease in interest paid as a result of lower debt balances, as well as the decrease of R579 million (US$68 million) in taxation paid.

Investing activities

Cash utilised by investing activities was R3 416 million (US$453 million) in FY10, compared with cash generated of R817 million (US$94 million) in FY09. Total capital expenditure for FY10 was R3 353 million (US$442 million), a decrease of R1 029 million (US$45 million) from FY09. An amount of R280 million (US$36 million) was used to acquire the restructured Steyn and Loraine shafts from Pamodzi FS. Proceeds from the disposal of property, plant and equipment totalled R146 million (US$19 million) in 2010, compared with R4 029 million (US$450 million) in FY09. The FY09 total comprised mainly proceeds from the disposal of the Cooke assets and 50% of the PNG assets.

Financing activities

Financing activities generated R650 million (US$85 million) in FY10, compared with R1 785 million (US$233 million) utilised in FY09. During FY10, the group entered into a loan facility with Nedbank and drew down R1.2 billion (US$160 million) during the year. Loan repayments amounted to R391 million (US$57 million) during FY10, compared to R3 738 million (US$427 million) during FY09. During FY09, Harmony issued shares into the market for cash and raised R1.9 billion (US$192 million) in two capital raising transactions.

Net cash flow

The net result of Harmony's operating, investing and financing activities was an outflow of R1 183 million (US$158 million), which combined with the opening balance of R1 950 million (US$253 million) and a positive foreign exchange translation of R3 million and US$6 million, resulted in a closing cash and cash equivalents balance of R770 million (US$101 million).

Capital

Capital expenditure for FY11 is estimated at R3 451 million (US$452 million), 3% more than in FY10.

Share capital

Full details of the authorised, issued and unissued share capital of the company as at 30 June 2010 are set out in the statements of changes in shareholders' equity on page 219 of this report.

Shareholders

Information on shareholder spread, the range of shareholdings and public shareholders, as well as major shareholders, is presented on pages 357 and 358 of this report.

Investments

A schedule of investments in subsidiaries, associates and joint ventures appears on pages 348 to 351 of this report.

Contingencies

None of Harmony's properties is the subject of pending material legal proceedings. We have received a number of claims and are involved in legal and arbitration proceedings that are incidental to the normal conduct of the business. The directors do not, however, believe that liabilities related to such claims and proceedings are likely to be material, individually or in aggregate, to the company's consolidated financial condition.

Borrowings

i) Movement in borrowings
See note 29 to the group financial statements.

ii) Borrowing powers

The level of the company's borrowing powers, as determined by its Articles of Association, shall not, except with the consent of the company's shareholders, exceed the aggregate from time to time of the issued and paid-up share capital of the company, together with the aggregate of the amounts standing to the credit of all distributable and non-distributable reserves (including interests in subsidiary companies and provisions for deferred taxation) and any share premium account of the group. At year-end, total borrowings amounted to R1 190 million (US$156 million) (FY09: R362 million (US$47 million)).

Acquisitions

During FY10, the group acquired the President Steyn 1 and 2 shafts, Loraine 3 and the Freddies 7 and 9 shafts, together with the President Steyn gold plant, collectively known as the Pamodzi Free State assets, for R405 million (US$53 million). The assets were acquired from Pamodzi Gold Free State (Proprietary) Limited (in Liquidation) (Pamodzi FS), a subsidiary of Pamodzi Gold Limited, an associate of the group.

In March 2010, the conditions precedent to the agreement between Harmony and African Vanguard Resources (Doornkop) (Proprietary) Limited (AVRD) became effective. As a result, the 26% interest in the Doornkop mining right was transferred from AVRD to Harmony in exchange for Harmony repayment of the Nedbank loan of R244 million (US$33 million) and the issue of 2 162 359 Harmony ordinary shares.

In August 2009, Harmony acquired two new exploration tenements, the Mount Hagen and Amanab Projects, in PNG.

Disposals

On 18 January 2010, the group disposed of the investment in its Australian subsidiary, Big Bell, to Fulcrum Resources (Proprietary) Limited for R24 million (US$3 million).

During FY10, the group sold its interest in Avoca Resources Limited into the market over a period of several months for a total consideration of R42 million (US$6 million).

In June 2010, the group sold the Jeanette prospecting rights to Taung Gold Limited for a total consideration and profit of R75 million (US$10 million).

Class action

There is a pending class action in the United States whereby certain ADR holders are seeking damages against Harmony pertaining to its business practices. Harmony filed a Motion to Dismiss all claims asserted in the class action case with the US courts, which was denied. A Motion for Reconsideration was then filed, which was also denied. Harmony is defending the matter and allowing the legal process to take its course.

Related parties

None of the directors or major shareholders of Harmony or, to the knowledge of Harmony, their families, had interests, direct or indirectly, in any transaction since 1 July 2008 or in any proposed transaction that affected or would materially affect Harmony or its subsidiaries, other than as stated below.

African Rainbow Minerals Limited (ARM) currently holds 14.6% of Harmony's shares. Patrice Motsepe, André Wilkens, Joaquim Chissano and Frank Abbott are directors of ARM.

Harmony owns a 40% interest in Rand Uranium. Graham Briggs, Hannes Meyer and Fikile De Buck are directors of Rand Uranium and Dr Simo Lushaba is a member of Rand Uranium's Investment Committee.

Material transactions with associates, joint ventures and SPEs

During the year, Harmony acquired the Pamodzi Free State assets from Pamodzi FS, a subsidiary of Pamodzi, an associate in which Harmony has a 32% interest. Harmony also acquired a 26% interest in the Doornkop mining right from AVRD, which was consolidated into the group in prior years as an SPE. For details, refer to note 35 of the consolidated financial statements.

Recent developments

Sale of Mount Magnet

On 20 July 2010, the group concluded an agreement with Ramelius Resources Limited to sell its 100% share in Mount Magnet Gold NL (Mount Magnet), for a total consideration of R269 million (US$35 million). Refer to note 14 to the consolidated financial statements in this regard.

Merriespruit South region and Freegold option

On 3 September 2010, Harmony concluded two transactions with Witwatersrand Consolidated Gold Resources Limited (Wits Gold), in which Wits Gold will obtain a prospecting right over Harmony's Merriespruit South area and the cancellation of the option held by ARMGold/Harmony Freegold Joint Venture Company (Proprietary) Limited (Freegold) to acquire a beneficial interest of up to 40% in any future mines established by Wits Gold on certain properties in the Southern Free State (Freegold option).

The total consideration was R336 million (US$47 million), (R61 million (US$9 million) for the prospecting area and R275 million (US$38 million) for the cancellation of the option agreement. The consideration will be settled in cash or in a combination of cash and shares in Wits Gold, when all remaining conditions precedent to the transaction have been fulfilled.

Taung (Evander 6 and Twistdraai)

On 10 September 2010, Harmony concluded a sale of assets agreement with Taung Gold Limited (Taung), in which Taung acquired the Evander 6 shaft, the related infrastructure and surface right permits as well as a mining right over the Evander 6 and Twistdraai areas. The total purchase consideration is R225 million ($29 million at 30 June 2010 exchange rate) which will be settled in cash, when all remaining conditions precedent to the transaction have been fulfilled.

On 4 October 2010, the decision was made to finally close Merriespruit 1 shaft under Section 189 (of the Labour Relations Act) already in place. The closure was postponed in terms of an agreement reached with organised labour to keep the shaft open while it remained profitable.

Dividend

On 13 August 2010, the Board of Directors approved a final dividend for FY10 of 50 SA cents per share. The total dividend amounts to R214 million. As the dividend was declared after the reporting date, it has not been reflected in the financial statements for the year ended 30 June 2010. Included in the statement of changes in shareholders' equity for FY10 is an amount of R213 million for the dividend declared in August 2009.

Special resolutions

No special resolutions were passed during FY10

Shareholdings exceeding 5%

As at 30 June 2010, those shareholders with holdings of more than 5% were as follows:

Institution	Number of shares held	% shareholding
African Rainbow Minerals Limited	63 632 922	14.57%
Allan Gray Investment Counsel	56 483 026	12.94%
Blackrock Investment Management (UK) Ltd	41 346 382	9.47%
Public Investment Corporation of South Africa	27 707 406	6.35%

Remuneration

Annual incentive scheme

Harmony's Remuneration Committee ensures that Harmony's directors and senior executives are fairly rewarded for their individual contributions to Harmony's overall performance. In September 2006, the Remuneration Committee approved an annual incentive scheme as part of Harmony's reward philosophy to benefit executive directors and members of management.

The principles of the scheme are based on certain key performance targets, namely improvements in safety and performance against budget of: kilograms of gold produced, underground grade, cash cost and capital expenditure.

Long-term incentives

In addition to employees' annual salaries, Harmony has implemented various share option schemes including the Harmony 2006 Share Plan. In all, 60 011 669 of Harmony's share capital is reserved for long-term incentive schemes.

The Harmony 2001 and 2003 Share Schemes

Harmony has two share option schemes, namely the 2001 share option scheme and the 2003 share option scheme (collectively, the existing schemes), which both have similar rules. Since the implementation of the 2006 Share Plan, no options have been nor will be issued in terms of the existing schemes. Options granted before the implementation of the 2006 Share Plan remain open for acceptance for 10 years after the date of grant, subject to the terms of the relevant option scheme.

Broad-Based Employee Share Scheme (ESOP)

The company intends to structure the Broad-Based ESOP Scheme so as to maximise the recognition of black participation therein, both from the perspective of the MPRDA and the Broad-Based Black Economic Empowerment Act. Discussions relating to option benefits for non-managerial employees are ongoing with unions representing these employees.

The Harmony 2006 Share Plan

The Harmony 2006 Share Plan (the Plan) was adopted by shareholders at the annual general meeting held on 10 November 2006. The plan incorporates the following elements: equity-settled share appreciation rights, performance shares and performance allocated restricted shares. The Plan is in line with global best practice and emerging South African practice, which in combination serves to reward the required attributes of shareholder alignment and long-term, sustained performance.

In terms of the Plan, executive directors and senior employees of Harmony and its subsidiaries and associates are awarded rights to receive shares in Harmony. This is based on the value of these awards when time and performance conditions have been met, the awards have vested and, in the case of Share Appreciation Rights (SARs), the rights, have been exercised.

The primary intent of the Plan is to reward executive and senior management for long-term, sustained performance achievements which are aligned to shareholder value.

The nature of the Plan, which is linked to performance conditions, is not as dilutive as a normal share option scheme.

Annual allocations of SARs awards and performance shares and grants of restricted shares are governed by Harmony's reward philosophy, in which inter alia the 'expected value' of long-term incentive rewards is set for defined categories of executive and senior management. The expected value is defined as the present value of the future reward outcome of an allocation/award/grant, given the targeted future performance of Harmony and its share price. See table on pages 212 and 213 for details of executive directors and management long-term incentives.

The 2006 allocations and awards became eligible for vesting during the year. The SARs vested as the performance conditions were met, but the performance conditions for the performance shares were not met. All performance shares for the 2006 allocations therefore did not vest and these awards lapsed.

Directors' emoluments

Harmony's Remuneration Committee (see pages 180 and 181 for details) ensures that Harmony's directors and senior executives are fairly rewarded for their individual contributions to Harmony's overall performance.

The board has agreed to an increase in non-executive directors' fees, effective from 1 July 2010. The increase granted is to ensure that non-executive directors' fees remain competitive. Shareholders will be to approve the increase in fees, as set out in the Notice of Meeting, at the annual general meeting that will be held on 1 December 2010.

Directors' and executive management remuneration

Name	Directors' fees (R000) FY10	Salaries and benefits (R000) FY10	Retirement contri-butions during the year (FY10)	Bonuses* paid (R000) FY10	Total (R000) FY10	Total (R000) FY09
Non-executive directors						
Patrice Motsepe	798	–	–	–	798	745
Joaquim Chissano	373	–	–	–	373	365
Fikile De Buck	455	–	–	–	455	389
Dr Cheick Diarra	150	–	–	–	150	140
Ken Dicks	311	–	–	–	311	282
Dr Simo Lushaba	373	–	–	–	373	345
Cathie Markus	250	–	–	–	250	233
Modise Motloba	480	–	–	–	480	455
Cedric Savage	644	–	–	–	644	498
André Wilkens	395	–	–	–	395	370
Executive directors						
Frank Abbott	–	2 766	140	518	3 424	3 212
Graham Briggs	–	5 038	–	1 560	6 598	6 674
Mashego Mashego(1)	–	602	55	134	791	–
Hannes Meyer(2)	–	1 662	–	143	1 805	–
Executive management	–	19 201	1 375	4 386	24 962	24 300
Total	4 229	29 269	1 570	6 741	41 809	38 008

(1) March 2010 to June 2010 (appointed 24 February 2010).

(2) November 2009 to June 2010 (appointed 1 November 2009).

* Refer to annual incentives scheme for principles used in determining bonuses.

Share allocation as at 30 June 2010

See pages 212 and 213 for details of Harmony's long-term share incentive schemes.

Executive directors’ and management share incentives

As at 30 June 2010

	GP Briggs		HO Meyer	
	Number of shares	Average price (Rands)	Number of shares	Average price (Rands)
Closing balance as at 30 June 2009(2)	543 642		–	
Share options	91 938	48.55	–	–
Share appreciation rights	237 488	78.14	–	–
Performance shares	214 216	n/a	–	n/a
Options granted	88 820		36 459	
Share options	–	–	–	–
Share appreciation rights	14 286	77.28	8 557	77.28
Performance shares	74 534	n/a	27 902	n/a
Options exercised	–		–	
Share options(1)	–	–	–	–
Share appreciation rights	–	–	–	–
Performance shares	–	n/a	–	n/a
Options forfeited and lapsed	(11 326)		–	
Share options	–	–	–	–
Share appreciation rights	–	–	–	–
Performance shares	(11 326)	n/a	–	n/a
Closing balance as at 30 June 2010	621 136		36 459	
Share options	91 938	48.55	–	–
Share appreciation rights	251 774	78.09	8 557	77.28
Performance shares	277 424	n/a	27 902	n/a
Grant date				
Share options	91 938		–	
24 April 2001	–	36.50	–	–
20 November 2001	–	49.60	–	–
23 September 2002	–	66.00	–	–
27 March 2003	–	91.60	–	–
10 August 2004	32 340	66.15	–	–
26 April 2005	59 598	39.00	–	–
Share appreciation rights	251 774		8 557	
15 November 2006	3 473	112.64	–	–
15 November 2007	159 484	70.54	–	–
7 March 2008	46 154	102.00	–	–
5 December 2008	28 377	77.81	–	–
16 November 2009	14 286	77.28	8 557	77.28
Performance shares	277 424		27 902	
15 November 2007	42 529	n/a	–	n/a
7 March 2008	12 308	n/a	–	n/a
5 December 2008	148 053	n/a	–	n/a
16 November 2009	74 534	n/a	27 902	n/a
Closing balance as at 30 June 2010	**621 136**		**36 459**	

(1) The following are the average selling prices received (in rands):

Executive management	79.73
Other management	78.13

(2) The balance has been adjusted to take account of transfers from management to the Executive Management.

HE Mashego		Executive management		Other management		Total	
Number of shares	Average price (Rands)	Number of shares	Average price (Rands)	Number of shares	Average price (Rands)	Number of shares	Average price (Rands)
114 654		1 516 576		8 530 436		10 705 308	
–	–	396 484	53.47	2 362 136	48.46	2 850 558	49.14
56 983	74.58	599 826	73.24	3 658 289	80.68	4 552 586	81.04
57 671	n/a	520 266	n/a	2 510 011	n/a	3 302 164	n/a
22 699		266 305		2 937 050		3 351 333	
–	–	–	–	–	–	–	–
5 327	77.28	62 500	77.28	2 616 853	77.28	2 707 523	77.28
17 372	n/a	203 805	n/a	320 197	n/a	643 810	n/a
–		(61 263)		(501 653)		(562 916)	
–	–	(61 263)	43.12	(501 653)	42.49	(562 916)	42.56
–	–	–	–	–	–	–	–
–	n/a	–	n/a	–	n/a	–	n/a
(7 131)		(61 288)		(881 410)		(961 155)	
–	–	–	–	(23 057)	43.75	(23 057)	43.75
–	–	–	–	(484 524)	78.51	(484 524)	78.51
(7 131)	n/a	(61 288)	n/a	(373 829)	n/a	(453 574)	n/a
130 222		1 660 330		10 084 423		12 532 570	
–	–	335 221	51.86	1 837 426	47.84	2 264 585	48.47
62 310	74.81	662 326	72.27	5 790 618	79.41	6 775 585	78.60
67 912	n/a	662 783	n/a	2 456 379	n/a	3 492 400	n/a
–		335 221		1 837 426		2 264 585	
–	–	–	36.50	17 000	36.50	17 000	36.50
–	–	–	49.60	167 901	49.60	167 901	49.60
–	–	–	66.00	–	66.00	–	66.00
–	–	20 300	91.60	105 000	91.60	125 300	91.60
–	–	119 503	66.15	331 124	66.15	482 967	66.15
–	–	195 418	39.00	1 216 401	39.00	1 471 417	39.00
62 310		662 326		5 790 618		6 775 585	
3 645	112.64	21 477	112.64	493 430	112.64	522 025	112.64
42 756	70.54	479 618	70.54	1 047 753	70.54	1 729 611	70.54
–	–	–	–	–	–	46 154	102.00
10 582	77.81	98 731	77.81	1 797 090	77.81	1 934 780	77.81
5 327	77.28	62 500	77.28	2 452 345	77.28	2 543 015	77.28
67 912		662 783		2 456 379		3 492 400	
16 033	n/a	145 822	n/a	573 526	n/a	777 910	n/a
–	n/a	–	n/a	–	n/a	12 308	n/a
34 507	n/a	313 156	n/a	1 562 656	n/a	2 058 372	n/a
17 372	n/a	203 805	n/a	320 197	n/a	643 810	n/a
130 222		**1 660 330**		**10 084 423**		**12 532 570**	

Directors' report cont.

Company secretary

The Company Secretary's business and postal addresses appear on the inside back cover of this report. The secretary has, in terms of section 268G(d) of the Companies Act, 1973, certified that: "All such returns as are required of a public company in terms of the Act have been made and are true, correct and up to date".

Independent auditors

PricewaterhouseCoopers Inc. will continue in office in accordance with section 270(2) of the Companies Act of South Africa.

Their address is:
2 Eglin Road
Sunninghill 2157
South Africa

Independent auditors' report

To the members of Harmony Gold Mining Company Limited

We have audited the group annual financial statements and annual financial statements of Harmony Gold Mining Company Limited, which comprise the consolidated and separate balance sheets as at 30 June 2010, and the consolidated and separate income statements, statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 204 to 312 and 314 to 351.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the consolidated and separate financial position of Harmony Gold Mining Company Limited as at 30 June 2010, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc
Director: Hendrik Odendaal
Registered Auditor
2 Eglin Road
25 October 2010

Group income statements

For the years ended 30 June 2010

SA rand				US dollar	
2009*	2010	Figures in million	Note	2010	2009*
		## Continuing operations			
11 496	**11 284**	Revenue		**1 489**	1 277
(9 659)	**(10 484)**	Cost of sales	5	**(1 383)**	(1 083)
(7 657)	**(8 358)**	Production costs		**(1 103)**	(850)
(1 253)	**(1 375)**	Amortisation and depreciation		**(181)**	(139)
(546)	**(331)**	Impairment of assets		**(43)**	(71)
(39)	**(205)**	Employment termination and restructuring costs		**(27)**	(4)
(164)	**(215)**	Other items		**(29)**	(19)
1 837	**800**	**Gross profit**		**106**	194
(329)	**(382)**	Corporate, administration and other expenditure		**(50)**	(36)
(33)	**(81)**	Social investment expenditure		**(11)**	(4)
(259)	**(219)**	Exploration expenditure		**(29)**	(29)
947	**104**	Profit on sale of property, plant and equipment	6	**14**	114
(101)	**(58)**	Other expenses – net	7	**(8)**	(3)
2 062	**164**	**Operating profit**	8	**22**	236
12	**56**	Profit from associates	21	**7**	1
1	**–**	Profit on sale of investment in associate		**–**	–
(112)	**–**	Impairment of investment in associate	21	**–**	(14)
–	**(24)**	Loss on sale of investment in subsidiary	9	**(3)**	–
(101)	**38**	Net gain/(loss) on financial instruments	10	**5**	(10)
443	**187**	Investment income	11	**25**	49
(212)	**(246)**	Finance cost	12	**(32)**	(24)
2 093	**175**	**Profit before taxation**		**24**	238
(188)	**(335)**	Taxation	13	**(44)**	(22)
1 905	**(160)**	**Net (loss)/profit from continuing operations**		**(20)**	216
		## Discontinued operations			
1 022	**(32)**	(Loss)/profit from discontinued operations	14	**(4)**	95
2 927	**(192)**	**Net (loss)/profit**		**(24)**	311
		Attributable to:			
2 927	**(192)**	Owners of the parent		**(24)**	311
–	**–**	Non-controlling interest		**–**	–
		(Loss)/earnings per ordinary share (cents):	15		
460	**(38)**	(Loss)/earnings from continuing operations		**(5)**	52
247	**(8)**	(Loss)/earnings from discontinued operations		**(1)**	23
707	**(46)**	**Total (loss)/earnings for the period**		**(6)**	75
		Diluted (loss)/earnings per ordinary share (cents):	15		
458	**(38)**	(Loss)/earnings from continuing operations		**(5)**	51
246	**(8)**	(Loss)/earnings from discontinued operations		**(1)**	23
704	**(46)**	**Total diluted (loss)/earnings for the period**		**(6)**	74

* The comparative periods have been re-presented for a change in discontinued operations. Refer to note 14.

The accompanying notes are an integral part of these consolidated financial statements.

Group statements of other comprehensive income

For the years ended 30 June 2010

SA rand 2009	SA rand 2010	Figures in million	Note	US dollar 2010	US dollar 2009
2 927	**(192)**	Net (loss)/profit for the year		**(24)**	311
(450)	**(131)**	Other comprehensive (loss)/income for the year, net of income tax		**25**	111
(497)	**(127)**	Foreign exchange translation	26	**25**	105
47	**(4)**	Fair value movement of available-for-sale investments	26	**–**	6
2 477	**(323)**	**Total comprehensive (loss)/income for the year**		**1**	422
		Attributable to:			
2 477	**(323)**	Owners of the parent		**1**	422
–	**–**	Non-controlling interest		**–**	–

The accompanying notes are an integral part of these consolidated financial statements.

Group balance sheets

As at 30 June 2010

SA rand				US dollar	
2009	2010	Figures in million	Note	2010	2009
		## Assets			
		Non-current assets			
27 912	29 556	Property, plant and equipment	16	3 874	3 614
2 224	2 210	Intangible assets	17	290	288
161	146	Restricted cash	18	19	21
1 640	1 742	Restricted investments	19	228	212
57	12	Investment in financial assets	20	2	7
329	385	Investment in associates	21	50	43
1 712	1 875	Deferred tax asset	13	246	222
–	214	Inventories	23	28	–
75	75	Trade and other receivables	24	10	10
34 110	36 215	**Total non-current assets**		4 747	4 417
		Current assets			
1 035	987	Inventories	23	129	134
885	932	Trade and other receivables	24	122	115
45	74	Income and mining taxes		10	6
1 950	770	Cash and cash equivalents		101	253
3 915	2 763			362	508
–	245	Assets of disposal groups classified as held for sale	14	32	–
3 915	3 008	**Total current assets**		394	508
38 025	39 223	**Total assets**		5 141	4 925
		## Equity and liabilities			
		Share capital and reserves			
28 091	28 261	Share capital	25	4 027	4 004
339	258	Other reserves	26	(40)	(72)
1 095	690	Retained earnings/(accumulated loss)		(159)	(108)
29 525	29 209	**Total equity**		3 828	3 824
		Non-current liabilities			
4 963	5 409	Deferred tax	13	709	643
1 530	1 692	Provision for environmental rehabilitation	27	222	198
166	169	Retirement benefit obligation and other provisions	28	22	22
110	981	Borrowings	29	129	14
6 769	8 251	**Total non-current liabilities**		1 082	877
		Current liabilities			
252	209	Borrowings	29	27	33
19	9	Income and mining taxes		1	2
1 460	1 410	Trade and other payables	30	185	189
1 731	1 628			213	224
–	135	Liabilities of disposal groups classified as held for sale	14	18	–
1 731	1 763	**Total current liabilities**		231	224
38 025	39 223	**Total equity and liabilities**		5 141	4 925

The accompanying notes are an integral part of these consolidated financial statements.

Group statements of changes in shareholders' equity

For the years ended 30 June 2010

Figures in million (SA rand)	Number of ordinary shares issued	Share capital	Share premium	Retained earnings/ (accumulated loss)	Other reserves	Total
Note		25			26	
Balance – 30 June 2008	**403 253 756**	**202**	**25 693**	**(1 832)**	**676**	**24 739**
Issue of shares						
– Exercise of employee share options	1 322 964	1	66	–	–	67
– Exchange for PNG Royalty	3 364 675	2	240	–	–	242
– Capital raising	18 045 441	8	1 879	–	–	1 887
Share-based payments	–	–	–	–	113	113
Total comprehensive income for the year	–	–	–	2 927	(450)	2 477
Balance – 30 June 2009	**425 986 836**	**213**	**27 878**	**1 095**	**339**	**29 525**
Issue of shares						
– Exercise of employee share options	505 584	–	23	–	–	23
– Issued for AVRD investment	2 162 359	1	151	–	–	152
Repurchase of equity interest (note 26 (f))	–	–	–	–	(98)	(98)
Share-based payments	–	–	(5)	–	148	143
Total comprehensive loss for the year	–	–	–	(192)	(131)	(323)
Dividends paid[1]	–	–	–	(213)	–	(213)
Balance – 30 June 2010	**428 654 779**	**214**	**28 047**	**690**	**258**	**29 209**
Figures in million (US dollar)						
Note		25			26	
Balance – 30 June 2008	**403 253 756**	**32**	**3 755**	**(419)**	**(196)**	**3 172**
Issue of shares						
– Exercise of employee share options	1 322 964	–	7	–	–	7
– Exchange for PNG Royalty	3 364 675	–	23	–	–	23
– Capital raising	18 045 441	1	186	–	–	187
Share-based payments	–	–	–	–	13	13
Total comprehensive income for the year	–	–	–	311	111	422
Balance – 30 June 2009	**425 986 836**	**33**	**3 971**	**(108)**	**(72)**	**3 824**
Issue of shares						
– Exercise of employee share options	505 584	–	3	–	–	3
– Issued for AVRD investment	2 162 359	–	21	–	–	21
Share-based payments	–	–	(1)	–	20	19
Repurchase of equity interest (note 26 (f))	–	–	–	–	(13)	(13)
Total comprehensive income for the year	–	–	–	(24)	25	1
Dividends paid[1]	–	–	–	(27)	–	(27)
Balance – 30 June 2010	**428 654 779**	**33**	**3 994**	**(159)**	**(40)**	**3 828**

[1] Dividend per share is disclosed under the earnings per share note. Refer to note 15.

The accompanying notes are an integral part of these consolidated financial statements.

Group cash flow statements

For the years ended 30 June 2010

SA rand 2009	SA rand 2010	Figures in million	Note	US dollar 2010	US dollar 2009
		Cash flow from operating activities			
2 813	**1 611**	Cash generated by operations	31	**214**	319
455	**184**	Interest received		**25**	51
2	**3**	Dividends received		**–**	–
(280)	**(90)**	Interest paid		**(12)**	(31)
(704)	**(125)**	Income and mining taxes paid		**(17)**	(85)
2 286	**1 583**	**Cash generated by operating activities**		**210**	254
		Cash flow from investing activities			
–	**(5)**	Increase in amounts invested in environmental trusts		**(1)**	–
(83)	**15**	Decrease/(increase) in restricted cash		**2**	(9)
–	**24**	Proceeds on disposal of Big Bell operation		**3**	–
–	**(280)**	Acquisition of Steyn 2 & Target 3	31	**(36)**	–
1 839	**–**	Proceeds on disposals of Papua New Guinea joint venture	31	**–**	235
2 135	**–**	Proceeds on disposals of Randfontein Cooke assets	31	**–**	209
–	**50**	Proceeds on disposal of available-for-sale financial assets		**7**	–
(38)	**(18)**	Increase in intangible assets		**(2)**	(4)
(41)	**11**	Decrease/(increase) in other non-current investments		**1**	(4)
55	**122**	Proceeds on disposal of property, plant and equipment		**16**	6
(3 050)	**(3 335)**	Additions to property, plant and equipment		**(443)**	(339)
817	**(3 416)**	**Cash (utilised)/generated by investing activities**		**(453)**	94
		Cash flow from financing activities			
–	**1 236**	Borrowings raised		**168**	–
(3 738)	**(391)**	Borrowings paid		**(57)**	(427)
1 953	**18**	Ordinary shares issued		**3**	194
–	**(213)**	Dividends paid		**(29)**	–
(1 785)	**650**	**Cash generated/(utilised) by financing activities**		**85**	(233)
217	**3**	**Foreign currency translation adjustments**		**6**	85
1 535	**(1 180)**	Net (decrease)/increase in cash and equivalents		**(152)**	200
415	**1 950**	Cash and equivalents – beginning of period		**253**	53
1 950	**770**	**Cash and equivalents – end of period**		**101**	253

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the group financial statements

For the years ended 30 June 2010

1 General information

Harmony Gold Mining Company Limited (the company) and its subsidiaries (collectively Harmony or the group) are engaged in gold mining and related activities, including exploration, extraction and processing. Gold bullion, the group's principal product, is currently produced at its operations in South Africa and Papua New Guinea, where the construction of the Hidden Valley Mine is substantially complete. Hidden Valley Mine reached commercial levels of production during May 2010.

The company is a public company, incorporated and domiciled in South Africa. The address of its registered office is Randfontein Office Park, Corner Main Reef Road and Ward Avenue, Randfontein, 1759.

The consolidated and company financial statements (on page 314 to 351 in the annual report) were authorised for issue by the board of directors on 11 October 2010.

2 Accounting policies

The principal accounting policies applied in the preparation of the consolidated and company financial statements are set out below. These policies have been consistently applied in all years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements of the group and company have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS), IFRIC Interpretations and the Companies Act of South Africa applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets and financial liabilities at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated and group financial statements are disclosed in note 3.

New standards, amendments to standards and interpretations of existing standards adopted by the group:

- The following amendment to a standard has become effective and the effect has been disclosed by the group:

IFRS 7 (Amendment) – Financial Instruments disclosures: Improving Disclosures about Financial Instruments (effective from periods beginning 1 January 2009).
The amendment increases the disclosure requirements about fair value measurement and reinforces existing principles for disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosure and requires some specific quantitative disclosures for financial instruments in the lowest level in the hierarchy. In addition, the amendment clarifies and enhances existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. The effect of the amendment has been disclosed in note 4, Financial Risk Management.

- The following standards or amendments to standards have become effective but were not relevant to the group:

IFRS 1 and IAS 27 (Amendment) – IFRS 1 First-Time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate.

IAS 39 (Amendment) – IAS 39 Financial Instruments: Recognition and Measurement Exposures Qualifying for Hedge Accounting.

IFRIC 15 – Agreements for the Construction of Real Estate.

2 Accounting policies cont.

2.1 Basis of preparation cont.

- The following standards or amendments to standards have become effective but had no impact on the results of the group:

IFRS 2 (Amendment) – Share-Based Payment: Vesting Conditions and Cancellations (effective from periods beginning 1 January 2009).
The amendment deals with two matters. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment.

IFRS 3 (Revised) – Business Combinations (effective from periods beginning 1 July 2009).
The new standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with some contingent payments subsequently re-measured at fair value through income. Goodwill may be calculated based on the parent's share of net assets or it may include goodwill related to the minority interest. All transaction costs will be expensed.

IAS 18 (Amendment) – Revenue (no effective date, amendment is made to the appendix which is not part of the standard, effective on date of publication)
The amendment is part of the IASB's annual improvements project published in April 2009. An additional paragraph has been added to the appendix to IAS 18, providing guidance on whether an entity is acting as principal or agent.

IAS 27 (Revised) – Consolidated and separate financial statements (effective from periods beginning 1 July 2009)
The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. They will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss. A corresponding amendment to IAS 21 was made as a result of IAS 27 (Revised) that clarifies that upon partial disposal of a subsidiary that includes a foreign operation, the group is required to re-attribute the proportionate share of the cumulative exchange differences recognised in other comprehensive income to the non-controlling interests in that foreign operation (i.e., the transaction is recognised in equity). Only upon loss of control of a subsidiary that includes a foreign operation is the cumulative amount of exchange differences relating to that foreign operation reclassified from other comprehensive income to profit and loss.

IAS 32 and IAS 1 (Amendment) – IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of financial statements: Puttable Financial Instruments and Obligations Arising on Liquidation (effective from periods beginning 1 January 2009).
The amendments require entities to classify the following types of financial instruments as equity, provided they have particular features and meet specific conditions: a) puttable financial instruments (for example, some shares issued by co-operative entities); b) instruments, or components of instruments, that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation (for example, some partnership interests and some shares issued by limited life entities). Additional disclosures are required about the instruments affected by the amendments.

IFRIC 9 and IAS 39 – Embedded Derivatives
The amendment results in a mandatory assessment of any embedded derivatives following reclassification of a financial asset out of the fair value through profit or loss category. The assessment will not have taken place at initial recognition, as the entire asset was accounted for at fair value. The amendment is necessary to ensure that, following a reclassification from the fair value category, entities apply the requirements for separation of an embedded derivative that is not closely related to the host contract. The assessment should be made on the basis of the circumstances that existed when the entity first became a party to the contract. In addition, if the fair value of the embedded derivative that would have to be separated cannot be reliably measured, the hybrid financial asset in its entirety should remain in the fair value through profit or loss category.

2 Accounting policies cont.

2.1 Basis of preparation cont.

IFRIC 16 – Hedges of a Net Investment in a Foreign Operation (effective from periods beginning 1 October 2008)
IFRIC 16 provides guidance on identifying the foreign currency risks that qualify as a hedged risk (in the hedge of a net investment in a foreign operation). It secondly provides guidance on where, within a group, hedging instruments that are hedges of a net investment in a foreign operation can be held to qualify for hedge accounting. Thirdly, it provides guidance on how an entity should determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item.

IFRIC 17 – Distributions of Non-cash Assets to Owners (effective from periods beginning 1 July 2009)
IFRIC 17 applies to the accounting for distributions of non-cash assets (commonly referred to as dividends in specie) to the owners of the entity. The interpretation clarifies that: a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity; an entity should measure the dividend payable at the fair value of the net assets to be distributed; and an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss.

IFRIC 18 – Transfers of assets from customers (effective from periods beginning 1 July 2009)
The interpretation clarifies the accounting treatment for transfers of property, plant and equipment received from customers. This Interpretation applies to agreements with customers in which the entity receives cash from a customer when that amount of cash must be used only to construct or acquire an item of property, plant and equipment and the entity must then use the item of property, plant and equipment either to connect the customer to a network or to provide the customer with on-going access to a supply of goods and services, or to do both.

Improvement projects:
These amendments are the result of conclusions the Board reached on proposals made in its annual improvement project. Unless otherwise specified, the amendments are effective for annual accounting periods beginning on or after 1 January 2009, although entities are permitted to adopt them earlier. The directors believe that none of the new or revised statements and revised interpretations will have a significant effect on the group's accounting policies.

Standards, amendments to standards and interpretations to existing standards that are not yet effective and have not been early adopted by the group:

At the date of authorisation of these financial statements, the standards, amendments to standards and interpretations listed below were in issue but not yet effective. These new standards and interpretations have not been early adopted by the group and a reliable estimate of the impact of the adoption thereof for the group cannot yet be determined for all of them, as management is still in the process of determining the impact of these standards and interpretations on future financial statements. The group plans on adopting these standards, amendments to standards and interpretations on the dates when they become effective.

IFRS 1 (Amendment): First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters (effective for financial periods beginning on/after 1 January 2010)
The amendments address the retrospective application of IFRSs to particular situations including: the use of deemed cost for oil and gas assets; determination of whether an arrangement contains a lease; and decommissioning liabilities included in the cost of property, plant and equipment and are aimed at ensuring that entities applying IFRSs will not face undue cost or effort in the transition process. This amendment will not have an impact on the group.

IFRS 1 (Amendment): First-time Adoption of International Financial Reporting Standards – Limited Exemptions from Comparative IFRS 7 Disclosures for First-time Adopters (effective for financial periods beginning on/after 1 July 2010)
The additional amendment relieves first-time adopters of IFRSs from presenting comparative information for new three level classification disclosures required by the March 2009 amendments to IFRS 7 'Financial Instruments: Disclosures'. It thereby ensures that first-time adopters benefit from the same transition provisions that amendments to IFRS 7 provides to current IFRS preparers. This amendment will not have an impact on the group.

2 Accounting policies cont.

2.1 Basis of preparation cont.

IFRS 2 (Amendment) – Group cash-settled and share-based payment transactions (effective from periods beginning 1 January 2010)

The amendment provide a clear basis to determine the classification of share based payments in consolidated and separate financial statements. In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 – group and treasury share transactions', the amendment also expand on the guidance in IFRIC 11 to address group arrangements that were not considered by that interpretation. The group does not have a cash settled share based payments scheme.

IFRS 5 (Amendment) – Measurement of non-current assets (or disposal groups) classified as held for sale (effective from periods beginning 1 January 2010)

The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification on disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty). The group is still in process of determining the effect of this amendment on the financial statements.

IFRS 9 – Financial instruments (effective from periods beginning 1 January 2013)

IFRS 9 simplifies accounting for financial assets as requested by many constituents and stakeholders. In particular, it replaces multiple measurement categories in IAS 39 with a single principle-based approach to classification. IFRS 9 removes complex rule-driven embedded derivative guidance in IAS 39 and requires financial assets to be classified in their entirety. IFRS 9 eliminates the need for multiple impairment models, such that only one impairment model for financial assets carried at amortised cost will be required. The group is still in the process of determining the effect of this standard on the financial statements.

IAS 1 (Amendment) – Presentation of financial statements (effective from periods beginning 1 January 2010)

The amendment is part of the International Accounting Standards Board's (IASB) annual improvements project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.

IAS 7 (Amendment) – Statement of cash flows (effective from periods beginning 1 January 2010)

The amendment is part of the IASB's annual improvements project published in April 2009. The amendment clarifies that only expenditure that results in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities. The group currently does not expect the amendment to impact the financial statements.

IAS 17 (Amendment) – Leases (effective from periods beginning 1 January 2010)

The amendment is part of the IASB's annual improvements project published in April 2009. The amendment deletes relevant guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating, using the general principles of IAS 17.

IAS 24 (Revised) – Related-party disclosures (effective from periods beginning 1 January 2011)

The revised standard removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. It also clarifies and simplifies the definition of a related party.

2 Accounting policies cont.

2.1 Basis of preparation cont.

IAS 32 (Amendment) – Classification of rights issues (effective from periods beginning 1 February 2010)
The amendment recognises that the previous requirement to classify foreign-currency denominated rights issued to all existing shareholders on a pro rata basis as derivative liabilities is not consistent with the substance of the transaction, which represents a transaction with owners acting in their capacity as such. The amendment therefore creates an exception to the 'fixed for fixed' rule in IAS 32 and requires rights issues within the scope of the amendment to be classified as equity.

IAS 36 (Amendment) – Impairment of Assets (effective from periods beginning 1 January 2010)
The amendment is part of the IASB's annual improvements project published in April 2009. The amendment clarifies that the largest cash generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment as defined by paragraph 5 of IFRS 8 – 'Operating segments', that is; before the aggregation of segments with similar economic characteristics permitted by paragraph 12 of IFRS 8.

IAS 38 (Amendment) – Intangible assets (effective from periods beginning 1 January 2010)
The amendment is part of the IASB's annual improvements project published in April 2009. The amendment clarifies the description of valuation techniques commonly used by entities when measuring the fair value of intangible assets acquired in a business combination, where there is no active market. The effect of the amendment will be recorded in future periods when such transactions are entered into.

IAS 39 (Amendment) – Financial instruments: Recognition and measurement (effective from periods beginning 1 January 2010)
Three amendments were made to IAS 39 as part of the IASB's annual improvements project published in April 2009.

(i) The scope exemption within IAS 39.2(g) was amended to clarify that it only applies to forward contracts that will result in a business combination at a future date, as long as the term of the forward contract does 'not exceed a reasonable period normally necessary to obtain any required approvals and to complete the transaction.

(ii) Clarification that amounts deferred in equity are only reclassified to profit or loss when the underlying hedged cash flows affect profit or loss.

(iii) An additional example of a closely related embedded prepayment option in a debt instrument was added to the adoption guidance in IAS 39 AG 30. Wording with respect to the assessment of put and call features in convertible instruments was clarified.

IFRIC 14 (Amendment): The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – Prepayment of minimum funding requirements (effective for financial periods beginning on/after 1 January 2011)
This amendment applies in the limited circumstances when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendment permits such an entity to treat the benefit of such an early payment as an asset. The group does not believe the amendment will have an impact on the group.

IFRIC 19 – Extinguishing financial liabilities with equity instruments (effective from periods beginning 1 July 2010)
This interpretation addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. It does not address the accounting by the creditor, nor does it apply to situations where the liability may be extinguished with equity instruments in accordance with the agreed terms of the instrument (for example, convertible bonds). The group currently does not expect this interpretation to have a material effect on the financial statements.

Improvement projects
Certain improvements to IFRSs 2009 (effective from periods beginning on or after 1 January 2010) and IFRSs 2010 (each has its own effective date, the earliest being 1 July 2010).

2 Accounting policies cont.

2.2 Consolidation

The consolidated financial information includes the financial statements of the company, its subsidiaries, its proportionate interest in joint ventures, special purpose entities (SPEs) and its interests in associates.

(i) **Subsidiaries**, which are those entities in which the group generally has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies, are consolidated. Subsidiaries are consolidated from the date on which control is transferred to the group and are no longer consolidated when control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, shares issued or liabilities assumed at the date of exchange plus costs directly attributable to the exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interests. Non-controlling interests are carried at a proportion of the net identifiable assets acquired.

The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

In situations of successive share purchases when control already existed at the date of further acquisition, no fair value adjustment is made to the identifiable net assets acquired and any excess/deficit purchase price over the carrying value of non-controlling interests acquired is accounted for in equity.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated and may provide evidence of an impairment that should be recognised. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the group.

Investments in subsidiaries are accounted for at cost and are adjusted for impairments where appropriate in the Company's separate financial statements.

(ii) **Associates** are those entities over which the group has significant influence, but not control over operational and financial policies, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in associates are accounted for by using the equity method of accounting, and are initially recognised at cost. The cost of an acquisition is measured as the fair value of the assets given, shares issued or liabilities assumed at the date of exchange plus costs directly attributable to the acquisition.

The group's share of the associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movement in reserves is recognised in other reserves. Cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment losses.

The carrying value of an associate is reviewed on a regular basis and, if an impairment in the carrying value has occurred, it is written off in the period in which such impairment is identified.

2 Accounting policies cont.

2.2 Consolidation cont.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are also eliminated unless the transaction provide evidence of an impairment that should be recognised.

Accounting policies of associates have been reviewed to ensure consistency with the policies adopted by the group.

Investments in associates are accounted for at cost and are adjusted for impairments where appropriate in the company's separate financial statements.

(iii) **Joint venture** entities are those entities in which the group holds an interest and shares joint control over strategic, financial and operating decisions with one or more other ventures under a contractual arrangement. The group's interest in jointly controlled entities is accounted for by proportionate consolidation. Under this method, the group includes its share of the joint venture's individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the group's financial statements.

The group recognises the portion of gains or losses on the sale of assets by the group to the joint venture that is attributable to the other ventures. The group does not recognise its share of profits or losses from the joint venture that result from the purchase of assets by the group from the joint venture until it resells the assets to an independent party. However, if a loss on the transaction provides evidence of a reduction in the net realisable value of current assets or an impairment loss, the loss is recognised immediately.

Joint venture operations and assets: The group and company has contractual arrangements with other participants to engage in joint activities or invest in joint assets other than through a separate entity. The group and company includes its assets, liabilities and share of income and expenditure in such joint venture operations with similar items in its financial statements.

(iv) **Special purpose entities** (SPEs) are those undertakings that are created to satisfy specific business needs of the group. These are consolidated where the group has the right to the majority of the benefits of the SPE and/or is exposed to the majority of the risk thereof. SPEs are consolidated in the same manner as subsidiaries when the substance of the relationship indicates that the SPE is controlled by the group.

(v) **Transactions with non-controlling interests**. The group applies a policy of treating transactions with minority interests as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.3 Foreign currency translation

(i) **Functional and presentation currency:** Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in South African rands and US dollars for the benefit of local and international users. The company's financial statements are presented in its functional currency, the South African rand.

For translation of the rand financial statement items to US dollar, the average of R7.58 (2009: R9.00) per US$1.00 was used for income statement items (unless this average was not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case these items were translated at the rate on the date of the transactions) and the closing rate of R7.63 (2009: R7.72) per US$1.00 for asset and liability items. Equity items were translated at historic rates.

2 Accounting policies cont.

2.3 Foreign currency translation cont.

References to “A$” refer to Australian currency, “R” to South African currency, “$” or “US$” to United States currency and "K" or "Kina" to Papua New Guinean currency.

(ii) **Transactions and balances:** Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation to year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except where deferred in equity as qualifying cash flow hedges and qualifying investment hedges. Gains and losses recognised in the income statement are included in the determination of "other expenses – net".

Changes in the fair value of monetary securities denominated in a foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences related to the changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale are included in other comprehensive income.

(iii) **Group companies:** The results and financial position of all group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the date of the transactions);

c) all resulting exchange differences are recognised as a separate component of other comprehensive income; and

d) equity items are translated at historic rates.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings, and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is sold or control is otherwise lost, exchange differences that were recorded in other comprehensive income are recognised in profit or loss in the period in which the foreign operation is sold or control is otherwise lost.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.4 Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the executive committee. Refer to note 38 for detailed guidance on the identification of an operating and reportable segment.

2 Accounting policies cont.

2.5 Property, plant and equipment

(i) **Mining assets,** including mine development costs and mine plant facilities, are initially recorded at cost, after which they are measured at cost less accumulated depreciation and impairment. Costs include expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset as appropriate only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably.

At the group's surface mines, when it has been determined that a mineral property can be economically developed as a result of establishing proved and probable reserves, costs incurred to develop the property are capitalised as incurred until the mine is considered to have moved into the production phase. These costs include costs to further delineate the orebody and remove overburden to initially expose the orebody. Stripping costs incurred during the production phase to remove waste ore are deferred and charged to production costs on the basis of the average life-of-mine stripping ratio. The average stripping ratio is calculated as the number of tonnes of waste material removed per tonne of ore mined. The average life-of-mine ratio is revised annually in the light of additional knowledge and change in estimates. The cost of "excess stripping" is capitalised as a mine development cost when the actual stripping ratio exceeds the average life-of-mine stripping ratio. Where the average life-of-mine stripping ratio exceeds the actual stripping ratio, the cost is charged to the income statement.

At the group's underground mines, all costs incurred to develop the property, including costs to access specific ore blocks or other areas of the underground mine, are capitalised to the extent that such costs will provide future economic benefits. These costs include the cost of shaft sinking and access, the cost of building access ways, lateral development, drift development, ramps, box cuts and other infrastructure development.

During the development stage, the group may enter into arrangements whereby it agrees to transfer a part of its mineral interest in consideration for an agreement by another party (the farmee) to meet certain expenditure which would otherwise have to be undertaken by the group. Such arrangements, referred to as farm-in transactions, are accounted for as executory contracts – particularly when the expenditures to be incurred by the farmee are discretionary in nature, and the mineral interest to be transferred may vary depending upon such discretionary spend. At the date of completion of each party's obligations under the farm-in arrangement, the group derecognises the proportion of the mining assets and liabilities associated with the joint venture that it has sold to the farmee, and recognises its interest in the capital expenditure (consideration received) at fair value within operating assets. The difference between the net disposal proceeds and the carrying amount of the asset disposed of is recognised in profit or loss.

Borrowing costs are capitalised to the extent that they are directly attributable to the acquisition and construction of qualifying assets. Qualifying assets are assets that take a substantial time to get ready for their intended use. These costs are capitalised until the asset moves into the production phase. Other borrowing costs are expensed.

The net assets of operations placed on care and maintenance are impaired to their recoverable amount. Expenditure on the care and maintenance of these operations is charged against income, as incurred.

Where a depreciable asset is used in the construction or extension of a mine, the depreciation is capitalised against the mine's cost.

(ii) **Non-mining assets:** Land is shown at cost and not depreciated. Other non-mining fixed assets are shown at cost less accumulated depreciation and accumulated impairment losses.

2 Accounting policies cont.

2.5 Property, plant and equipment cont.

(iii) **Undeveloped properties** are initially valued at the fair value of resources obtained through acquisitions. The carrying value of these properties is tested annually for impairment. Once development commences, these properties are transferred to mining properties and accounted for in accordance with the related accounting policy.

(iv) **Mineral and surface use rights** represent mineral and surface use rights for parcels of land both owned and not owned by the group. Mineral and surface rights include acquired mineral use rights in production, development and exploration phase properties. The amount capitalised related to a mineral and surface right represents its fair value at the time it was acquired, either as an individual asset purchase or as part of a business combination, and is recorded at cost of acquisition.

Production phase mineral interests represent interests in operating properties that contain proved and probable reserves. Development phase mineral interests represent interests in properties under development that contain proved and probable reserves. Exploration phase mineral interests represent interests in properties that are believed to potentially contain (i) other mineralised material such as inferred material within pits; measured, indicated and inferred material with insufficient drill spacing to qualify as proved and probable reserves; (ii) around-mine exploration potential such as inferred material not immediately adjacent to existing reserves and mineralisation but located within the immediate mine infrastructure; (iii) other mine-related exploration potential that is not part of measured, indicated or inferred material and comprises mainly material outside of the immediate mine area; or (iv) greenfield exploration potential that is not associated with any production, development or exploration phase property as described above.

The group's mineral use rights are enforceable regardless of whether proved or probable reserves have been established. In certain limited situations, the nature of a use changes from an exploration right to a mining right upon the establishment of proved and probable reserves. The group has the ability and intent to renew mineral use rights where the existing term is not sufficient to recover all identified and valued proved and probable reserves and/or undeveloped mineral interests.

(v) **Leased assets:** The group leases certain property, plant and equipment. Leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. The assets are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Finance lease payments are allocated using the rate implicit in the lease, which is included in finance costs, and the capital repayment, which reduces the liability to the lessor. The corresponding rental obligations, net of finance charges, are included in non-current borrowings, with the current portion included under current liabilities.

Capitalised lease assets are depreciated over the shorter of their estimated useful lives and the lease terms.

(vi) **Depreciation and amortisation** of mineral property interests, mineral and surface rights, mine development costs and mine plant facilities are computed principally by the units of production method over the life of mine, based on estimated quantities of economically recoverable proved and probable reserves, which can be recovered in future from known mineral deposits.

In most instances, proved and probable reserves provide the best indication of the useful life of the group's mines (and related assets). However, in some instances, proved and probable reserves may not provide a realistic indication of the useful life of the mine (and related assets). This may be the case, for example, where management is confident that further resources will be converted into reserves and are approaching economic decisions affecting the mine on this basis, but has chosen to delay the work required to designate them formally as reserves. Management's confidence in the economical recovery of such resources may be based on historical experience and available geological information. In instances where management is able to demonstrate the economic recovery of such resources with a high level of confidence, such additional resources, as well as the associated future development costs of accessing those resources, are included in the calculation of depreciation and amortisation.

2 Accounting policies cont.

2.5 Property, plant and equipment cont.

Changes in management's estimates of economically recoverable reserves and resources impact depreciation and amortisation on a prospective basis. During the 2010 financial year, the group revised its estimate of the useful lives of the Doornkop and Masimong operations to include certain resources in addition to proved and probable reserves. The inclusion of such resources resulted from increased confidence in the economic extraction of resources due to additional surface and underground drilling undertaken in the current year. The effect of including such resources in the useful life of these operations decreased annual depreciation by approximately R9 million (US$1 million).

(vii) **Depreciation and amortisation of non-mining fixed assets:** Other non-mining fixed assets are depreciated on a straight line basis over their estimated useful lives as follows:

- vehicles at 20% per year;
- computer equipment at 33.3% per year;
- commercial, off-the-shelf software at 50% per year; and
- furniture and equipment at 16.67% per year.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised in the income statement.

(viii) **Depreciation and amortisation of mineral and surface use rights:** Mineral rights associated with production phase mineral interests are amortised over the life of mine using the units-of-production method in order to match the amortisation with the expected underlying future cash flows. Mineral interests associated with development and exploration phase mineral interests are not amortised until such time as the underlying property is converted to the production stage.

For details on the group's accounting policy on impairments, refer to note 2.8.

2.6 Exploration costs

The group expenses all exploration and evaluation expenditures until it is concluded that a future economic benefit is more likely to be realised than not, i.e. 'probable'. The information used to make that determination depends on the level of exploration as well as the degree of confidence in the orebody.

Exploration and evaluation expenditure on greenfield sites, being those where the group does not have any mineral deposits which are already being mined or developed, is expensed as incurred until a final feasibility study has been completed, after which the future pre-commercial production expenditure is capitalised within development costs if the final feasibility study demonstrates that future economic benefits are probable. Capitalisation of pre-production cost ceases when commercial levels of production are reached. Commercial levels of production are discussed under "production start date" in note 3.12.

Exploration and evaluation expenditure on brownfield sites, being those adjacent to mineral deposits which are already being mined or developed, is expensed as incurred until the group is able to demonstrate that future economic benefits are probable through the completion of a feasibility study, after which the expenditure is capitalised as mine development cost. A 'feasibility study' consists of a comprehensive study of the viability of a mineral project that has advanced to a stage where the mining method, in the case of underground mining, or the pit configuration, in the case of an open pit, has been established, and which, if an effective method of mineral processing has been determined, includes a financial analysis based on reasonable assumptions of technical, engineering and operating economic factors, and the evaluation of other relevant factors. The feasibility study, when combined with existing knowledge of the mineral property that is adjacent to mineral deposits that are already being mined or developed, allows the group to conclude that it is more likely than not that it will obtain future economic benefit from the expenditures.

2 Accounting policies cont.

2.6 Exploration costs cont.

Exploration and evaluation expenditure relating to extensions of mineral deposits which are already being mined or developed, including expenditure on the definition of mineralisation of such mineral deposits, is capitalised as a mine development cost following the completion of an economic evaluation equivalent to a feasibility study. This economic evaluation is distinguished from a feasibility study in that some of the information that would normally be determined in a feasibility study is instead obtained from the existing mine or development. This information when combined with existing knowledge of the mineral property already being mined or developed allow the directors to conclude that more likely than not the group will obtain future economic benefit from the expenditures.

Exploration properties acquired are recognised in the balance sheet within development cost and are shown at cost less provisions for impairment determined in accordance with the group's accounting policy on impairment of non-financial assets (note 2.8).

2.7 Intangible assets

Intangible assets consist of all identifiable non-monetary assets without physical substance. They are stated at cost less accumulated amortisation and accumulated impairment losses, if any. The following are the main categories of intangible assets:

(i) **Intangible assets with an indefinite useful life**

Intangible assets with an indefinite useful life are not amortised but tested for impairment on an annual basis. Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary, associate, joint venture or business at the date of acquisition. Goodwill on acquisition of subsidiaries, joint ventures and businesses is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates and tested for impairment as part of the overall balance.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are recognised immediately in the income statement and are not reversed. The impairment testing is performed annually on 30 June or when events or changes in circumstances indicate that it may be required.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. If the composition of one or more cash-generating units to which goodwill has been allocated changes due to a re-organisation, the goodwill is re-allocated to the units affected.

The gain or loss on disposal of an entity includes the carrying amount of goodwill relating to the entity sold.

(ii) **Intangible assets with a finite useful life**

Acquired computer software licences that requires further internal development are capitalised on the basis of costs incurred to acquire and bring to use the specific software. Cost to bring to use specific software includes software development employee costs and attributable overheads. Development expenditure incurred that will not likely generate probable future economic benefits and cannot be reliably measured is recognised as an expense as incurred. Intangible assets with a finite useful life are amortised on a straight line basis over their estimated useful lives, which are reviewed annually, as follows:

- computer software at 20% per year.

2 Accounting policies cont.

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment.

Assets that are subject to amortisation are reviewed annually on 30 June for impairment or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised in the income statement 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). Each operating shaft, along with allocated common assets such as plants and administrative offices, is considered to be a cash generating unit as each shaft is largely independent from the cash flows of other shafts and assets belonging to the group.

Fair value less cost to sell is generally determined by using discounted estimated future cash flows. Future cash flows are estimated based on quantities of recoverable minerals, expected gold prices (considering current and historical prices, price trends and related factors), production levels and cash costs of production, all based on life-of-mine plans. Future cash flows are discounted to their present value using a post tax discount rate that reflects current market assessments of the time value of money and risk specific to the asset.

The term "recoverable minerals" refers to the estimated amount of gold that will be obtained from reserves and resources and all related exploration stage mineral interests (except for other mine-related exploration potential and greenfields exploration potential discussed separately below) after taking into account losses during ore processing and treatment. Estimates of recoverable minerals from such related exploration stage mineral interests will be risk adjusted based on management's relative confidence in such materials. In estimating future cash flows, assets are grouped at the lowest levels for which there are identifiable cash flows that are largely independent of cash flows from other asset groups. With the exception of other mine-related exploration potential and greenfields exploration potential, estimates of future undiscounted cash flows are included on an area-of-interest basis, which generally represents an individual operating mine, even if the mines are included in a larger mine complex.

In the case of mineral interests associated with other mine-related exploration potential and greenfields exploration potential, cash flows and fair values are individually evaluated based primarily on recent exploration results and recent transactions involving sales of similar properties, if any. Assumptions underlying future cash flow estimates are subject to significant risks and uncertainties.

Non-financial assets other than goodwill that have suffered an impairment are reviewed annually for possible reversal of the impairment at 30 June. Reversal of impairments is also considered when there is objective evidence to indicate that the asset is no longer impaired. Where an impairment subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but not higher than the carrying value that would have been determined had no impairment been recognised in prior years.

2.9 Financial instruments

Financial instruments are initially measured at fair value when the group becomes a party to their contractual arrangements. Transaction costs are included in the initial measurement of financial instruments, with the exception of financial instruments classified as at fair value through profit or loss. The subsequent measurement of financial instruments is discussed below.

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 assets.

2 Accounting policies cont.

2.9 Financial instruments cont.

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 carrying amount and the sum of the consideration received and any cumulative gain or loss recognised in equity is recognised in profit and 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 recognised in profit or loss.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Financial assets

The group classifies its financial assets in the following categories: loans and receivables, available-for-sale, held-to-maturity and at fair value through profit or loss. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset.

(i) **Loans and receivables** are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the group provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans and receivables are subsequently measured at amortised cost using the effective interest method. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables include trade and other receivables (excluding VAT and prepayments), restricted cash and cash and cash equivalents.

Cash and cash equivalents
Cash and cash equivalents are defined as cash on hand, deposits held at call with banks and short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents exclude restricted cash (discussed below).

Restricted cash
Restricted cash consists of cash collateral posted for guarantees and performance bonds related to environmental rehabilitation and as security deposits on mining tenements.

Trade and other receivables
Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. A provision for impairment of receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced through the use of a provision for impairment (allowance account) and the amount of the loss is recognised in the income statement. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the income statement.

2 Accounting policies cont.

2.9 Financial instruments cont.

(ii) **Available-for-sale financial assets** are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the balance sheet date.

Available-for-sale financial assets are subsequently carried at fair value. Changes in the fair value of monetary securities denominated in a foreign currency and classified as available for sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss, while translation differences on non-monetary securities are recognised in other comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are reclassified in the income statement as profit or loss from investment securities. Dividends on available-for-sale equity instruments are recognised in the income statement as part of investment income when the group's right to receive payments is established. Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of investment income.

The fair values of quoted investments are based on current bid prices. If the value for a financial instrument cannot be obtained from an active market, the group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances. The valuation techniques make maximum use of market inputs and rely as little as possible on entity-specific inputs.

The group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If considered impaired, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from other reserves and recognised in the income statement. Subsequent increases in the fair value are recognised in equity – impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

(iii) **Held-to-maturity investments** are non-derivative financial assets with fixed or determinable payments and fixed maturities that the group's management has the positive intention and ability to hold to maturity. The group's held-to-maturity investments are subsequently measured at amortised cost using the effective interest method.

A portion of restricted investments held by the trust funds (refer note 19) are classified as held-to-maturity investments.

The group assesses at the end of each reporting period whether there is objective evidence that a held-to-maturity investment is impaired as a result of an event. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the held-to-maturity investments' original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2 Accounting policies cont.

2.9 Financial instruments cont.

(iv) **Financial assets at fair value through profit or loss have two sub-categories:** financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management in terms of specified criteria. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date. These assets are subsequently measured at fair value with gains or losses arising from changes in fair value recognised in the income statement in the period in which they arise. Dividend income from these assets is recognised in the income statement as part of investment income when the group's right to receive payment is established.

Financial liabilities

Borrowings

Borrowings are initially recognised at fair value net of transaction costs incurred and subsequently measured at amortised cost, comprising original debt less principal payments and amortisation, using the effective yield method. Any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowing using the effective interest rate method.

Fees paid on the establishment of loan facilities are capitalised as a pre-payment and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Payables are classified as current liabilities if payment is due within a year or less. If not, they are presented as non-current liabilities.

2.10 Inventories

Inventories which include bullion on hand, gold in process, gold in lock-up, ore stockpiles and stores and materials, are measured at the lower of cost and net realisable value after appropriate allowances for redundant and slow moving items. Cost of bullion, gold in process and gold in lock-up is determined by reference to production cost, including amortisation and depreciation at the relevant stage of production. Ore stockpiles are valued at average production cost. Stockpiles and gold in lock-up are classified as a non current asset where the stockpile exceeds current processing capacity and where a portion of static gold in lock-up is expected to be recovered more than 12 months after balance sheet date.

Stores and materials consist of consumable stores and are valued at weighted average cost.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to perform the sale.

Gold in process inventories represents materials that are currently in the process of being converted to a saleable product. Conversion processes vary depending on the nature of the ore and the specific mining operation, but include mill in-circuit, leach in-circuit, flotation and column cells, and carbon in-pulp inventories. In-process material is measured based on assays of the material fed to process and the projected recoveries at the respective plants. In-process inventories are valued at the average cost of the material fed to process attributable to the source material coming from the mine, stockpile or leach pad plus the in-process conversion costs, including the applicable depreciation relating to the process facility, incurred to that point in the process. Gold in process includes gold in lock-up which is generally measured from the plants onwards. Gold in lock-up is estimated as described under the section dealing with critical accounting estimates and judgements (refer to note 3). It is expected to be extracted when plants are demolished at the end of their useful lives, which is largely dependant on the estimated useful life of the operations feeding the plants. Where mechanised mining is used in underground operations, in-progress material is accounted for at the earliest stage of production when reliable estimates of quantities and costs are capable of being made. Given the varying nature of the group's open pit operations, gold in process represents either production in broken ore form or production from the time of placement on heap leach pads.

2 Accounting policies cont.

2.11 Non-current assets or disposal group held for sale and discontinued operations

A non-current asset or disposal group (a business grouping of assets and their related liabilities) is designated as held for sale and stated at lower of carrying value and fair value less cost to sell, when its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The classification as held for sale of a non-current asset or disposal group occurs when it is available for immediate sale in its present condition and the sale is highly probable. A sale is considered highly probable if management is committed to a plan to sell the non-current asset or disposal group, an active divestiture programme has been initiated, the non-current asset or disposal group is marketed at a price reasonable to their fair values and the disposal will be completed within one year from classification.

Upon classification of a non-current asset or disposal group as held for sale, it is reviewed for impairment. The impairment charged to the income statement is the excess of the carrying value of the non-current asset or disposal group over its expected net selling price (fair value less costs to sell). At each subsequent reporting date, the carrying values are remeasured for possible impairment. A reversal of impairment is recognised for any subsequent increase in net selling price but not in excess of the cumulative impairment loss already recognised.

No depreciation is provided on non-current assets from the date they are classified as held for sale.

When a disposal group is classified as held for sale it is also necessary to assess whether or not the criteria for discontinued operations are met. If the criteria are met, the results of the disposal group are classified as discontinued operations in the income statement and the comparative amounts restated for all periods presented. No restatement of balance sheet comparative amounts are done.

If a non-current asset or disposal group is classified as held for sale but the criteria for classification as held for sale are no longer met, the disclosure of such a non-current asset or disposal group as held for sale is ceased.

On ceasing such classification, the non-current assets are reflected at the lower of:

- the carrying amount before classification as held for sale adjusted for any depreciation or amortisation that would have been recognised had the assets not been classified as held for sale; or
- the recoverable amount at the date the classification as held for sale ceases. The recoverable amount is the amount at which the asset would have been recognised after the allocation of any impairment loss arising on the cash generating unit as determined in accordance with the group's policy on impairment of non-financial assets.

Any adjustment required to be made on reclassification is charged to the income statement on reclassification and included in income from continuing operations.

Where the disposal group was also classified as a discontinued operation, the subsequent classification from held for sale also requires that the discontinued operation be included in continuing operations. Comparative information in the income statement and cash flow note disclosures relating to the classification as a discontinued operation is re-presented accordingly. Comparative information in the balance sheet is not re-presented for this change.

2.12 Environmental obligations

Estimated long term environmental obligations, comprising pollution control, rehabilitation and mine closure, are based on the group's environmental management plans in compliance with current technological, environmental and regulatory requirements.

Based on disturbances to date, the net present value of expected rehabilitation cost estimates are recognised and provided for in full in the financial statements. The estimates are reviewed annually and are discounted using a pre-tax risk-free rate that is adjusted to reflect the current market assessments of the time value of money and the risks specific to the obligation.

Annual changes in the provision consist of finance costs relating to the change in the present value of the provision and inflationary increases in the provision estimate, as well as changes in estimates. The present value of environmental disturbances created are capitalised to mining assets against an increase in the rehabilitation provision. If a decrease in liability exceeds the carrying amount of the asset, the excess is recognised immediately in the income statement. If the asset value is increased and there is an indication that the revised carrying value is not recoverable, an impairment test is performed in accordance with the accounting policy dealing with impairments of non financial assets. Rehabilitation projects undertaken, included in the estimates are charged to the provision as incurred. The cost of on-going current programmes to prevent and control pollution is charged against income as incurred. Over time, the liability is increased to reflect an interest element, and the capitalised cost is depreciated over the life of the related asset.

2 Accounting policies cont.

2.13 Environmental trust funds

Contributions are made to the group's trust funds, created in accordance with statutory requirements, to fund the estimated cost of pollution control, rehabilitation and mine closure at the end of the life of the group's mines. The trusts are consolidated into the group as the group exercises full control of the trust. Income earned on investments classified as held-to-maturity is accounted for as investment income and accrues on a time proportion basis. Fair value movements on investments designated as fair value through profit or loss are reflected in the net gain/(loss) on financial instruments. The funds in the trust funds are included under restricted investments on the balance sheet.

2.14 Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognised as a provision is the present value of the best estimate of the expenditure required to settle the present obligation at balance sheet date using a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the obligation. This estimate takes into account the associated risks and uncertainties. The increase in the provision due to the passage of time is recognised as interest expense.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic benefits will be required, the provision is reversed.

2.15 Current and deferred taxation

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the group operates and generates taxable income. Management periodically evaluates positions taken on tax returns with respect to situations in which applicable tax regulations are subject to interpretation, and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The group follows the comprehensive liability method of accounting for deferred tax using the balance sheet approach. Under this method deferred income taxes are recognised for the tax consequences of temporary differences by applying expected tax rates to the differences between the tax base of all assets or liabilities and the balance sheet carrying amount, except to the extent that a deferred tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and does not affect the accounting or taxable profit or loss at the time of the transaction. Deferred tax is charged to profit and loss, except where the tax relates to items recognised in other comprehensive income or directly in equity, in which case the tax is also recognised in other comprehensive income or directly in equity. The effect on deferred tax of any changes in tax rates is recognised in the income statement, except to the extent that it relates to items previously charged or credited directly to equity.

The principal temporary differences arise from amortisation and depreciation on property, plant and equipment, provisions, post retirement benefits, unutilised tax losses and unutilised capital allowances carried forward. Deferred tax assets relating to the carry forward of unutilised tax losses and unutilised capital allowances are recognised to the extent that it is probable that future taxable profit will be available against which the unutilised tax losses and unutilised capital allowances can be utilised.

Deferred income tax is provided on temporary differences arising from investments in subsidiaries, joint ventures and associates, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 Accounting policies cont.

2.16 Employee benefits

(i) **Pension and provident plans are funded through annual contributions.** The group pays fixed contributions into a separate entity in terms of the defined contribution pension and provident plans which are charged to the income statement in the year to which they relate. The group's liability is limited to its annually determined contributions and has no further liability, either legal or constructive, if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

(ii) **Medical plans:** The group provides medical cover to current employees and certain retirees through certain funds. The medical accounting costs for the defined benefit plan are assessed using the projected unit credit method. The health care obligation is measured as the present value of the estimated future cash outflows using high quality government bond interest rates consistent with the terms and risks of the obligation less the fair value of plan assets together with adjustments for unrecognised past service costs. Actuarial gains and losses as a result of these valuations are recognised in the income statement at revaluation date. The future liability for current and retired employees and their dependents is accrued in full based on actuarial valuations obtained annually.

(iii) **Equity compensation benefits:** The group operates an equity-settled, share-based payments plan, where the group grants share options to certain employees in exchange for services received. Equity share-based payments are measured at fair value that includes market performance conditions but excludes the impact of any service and non market performance conditions of the equity instruments at the date of the grant. The share-based payments are expensed over the vesting period, based on the group's estimate of the shares that are expected to eventually vest. The group used an appropriate option pricing model in determining the fair value of the options granted. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the estimates of the number of options that are expected to become exercisable are revised. The impact of the revision of original estimates, if any, are recognised in the income statement, with a corresponding adjustment to equity. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(iv) **Termination benefits** are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

(v) **Leave pay:** The group accrues the cost of leave days granted to employees during the period in which the leave days accumulate.

2.17 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.18 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

For the group's policy on finance leases, refer to note 2.5 (v).

2 Accounting policies cont.

2.19 Revenue recognition

(i) **Revenue** arising from gold sales is recognised when the price is determinable, the product has been delivered in accordance with the terms of the contract, the significant risks and rewards of ownership have been transferred to the customer and collection of the sales price is reasonably assured. These criteria are typically met when the gold arrives at the refinery.

Revenue further excludes value-added tax. Revenues from silver and other by-products sales are credited to production costs as a by-product credit.

(ii) **Interest income:** Interest is recognised on a time proportion basis, taking into account the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the group.

(iii) **Dividend income** is recognised when the shareholder's right to receive payment is established. This is recognised at the last date of registration.

2.20 Dividends declared

Dividends declared are recognised in the period in which they are approved by the board of directors. Dividends are payable in South African rands.

3 Critical accounting estimates and judgements

The preparation of the financial statements in conformity with IFRS requires the group's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The resulting accounting estimates may differ from actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

3.1 Impairment of mining assets

The recoverable amount of mining assets is generally determined utilising discounted future cash flows. Management also considers such factors as the quality of the individual orebody, market risk, asset specific risks and country risk in determining the fair value.

Key assumptions for the calculations of the mining assets' recoverable amounts are the gold price, exchange rates, marketable discount rates (cost-to-sell) and the annual life-of-mine plans. In determining the gold price to be used, management assess the long-term views of several reputable institutions on the gold price and based on this, derive the gold price. The life-of-mine plans are based on the proven and probable reserves as included in the reserve declaration, which are determined in terms of SAMREC and JORC, as well as resources where management has high confidence in the orebody and economical recovery of gold, based on historic and similar geological experience.

During the year under review, the group calculated the recoverable amounts (generally fair value less costs to sell) based on updated life-of-mine plans, a gold price of R275 000 per kilogram (US$1050 per ounce) and a post-tax real discount rate, which ranges between 5.92% and 10.72% depending on the asset (2009: R225 000 per kilogram (US$750 per ounce) and a 9.34% discount rate). Cash flows used in the impairment calculations are based on life-of-mine plans which exceed five years for the majority of the mines. Refer to note 5 for details of impairments recorded.

3 Critical accounting estimates and judgements cont.

3.1 Impairment of mining assets cont.

Should management's estimate of the future not reflect actual events, further impairments may be identified. Factors affecting the estimates include:

- changes to proved and probable mineral reserves;
- economical recovery of resources;
- the grade of the mineral reserves which may vary significantly from time to time;
- review of strategy;
- differences between actual commodity prices and commodity price assumptions;
- unforeseen operational issues at the mines; and
- changes in capital, operating mining, processing and reclamation costs.

Sensitivity analysis

One of the most significant assumptions influencing life-of-mine plans and therefore impairments, is the expected gold price. A 10% decrease in the gold price at the reporting date would have resulted in an additional impairment at Steyn 2 shaft of R14 million (US$1.8 million). This analysis assumes that all other variables remain constant.

3.2 Impairment of investments in associates

Investments in associates are evaluated annually for impairment by comparing the entire carrying value of the investment to the recoverable amount, which is the higher of value in use or fair value less costs to sell.

3.3 Valuation of available-for-sale financial assets

If the value of financial instruments cannot be obtained from an active market, the group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models refined to reflect the issuer's specific circumstances. When considering indications of an impairment, management considers a prolonged decline to be longer than 12 months. The significance of the decline is assessed for each security individually.

3.4 Estimate of exposure and liabilities with regard to rehabilitation costs

Estimated long-term environmental obligations, comprising pollution control, rehabilitation and mine closure, are based on the group's environmental management plans in compliance with current technological, environmental and regulatory requirements.

Significant judgement is applied in estimating ultimate rehabilitation cost that will be required in future to rehabilitate the group's mines. Ultimate cost may significantly differ from current estimates.

Management used an inflation rate of 6.23 % (2009: 6%) and the expected life of the mines according to the life-of-mine plans in the calculation of the estimated net present value of the rehabilitation liability. The discount rates used for the calculation are dependent on the shaft's life of mine and are as follows: for 12 months – 6.75% (2009: 6.75%); for 1 – 5 years – 8% (2009: 8.25%); for 6 – 9 years – 8.5% (2009: 8.25%) and for 10 years or more – 9% (2009: 8.75%). These estimates were based on recent yields determined on government bonds.

3.5 Estimate of employee benefit liabilities

An updated actuarial valuation is carried out at the end of each financial year. Assumptions used to determine the liability include a discount rate of 10.3%, no increases in employer subsidies (in terms of the agreement) and mortality rates according to the SA 1956/62 mortality table (SA "a mf" tables) (60 years) and a medical inflation rate of 8.14% (2009: discount rate of 10%, 60 years and 7.8% inflation rate).

Management determined the discount rate by assessing financial instruments with similar terms to the liability. The changes to the discount rate and medical inflation rate are similar to changes in interest and inflation rates in South Africa.

3 Critical accounting estimates and judgements cont.

3.6 Estimate of taxation

The group is subject to income tax in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The group recognises liabilities for anticipated tax audit queries based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters are different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Management has to exercise judgement with regards to deferred tax assets. Where the possibility exists that no future taxable income may flow against which these assets can be offset, the deferred tax assets are not recognised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. When different tax rates apply to different levels of taxable income, deferred tax assets and liabilities are measured using the average tax rates that are expected to apply to the taxable profit (tax loss) of the periods in which the temporary differences are expected to reverse. At the group's South African operations, such average tax rates are directly impacted by the profitability of the relevant mine. The deferred tax rate is therefore based on the current estimate of future profitability of an operation when temporary differences will reverse, based in tax rates and tax laws that have been enacted at the balance sheet date. Refer to note 13 for further details.

The future profitability of each mine, in turn, is determined by reference to the life-of-mine plan for that operation. The life-of-mine plan is influenced by factors as disclosed in note 3.1, which may differ from one year to the next and ultimately result in the deferred tax rate changing from one year to the next.

3.7 Fair value of share-based payments

The fair value of options granted are being determined using either a binominal, Black-Scholes or a Monte Carlo valuation model. The significant inputs into the model are: vesting period, risk free interest rate, volatility, price on date of grant and dividend yield. (Refer to note 34 for details on each of the share option schemes).

3.8 Impairment of goodwill

Due to the wasting nature of mining assets and the finite life of a mine's reserves, the allocation of goodwill to a shaft will eventually result in an impairment charge for the goodwill. The group tests annually whether separately identifiable goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2.8. These calculations require the use of estimates as stated in note 3.1.

3.9 Gold in lock-up

Gold in lock-up is estimated based on the expected volumes treated and calculated plant call factor. Plant call factor is the efficiency measurement of the percentage of gold extracted from the ore. Management needs to exercise judgement with regard to lock-up volumes, life-of-mine plans, gold prices, exchange rates and post tax real discount rates.

3.10 Assessment of contingencies

Contingencies will only realise when one or more future events occur or fail to occur. The exercise of significant judgement and estimates of the outcome of future events are required during the assessment of the impact of such contingencies.

3.11 Gold mineral reserves and resources

Gold mineral reserves and resources are estimates of the amount of ounces that can be economically and legally extracted from the group's 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, commodity prices and exchange rates.

3 Critical accounting estimates and judgements cont.

3.11 Gold mineral reserves and resources cont.

Estimating the quantities and/or grades of the reserves and resources requires the size, shape and depth of the 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.

Because the economic assumptions used to estimate the gold mineral reserves and resources change from year to year, and because additional geological data is generated during the course of operations, estimates of the mineral reserves and resources may change from year to year. Changes in the reserves and resources may affect the group's financial results and financial position in a number of ways, including:

- asset carrying values may be affected due to changes in estimated cash flows;
- depreciation and amortisation charged in the income statement may change as they are calculated on the units-of-production method; and
- environmental provisions may change as the timing and/or cost of these activities may be affected by the change in mineral reserves.

At the end of each financial year, the estimate of proved and probable gold mineral reserves and resources is updated. Depreciation of mining assets is prospectively adjusted, based on these changes.

3.12 Production start date

Various relevant criteria are considered in order to assess when the mine is substantially complete and ready for its intended use and to move into the production phase. Some of the criteria would include but are not limited to the following:

- the level of capital expenditure compared to the total project cost estimates;
- the ability to produce gold in a saleable form (where more than an insignificant amount of gold has been produced); and
- the ability to sustain the on-going production of gold.

4 Financial risk management

The group's financial instruments expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and other price risks), credit risk and liquidity risk. The group may use derivative financial instruments to hedge certain risk exposures.

The group's financial instruments are set out below:

Figures in million (SA rand)	Loans and receivables	Available-for-sale financial assets	Held-to-maturity investments	Fair value through profit or loss	Financial liabilities at amortised cost
At 30 June 2010					
Restricted cash	**146**	**–**	**–**	**–**	**–**
Restricted investments	**–**	**–**	**410**	**1 332**	**–**
Investments in financial assets	**–**	**12**	**–**	**–**	**–**
Trade and other receivables	**741**	**–**	**–**	**–**	**–**
Cash and cash equivalents	**770**	**–**	**–**	**–**	**–**
Borrowings	**–**	**–**	**–**	**–**	**1 190**
Trade and other payables	**–**	**–**	**–**	**–**	**455**
At 30 June 2009					
Restricted cash	161	–	–	–	–
Restricted investments	–	–	1 640	–	–
Investments in financial assets	–	57	–	–	–
Trade and other receivables	693	–	–	–	–
Cash and cash equivalents	1 950	–	–	–	–
Borrowings	–	–	–	–	362
Trade and other payables	–	–	–	–	553

4 Financial risk management cont.

Figures in million (US dollar)	Loans and receivables	Available-for-sale financial assets	Held-to-maturity investments	Fair value through profit or loss	Financial liabilities at amortised cost
At 30 June 2010					
Restricted cash	**19**	**–**	**–**	**–**	**–**
Restricted investments	**–**	**–**	**53**	**175**	**–**
Investments in financial assets	**–**	**2**	**–**	**–**	**–**
Trade and other receivables	**97**	**–**	**–**	**–**	**–**
Cash and cash equivalents	**101**	**–**	**–**	**–**	**–**
Borrowings	**–**	**–**	**–**	**–**	**156**
Trade and other payables	**–**	**–**	**–**	**–**	**59**
At 30 June 2009					
Restricted cash	21	–	–	–	–
Restricted investments	–	–	212	–	–
Investments in financial assets	–	7	–	–	–
Trade and other receivables	90	–	–	–	–
Cash and cash equivalents	253	–	–	–	–
Borrowings	–	–	–	–	47
Trade and other payables	–	–	–	–	71

Risk management is carried out by a central treasury department (group treasury) under policies approved by the board of directors. Group treasury identifies, evaluates and hedges certain selected financial risks in close co-operation with the group's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and the investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar (US$). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. Harmony's revenues are sensitive to the R/US$ exchange rate as all revenues are generated by gold sales denominated in US$. Harmony generally does not enter into forward sales, derivatives or other hedging arrangements to establish exchange rates in advance for the sale of its future gold production.

The group is exposed to foreign exchange risk arising from intercompany loans denominated in a currency other than the functional currency of that entity. Harmony generally does not enter into forward sales, derivatives or other hedging arrangements to manage this risk.

4 Financial risk management cont.

(a) Market risk cont.

(i) Foreign exchange risk cont.

Sensitivity analysis

The group has reviewed its foreign currency exposure on financial assets and financial liabilities and has identified the following sensitivities for a 10% change in the exchange rate.

SA rand			US dollar	
2009	2010	Figures in million	2010	2009
		A$ against US$		
11	**9**	Increase by ten percent	**1**	1
(11)	**(9)**	Decrease by ten percent	**(1)**	(1)
0.81	**0.85**	Closing rate	**0.85**	0.81
		Kina against A$		
130	**226**	Increase by ten percent	**30**	17
(130)	**(226)**	Decrease by ten percent	**(30)**	(17)
2.71	**2.31**	Closing rate	**2.31**	2.71

(ii) Other price risk

The group is exposed to the risk of fluctuations in the fair value of the available-for-sale financial assets as a result of changes in market prices (other than changes in interest rates and foreign currencies). Harmony generally does not use any derivative instruments to manage this risk.

Sensitivity analysis

A one percent increase in the share price at the reporting date, with all other variables held constant, would have increased other comprehensive income by R13.4 million (US$1.8 million) (2009: R0.6 million; US$0.01 million); an equal change in the opposite direction would have decreased other comprehensive income by R13.4 million (US$1.8 million) (2009: R0.6 million; US$0.1 million). The analysis is performed on the same basis for 2009.

Commodity price sensitivity

The profitability of the group's operations, and the cash flows generated by those operations, are affected by changes in the market price of gold. Harmony generally does not enter into forward sales, derivatives or other hedging arrangements to establish a price in advance for the sale of future gold production.

(iii) Cash flow and fair value Interest rate risk

The group's interest rate risk arises mainly from long-term borrowings. The group has variable interest rate borrowings. Variable rate borrowings expose the group to cash flow interest rate risk. The group has not entered into interest rate swap agreements.

Sensitivity analysis

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit or loss before tax by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2009.

SA rand			US dollar	
2009	2010	Figures in million	2010	2009
4	**12**	Increase by 100 basis points	**2**	–
(4)	**(12)**	Decrease by 100 basis points	**(2)**	–

4 Financial risk management cont.

(b) Credit risk

Credit risk is the risk that a counterparty may default or not meet its obligations timeously. Financial instruments, which subject the group to concentrations of credit risk, consist predominantly of restricted cash, restricted investments, trade and other receivables (excluding non-financial instruments) and cash and cash equivalents.

Exposure to credit risk on trade and other receivables is monitored on a regular basis. The credit risk arising from restricted cash, cash and cash equivalents and restricted investments is managed by ensuring amounts are only invested with financial institutions of good credit quality. The group has policies that limit the amount of credit exposure to any one financial institution.

Cash and cash equivalents and restricted cash

Financial institutions' credit rating by exposure:

SA rand			US dollar	
2009	2010	Figures in million	2010	2009
		Credit rating		
		South African operations		
711	**437**	AAA	**57**	92
98	**53**	AA[1]	**7**	13
628	**192**	AA[1]	**25**	81
364	**38**	A+	**5**	47
–	**13**	A	**2**	–
1 801	**733**	**Total South African operations**	**96**	233
		International operations		
310	**183**	AA[1]	**24**	40
310	**183**	**Total international operations**	**24**	40
2 111	**916**	**Total cash and cash equivalents and restricted cash**	**120**	273
		[1] *Includes restricted cash*		
71	**56**	AA	**7**	9
90	**90**	AA-	**12**	12
161	**146**	**Total restricted cash**	**19**	21

It is the policy of the group to renegotiate credit terms with long-standing customers who have a good credit history with the group. These customers are monitored on an ongoing basis to ensure that the customer remains within the renegotiated terms.

The group's maximum exposure to credit risk is represented by the carrying amount of all financial assets determined to be exposed to credit risk, amounting to R3 399 million (US$445.5 million) as at 30 June 2010 (2009: R4 445 million (US$575.8 million)).

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities.

In the ordinary course of business, the group receives cash from its operations and is required to fund working capital and capital expenditure requirements. The cash is managed to ensure that surplus funds are invested in a manner to achieve market-related returns and to provide sufficient liquidity at the minimum risk. The group is able to actively source financing at competitive rates.

4 Financial risk management cont.

(c) Liquidity risk cont.

The following are the contractual maturities of financial liabilities (including principle and interest payments):

SA rand			US dollar	
More than 1 year	**Current**	**Figures in million**	**Current**	**More than 1 year**
		2010		
1 155	**319**	Borrowings(1; 2; 3)	**41**	**152**
–	**455**	Trade and other payables (excluding non-financial liabilities)	**59**	**–**
1 155	**774**		**100**	**152**
		2009		
112	254	Borrowings(1; 2)	33	15
–	553	Trade and other payables (excluding non-financial liabilities)	71	–
112	807		104	15

(1) *R160 million (US$21 million) is due between 0 to 6 months. (2009: nil).*

(2) *R155 million (US$20 million) is due between 6 to 12 months. (2009: R254 million (US$32.9 million)).*

(3) *R305 million (US$40 million) is due between 1 to 2 years. (2009: R36 million (US$4.6 million)).*

(d) Capital risk management

The primary objective of managing the group's capital is to ensure that there is sufficient capital available to support the funding requirements of the group, in a way that optimises the cost of capital and matches the current strategic business plan.

The group manages and makes adjustments to the capital structure, which consists of debt and equity as and when borrowings mature or when funding is required. This may take the form of raising equity, market or bank debt or hybrids thereof. The group may also adjust the amount of dividends paid, sell assets to reduce debt or schedule projects to manage the capital structure.

There were no changes to the group's approach to capital management during the year.

(e) Fair value determination

Effective 1 July 2009, the group adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

1) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

2) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

3) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

4 Financial risk management cont.

(e) Fair value determination cont.

The following table presents the group's assets and liabilities that are measured at fair value at 30 June 2010.

Assets	Figures in million Level 1	Level 2	Level 3
SA rand			
Available-for-sale financial assets	**–**	**2**	**10**
Fair value through profit or loss	**–**	**1 332**	**–**
US dollar			
Available-for-sale financial assets	**–**	**–**	**2**
Fair value through profit or loss	**–**	**175**	**–**

The following table presents the group's assets and liabilities that are measured at fair value at 30 June 2009.

Assets	Figures in million Level 1	Level 2	Level 3
SA rand			
Available-for-sale financial assets	–	48	9
US dollar			
Available-for-sale financial assets	–	6	1

SA rand 2009	2010	Figures in million	US dollar 2010	2009
		5 Cost of sales		
7 657	**8 358**	Production costs (a)	**1 103**	850
1 176	**1 326**	Amortisation and depreciation of mining properties, mine development costs and mine plant facilities	**175**	130
77	**49**	Amortisation and depreciation of assets other than mining and mining related assets (b)	**6**	9
5	**29**	Rehabilitation expenditure (c)	**4**	1
44	**57**	Care and maintenance cost of restructured shafts	**8**	5
39	**205**	Employment termination and restructuring costs (d)	**27**	4
113	**148**	Share-based payments (e)	**20**	13
546	**331**	Impairment of assets (f)	**43**	71
2	**(19)**	Provision for post retirement benefits (g)	**(3)**	–
9 659	**10 484**	**Total cost of sales**	**1 383**	1 083

5 Cost of sales cont.

SA rand		Figures in million	US dollar	
2009	2010		2010	2009
		(a) Production costs include mine production, transport and refinery costs, applicable general and administrative costs, movement in inventories and ore stockpiles and ongoing environmental rehabilitation costs as well as transfers to and from deferred stripping. Ongoing employee termination costs are included, however employee termination costs associated with major restructuring and shaft closures are excluded. Production costs, analysed by nature, consist of the following:		
4 857	**5 776**	Labour costs, including contractors	**762**	540
1 937	**2 284**	Stores and materials	**302**	215
840	**1 212**	Water and electricity	**160**	93
222	**178**	Insurance	**24**	25
136	**140**	Transportation	**19**	15
(14)	**(20)**	Changes in inventory	**(3)**	(2)
(953)	**(1 187)**	Capitalisation of mine development costs	**(157)**	(106)
–	**6**	Deferred mining	**1**	–
(25)	**(35)**	By-products sales	**(5)**	(3)
–	**33**	Royalty expense	**4**	–
657	**(29)**	Other	**(4)**	73
7 657	**8 358**	**Total production cost**	**1 103**	850
		(b) Amortisation and depreciation of assets other than mining and mining related assets		
8	**16**	Other non-mining assets	**2**	1
24	**30**	Intangible assets	**4**	3
45	**3**	Amortisation of issue costs	**–**	5
77	**49**	**Total amortisation and depreciation**	**6**	9
		(c) For the assumptions used to calculate the rehabilitation costs, refer to note 3.4. This expense includes the change in estimate for the rehabilitation provision as well as ongoing rehabilitation cost.		
		(d) Employment termination and restructuring costs consist of the following:		
10	**72**	Harmony Gold Mining Company Limited (Harmony)	**9**	1
9	**4**	Randfontein Estates Limited (Randfontein)	**1**	1
8	**116**	Evander Gold Mines Limited (Evander)	**15**	1
12	**12**	ARMGold/Harmony Freegold Joint Venture Company (Proprietary) Limited (Freegold)	**2**	1
–	**1**	Avgold Limited (Avgold)	**–**	–
39	**205**	**Total employment termination and restructuring cost**	**27**	4

SA rand 2009	SA rand 2010	Figures in million	US dollar 2010	US dollar 2009

5 Cost of sales cont.

During the 2010 financial year, certain shafts in Harmony and Evander were closed and placed on care and maintenance. These closures were due to mining no longer being economically viable as a result of the current economic situation. The group also engaged in a voluntary retrenchment process during the year, resulting in retrenchment costs for various operations.

(e) Refer to note 34 for details on the share-based payments schemes operated by the group.

(f) Impairment consists of the following:

SA rand 2009	SA rand 2010	Figures in million	US dollar 2010	US dollar 2009
52	**249**	Virginia(1)	**33**	7
236	**11**	Target(1)	**1**	31
258	**70**	Evander(1)	**9**	33
–	**1**	Australia	**–**	–
546	**331**	**Total impairment of assets**	**43**	71

(1) During the 2010 financial year impairments to the value of R300 million (US$40 million) were recognised mainly as a result of the shaft closures discussed under note 5(d) above. The remaining balance in 2010 and the impairment in 2009 resulted from revised business (life-of-mine) plans, which are completed in June of each year, and included increases in electricity and labour costs. Included in 2009 for Evander and Target was additional capital expenditure that was needed to access reserve ounces in areas where geological anomalies have been discovered.

These adjustments impacted negatively on the recoverable amount of property, plant and equipment and contributed to the recognition of the impairments at the shafts. Impairment tests were performed as required by IAS 36, *Impairment of Assets*, and as a result these impairments were recorded. For assumptions used to calculate the recoverable amount, refer to note 3.1.

SA rand 2009	SA rand 2010	Figures in million	US dollar 2010	US dollar 2009

5 Cost of sales cont.

(g) The net credit of R19 million (US$2.5 million) is a result of curtailments in 124 members' post employment subsidies due to renegotiation of employment contracts. These members were transferred from Freegold employment conditions to Harmony employment conditions.

6 Profit on sale of property, plant and equipment

SA rand 2009	SA rand 2010	Figures in million	US dollar 2010	US dollar 2009
947	**104**	Profit on sale of property, plant and equipment	**14**	114

During the 2010 financial year, the group concluded the sale of the Jeanette prospecting rights to Taung Gold Limited for a total consideration and profit of R75 million (US$10 million).

During June 2010, the group concluded a sale of royalty rights in Australia to Regis Resources Limited for a total consideration and profit of R27 million (US$3.5 million).

Included in the total for 2009 is R931 million (US$111.9 million) profit on sale of 50% of Harmony's gold and copper assets in Morobe province, Papua New Guinea (PNG), to Newcrest Mining Limited (Newcrest) in terms of the Master Purchase and Farm-in agreement. The sale was concluded in three stages. Refer to note 22.

7 Other expenses – net

SA rand 2009	SA rand 2010	Figures in million	US dollar 2010	US dollar 2009
(56)	**75**	Foreign exchange loss/(gain) – net (a)	**10**	(14)
100	**(16)**	Bad debts provision (credit)/expense (b)	**(2)**	11
31	**29**	Bad debts written off (b)	**4**	3
26	**(30)**	Other (income)/expenses – net	**(4)**	3
101	**58**	**Total other expenses – net**	**8**	3

(a) (i) During the 2010 financial year, foreign exchange losses relating to the Australasia intercompany loans amounting to R93 million (US$12.2 million) (2009: loss of R201 million (US$22.3 million) were recognised in the consolidated income statement.

SA rand			US dollar	
2009	2010	Figures in million	2010	2009

7 Other expenses – net cont.

During the 2008 financial year, two intercompany loans, previously designated as forming part of the net investment of the group's international operations, were de-designated, mainly as a result of the expected repayment of these loans. In accordance with the group's accounting policies, accumulated exchange gains that arose while the loans were considered to form part of the group's net investment in its international operations remain in equity and are only reclassified to the consolidated income statements as and when the loans are repaid. The repayment of these loans resulted in an exchange gain of R418 million (US$53.1 million) being recognised in the consolidated income statement in the 2009 financial year. Following the adoption of the amendment to IAS 21 – *The Effects of Changes in Foreign Exchange Rates* on 1 July 2009, the remaining accumulated exchange reserves relating to these de-designated loans will remain in equity until the Australian and/or PNG operations are sold, or control is otherwise lost.

(ii) In the 2010 financial year, foreign exchange gains amounting to R22 million (US$2.9 million) were realised on the liquidation of Harmony Gold Peru SA and Harmony Precious Metal Services SAS, wholly owned subsidiaries of Harmony.

(iii) During the 2009 financial year, foreign exchange losses of R292 million (US$30.0 million) were recognised relating to the exchange movements on the US$ denominated Pamodzi Resources Fund 1 LLP (PRF) loan for the Cooke transaction. Refer to note 21 for further detail.

In anticipation of the receipt of the purchase consideration for the Cooke assets, the group arranged a forward exchange contract, allowing the group to sell the proceeds at R10.27 per US$1 on 21 April 2009. The gain on this arrangement was R205 million (US$21.1 million).

7 Other expenses – net cont.

(b) In the 2010 financial year, trade debt and loans of R29 million (US$3.8 million) (2009: R31 million (US$3.4 million)) were written off as the group considered the debts irrecoverable. During 2010 a net credit to the doubtful debt provision of R16 million (US$2.1 million) was recorded, where debt was no longer considered doubtful. During the 2009 financial year a provision of R100 million (US$11.2 million) was made where the group considered the recoverability of the debts to be doubtful. Refer to note 24.

8 Operating profit

The following have been included in operating profit:

SA rand			US dollar	
2009	2010	Figures in million	2010	2009
25	**23**	**Auditors' remuneration**	**3**	3
		External		
15	**16**	Fees – current year	**2**	2
1	**–**	Fees – prior year under provision	**–**	–
2	**2**	Fees – other services	**–**	–
		Internal		
7	**5**	Fees – current year	**1**	1

9 Loss on sale of investment in subsidiary

SA rand			US dollar	
2009	2010	Figures in million	2010	2009
–	**24**	Loss on sale of Big Bell Operations (Proprietary) Limited	**3**	–

During January 2010, the group concluded the sale of Big Bell Operations (Proprietary) Limited (Big Bell), an operation in Western Australia, for a total consideration of R24 million (US$3.2 million). The group realised a net loss of R24 million (US$3.3 million) after recycling a foreign currency reserve of R29 million (US$4 million) on disposal date from other comprehensive income to the consolidated income statement.

An amount of R23 million (US$3.0 million) was released to the group as a result of performance bonds being replaced by the purchaser.

SA rand 2009	SA rand 2010	Figures in million	US dollar 2010	US dollar 2009
		10 Net gain/(loss) on financial instruments		
		Available-for-sale		
(115)	**(3)**	Impairment recognised in profit or loss (a)	**–**	(12)
–	**(1)**	Loss on sale of investments (b)	**–**	–
14	**11**	Realised portion of fair value movement (b)	**1**	2
–	**31**	Fair value gain on environmental trust funds	**4**	–
(101)	**38**	**Total net gain/(loss) on financial instruments**	**5**	(10)

(a) The impairment in both years relates to the portion of fair value losses reclassified from other reserves to the income statement when certain investments were considered to be permanently impaired. The amount in 2010 relates to several small investments, while the amount in 2009 relates to the Dioro Exploration NL (Dioro) investment.

(b) The group disposed of its entire shareholding in Avoca Resources Limited (Avoca), Alloy Resources Limited (Alloy) and various other smaller investments during the 2010 financial year for a total consideration of R50 million (US$6.6 million). Total fair value gains of R11 million (US$1 million) relating to these investment were reclassified from other reserves to the income statement. Refer to note 20 and 26 in this regard.

The amount in the 2009 financial year relates to the realised portion of the fair value gains reclassified from other reserves to the income statement on the disposal of the Dioro investment. Refer to note 20(b) and 26 for further detail.

SA rand 2009	SA rand 2010	Figures in million	US dollar 2010	US dollar 2009
		11 Investment income		
441	**184**	*Interest received*	**25**	49
94	**22**	Loans and receivables	**3**	10
169	**72**	Held-to-maturity investments	**10**	19
178	**90**	Cash and cash equivalents	**12**	20
2	**3**	*Dividend income on available-for-sale investments*	**–**	–
443	**187**	**Total investment income**	**25**	49

SA rand 2009	SA rand 2010	Figures in million	US dollar 2010	US dollar 2009

12 Finance costs

SA rand 2009	SA rand 2010	Figures in million	US dollar 2010	US dollar 2009
		Financial liabilities		
17	**1**	Bank and short-term facilities	**–**	2
135	**–**	Convertible unsecured fixed rate bonds	**–**	15
208	**83**	Nedbank Limited	**11**	23
5	**2**	Westpac Bank	**–**	–
365	**86**	Total finance costs from financial liabilities	**11**	40
		Non-financial liabilities		
15	**15**	Post-retirement benefits	**2**	2
98	**135**	Time value of money and inflation component of rehabilitation costs	**17**	11
16	**12**	South African Revenue Services (SARS)	**2**	2
129	**162**	Total finance costs from non-financial liabilities	**21**	15
494	**248**	**Total finance cost before interest capitalised**	**32**	55
(282)	**(2)**	Interest capitalised	**–**	(31)
212	**246**	**Total finance costs**	**32**	24

The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation during the year is 10.6% (2009: 12.3%).

13 Taxation

SA rand 2009	SA rand 2010	Figures in million	US dollar 2010	US dollar 2009
		SA normal taxation		
		Mining tax (a)		
130	**44**	– current year	**6**	14
41	**(1)**	– prior year	**–**	5
		Non-mining tax (b)		
159	**40**	– current year	**5**	18
5	**1**	– prior year	**–**	1
		Deferred tax (c)		
358	**364**	– deferred tax	**48**	40
		Foreign normal taxation		
(505)	**(113)**	– deferred tax (d)	**(15)**	(56)
188	**335**	**Total normal taxation**	**44**	22

(a) Mining tax on gold mining income in South Africa is determined according to a formula, based on the taxable income from mining operations. Gold mining companies within the group that have elected to be exempt from Secondary Tax on Companies (STC) are taxed at higher rates than those that have not made the election.

13 Taxation cont.

All qualifying mining capital expenditure is deducted from taxable mining income to the extent that it does not result in an assessed loss. Accounting depreciation is eliminated when calculating the South African mining tax income. Excess capital expenditure is carried forward as unredeemed capital to be claimed from future mining taxable income. The group has several tax paying entities in South Africa. In terms of the mining ring-fencing application, each ring-fenced mine is treated separately and deductions can normally only be utilised against mining income generated from the relevant ring-fenced mine.

The formulas for determining the South African gold mining tax rates for the 2009 and 2010 financial years are:

Y = 43 – 215/X (entities whom elected not to pay STC)
Y = 34 – 170/X (entities whom did not make the election)

Where Y is the percentage rate of tax payable and X is the ratio of taxable income, net of any qualifying capital expenditure that bears to mining income so derived, expressed as a percentage.

(b) Non-mining income is taxed at 35% (exempt from STC) and 28% (no election made). Non-mining companies are taxed at the statutory corporate rate of 28%.

(c) The deferred tax rate used to calculate deferred tax is based on the current estimate of future profitability when temporary differences will reverse, based on tax rates and tax laws that have been enacted at balance sheet date. Depending on the profitability of the operations, the deferred tax rate can consequently be significantly different from year to year. The deferred tax rates of the group's mining companies are as follows:

SA rand			US dollar	
2009	**2010**	**Figures in million**	**2010**	**2009**
		Harmony Gold Mining Company Limited	**23.1%**	17.1%
		Randfontein Estates Limited	**20.9%**	20.2%
		Evander Gold Mines Limited	**22.9%**	6.9%
		ARMGold/Harmony Freegold Joint Venture Company (Proprietary) Limited	**29.4%**	28.8%
		Avgold Limited	**0.0%**	0.0%
		Kalahari Goldridge Mining Company Limited	**21.0%**	24.0%

13 Taxation cont.

(d) Mining and non-mining income of Australian and PNG operations are taxed at a standard tax rate of 30%.

Income and mining tax rates

The tax rates remained unchanged for the 2010 and 2009 financial years.

Major items causing the group's income tax provision to differ from the maximum mining statutory tax rate of 43% (2009: 43%) were:

SA rand 2009	SA rand 2010	Figures in million	US dollar 2010	US dollar 2009
(900)	**(75)**	Tax on net profit from continuing operations at the maximum mining statutory tax rate	**(10)**	(102)
(305)	**(144)**	Non-allowable deductions	**(19)**	(33)
5	**24**	Profit from associates	**3**	1
126	**16**	Difference between effective mining tax rate and statutory mining rate on mining income	**2**	14
100	**22**	Difference between non-mining tax rate and statutory mining rate on non-mining income	**3**	11
479	**(726)**	Effect on temporary differences due to changes in effective tax rates	**(95)**	53
(45)	**–**	Prior year adjustment – mining and non-mining tax	**–**	(5)
352	**548**	Capital allowance, sale of business and other rate differences	**72**	39
(188)	**(335)**	**Income and mining taxation**	**(44)**	(22)
9%	**191%**	**Effective income and mining tax rate**	**183%**	9%

Deferred tax

Deferred tax liabilities and assets on the balance sheet as at 30 June 2010 and 30 June 2009 relate to the following:

SA rand 2009	SA rand 2010	Figures in million	US dollar 2010	US dollar 2009
4 963	**5 422**	Gross deferred tax liability	**711**	643
4 786	**5 406**	Amortisation and depreciation	**709**	620
92	**–**	Product inventory not taxed	**–**	12
85	**16**	Other	**2**	11
(1 712)	**(1 887)**	Gross deferred tax asset	**(248)**	(222)
(1 409)	**(1 506)**	Unredeemed capital expenditure	**(198)**	(183)
(231)	**(269)**	Provisions, including non-current provisions	**(35)**	(30)
(72)	**(112)**	Tax losses	**(15)**	(9)
–	**(1)**	Disposal groups classified as held for sale	**–**	–
3 251	**3 534**	**Net deferred tax liability**	**463**	421

SA rand			US dollar	
2009	2010	Figures in million	2010	2009
		13 Taxation cont.		
		Movement in the net deferred tax liability recognised in the balance sheet is as follows:		
2 990	**3 251**	Balance at beginning of year	**421**	383
258	**251**	Total charge per income statement	**33**	29
1	**32**	Foreign currency translation	**9**	9
2	**–**	Tax directly charged to equity	**–**	–
3 251	**3 534**	**Balance at end of year**	**463**	421
		The following amounts that are expected to realise or be recovered in the next 12 months have been included in the deferred tax liabilities and assets:		
113	**284**	Deferred tax liabilities	**37**	15
(94)	**(187)**	Deferred tax assets	**(25)**	(12)
19	**97**	**Net current deferred tax liability**	**12**	3
		As at 30 June, certain subsidiaries in the group had the following tax credits:		
12 245	**13 604**	Unredeemed capital expenditure available for utilisation against future mining taxable income	**1 783**	1 586
190	**394**	Tax losses carried forward utilisable against taxable income	**52**	25
571	**469**	Capital Gains Tax (CGT) losses available to be utilised against future CGT gains.	**61**	74
2 927	**2 947**	As at 30 June, the group had not recognised the following deferred tax asset amounts	**386**	379
		The unrecognised temporary differences are:		
7 155	**8 165**	Unredeemed capital expenditure	**1 070**	926
207	**114**	Tax losses	**15**	27
571	**469**	CGT losses	**61**	74
1 190	**1 190**	Temporary differences relating to investments in associates	**156**	154

Secondary Taxation on Companies

STC is a tax levied on South African companies at a rate of 10% with effect from 1 October 2007 on dividends distributed.

Current and deferred tax are measured at the tax rate applicable to undistributed income and therefore only take STC into account to the extent that dividends have been received or paid.

On declaration of a dividend, the company includes the STC on this dividend in its computation of the income tax expense in the period of such declaration.

SA rand 2009	SA rand 2010	Figures in million	US dollar 2010	US dollar 2009
273	**141**	Available STC credits at end of year	**18**	35

SA rand 2009	SA rand 2010	Figures in million	US dollar 2010	US dollar 2009

13 Taxation cont.

On 13 August 2010, the board of directors approved a final dividend for the 2010 financial year of 50 SA cents per share. The total dividend amounts to R214 million (US$29.3 million: calculated using the exchange rate on declaration date). As the dividends declared exceed the STC credits available, STC on the amount of R73 million is payable at a rate of 10%.

14 Disposal groups classified as held for sale and discontinued operations

i) The assets and liabilities relating to the Mount Magnet operation (operation in Western Australia) have been presented as held for sale following the approval of the group's management on 17 May 2010, on which date the formal process was started to find a willing buyer. These operations also met the criteria to be classified as discontinued operations. Consequently, the consolidated income statements, earnings per share and related notes for comparative periods have been re-presented to include income and expenses relating to the Mount Magnet operation in discontinued operations.

The conditions precedent for the sale of Mount Magnet assets were fulfilled and the transaction became effective on 20 July 2010. Refer to note 37.

ii) The assets and liabilities relating to the Cooke 1, Cooke 2, Cooke 3, Cooke plant and related surface operations (operations in Gauteng province) have been presented as held for sale following the approval by the group's management on 16 October 2007 to sell these assets to Rand Uranium (Proprietary) Limited (Rand Uranium). These operations were also deemed to be discontinued operations. The two part sale was concluded on 21 November 2008 and 22 April 2009. Refer to note 21.

The assets and liabilities for the operations classified as held for sale at the reporting dates are as follows:

SA rand 2009	SA rand 2010	Figures in million	US dollar 2010	US dollar 2009
		Balance sheet		
		Assets of disposal groups classified as held for sale		
–	**226**	Property, plant and equipment	**29**	–
–	**12**	Deferred income tax	**2**	–
–	**7**	Inventories	**1**	–
–	**245**	**Total assets of disposal groups classified as held for sale**	**32**	–

14 Disposal groups classified as held for sale and discontinued operations cont.

SA rand 2009	SA rand 2010	Figures in million	US dollar 2010	US dollar 2009
		Balance sheet		
		Liabilities of disposal groups classified as held for sale		
–	**13**	Deferred income tax	**2**	–
–	**119**	Provision for environmental rehabilitation	**16**	–
–	**3**	Trade and other payables	**–**	–
–	**135**	**Total liabilities of disposal groups classified as held for sale**	**18**	–

The analysis of the results and cash flows of discontinued operations disclosed in the tables below:

SA rand 2009	SA rand 2010	Figures in million	US dollar 2010	US dollar 2009
		Income statement		
614	**–**	Revenue	**–**	69
216	**–**	Reversal of impairment (a)	**–**	28
(876)	**(33)**	Expenses – net	**(4)**	(103)
1 786	**–**	Profit on sale of shares	**–**	171
18	**1**	Profit on sale of property, plant and equipment	**–**	2
1 758	**(32)**	(Loss)/profit from discontinued operations before tax	**(4)**	167
(736)	**–**	Taxation	**–**	(72)
1 022	**(32)**	**(Loss)/profit for the year from discontinued operations**	**(4)**	95
		Cash flows		
141	**(48)**	Operating cash flows	**(6)**	8
2 076	**1**	Investing cash flows	**–**	202
(2)	**2**	Foreign exchange translation adjustment	**–**	77
2 215	**(45)**	**Total cash flows**	**(6)**	287

a) Mount Magnet was previously classified as held for sale for a period until June 2009. On ceasing to be classified as held for sale, the carrying value was re-measured as per IFRS 5 (see note 2.11) and depreciation amounting to R219 million (US$28 million) was recorded in 2009. This also led to the recording of a reversal of impairment of R216 million (US$28 million).

SA rand 2009	SA rand 2010	Figures in million	US dollar 2010	US dollar 2009
		15 (Loss)/earnings per share		
		Basic (loss)/earnings per share is calculated by dividing the net income attributable to shareholders by the weighted number of ordinary shares in issue during the year.		
414 121	**426 382**	Weighted average number of ordinary shares in issue (000)	**426 382**	414 121
1 905	**(160)**	Net (loss)/profit from continuing operations	**(20)**	216
1 022	**(32)**	Net (loss)/profit from discontinued operations	**(4)**	95
2 927	**(192)**	**Total net (loss)/profit attributable to shareholders**	**(24)**	311
460	**(38)**	Basic (loss)/earnings per share from continuing operations (cents)	**(5)**	52
247	**(8)**	Basic (loss)/earnings per share from discontinued operations (cents)	**(1)**	23
707	**(46)**	**Total basic (loss)/earnings per share (cents)**	**(6)**	75
		Fully diluted (loss)/earnings per share For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potential dilutive ordinary shares as a result of share options granted to employees under the share option schemes in issue. A calculation is performed to determine the number of shares that could have been acquired at fair value, determined as the average annual market share price of the company's shares, based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.		
414 121	**426 382**	Weighted average number of ordinary shares in issue (000)	**426 382**	414 121
1 842	**1 465**	Potential ordinary shares (000)	**1 465**	1 842
415 963	**427 847**	**Weighted average number of ordinary shares for fully diluted earnings per share (000)**	**427 847**	415 963
458	**(38)**	Fully diluted (loss)/earnings per share from continuing operations (cents)	**(5)**	51
246	**(8)**	Fully diluted (loss)/earnings per share from discontinued operations (cents)	**(1)**	23
704	**(46)**	**Total fully diluted (loss)/earnings per share (cents)**	**(6)**	74
		The inclusion of share options issued to employees, as potential ordinary shares, has a dilutive effect on the earnings per share.		

15 (Loss)/earnings per share cont.

SA rand			US dollar	
2009	2010	Figures in million	2010	2009
		Headline earnings per share The calculation of headline earnings, net of tax, per share is based on the basic earnings per share calculation adjusted for the following items:		
		Continuing operations		
1 905	**(160)**	Net (loss)/profit	**(20)**	216
		Adjusted for:		
(947)	**(104)**	Profit on sale of property, plant and equipment	**(14)**	(114)
(15)	**22**	Taxation effect of profit on sale of property, plant and equipment	**3**	(2)
(418)	**(22)**	Foreign exchange gain reclassified from other comprehensive income	**(3)**	(47)
34	**–**	Taxation effect of foreign exchange gain reclassified from other comprehensive income	**–**	4
(1)	**–**	Profit on sale of investment in associate	**–**	–
–	**–**	Taxation effect of profit on sale of investment in associate	**–**	–
112	**–**	Impairment of investment in associate	**–**	14
–	**–**	Taxation effect of impairment of investment in associate	**–**	–
–	**24**	Loss on sale of investment in subsidiary	**3**	–
–	**(7)**	Taxation effect of loss on sale of investment in subsidiary	**(1)**	–
546	**331**	Impairment of assets	**43**	71
(27)	**(75)**	Taxation effect of impairment of assets	**(9)**	(3)
101	**(7)**	Net (gain)/loss on financial instruments	**(1)**	10
(30)	**2**	Taxation effect of (gain)/loss on financial instruments	**–**	(2)
1 260	**4**	**Headline profit from continuing operations**	**1**	147
		Discontinued operations		
1 022	**(32)**	Net (loss)/profit	**(4)**	95
		Adjusted for:		
(18)	**(1)**	Profit on sale of property, plant and equipment	**–**	(2)
6	**–**	Taxation effect of profit on sale of property, plant and equipment	**–**	–
(1 786)	**–**	Profit on sale of shares	**–**	(171)
664	**–**	Taxation effect on profit on sale of shares	**–**	63
(62)	**–**	Reversal of impairment	**–**	(10)
–	**–**	Taxation effect of reversal of impairment	**–**	–
(174)	**(33)**	**Headline (loss)/profit from discontinued operations**	**(4)**	(25)
1 086	**(29)**	**Total headline (loss)/profit**	**(3)**	122
304	**1**	Basic headline earnings per share from continuing operations (cents)	**–**	35
(42)	**(8)**	Basic headline loss per share from discontinued operations (cents)	**(1)**	(6)
262	**(7)**	**Total basic headline (loss)/earnings per share (cents)**	**(1)**	29

15 (Loss)/earnings per share cont.

SA rand 2009	SA rand 2010	Figures in million	US dollar 2010	US dollar 2009
303	**1**	Fully diluted headline earnings per share from continuing operations (cents)	**–**	35
(42)	**(8)**	Fully diluted headline loss per share from discontinued operations (cents)	**(1)**	(6)
261	**(7)**	Total fully diluted headline (loss)/earnings per share (cents)	**(1)**	29
		Dividend per share		
–	**50 cents**	Dividend declared on 13 August 2009 in terms of dividend notice no. 79 (to all registered shareholders).	**6.2 cents**	–

16 Property, plant and equipment

SA rand 2009	SA rand 2010	Figures in million	US dollar 2010	US dollar 2009
12 574	**22 198**	Mining properties, mine development costs and mine plant facilities	**2 910**	1 628
5 602	**824**	Mining assets under construction	**108**	725
9 678	**6 403**	Undeveloped properties	**839**	1 253
–	**71**	Deferred stripping	**9**	–
58	**60**	Other non-mining assets	**8**	8
27 912	**29 556**	**Total property, plant and equipment**	**3 874**	3 614
		Mining properties, mine development costs and mine plant facilities		
		Cost		
19 674	**24 991**	Balance at beginning of year	**3 236**	2 521
–	**280**	Acquisition – Pamodzi Gold Free State (Proprietary) Limited (Pamodzi FS) assets (a)	**37**	–
1 971	**2 870**	Additions	**379**	219
(3 127)	**(390)**	Disposals	**(52)**	(324)
205	**184**	Adjustment to rehabilitation asset	**24**	27
1 232	**8 183**	Transfers and other movements	**1 060**	160
(727)	**241**	Translation	**82**	(113)
5 763	**(1 725)**	Net reclassification (to)/from held for sale	**(226)**	746
24 991	**34 634**	Balance at end of year	**4 540**	3 236
		Accumulated depreciation and impairments		
7 719	**12 417**	Balance at beginning of year	**1 608**	989
546	**330**	Impairment of assets	**43**	71
(1 471)	**(124)**	Disposals	**(17)**	(141)
1 390	**1 328**	Depreciation (b)	**175**	153
46	**42**	Depreciation capitalised to mining assets under construction	**6**	5
(602)	**123**	Translation	**35**	(89)
4 789	**(1 680)**	Net reclassification (to)/from held for sale	**(220)**	620
12 417	**12 436**	Balance at end of year	**1 630**	1 608
12 574	**22 198**	**Net book value**	**2 910**	1 628

SA rand 2009	SA rand 2010	Figures in million	US dollar 2010	US dollar 2009
		16 Property, plant and equipment cont.		
		Mining assets under construction		
		Cost		
4 378	**5 602**	Balance at beginning of year	**725**	561
2 699	**384**	Additions (c)	**51**	300
282	**2**	Finance costs capitalised	**–**	31
(1 512)	**–**	Disposals	**–**	(186)
104	**(5 153)**	Transfers and other movements	**(667)**	13
(349)	**(11)**	Translation	**(1)**	6
5 602	**824**	**Book value**	**108**	725
		Undeveloped property		
		Cost		
11 206	**10 194**	Balance at beginning of year	**1 320**	1 436
208	**–**	Additions	**–**	23
(311)	**(71)**	Disposals	**(9)**	(39)
(1 336)	**(3 030)**	Transfers and other movements	**(393)**	(173)
(449)	**25**	Translation	**15**	(40)
876	**(211)**	Net reclassification (to)/from held for sale	**(28)**	113
10 194	**6 907**	Balance at end of year	**905**	1 320
		Accumulated depreciation and impairment		
14	**516**	Balance at beginning of year	**67**	2
(62)	**–**	Reversal on impairment of assets (b)	**–**	(10)
(108)	**17**	Translation	**3**	(12)
672	**(29)**	Net reclassification (to)/from held for sale	**(4)**	87
516	**504**	Balance at end of year	**66**	67
9 678	**6 403**	**Net book value**	**839**	1 253
		Deferred stripping		
		Cost		
–	**–**	Balance at beginning of year	**–**	–
–	**77**	Additions	**10**	–
–	**(6)**	Transferred to production cost	**(1)**	–
–	**71**	**Book value**	**9**	–
		Other non-mining assets		
		Cost		
347	**382**	Balance at beginning of year	**49**	44
32	**22**	Additions	**3**	4
(1)	**(5)**	Disposals	**(1)**	–
(1)	**–**	Translation	**1**	–
5	**–**	Net reclassification from held for sale	**–**	1
382	**399**	Balance at end of year	**52**	49

SA rand 2009	SA rand 2010	Figures in million	US dollar 2010	US dollar 2009

16 Property, plant and equipment cont.

Other non-mining assets cont.

SA rand 2009	SA rand 2010	Figures in million	US dollar 2010	US dollar 2009
		Accumulated depreciation and impairments		
316	**324**	Balance at beginning of year	**41**	40
–	**(2)**	Disposals	**–**	–
8	**16**	Depreciation	**2**	1
–	**1**	Impairment of assets	**–**	–
–	**–**	Translation	**1**	–
324	**339**	Balance at end of year	**44**	41
58	**60**	**Net book value**	**8**	8
27 912	**29 556**	**Total net book value**	**3 874**	3 614

(a) During the 2010 financial year the group concluded separate purchase agreements with the liquidators of Pamodzi FS for the purchase of its Free State assets and inventories (refer to note 23). The consideration paid for the mining assets was R280 million (US$37 million) and R120 million (US$16 million) was paid for the inventories.

(b) For the 2009 and 2010 financial years, the amounts include both continuing and discontinued operations.

(c) On 1 December 2008, Harmony issued 3.4 million shares to Rio Tinto Limited to cancel the Rio Tinto royalty rights over Wafi-Golpu in Papua New Guinea. The value of the issued shares were R242 million (US$23.4 million).

(d) Additional disclosures

Leased assets

SA rand 2009	SA rand 2010	Figures in million	US dollar 2010	US dollar 2009
131	**110**	Carrying value of capitalised leased assets (included in mining properties, mine development cost and mine plant facilities)	**14**	17
162	**163**	Cost	**21**	21
(31)	**(53)**	Accumulated depreciation	**(7)**	(4)
7	**16**	Finance lease additions	**2**	1

Except for the leased assets mentioned above, none of the assets listed above have been pledged or otherwise committed as security for any liabilities.

SA rand 2009	SA rand 2010	Figures in million	US dollar 2010	US dollar 2009
		17 Intangible assets		
		Goodwill		
		Cost		
2 372	**2 373**	Balance at beginning of year	**307**	304
1	**–**	Acquired through purchase of subsidiaries	**–**	–
–	**–**	Translation	**4**	3
2 373	**2 373**	Balance at end of year	**311**	307
		Accumulated amortisation and impairments		
210	**210**	Balance at beginning of year	**27**	27
–	**–**	Translation	**1**	–
210	**210**	Balance at end of year	**28**	27
2 163	**2 163**	**Net book value (a)**	**283**	280
		Computer software (b)		
		Cost		
63	**101**	Balance at beginning of year	**13**	8
38	**16**	Acquired during the year	**2**	4
–	**–**	Translation	**1**	1
101	**117**	Balance at end of year	**16**	13
		Accumulated amortisation and impairments		
16	**40**	Balance at beginning of year	**5**	2
24	**30**	Amortisation charge for the year	**4**	3
40	**70**	Balance at end of year	**9**	5
61	**47**	**Net book value**	**7**	8
2 224	**2 210**	**Total net book value**	**290**	288
		(a) The net book value of goodwill has been allocated to the cash generating units:		
224	**224**	Bambanani	**29**	29
558	**558**	Tshepong	**73**	72
1 330	**1 330**	Phakisa	**174**	172
41	**41**	Joel	**5**	5
10	**10**	Other	**2**	2
2 163	**2 163**		**283**	280

(b) The amount relates to the implementation of an Oracle ERP software application.

SA rand 2009	SA rand 2010	Figures in million	US dollar 2010	US dollar 2009

18 Restricted cash

SA rand 2009	SA rand 2010	Figures in million	US dollar 2010	US dollar 2009
112	**112**	Environmental guarantees call account (a)	**15**	15
2	**2**	Security deposits (b)	**–**	–
47	**32**	Cash management account (c)	**4**	6
161	**146**	**Total restricted cash**	**19**	21

(a) The amount relates to funds set aside for guarantees made to the Department of Mineral Resources in South Africa for environmental and rehabilitation obligations.

(b) The amount relates to security deposits on mining tenements.

(c) The amount relates to funds set aside by the international operations for guarantee related performance bonds for Australia environmental obligations. Following the sale of Mount Magnet this cash will again be available for general corporate purposes. Refer to note 37.

19 Restricted investments

SA rand 2009	SA rand 2010	Figures in million	US dollar 2010	US dollar 2009
1 597	**1 702**	Investments held by Environmental Trust Funds (a)	**223**	207
43	**40**	Investments held by Social Trust Fund (b)	**5**	5
1 640	**1 742**	**Total restricted investments**	**228**	212
		(a) *Environmental Trust Funds consist of:*		
1 597	**370**	– Held-to-maturity financial assets	**48**	207
–	**1 332**	– Fair value through profit or loss financial assets	**175**	–
1 597	**1 702**	**Total Environmental Trust Funds**	**223**	207

The environmental trust funds are irrevocable trusts under the group's control. Contributions to the trusts are invested in interest-bearing short-term investments or medium-term equity-linked notes issued by commercial banks that provide guaranteed interest and additional interest or growth linked to the growth of the Shareholder Weighted Top 40 index (SWIX 40) of the JSE. The equity-linked notes are designated fair value through profit or loss investments and recorded at fair value whilst the interest-bearing short-term investments are classified as held-to-maturity and recorded at amortised cost. These investments provide for the estimated cost of rehabilitation at the end of the life of the group's mines. Income earned on the investments is retained in the funds and reinvested.

19 Restricted investments cont.

Reconciliation of the movement in the Environmental Trust Funds:

SA rand 2009	SA rand 2010	Figures in million	US dollar 2010	US dollar 2009
1 603	**1 597**	Balance at beginning of year	**207**	206
178	**69**	Interest income	**9**	21
–	**31**	Fair value movement	**4**	–
(184)	**–**	Disposal of business	**–**	(20)
–	**5**	Contributions made	**1**	–
–	**–**	Translation	**2**	–
1 597	**1 702**	**Balance at end of year**	**223**	207

(b) The social trust fund is an irrevocable trust under the group's control and is classified as a held-to-maturity investment. The group has undertaken to donate over a period of 10 years to The Harmony Gold Mining Group Social Plan Trust in terms of an agreement signed on 3 November 2003. An initial donation of R19 million (US$2.7 million) was made during the 2004 year. Thereafter instalments of R3.5 million (US$0.45 million) per annum was and will be made with the final instalment to be made in 2013. The purpose of the Trust is to fund the social plan to reduce the negative effects of restructuring on the group's workforce, to put measures in place to ensure that the technical and life skills of the group's workforce are developed and to develop the group's workforce in such a manner to avoid or minimise the effect of job losses and a decline in employment through turnaround or redeployment strategies.

Reconciliation of the movement in the Social Trust Fund:

SA rand 2009	SA rand 2010	Figures in million	US dollar 2010	US dollar 2009
36	**43**	Balance at beginning of year	**5**	5
4	**4**	Contributions made*	**1**	–
4	**3**	Interest accrued*	**–**	–
(1)	**(10)**	Claims paid*	**(1)**	–
43	**40**	**Balance at end of year**	**5**	5

* Note that for the 2009 financial year when these amounts were translated into US dollars, the amounts were less than US$0.5 million and were rounded down, resulting in no movement being shown for the year.

SA rand 2009	2010	Figures in million	US dollar 2010	2009
		20 Investment in financial assets		
69	**57**	Balance at beginning of year	**7**	9
64	**1**	Additions	**–**	8
(37)	**(51)**	Disposals	**(6)**	(4)
(30)	**2**	Fair value movement of available-for-sale investments	**–**	(3)
(9)	**3**	Translation	**1**	(3)
57	**12**	**Balance at end of year**	**2**	7
		The carrying amount consists of the following:		
		Available-for-sale financial assets		
1	**–**	Investment in Alloy (a)	**–**	–
41	**–**	Investment in Avoca (b)	**–**	5
15	**12**	Investment in other listed and unlisted shares (c)	**2**	2
57	**12**	**Total available-for-sale financial assets**	**2**	7

(a) During 2006, the group received 5 million shares, valued at A$0.20 per share in Alloy as consideration for the sale of mining tenements. During the 2009 financial year, the investment was considered permanently impaired, resulting in a cumulative loss of R4 million (US$0.4 million), net of tax, recognised in other reserves, being reclassified from other reserves equity to the consolidated income statement. Subsequent to the impairment, a gain of R0.35 million (US$0.04 million) was recognised in other comprehensive income. Tax on this revaluation amounted to R0.1 million (US$0.01 million), which has been charged directly to equity.

During the 2010 financial year these shares were sold, resulting in a net loss of R0.1 million (US$0.1 million). Refer to note 10.

(b) On 17 April 2009, the group received 3 809 524 Avoca shares, valued at A$1.50 per share, as consideration for the disposal of its Dioro shares. During the 2010 financial year, a fair value loss of R2 million (US$0.3 million) (2009: R4.5 million (US$0.5 million) fair value gain) was recognised in other comprehensive income, net of tax.

During the 2010 financial year, these shares were sold resulting in a net profit of R0.7 million (US$0.1 million). Refer to note 10.

SA rand 2009	SA rand 2010	Figures in million	US dollar 2010	US dollar 2009

20 Investment in financial assets cont.

(c) These investments are valued by the directors on an annual basis to ensure that no significant prolonged decline in the value of the investments has occurred. During the 2010 financial year the group disposed of certain listed investments for a net loss of R2 million (US$0.2 million). Refer to note 10. Fair value gains recognised in other comprehensive income for the year totalled R6 million (US$0.8 million) (2009: Rnil). During the 2010 financial year, the group did not receive any income from these investments (2009: Nil).

21 Investment in associates

SA rand 2009	SA rand 2010	Figures in million	US dollar 2010	US dollar 2009
145	**329**	Balance at beginning of year	**43**	19
284	**–**	Subsidiary becoming associate	**–**	25
12	**56**	Share of profit after tax	**7**	1
(112)	**–**	Impairment of share in associate	**–**	(14)
–	**–**	Translation	**–**	12
329	**385**	**Balance at end of year**	**50**	43
		The carrying amount consists of:		
–	**–**	Pamodzi Gold Limited (a)	**–**	–
329	**385**	Rand Uranium (Proprietary) Limited (b)	**50**	43
329	**385**	**Total investment in associates**	**50**	43

(a) On 27 February 2008, Pamodzi Gold Limited (Pamodzi) bought the Orkney operations from the group for a consideration of 30 million Pamodzi shares. This resulted in Harmony owning 32.4% of Pamodzi valued at R345 million (US$46.5 million) being R11.50 (US$1.54) per share on acquisition date. Pamodzi was listed on the JSE and had interests in operating gold mines in South Africa.

21 Investment in associates cont.

On 30 September 2008, an impairment test was performed and an impairment of R112 million (US$13.5 million) was recorded, bringing the total impairment recorded on the investment to date to R207 million (US$25.8 million). After taking into account the group's share of losses of R33 million (US$3.7 million), the carrying value at 31 December 2008 was R0. Total share in losses to date was R110 million (US$14.3 million). Subsequently, the group has not recognised its share of any further losses.

Pamodzi was placed in liquidation and the trading of its shares on the JSE was suspended.

At the time of this report being finalised no audited financial statements were available for years ending 31 December 2009 and 2008. The extract below represents unaudited information for the nine months ended 31 March 2009. No financial information subsequent to this date is available and therefore no information has been disclosed for 2010.

SA rand 2009	SA rand 2010	Figures in million	US dollar 2010	US dollar 2009
100%				100%
623		Revenue		69
(801)		Production costs		(89)
(178)		Operating loss		(20)
(361)		**Net loss**		(40)
		The financial position as at 31 March 2009 is disclosed below:		
2 005		Non-current assets		260
145		Current assets		18
2 150		**Total assets**		278
1 863		Current liabilities		241
478		Non-current liabilities		62
2 341		**Total liabilities**		303

SA rand 2009	SA rand 2010	Figures in million	US dollar 2010	US dollar 2009

21 Investment in associates cont.

(b) The group owns a 40% share of Rand Uranium, which is an unlisted company registered in South Africa, with gold mining operations in the Gauteng province of South Africa.

The group's interest was obtained by the completion of two transactions, discussed below.

On 21 November 2008, the company's wholly-owned subsidiary Randfontein Estates Limited disposed of its Randfontein Cooke assets to a newly formed wholly-owned subsidiary Rand Uranium, for a consideration of US$328 million (R3 484 million), settled with Rand Uranium shares. In a related transaction on the same date, 60% of these shares were sold to PRF for US$197 million (R2 093 million). US$40 million was paid on the effective date and the balance of US$157 million was paid on 20 April 2009. Interest was charged on the outstanding balance at 5% per annum, resulting in R32 million (US$3.3 million) being recognised in the income statement. The interest was also received on 20 April 2009.

The conditions precedent for the second part of the Rand Uranium transaction relating to the sale of the Old Randfontein assets to Rand Uranium were fulfilled on 22 April 2009. These assets were valued at US$20 million (R212 million). Additional shares were issued in settlement and 60% of these shares were sold to PRF in terms of the agreement. PRF paid its portion of the purchase price, US$12 million (R109 million), in cash on 20 April 2009.

The shareholders' agreement includes certain restrictions on the group's ability to dispose of its shares in Rand Uranium for a period of up to four years from the effective date, being 21 November 2008. In addition, PRF has the right, for a period of up to four years after the effective date, to have first claim on the proceeds, up to a specified amount, in the event of a disposal of the operations. Harmony has first right of refusal in such an event. However due to the contingent nature of the provision, the group has made no adjustments to the associate's carrying amount.

21 Investment in associates cont.

The group recognised a profit of R1 786 million (US$171 million) (before tax) on these transactions during the 2009 financial year. This profit is included in the profit from discontinued operations. Refer to note 14.

The group recognised its share of the post-acquisition profits of R56 million (US$7 million) (7 months ending 30 June 2009: R46 million (US$5.1 million)).

Rand Uranium has a year end of 30 June. The audited financial information of Rand Uranium for the years ended 30 June 2010 and at 30 June 2010 and 30 June 2009 is as follows:

SA rand 2009	SA rand 2010	Figures in million	US dollar 2010	US dollar 2009
100%	**100%**		**100%**	100%
913	**1 691**	Revenue	**223**	101
(678)	**(1 306)**	Production costs	**(172)**	(75)
235	**385**	Gross profit	**51**	26
112	**137**	**Net profit**	**18**	12
4 456	**4 666**	Non-current assets	**612**	577
222	**206**	Current assets	**27**	29
4 678	**4 872**	**Total assets**	**639**	606
183	**173**	Current liabilities	**23**	24
699	**766**	Non-current liabilities	**100**	91
882	**939**	**Total liabilities**	**123**	115

22 Investment in joint venture

Morobe Mining Joint Ventures (MMJV) partnership agreement (50%)

The group has a 50% interest in gold and copper assets located in the Morobe province, PNG. Newcrest owns the remaining 50% interest in these assets. This partnership was formed during the 2009 financial year through a range of transactions, which are discussed below.

On 22 April 2008, Morobe Consolidated Goldfields Limited and Wafi Mining Limited, subsidiaries of Harmony Australia, entered into a Master Purchase and Farm-in Agreement with Newcrest. This agreement provided for Newcrest to purchase a 30.01% participating interest (stage 1) and a further farm-in of an additional 19.99% participating interest in Harmony's Morobe gold and copper assets, giving them a 50% interest. The total value of the transaction was estimated at US$530 million.

SA rand			US dollar	
2009	2010	Figures in million	2010	2009

22 Investment in joint venture cont.

On 16 July 2008, the conditions to the Master Purchase and Farm-in agreement were finalised, which included regulatory and statutory approvals by the PNG Government. Stage 1 completion took place on 31 July 2008, and a total consideration of R1 792 million (US$229.8 million) was received on 7 August 2008, of which R390 million (US$50.0 million) was placed in a jointly controlled escrow account. This amount was subsequently released to Harmony following confirmation of approval of an exploration license during September 2008 by the PNG mining authorities.

Harmony recognised a profit of R416 million (US$58 million) on the completion of stage 1, which represented a sale of a 30.01% undivided interest of Harmony's Morobe gold and copper assets and liabilities comprising the joint venture.

During the farm-in period, Harmony agreed to transfer a further 19.99% interest to Newcrest in consideration for an agreement by Newcrest to meet certain expenditure which would otherwise have to be undertaken by Harmony. The interest to be transferred was conditional on the level of capital expenditures funded by Newcrest at certain milestones, and by the end of February 2009, Newcrest acquired another 10% through the farm-in arrangement. The final 9.99% was acquired by 30 June 2009.

At the date of completion of each party's obligations under the farm-in arrangement, Harmony derecognised the proportion of the mining assets and liabilities in the joint venture that it had sold to Newcrest, and recognised its interest in the capital expenditure at fair value. The difference between the net disposal proceeds and the carrying amounts of the asset disposed of during the farm-in arrangement amounted to a gain of R515 million (US$54 million), which has been included in the consolidated income statement for 2009.

The following are the group's effective share of income, expenses, assets and liabilities, which are included in the 2010 consolidated financial statements:

22 Investment in joint venture cont.

SA rand			US dollar	
2009	**2010**	**Figures in million**	**2010**	**2009**
50%	**50%**		**50%**	50%
–	**79**	Revenue	**10**	–
–	**(63)**	Production costs	**(8)**	–
–	**16**	Gross profit	**2**	–
(108)	**(302)**	Other costs	**(40)**	(12)
(108)	**(286)**	**Net loss**	**(38)**	(12)
1 427	**2 910**	Non-current assets	**382**	185
343	**364**	Current assets	**48**	44
1 770	**3 274**	**Total assets**	**430**	229
1 241	**168**	Non-current liabilities	**22**	161
281	**148**	Current liabilities	**19**	36
1 522	**316**	**Total liabilities**	**41**	197

23 Inventories

SA rand			US dollar	
2009	**2010**	**Figures in million**	**2010**	**2009**
283	**205**	Gold in lock-up	**27**	37
332	**526**	Gold in process, ore stockpiles and bullion on hand	**68**	43
420	**477**	Stores and materials at weighted average cost	**63**	54
1 035	**1 208**	Total inventories	**158**	134
–	**(214)**	Non-current portion of gold in lock-up and gold in-process	**(28)**	–
1 035	**994**		**130**	134
–	**(7)**	Net reclassification to held for sale	**(1)**	–
1 035	**987**	**Total current portion of inventories**	**129**	134
		Included in the balance above is:		
231	**205**	**Inventory valued at net realisable value**	**27**	30

During the year, the group acquired a waste rock dump valued at R20 million (US$2.7 million) and a gold plant containing gold in lock-up valued at R100 million (US$13.3 million) from Pamodzi FS, which have been included in the cost of inventory.

During the year, R29 million (US$3.9 million) (2009: R5 million (US$0.6 million)) was provided for slow moving stock. The total provision at 30 June 2010 was R57 million (US$7.5 million) (2009: R28 million (US$3.6 million)).

24 Trade and other receivables

SA rand 2009	SA rand 2010	Figures in million	US dollar 2010	US dollar 2009
		Current		
		Financial assets:		
251	**337**	Trade receivables (gold)	**44**	33
259	**227**	Other trade receivables (a)	**30**	34
(112)	**(96)**	Provision for impairment	**(13)**	(15)
398	**468**	Trade receivables – net	**61**	52
112	**40**	Loans to associates and joint ventures (b)	**5**	15
85	**89**	Interest and other receivables (c)	**12**	11
20	**15**	Employee receivables	**2**	2
3	**54**	Insurance claims receivable (d)	**7**	–
		Non-financial assets:		
74	**65**	Prepayments	**9**	10
193	**201**	Value added tax	**26**	25
885	**932**	**Total current trade and other receivables**	**122**	115
		Non-current		
		Financial assets:		
182	**179**	Loans to associates (e)	**23**	24
18	**12**	Other loans receivable	**2**	2
(125)	**(116)**	Provision for impairment (f)	**(15)**	(16)
75	**75**	**Total non-current trade and other receivables**	**10**	10

(a) Included in other trade receivables is an amount of R6 million (US$0.7 million) (2009: R70 million (US$9.1 million)) owed by Rand Uranium.

(b) An amount of R40 million (US$5 million) (2009: R37 million (US$4.8 million)) is due from Rand Uranium for services and goods supplied in terms of the service level agreements entered into between the group and Rand Uranium. Also included in 2009 is an amount of R75 million (US$9.7 million) receivable by Harmony's Australian operations, from Newcrest for their portion of the loan to the MMJV companies.

(c) Included in interest and other receivables is an amount of R17 million (US$2.2 million) owing by Pamodzi FS in terms of the asset purchase agreements, for rehabilitation trust funds to be released to the group.

(d) The insurance claim receivable of R54 million (US$7.1 million) relates to damage caused by an underground fire at the Bambanani operation. The claim was settled subsequent to the 2010 financial year end.

SA rand 2009	SA rand 2010	Figures in million	US dollar 2010	US dollar 2009

24 Trade and other receivables cont.

(e) Included in the balance for 2010 is a loan of R63 million (US$8.3 million) (2009: R66 million (US$8.5 million)) to Rand Uranium. The loan bears interest at a three-month JIBAR plus 250 basis points and is repayable on 21 November 2015. The loan has been subordinated. Also included in this balance is a loan of R116 million (US$15.2 million), (2009: R116 million (US$15.0 million)) owed by Pamodzi. The loan bore interest at prime rate until March 2009 when Pamodzi was placed into liquidation. Harmony is a concurrent creditor in the Pamodzi Orkney liquidation.

(f) Included in this balance is the amount of R116 million (US$15.2 million), (2009: R116 million (US$15.0 million)) relating to the loan owed by Pamodzi. In 2009, an amount of R9 million (US$1.1 million) relating to the loan owed by Ubuntu included in other loans receivable, was also provided for and subsequently written off during the 2010 financial year. Interest of R13 million (US$1.5 million) was charged on these loans in the 2009 financial year. No interest was charged in 2010.

The movement in the provision for impairment of trade receivables during the year was as follows:

SA rand 2009	SA rand 2010	Figures in million	US dollar 2010	US dollar 2009
132	**112**	Balance at beginning of year	**15**	17
36	**13**	Provision for impairment of receivables	**2**	4
(53)	**(29)**	Unused amounts reversed	**(4)**	(6)
(3)	**–**	Receivables written off during the year	**–**	–
112	**96**	**Balance at end of year**	**13**	15

The movement in the provision for impairment of loans receivables during the year was as follows:

SA rand 2009	SA rand 2010	Figures in million	US dollar 2010	US dollar 2009
15	**125**	Balance at beginning of year	**16**	2
117	**–**	Provision for impairments of loans	**–**	13
(7)	**(9)**	Loans written off during the year	**(1)**	(1)
–	**–**	Translation	**–**	2
125	**116**	**Balance at end of year**	**15**	16

SA rand 2009	2010	Figures in million	US dollar 2010	2009
		24 Trade and other receivables cont.		
		The ageing of trade receivables at the reporting date was:		
Impairment	**Gross**		**Gross**	Impairment
		30 June 2010		
–	**418**	Fully performing	**55**	–
–	**21**	Past due by 1 to 30 days	**3**	–
–	**17**	Past due by 31 to 60 days	**2**	–
–	**7**	Past due by 61 to 90 days	**1**	–
27	**27**	Past due by more than 90 days	**4**	4
69	**74**	Past due by more than 361 days	**9**	9
96	**564**		**74**	13
Impairment	**Gross**		**Gross**	Impairment
		30 June 2009		
–	**268**	Fully performing	**35**	–
–	**106**	Past due by 1 to 30 days	**14**	–
–	**8**	Past due by 31 to 60 days	**1**	–
–	**6**	Past due by 61 to 90 days	**1**	–
39	**49**	Past due by more than 90 days	**7**	6
73	**73**	Past due by more than 361 days	**9**	9
112	**510**		**67**	15
		The ageing of loans receivable at the reporting date was:		
Impairment	**Gross**		**Gross**	Impairment
		30 June 2010		
–	**75**	Fully performing	**10**	–
–	**–**	Past due by 1 to 30 days	**–**	–
–	**–**	Past due by 31 to 60 days	**–**	–
–	**–**	Past due by 61 to 90 days	**–**	–
–	**–**	Past due by more than 90 days	**–**	–
116	**116**	Past due by more than 361 days	**15**	15
116	**191**		**25**	15
Impairment	**Gross**		**Gross**	Impairment
		30 June 2009		
–	**75**	Fully performing	**10**	–
–	**–**	Past due by 1 to 30 days	**–**	–
–	**–**	Past due by 31 to 60 days	**–**	–
–	**–**	Past due by 61 to 90 days	**–**	–
14	**14**	Past due by more than 90 days	**2**	2
111	**111**	Past due by more than 361 days	**14**	14
125	**200**		**26**	16

SA rand 2009	SA rand 2010	Figures in million	US dollar 2010	US dollar 2009

24 Trade and other receivables cont.

Based on past experience, the group believes that no impairment allowance is necessary in respect of fully performing receivables as the amount relates to customers that have a good track record with the group. Similarly, the other loans and receivables noted above, other than those provided for, are fully performing and considered to be a low credit risk.

During the 2008 financial year, the balance of R50 million (US$6 million) due from Ogoerion Construction CC for the purchase of the Deelkraal surface assets was impaired. In the 2009 financial year, the deal was renegotiated and the Deelkraal plant was excluded from the transaction. The purchase price was revised and as a result, the balance due and the related provision for impairment of trade receivables was reversed.

During the year 2010 and 2009 financial years there was no renegotiation of the terms of any receivable, other than as discussed above.

As at 30 June 2010 and 30 June 2009 financial years, there was no collateral pledged or held for any of the receivables.

25 Share capital

Authorised
1 200 000 000 (2008: 1 200 000 000) ordinary shares of SA 50 cents each
10 958 904 (2009: 10 958 904) redeemable convertible preference shares of SA 50 cents each.

Issued
428 654 779 (2009: 425 986 836) ordinary shares of SA 50 cents each. All issued shares are fully paid.

Included in the total of issued shares is an amount of 2 314 shares held by Lydenburg Exploration Limited, a wholly owned subsidiary of the Company.

10% of the authorised but unissued shares are under the control of the directors until the forthcoming annual general meeting. The Directors’ Report and note 34 set out details in respect of the share option scheme and shares held in trust for employees of the group.

SA rand 2009	2010	Figures in million	US dollar 2010	2009

25 Share capital cont.

The directors of the company have a general authority to issue shares for cash up to a maximum of 5% of the issued share capital in any one financial year. This is in terms of the annual general meeting of shareholders held on 23 November 2009 and valid until the forthcoming annual general meeting. The general authority is subject to the Listings Requirements of the JSE Limited and the Companies Act no 61 of 1973 of South Africa, as amended.

Share issues

2010 financial year

On 19 March 2010, Harmony concluded an agreement with Africa Vanguard Resources (Doornkop) (Proprietary) Limited (AVRD) for the purchase of its 26% share of the mining titles of the Doornkop South Reef. Part of the purchase consideration was the issuance of 2 162 359 Harmony shares to AVRD. In terms of the purchase agreement 975 419 Harmony shares are held in escrow until 1 May 2014. Refer to note 26.

2009 financial year

On 1 December 2008, Harmony issued 3 364 675 shares to Rio Tinto. The Harmony shares were issued to cancel the Rio Tinto royalty rights over Wafi-Golpu in PNG. The value of issued shares was R242 million (US$23 million) at R71.98 per share.

Harmony engaged in capital raising by issuing two tranches of shares following the resolution passed by shareholders at the annual general meeting held on 24 November 2008. The first tranche was issued into the open market between 25 November 2008 and 19 December 2008. In this tranche, 10 504 795 Harmony shares were issued at an average subscription price of R93.20, resulting in R979 million (US$97.9 million) before costs being raised. The cost of the issue was R15 million (US$1.9 million), or 1.5%, of the value of shares issued.

A second tranche of shares was issued for cash into the open market between 10 February 2009 and 6 March 2009. This tranche consisted of 7 540 646 Harmony shares at an average subscription price of R124.45, resulting in R938 million (US$93.5 million) before costs being raised. The cost of the issue was R15 million (US$1.6 million) or 1.6% of the value of shares issued. The combined share issue amounts to R1.9 billion (US$192 million), or 4.5%, of the issued share capital as at 30 September 2008.

26 Other reserves

SA rand 2009	SA rand 2010	Figures in million	US dollar 2010	US dollar 2009
78	**(49)**	Foreign exchange translation reserve (a)	**(86)**	(111)
8	**4**	Fair value movement of available-for-sale financial assets (b)	**4**	4
277	**277**	Equity component of convertible bond (c)	**41**	41
(381)	**(381)**	Acquisition of non-controlling interest in subsidiary (d)	**(57)**	(57)
388	**536**	Share-based payments (e)	**75**	55
–	**(98)**	Repurchase of equity interest (f)	**(13)**	–
(31)	**(31)**	Other	**(4)**	(4)
339	**258**	**Total other reserves**	**(40)**	(72)
		The different categories of other reserves are made up as follows:		
		Foreign exchange translation reserve		
575	**78**	Balance at beginning of year	**(111)**	(216)
(418)	**6**	Realised portion reclassified through profit or loss	**1**	(53)
(79)	**(133)**	Current year's foreign exchange movement	**24**	158
78	**(49)**	**Balance at end of year**	**(86)**	(111)
		Fair value movement of available-for-sale financial assets		
(39)	**8**	Balance at beginning of year	**4**	(2)
115	**3**	Impairment recognised in profit or loss	**–**	12
(35)	**–**	Tax on impairment	**–**	(3)
(14)	**(11)**	Realised portion reclassified through profit or loss	**(1)**	(2)
1	**1**	Tax on realised portion	**–**	–
(30)	**2**	Fair value movement – unrealised	**–**	(3)
7	**–**	Tax on fair value movement	**–**	1
3	**1**	Translation	**1**	1
8	**4**	**Balance at end of year**	**4**	4
		Equity component of convertible bond		
277	**277**	Balance at beginning/end of year	**41**	41
		Acquisition of non-controlling interest in subsidiary		
(381)	**(381)**	Balance at beginning/end of year	**(57)**	(57)
		Share-based payments		
275	**388**	Balance at beginning of year	**55**	42
113	**148**	Share-based payments expensed	**20**	13
388	**536**	**Balance at end of year**	**75**	55
		Repurchase of equity interest		
–	**(98)**	Acquired equity interest during the year	**(13)**	–
–	**(98)**	**Balance at end of year**	**(13)**	–
		Other reserves		
(31)	**(31)**	Balance at beginning/end of year	**(4)**	(4)

SA rand			US dollar	
2009	2010	Figures in million	2010	2009

26 Other reserves cont.

(a) The balance of the foreign exchange translation reserve movement represents the cumulative translation effect of the group's off-shore operations. The US dollar amount includes the translation effect from rand to US dollar.

The realised portion reclassified through profit or loss relates to the sale of Big Bell operations in Australia and the liquidation of Harmony Gold Peru SA. and Harmony Precious Metal Services SAS. Refer to note 7 for further detail.

(b) The balance of the fair value movement reserve represents the movement in the fair value of the available-for-sale financial assets. For details on the movement, refer to note 20. For details regarding the realised portion reclassified to profit or loss refer to note 10(b).

(c) On 24 May 2004, the group issued a convertible bond. The amount representing the value of the equity conversion component is included in other reserves, net of deferred income taxes. The equity conversion component is determined on the issue of the bonds and is not changed in subsequent periods.

(d) On 15 March 2004, Harmony announced that it had made an off market cash offer to acquire all the ordinary shares, listed and unlisted options of Abelle, held by non-controlling interests. The excess of the purchase price of R579 million (US$86.5 million) (A$123 million) over the carrying amount of the non-controlling interest acquired, amounting to R381 million (US$55 million), has been accounted for under other reserves.

26 Other reserves cont.

(e) The group issues equity-settled instruments to certain qualifying employees under an Employee Share Option Scheme to purchase shares in the company's authorised but unissued ordinary shares. Equity share-based payments are measured at the fair value of the equity instruments at the date of the grant. Share-based payments are expensed over the vesting period, based on the group's estimate of the shares that are expected to eventually vest. During the 2010 financial year, a share-based payment expense of R148 million (US$19.5 million) (2009: R113 million (US$12.6 million)) was charged to the income statement. (Refer to note 34 for more detail).

(f) On 19 March 2010, Harmony Gold Mining Company Limited concluded an agreement with AVRD, for the purchase of its 26% share of the mining titles of the Doornkop South Reef. From an accounting perspective, the sale of the 26% share in the mining titles was never recognised and accounted for as an in-substance call option by AVRD over the 26% mineral right. This was due to AVRD not being exposed to any losses relating to the Doornkop mineral right, and entitled at any point in time to repay the Nedbank loan guaranteed by Harmony – thereby becoming unconditionally entitled to the 'upside' in the mineral right. The agreement to purchase AVRD's 26% interest during the 2010 financial year is therefore considered to be a repurchase of the option (equity interest). The difference between the value of the shares issued of R152 million (US$20.5 million) (see note 25), the liability to African Vanguard Resources (Proprietary) Limited (see note 29(a)) and transaction costs, have been taken directly to equity.

SA rand 2009	SA rand 2010	Figures in million	US dollar 2010	US dollar 2009

27 Provision for environmental rehabilitation

The group's mining and exploration activities are subject to extensive environmental laws and regulations. These laws and regulations are continually changing and generally becoming more restrictive. The group has made, and expects to make in the future, expenditures to comply with such laws and regulations, but cannot predict the full amount of such future expenditures. Estimated future reclamation costs are based principally on legal and regulatory requirements. The following is a reconciliation of the total liability for environmental rehabilitation:

SA rand 2009	SA rand 2010	Figures in million	US dollar 2010	US dollar 2009
		Provision raised for future rehabilitation		
1 523	**1 530**	Balance at beginning of year	**198**	196
(294)	**(45)**	Disposal of assets	**(6)**	(32)
207	**56**	Change in estimate – Balance sheet	**7**	27
3	**28**	Change in estimate – Income statement	**4**	–
–	**128**	Additions to assets	**17**	–
120	**118**	Time value of money and inflation component of rehabilitation costs (a)	**16**	13
(29)	**(4)**	Translation	**2**	(6)
1 530	**1 811**	Balance at end of year	**238**	198
–	**(119)**	Disposal groups classified as held for sale	**(16)**	–
1 530	**1 692**	**Total provision for environmental rehabilitation**	**222**	198

(a) Includes both continuing and discontinued operations. During the financial year 2010 the group recognised time value of money credit adjustments of R17 million relating to both the sale of Big Bell and reclassification of Mount Magnet to held for sale.

While the ultimate amount of rehabilitation costs to be incurred in the future is uncertain, the group has estimated that, based on current environmental and regulatory requirements, the total cost for the mines, in current monetary terms, is approximately R2 644 million (US$346.6 million) (2009: R2 203 million (US$285.4 million)). Refer to note 3.4 for the estimations and judgements used in the calculations.

SA rand 2009	SA rand 2010	Figures in million	US dollar 2010	US dollar 2009

27 Provision for environmental rehabilitation cont.

Included in the charge to the income statement is an amount R26 million (US$3 million) (2009: R33 million (US$4 million)) relating to the time value of money.

SA rand 2009	SA rand 2010	Figures in million	US dollar 2010	US dollar 2009
		Future net obligations		
2 203	**2 644**	Ultimate estimated rehabilitation cost	**347**	285
(1 597)	**(1 702)**	Amounts invested in environmental trust funds (Refer to note 19)	**(223)**	(207)
606	**942**	**Total future net obligations**	**124**	78

The group intends to finance the ultimate rehabilitation costs from the money invested in environmental trust funds, ongoing contributions, as well as the proceeds on sale of assets and gold from plant clean-up at the time of mine closure. The group has guarantees in place relating to the environmental liabilities. Refer to notes 19 and 36.

28 Retirement benefit obligation and other provisions

SA rand 2009	SA rand 2010	Figures in million	US dollar 2010	US dollar 2009
		Non-current		
152	**153**	Retirement benefit obligation (Refer to note 32)	**20**	20
14	**16**	Other	**2**	2
166	**169**	Total non-current provisions	**22**	22

29 Borrowings

SA rand 2009	SA rand 2010	Figures in million	US dollar 2010	US dollar 2009
		Unsecured borrowings		
32	**–**	Africa Vanguard Resources (Proprietary) Limited (a)	**–**	4
32	**–**	**Total unsecured non-current borrowings**	**–**	4

SA rand 2009	SA rand 2010	Figures in million	US dollar 2010	US dollar 2009
		29 Borrowings cont.		
		Secured borrowings		
–	**–**	Nedbank Limited (b)	**–**	–
224	**–**	Liability amount	**–**	29
(224)	**–**	Less: current portion	**–**	(29)
78	**59**	Westpac Bank (c)	**8**	10
106	**91**	Liability amount	**12**	14
(28)	**(32)**	Less: current portion	**(4)**	(4)
–	**922**	Nedbank Limited (d)	**121**	–
–	**1 110**	Principal amount	**146**	–
–	**(11)**	Less: unamortised issue costs	**(2)**	–
–	**(177)**	Less: current portion	**(23)**	–
78	**981**	**Total secured non-current borrowings**	**129**	10
110	**981**	Total non-current borrowings	**129**	14
252	**209**	Total current portion of borrowings	**27**	33
362	**1 190**	**Total borrowings**	**156**	47

(a) The loan to AVRD from its holding company African Vanguard Resources (Proprietary) Limited has been derecognised during the year. Refer to note 26(f). The loan was unsecured and interest free.

(b) On 30 July 2003, AVRD partially funded the purchase of an undivided 26% share of the Mining titles relating to the Doornkop South Reef project, with a R140 million (US$19.1 million) Nedbank term loan facility. This facility to AVRD was guaranteed by Harmony and certain of its subsidiaries. As a result of this guarantee and other factors, the company was required to consolidate AVRD into the group.

On 31 March 2010, the company settled this facility as part of the purchase consideration. Refer to note 26(f). Interest on the loan facility accrued at a variable rate equal to JIBAR plus 2% and was payable on settlement of the loan amount. Interest accrued and capitalised during the year, up to settlement date, amounted to R18 million (US$2.2 million) (2009: R30 million (US$3.3 million)).

Following the settlement of the loan facility Harmony is no longer required to consolidate AVRD as part of the group.

SA rand 2009	SA rand 2010	Figures in million	US dollar 2010	US dollar 2009

29 Borrowings cont.

(c) In July 2007, Morobe Consolidated Goldfields (MCG) entered into a finance lease agreement with Westpac Bank for the purchase of mining fleet to be used on the Hidden Valley project.

During the financial year 2009, MCG sold 50% of the finance lease liability to Newcrest in terms of the Master Purchase and Farm-In agreement.

Interest is charged at US – LIBOR plus 1.25% per annum. Interest is accrued monthly and lease instalments are repayable quarterly terminating 30 June 2013. The mining fleet financed is used as security for these loans.

The future minimum lease payments are as follows:

SA rand 2009	SA rand 2010	Figures in million	US dollar 2010	US dollar 2009
30	**33**	Due within one year	**4**	4
36	**40**	Due between one and two years	**5**	5
44	**20**	Due between two and five years	**3**	6
110	**93**		**12**	15
(4)	**(2)**	Future finance charges	**–**	(1)
106	**91**		**12**	14

(d) On 11 December 2009, the company entered into a loan facility with Nedbank Limited, comprising a term facility of R900 million (US$119.4 million) and a revolving credit facility of R600 million (US$79.6 million). The facility was utilised to fund the acquisition of the Pamodzi FS assets (refer to note 16) as well as the group's major capital projects and working capital requirements. Interest accrues on a day to day basis over the term of the loan at a variable interest rate, equal to 3 month JIBAR plus 3.5%. Interest is repayable quarterly.

The term facility is repayable bi-annually in equal instalments of R90 million (US$11.8 million) over five years. The revolving credit facility is repayable after three years. The term facility is fully drawn and R300 million (US$40.5 million) was drawn on the revolving credit facility.

SA rand 2009	SA rand 2010	Figures in million	US dollar 2010	US dollar 2009

29 Borrowings cont.

(e) On 12 November 2009, the Australian operations raised a new loan with BMW Finance of R27 million (US$3.6 million) for insurance premium funding. A deposit of R5 million (US$0.7 million) was paid. The loan bore interest at 6.1% and was repayable monthly in equal instalments of R2.8 million (US$0.4 million) with the last instalment paid in June 2010.

The exposure of the group's borrowings to changes in interest rates and contractual repricing is as follows:

SA rand 2009	SA rand 2010	Figures in million	US dollar 2010	US dollar 2009
78	**1 190**	Variable	**156**	10
252	**–**	Current	**–**	33
–	**–**	Between 1 to 2 years	**–**	–
–	**–**	Between 2 to 5 years	**–**	–
32	**–**	Over 5 years	**–**	4
362	**1 190**	**Total borrowings**	**156**	47
21.6%	**100.0%**	Variable	**100.0%**	21.6%
69.6%	**0.0%**	Current	**0.0%**	69.6%
0.0%	**0.0%**	Between 1 to 2 years	**0.0%**	0.0%
0.0%	**0.0%**	Between 2 to 5 years	**0.0%**	0.0%
8.8%	**0.0%**	Over 5 years	**0.0%**	8.8%
100.0%	**100.0%**	**Total borrowings**	**100.0%**	100.0%

The maturity of borrowings is as follows:

SA rand 2009	SA rand 2010	Figures in million	US dollar 2010	US dollar 2009
252	**209**	Current	**27**	33
35	**215**	Between 1 to 2 years	**28**	4
43	**766**	Between 2 to 5 years	**101**	6
32	**–**	Over 5 years	**–**	4
362	**1 190**	**Total borrowings**	**156**	47

The effective interest rates at balance sheet date were as follows:

	US dollar 2010	US dollar 2009
Africa Vanguard Resources (Proprietary) Limited (a)#	**0.0%**	0.0%
Nedbank Limited (b)*	**0.0%**	11.9%
Westpac Bank (c)	**2.0%**	2.0%
Nedbank Limited (d)	**10.1%**	0.0%
BMW Financing (e)*	**0.0%**	0.0%

 # Derecognised as AVRD is no longer a SPE
** Loan repaid in full*

SA rand 2009	SA rand 2010	Figures in million	US dollar 2010	US dollar 2009

29 Borrowings cont.

Other borrowings

The level of Harmony's borrowing powers, as determined by its Articles of Association, shall not except with the consent of Harmony's general meeting, exceed R40 million or the aggregate from time to time of the issued and paid-up share capital of the company, together with the aggregate of the amounts standing to the credit of all distributable and non-distributable reserves (including minority interests in subsidiary companies and provisions for deferred taxation) and any share premium accounts of the group.

30 Trade and other payables

SA rand 2009	SA rand 2010	Figures in million	US dollar 2010	US dollar 2009
		Financial liabilities:		
486	**417**	Trade payables	**54**	63
67	**38**	Other liabilities	**5**	8
		Non-financial liabilities:		
298	**333**	Payroll accruals	**44**	39
236	**260**	Leave liabilities	**34**	31
156	**159**	Shaft-related accruals	**21**	20
206	**175**	Other accruals	**23**	27
11	**31**	Value added tax	**4**	1
1 460	**1 413**		**185**	189
–	**(3)**	Disposal groups classified as held for sale	**–**	–
1 460	**1 410**	**Total trade and other payables**	**185**	189

Leave liability

Employee entitlements to annual leave are recognised on an ongoing basis. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. The movement in the liability recognised in the balance sheet is as follows:

SA rand 2009	SA rand 2010	Figures in million	US dollar 2010	US dollar 2009
232	**236**	Balance at beginning of year	**31**	29
(252)	**(262)**	Benefits paid	**(35)**	(27)
(20)	**–**	Movement due to sale of business	**–**	(2)
(9)	**(2)**	Translation	**–**	(1)
285	**289**	Total expense per income statement	**38**	32
236	**261**		**34**	31
–	**(1)**	Disposal groups classified as held for sale	**–**	–
236	**260**	**Balance at end of year**	**34**	31

SA rand 2009	SA rand 2010	Figures in million	US dollar 2010	US dollar 2009
		31 Cash generated by operations		
		All amounts disclosed include discontinued operations.		
		Reconciliation of profit before taxation to cash generated by operations:		
3 851	**143**	Profit before taxation(1)	**20**	405
		Adjustments for:		
1 467	**1 375**	Amortisation and depreciation	**181**	167
484	**331**	Impairment of assets	**43**	61
(2 751)	**(104)**	Profit on sale of mining assets	**(14)**	(287)
6	**(14)**	Net (decrease)/increase in provision for post retirement benefits	**(3)**	1
3	**18**	Net increase in provision for environmental rehabilitation	**2**	–
(12)	**(56)**	(Profit)/loss from associates	**(7)**	(1)
112	**–**	Impairment of investment in associate	**–**	14
113	**148**	Share-based payments	**20**	13
101	**(38)**	Net (gain)/loss on financial instruments	**(5)**	10
(1)	**–**	Profit on sale of investment in associate	**–**	–
–	**24**	Loss on sale of investment in subsidiary	**3**	–
(2)	**(3)**	Dividends received	**–**	–
(455)	**(184)**	Interest received	**(25)**	(51)
232	**229**	Interest paid	**30**	26
100	**(16)**	Provision for doubtful debts	**(2)**	11
31	**29**	Bad debts written off	**4**	3
5	**42**	Other non cash transactions	**8**	–
		Effect of changes in operating working capital items:		
(132)	**(100)**	Receivables	**(13)**	(15)
(177)	**(153)**	Inventories	**(20)**	(20)
(162)	**(60)**	Accounts payable and accrued liabilities	**(8)**	(18)
2 813	**1 611**	**Cash generated by operations**	**214**	319

(1) Includes discontinued operations

SA rand 2009	SA rand 2010	Figures in million	US dollar 2010	US dollar 2009

31 Cash generated by operations cont.

Additional cash flow information

The income and mining taxes paid in the statement of cash flow represents actual cash paid less refunds received.

Acquisitions and disposals of subsidiaries/businesses:

For the financial year ended June 2010

(a) Disposal of Big Bell Operations

On 10 January 2010, the group concluded the sale of Big Bell Operations (Proprietary) Limited, a wholly owned subsidiary operating in Western Australia, for a total consideration of R24 million (US$3.2 million).

The aggregate fair values of assets and liabilities sold were:

SA rand 2009	SA rand 2010	Figures in million	US dollar 2010	US dollar 2009
–	**64**	Property, plant and equipment	**8**	–
–	**(45)**	Rehabilitation liability	**(6)**	–
–	**5**	Profit on disposal	**1**	–
–	**24**	**Proceeds received in cash**	**3**	–

(b) Acquisition of Pamodzi FS assets.

On 18 February 2010, the group concluded the acquisition of the Pamodzi FS assets for a total consideration of R405 million, of which R280 million (US$36 million) is attributable to property, plant and equipment and R120 million (US$16 million) to inventories.

The principal non-cash transactions for the year were the issue of shares for the acquisition of 26% share of the mining titles on Doornkop South Reef from AVRD (refer to note 25) and share-based payments (refer to note 34).

SA rand 2009	SA rand 2010	Figures in million	US dollar 2010	US dollar 2009

31 Cash generated by operations cont.

For the financial year ended June 2009

(a) Disposal of Randfontein Cooke Assets

During the year, the group disposed of its Cooke and Old Randfontein assets to Rand Uranium, a wholly owned subsidiary. In a related transaction, 60% of Rand Uranium's shares were disposed of to PRF in two tranches. For details, refer to note 21(b).

The aggregate fair value of the assets and liabilities sold were:

SA rand 2009	SA rand 2010	Figures in million	US dollar 2010	US dollar 2009
		Transaction one		
449	–	Property, plant and equipment	–	42
35	–	Environmental trust fund	–	3
(41)	–	Rehabilitation liability	–	(4)
(19)	–	Other costs	–	(2)
(25)	–	Foreign exchange movements	–	5
1 627	–	Profit on disposal	–	153
2 026	–	**Proceeds received in cash**	–	197
		Transaction two		
12	–	Property, plant and equipment	–	1
73	–	Environmental trust fund	–	8
(116)	–	Rehabilitation liability	–	(13)
(19)	–	Foreign exchange movements	–	(2)
159	–	Profit on disposal	–	18
109	–	**Proceeds received in cash**	–	12

(b) MMJV

During the year Harmony and Newcrest entered into a joint venture agreement, which provided that Newcrest would purchase a 30.01 participating interest and a further buy-out of an additional 19.99% participating interest in Harmony's MMJV gold and copper assets.

The aggregate fair value of the assets and liabilities sold were:

SA rand 2009	SA rand 2010	Figures in million	US dollar 2010	US dollar 2009
		Stage 1: 30.01% participating interest		
1 404	–	Property, plant and equipment	–	185
42	–	Trade and other receivables	–	6
7	–	Inventory	–	1
(74)	–	Long-term loans	–	(10)
(3)	–	Rehabilitation liability	–	–
–	–	Foreign exchange movements	–	(11)
416	–	Profit on disposal	–	58
1 792	–	**Proceeds received in cash**	–	229

SA rand 2009	SA rand 2010	Figures in million	US dollar 2010	US dollar 2009

31 Cash generated by operations cont.

SA rand 2009	SA rand 2010	Figures in million	US dollar 2010	US dollar 2009
		Stage 2: 10% participating interest		
512	–	Property, plant and equipment	–	52
7	–	Trade and other receivables	–	1
8	–	Inventory	–	1
(30)	–	Long-term loans	–	(3)
(50)	–	Trade and other payables	–	(5)
(1)	–	Rehabilitation liability	–	–
439	–	Profit on disposal	–	44
885	–	Disposal proceeds	–	90
-	–	Proceeds received in cash	–	–
885	–	**Proceeds received by way of the farm-in agreement**	–	90
		Stage 3: 9.99% Participating interest		
556	–	Property, plant and equipment	–	72
13	–	Trade and other receivables	–	2
24	–	Inventory	–	3
(21)	–	Long-term loans	–	(3)
(45)	–	Trade and other payables	–	(6)
(22)	–	Rehabilitation liability	–	(3)
76	–	Profit on disposal	–	10
581	–	Disposal proceeds	–	75
(47)	–	Proceeds received in cash	–	(6)
534	–	**Proceeds received by way of the farm-in agreement**	–	69

The principal non-cash transactions for the year were the acquisition of PNG royalty agreement (refer to note 16(c)), share-based payments (refer to note 34) and share exchange of Dioro for Avoca (refer to note 20(b)).

SA rand			US dollar	
2009	2010	Figures in million	2010	2009

32 Retirement benefit obligations

(a) **Pension and provident funds:** The group contributes to several pension and provident funds governed by the Pension Funds Act, 1956 for the employees of its South African subsidiaries. The pension funds are multi-employer industry plans. The group's liability is limited to its annually determined contributions.

The provident funds are funded on a ''money accumulative basis" with the members' and employer's contributions having been fixed in the constitution of the funds.

The Australian group companies make contributions to each employee's superannuation (pension) fund in accordance with the Superannuation Guarantee Scheme (SGS). The SGS is a Federal Government initiative enforced by law which compels employers to make regular payments to regulated funds providing for each employee on their retirement. The SGS were set at a minimum of 9% of gross salary and wages for the 2010 financial year (2009: 9%). The fund is a defined contribution plan.

Substantially all the group's employees are covered by the above mentioned retirement benefit plans. Funds contributed by the group for the 2010 financial year amounted to R418 million (US$55.2 million) (2009: R358 million (US$39.8 million)).

(b) **Post-retirement benefits other than pensions:** Most of the supervisory and managerial workers in South Africa participate in the Minemed medical scheme, as well as other medical schemes. The group contributes to these schemes on behalf of current employees and employees who retired prior to 31 December 1996 (Minemed scheme). The annual contributions for these retired employees are fixed. The group's contributions to these schemes on behalf of current employees amounted to R106 million (US$13.9 million) for 2010 and R78 million (US$8.6 million) for 2009.

SA rand			US dollar	
2009	2010	Figures in million	2010	2009

32 Retirement benefit obligations cont.

Harmony inherited a post-retirement medical benefit obligation, which existed at the time of the Freegold acquisition in 2002. The group's obligation in this regard, is to pay a subsidy of 2% for every completed year of employment up to a maximum of 50% of total medical aid contributions, commencing on date of retirement. Should the employee die, either in service or after retirement, this benefit will transfer to his/her dependants. The medical aid tariffs are based on the Minemed medical scheme options. Except for the pre-mentioned employees, Harmony has no other post-retirement obligation for the other group employees.

Assumptions used to determine this liability include a discount rate of 10.3%, a mortality rate according to the SA 1956/62 mortality table and a medical inflation rate of 8.1%. It is also assumed that all members will retire at the age of 60 and remain on the current benefit option.

The liability is based on an actuarial valuation conducted during the financial year ended 30 June 2010, using the projected unit credit method. The next actuarial valuation will be performed on 30 June 2011.

SA rand			US dollar	
2009	2010	Figures in million	2010	2009
152	**153**	Present value of unfunded obligations	**20**	20
		Movement in liability recognised in the balance sheet		
130	**152**	Balance at beginning of year	**20**	17
(3)	**(4)**	Contributions paid	**(1)**	–
10	**4**	Other expenses included in staff costs/ current service cost	**1**	1
15	**15**	Interest cost	**2**	2
–	**7**	Net actuarial loss recognised during the year[1]	**1**	–
–	**(21)**	Curtailments[2]	**(3)**	–
152	**153**	**Balance at end of year**	**20**	20

[1] The net actuarial loss recognised during the 2008 year was R12 million (US$2 million), 2007 year a gain of R12 million (US$2 million) and in the 2006 financial year a loss of R9 million (US$1.3 million).

[2] The terms of employment of 124 members changed, resulting in a reduction of the liability of R21 million (US$2.8 million).

32 Retirement benefit obligations cont.

SA rand			US dollar	
2009	2010	Figures in million	2010	2009
		The principal actuarial assumptions used for accounting purposes were:		
10.0%	**10.3%**	Discount rate	**10.3%**	10.0%
7.8%	**8.1%**	Healthcare inflation rate	**8.1%**	7.8%
60	**60**	Normal retirement age	**60**	60
		The net liability of the defined benefit plan is as follows:		
152	**153**	Present value of defined benefit obligation	**20**	20
–	**–**	Fair value of plan assets	**–**	–
152	**153**	**Net liability**	**20**	20
		The present value of the defined benefit obligation was R130 million (US$17 million) in the 2008 financial year, R107 million (US$15.2 million) in 2007 and R107 million (US$14.9 million) in 2006.		
		The effect of a one percentage point increase and decrease in the assumed medical cost trend rates is as follows:		
1% Increase	**1% Increase**		**1% Increase**	1% Increase
		Effect on:		
3	**4**	Aggregate of service cost and interest cost	**1**	–
26	**25**	Defined benefit obligation	**4**	3
1% Decrease	**1% Decrease**		**1% Decrease**	1% Decrease
		Effect on:		
3	**3**	Aggregate of service cost and interest cost	**1**	–
21	**20**	Defined benefit obligation	**4**	3

The group expects to contribute approximately R4.5 million (US$0.6 million) to its benefit plan in 2011.

SA rand 2009	SA rand 2010	Figures in million	US dollar 2010	US dollar 2009
		Number of permanent employees as at 30 June:		
		South African operations*	**36 204**	37 316
		International operations**	**1 105**	979
		Total number of permanent employees	**37 309**	38 295
		Aggregated earnings		
		The aggregate earnings of employees including directors were:		
4 585	**5 428**	Salaries and wages and other benefits	**716**	509
363	**414**	Retirement benefit costs	**55**	40
78	**106**	Medical aid contributions	**14**	9
5 026	**5 948**	**Total aggregated earnings**	**785**	558

33 Employee benefits

Directors' remuneration is fully disclosed in the Directors' report.

* No employees were attributable to the discontinued operations at 30 June 2010 (2009: 0)

** The total number of employees at the Australian operations at 30 June 2010 was 56 (2009: 48). Of this total, 12 employees (2009: 0) were attributable to the discontinued operations. The total for the international operations includes the joint venture employees.

During the 2010 financial year, R39 million (US$5 million) (2009: R14 million (US$2 million)) was included in the payroll cost for termination costs. This excludes the cost of the voluntary retrenchment process (refer to note 5).

34 Share option scheme

The group currently has the 2001, 2003 schemes and the 2006 share plan that are active. The objective of these schemes is to recognise the contributions of senior staff to the group's financial position and performance and to retain key employees.

The options granted under the 2001 and 2003 schemes

A fifth of the options granted under the 2001 and 2003 schemes are exercisable annually from grant date with an expiry date of 10 years from the grant date. The offer price of these options equalled the closing market price of the underlying shares on the trading date immediately preceding the granting of the options.

On resignation and retirement, share options which have not yet vested will lapse and share options which have vested may be taken up at the employee's election before the last day of service. Payment of shares forfeited will therefore not be required. On death, all options vest immediately and the deceased estate has a period of twelve months to exercise these options.

Following the introduction of the 2006 share plan, no further options are expected to be allocated under these two schemes.

Number of share options relating to the 2001 and 2003 option schemes	2010	2009
Share options granted	**28 442 420**	28 442 420
Exercised	**19 133 887**	18 570 971
Vested but not exercised	**2 264 585**	1 791 215
Unvested	–	1 059 343
Forfeited and lapsed	**7 043 948**	7 020 891
Vesting periods of unvested shares		
Within one year	–	1 059 343
Total number of shares unvested	–	1 059 343

No options were granted in the 2010 and 2009 financial years for the 2001 and 2003 option schemes.

Activity on share options granted but not yet exercised	Shares	Weight average option price (SA rand)
For the year ended 30 June 2010		
Balance at beginning of year	**2 850 558**	**47.58**
Options exercised	**(562 916)**	**44.16**
Options forfeited and lapsed	**(23 057)**	**43.75**
Balance at end of year	**2 264 585**	**48.47**
For the year ended 30 June 2009		
Balance at beginning of year	4 528 239	49.14
Options exercised	(1 321 303)	51.42
Options forfeited and lapsed	(356 378)	53.12
Balance at end of year	2 850 558	47.58

The details pertaining to share options issued and exercised by directors during the year are disclosed in the Directors' report.

34 Share option scheme cont.

List of options granted but not yet exercised (listed by grant date)	As at 30 June 2010	Option plan (SA rand)	Remaining life (years)
24 April 2001	**17 000**	36.50	0.8
20 November 2001	**167 901**	49.60	1.4
23 September 2002	**–**	66.00	2.2
27 March 2003	**125 300**	91.60	2.7
10 August 2004	**482 967**	66.15	4.1
26 April 2005	**1 471 417**	39.00	4.8
Total option granted but not yet exercised	**2 264 585**		

The number of shares held by the Harmony Share Trust at year end amounted to 63 500 (2009: 63 500). This trust is considered to be an SPE and is therefore consolidated in accordance with the group's accounting policies.

List of options granted but not yet vested (listed by grant date)	2010	2009
10 August 2004	**–**	316 498
26 April 2005	**–**	742 845
Total options granted but not yet vested	**–**	1 059 343

SA rand 2009	SA rand 2010	Figures in million	US dollar 2010	US dollar 2009
102	**44**	Average market price options traded during the year	**6**	11
128	**61**	Average fair value of share options vested during the year	**8**	14
6	**3**	Share-based cost recognised	**–**	1

	Option allocation 10 August 2004	Option allocation 26 April 2005
The share-based cost is calculated using the binominal valuation model based on the following assumptions at grant date:		
Price at date of grant (SA rand per share)	66.15	39.00
Risk-free interest rate:	9.9%	8.4%
Expected volatility:	40.0%	35.0%
Expected dividend yield:	0.0%	0.0%
Vesting period:	5 years	5 years

Share-based payments are measured at the fair value of the equity instruments at the date of the grant. The cost is expensed over the vesting period, based on the group's estimate of the options that are expected to eventually vest.

The only vesting conditions for the 2001 and 2003 schemes is that the employees should be in the employment of the group.

The volatility measured at the standard deviation of expected share price returns were based on statistical analysis of daily share prices over the last three years before grant date.

The shares granted under the 2006 share plan

The 2006 share plan consist of both performance shares (PS) and share appreciation rights (SARs). The PS will vest after three years from the grant date, if and to the extent that performance conditions have been satisfied. The SARs will vest in equal thirds in year 3, 4 and 5 after grant date, subject to the performance conditions having been satisfied. The SARs have an expiry date of six years from the grant date and the offer price equals the closing market price of the underlying shares on the trading date immediately preceding the grant.

34 Share option scheme cont.

The aggregate number of shares which may be allocated to the share plan on any day, when added to the total number of unexercised SARs, unvested performance shares, and restricted shares which have been allocated for SARs and PS, and any other employee share scheme operating by the company, shall not exceed 14% of the number of issued ordinary shares of the company from time to time. On 30 June 2010, 4 361 937 PS and 7 992 023 SARS (2009: 3 718 127 PS and 5 284 500 SARs) had been allocated to participating employees.

Termination of employees participation in the share plan is based on "No Fault" and "Fault" definitions.

In the case of SARs, if employment is terminated for No Fault reasons, then the value of the appreciation in all unvested and unexercised SARs is settled in shares or cash at the option of the employer as at the date of termination of employment, after the deduction of any tax payable. The employer has no past practice of settling in cash.

In the case of performance shares, if employment is terminated for No Fault reasons, then

- First the maximum number conditionally awarded is pro-rated for the time period until the termination date;
- Then this adjusted number is reduced to a third on the assumption that Harmony’s performance was a median one with one third vesting, after taking into account any portion of shares that have banked already in terms of the 2009 issue;
- And then settled in shares sold on the market for cash, and paid to the participant after the deduction of any tax payable.

In either case, if employment is terminated for Fault reasons, all unvested and un-exercised SARs and all PS not yet vested are lapsed and cancelled.

Number of shares relating to the 2006 share plan at 30 June	**2010**	**2009**
Shares granted	**12 353 960**	9 002 627
Vested	**185 473**	–
Performance shares	**–**	–
Share appreciation rights	**185 473**	–
Unvested	**10 082 512**	7 854 749
Performance shares	**3 492 402**	3 302 163
Share appreciation rights	**6 590 110**	4 552 586
Shares forfeited	**2 085 975**	1 147 878
Performance shares	**869 536**	415 964
Share appreciation rights	**1 216 439**	731 914
Vesting periods of unvested shares:		
Within one year	**1 550 416**	503 589
One to two years	**3 463 496**	1 651 892
Two to three years	**2 728 330**	3 675 954
Three to four years	**1 492 598**	1 329 960
Four to five years	**847 672**	693 354
Total number of unvested shares	**10 082 512**	7 854 749

34 Share option scheme cont.

For the year ended 30 June	2010		2009	
	Shares	Weighted average option price (SA rand)	Shares	Weighted average option price (SA rand)
Balance at beginning of year	7 854 749		4 236 938	
Performance shares	3 302 164	n/a	1 341 444	n/a
Share appreciation rights	4 552 585	79.38	2 895 494	81.04
Options granted	3 351 333		4 325 907	
Performance shares	643 810	n/a	2 206 026	n/a
Share appreciation rights	2 707 523	77.28	2 119 881	77.81
Options lapsed	(938 097)		(708 096)	
Performance shares	(453 572)	n/a	(245 306)	n/a
Share appreciation rights	(484 525)	78.54	(462 790)	92.79
Options vested	(185 473)		–	
Performance shares	–	n/a	–	–
Share appreciation rights	(185 473)	112.64	–	–
Balance at end of year	10 082 512		7 854 749	
Performance shares	3 492 402	n/a	3 302 164	n/a
Share appreciation rights	6 590 110	77.65	4 552 585	79.38

List of shares granted but not yet exercised (listed by grant date)	As at 30 June 2010	Strike price (SA rand)	Remaining life (years)
Performance shares			
15 November 2007	777 910	n/a	0.40
7 March 2008	12 308	n/a	0.70
5 December 2008	2 058 372	n/a	1.40
15 November 2009	643 810	n/a	2.40
Share appreciation rights			
15 November 2006	336 552	112.64	2.38
15 November 2007	1 729 611	70.54	3.38
7 March 2008	46 154	102.00	3.69
5 December 2008	1 934 780	77.81	4.44
16 November 2009	2 543 015	77.28	5.40
Total options granted but not yet exercised	10 082 512		

SA rand			US dollar	
2009	2010	Figures in million	2010	2009
–	21	Average fair value of share options vested during the year	3	–
107	146	Share-based cost recognised	19	12

The share-based cost is calculated using the Monte Carlo simulation on the market-linked PS and Black-Scholes on the SARs. For the 2009 PS allocation the group linked 50% of the share allocation to market conditions and the remaining 50% to non-market internal conditions. The following assumptions were applied at grant date:

34 Share option scheme cont.

	Performance shares	SARs
Price at date of grant (SA rand per share)		
– 15 November 2006 share allocation	n/a	112.64
– 15 November 2007 share allocation (valuation date 21 December 2007)	n/a	68.44
– 15 November 2007 share allocation (valuation date 21 April 2008)	n/a	92.25
– 7 March 2008 share allocation	n/a	102.00
– 5 December 2008 share allocation (valuation date 5 December 2008)	n/a	77.81
– 5 December 2008 share allocation (valuation date 16 February 2009)	n/a	116.90
– 16 November 2009 share allocation (valuation date 27 November 2009)	n/a	81.50
– 16 November 2009 share allocation (valuation date 23 December 2009)	n/a	75.60
– 16 November 2009 share allocation (valuation date 3 May 2010)	n/a	72.14
Risk-free interest rate:		
– 15 November 2006 share allocation	9.58%	8.79%
– 15 November 2007 share allocation (valuation date 21 December 2007)	10.81%	9.84%
– 15 November 2007 share allocation (valuation date 21 April 2008)	11.71%	10.68%
– 7 March 2008 share allocation	11.04%	10.44%
– 5 December 2008 share allocation (valuation date 5 December 2008)	8.55%	8.43%
– 5 December 2008 share allocation (valuation date 16 February 2009)	8.18%	8.30%
– 16 November 2009 share allocation (valuation date 27 November 2009)	0.00%	8.63%
– 16 November 2009 share allocation (valuation date 23 December 2009)	0.00%	8.57%
– 16 November 2009 share allocation (valuation date 3 May 2010)	7.29%	0.00%
Expected volatility*:		
– 15 November 2006 share allocation	34.71%	26.37%
– 15 November 2007 share allocation (valuation date 21 December 2007)	46.32%	35.10%
– 15 November 2007 share allocation (valuation date 21 April 2008)	49.52%	41.72%
– 7 March 2008 share allocation	50.49%	54.50%
– 5 December 2008 share allocation (valuation date 5 December 2008)	56.62%	48.61%
– 5 December 2008 share allocation (valuation date 16 February 2009)	70.86%	49.03%
– 16 November 2009 share allocation (valuation date 27 November 2009)	–	49.29%
– 16 November 2009 share allocation (valuation date 23 December 2009)	–	49.21%
– 16 November 2009 share allocation (valuation date 3 May 2010)	37.34%	–
Expected dividend yield:		
– for all allocations	0.00%	0.00%
Vesting period (from grant date):		
– for all allocations	3 years	5 years

* The volatility is measured as an annualised standard deviation of historical share price returns, using an exponentially weighted moving average (EWMA) model, with a lambda of 0.99. The volatility is calculated on the grant date, and takes into account the previous three years of historical data.

Share-based costs are measured at the fair value of the equity instruments at the date of the grant as defined in IFRS 2. The grant date is the date at which the entity and counterparty have a shared understanding of the terms and conditions of the share-based payment arrangement. The cost is expensed over the vesting period, based on the group's estimate of the options that are expected to eventually vest, within the rules of IFRS 2.

For 15 November 2006, 15 November 2007 and 7 March 2008 issue:
The performance criteria imposed by the board and which must be satisfied before settlement of any PS under these awards are linked to the company's TSR in comparison to the Philadelphia XAU index of international gold and precious metal mining companies (50%) and the JSE Gold Mining index (50%).

The following performance criteria were imposed per the Harmony (2006) Share Plan and must be satisfied before the settlement of any SARs

- that the company's headline earnings per share have grown since the allocation date by a minimum of CPI plus 3%;
- that the company's performance has since the allocation date been a satisfactory achievement in terms of the company's sustainability index.

34 Share option scheme cont.

For 5 December 2008 issue:

The performance criteria, imposed by the board and which must be satisfied before the settlement of any PSs under this award, are linked to the company's TSR (total shareholder return) in comparison to the JSE Gold Index (50%) and the JSE Resource Index (50%);

The following performance criteria were imposed per the Harmony (2006) Share Plan and must be satisfied before the settlement of any SARs:

- that the company's headline earnings per share have grown since the allocation date by more than the CPI.

For 16 November 2009 issue:

The performance criteria, imposed by the board and which must be satisfied before the settlement of any PSs Shares under this award, are as follows:

- 50% of the number shares awarded are to be linked to annual gold production by the company in relation to the targets set annually.
- 50% of the number shares awarded are to be linked to the company's TSR in comparison to the South African gold peers.

The following performance criteria were imposed per the Harmony (2006) Share Plan and must be satisfied before the settlement of any SARs:

- the company's headline earnings per share should grow, since the allocation date, by more than the CPI.

For options granted during the year, the following fair values were used as a basis to recognise share-based payment cost:

- For options measured on 27 November 2009, the value is R44.52 per share for SARs.
- For options measured on 23 December 2009, the value is R39.26 for SARs.
- For options measured on 3 May 2010, the value is R38.49 for PS.

35 Related parties

None of the directors or major shareholders of Harmony or, to the knowledge of Harmony, their families, had interest, direct or indirectly, in any transaction since 1 July 2008 or in any proposed transaction that has affected or will materially affect Harmony or its subsidiaries, other than as stated below.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the group, directly or indirectly, including any director (whether executive or otherwise) of the group.

Director and executive management's remuneration is fully disclosed in the Directors' report.

African Rainbow Minerals Limited (ARM) currently holds 14.6% of Harmony's shares. Patrice Motsepe, Andre Wilkens, Joaquim Chissano and Frank Abbott are directors of ARM.

Harmony currently holds 40% of the shares of Rand Uranium. Graham Briggs, Hannes Meyer and Fikile De Buck are directors of Rand Uranium. Dr Simo Lushaba is a member of the Rand Uranium Investment Committee.

A list of the major shareholders can be found on page 357.

A list of the group's subsidiaries, associates and joint ventures has been included in Annexure A.

Notes to the group financial statements cont.

For the years ended 30 June 2010

35 Related parties cont.

Material transactions with associates and joint ventures:

Besides the transactions disclosed below, the group concluded the following transactions with related parties:

- Pamodzi – Refer to note 16.
- AVRD – Refer to note 26.
- On 10 July 2008, the group disposed of its interest in Village Reef Gold Mining Company to To the Point Growth Specialists Investments 2 (Pty) Ltd (To the Point). Bernard Swanepoel was an executive director of both Harmony and To the Point during 2008.

SA rand			US dollar	
2009	2010	Figures in million	2010	2009
		Sales and services rendered to related parties		
218	**440**	Associates	**58**	24
2	**6**	Joint venture	**1**	–
220	**446**		**59**	24
		Purchases and services acquired from related parties		
6	**30**	Associates	**4**	1
		Outstanding balances due by related parties		
173	**120**	Associates	**16**	22
75	**990**	Joint venture	**130**	10
248	**1 110**		**146**	32
		Outstanding balances due to related parties		
–	**27**	Associates	**4**	–
		Refer to note 24 for detail on the items relating to the loans to/(from) associates and joint ventures and provisions raised against these loans.		
		36 Commitments and contingencies		
		Capital expenditure commitments		
248	**128**	Contracts for capital expenditure	**17**	32
230	**207**	Share of joint venture's contract for capital expenditure	**27**	30
734	**1 006**	Authorised by the directors but not contracted for	**132**	95
1 212	**1 341**	**Total capital commitments**	**176**	157
		This expenditure will be financed from existing resources and where appropriate, borrowings.		
		The group is contractually obliged to make the following payments in respect of operating leases, including for land and buildings, and for mineral tenement leases:		
40	**28**	Within one year	**4**	5
10	**9**	Between one year and five years	**1**	1
50	**37**		**5**	6

SA rand 2009	2010	Figures in million	US dollar 2010	2009

36 Commitments and contingencies cont.

This includes R7 million (US$0.9 million) for the MMJV. For details on the group's finance leases, refer to note 29.

SA rand 2009	SA rand 2010	Figures in million	US dollar 2010	US dollar 2009
		Contingent liabilities		
25	**25**	Guarantees and suretyships	**3**	3
301	**513**	Environmental guarantees (i)	**67**	39
326	**538**		**70**	42

(i) Included in the balance for the 2010 financial year is an amount of R130 million (US$17.0 million) (2009: R130 million (US$16.8 million)) relating to guarantees provided for the Rand Uranium transaction. These guarantees will be cancelled once Rand Uranium puts its own guarantees in place. R112 million (US$14.6 million) has been pledged as collateral for environmental guarantees in favour of certain financial institutions for 2010 and 2009 financial years. Refer to note 18.

(a) **Class action:** On 18 April 2008, Harmony Gold Mining Company Limited was made aware that it had been named or might be named as a defendant in a lawsuit filed in the U.S. District Court in the Southern District of New York on behalf of certain purchasers and sellers of Harmony's American Depository Receipts (ADRs) and options with regard to certain of its business practices. Harmony has retained legal counsel.

During January 2009, the plaintiff filed an Amended Complaint with the United States District Court (Court). Subsequently, the company filed a Motion to Dismiss all claims asserted in the Class Action Case. On 19 March 2010, the Court denied the company's application for dismissal and subsequently the company filed a Motion for Reconsideration in which it requested the Court to reconsider its judgement. This matter was heard on 27 April 2010 and the company's request for reconsideration of judgement was denied. The company is defending the matter and the legal process is taking its course. It is currently not possible to estimate if there will be a financial effect, or what that effect might be.

(b) The group may have a potential exposure to rehabilitate groundwater and radiation that may exist where the group has and/or continues to operate. The group has initiated analytical assessments to identify, quantify and mitigate impacts if and when (or as and where) they arise. Numerous scientific, technical and legal studies are underway to assist in determining the magnitude of the contamination and to find sustainable remediation solutions. The group 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 improvement in some instances. The ultimate outcome of the matter cannot presently be determined and no provision for any liability that may result has been made in the financial statements.

(c) Due to the interconnected nature of mining operations, any proposed solution for potential flooding and potential decant risk posed by deep groundwater needs to be a combined one, supported by all the mines located in these goldfields. As a result, the Department of Mineral Resource and affected mining companies are involved in the development of a Regional Mine Closure Strategy. In view of the limitation of current information for the accurate estimation of a liability, no reliable estimate can be made for the obligation.

(d) On 1 December, 2008, we issued 3 364 675 shares to Rio Tinto for the purchase of Rio Tinto's rights to the royalty agreement entered into prior to our acquisition of the Wafi deposits in PNG. The shares were valued at R242 million (US$23 million) on the transaction date. An additional US$10 million in cash will be payable when the decision to mine is made. Of this amount, Harmony is responsible for paying the first US$6 million, with the balance of US$4 million being borne equally by the joint venture partners.

(e) In terms of the sale agreements entered into with Rand Uranium (refer to note 14), Harmony retained financial exposure relating to environmental disturbances and degradation caused by it before the effective date, in excess of R75 million (US$10 million) of potential claims. The likelihood of potential claims cannot be determined presently and no provision for any liability has been made in the financial statements.

37 Subsequent events

Sale of Mount Magnet

On 20 July 2010, the group concluded an agreement with Ramelius Resources Limited to sell its 100% share in Mount Magnet Gold NL (Mount Magnet) for a total consideration of R269 million (US$35 million). The group recognised a profit of R138 million (US$18.4 million). Refer to note 14 in this regard.

Dividends

On 13 August 2010, the board of directors approved a final dividend for the 2010 financial year of 50 SA cents per share. The total dividend amounts to R214 million. As this dividend was declared after the reporting date, it has not been reflected in the financial statements for the period ended 30 June 2010. The dividend was paid on 20 September 2010.

Merriespruit South region and Freegold option

On 3 September 2010, Harmony Gold Mining Company Limited (Harmony) concluded two transactions with Witwatersrand Consolidated Gold Resources Limited (Wits Gold), in which Wits Gold will obtain a prospecting right over Harmony's Merriespruit South area and the option held by ARMGold/Harmony Freegold Joint Venture Company (Proprietary) Limited (Freegold), a wholly owned subsidiary of Harmony. The option was to acquire a beneficial interest of up to 40% in any future mines established by Wits Gold on certain properties in the Southern Free State (Freegold option), which will be cancelled. Harmony will abandon a portion of its mining right in respect of the Merriespruit South area to enable Wits Gold to include this area in its prospecting right, which is located immediately south of the Merriespruit South area.

The total consideration was R336 million (US$47 million), (R61 million (US$9 million) for the prospecting area and R275 million (US$38 million) for the cancellation of the option agreement), which will be settled in cash or in a combination of cash and shares in Wits Gold, when all remaining conditions precedent to the transaction have been fulfilled.

Evander 6 and Twistdraai

On 10 September 2010, Harmony concluded a sale of assets agreement with Taung Gold Limited (Taung), in which Taung acquired the Evander 6 shaft, the related infrastructure and surface right permits as well as a mining right over the Evander 6 and Twistdraai areas. The total purchase consideration is R225 million (US$29 million at 30 June 2010 exchange rate), which will be settled in cash when all remaining conditions precedent to the transaction have been fulfilled.

Closure of Merriespruit 1

On 4 October 2010, the decision was made to finally close Merriespruit 1 shaft, under the Section 189 (of the Labour Relations Act) already in place. The closure was postponed in terms of an agreement reached with organised labour to keep the shaft open while it remained profitable.

38 Segment report

The group has only one product, being gold. In order to determine operating and reportable segments, management reviewed various factors, including geographical location as well as managerial structure. It was determined that an operating segment consists of a shaft or a group of shafts managed by a single general manager and management team.

After applying the quantitative thresholds from IFRS 8, the reportable segments were determined as:

Bambanani, Doornkop, Evander, Joel, Kusasalethu, Masimong, Phakisa, Target, Tshepong, Virginia, Papua New Guinea and Mount Magnet (classified as held-for-sale and discontinued operation). For 2009 the Cooke operations were also classified as held for sale and discontinued operations. All other operating segments have been grouped together under *All other surface operations*, under their classification as either continuing or discontinued.

When assessing profitability, the chief operating decision maker (CODM) considers the revenue and production costs of each segment. The net of these amounts is the operating profit or loss. Therefore, operating profit has been disclosed in the segment report as the measure of profit or loss.

The CODM does not consider depreciation or impairment and therefore these amounts have not been disclosed in the segment report, but does consider capital expenditure which has been disclosed.

Segment assets consist of mining assets included under property, plant and equipment which can be attributed to the shaft or group of shafts. Current and non-current group assets that are not allocated at a shaft level, form part of the reconciliation to total assets.

A reconciliation of the segment totals to the group financial statements has been included in note 39.

38 Segment report cont.

Segment report – 2010 (Rand)

	Revenue Rm	Production cost Rm	Production profit Rm	Mining assets Rm	Capital expenditure Rm	Kilograms produced* kg	Tonnes milled* t'000
Continuing operations							
South Africa							
Underground							
Bambanani	1 114	745	369	954	207	4 137(1)	528
Doornkop	517	410	107	2 837	342	1 950	540
Evander operations	910	859	51	922	175	3 475	788
Joel	524	379	145	175	88	2 006	439
Kusasalethu	1 392	1 091	301	2 974	430	5 444	1 035
Masimong	1 277	702	575	799	177	4 840	899
Phakisa	375	326	49	4 065	486	1 371	339
Target	878	664	214	2 537	382	3 539(2)	777
Tshepong	1 823	1 147	676	3 645	261	6 749	1 518
Virginia operations	1 415	1 340	75	682	180	5 288	1 656
Surface							
All other surface operations	980	632	348	127	84	3 731	9 140
Total South Africa	**11 205**	**8 295**	**2 910**	**19 717**	**2 812**	**42 530**	**17 659**
International							
Papua New Guinea	79	63	16	3 771	541	1 903(3)	304
Total international	**79**	**63**	**16**	**3 771**	**541**	**1 903**	**304**
Total continuing operations	**11 284**	**8 358**	**2 926**	**23 488**	**3 353**	**44 433**	**17 963**
Discontinued operations							
Mount Magnet	–	–	–	226	–	–	–
Total discontinued operations	**–**	**–**	**–**	**226**	**–**	**–**	**–**
Total operations	**11 284**	**8 358**	**2 926**	**23 714**	**3 353**	**44 433**	**17 963**
Reconciliation of the segment information to the consolidated income statement and balance sheet (refer to note 39)	–	–		15 509			
	11 284	**8 358**		**39 223**			

* Production statistics are unaudited.

(1) 33kg capitalised.

(2) 117kg capitalised.

(3) 1 438kg capitalised.

38 Segment report cont.

Segment report – 2010 (US dollar)

	Revenue US$m	Production cost US$m	Production profit US$m	Mining assets US$m	Capital expendi-ture US$m	Ounces produced* oz	Tons milled* t'000
Continuing operations							
South Africa							
Underground							
Bambanani	147	98	49	125	28	133 007(1)	582
Doornkop	68	54	14	372	45	62 694	595
Evander operations	120	113	7	121	23	111 724	869
Joel	69	50	19	23	10	64 495	484
Kusasalethu	184	144	40	390	57	175 029	1 141
Masimong	168	93	75	105	23	155 609	991
Phakisa	50	43	7	533	64	44 079	374
Target	116	88	28	333	51	113 782(1)	857
Tshepong	241	151	90	478	35	216 986	1 674
Virginia operations	187	177	10	89	24	170 013	1 826
Surface							
All other surface operations	129	84	45	17	11	119 954	10 077
Total South Africa	**1 479**	**1 095**	**384**	**2 586**	**371**	**1 367 372**	**19 470**
International							
Papua New Guinea	10	8	2	494	71	61 173(1)	335
Total international	**10**	**8**	**2**	**494**	**71**	**61 173**	**335**
Total continuing operations	**1 489**	**1 103**	**386**	**3 080**	**442**	**1 428 545**	**19 805**
Discontinued operations							
Mount Magnet	–	–	–	29	–	–	–
Total discontinued operations	**–**	**–**	**–**	**29**	**–**	**–**	**–**
Total operations	**1 489**	**1 103**	**386**	**3 109**	**442**	**1 428 545**	**19 805**
Reconciliation of the segment information to the consolidated income statement and balance sheet (refer to note 39)	–	–		2 032			
	1 489	**1 103**		**5 141**			

* Production statistics are unaudited.

(1) 1 061oz capitalised.

(2) 3 762oz capitalised.

(3) 46 223oz capitalised.

38 Segment report cont.

Segment report – 2009 (Rand)

	Revenue Rm	Production cost Rm	Production profit Rm	Mining assets Rm	Capital expenditure Rm	Kilograms produced* kg	Tonnes milled* t'000
Continuing operations							
South Africa							
Underground							
Bambanani	924	651	273	705	52	3 780	517
Doornkop	343	281	62	2 544	395	1 311	549
Evander operations	1 514	998	516	940	210	5 912	1 125
Joel	503	366	137	240	56	2 043	513
Kusasalethu	1 422	1 056	366	2 715	422	5 422	962
Masimong	1 215	661	554	665	130	4 791	890
Phakisa	171	107	64	3 658	461	691	185
Target	688	536	152	2 218	342	2 713	644
Tshepong	1 780	978	802	3 634	249	7 178	1 375
Virginia operations	2 033	1 488	545	898	199	8 030	2 261
Surface							
All other surface operations	903	535	368	142	84	3 566	8 867
Total South Africa	**11 496**	**7 657**	**3 839**	**18 359**	**2 600**	**45 437**	**17 888**
International							
Papua New Guinea	–	–	–	3 540	1 782	–	–
Total international	**–**	**–**	**–**	**3 540**	**1 782**	**–**	**–**
Total continuing operations	**11 496**	**7 657**	**3 839**	**21 899**	**4 382**	**45 437**	**17 888**
Discontinued operations							
Cooke operations	614	447	167	–	87	2 500	1 287
Mount Magnet	–	–	–	259	–	–	–
Total discontinued operations	**614**	**447**	**167**	**259**	**87**	**2 500**	**1 287**
Total operations	**12 110**	**8 104**	**4 006**	**22 158**	**4 469**	**47 937**	**19 175**
Reconciliation of the segment information to the consolidated income statement and balance sheet (refer to note 39)	(614)	(447)		15 867			
	11 496	**7 657**		**38 025**			

* Production statistics are unaudited.

38 Segment report cont.

Segment report – 2009 (US dollar)

	Revenue US$m	Production cost US$m	Production profit US$m	Mining assets US$m	Capital expenditure US$m	Ounces produced* oz	Tons milled* t'000
Continuing operations							
South Africa							
Underground							
Bambanani	103	72	31	91	6	121 530	570
Doornkop	38	31	7	330	44	42 150	605
Evander operations	168	111	57	122	24	190 075	1 241
Joel	56	41	15	31	6	65 684	566
Kusasalethu	158	117	41	352	47	174 321	1 061
Masimong	135	73	62	86	14	154 034	981
Phakisa	19	12	7	474	51	22 216	204
Target	76	60	16	287	38	87 225	710
Tshepong	198	109	89	471	28	230 778	1 516
Virginia operations	226	165	61	116	22	258 170	2 493
Surface							
All other surface operations	100	59	41	18	9	114 648	9 778
Total South Africa	**1 277**	**850**	**427**	**2 378**	**289**	**1 460 831**	**19 725**
International							
Papua New Guinea	–	–	–	458	198	–	–
Total international	**–**	**–**	**–**	**458**	**198**	**–**	**–**
Total continuing operations	**1 277**	**850**	**427**	**2 836**	**487**	**1 460 831**	**19 725**
Discontinued operations							
Cooke operations	69	50	19	–	10	80 377	1 419
Mount Magnet	–	–	–	34	–	–	–
Total discontinued operations	**69**	**50**	**19**	**34**	**10**	**80 377**	**1 419**
Total operations	**1 346**	**900**	**446**	**2 870**	**497**	**1 541 208**	**21 144**
Reconciliation of the segment information to the consolidated income statement and balance sheet (refer to note 39)	(69)	(50)		2 055			
	1 277	**850**		**4 925**			

* Production statistics are unaudited.

39 Reconciliation of segment information to consolidated income statements and balance sheet

SA rand			US dollar	
2009	**2010**	**Figures in million**	**2010**	**2009**
		The "reconciliation of segment data to consolidated financials" line item in the segment reports is broken down into the following elements, to give a better understanding of the differences between the income statement, balance sheet and the segment report.		
		Revenue from:		
614	**–**	Discontinued operations	**–**	69
		Production costs from:		
447	**–**	Discontinued operations	**–**	50
		Reconciliation of cash operating profit to consolidated profit before taxation and discontinued operations:		
12 110	**11 284**	Total segment revenue	**1 489**	1 346
(8 104)	**(8 358)**	Total segment production costs	**(1 103)**	(900)
4 006	**2 926**	Cash operating profit	**386**	446
(167)	**–**	Less discontinued operations	**–**	(19)
3 839	**2 926**		**386**	427
(2 002)	**(2 126)**	Cost of sales items other than production costs	**(280)**	(233)
(1 176)	**(1 326)**	Amortisation and depreciation of mining properties, mine development cost and mine plant facilities	**(175)**	(130)
(77)	**(49)**	Amortisation and depreciation of assets other than mining and mining related assets	**(6)**	(9)
(5)	**(29)**	Rehabilitation expenditure	**(4)**	(1)
(44)	**(57)**	Care and maintenance cost of restructured shafts	**(8)**	(5)
(39)	**(205)**	Employment termination and restructuring costs	**(27)**	(4)
(113)	**(148)**	Share-based payments	**(20)**	(13)
(546)	**(331)**	Impairment of assets	**(43)**	(71)
(2)	**19**	Provision for post retirement benefits	**3**	–
1 837	**800**	**Gross profit**	**106**	194

39 Reconciliation of segment information to consolidated income statements and balance sheet cont.

SA rand			US dollar	
2009	2010	Figures in million	2010	2009
(329)	**(382)**	Corporate, administration and other expenditure	**(50)**	(36)
(33)	**(81)**	Social investment expenditure	**(11)**	(4)
(259)	**(219)**	Exploration expenditure	**(29)**	(29)
947	**104**	Profit on sale of property, plant and equipment	**14**	114
(101)	**(58)**	Other expenses – net	**(8)**	(3)
2 062	**164**	**Operating profit**	**22**	236
12	**56**	Profit/(loss) from associates	**7**	1
1	–	Profit on sale of investment in associate	**–**	–
(112)	–	Impairment of investment in associate	**–**	(14)
–	**(24)**	Loss on sale of investment in subsidiary	**(3)**	–
(101)	**38**	Net gain/(loss) on financial instruments	**5**	(10)
443	**187**	Investment income	**25**	49
(212)	**(246)**	Finance cost	**(32)**	(24)
2 093	**175**	**Profit before taxation and discontinued operations**	**24**	238
		Reconciliation of total segment assets to consolidated assets includes the following:		
		Non-current assets		
5 754	**6 068**	Property, plant and equipment	**794**	744
2 224	**2 210**	Intangible assets	**290**	288
161	**146**	Restricted cash	**19**	21
1 640	**1 742**	Restricted investments	**228**	212
57	**12**	Investment in financial assets	**2**	7
329	**385**	Investment in associates	**50**	43
1 712	**1 875**	Deferred tax asset	**246**	222
–	**214**	Inventories	**28**	–
75	**75**	Trade and other receivables	**10**	10
		Current assets		
1 035	**987**	Inventories	**129**	134
885	**932**	Trade and other receivables	**122**	115
45	**74**	Income and mining taxes	**10**	6
1 950	**770**	Cash and cash equivalents	**101**	253
–	**–**	Restricted cash	**–**	–
–	**19**	Assets of disposal groups classified as held for sale	**3**	–
15 867	**15 509**	**Total assets**	**2 032**	2 055

Company income statements

For the years ended 30 June 2010

Figures in million	Note	SA rand 2010	2009
Revenue		**3 073**	3 538
Cost of sales	1	**(2 978)**	(2 756)
Production costs		**(2 274)**	(2 334)
Amortisation and depreciation		**(283)**	(363)
Impairment of assets		**(249)**	(52)
Employment termination and restructured shafts		**(71)**	(10)
Other items		**(101)**	3
Gross profit		**95**	782
Corporate, administration and other expenditure		**(26)**	(43)
Social investment expenditure		**(81)**	(33)
Exploration expenditure		**(4)**	(9)
Other expenses – net	2	**(493)**	(125)
Operating (loss)/profit	3	**(509)**	572
Net gain on financial instruments	4	**7**	–
Impairment of investments in subsidiaries		**(1)**	(7)
Profit on sale of investment in associate		**–**	1
Impairment of investment in associate	13	**–**	(145)
Investment income	5	**201**	211
Finance costs	6	**(106)**	(355)
(Loss)/profit before taxation		**(408)**	277
Taxation	7	**(124)**	(313)
Net loss for the year		**(532)**	(36)
Attributable to:			
Owners of the parent		**(532)**	(36)
Non-controlling interest		**–**	–

Company statements of other comprehensive income

For the years ended 30 June 2010

Figures in million	SA rand 2010	SA rand 2009
Net loss for the year	**(532)**	(36)
Other comprehensive income for the period, net of income tax	**4**	–
Fair value movement of available-for-sale investments	**4**	–
Total comprehensive loss for the year	**(528)**	(36)
Attributable to:		
Owners of the parent	**(528)**	(36)
Non-controlling interest	**–**	–

These are the separate financial statements of Harmony Gold Mining Company Limited. For the group financial statements refer to pages 216 to 312.

Company balance sheets

As at 30 June 2010

Figures in million		SA rand 2010	2009
## Assets			
Non-current assets			
Property, plant and equipment	8	**2 456**	1 769
Intangible assets	9	**47**	61
Restricted cash	10	**112**	112
Restricted investments	11	**265**	255
Investments in financial assets	12	**4**	8
Investments in subsidiaries	14	**22 524**	21 764
Loans to subsidiaries	14	**4 437**	4 362
Inventories	16	**53**	–
Trade and other receivables	17	**36**	64
Total non-current assets		**29 934**	28 395
Current assets			
Inventories	16	**220**	164
Trade and other receivables	17	**443**	323
Income and mining taxes		**22**	10
Cash and cash equivalents		**533**	1 513
Total current assets		**1 218**	2 010
Total assets		**31 152**	30 405
## Equity and liabilities			
Share capital and reserves			
Share capital	18	**28 265**	28 091
Other reserves	19	**470**	425
Accumulated loss		**(771)**	(26)
Total equity		**27 964**	28 490
Non-current liabilities			
Deferred income tax	7	**294**	207
Provision for environmental rehabilitation	20	**478**	314
Retirement benefit obligation and other provisions	21	**23**	19
Borrowings	22	**922**	–
Total non-current liabilities		**1 717**	540
Current liabilities			
Borrowings	22	**177**	–
Loans from subsidiaries	14	**740**	928
Trade and other payables	23	**554**	447
Total current liabilities		**1 471**	1 375
Total equity and liabilities		**31 152**	30 405

Company statements of changes in shareholders' equity

For the years ended 30 June 2010

	Number of ordinary shares issued	SA rand – Figures in million				
		Share capital	Share premium	Accumulated loss	Other reserves	Total
Note			18		19	
Balance – 30 June 2008	403 253 756	202	25 697	10	403	26 312
Issue of shares				–		
– Exercise of employee share options	1 322 964	1	62	–	–	63
– Exchange for PNG Royalty(1)	3 364 675	2	240	–	–	242
– Capital raising(2)	18 045 441	8	1 879	–	–	1 887
Share-based payments	–	–	–	–	22	22
Total comprehensive loss for the year	–	–	–	(36)	–	(36)
Balance – 30 June 2009	**425 986 836**	**213**	**27 878**	**(26)**	**425**	**28 490**
Issue of shares						
– Exercise of employee share options	505 584	–	22	–	–	22
– Issued to AVRD(3)	2 162 359	1	151	–	–	152
Repurchase of equity interest	–	–	–	–	3	3
Share-based payments	–	–	–	–	38	38
Total comprehensive loss for the year	–	–	–	(532)	4	(528)
Dividends paid	–	–	–	(213)	–	(213)
Balance – 30 June 2010	**428 654 779**	**214**	**28 051**	**(771)**	**470**	**27 964**

(1) *Refer to note 16 of the group financial statements for details.*

(2) *Refer to note 18 for details.*

(3) *Refer to note 15 for details.*

Company cash flow statements

For the years ended 30 June 2010

Figures in million	Note	SA rand 2010	2009
Cash flow from operating activities			
Cash generated by operations	24	**547**	1 248
Interest received		**117**	211
Dividends received		**84**	–
Interest paid		**(71)**	(266)
Income and mining taxes paid		**(49)**	(188)
Cash generated by operating activities		**628**	1 005
Cash flow from investing activities			
Increase in restricted cash		**–**	(112)
Acquisition of intangible assets		**(16)**	(38)
(Increase)/decrease in loans to subsidiaries		**(1 624)**	2 649
Proceeds on disposal of available-for-sale financial assets		**9**	–
Acquisition of available-for-sale financial assets		**(3)**	–
Decrease/(increase) of other non-current investments		**55**	(87)
Proceeds on disposal of property, plant and equipment		**2**	2
Additions to property, plant and equipment		**(934)**	(357)
Cash (utilised)/generated by investing activities		**(2 511)**	2 057
Cash flow from financing activities			
Borrowings raised		**1 200**	–
Borrowings paid		**(106)**	(3 700)
Ordinary shares issued		**22**	1 951
Dividends paid		**(213)**	–
Cash generated/(utilised) by financing activities		**903**	(1 749)
Net (decrease)/increase in cash and cash equivalents		**(980)**	1 313
Cash and cash equivalents – beginning of period		**1 513**	200
Cash and cash equivalents – end of period		**533**	1 513

Notes to the company financial statements

For the years ended 30 June 2010

1 Cost of sales

Figures in million	SA rand 2010	2009
Production costs (a)	**2 274**	2 334
Amortisation and depreciation of mining properties, mine development costs and mine plant facilities	**249**	294
Amortisation and depreciation of assets other than mining and mining related assets (b)	**34**	69
Rehabilitation expenditure (c)	**35**	(46)
Care and maintenance cost of restructured shafts	**27**	19
Employment termination and restructuring costs (d)	**71**	10
Share-based payments (e)	**38**	22
Impairment of assets (f)	**249**	52
Provision for post-retirement benefits	**1**	2
Total cost of sales	**2 978**	2 756

(a) Production costs include mine production, transport and refinery costs, applicable general and administrative costs, movement in inventories and ore stockpiles, and ongoing environmental rehabilitation costs as well as transfers to and from deferred stripping. Ongoing employee termination costs are included, however employee termination costs associated with major restructuring and shaft closures are excluded. Production costs, analysed by nature, consist of the following:

Figures in million	2010	2009
Labour costs, including contractors	**1 512**	1 410
Stores and materials	**545**	549
Water and electricity	**281**	210
Insurance	**47**	55
Transportation	**68**	68
Changes in inventory	**(14)**	8
Capitalisation of mine development costs	**(239)**	(234)
By-products sales	**(1)**	(1)
Royalty expense	**5**	–
Other	**70**	269
Total production cost	**2 274**	2 334

(b) Amortisation and depreciation of assets other than mining and mining related assets

Figures in million	2010	2009
Other non-mining assets	**2**	–
Intangible assets	**30**	24
Amortisation of issue costs	**2**	45
Total amortisation and depreciation	**34**	69

(c) For the assumptions used to calculate the rehabilitation costs, refer to note 3.4 of the Group financial statements.

(d) During the 2010 financial year, Brand 3, Harmony 2 and Merriespruit 3 shafts were closed and placed on care and maintenance. The closures contributed to employment termination and restructuring cost. The group also engaged in a voluntary retrenchment process during the year, resulting in additional retrenchment costs.

Figures in million	SA rand 2010	SA rand 2009

1 Cost of sales cont.

(e) Refer to note 27 for details on the share-based payments schemes operated by the company.

(f) Impairments were recognised during the year as a result of shaft closures discussed in 1(d) above as well as the revised business (life-of-mine) plans, which affected Merriespruit 1 shaft. Impairments recorded in the 2009 financial year relates mainly to revised business plans, which included increases in labour and electricity cost.

Impairment tests were performed as required by IAS 36, *Impairment of Assets*, and as a result these impairments were recorded. For assumptions used to calculate the recoverable amount, refer to note 3.1 of the group financial statements.

2 Other expenses – net

Figures in million	2010	2009
Foreign exchange gain–net (a)	**–**	(139)
Profit on sale of property, plant and equipment (b)	**(2)**	(1)
Bad debts provision expense (c)	**475**	217
Bad debts written off (d)	**10**	7
Other expenses–net	**10**	41
Total other expenses – net	**493**	125

(a) Included in the 2009 financial year is R205 million exchange gains on the forward contract arranged by Harmony for the receipt of the proceeds for the Randfontein Cooke transaction. Refer to note 7(a)(iii) in the group financial statements. Also included were foreign exchange losses of R66 million relating to the repayment of the intercompany loan by Harmony Gold (Australia) (Proprietary) Limited.

(b) Profit on sale of property, plan and equipment relates to scrap sales.

(c) (i) The bad debts provision expense mainly relates to the provision for irrecoverable loans to associates and subsidiaries. The increase in the provision in the 2010 financial year relates to the following:

The loan of R482 million to ARMGold/Harmony Joint Investment Company (Proprietary) Limited (the Investment Company) was impaired. This was as a result of the impairment of the investment in Pamodzi Gold Limited (Pamodzi) held by the Investment Company. Refer to note 14 for more detail.

(ii) Included in the total for the 2009 financial year are provisions for the following loans:
Pamodzi: R116 million
Harmony Gold (Marketing) (Proprietary) Limited: R25 million
Harmony HIV/Aids Company (Proprietary) Limited: R10 million
Musuku Benefication Systems (Proprietary) Limited: R57 million
Refer to note 13 and 14.

(d) Trade debts and loans of R10 million were written off as the company considered the debt irrecoverable.

Figures in million	SA rand 2010	2009

3 Operating (loss)/profit

The following have been included in operating (loss)/profit:

Figures in million	2010	2009
Auditors' remuneration	**8**	6
External		
Fees – current year	**5**	3
Fees – prior year under provision	**–**	1
Fees – Other services	**1**	1
Internal		
Fees – other services	**2**	1

4 Net gain on financial instruments

Figures in million	2010	2009
Fair value through profit or loss		
Fair value gain on environmental trust funds	**4**	–
Available-for-sale instruments		
Impairment recognised in profit or loss (a)	**(1)**	–
Loss on sale of investments (b)	**(2)**	–
Realised portion of fair value movement (b)	**6**	–
Total net gain on financial instruments	**7**	–

(a) The impairment in the 2010 financial year relates to various small investments, which were considered to be permanently impaired.

(b) The company disposed of a number of listed investments it held through New Africa Mining Fund during the 2010 financial year for a total consideration of R8.5 million. Total fair value movement gains of R6 million relating to these investment were reclassified from other reserves to the income statement. Refer to note 12 and 19 in this regard.

5 Investment income

Figures in million	2010	2009
Interest received	**117**	211
Loans and receivables	**21**	21
Held-to-maturity investments	**12**	26
Cash and cash equivalents	**84**	164
Dividend income (a)	**84**	–
Total investment income	**201**	211

(a) Included in the amount is a cash dividend of R82 million received from Lydenburg Exploration Limited, a wholly owned subsidiary of Harmony.

Figures in million	SA rand 2010	2009

6 Finance costs

Figures in million	2010	2009
Financial liabilities		
Bank and short-term facilities	**1**	22
Convertible unsecured fixed rate bonds	**–**	135
Nedbank Limited	**63**	175
Total finance costs from financial liabilities	**64**	332
Non-financial liabilities		
Post-retirement benefit	**1**	–
Time value of money and inflation component of rehabilitation costs	**32**	23
South African Revenue Services (SARS)	**9**	–
Total finance costs from non-financial liabilities	**42**	23
Total finance costs	**106**	355

7 Taxation

Figures in million	2010	2009
SA normal taxation		
Mining tax (a)		
– current year	**2**	57
– prior year	**–**	–
Non-mining tax (b)		
– current year	**35**	143
– prior year	**–**	4
Deferred tax (c)		
– deferred tax	**87**	109
Total normal taxation	**124**	313

(a) Mining tax on gold mining income in South Africa is determined according to a formula, based on the taxable income from mining operations. The company had made no election to be exempt from Secondary Tax on Companies (STC) and is therefore taxed at a lower rate.

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 formula for determining the South African gold mining tax rate for the 2009 and 2010 financial years is:

$Y = 34 - 170/X$

Where Y is the percentage rate of tax payable and X is the ratio of taxable income, net of any qualifying capital expenditure bears to mining income so derived, expressed as a percentage.

(b) Non-mining income is taxed at 28%.

Figures in million	SA rand 2010	SA rand 2009

7 Taxation cont

(c) The deferred tax rate used to calculate deferred tax is based on the current estimate of future profitability when temporary differences will reverse. Depending on the profitability of the operations, the deferred tax rate can consequently be significantly different from year to year. The deferred tax rate for the 2010 financial year was 23.1% (2009: 17.1%).

The tax rates remained unchanged for the 2010 and 2009 financial years.

Figures in million	2010	2009
Major items causing the income tax provision to differ from the maximum mining statutory tax rate of 34% were:		
Tax on net (loss)/income at the maximum mining statutory tax rate	**139**	(94)
Non-allowable deductions	**(208)**	(332)
Effect on temporary differences due to changes in effective tax rate	**(55)**	117
Prior year adjustment – mining and non-mining tax	**–**	(4)
Income and mining taxation	**(124)**	(313)
Effective income and mining tax rate	**(30%)**	113%
Deferred tax		
Deferred tax liabilities and assets on the balance sheet as at 30 June 2010 and 30 June 2009, relate to the following:		
Gross deferred tax liability	**380**	243
Amortisation and depreciation	**379**	237
Product inventory not taxed	**–**	3
Other	**1**	3
Gross deferred income and mining tax assets	**(86)**	(36)
Unredeemed capital expenditure	**(3)**	(1)
Provisions, including non-current provisions	**(83)**	(35)
Net deferred tax liability	**294**	207
Movement in the net deferred tax liability recognised in the balance sheet is as follows:		
Balance at beginning of year	**207**	98
Total charge per income statement	**87**	109
Balance at end of year	**294**	207
The following amounts that are expected to realise or be recovered in the next 12 months have been included in the deferred tax liabilities and assets:		
Deferred tax liabilities	**39**	6
Deferred tax assets	**(25)**	(17)
Net current deferred tax liability/(asset)	**14**	(11)

Figures in million	SA rand 2010	2009

7 Taxation cont

At 30 June 2010, the company has unredeemed capital expenditure of R13 million (2009: R6 million) and a nil tax loss (2009: nil) available for deduction against future mining taxable income. These future deductions are utilisable against mining taxable income generated only from the company's current mining operations and does not expire unless the company ceases to trade for a period longer than one year.

As at 30 June 2009 and 2010, the company had recognised all deferred tax assets in the determination of the net deferred tax liability.

During the years ended 30 June 2010 and 2009, there was no tax charged directly to equity.

Secondary Taxation on Companies

STC is a tax levied on South African companies at a rate of 10% with effect from 1 October 2007 on dividends distributed.

Current and deferred tax are measured at the tax rate applicable to undistributed income and therefore only take STC into account to the extent that dividends have been received or paid.

On declaration of a dividend, the company includes the STC on this dividend in its computation of the income tax expense in the period of such declaration.

	2010	2009
Available STC credits at end of year	**141**	273

On 13 August 2010, the board of directors approved a final dividend for the 2010 financial year of 50 SA cents per share. The total dividend amounts to R214 million. As the dividends declared exceed the STC credits available, STC on the amount of R73 million is payable at a rate of 10%.

8 Property, plant and equipment

	2010	2009
Mining properties, mine development costs and mine plant facilities	**2 048**	1 355
Undeveloped properties	**402**	410
Other non-mining assets	**6**	4
Total property, plant and equipment	**2 456**	1 769

Figures in million	SA rand 2010	2009

8 Property, plant and equipment cont.

Mining properties, mine development costs and mine plant facilities

Figures in million	2010	2009
Cost		
Balance at beginning of year	**3 909**	3 570
Acquisition Pamodzi FS assets (a)	**180**	–
Acquisition – AVRD (b)	**398**	–
Additions	**515**	353
Adjustment to rehabilitation asset	**97**	(14)
Balance at end of year	**5 099**	3 909
Accumulated depreciation and impairments		
Balance at beginning of year	**2 554**	2 208
Impairment of assets	**248**	52
Depreciation	**249**	294
Balance at end of year	**3 051**	2 554
Net book value	**2 048**	1 355
Undeveloped property		
Cost		
Balance at beginning of year	**410**	410
Disposal	**(8)**	–
Net book value	**402**	410
Other non-mining assets		
Cost		
Balance at beginning of year	**44**	40
Additions	**4**	4
Balance at end of year	**48**	44
Accumulated depreciation and impairments		
Balance at beginning of year	**40**	40
Depreciation	**2**	–
Balance at end of year	**42**	40
Net book value	**6**	4
Total net book value	**2 456**	1 769

(a) During the 2010 financial year, the company concluded separate purchase agreements with the liquidators of Pamodzi FS for the purchase of its Free State South assets and inventories (refer to note 16). The consideration paid for the mining assets was R180 million and R100 million was paid for the inventories.

(b) During March 2010, the company acquired the 26% shares of the mining title of Doornkop South Reef from AVRD for a total consideration of R398 million. Refer to note 15 for more detail.

Figures in million	SA rand 2010	2009

9 Intangible assets

	2010	2009
Computer software (a)		
Cost		
Balance at the beginning of year	**101**	63
Additions during the year	**16**	38
Balance at end of year	**117**	101
Accumulated amortisation and impairments		
Balance at the beginning of year	**40**	16
Amortisation charge for the year	**30**	24
Balance at end of year	**70**	40
Total net book value	**47**	61

(a) The amount relates to the implementation of an Oracle ERP software application.

10 Restricted cash

	2010	2009
Environmental guarantees call account	**112**	112

The amount relates to funds set aside for guarantees made to the Department of Mineral Resources for environmental and rehabilitation obligations.

11 Restricted investments

	2010	2009
Investments held by Environmental Trust Fund (a)	**225**	212
– Fair value through profit or loss equity-linked deposits	**177**	–
– Held-to-maturity call deposits	**48**	212
Investments held by Social Trust Fund (b)	**40**	43
Total restricted investments	**265**	255

(a) The environmental trust funds are irrevocable trusts under the company's control. Contributions to the trust are invested in interest-bearing short term investments or medium term equity-linked notes issued by commercial banks that provide guaranteed interest and additional interest or growth linked to the growth of the Shareholder Weighted Top 40 index (SWIX 40) of the JSE. The equity-linked notes are designated fair value through profit or loss investments and recorded at fair value whilst the interest-bearing short term investments are classified as held-to-maturity and recorded at amortised cost. These investments provide for the estimated cost of rehabilitation at the end of the life of the group's mines. Income earned on the investments is retained in the funds and reinvested.

	2010	2009
Reconciliation of the movement in the Environmental Trust Fund:		
Balance at beginning of year	**212**	190
Fair value gain	**4**	–
Interest accrued	**9**	22
Balance at end of year	**225**	212

Figures in million	SA rand 2010	2009

11 Restricted investments cont.

(b) The social trust fund is an irrevocable trust under the company's control. In terms of an agreement signed on 3 November 2003, the company has undertaken to make donations to The Harmony Gold Mining Company Social Plan Trust over a period of 10 years. An initial donation of R18.5 million was made during the 2004 year. The balance will be donated in instalments of R3.5 million per annum with the final instalment to be made in 2013. The purpose of the Trust is to fund the social plan to reduce the negative effects of restructuring on the company's workforce, to put measures in place to ensure that the technical and life skills of the company's workforce are developed and to develop the company's workforce in such a manner to avoid or minimise the effect of job losses and a decline in employment through turnaround or redeployment strategies.

Figures in million	2010	2009
Reconciliation of the movement in the Social Trust Fund:		
Balance at beginning of year	**43**	36
Contributions made	**4**	4
Interest accrued	**3**	4
Claims paid	**(10)**	(1)
Balance at end of year	**40**	43

12 Investment in financial assets

Figures in million	2010	2009
Available-for-sale financial assets		
Balance at beginning of year	**8**	2
Additions	**3**	6
Disposals	**(11)**	–
Fair value movement of available-for-sale investments	**4**	–
Balance at end of year	**4**	8
The carrying amount consists of the following:		
Investment in listed and unlisted shares	**4**	8

These investments have been valued by the directors by performing independent valuations on an annual basis to ensure that no significant prolonged decline in the value of the investments has occurred. During the 2010 financial year the group disposed of certain listed investments for a net loss of R2 million. Refer to note 4. Fair value gains recognised in other comprehensive income for the year totalled R10 million with R6 million being reclassified to the income statement on the disposal of the listed investments. During the 2010 financial year, the group did not receive any income from these investments (2009: Nil).

Notes to the company financial statements cont.

For the years ended 30 June 2010

13 Investments in associates

Figures in million	SA rand 2010	2009
Balance at beginning of year	–	146
Disposal of share in associate	–	(1)
Impairment of share in associate	–	(145)
Balance at end of year	**–**	–

On 27 February 2008 Pamodzi acquired the Orkney operations from the group for a consideration of 30 million Pamodzi shares. This resulted in Harmony owning 32.4% of Pamodzi valued at R345 million being R11.50 per share on acquisition date. Pamodzi was listed on the JSE and had interests in operating gold mines in South Africa

During March 2009, Pamodzi was placed in liquidation and the trading of its shares on the JSE was suspended.

The company recognised cumulative impairments of R345 million up to 30 September 2008 thereby reducing the carrying value of the investment to R0.

Refer to group financial statements note 21 for further details

14 Investments in subsidiaries

Figures in million	SA rand 2010	2009
Shares at cost (a)(b)	**22 524**	21 764
Loans to subsidiary companies (c)	**4 437**	4 362
Loans from subsidiary companies	**(740)**	(928)
Total investments in subsidiaries	**26 221**	25 198

Refer to Annexure A on page 348 for a detailed listing of the company's investments in subsidiaries and the loans to and from these companies.

(a) During the 2010 financial year, the liquidation process of Harmony Precious Metal Services SAS, Harmony Gold (Peru) SA, Harmony Gold (Isle of Man) Limited and Harmony Gold Netherland BV was finalised. The investments in these companies, amounting to R6 million, were written off in 2009 in anticipation of the liquidations.

The investment in the Investment Company of R0.8 million was impaired when it was determined that the carrying value exceeded the Investment Company's net asset value.

(b) During the 2010 financial year, Harmony Gold (Australia) (Proprietary) Limited (Harmony Australia) issued 212.9 million (2009: 435.2 million) ordinary shares, valued at R762 million (2009: R1 370 million), when the loan to Harmony Australia was capitalised as part of the company's net investment in Harmony Australia.

Figures in million	SA rand 2010	SA rand 2009

14 Investments in subsidiaries cont.

(c) During the 2010 financial year, R483 million was provided as irrecoverable for the investment in and loan to Investment Company (refer to note 2). The remaining loan balance of R1.2 billion will be evaluated periodically to determine whether further provision is required.

During the 2009 financial year, R94 million was provided as irrecoverable for loans to subsidiaries. These subsidiaries are dormant and will be liquidated in due course. Included in the balance are provisions raised for the following loans:

	2010	2009
Musuku Benefication Systems (Proprietary) Limited	**–**	57
Harmony Gold (Marketing) (Proprietary) Limited	**–**	25
Harmony HIV/AIDS Company (Proprietary) Limited	**–**	10
ARMGold/Harmony Joint Investment Company (Proprietary) Limited	**483**	–

15 Investment in joint venture

Doornkop JV agreement

During the 2010 financial year, Harmony and Randfontein Estates Limited, a subsidiary of Harmony, entered into a joint venture agreement for the operation of the Doornkop mine following Harmony's purchase of a 26% interest in the Doornkop mining right from AVRD.

The agreement to purchase AVRD's 26% interest during the 2010 financial year is considered to be a repurchase of a call option (equity interest). The transaction became effective on 19 March 2010. As consideration for the 26% interest in Doornkop, the company repaid the outstanding balance of R244 million of the AVRD Nedbank loan (refer to note 29 of group financial statements) on 31 March 2010, as well as issued 2 162 359 shares to AVRD on 28 April 2010. The value of the consideration shares on the effective date was R151 million. The total purchase consideration was R398.0 million. In terms of the sales agreement, 975 419 consideration shares are to be held in escrow until 1 May 2014. The difference between the value of the shares issued of R151 million, the settlement of the AVRD Nedbank loan and transaction costs, have been taken directly to equity.

Harmony recognised the cost of the mineral rights as part of property, plant and equipment (refer to note 8). Depreciation of R1.4 million was recorded during the 2010 financial year for this asset. The joint venture agreement entitles the Company to a 16% share of the operating profit or loss of the Doornkop mine. During 2010, this amounted to a profit of R5 million for 3 months from the effective date.

	2010	2009
The following are the company's effective share of income, expenses, assets and liabilities, which are included in the 2010 financial statements:	**16%**	–
Revenue	**23**	–
Operating costs	**(18)**	–
Operating profit	**5**	–
	26%	–
Non-current assets	**398**	–
Total assets	**398**	–

Figures in million	SA rand 2010	2009

16 Inventories

	2010	2009
Gold in lock-up	**25**	–
Gold in-process and bullion on hand	**106**	17
Stores and materials at weighted average cost	**142**	147
Total inventories	**273**	164
Non-current portion of gold in lock-up and gold in-process	**(53)**	–
Total current portion of inventories	**220**	164
Included in the balance above is:		
Inventories valued at net realisable value:	**25**	–

During the year the company acquired a gold plant containing gold in lock-up valued at R100 million from Pamodzi FS, which has been included in the cost of inventory. Refer to note 8.

During the year, R2 million (2009: R2 million) was reversed against the slow moving stock provision. The total provision at 30 June 2010 was R10 million (2009: R12 million).

17 Trade and other receivables

	2010	2009
Current		
Financial assets:		
Trade receivables (gold)	**333**	245
Other trade receivables (a)	**36**	42
Provision for impairment	**(19)**	(17)
Trade receivables – net	**350**	270
Interest and other receivables (b)	**16**	15
Employee receivables	**15**	20
Insurance claims receivable (c)	**54**	3
Non-financial assets:		
Prepayments	**8**	15
Total current trade and other receivables	**443**	323
Non-current		
Financial assets:		
Loans receivables (d)	**149**	186
Provision for impairment (e)	**(116)**	(125)
Loans receivables – net	**33**	61
Loan to Harmony Share Trust	**3**	3
Total non-current trade and other receivables	**36**	64

(a) Included in other trade receivables is an amount of R6 million (2009: R68 million) owed by Rand Uranium, a related party (refer to note 29).

(b) Included in interest and other receivables is an amount of R7 million owing by Pamodzi FS in terms of the asset purchase agreements, for rehabilitation trust funds to be released to the company.

Figures in million	SA rand 2010	SA rand 2009

17 Trade and other receivables cont.

(c) The insurance claim receivable of R54 million relates to damage caused by an underground fire at the Bambanani operation. The claim was settled subsequent to 30 June 2010.

(d) Loans comprise various loans, which have been valued by the directors. Included in this balance is the loan of R116 million (2009: R116 million) owed by Pamodzi. The loan bore interest at prime rate until March 2009 when Pamodzi was placed into liquidation. Also included in this balance in 2009 was a loan of R9 million due from Ubuntu Small Scale Mining (Pty) Ltd (Ubuntu). The loan bore interest at prime less 3% with no fixed repayment terms.

(e) Included in this balance is the amount of R116 million (2009: R116 million) relating to the loan owed by Pamodzi. Also included in the balance in the 2009 financial year is an amount of R9 million relating to the loan owed by Ubuntu, which was subsequently written off in the 2010 financial year.

The movement in the provision for impairment of trade receivables during the year was as follows:	2010	2009
Balance at beginning of year	**17**	10
Impairment loss recognised	**5**	8
Receivables written off during the year	**–**	(1)
Unused amounts reversed	**(3)**	–
Balance at end of year	**19**	17

The movement in the provision for impairment of loans receivable during the year was as follows:	2010	2009
Balance at beginning of year	**125**	14
Impairment loss recognised	**–**	117
Loans written off during the year	**(9)**	(6)
Balance at end of year	**116**	125

The ageing of trade receivables at the reporting date was:

	2010	
	Gross	Impairment
30 June 2010		
Fully performing	**325**	**–**
Past due by 1 to 30 days	**11**	**–**
Past due by 31 to 60 days	**12**	**–**
Past due by 61 to 90 days	**–**	**–**
Past due by more than 90 days	**9**	**8**
Past due by more than 361 days	**12**	**11**
Balance at 30 June 2009	**369**	**19**

Figures in million	SA rand 2010	SA rand 2009

17 Trade and other receivables cont.

	2009	
	Gross	Impairment
30 June 2009		
Fully performing	250	–
Past due by 1 to 30 days	17	–
Past due by 31 to 60 days	1	–
Past due by 61 to 90 days	–	–
Past due by more than 90 days	9	7
Past due by more than 361 days	10	10
Balance at 30 June 2009	287	17

	2010	
	Gross	Impairment
The ageing of loans receivable at the reporting date was:		
30 June 2010		
Fully performing	**33**	**–**
Past due by 1 to 30 days	**–**	**–**
Past due by 31 to 60 days	**–**	**–**
Past due by 61 to 90 days	**–**	**–**
Past due by more than 90 days	**–**	**–**
Past due by more than 361 days	**116**	**116**
Balance at 30 June 2009	**149**	**116**

	2009	
	Gross	Impairment
30 June 2009		
Fully performing	61	–
Past due by 1 to 30 days	–	–
Past due by 31 to 60 days	–	–
Past due by 61 to 90 days	–	–
Past due by more than 90 days	4	4
Past due by more than 361 days	121	121
Balance at 30 June 2008	186	125

Based on past experience, the company believes that no impairment allowance is necessary in respect of fully performing receivables as the amount relates to customers that have a good track record with the company. Similarly, the loans and receivables noted above, other than those that have been provided for, are fully performing and considered to be a low risk

The company does not hold any collateral in respect of financial assets.

During the 2010 and 2009 financial years there was no renegotiation of the terms of any receivable.

18 Share capital

Authorised

1 200 000 000 (2009: 1 200 000 000) ordinary shares of SA 50 cents each
10 958 904 (2009: 10 958 904) redeemable convertible preference shares of SA 50 cents each

Issued

428 654 779 (2009: 425 986 836) ordinary shares of SA 50 cents each. All issued shares are fully paid.

Included in the total of issued shares is an amount of 2 314 shares held by Lydenburg Exploration Limited, a wholly owned subsidiary of the Company.

10% of the authorised unissued shares are under the control of the directors until the forthcoming annual general meeting. The Directors' report and note 34 of the group financial statements set out details in respect of the share option scheme and shares held in trust for employees of the group.

The directors of the company has a general authority to issue its shares for cash up to a maximum of 5% of the issued share capital in any one financial year. This is in terms of the annual general meeting of shareholders on 23 November 2009 and valid until the forthcoming annual general meeting. The general authority is subject to the Listings Requirements of the JSE Limited and the Companies Act no 61 of 1973 of South Africa, as amended.

Share issues

2010 Financial year

On 19 March 2010, Harmony concluded an agreement with AVRD. Refer to note 15 for more detail.

2009 Financial year

On 1 December 2008, Harmony issued 3 364 675 shares to Rio Tinto Limited. The Harmony shares were issued to cancel the Rio Tinto royalty rights over Wafi-Golpu in Papua New Guinea. The value of issued shares was R242 million at R71.98 per share.

Harmony engaged in capital raising by issuing two tranches of shares following the resolution passed by shareholders at the annual general meeting held on 24 November 2008. The first tranche was issued into the open market between 25 November 2008 and 19 December 2008. In this tranche, 10 504 795 Harmony shares were issued at an average subscription price of R93.20, resulting in R979 million before costs being raised. The cost of the issue was R15 million or 1,5% of the value of shares issued.

A second tranche of shares was issued for cash into the open market between 10 February 2009 and 6 March 2009. This tranche consisted of 7 540 646 Harmony shares at an average subscription price of R124.45, resulting in R938 million before costs being raised. The cost of the issue was R15 million or 1.6% of the value of shares issued. The combined share issue amounts to R1.9 billion or 4.5% of the issued share capital as at 30 September 2008.

Figures in million	SA rand 2010	2009

19 Other reserves

Other reserves comprises of:		
Fair value movement of available-for-sale financial assets (a)	**4**	–
Repurchase of equity interest (b)	**3**	–
Equity component of convertible bond (c)	**277**	277
Share-based payments (d)	**186**	148
Total other reserves	**470**	425
Fair value movement of available-for-sale financial assets		
Fair value movement – unrealised	**10**	–
Realised portion reclassified through profit or loss	**(6)**	–
Balance at end of year	**4**	–
Repurchase of equity interest		
Equity reserve on issue of shares	**154**	–
Shares issued	**(151)**	–
Balance at end of year	**3**	–
Equity component of convertible bond		
Balance at beginning and end of year	**277**	277
Share-based payments		
At the beginning of the year	**148**	126
Share-based payments expensed	**38**	22
Balance at end of year	**186**	148

(a) The balance of the fair value movement reserve represents the movement in the fair value of the available-for-sale financial assets. Refer to note 12 for details regarding the realised portion reclassified to profit or loss.

(b) The sale of 26% of the AVRD mining titles resulted in a R3 million repurchase of a call option (equity interest) by the company. Refer to note 15.

(c) Equity component of bond. Refer to note 26(c) of the group financial statements.

(d) Share-based payments. Refer to note 26(e) in the group financial statements

20 Provision for environmental rehabilitation

The company's mining and exploration activities are subject to extensive environmental laws and regulations. These laws and regulations are continually changing and are generally becoming more restrictive. The company has made, and expects to make in the future, expenditures to comply with such laws and regulations, but cannot predict the full amount of such future expenditures. Estimated future reclamation costs are based principally on legal and regulatory requirements. The following is a reconciliation of the total liability for environmental rehabilitation:

Provision raised for future rehabilitation		
Balance at beginning of year	**314**	351
Change in estimate – Balance sheet	**28**	(14)
Change in estimate – Income statement	**35**	(46)
Additions	**69**	–
Time value of money and inflation component of rehabilitation costs	**32**	23
Total provision for environmental rehabilitation	**478**	314

Figures in million	SA rand 2010	2009

20 Provision for environmental rehabilitation cont.

While the ultimate amount of rehabilitation costs to be incurred in the future is uncertain, the company has estimated that, based on current environmental and regulatory requirements, the total cost for the mines, in current monetary terms, is approximately R613 million (2009: R422 million). Refer to note 3.4 of the group financial statements for estimations and judgements used in the calculation.

Included in the charge to the income statement is an amount R4 million (2009: R6 million) relating to the time value of money.

	2010	2009
Future net obligations		
Ultimate estimated rehabilitation cost	**613**	422
Amounts invested in environmental trust funds (refer to note 11)	**(225)**	(212)
Total future net obligations	**388**	210

The company intends to finance the ultimate rehabilitation costs from the money invested with environmental trust funds, ongoing contributions, as well as the proceeds on sale of assets and gold in lock-up from plant clean-up at the time of mine closure. The company has guarantees in place relating to the environmental liabilities. Refer to notes 10 and 28.

21 Retirement benefit obligations and other provisions

	2010	2009
Non-current		
Retirement benefit obligation (refer to note 25)	**7**	5
Other	**16**	14
Closing balance	**23**	19

22 Borrowings

	2010	2009
Secured borrowings		
Nedbank Limited (a)	**922**	–
Principal amount	**1 110**	–
Less: unamortised issue costs	**(11)**	
Less: current portion	**(177)**	–
Total secured non-current borrowings	**922**	–
Total non-current borrowings	**922**	–
Total current portion of borrowings	**177**	–
Total borrowings	**1 099**	–

(a) For details on the Nedbank loan, refer to note 29(d) of the group financial statements.

Figures in million	SA rand 2010	2009

23 Trade and other payables

	2010	2009
Financial liabilities		
Trade payables	**120**	64
Other liabilities	**28**	10
Non-financial liabilities		
Payroll accruals	**203**	174
Leave liabilities (a)	**77**	81
Shaft related accruals	**33**	31
Other accruals	**62**	76
Value added tax	**31**	11
Total trade and other payables	**554**	447

(a) **Leave liability**

Employee entitlements to annual leave are recognised on an ongoing basis. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. The movement in the liability recognised in the balance sheet is as follows:

	2010	2009
Balance at beginning of year	**81**	68
Benefits paid	**(84)**	(76)
Total expense per income statement	**80**	89
Balance at end of year	**77**	81

24 Cash generated by operations

Reconciliation of (loss)/profit before taxation to cash generated by operations:

	2010	2009
(Loss)/profit before taxation	**(408)**	277
Adjustments for:		
Amortisation and depreciation	**283**	363
Impairment of assets	**248**	52
Profit on sale of mining assets	**(2)**	(1)
Net increase in provision for post retirement benefits	**1**	2
Net increase/(decrease) in provision for environmental rehabilitation	**35**	(46)
Impairment of investment in associate	**–**	145
Impairment of investments in subsidiaries	**1**	7
Share-based payments	**38**	22
Net gain on financial instruments	**(7)**	–
Loss on sale of investment in associate	**–**	1
Interest received	**(117)**	(211)
Dividends received	**(84)**	–
Interest paid	**106**	355
Provision for doubtful debts	**475**	217
Bad debts written off	**10**	7
Other non cash transactions	**5**	(12)
Effect of changes in operating working capital items:		
Receivables	**(7)**	(29)
Inventories	**(123)**	60
Accounts payable and accrued liabilities	**93**	39
Cash generated by operations	**547**	1 248

24 Cash generated by operations cont.

Additional cash flow information

The income and mining taxes paid in the statement of cash flow represents actual cash paid less refunds received.

Acquisitions and disposals of subsidiaries/businesses and assets:

For the financial year ended June 2010

(a) Acquisition of President Steyn assets

On 18 February 2010, the company concluded the acquisition of the Pamodzi FS assets for a total consideration of R280 million of which R180 million was attributed to property, plant and equipment and R100 million to inventories.

The principal non-cash transactions for the year were the issue of shares for the acquisition of 26% share of the mining titles of Doornkop South Reef from AVRD (refer to note 15), the capitalisation of the Harmony Australia intercompany loan (refer to note 14(b)) and the share based-payments (refer to note 19).

For the financial year ended June 2009

(a) Disposal of Village Reef Gold Mining Company (Village)

On 10 July 2008, the company disposed of its 37.8% interest in Village to To The Point Growth Specialists Investments 2 (Pty) Ltd, for a consideration of R1.1 million. The investment in Village as at 30 June 2008 had a fair value of R0.7 million.

The principal non-cash transactions for the year were the issue of shares to Rio Tinto for the acquisition of the Wafi Royalty on behalf of Harmony Australia (refer to note 18), the capitalisation of the Harmony Australia intercompany loan (refer to note 14(b)) and share-based payments (refer to note 19).

25 Retirement benefit obligations

Pension and provident funds: The company contributes to several pension and provident funds governed by the Pension Funds Act, 1946 for its employees. The pension funds are multi-employer industry plans. The company's liability is limited to its annually determined contributions.

The provident funds are funded on the "money accumulative basis" with the member's and employer's contributions having been fixed in the constitution of the funds.

Substantially all the company's employees are covered by the above mentioned retirement benefit plans. Funds contributed by the company for the 2010 financial year amounted to R111 million (2009: R125 million).

Post-retirement benefits other than pensions: Most of the supervisory and managerial workers in South Africa participate in the Minemed medical scheme, as well as other medical schemes. The company contributes to these schemes on behalf of current employees and retired employees who retired prior to 31 December 1996 (Minemed scheme). The annual contributions for these retired employees are fixed. The company's contributions to these schemes on behalf of current employees amounted to R24 million for the 2010 financial year and R27 million for the 2009 financial year.

Assumptions used to determine this liability include, a discount rate of 10.3%, a mortality rate according to the SA 1956/62 mortality table and a medical inflation rate of 8.1%. It is also assumed that all members will retire at the age of 60 and will remain on the current benefit option.

Figures in million	SA rand 2010	2009

25 Retirement benefit obligations cont.

The liability is based on an actuarial valuation conducted during the financial year ended 30 June 2010, using the projected unit credit method. The next actuarial valuation will be performed on 30 June 2011.

Figures in million	2010	2009
Present value of unfunded obligations	**7**	5
Movement in the liability recognised in the balance sheet:		
Balance at beginning of year	**5**	3
Contributions paid	**(1)**	(1)
Interest cost	**1**	1
Net actuarial loss recognised during the year	**2**	2
Balance at end of year	**7**	5

Net actuarial gain/(loss) for 2008, 2007 and 2006 financial years was Rnil.

Figures in million	2010	2009
The principal actuarial assumptions used for accounting purposes were:		
Discount rate	**10.30%**	10.00%
Healthcare inflation rate	**8.14%**	7.84%
Normal retirement age	**60**	60
The present value of the net liability of the defined benefit plan is as follows:		
Present value of defined benefit obligation	**7**	5
Fair value of plan assets	**–**	–
Net pension liability	**7**	5

The present value of defined benefit obligation was R3 million in 2008, R4 million in 2007 and R4 million in 2006.

The effect of a one percentage point increase (and decrease) in the assumed medical cost trend rates is as follows:

	1% Increase/ decrease	1% Increase/ decrease
Effect on:		
Aggregate of service cost and interest cost	**–**	–
Defined benefit obligation	**1**	1

The company expects to contribute approximately R0.73 million to its benefit plan in 2011.

26 Employee benefits

Figures in million	2010	2009
Number of permanent employees as at 30 June:	**9 962**	11 947
Aggregate earnings:		
The aggregate earnings of employees including directors were:		
Salaries and wages and other benefits	**1 379**	1 554
Retirement benefit costs	**111**	125
Medical aid contributions	**24**	27
Total aggregate earnings	**1 514**	1 706

Directors’ remuneration is fully disclosed in the Directors’ report, on pages 211 to 213.

27 Share option scheme

The group currently has the 2001 and 2003 schemes and the 2006 share plan that are still active. The objective of these schemes is to recognise the contributions of senior staff to the value added to the group's financial position and performance and to retain key employees.

Options granted under the 2001 and 2003 schemes

Refer to note 34 of the group financial statements for the information relating to the 2001 and 2003 schemes. The following information relates specifically to the company.

Number of share options relating to the 2001 and 2003 option scheme	Number of shares 2010	2009
Share options granted	**19 298 719**	19 298 719
Exercised	**13 413 392**	13 091 469
Vested but not exercised	**1 498 666**	1 234 321
Unvested	**–**	602 667
Forfeited and lapsed	**4 386 661**	4 370 262
Vesting periods of unvested options granted:		
Within one year	**–**	602 667
Total number of unvested shares	**–**	602 667

No options were granted in the 2009 and 2010 financial years for the 2001 and 2003 option schemes.

Activity on share options granted but not yet exercised	Number of shares	Weighted average option price (SA rand)
For the year ended 30 June 2010		
Balance at beginning of year	**1 836 987**	**47.54**
Options exercised	**(321 922)**	**44.55**
Options forfeited and lapsed	**(16 399)**	**44.09**
Balance at end of year	**1 498 666**	**48.22**
For the year ended 30 June 2009		
Balance at beginning of year	2 410 629	49.34
Options exercised	(948 444)	50.53
Options forfeited and lapsed	(108 551)	57.10
Intercompany transfer of employees	483 353	
Balance at end of year	1 836 987	47.54

Notes to the company financial statements cont.

For the years ended 30 June 2010

27 Share option scheme cont.

List of options granted but not yet exercised (listed by granted date)	**At 30 June 2010**	**Strike price (SA rand)**	**Remaining life (year)**
24 April 2001	**17 000**	36.50	0.8
20 November 2001	**146 701**	49.60	1.4
23 September 2002	**–**	66.00	2.2
27 March 2003	**32 900**	91.60	2.7
10 August 2004	**389 519**	66.15	4.1
26 April 2005	**912 546**	39.00	4.8
Total options granted but not yet exercised	**1 498 666**		

List of options granted but not yet vested (listed by grant date)	**Number of shares**	
	2010	**2009**
10 August 2004	**–**	199 556
26 April 2005	**–**	403 111
Total options granted but not yet vested	**–**	602 667

Figures in million	**SA rand**	
	2010	**2009**
Average market value of share options traded during the year	**25**	49
Average fair value of share options vested during the year	**28**	75
Share-based cost recognised	**1**	1

Options granted under the 2006 share plan

Refer to note 34 of the group financial statements for the information relating to the 2006 share plan, the following information relates specifically to the company.

Number of shares relating to the 2006 share plan	**Number of shares**	
	2010	**2009**
Shares granted	**6 698 764**	4 978 099
Vested	**86 681**	–
Performance shares	**–**	–
Share appreciation rights	**86 681**	–
Unvested	**5 776 404**	4 536 526
Performance shares	**2 231 202**	2 012 382
Share appreciation rights	**3 545 202**	2 524 144
Shares forfeited	**835 679**	441 573
Performance shares	**450 105**	207 711
Share appreciation rights	**385 574**	233 862

27 Share option scheme cont.

Number of shares relating to the 2006 share plan	Number of shares 2010	2009
Vesting periods of shares granted:		
Within one year	**959 767**	292 704
One to two years	**2 075 359**	984 755
Two to three years	**1 588 682**	2 140 230
Three to four years	**751 042**	753 272
Four to five years	**401 554**	365 565
Total number of unvested shares	**5 776 404**	4 536 526

Activity on PS and SARs granted but not yet exercised	2010 Number of shares	2010 Weighted average option price (SA rand)	2009 Number of shares	2009 Weighted average option price (SA rand)
For the year ended 30 June 2010				
Balance at beginning of year	**4 536 526**		2 237 522	
Performance shares	**2 012 382**	**n/a**	737 523	n/a
Share appreciation rights	**2 524 144**	**78.68**	1 499 999	79.46
Options granted	**1 720 665**		2 426 727	
Performance shares	**461 214**	**n/a**	1 316 659	n/a
Share appreciation rights	**1 259 451**	**77.28**	1 110 068	77.81
Options lapsed	**(394 106)**		(184 342)	
Performance shares	**(242 394)**	**n/a**	(75 823)	n/a
Share appreciation rights	**(151 712)**	**79.40**	(108 519)	80.34
Options vested	**(86 681)**		–	
Performance shares	**–**	**n/a**	–	
Share appreciation rights	**(86 681)**	**112.64**	–	–
Intercompany transfers of employees	**–**		56 619	
Performance shares	**–**		34 023	
Share appreciation rights	**–**		22 596	
Balance at end of year	**5 776 404**		4 536 526	
Performance shares	**2 231 202**	**n/a**	2 012 382	n/a
Share appreciation rights	**3 545 202**	**77.32**	2 524 144	78.68

27 Share option scheme cont.

List of shares granted but not yet exercised (listed by granted date)	At 30 June 2010	Strike price (SA rand)	Remaining life (year)
Performance shares			
15 November 2007	**489 634**	n/a	0.4
7 March 2008	**12 308**	n/a	0.7
5 December 2008	**1 268 046**	n/a	1.4
16 November 2009	**461 214**	n/a	2.4
Share appreciation rights			
15 November 2006	**162 801**	112.64	2.4
15 November 2007	**1 083 120**	70.54	3.4
7 March 2008	**46 154**	102.00	3.7
5 December 2008	**1 048 465**	77.81	4.4
16 November 2009	**1 204 662**	77.28	5.4
Total options granted but not yet exercised	**5 776 404**		

None of the vested share options for the 2006 share plan have been exercised yet.

	SA rand	
Figures in million	**2010**	**2009**
Average fair value of share options vested during the year	**10**	–
Share-based cost recognised	**37**	21

28 Commitments and contingencies

Capital expenditure commitments		
Contracts for capital expenditure	**27**	31
Authorised by the directors but not contracted for	**–**	196
Total capital commitments	**27**	227

This expenditure will be financed from existing resources and where appropriate, borrowings.

Contingent liabilities		
Environmental guarantees	**201**	28

Refer to note 36 in the group financial statements for a discussion on contingent liabilities.

Figures in million	SA rand 2010	SA rand 2009

29 Related parties

In addition to the transactions disclosed below, the company concluded the following transactions with related parties:

– Pamodzi – Refer to note 8
– AVRD – Refer to note 15

	2010	2009
Sales and services rendered to related parties		
Direct associates	**–**	13
Indirect associates	**69**	218
Direct subsidiaries	**9 272**	8 087
Indirect subsidiaries	**404**	347
Total sales and services rendered to related parties	**9 745**	8 665
Purchases and services acquired from related parties		
Indirect associates	**22**	6
Outstanding balances due by related parties		
Direct associates (a)	**7**	–
Indirect associates	**25**	58
Direct subsidiaries	**4 437**	4 361
Total outstanding balances by related parties	**4 469**	4 419
Outstanding balances due to related parties		
Direct associates (b)	**27**	–
Direct subsidiaries	**296**	500
Indirect subsidiaries	**444**	427
Total outstanding balances to related parties	**767**	927

(a) This amount has been included under trade and other receivables. Refer note 17(a).

(b) This amount relates to the acquisition of the President Steyn assets from Pamodzi FS and is payable when certain conditions are fulfilled. The balance has been classified as current as there is no fixed payment date.

The loans are unsecured and interest-free, with the exception of the loan to Pamodzi.

Annexure A contains a full list of the loans to and from subsidiaries. Refer to note 14 for details of provisions made against these loans.

30 Subsequent events

Refer to note 37 of the group financial statements.

31 Financial risk management

The company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and other price risk, credit risk and liquidity risk. The company may use derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a central group treasury department under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the company's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and the investment of excess liquidity.

The company's financial instruments are set out below:

Figures in million (SA rand)	Loans and receivables	Available-for-sale financial assets	Held-to-maturity invest-ments	Fair value through profit or loss	Financial liabilities at amortised cost
At 30 June 2010:					
Restricted cash	**112**	**–**	**–**	**–**	**–**
Restricted investments	**–**	**–**	**88**	**177**	**–**
Investments in financial assets	**–**	**4**	**–**	**–**	**–**
Loans to subsidiaries	**4 437**	**–**	**–**	**–**	**–**
Trade and other receivables	**471**	**–**	**–**	**–**	**–**
Cash and cash equivalents	**533**	**–**	**–**	**–**	**–**
Loans from subsidiaries	**–**	**–**	**–**	**–**	**740**
Trade and other payables	**–**	**–**	**–**	**–**	**148**
At 30 June 2009:					
Restricted cash	112	–	–	–	–
Restricted investments	–	–	255	–	–
Investments in financial assets	–	8	–	–	–
Loans to subsidiaries	4 362	–	–	–	–
Trade and other receivables	372	–	–	–	–
Cash and cash equivalents	1 513	–	–	–	–
Loans from subsidiaries	–	–	–	–	928
Trade and other payables	–	–	–	–	74

31 Financial risk management cont.

(a) Market risk

Foreign exchange risk

The company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar (US$). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. Harmony's revenues are sensitive to the ZAR/US$ exchange rate as all revenues are generated by gold sales denominated in US$. Harmony generally, does not enter into forward sales, derivatives or other hedging arrangements to establish exchange rates in advance for the sale of its future gold production.

The company has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Harmony generally does not enter into forward sales, derivatives or other hedging arrangements to manage this risk.

Sensitivity analysis

The company has reviewed its foreign currency exposure on financial assets and financial liabilities and concluded that a change of 10% in the exchange rate will not have a material effect on company balances.

Other price risk

The company is exposed to the risk of fluctuations in the fair value of the available-for-sale financial assets as a result of changes in market prices (other than changes in interest rates and foreign currencies). Harmony generally does not use any derivative instruments to manage this risk.

Sensitivity analysis

A one percent increase in the share price at the reporting date, with all other variables held constant, would have increased other comprehensive income by R1.8 million (2009: R0.1 million). An equal change in the opposite direction would have decreased other comprehensive income by R1.8 million (2009: R0.1 million).

During the 2009 financial year, the company's exposure to changes in market prices was not significant.

Commodity price sensitivity

The profitability of the company's operations, and the cash flows generated by those operations, are affected by changes in the market price of gold. Harmony generally does not enter into forward sales, derivatives or other hedging arrangements to establish a price in advance for the sale of future gold production.

Cash flow and fair value interest rate risk

The company's interest rate risk arises mainly from long-term borrowings. The company has variable interest rate borrowings. Variable rate borrowings expose the company to cash flow interest rate risk. The company has not entered into interest rate swap agreements.

Sensitivity analysis

A change of 100 basis points in interest rates during reporting period would have increased (decreased) profit or loss before tax by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2009.

	SA rand	
Figures in million	**2010**	**2009**
Increase by 100 basis points	**11**	7
Decrease by 100 basis points	**(11)**	(7)

31 Financial risk management cont.

(b) Credit risk

Credit risk is the risk that a counterparty may default or not meet its obligations timeously. Financial instruments, which subject the company to concentrations of credit risk, consist predominantly of restricted cash, restricted investments, trade and other receivables (excluding non-financial instruments) and cash and cash equivalents.

Exposure to credit risk on trade and other receivables is monitored on a regular basis. The credit risk arising from restricted cash, cash and cash equivalents and restricted investments is managed by ensuring amounts are only invested with financial institutions of good credit quality. The company has policies that limit the amount of credit exposure to any one financial institution.

It is the policy of the company to renegotiate credit terms with long-standing customers who have a good credit history with the company. These customers are monitored on an ongoing basis to ensure that the customer remains within the renegotiated terms.

The company's maximum exposure to credit risk is represented by the carrying amount of all financial assets determined to be exposed to credit risk, amounting to R1 204 million as at 30 June 2010 (2009: R2 439 million).

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities.

In the ordinary course of business, the company receives cash from its operations and is required to fund working cost and capital expenditure requirements. The cash is managed to ensure that surplus funds are invested in a manner to achieve market-related returns and to provide sufficient liquidity at the minimum risk. The company is able to actively source financing at competitive rates.

The following are the contractual maturities of financial liabilities (including principle and interest payments):

Figures in million (SA rand)	Current	More than 1 year
2010		
Borrowings [1,2]	**285**	1 095
Trade and other payables (excluding non-financial liabilities)	**148**	–
	433	1 095
2009		
Borrowings	–	–
Trade and other payables (excluding non-financial liabilities)	74	–
	74	–

(1) R145 million (2009: R0 million) is due between 0 to 6 months. R140 million (2009: R0 million) is due between 6 to 12 months.

(2) R267 million is due between 1 to 2 years.

31 Financial risk management cont.

(d) Fair value determination

Effective 1 July 2009, the company adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

1) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

2) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

3) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the company's assets and liabilities that are measured at fair value at 30 June 2010.

	Figures in million (SA rand)		
Assets	**Level 1**	**Level 2**	**Level 3**
Available-for-sale financial assets	**–**	**2**	**2**
Fair value through profit or loss	**–**	**177**	**–**

The following table presents the company's assets and liabilities that are measured at fair value at 30 June 2009.

	Figures in million (SA rand)		
Assets	**Level 1**	**Level 2**	**Level 3**
Available-for-sale financial assets	–	6	2

Annexure A

Statement of subsidiary companies

		Issued share capital	Effective group interest		Cost of investment by holding company		Loans from/(to) holding company	
Company and description		R'000	2010 %	2009 %	2010 Rm	2009 Rm	2010 Rm	2009 Rm
Direct subsidiaries								
Dormant								
Harmony Gold (Management Services) (Proprietary) Limited	(a)	1	100	100	–	–	–	–
Harmony Gold Limited	(f)	#	100	100	–	–	–	–
Unisel Gold Mines Limited	(a)	23 136	100	100	89	89	(89)	(89)
Virginia Salvage (Proprietary) Limited	(a)	2	90	90	–	–	–	–
Exploration								
Harmony Gold Peru SA*	(b)	*	–	100	–	–	–	–
Lydenburg Exploration Limited	(a)	42 792	100	100	204	204	1	13
Gold mining								
African Rainbow Minerals Gold Limited	(a)	96	100	100	7 081	7 081	196	172
ARMGold/Harmony Freegold Joint Venture Company (Proprietary) Limited	(a)	20	100	100	17	17	1 166	1 395
Avgold Limited	(a)	6 827	100	100	6 935	6 935	645	526
Evander Gold Mines Limited	(a)	39 272	100	100	545	545	(179)	(383)
Randfontein Estates Limited	(a)	19 882	100	100	1 311	1 311	1 127	548
Investment holding								
ARMGold/Harmony Joint Investment Company (Proprietary) Limited	(a)	#	100	100	–	1	1 200	1 688
Harmony Gold (Isle of Man) Limited*	(f)	*	–	100	–	–	–	–
Harmony Gold Australia (Proprietary) Limited	(c)	6 018 239	100	100	6 018	5 257	–	–
West Rand Consolidated Mines Limited	(a)	17 967	100	100	321	321	(25)	(25)
Harmony Gold Netherlands B.V.*	(i)	*	–	100	–	–	–	–
Marketing								
Authentic Beverage (Proprietary) Limited	(a)	#	100	100	–	–	–	–
Harmony Gold (Marketing) (Proprietary) Limited	(a)	#	100	100	–	–	–	–
Harmony Precious Metal Services SAS*	(d)	*	–	100	–	–	–	–
Mining related services								
Harmony Engineering (Proprietary) Limited	(a)	#	100	100	3	3	(3)	(3)
Harmony HIV-Aids Company (Proprietary) Limited	(a)	#	100	100	–	–	–	–
Harmony Pharmacies (Proprietary) Limited	(a)	#	99	99	–	–	102	20
Musuku Benefication Systems (Proprietary) Limited	(a)	#	100	100	–	–	–	–
Property holding and development								
Coreland Property Development Company (Proprietary) Limited	(a)	#	100	100	–	–	–	–
Coreland Property Management (Proprietary) Limited	(a)	#	100	100	–	–	–	–
Coreland Property Investment (Proprietary) Limited	(a)	#	100	100	–	–	–	–
La Riviera (Proprietary) Limited	(a)	#	100	100	–	–	–	–

Company and description		Issued share capital R'000	Effective group interest 2010 %	Effective group interest 2009 %	Cost of investment by holding company 2010 Rm	Cost of investment by holding company 2009 Rm	Loans from/(to) holding company 2010 Rm	Loans from/(to) holding company 2009 Rm
Indirect subsidiaries								
Dormant								
Arai Liki Offshore (Proprietary) Limited	(c)	293	**100**	100	**–**	–	**–**	–
Aurora Custodians (Proprietary) Limited	(c)	#	**100**	100	**–**	–	**–**	–
Aurora Gold Finance (Proprietary) Limited	(c)	#	**100**	100	**–**	–	**–**	–
Aurora Gold Services (Proprietary) Limited	(c)	#	**100**	100	**–**	–	**–**	–
Big Bell Gold Operations (Proprietary) Limited	(c)	◆	**–**	100	**–**	–	**–**	–
Bracken Mines Limited	(a)	#	**100**	100	**–**	–	**–**	–
Evander Stone Holdings (Proprietary) Limited	(a)	#	**100**	100	**–**	–	**–**	–
Garden Gully (Proprietary) Limited	(c)	#	**100**	100	**–**	–	**–**	–
Garnkirk (Proprietary) Limited	(c)	#	**100**	100	**–**	–	**–**	–
Harmony Gold FIS (Isle of Man) Limited*	(f)	*	**–**	100	**–**	–	**–**	–
Harmony Victoria (Proprietary) Limited	(c)	#	**100**	100	**–**	–	**–**	–
Jubilee Minerals (Proprietary) Limited	(c)	2	**100**	100	**–**	–	**–**	–
Leslie Gold Mines Limited	(a)	#	**100**	100	**–**	–	**–**	–
Loraine Gold Mines Limited	(a)	#	**100**	100	**–**	–	**–**	–
NHG Investments (Proprietary) Limited	(c)	#	**100**	100	**–**	–	**–**	–
Selcast Nickel (Proprietary) Limited	(c)	#	**100**	100	**–**	–	**–**	–
South Kal Mines (Proprietary) Limited	(c)	6	**100**	100	**–**	–	**–**	–
Swaziland Gold (Proprietary) Limited	(e)	#	**100**	100	**–**	–	**–**	–
Winkelhaak Mines Limited	(a)	#	**100**	100	**–**	–	**–**	–
Exploration								
Harmony Gold (Exploration) (Proprietary) Limited	(a)	10	**100**	100	**–**	–	**(3)**	(3)
Harmony Gold PNG (Exploration) Limited	(h)	#	**100**	100	**–**	–	**–**	–
Morobe Exploration Limited	(h)	1 104	**100**	100	**–**	–	**–**	–
Gold mining								
Kalahari Goldridge Mining Company Limited	(a)	1 275	**100**	100	**–**	–	**(438)**	(423)
Mt Magnet Gold NL	(c)	79 710	**100**	100	**–**	–	**–**	–
Investment								
Abelle Limited	(c)	488 062	**100**	100	**–**	–	**–**	–
Aurora Gold (WA) (Proprietary) Limited	(c)	163 115	**100**	100	**–**	–	**–**	–
Aurora Gold (Wafi) (Proprietary) Limited	(c)	#	**100**	100	**–**	–	**–**	–
Aurora Gold Administration (Proprietary) Limited	(c)	293	**100**	100	**–**	–	**–**	–
Aurora Gold Australia (Proprietary) Limited	(c)	58	**100**	100	**–**	–	**–**	–
Aurora Gold Limited	(c)	685 006	**100**	100	**–**	–	**–**	–
Clidet No. 804 (Proprietary) Limited	(a)	#	**100**	100	**–**	–	**–**	–
Clidet No. 790 (Proprietary) Limited	(a)	#	**100**	100	**–**	–	**–**	–
Clidet No. 791 (Proprietary) Limited	(a)	#	**100**	100	**–**	–	**–**	–
Harmony Gold (PNG Services) (Proprietary) Limited	(c)	#	**100**	100	**–**	–	**–**	–
Harmony Gold Investments (Proprietary) Limited	(c)	#	**100**	100	**–**	–	**–**	–
Harmony Gold Operations Limited	(c)	405 054	**100**	100	**–**	–	**–**	–

Annexure A cont.

Statement of subsidiary companies cont.

Company and description		Issued share capital R'000	Effective group interest 2010 %	Effective group interest 2009 %	Cost of investment by holding company 2010 Rm	Cost of investment by holding company 2009 Rm	Loans from/(to) holding company 2010 Rm	Loans from/(to) holding company 2009 Rm
Indirect subsidiaries cont.								
Investment cont.								
Harmony Gold Securities (Proprietary) Limited	(c)	#	**100**	100	**–**	–	**–**	–
Harmony Gold WA (Proprietary) Limited	(c)	#	**100**	100	**–**	–	**–**	–
New Hampton Goldfields Limited	(c)	196 248	**100**	100	**–**	–	**–**	–
Potchefstroom Gold Areas Limited	(a)	8 407	**100**	100	**–**	–	**–**	–
Vadessa (Proprietary) Limited	(c)	#	**100**	100	**–**	–	**–**	–
Marketing								
Harmony Precision Casting Company (Proprietary) Limited	(a)	357	**100**	100	**–**	–	**(1)**	(1)
Mining related services								
Harmony Gold (PNG Services) (Proprietary) Limited	(c)	#	**100**	100	**–**	–	**–**	–
Mineral right investment								
Australian Ores & Minerals (Proprietary) Limited	(c)	8 766	**100**	100	**–**	–	**–**	–
Carr Boyd Minerals (Proprietary) Limited	(c)	402 414	**100**	100	**–**	–	**–**	–
Cogent (Proprietary) Limited	(a)	#	**100**	100	**–**	–	**–**	–
Kwazulu Gold Mining Company (Proprietary) Limited	(a)	#	**100**	100	**–**	–	**–**	–
Morobe Consolidated Goldfields Limited	(h)	#	**100**	100	**–**	–	**–**	–
Portions 1 and 3 Wildebeestfontein (Proprietary) Limited	(a)	2	**100**	100	**–**	–	**–**	–
Potchefstroom Gold Holdings (Proprietary) Limited	(a)	2	**100**	100	**–**	–	**–**	–
Remaining Extent and Portion 15 Wildebeestfontein (Proprietary) Limited	(a)	1	**90**	90	**–**	–	**–**	–
The Kunana Mining Company (Proprietary) Limited	(a)	#	**100**	100	**–**	–	**–**	–
Trodex Platinum (Proprietary) Limited	(a)	4	**100**	100	**–**	–	**–**	–
Venda Gold Mining Company (Proprietary) Limited	(a)	#	**100**	100	**–**	–	**–**	–
Wafi Mining Limited	(h)	#	**100**	100	**–**	–	**–**	–
Property and development								
Evander Township Development Limited	(a)	3	**100**	100	**–**	–	**–**	–
Evander Township Limited	(a)	1 340	**100**	100	**–**	–	**(2)**	(1)
Middelvlei Development Company (Proprietary) Limited	(a)	#	**100**	100	**–**	–	**–**	–
Quarrytown Limited	(a)	#	**100**	100	**–**	–	**–**	–
Salt Holdings Limited	(a)	60	**100**	100	**–**	–	**–**	–
Total					**22 524**	21 764	**3 697**	3 434
Total investments							**26 221**	25 198

Company and description		Issued share capital R'000	Effective group interest 2010 %	Effective group interest 2009 %	Cost of investment by holding company 2010 Rm	Cost of investment by holding company 2009 Rm	Loans from/(to) holding company 2010 Rm	Loans from/(to) holding company 2009 Rm
Joint venture operations – indirect								
Morobe Exploration Services Limited	(h)	$	**50**	50	**–**	–	**–**	–
Hidden Valley Services Limited	(h)	$	**50**	50	**–**	–	**–**	–
Wafi Golpu Services Limited	(h)	$	**50**	50	**–**	–	**–**	–
The Group's interest in jointly controlled operations is accounted for by proportionate consolidation. Under this method the Group includes its share of the joint venture's individual income and expenses, assets and liabilities in the relevant components of the financial statements on a line by line basis.								
Associate company – direct								
Pamodzi Gold Limited	(a)	30	**32**	32	**–**	–	**–**	–
Associate company – indirect								
Rand Uranium	(a)	#	**40**	40	**1 474**	1 474	**25**	58

Investments in associates are accounted for by using the equity method of accounting. Equity accounting involves recognising in the income statement the Group's share of the associates' profit or loss for the period. The Group's interest in the associate is carried on the balance sheet at an amount that reflects the cost of the investment, the share of post acquisition earnings and other movement in the reserves.

\# *Indicates issued share capital of less than R1 000*
* *Company has been liquidated during the 2010 year*
◆ *The company was sold during the 2010 year.*
$ *Indicates a share in the joint venture's capital assets*
(a) *Incorporated in the Republic of South Africa*
(b) *Incorporated in the Republic of Peru*
(c) *Incorporated in Australia*
(d) *Incorporated in France*
(e) *Incorporated in Swaziland*
(f) *Incorporated in the Isle of Man*
(g) *Incorporated in the United Kingdom*
(h) *Incorporated in the Papua New Guinea*
(i) *Incorporated in Netherlands*

The above investments are valued by the directors at book value.

Value-added statement

Harmony Gold Mining Company Limited and its subsidiaries

Value-added statement for the year ended 30 June 2010

	FY10 Rm	%	FY09 Rm	%
Sales of gold	**11 284**		11 496	
Less: cost of material and services	**(4 491)**		(3 341)	
Value added from trading operations	**6 793**	**96**	8 155	77
Profit on disposal of assets	**104**	**1**	947	9
Income from investment	**218**	**3**	443	4
Value added by discontinued operations – net	**(32)**	**–**	1 022	10
Total value added	**7 083**	**100**	10 567	100
Distributed as follows:				
Employees (including directors and management)				
Salaries, retirement and other benefits (excluding employees tax)	**4 193**	**59**	4 568	43
Providers of capital				
Dividends to shareholders	**213**	**5**	–	–
Interest on borrowings	**246**	**3**	212	2
Government and community				
Taxation	**84**	**1**	335	3
Employees' tax	**719**	**10**	693	7
Royalties	**33**	**–**	–	–
Social Investment	**81**	**1**	33	–
Total distributions	**5 569**	**79**	5 841	55
Retained for reinvestment:				
Depreciation and amortisation	**1 375**	**19**	1 253	12
Impairment of assets	**331**	**5**	546	5
Profit/(loss) accumulated in the business	**(192)**	**(3)**	2 927	28
Total re-invested	**1 514**	**21**	4 726	45
Total distribution including re-investment	**7 083**	**100**	10 567	100

Mining Charter compliance

The South African Mining Charter was developed in terms of section 100 of the Mineral and Petroleum Resources Development Act (MPRDA), No. 28 of 2002, with the aim of transforming the mining industry. The charter requires applicants for mining rights to comply with certain empowerment principles for their rights to be granted. Harmony has been granted new order mining rights for all of its operation. In accordance with the Mining Charter, all of Harmony's operations have developed Social and Labour Plans (SLPs) which have been developed in conjunction with employees, communities and the DMR, setting targets and plans to achieve these. Harmony reports to the DMR on an annual basis on its performance against these targets.

A new charter was launched in 2010 to facilitate the sustainable transformation and development of South Africa's mining industry, with emphasis on a target of 26% black ownership of the country's mining assets by 2014.

Description	Compliance	For further information
1. Human resource development		
Has the company offered every employee the opportunity to be functionally literate and numerate by the year 2005 and are employees being trained?	Yes	Sustainable Development Report
Has the company implemented career paths for HDSA employees including skills development plans?	Yes	Sustainable Development Report
Has the company developed a system through which empowerment groups can be mentored?	Yes	Sustainable Development Report
2. Employment equity		
Has the company published its employment equity plan and reported on its annual progress in meeting that plan?	Yes	Sustainable Development Report
Has the company established a plan to achieve a target for HDSA participation in management of 40% within five years and is it implementing the plan?	Yes, 40% achieved	Page 39 and Sustainable Development Report
Has the company identified a talent pool and is this being fast tracked?	Yes	Sustainable Development Report
Has the company established a plan to achieve the target for the participation of women in mining of 10% within five years and is it implementing the plan?	Yes, 12% achieved	Page 39 and Sustainable Development Report
3. Migrant labour		
Has the company subscribed to government and industry agreements to ensure non-discrimination against foreign migrant labour?	Yes	Sustainable Development Report
4. Mine community and rural development		
Has the company co-operated in the formulation of integrated development plans and is the company co-operating with government in the implementation of these plans for communities where mining takes place and for major labour-sending areas?	Yes	Pages 40 to 42 and Sustainable Development Report

Mining Charter compliance cont.

Description	Compliance	For further information
5. Housing and living conditions		
For company-provided housing, has the mine, in consultation with stakeholders, established measures for improving the standard of housing, including the upgrading of hostels, conversion of hostels to family units, and promoted ownership options for mine employees?	Yes	Page 41 and Sustainable Development Report
Companies will be required to indicate what they have done to improve housing, show a plan to progress the issue over time and whether such a plan is being implemented.		
For company-provided nutrition, has the mine established measures for improving the nutrition of mine employees?	Yes	Sustainable Development Report
Companies will be required to indicate what they have done to improve nutrition and show a plan to progress the issue over time and whether such a plan is being implemented.		
6. Procurement		
Has the mining company given HDSAs preferred supplier status?	Yes	Page 41
Has the mining company identified current levels of procurement from HDSA companies in terms of capital goods, consumables and services?	Yes	Page 41
Has the mining company indicated a commitment to progress procurement from HDSA companies over a three-year to five-year time frame in terms of capital goods, consumables and services and to what extent has the commitment been implemented?	Yes	Page 41
7. Ownership and joint ventures		
Has the mining company achieved HDSA participation in terms of ownership for equity or attributable units of production of 15% in HDSA hands within five years and 26% in 10 years?	Yes, at 33%	Page 33
8. Benefication		
Has the mining company identified its current level of benefication?	Yes	Sustainable Development Report
Has the mining company established its baseline level of benefication and indicated the extent that this will be grown in order to qualify for an offset?	Yes	Sustainable Development Report
9. Reporting		
Has the company reported on an annual basis its progress towards achieving its commitments in its annual report?	Annual compliance reports submitted to DMR	Sustainable Development Report

Investor relations

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Harmony website

www.harmony.co.za

The Annual Report 2010 is available in electronic format on the corporate website at www.harmony.co.za and may also be requested in printed format from Harmony's Investor Relations contact above. This year, the Sustainable Development Report 2010 is available as a fully fledged online report.

In addition, Harmony has produced the Form 20-F, an annual report that the company is required to file with the United States' Securities and Exchange Commission in accordance with its listing on the NYSE. Electronic copies of this will be available from the end of October 2010 free of charge on EDGAR at www.sec.gov and on our corporate website: www.harmony.co.za.

Stock exchange listings and ticker codes

Harmony's primary listing is on the JSE Limited. The company's shares are also listed on the London Stock Exchange. They are also quoted in the form of American Depositary Receipts (ADRs) on the New York Stock Exchange and as International Depositary Receipts (IDRs) on the Brussels and Berlin exchanges.

Harmony's quoted share codes on these exchanges are as follows:

JSE Limited	HAR
NYSE Euronext	HMY
London Stock Exchange	HRM
Euronext Brussels	HMY
Berlin Stock Exchange	HAM1

Investor relations cont.

Share information

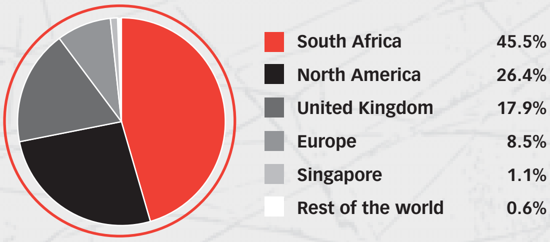
Sector		Resources
Sub-sector		Gold
Nature of business		Harmony Gold Mining Company Limited and its subsidiaries are engaged in underground and open-pit gold mining, exploration and related activities in South Africa and Papua New Guinea.
Issued share capital as at 30 June 2010		428 654 779 shares in issue
Market capitalisation		
	at 30 June 2010	R34.9 billion or US$4.5 billion
	at 30 June 2009	R34.1 billion or US$4.4 billion
Share price statistics – FY10		
JSE:	12-month high	R87.51
	12-month low	R68.65
	Closing price	R81.40
NYSE:	12-month high	$11.98
	12-month low	US$8.50
	Closing price	US$10.57
Free float		100%
ADR ratio		1:1
Performance on JSE in FY10		
Number of shares traded (millions)		463.8
Total issued shares		428 654 779
Value of shares traded		R35.7 billion
ADR performance in FY10		
Number of ADRs traded (millions)		852
Total number of ADRs outstanding (millions)		120.9
Value of ADRs traded		$8.6 billion

Shareholder spread as at 30 June 2010

	Number of shareholders	% of shareholders	Number of issued shares held	% of issued shared held
Public	13 471	99.98	364 863 934	85.12
Non-public	3	0.02	63 790 845	14.88
Holdings exceeding 10%	1	0.01	63 632 922	14.85
Directors	1	0.01	101 303*	0.02
Long-term share incentive scheme	1	0.01	56 620	0.01
Totals	13 474	100.00	428 654 779	100.00

** Hold by AJ Wilkens*

Geographic distribution of shareholders – 30 June 2010



Shareholder profile

As at 30 June 2010, a total of 428 654 779 shares in issue were outstanding. The largest shareholder was ARM Limited which had a holding of 14.6% (63 632 922 shares). The largest institutional shareholder was Allan Gray Unit Trust Management Limited with a holding of 12.9% (56 483 026 shares).

Our South African shareholder base increased from 42% to 45.5% for the year ended 30 June 2010. The combined institutional and retail ownership in the United States totalled 26.4% (30 June 2009: 34%) of Harmony's issued share capital. Shareholders in the United Kingdom accounted for 17.9% of shares in issue and the rest of Europe 8.5% in all.

Ownership summary as at 30 June 2010

Rank	Current Institution	Number of shares held	% of total shares issued
1	ARM Ltd	63 632 922	14.57
2	Allan Gray Unit Trust Management Ltd.	56 483 026	12.94
3	Blackrock Investment Management (UK) Ltd.	41 346 382	9.47
4	Public Investment Corp. of South Africa	27 707 406	6.35
5	First Eagle Investment Management LLC	21 328 558	4.88
6	Van Eck Global	16 948 791	3.88
7	Investec Asset Management Pty Ltd. (South Africa)	12 080 147	2.77
8	Barclays Capital Securities Ltd Prime Brokerage account	11 792 477	2.70
9	Dimensional Fund Advisors, Inc.	10 068 045	2.31
10	Fidelity Management & Research	9 546 125	2.19
11	Euroclear (French listing)	8 855 159	2.03
12	BlackRock Global Investors	8 770 293	2.01
13	Retail Brokers (ADR)	8 188 968	1.88
14	Soges Fiducem (IDRs)	6 697 193	1.53
15	FIL Investments International	6 319 189	1.45
16	Vanguard Group, Inc.	6 190 888	1.42
17	Old Mutual Investment Group South Africa Pty Ltd.	6 056 302	1.39
18	Emerging Markets Management LLC	5 266 414	1.21
19	Regarding Capital Management (Pty) Ltd.	4 803 798	1.10
20	Government of Singapore Investment Corp. Pte Ltd. (Invt Mgmt)	4 661 284	1.07

Analysis of ordinary shares (Strate) as at 30 June 2010

Shares held	Number of shareholders	% of shareholders	Number of shares held	% of issued share capital
1 to 10 000	12 770	94.8	5 854 808	1.4
10 001 to 100 000	445	3.3	17 728 563	4.1
100 001 to 1 000 000	215	1.6	58 832 922	13.7
1 000 000 and more	44	0.3	346 238 486	80.8
Total	13 474	100.0	428 654 779	100.0

Historic performance of shares on the JSE

	FY10	FY09	FY08	FY07	FY06
As at 30 June: (R/share)	**81.40**	80.00	95.00	100.27	114.10
Year high (R/share)	**87.51**	129.50	115.00	123.00	117.05
Year low (R/share)	**68.65**	54.99	61.75	86.10	46.62
Number of ordinary shares issued (000)	**428 654**	425 987	403 253	398 113	396 934
Volume of shares traded (000)	**463 826**	571 839	367 286	323 417	351 555
Volume of shares traded as % of total issued shares	**108**	134	91	81	89

Shareholders' diary

Financial year-end	30 June
Annual financial statements issued	25 October 2010
Form 20-F issued	25 October 2010
Annual general meeting	1 December 2010

Dividend dates:

Dividend declared	13 August 2010

Quarterly results presentations FY11:

Quarter 1	1 November 2010
Quarter 2	7 February 2011
Quarter 3	9 May 2011
Quarter 4	15 August 2011

Glossary of terms

ABET	Adult Basic Education and Training, aimed at improving literacy levels and providing learners with nationally recognised qualifications.
AIDS	Acquired Immune Deficiency Syndrome, a disease of the immune system caused by HIV infection. HIV & AIDS pose serious challenges for the government and the industry, as South Africa is one the countries worst affected by the pandemic.
Available-for-sale financial asset	A financial asset that has been designated as available-for-sale or a financial asset other than those classified as loans and receivables, held-to-maturity investments or derivative instruments.
By-products	Any products that emanate from the core process of producing gold, including silver and uranium in South Africa and copper, silver and molybdenum in Papua New Guinea.
Calc-silicate rock	A metamorphic rock consisting mainly of calcium-bearing silicates such as diopside and wollastonite, and formed by metamorphism of impure limestone or dolomite.
Capital expenditure	Expenditure on tangible assets which includes ongoing and project capital. In particular, capital expenditure includes that on on-going development, abnormal expenditure, shaft projects and major projects, and covers expenditure aimed at both sustaining and growing operations.
Carbon-in-leach (CIL)	Gold is leached from a slurry of gold ore with cyanide in agitated tanks and adsorbed on to carbon granules in the same circuit. The carbon granules are separated from the slurry and treated in an elution circuit to remove the gold.
Carbon-in-pulp (CIP)	Gold is leached conventionally from a slurry of gold ore with cyanide in agitated tanks. The leached slurry then passes into the CIP circuit where carbon granules are mixed with the slurry and gold is adsorbed on to the carbon. The granules are separated from the slurry and treated in an elution circuit to remove the gold.
Cash costs	Total cash costs include site costs for all mining, processing and administration, reduced by contributions from by-products and are inclusive of royalties and production taxes. Amortisation, rehabilitation, corporate administration, retrenchment, capital and exploration costs are excluded. Total cash costs per ounce are the attributable total cash costs divided by the attributable ounces of gold produced.
CDP	Carbon Disclosure Project is an independent not-for-profit organisation which acts as an intermediary between shareholders and corporations on all climate change-related issues, providing primary climate change data from the world's largest corporations, to the global market place.
CO_2 emissions	Total CO_2 emissions are calculated from direct emissions generated from petrol and diesel consumption and indirect emissions generated from electricity consumption and expressed in tonnes.
CSR	Corporate social responsibility
Cyanide Code	International Cyanide Management Code for the Manufacture, Transport and use of Cyanide in the production of Gold. The aim of the code is to promote responsible management of cyanide used in gold mining; to enhance the protection of human health and to reduce the potential for environmental impacts.
Cut-off grade	The minimum grade at which a unit of ore will be mined to achieve the desired economic outcome.
Depletion	The decrease in quantity of ore in a deposit or property resulting from extraction or production.
Development	The process of accessing an orebody through shafts and/or tunnelling in underground mining operations.

Glossary of terms cont.

Discontinued operation	A component of an entity that, has been disposed of or abandoned or is classified as held for sale until conditions precedent to the sale have been fulfilled.
EBITDA	Earnings before interest, tax, depreciation and amortisation
Effective tax rate	Current and deferred taxation as a percentage of profit before taxation.
Elution	Recovery of the gold from the activated carbon into solution before zinc precipitation or electro-winning.
Energy consumption	Energy use calculated from electricity purchased and diesel and petrol consumed during the reporting period.
Equity	Shareholders' equity adjusted for other comprehensive income and deferred taxation.
FIFR	Fatal injury frequency rate, the number of fatal injuries per million man hours worked.
Financial asset	Cash or cash equivalents, an equity instrument, a contractual right to receive cash, or a contractual right to exchange a financial instrument under favourable conditions.
Financial liability	A contractual obligation to pay cash or transfer other benefits or a contractual obligation to exchange a financial instrument under unfavourable conditions. This includes debt.
GHG	A greenhouse gas is any gas, such as carbon dioxide
Gold produced	Refined gold as derived from the mining process that is measured in either ounces or kilograms in a saleable form.
Grade	The quantity of gold contained within a unit weight of gold-bearing material generally expressed in ounces per short ton of ore (oz/t), or grams per metric tonne (g/t).
GRI	Global Reporting Initiative is a multi-stakeholder governed institution collaborating to provide the global standards in sustainability reporting. These standards set out the principles and indicators that organisations can use to measure and report their economic, environmental, and social performance.
HAART	Highly active anti-retroviral therapy
HDSAs	Historically disadvantaged South Africans defined as all persons and groups who have been previously discriminated against on the basis of race, gender and disability as per the MPRDA definition
Indicated mineral resource	An 'indicated mineral resource' is that part of a mineral resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed.
Inferred mineral resource	An 'inferred mineral resource' is that part of a mineral resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain quality and reliability.
Interest cover	EBITDA divided by finance costs and unwinding of obligations.

JSE	JSE Limited
Kina	Papua New Guinean Kina
King Code	South African King Code on Corporate Governance, 2002
King III	King III is the abbreviated name for the King Report on Corporate Governance for South Africa published in 2010 in South Africa.
Leaching	Dissolution of gold from crushed or milled material, including reclaimed slime, prior to adsorption on to activated carbon.
LED	Local economic development
Life of mine (LOM)	Number of years that an operation is scheduled to mine and treat ore, and is based on the current mine plan.
Loans and receivables	A financial asset with fixed or determinable repayments that are not quoted in an active market, other than, a derivative instrument, or a financial asset classified as available for sale.
LTIFR	Lost time injury frequency rate, per million hours and refers to work- related injuries which result in the employee being unable to attend work on the day following the day of the injury.
Measured mineral resource	A 'measured mineral resource' is that part of a mineral resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity.
Metallurgical plant	A processing plant erected to treat ore and extract gold.
Milling	A process of reducing broken ore to a size at which concentrating can be undertaken.
Mine call factor	The ratio, expressed as a percentage, of the total quantity of recovered and unrecovered mineral product after processing with the amount estimated in the ore based on sampling.
Mineral deposit	A mineral deposit is a concentration (or occurrence) of material of possible economic interest in or on the Earth's crust.
Mineral resource	A 'mineral resource' is a concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral resources are subdivided, in order of increasing geological confidence, into inferred, indicated and measured categories.
Mineral reserve	A 'mineral reserve' is the economically mineable part of a measured and/or indicated mineral resource. It includes diluting materials and allowances for losses, which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate that at the time of reporting, extraction could reasonably be justified. Mineral reserves are sub-divided in order of increasing confidence into probable ore reserves and proved ore reserves.

Glossary of terms cont.

Mining Charter	This is the Broad-Based Social-Economic Empowerment Charter for the South African Mining Industry. The goal of the charter is to bring about an industry that reflects the promise of a non-racial South Africa.
MMJV	Morobe Mining Joint Ventures, the 50:50 partnership between Harmony and Newcrest Mining Company Limited.
NGOs	Non-governmental organisations
Ounce (oz) (troy)	Used in imperial statistics. One kilogram is equal to 32.1507 ounces. One troy ounce is equal to 31.1035 grams.
Pay limit	The grade of a unit of ore at which the revenue from the recovered mineral content of the ore is equal to the total cash cost including ore reserve development and stay-in-business capital. This grade is expressed as an in-situ value in grams per tonne or ounces per short ton (before dilution and mineral losses).
Probable mineral reserve	A 'probable mineral reserve' is the economically mineable part of an indicated, and in some circumstances, a measured mineral resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified.
Productivity	An expression of labour productivity based on the ratio of grams of gold produced per month to the total number of employees in underground mining operations
Proved reserve	A 'proved mineral reserve' is the economically mineable part of a measured mineral resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified.
Project capital	Capital expenditure to either bring a new operation into production; to materially increase production capacity; or to materially extend the productive life of an asset.
PwC	PricewaterhouseCoopers, the independent auditors.
Reclamation	In the South African context, reclamation describes the process of reclaiming slimes (tailings) dumps using high-pressure water cannons to form a slurry which is pumped back to the metallurgical plants for processing.
Recovered grade	The recovered mineral content per unit of ore treated.
Reef	A gold-bearing sedimentary horizon, normally a conglomerate band that may contain economic levels of gold.
Refining	The final purification process of a metal or mineral.
Rehabilitation	The process of reclaiming land disturbed by mining to allow an appropriate post-mining use. Rehabilitation standards are defined by country-specific laws that address among other issues, ground and surface water, topsoil, final slope gradient, waste handling and revegetation issues.
Related party	Parties are considered related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Seismic event	A sudden inelastic deformation within a given volume of rock that radiates detectable seismic energy.
Shaft	A vertical or sub-vertical excavation used for accessing an underground mine; for transporting personnel, equipment and supplies; for hoisting ore and waste; for ventilation and utilities; and/or as an auxiliary exit.
Smelting	A pyro-metallurgical operation in which gold is further separated from impurities.
On-going capital	Capital expenditure to maintain existing production assets. This includes replacement of vehicles, plant and machinery, ore reserve development and capital expenditure related to safety, health and the environment.
Stope	Underground excavation where the orebody is extracted.
Stoping	The process of excavating ore underground.
Stripping ratio	The ratio of waste tonnes to ore tonnes mined calculated as total tonnes mined less ore tonnes mined divided by ore tonnes mined.
Tailings	Finely ground rock of low residual value from which valuable minerals have been extracted.
Tailings dam (slimes dam)	Dam facilities designed to store discarded tailings.
Tonne	Used in metric statistics. Equal to 1 000 kilograms.
Ton	Used in imperial statistics. Equal to 2 000 pounds. Referred to as a short ton.
Tonnage	Quantity of material measured in tonnes or tons.
Waste	Material that contains insufficient mineralisation for consideration for future treatment and, as such, is discarded.
Weighted average number of ordinary shares	The number of ordinary shares in issue at the beginning of the year, increased by shares issued during the year, weighted on a time basis for the period during which they have participated in the income of the group, and increased by share options that are virtually certain to be exercised.
Yield	The amount of valuable mineral or metal recovered from each unit mass of ore expressed as ounces per short ton or grams per metric tonne.

Abbreviations

$	United States dollar
A$	Australian dollar
ADR	American Depositary Receipt
ADS	American Depositary Share
ASX	Australian Securities Exchange
BEE	Black economic empowerment
Capex	Capital expenditure
CLR	Carbon Leader Reef
DME	Department of Minerals and Energy in South Africa
DMR	Department of Mineral Resources
FIFR	Fatal injury frequency rate per million hours worked
g	Grams
g/t	Grams per tonne
g/TEC	Grams per total employee costed
HDSAs	Historical disadvantaged South Africans
JIBAR	Johannesburg interbank agreed rate
JORC	Australian Code for Reporting Exploration Results, Mineral Resources and Mineral Reserves
JSE	JSE Limited
kg	Kilograms
LIBOR	London interbank offer rate
LOM	Life of mine
LSE	London Stock Exchange
LTIFR	Lost-time injury frequency rate per million hours worked
M or m	Metre or million, depending on the context
m^2/TEC	Square metres per total employee costed
Moz	Million ounces
MPRDA	Mineral and Petroleum Resources Development Act 28 of 2002
Mt	Million tonnes or tons
Mtpa	Million tonnes/tons per annum
NYSE	New York Stock Exchange
oz	Ounces (troy)
oz/t	Ounces per ton
PNG	Papua New Guinea
R or rand	South African rand
SAMREC	South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves
SEC	United States Securities and Exchange Commission
SOx	Sarbanes-Oxley Act of 2002
SRP	South African Securities Regulation Panel
t	Tons (short) or tonnes (metric)
tpa	Tonnes/tons per annum
tpd	Tonnes/tons per day
tpm	Tonnes/tons per month
VCR	Ventersdorp Contact Reef

Directorate and administration

Harmony Gold Mining Company Limited

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Trading symbols

JSE Limited: HAR
New York Stock Exchange, Inc: HMY
London Stock Exchange Plc: HRM
Euronext, Paris: HG
Euronext, Brussels: HMY
Berlin Stock Exchange: HAM1

Registration number 1950/038232/06
Incorporated in the Republic of South Africa

ISIN: ZAE 000015228

Russell and Associates 3593_10