HARMONY GOLD MINING CO LTD
Form 20-F/A
July 16, 2008

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As filed with the Securities and Exchange Commission on July 16, 2008

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F/A
Amendment No. 1

(Mark One)

o REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended June 30, 2007

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

o SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report

For the transition period from to

Commission file number: 001-31545

HARMONY GOLD MINING COMPANY LIMITED

(Exact name of registrant as specified in its charter)

REPUBLIC OF SOUTH AFRICA

(Jurisdiction of incorporation or organization)

RANDFONTEIN OFFICE PARK, CNR WARD AVENUE AND MAIN REEF ROAD, RANDFONTEIN, SOUTH AFRICA, 1760

(Address of principal executive offices)

Marian van der Walt, Company Secretary, (tel) +27 11 411 2037, mvanderwalt@harmony.co.za, (fax) +27 11 692 3879, Suite No. 1,
Private Bag X1, Melrose Arch, 2076, 1759, South Africa

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:
Ordinary shares, with nominal value Rand 50 cents per share*

(Title of Class)

American Depositary Shares (as evidenced by American Depositary Receipts),
each representing one ordinary share
(Title of Class)
Securities registered or to be registered pursuant to Section 12(g) of the Act:
Ordinary shares, with nominal value Rand 50 cents per share*
(Title of Class)
American Depositary Shares (as evidenced by American Depositary Receipts),
each representing one ordinary share
(Title of Class)

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

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

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

399,608,384 ordinary shares, with nominal value of Rand 50 cents per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

YES þ NO o

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

YES o NO þ

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

YES þ NO o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ Accelerated filer o Non-accelerated filer o

Indicate by check mark which which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP þ	International financial Report Standards as issued o by the International Accounting Standards Board	Other o

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow:

Item 17 o Item 18 þ

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES o NO þ

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

YES þ NO o

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Explanatory Note

This Amendment No. 1 on Form 20-F/A to our Annual Report on Form 20-F for the fiscal year ended June 30, 2007 originally filed with the Securities and Exchange Commission on December 7, 2007 (the 2007 20-F), is being filed for the purposes of supplementing or amending the following sections from the 2007 20-F:

Item 4. Information on the Company

U.S. dollar equivalent amounts have been provided throughout this section when discussing transactions in currencies other than the U.S. dollar.

Item 5. Operating and Financial Review and Prospects

The discussion prior to the Results of Operations comparison sections has been expanded to:

Clarify that the Company is unable to provide a specific amount of the estimated costs related to the participation of historically disadavantaged South Africans in mining assets;

Discuss the potential impact of royalty payments to be required under the Mineral and Petroleum Resource Development Act (MPRDA) on future operations;

Discuss the potential impact of new mines expecting to start producing higher volumes at higher grades on the Company s operating results;

Further discuss the impact of high consumables and supervisory labor, as well as Continuous Operations (CONOPS), on future operating results;

Further discuss the impact of underperformance of recovered grade and declining workforce productivity on future operating results; and

Clarify the level of, and concerns over the reliability of, electricity supply to the Company s South African operations.

Liquidity and Capital Resources expanded discussion on Working Capital and Anticipated Financing Needs.

Item 18. Financial Statements

Report of Independent Registered Public Accounting Firm has been amended to specify location of audit firm.

Notes 2(n)(i), Accounting Policies Property, Plant and Equipment, on page F-13, has been revised to clarify the Company s capitalization policy of capitalizing costs until *more than a de minimis* amount of saleable materials is extracted from the mine.

Note 35, Disclosures Regarding Fair Value of Financial Instruments, on page F-44, has been revised to clarify the Company s disclosures surrounding the fair value of unlisted equity investments.

Item 19. Exhibits

Revise Item 19 to include the certifications of the Chief Executive Officer (formerly Acting Chief Executive Officer) and the Chief Financial Officer (formerly Interim Chief Financial Officer) in connection with this Amendment.

Other than as expressly set forth above, this Form 20-F/A does not, and does not purport to, amend, update or restate the information in any other Item of the 2007 20-F or reflect any events that have occurred after the 2007 20-F was originally filed.

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USE OF TERMS AND CONVENTIONS IN THIS ANNUAL REPORT

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

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

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

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

PRESENTATION OF FINANCIAL INFORMATION

Harmony is a South African company and the majority of its operations are located there. Accordingly, its books of account are maintained in South African Rand and its annual and interim financial statements are prepared in accordance with International Financial Reporting Standards, or IFRS. Harmony also prepares annual financial statements in accordance with generally accepted accounting principles in the United States, or U.S. GAAP, which are translated into U.S. dollars. The financial information, other than total cash costs and total cash costs per ounce, included in this annual report has been prepared in accordance with U.S. GAAP and is presented in US dollars. Total cash costs and total cash costs per ounce are non-GAAP measures. For further information, see *Item 5. Operating and Financial Review and Prospects Costs Reconciliation of Non-GAAP Measures.* Unless otherwise stated, balance sheet item amounts are translated from Rand to U.S. dollars at the exchange rate prevailing on the last business day of the period (Rand 7.04 per $1.00 as at June 29, 2007), except for specific items included within shareholders equity that are converted at the exchange rate prevailing on the date the transaction was entered into, and income statement item amounts are translated from Rand to US dollars at the average exchange rate for the period (Rand 7.20 per $1.00 for fiscal 2007).

For the convenience of the reader, certain information in this annual report is presented in Rand and A$ and has been translated into U.S. dollars. By including convenience currency translations in this annual report, we are not representing that the Rand and A$ amounts actually represent the U.S. and Australian dollar amounts, as the case may be, or that these amounts could be converted at the rates indicated. Unless otherwise stated, the conversion rate for translations from Rand amounts into U.S. dollar amounts is Rand 7.04 per $1.00, which was the noon buying rate of the Federal Reserve Bank of New York on June 29, 2007.

FORWARD-LOOKING STATEMENTS

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

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

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

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

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

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PART I

Item 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS

Not applicable.

Item 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

Item 3. KEY INFORMATION

SELECTED FINANCIAL DATA

The selected consolidated financial data below should be read in conjunction with, and are qualified in their entirety by reference to, our consolidated financial statements and the notes thereto and with Item 5. Operating and Financial Review and Prospects , both included elsewhere in this annual report. Historical results are not necessarily indicative of results to be expected for any future period.

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SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

The following selected historical consolidated financial data for the last five fiscal years has been extracted from the more detailed information and financial statements, including Harmony s audited consolidated financial statements as of June 30, 2007 and 2006 and for each of the years in the three years ended June 30, 2007 and the related notes, which appear elsewhere in this annual report. The historical consolidated financial data at June 30, 2005, 2004 and 2003, and for each of the years in the two years ended June 30, 2004, has been extracted from Harmony s audited consolidated financial statements not included in this annual report as adjusted for discontinued operations and the historical accounting changes described below.

As of June 30, 2007, Harmony has classified the assets and liabilities of certain of its South African and all of its Australian operations as held for sale. See note 17 of the consolidated financial statements and *Item 4. Information of the Company Business Australasian Operations* . In connection with this determination, Harmony has presented the results of its Australia operations for all periods as discontinued operations. This is because the operations and cash flows of the Australian operations will be eliminated from the ongoing operations of Harmony as a result of the proposed disposal transactions, and the fact that Harmony will not have any significant continuing involvement in the Australian operations. In contrast, since Harmony continues to produce and sell gold within South Africa, the results associated with certain of its South African assets that has been classified as held for sale, continues to be presented within continuing operations.

During fiscal 2006, Harmony changed its method for accounting for underground development costs, stripping costs incurred during the production phase of a mine and share-based payments. In connection with the changes relating to underground development costs and stripping costs incurred during the production phase of a mine, Harmony early adopted SFAS No. 154, Accounting Changes and Error Corrections and therefore adjusted its previous financial statements as if the revised principles had always been used. In connection with the change relating to share-based payments, Harmony followed the modified retrospective approach permitted by SFAS No. 123(R), Share-based Payments . Under this method, Harmony also adjusted its previous financial statements based on the amounts previously recognized under SFAS No. 123 for purposes of pro forma disclosures, without adjustment.

The financial information, other than total cash costs and total cash costs per ounce, included in this annual report has been prepared in accordance with U.S. GAAP unless otherwise noted. Total cash costs and total cash costs per ounce are non-GAAP measures. For further information, See *Item 5. Operating and Financial Review and Prospects Costs Reconciliation of Non-GAAP Measures.*

	Fiscal Year Ended June 30,				
	2007	**2006**	**2005**	**2004**	**2003**
	(in $ thousands, except per share amounts)				
Income Statement Data					
Continuing operations					
Revenues	1,346,596	1,140,838	1,139,531	1,120,896	628,211
Operating profit/(loss)	146,453	(30,789)	(303,825)	(44,613)	18,112
Equity income of joint venture	1,702	445		9,503	52,843
Equity (loss)/income of associate companies	(2,576)	(16,444)		2,020	(1,233)
(Loss)/Income from continuing operations before taxes and minority interests	(188,846)	(97,324)	(536,266)	(10,286)	135,700
Loss from discontinued operations	(72,386)	(61,483)	(80,335)	(18,983)	(14,692)
Minority interests				1,281	(468)
(Loss)/income before cumulative effect of change in accounting principles	(295,435)	(157,783)	(552,549)	184	89,597

Cumulative effect of change in accounting principles, net of tax		2,058			14,770
Net (loss)/income	(295,435)	(155,725)	(552,549)	184	104,367
Continuing Operations					
Basic (loss)/earnings per share($) before cumulative effect of change in accounting principles	(0.56)	(0.28)	(1.30)	0.00	0.58

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	Fiscal Year Ended June 30,				
	2007	2006	2005	2004	2003
	(in $ thousands, except per share amounts)				
Basic (loss)/earnings per share($)	(0.56)	(0.28)	(1.30)	0.00	0.67
Diluted (loss)/earnings per share before cumulative effect of change in accounting principles	(0.56)	(0.24)	(1.30)	0.00	0.57
Diluted (loss)/earnings per share	(0.56)	(0.24)	(1.30)	0.00	0.65
Discountinued Operations					
Basic loss per share($)	(0.18)	(0.16)	(0.22)	0.00	(0.08)
Diluted loss per share	(0.18)	(0.16)	(0.22)	0.00	(0.08)
Weighted average number of shares used in the computation of basic earnings per share	398,593,297	394,409,512	362,499,012	254,240,500	177,954,245
Weighted average number of shares used in the computation of diluted earnings per share	398,593,297	394,409,512	362,499,012	255,570,834	182,721,629
Cash dividends per share ($)(1)			0.05	0.26	0.57
Cash dividends per share (R)(1)			0.30	1.90	5.50
Other Financial Data					
Cash cost per ounce of gold ($/oz)(2)	486	436	378	338	239

	Fiscal Year Ended June 30,				
	2007	2006	2005	2004	2003
	(in $ thousands)				
Balance Sheet Data					
Continuing operations					
Cash and cash equivalents	99,759	89,189	266,746	217,022	189,040
Other current assets	1,053,874	339,156	324,611	294,502	162,487
Non-current assets held for sale	182,475				
Property, plant and equipment net	3,533,938	3,306,555	3,451,963	3,769,971	1,188,910
Intangible assets	34,005	28,256	30,367	32,480	
Restricted cash	723	35,599	7,798	9,922	
Investments in associates	853	266,331		19,908	63,782
Investment in joint ventures	1,336	2,065			272,754

Other long-term assets	206,954	395,048	655,333	435,058	79,562
Total assets	5,113,917	4,462,199	4,736,818	4,778,863	1,956,535
Current liabilities	685,596	343,802	428,756	393,764	189,668
Liabilities relating to non-current assets held for sale	77,614				
Provision for environmental rehabilitation	131,913	110,164	120,450	125,917	62,977
Provision of social plan	2,429	2,259	2,109	1,958	
Deferred income and mining taxes	512,829	521,000	541,188	580,086	218,995
Provision for post-retirement benefits	15,257	14,964	13,276	1,584	1,017
Deferred financial liability	354,896	150,038	76,720	91,513	37,228
Share appreciation rights liability	877				
Long-term loans	270,079	394,608	409,486	509,195	301,572
Minority interest					18,408
Shareholders equity[(3)]	3,062,426	2,925,364	3,144,833	3,074,846	1,126,670
Total liabilities and shareholders equity	5,113,917	4,462,199	4,736,818	4,778,863	1,956,535

(1) Reflects dividends related to fiscal 2004 and 2003 that were declared on July 30, 2004 and August 1, 2003 respectively.

(2) Total cash costs and total cash costs per ounce are non-GAAP measures. Harmony has calculated cash costs per ounce by dividing total cash costs, as determined using the guidance provided by the Gold Institute, by gold ounces sold for all periods

presented. The Gold Institute was a non-profit industry association comprised of leading gold producers, refiners, bullion suppliers and manufacturers. This institute has now been incorporated into the National Mining Association. The guidance was first issued in 1996 and was revised in November 1999. Total cash costs, as defined in the guidance provided by the Gold Institute, include mine production costs, transport and refinery costs, applicable general and administrative costs, costs associated with movements in production inventories and ore

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stockpiles, ongoing environmental rehabilitation costs as well as transfers to and from deferred stripping and costs associated with royalties. Ongoing employee termination costs are included, however, employee termination costs associated with major restructuring and shaft closures are excluded. Total cash costs have been calculated on a consistent basis for all periods presented and have been adjusted for the accounting changes associated with underground development costs and stripping costs incurred during the production phase of the mine. Changes in cash costs per ounce are affected by operational performance, as well as changes in the currency exchange rate between the Rand and the U.S. dollar. Because total cash costs and total cash costs per ounce are non GAAP measures, they should therefore not be considered by investors in isolation or as an alternative to operating income/(loss) or net income/(loss) or any other U.S. GAAP measure or an indicator of our performance. In particular depreciation and amortization would be included in a measure of total costs of producing gold under U.S. GAAP, but it is not included in total cash costs under the guidance provided by the Gold Institute. While the Gold Institute has provided a definition for the calculation of total cash costs and total cash costs per ounce, the calculation of cash costs per ounce may vary from company to company and may not be comparable to other similarly titled measures of other companies. However, Harmony believes that cash costs per ounce is a useful indicator to investors and management of a mining company s performance as it provides (1) an indication of the cash generating capacities of the mining operations, (2) the trends in cash costs as the company s operations mature, (3) a measure of a company s performance, by comparison of cash costs per ounce to the spot price of gold and (4) an internal benchmark of performance to allow for comparison against other companies. For further information, see

Item 5. Operating and Financial Review and Prospects Costs Reconciliation of non-GAAP measures.

(3) The Company elected to apply provisions from SAB 108 *Considering the effects of prior year misstatements when quantifying misstatements in current year financial statements* as at July 1, 2006. Adjustments have been made to the carrying values of assets and liabilities as of July 1, 2006 with an offsetting adjustment recorded to the operating balance of retained earnings. For further information, see note 3 of the consolidated financial statements.

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EXCHANGE RATES

Unless otherwise stated, balance sheet item amounts are translated from Rand to U.S. dollars at the exchange rate prevailing on the last business day of the period (Rand 7.04 per $1.00 as at June 29, 2007), except for specific items included within shareholders equity that are converted at the exchange rate prevailing on the date the transaction was entered into, and income statement item amounts are translated from Rand to U.S. dollars at the average exchange rate for the period (Rand 7.20 per $1.00 for fiscal 2007).

As of November 28, 2007, the noon buying rate of the Federal Reserve Bank of New York per $1.00 was Rand 6.8825.

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

Fiscal Year Ended June 30,	**Average(1)**	**Period End**
2003	9.13	7.51
2004	6.89	6.23
2005	6.18	6.67
2006	6.36	7.17
2007	7.20	7.04

Month of	**High**	**Low**
June 2007	7.27	7.04
July 2007	7.15	6.81
August 2007	7.5	7.07
September 2007	7.25	6.89
October 2007	6.91	6.49
November 2007 (through November 28)	7.0	6.45

(1) The average of the noon buying rates provided by the Federal Reserve Bank of New York on the last day of each full month during the relevant period.

Fluctuations in the exchange rate between Rand and the US dollar will affect the dollar equivalent of the price of ordinary shares on the Johannesburg Stock Exchange, which may affect the market price of the ADSs on the New York Stock Exchange. These fluctuations will also affect the dollar amounts received by owners of ADSs on the conversion of any dividends paid in Rand on ordinary shares.

CAPITALIZATION AND INDEBTEDNESS

Not applicable.

REASONS FOR THE OFFER AND USE OF PROCEEDS

Not applicable.

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RISK FACTORS

In addition to the other information included in this annual report and the exhibits, you should carefully consider the following factors related to Harmony s ordinary shares and ADSs. There may be additional risks 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 results of operations, resulting in a decline in the trading price of Harmony s ordinary shares or its ADSs. The risks described below may, in retrospect, turn out not to be complete and therefore may not be the only risks to which we are exposed. Additional risks and uncertainties not presently known to us or that we now believe are immaterial, 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 Our Business and Our Industry

The profitability of Harmony s operations, and the cash flows generated by those operations, are affected by changes in the market price of gold, such that a fall in the price of gold below Harmony s cash cost of production for any sustained period may lead Harmony to experience losses and 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 jewelry;
- international or regional political and economic trends;
- the strength of the U.S. dollar 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, United States, Australia and China.

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 U.S. dollars for the past ten calendar years:

	Price per ounce		
	High	**Low**	**Average**

Calendar Year	**($)**	**($)**	**($)**
1997	367	283	331
1998	313	273	294
1999	326	253	279
2000	313	264	282

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Calendar Year	Price per ounce High ($)	Low ($)	Average ($)
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 (through November 28)	833	608	687

On November 28, 2007, the afternoon fixing price of gold on the London Bullion Market was $805 per ounce.

While the aggregate effect of these factors is impossible for Harmony 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 may be forced to curtail or suspend some or all of its operations. In addition, Harmony would also have to assess the economic impact of low gold prices on its ability to recover any losses it may incur during that period and on its ability to maintain adequate reserves. Harmony s average cash cost per ounce of gold sold was $486 in fiscal 2007, $436 in fiscal 2006 and $378 in fiscal 2005.

Due to the fact that the majority of Harmony s production costs are incurred in Rand and that gold is sold in U.S. dollars, Harmony s financial condition could be materially harmed by an appreciation in the value of the Rand against the U.S. dollar.

Gold is sold throughout the world in U.S. dollars, but the majority of Harmony s operating costs are incurred in Rand. As a result, any significant and sustained appreciation of Rand against the U.S. dollar will serve materially to reduce Harmony s Rand revenues and overall net income.

Harmony is significantly influenced by the fluctuations in the Rand/U.S. dollar exchange. While the Rand has both depreciated and appreciated against the U.S. dollar in the past year, these fluctuations have an impact on Harmony s operating environment.

Harmony s gold reserve figures are estimated based on a number of assumptions, including assumptions as to mining and recovery factors, future cash costs of production and the price of gold and may yield less gold under actual production conditions than currently estimated.

The ore reserve estimates contained in this annual report are estimates of the mill delivered quantity and grade of gold in Harmony s deposits and stockpiles. They represent the amount of gold 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 ore reserves are estimated based upon a number of factors, which have been stated in accordance with SEC Industry Guide 7. As Harmony s ore reserve estimates are calculated based on estimates of future cash costs, (which in some cases are assumed to decrease significantly), future gold prices and, because of the fact that Harmony s gold sales are primarily in U.S. dollars and Harmony incurs most of its cash costs in Rand, the exchange rate which is not under our control, between the Rand and the U.S. dollar and, in the case of Harmony s Australian operations, between the Rand and the Australian dollar, significantly impacts this ore reserve estimate. As a result, the reserve estimates contained in this annual report should not be interpreted as assurances of the economic life of Harmony s gold deposits or the profitability of its future operations.

Since ore reserves are only estimates that Harmony makes based on the above factors, Harmony may in the future need to revise these estimates. In particular, if Harmony s cash costs of operating and production increase or do not decrease as assumed (whether in U.S. dollar terms, Rand terms, Australian dollar terms, or in relative terms due to appreciation of the Rand or the Australian dollar against the U.S. dollar) or the gold price decreases, the recovery of a portion of Harmony s ore reserves may become uneconomical. This will force Harmony to lower its estimated reserves.

To maintain gold production beyond the expected lives of Harmony s existing mines or to increase production materially above projected levels, Harmony will need to access additional reserves through exploration or

discovery.

Harmony s operations have limited proven and probable reserves and exploration and discovery is necessary to maintain current gold production levels at these operations. Exploration for gold and other precious metals is speculative in nature, is frequently unsuccessful and involves many risks, including risks related to:

locating orebodies;

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identifying the metallurgical properties of orebodies;

estimating the economic feasibility of mining orebodies;

developing appropriate metallurgical processes;

obtaining necessary governmental permits; and

constructing mining and processing facilities at any site chosen for mining.

Harmony s exploration efforts might not result in the discovery of mineralization and any mineralization discovered might not result in an increase in Harmony s proven and probable reserves. To access additional reserves, Harmony will need to successfully complete development projects, including extending existing mines and, possibly, developing new mines. Development projects would also be necessary to access any new mineralization discovered through our 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 Harmony s feasibility studies for new development projects.

It can take a number of years from initial feasibility studies 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 necessary to construct mining and processing facilities, which can be considerable;

the availability and cost of skilled labor, power, water and other materials;

the accessibility of transportation and other infrastructure, particularly in remote locations;

the availability and cost of smelting and refining arrangements; and

the availability of funds to finance construction and development activities.

Harmony has addressed growth through the recent expansion of its exploration activities. Harmony currently maintains a range of focused exploration programs, concentrating on areas not too distant from its operational mines, as well as a number of prospective known gold mineralized regions around the world. During fiscal 2007 and for fiscal 2006, the bulk of exploration expenditure was allocated to activities in Australia, Papua New Guinea (**PNG**) and South Africa. However, there is no assurance that any future development projects will extend the life of Harmony s existing mining operations or result in any new commercial mining operations.

As we currently do not enter into forward sales, derivatives or hedging arrangements with respect to our future gold production, we are exposed to the impact of any significant decrease in the gold price.

As a general rule, we sell our gold at market prices. Currently, we generally do not enter into forward sales, derivatives or hedging arrangements to establish a price in advance for the sale of our future gold production, although we may do so in the future. As a

result, we may realize the positive impact of any short term increase in the gold price, but are not protected against decreases in the gold price, and if the gold price decreases significantly, our revenues may be materially adversely affected.

Harmony may experience problems in identifying, financing and managing new acquisitions and integrating them with its existing operations.

Acquiring new gold mining operations involves a number of risks including:

- Harmony s ability to identify appropriate acquisition candidates or negotiate acquisitions on favorable terms;
- obtaining the financing necessary to complete future acquisitions;
- difficulties in assimilating the operations of the acquired business;
- difficulties in maintaining the financial and strategic focus of Harmony while integrating the acquired business;
- problems in implementing uniform standards, controls, procedures and policies;
- increasing pressures on existing management to oversee a rapidly expanding company; and
- to the extent Harmony acquires mining operations outside South Africa or Australia encountering difficulties relating to operating in countries in which Harmony has not previously operated.

Our ability to make successful acquisitions and any difficulties or time delays in achieving successful integration of any of such acquisitions could have a material adverse effect on Harmony s business, operating results, financial condition and share price.

Due to the nature of mining and the type of gold mines it operates, Harmony 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:

- rockbursts;
- 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;

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collapse of the open pit walls;

accidents associated with the operation of large open pit mining and rock transportation equipment; and

accidents associated with the preparation and ignition of large scale open pit blasting operations.

Hazards associated with waste rock mining include:

accidents associated with operating a waste dump and rock transportation;

pillar mining; and

production disruptions due to weather.

Harmony is at risk of experiencing any and all of these environmental or other industrial hazards. The occurrence of any of these hazards could delay production, increase 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 can lead to the suspension and potential closure of operations for indeterminate periods. For example, in October 2007, an incident occurred at the Elandsrand operation involving a compressed pipe column which broke off below the shaft surface bank and fell to the bottom of the men and material shaft, causing extensive damage to the shaft stee work and electrical cables. The incident resulted in 3,000 workers being stranded underground for more than 30 hours. Mining operations were temporarily suspended for 44 days to allow for repairs to be conducted in the shaft. These and other safety risks, even in situations where no injuries are experienced, can have a material adverse effect on the company 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 Harmony believes that its current insurance coverage for the hazards described above is adequate and consistent with industry practice, Harmony may become subject to liability for pollution (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 in recent years. Even though the inflation rate has decreased over the last three years, working costs and especially wages have increased considerably over the past three years resulting in significant cost pressures on the mining industry. Harmony s profits and financial condition could also be affected adversely in the absence of a concurrent devaluation of the Rand and an increase in the price of gold.

The socio-economic framework in the regions in which we operate may have an adverse effect on Harmony s operations and profits.

Harmony has operations in South Africa, Australia and PNG. As a result, changes or instability to the economic or political environment in any of these countries or in neighboring 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 we operate, and the impact government decisions may have on our business.

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Actual and potential shortages of production inputs may have an adverse effect on Harmony s operations and profits.

Harmony s results of operations 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 on the supply of any of these materials would require Harmony to find substitute suppliers acceptable to it and could require it to pay higher prices for such materials. Any significant increase in the prices of these materials will increase Harmony s operating costs and affect production considerations.

Harmony s financial flexibility could be materially constrained by exchange control regulations as imposed by the South African Reserve Bank (SARB).

South Africa s exchange control regulations provide for restrictions on exporting capital from South Africa. As a result, Harmony s ability to raise and deploy capital outside South Africa is restricted. In particular, Harmony:

is generally not permitted to export capital from South Africa, to hold foreign currency or incur indebtedness denominated in foreign currencies without the approval of the South African exchange control authorities;

is 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;

is generally required to repatriate to South Africa profits of foreign operations; and

is limited in its ability to utilize profits of one foreign business to finance operations of a different foreign business.

These restrictions could hinder Harmony s normal corporate functioning, including its ability to make foreign investments and procure foreign currency denominated financings in the future. While exchange controls have been relaxed in recent years, it is difficult to predict whether or how the South African Government will further relax the exchange control regulations 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 of relaxation. Further relaxation, or abolition of exchange controls may precipitate a change in the capital flows to and from South Africa. In the event of the immediate abolition of exchange control there may be a sudden withdrawal of Rand from the South African market by investors. Because South Africa has a fully floating exchange rate and a flexible interest rate policy, this would result in a rapid depreciation of the Rand exchange rate which would serve to stem the withdrawal and would also result in an increase in interest rates due to the depreciation of the Rand.

Since Harmony s South African labor force has substantial trade union participation, Harmony faces the risk of disruption from labor disputes and new South African labor laws.

Despite a history of positive and constructive engagement with labor unions, there are periods during which the various stakeholders are unable to agree on dispute resolution processes. Disruptive activities on the part of labor, which normally differ in intensity, then become unavoidable. Due to the high level of union membership among Harmony s employees, Harmony is at risk of having, and did experience in both fiscal 2006 and 2005 for example, production stoppages for indefinite periods due to strikes and other disputes. The National Union of Mineworkers (**NUM**) is a major union representing more than 75% of the employees in South Africa. Harmony is currently negotiating a compromise with the NUM to develop improved safety standards and performance by all stakeholders and to avoid antagonistic attitudes developing around safety issues. Failure to reach agreement on any disputes with NUM could have an adverse affect on our operations. Significant labor disruptions have affected our operations and financial condition before and we are not able to predict whether or not we will experience significant labor 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 upon by agreements concluded between Harmony and the trade unions, the prescribed minimum terms and conditions forms the benchmark for all employment contracts.

South African employment law regulates the working hours of employees and provides for severance payment equivalent to one week for each completed year of service insofar as an employee s employment is terminated due to operational requirements. Agreements between Harmony and the trade unions may vary the working hours and the payments employees are entitled to where their employment is terminated due to operational requirements.

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South African employment law allows an employer and trade unions to apply for exemption from certain sections of employment legislation. The Minister of Labor granted certain exemptions to gold and colliery members of the South African Chamber of Mines. These determinations by the Minister of Labor are designed to take into account the practical circumstances and arrangements which prevail in the gold and coal mining industries and not catered for in legislation. A number of the variations cater for the employees preferences in relation to working hours.

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 attract substantial penalties.

Development in South African employment law may increase our cash costs of production or alter our relationship with our employees and trade unions, which may have an adverse effect on our business, operating results and financial condition.

Harmony may suffer adverse consequences as a result of its reliance on outside contractors to conduct its operations.

A portion of Harmony s operations are currently conducted by outside contractors. As a result, Harmony s operations are subject to a number of risks, some of which are outside Harmony s control, including:

- negotiating agreements with contractors on acceptable terms;
- the inability to replace a contractor and its operating equipment in the event that either party terminates the agreement;
- reduced control over those aspects of operations which are the responsibility of the contractor;
- failure of a contractor to perform under its agreement with Harmony;
- interruption of operations in the event that a contractor ceases its business due to insolvency or other unforeseen events;
- failure of a contractor to comply with applicable legal and regulatory requirements, to the extent it is responsible for such compliance; and
- problems of a contractor with managing its workforce, labor unrest or other employment issues.

In addition, Harmony may incur liability to third parties as a result of the actions of its contractors. The occurrence of one or more of these risks could have a material adverse effect on Harmony s business, results of operations and financial condition. See *Directors, Senior Management and Employees Employees.*

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

The incidence of HIV/AIDS in South Africa and PNG, which is forecast to increase over the next decade, poses risks to Harmony in terms of potentially reduced productivity and increased medical and other costs. Harmony expects that 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 status. This expectation, however, is based on assumptions about, among other things, infection rates and treatment costs which are subject to material risks and uncertainties beyond Harmony s control. As a result, actual results may differ from the current estimates.

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, or the Mine Health and Safety Act, which imposes various duties on Harmony at its 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, or the Occupational Diseases Act, 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 s employees from its existing healthcare facilities in South Africa. There is a risk that the cost of providing such services could increase in future depending on changes in the

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nature of underlying legislation and the profile of Harmony s 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 Harmony s workforce, although there can be no guarantee that such initiatives will not be adversely affected by increased costs.

Laws governing mineral rights affect our business.

Harmony is governed by the South African Mineral and Petroleum Resources Development Act 2002 (**MPRDA**). See *Regulation Health and Safety Matters South Africa* for a description of the principal objectives set out in the 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 apply for new order mining rights over existing operations within five years of May 1, 2004 or before the existing right expires, whichever is the earlier date and fulfill requirements specified in the MPRDA and the Broad-Based Socio-Economic Empowerment Charter for the South African mining industry (**Mining Charter**).

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 historically disadvantaged South Africans, as defined in the Mining Charter (**HDSA**). An interim target of 15% HDSA participation over 5 years has also been set and to this end, the South African mining industry has committed to securing financing to fund participation by HDSAs in an amount of R100.0 billion within the first five years of the Mining Charter s tenure. The Mining Charter provides for the review of the participation process after five years to determine what further steps, if any, are needed to achieve the 26% target participation. 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 5 and 10 years respectively. The Mining Charter and Scorecard require programs for black economic empowerment and the promotion of value-added production, such as jewelry-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 beneficiation. In addition, the Mining Charter addresses socio-economic issues, such as migrant labor; mine community and rural development, and housing and living conditions.

Currently, the South African government has given its assurance that the Mining Charter will take precedence over the more recently promulgated Black Economic Empowerment Act, 2003 and particularly the Codes of Good Practice published thereunder, which are of general application to the South African economy. It is therefore envisaged that the Mining Charter will remain relevant to securing the conversion of mineral rights.

Harmony actively carries out mining and exploration activities in all of its material mineral rights areas. All of Harmony s operations have been granted their mining licenses and execution of the licences will be finalised by January 2008. We will be eligible to apply for new licenses over existing operations, provided that we comply with the Mining Charter. We have 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 our operations and financial condition.

The MPRDA also makes reference to royalties payable to the South African state in terms of the envisaged Mining and Petroleum Royalty Act which has not yet been finalized. However, a Bill, known as the Royalty Bill, has been made available for public comment. The introduction of the Mining and Petroleum Royalty Act will have an adverse impact on the profits generated by Harmony s operations in South Africa. According to the terms of the draft regulations, royalties will only be payable from 2009.

In Australia, most mineral rights belong to the government, and mining companies pay royalties to the government based on production. There are, however, limited areas where the government granted freehold estates without reserving mineral rights. Harmony s subsidiary, New Hampton, has freehold ownership of its Jubilee mining areas, but the other mineral rights in Harmony s Australian operations are subject to royalty payments. In addition, current Australian law generally requires landowner title approval to be obtained before a mining license can be granted and mining operations can commence. New Hampton and Hill 50 have approved mining leases for most of their reserves, including all reserves that are currently being mined. Should New Hampton or Hill 50 desire to expand operations into additional areas under exploration, these operations would need to convert the relevant 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. Please also see *Regulation* for further information.

In PNG, Harmony s mining operations will be subject to royalty payments 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 relevant 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. Please also see *Regulation* for further information.

Harmony is subject to extensive environmental regulations.

As a gold mining company, Harmony is subject to extensive environmental regulation. Harmony has experienced and expects to continue to experience increased cash costs of production arising from compliance with South African and Australian environmental laws and regulations. The MPRDA, certain other environmental legislation and the administrative policies of the South African government regulate the impact of Harmony s prospecting and mining operations on the environment.

Pursuant to these regulations, upon the suspension, cancellation, termination or lapsing of a prospecting permit or mining authorization in South Africa, Harmony will remain liable for compliance with the provisions of the MPRDA, including any rehabilitation obligations. This liability will continue until such time as the South African Department of Minerals and Energy certifies that Harmony has complied with such provisions.

In the future, Harmony may incur significant costs associated with complying with more stringent requirements imposed under new legislation and regulations. This may include the need to increase and accelerate expenditure on environmental rehabilitation and alter provisions for this expenditure, which could have a material adverse effect on Harmony s results and financial condition. Harmony may also face increased environmental costs resulting from other mines in the vicinity of Harmony s mines failing 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 wastes, the pollution of ground and ground water systems and the duty to rehabilitate closed mines, may result in additional costs and liabilities.

Harmony s Australian and 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.

Harmony may not pay cash dividends to its shareholders in the near future.

While it is the intention of Harmony to declare and pay cash dividends, it is its 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, cash dividends may only be paid out of the retained or current profits of Harmony. We did not declare a cash dividend in fiscal 2007, 2006 or 2005 and we cannot guarantee that cash dividends will be paid in the future.

Non-South African shareholders of Harmony face additional investment risk from currency exchange rate fluctuations since any dividends will be paid in Rand.

Dividends or distributions with respect to Harmony s ordinary shares have historically been paid in Rand. The U.S. dollar equivalent of any dividends or distributions with respect to Harmony s ordinary shares would be adversely affected by potential future decreases in the value of the Rand against the US dollar.

Investors in the United States may have difficulty bringing actions, and enforcing judgments, against Harmony, its directors and its 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. All of Harmony s 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 the assets of Harmony are located outside the United States. As a result, it may not be possible for investors to enforce against these persons or Harmony a judgment obtained in a United States court predicated upon the civil liability provisions of the federal securities or other laws of the

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Unites States or any state thereof. A foreign judgment is not directly enforceable in South Africa, but constitutes a cause of action which will be enforced by South African courts provided that:

the court that pronounced the judgment had jurisdiction to entertain the case according to the principles recognized by South African law with reference to the jurisdiction of foreign courts;

the judgment is final and conclusive;

the judgment has not lapsed;

the recognition and enforcement of the judgment by South African courts would not be contrary to public policy, including observance of the rules of natural justice which require that the documents initiating the United States proceeding were properly served 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 judgment does not involve the enforcement of a penal or revenue law; and

the enforcement of the judgment 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 our compliance policies and increases our costs of compliance.

Laws, regulations and standards relating to accounting, corporate governance and public disclosure, new SEC regulations and other listing regulations applicable to us are subject to change and can create uncertainty for companies like 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.

Beginning this fiscal year ending June 30, 2007, pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, Harmony is required to furnish a report by its management on its internal control over financial reporting. The report in this 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 fiscal year, including a statement as to whether or not its internal controls over financial reporting are effective. Harmony is required to have its independent auditors publicly disclose their conclusions regarding the evaluation.

During fiscal 2007, we experienced a breakdown in internal controls over financial reporting related in part to the implementation of a new Enterprise Resource Planning (ERP) system. Certain month-end controls relating to accounts payable, cash and bank deposits as well as inventory could not be performed during the fiscal year due to difficulties encountered with the implementation of the system which led to material adjustments being required in our financial statements. Accordingly, we have identified certain material weaknesses in our internal controls over financial reporting, in particular relating to the information technology control environment and the financial reporting closing process which have also negatively impacted the report issued by our auditors regarding our internal controls over financial reporting. *See Item 15. Disclosure Controls and Procedures.*

We are committed to maintaining high standards of corporate governance and public disclosure, and our 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.

Investors may face liquidity risk in trading Harmony s ordinary shares on the JSE Limited.

The primary listing of our ordinary shares is on the JSE Limited. Historically, trading volumes and liquidity of shares listed on the JSE have been low in comparison with other major markets. The ability of a holder to sell a substantial number of Harmony s ordinary shares on the JSE in a timely manner, especially in a large block trade, may be restricted by this limited liquidity. See *The Offer and Listing The Securities Exchange in South Africa.*

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Because Harmony has a significant number of outstanding share options and convertible debt instruments, Harmony s 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. Harmony s board has authorized up to 14% of the issued share capital to be used for these plans. Additionally, the company has convertible uncollaterized fixed rate bonds in the amount of $237 million which are due on May 21, 2009. These bonds may be converted into equity at the option of the bondholder at any time from July 1, 2004 and May 15, 2009 at a specific conversion price based on the outstanding principal amount divided by the conversion price in effect on that date. 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 and convertible debt instruments.

Item 4. INFORMATION ON THE COMPANY

BUSINESS

History and Development

Harmony conducts underground and surface gold mining and related activities, including exploration, processing and smelting. We are currently the third largest producer of gold in South Africa, producing approximately 19.7% of the country s annual gold output, and the fifth largest gold producer in the world with operations and projects in South Africa, Australia and PNG. Harmony s gold sales have increased from 650,312 ounces of gold in fiscal 1995 to approximately 2.3 million ounces of gold in fiscal 2007. As at June 30, 2007, our mining operations reported total proven and probable reserves of 53.67 million ounces, primarily from South African sources. In fiscal 2007, we processed approximately 22.8 million tons of ore.

In fiscal 2007, approximately 90% of Harmony s gold production took place in South Africa and approximately 10% in Australia. In fiscal 2007, approximately 95% of Harmony s South African gold came from underground mines, approximately 3% came from its Kalgold opencast operation, and approximately 2% was produced from the treatment of surface sand and slime operations. For more detailed geographical information about Harmony s activities, see *Item 4. Information on the Company Business Harmony s Mining Operations Overview* and the notes to the consolidated financial statements included in this annual report. Mining is a highly regulated industry, and we operate under a variety of statutes and regulations. For more detailed information about these statutes and regulations, see *Item 4. Information on the Company Regulation* and *Item 10. Additional Information Memorandum and Articles of Association* .

We also have exploration and evaluation programs focused on parts of Australia, PNG and West Africa. Exploration and evaluation of Africa is handled through the South African office, while Australian and PNG exploration and evaluation opportunities are handled through the Australian office.

Harmony was incorporated and registered as a public company in South Africa on August 25, 1950 (under registration number 1950/038232/06). Harmony poured its first gold on 11 September 1954. In the early seventies it was merged with the Anglovaal mines, Merriespruit and Virginia, forming Harmony Gold Mining Company Limited. In 1995, Harmony was rejuvenated. It expanded from a single lease-bound mining operation into an independent, world-class gold producer. We acquired additional mineral rights in the Free State, Mpumalanga, Gauteng and North West provinces in South Africa when we acquired Lydex in 1997, Evander in 1998, Kalgold in 1999, Randfontein in 2000, ARMgold in 2003 and Avgold in 2004. In building our Australian portfolio, we acquired Hill 50 and New Hampton in Western Australia in 2001 and 2002, respectively, and started our exploration portfolio in PNG with projects in the Morobe province originally through our acquisition of Abelle in 2003. In 2007 we became a member of the World Gold Council, the association representing the wider marketing and public policy issues of many of the world s biggest gold mining companies.

Our principal executive offices are located at Randfontein Office Park, Corner of Main Reef Road and Ward Avenue, Randfontein, 1760, South Africa and the telephone number at this location is +27-11-411-2000.

South African Operations

In South Africa, Harmony operates a total of 22 shafts, 1 project shaft, 1 open cast mine, and 9 processing plants which are located in all of the currently known goldfields in the Witwatersrand basin of South Africa as well as the Green Stone belt. These operations produced 2.1 million ounces in fiscal 2007, and South Africa represented approximately 91% (or 48.95 million ounces) of Harmony s total proven and probable reserves. The deep level gold mines located in this basin include those in the Free State province, the Evander gold mine in Mpumalanga province, the Randfontein and Elandskraal mines in the West Rand goldfields in Gauteng province

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and the Orkney and Kalgold operations in the North West province. In September 2007, Harmony announced that it has signed formal agreements with Pamodzi Gold Limited (**Pamodzi Gold**) regarding the sale of Orkney shafts. See *Item 8 Recent Developments* .

Ore from the shafts and surface material are treated at 9 metallurgical plants in South Africa (4 in the Free State, 1 in Carltonville, 2 in Evander, 2 in Randfontein and 1 near Mafikeng). There are 2 plants on care and maintenance which can be restarted if additional processing capacity is required (Joel plant and St. Helena plant).

We manage and evaluate our operations on a shaft-by-shaft basis. The South African underground operations are treated as three separate reporting segments for management and reporting purposes. We have found this system to be very effective as, among other things, it allows for different management styles and capital allocations.

These 3 segments are:

the ***Quality Assets*,** which typically have a larger reserve base and hence a longer mine life. These form the core of our operations;

the ***Leveraged Assets*** are those that have a large resource base and provide significant upside in the event of a rising gold price; and

the ***Growth Assets***, which comprise the expansion projects and new mines currently under development in South Africa.

There are also a number of surface operations around existing mines, which treat historic sand dumps, rock dumps and tailings dams next to our underground operations in addition to the Kalgold open-cast mine:

Quality Assets	**Leveraged Assets*****	**Growth Assets**	**Surface Operations**
Target	Bambanani	Elandsrand mine and project	Kalgold
Tshepong	Joel	Doornkop mine and project	Freegold
Masimong shaft complex	West Shaft*	Phakisa capital project	Free State
Evander 2,3 & 5	St. Helena		Randfontein
Evander 7	Harmony 2		Target
Evander 8	Merriespruit 1		
Cooke 1	Merriespruit 3		
Cooke 2	Unisel		
Cooke 3	Brand 3		
	Orkney 2**		
	Orkney 4**		
	Orkney 7**		

* West Shaft closed end of March 2007.

** On September 24, 2007 an agreement to sell the Orkney shaft was entered into with Pamodzi Gold and is expected to be concluded by the first half of 2008.

*** The Harmony 4 Shaft, St. Helena 2 Shaft and Eland Shaft are all currently under care and maintenance as of June 30, 2007.

Australasian Operations

Harmony s interests in Australasia are located in Australia and PNG and represent 9% (or 4.72 million ounces) of Harmony s total proven and probable reserves.

Harmony s interests in Australia consist of two operating centers, consisting of both underground and open pit mines located at Mt. Magnet and South Kalgoorlie in Western Australia. Underground and surface mining is conducted at each of our Australian operations, with underground access through two declines at Mt. Magnet and one decline at South Kalgoorlie and surface access through open pits (mining at the decline at South Kalgoorlie ceased at the end of the financial year). These operations produced 224,799 ounces in fiscal 2007 (2006: 231,461 ounces) and represented approximately 1% (or 0.46 million ounces) of Harmony s total proven and probable reserves. Ore from the shafts and surface material are treated at two metallurgical plants in Australia (one at Mt. Magnet and one at South Kalgoorlie).

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Harmony has classified the Western Australia operations as available for sale. In July 2007, Harmony entered into an agreement with Dioro Exploration NL (Dioro) to acquire Harmony s South Kalgoorlie assets in Western Australia. The total purchase price is A$45 million (US$38.2 million), which consists of a cash component and a share component. The share component entails the issuance of 160 million Dioro shares, or shares to the value of A$20 million ($17 million), and a cash component of A$25 million (US$21.2 million). The transaction is subject to various conditions precedent, including a minimum capital raising by Dioro of A$35 million (US$29.8 million) by the completion date. The completion of the agreement is subject to regulatory approvals.

In November 2007, Harmony announced that it has signed a letter of intent with the Australian-based junior miner Monarch Gold Mining Company for the sale of its Mt Magnet operations for A$65 million (US$57.2 million). The Mt Magnet asset package, which includes Hill 50, Great Fingall, St George, Star and Big Bell mines, comprises a resource inventory of 2.7Moz of gold, tenements covering approximately 62,000 hectares and 166 exploration licence blocks, along with a 2.7Mt a year capacity plant. The offer is made up of a combination of A$30 million cash (US$26.4 million), A$20 million (US$17.6 million) in shares and A$15 million (US$13.2 million) in convertible notes. The transaction will require a capital raising by Monarch on the Toronto Stock Exchange by the completion date.

In PNG, Harmony owns development and exploration prospects in the Morobe Province. Harmony is in the process of building a new mine in Hidden Valley which is expected to commence production in the March 2009 quarter. In addition, Harmony has completed its Golpu stand alone pre-feasibility study (PFS) during the June 2007 quarter, on time and within budget. The study has identified a technically and economically viable project plan, with the highlight being the definition of a probable ore reserve of 70.8 million tonnes grading 1.1% copper, 0.61g/t gold and 121ppm molybdenum. Importantly, the mining plan has restricted the overall average arsenic grade to 136ppm, with the highest grade in any single year restricted below 300ppm, to ensure that a saleable concentrate is maintained throughout the project life. PNG represents approximately 8% (or 4.26 million ounces) of Harmony s proven and probable reserves. Harmony has indicated that it will be looking at a partnership on the PNG assets, to assist in the development thereof.

Competitive Strengths

Leading market position in the attractive gold industry

We believe that our size and leading market position enables us to undertake exploration and simultaneously develop multiple projects around the world, as well as secure capital on competitive terms.

The global gold industry offers a number of attractive industry fundamentals from which we benefit. This includes the absence of available substitutes, relatively high barriers to entry, and increasing gold producer concentration.

We are developing new mines at a planned lower cost per ounce than our current operations, which we believe will help make them robust enough to survive any margin squeeze and to withstand any reversal in the gold price. We expect the gold price to continue its upward trend in the medium term.

Significant reserves with long mine lives

Harmony s ore reserves as of June 30, 2007 amounted to 53.67 million ounces of gold spread across our assets in South Africa, Australia and PNG. This ore reserve base is sufficient to support our existing operations in excess of 20 years at current production levels. Year-on-year depletion accounted for 2.3 million ounces after disposals, shaft closures and the loss of Western Area equity ounces of 5.4 million ounces. However, the positive progress made with prefeasibility studies at the Evander South Project and at Wafi/Golpu in PNG added 3.5 million ounces to reserves.

Of the company s 53.67 million ounces of reserves, 41.5 million ounces are classified as above infrastructure and 12.2 million ounces are classified below infrastructure (reserves for which capital expenditure has still to be approved).

Highly attractive project pipeline

We have a diverse portfolio of gold development projects spread across South Africa and PNG. These projects include Elandsrand, Doornkop, Tshepong and Phakisa in South Africa, and Hidden Valley in PNG, which, when developed, could deliver up to 1.4 million ounces of additional production by 2011.

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We believe the relatively higher grade of these South African deposits and/or lower cost base will result in these additional ounces being produced at highly competitive cash costs. This in turn may result in a reduction in our overall cash cost position as these new projects are commissioned.

In addition to these projects, we have a number of additional development prospects that are being considered and progressed, including the processing of sand dumps and tailings dams in our Mega Dumps projects, the processing of rock dumps, and developing the Wafi/Golpu copper/gold deposit in PNG, which, when all developed, could increase production by a further 1.0 million ounces per annum.

We have also expanded our exploration skill base, evidenced by our progress in PNG.

We are also currently assessing potential options for our uranium deposits.

Positive gold market outlook

The gold market continued its strong trend over the last year, with the fiscal 2007 average gold price of $694 per ounce. This increase in the gold price has been driven predominantly by a combination of increased investment, consumer demand, flat mine production and relatively weak US dollar.

Increased investment demand has been one of the major catalysts behind a recent surge in gold demand, with private investors now owning more gold than the governments of the world. The reasons behind this increased demand are varied, and include: concerns over the future of the U.S. economy and its currency; investors seeking portfolio diversification; the launch of a number of gold exchange traded funds; and investors seeking a safe haven in turbulent geopolitical tensions.

We believe these fundamental drivers behind increased demand and decreased new supply of gold will remain in the future, which will in turn support a higher gold price over this period. As an unhedged gold producer, Harmony will benefit from a rising gold price environment.

In addition, the fundamental demand for gold appears to have continued with lower official sales and an acceptance of a new floor price in the gold jewelry sector. Producer de-hedging, combined with the continued decline in global gold output, underpins the positive view.

Increased focus on earnings margins and cost

Our aim to return to profitability is assisted by improved market conditions for South African gold producers, but also importantly, through a restructuring of our portfolio to increase productivity and optimize overall production levels, while closing or divesting lower quality ounces.

We are committed to lower our cost base and extensively benchmark our costing parameters both internally between operations within Harmony, and externally against other gold producers.

We are confident that the benefits of our restructuring process and ongoing cost focus will be sustained in the long term, and as a result, our ability to withstand any future adverse market conditions has been significantly enhanced.

Conservative balance sheet and low gearing

We maintain a conservative gearing policy and seek to fund ongoing capital expenditure (excluding growth projects) through cash generated from existing operations.

Our low level of gearing should provide us with the ability to utilize debt to fund capital and development expenditure requirements for our new projects.

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Experienced management team with significant industry expertise

Our senior management team consists of experienced mining executives with extensive industry backgrounds combined with geological and metallurgical expertise.

Our senior management team has a proven track record in developing and managing the operations under its control, and has demonstrated an ability to optimize underperforming assets as well as developing new projects around the world.

Leading Black Economic Empowerment strategy

Harmony is proud to be a South African company and fully embraces the country s transformation initiatives. We are 16% owned by African Rainbow Minerals (**ARM Limited**), a black empowerment company in which our chairman, Patrice Motsepe, owns an interest.

We believe that we have gone beyond the requirements of the Mining Charter by ensuring that our historically disadvantaged South African (**HDSA**) partners are truly empowered, that we are largely managed by a HDSA Board, and that we continue to engage with black shareholders and/or partners to find more opportunities to invest in BEE transactions and involve HDSA partners.

We will continue to embrace empowerment as part of our growth strategy and we acknowledge that empowerment forms a fundamental part of our business into the future.

Strategy of organic growth

Harmony s organic growth strategy is focused on the extraction of high-quality ounces and developing and operating our long-life mines. Through our back to basics approach of disciplined mining, we aim to reduce costs and increase productivity. Our dedicated and participative management team endeavours to meet production targets, reduce costs and optimize the orebodies for the benefit of all our stakeholders.

Organic growth focused on high quality ounces

Harmony s extensive experience and ten-year track record of successfully identifying, exploring and developing its own projects is a core component of our value creation strategy.

Our ongoing exploration programme is focused on both on-mine exploration, which targets resources within the economic radius of existing mines, and new mine exploration, which targets promising early to advanced stage projects around the world.

Harmony is currently expanding its production base in South Africa and PNG, with a focus on developing new mines at competitive cash costs and upgrading the overall quality of our portfolio.

We currently have a diverse project pipeline, comprising five projects that are well advanced and, if all developed, could deliver up to an additional 1.4 million ounces of low-cost production by 2011. These projects include Elandsrand New Mine, Doornkop South Reef, Tshepong Sub 66 Decline and Phakisa in South Africa, and Hidden Valley in PNG, which, if all developed, would contribute to a reduction in our overall cash costs per ounce when they come on-stream.

In addition to these projects, we have a number of additional development prospects that are being progressed, including surface sand dumps, rock dumps and tailings dams, reviewing the potential of our uranium deposits, and developing the Wafi/Golpu copper/gold deposit in PNG, which, when an investment decision is taken by the board to develop them once feasibility studies are complete, could increase production by up to a further 1.0 million ounces.

We have also expanded our exploration skill base, evidenced by our progress in PNG.

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Operational Strategy: Back to Basics :

Our operational strategy is underpinned by the back to basics strategy of disciplined mining, cost control, ore reserve management and efficiency.

Empowered management teams

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

Active involvement and management

Annual operational goals and targets, including cost, volume and grade targets are established in consultation with Harmony s executive committee for each mining site. Each management team develops an operational plan to implement the goals and targets for its mine site. Members of Harmony s executive committee review and measure the results at each mining site on a regular basis throughout the year.

Focus on increased productivity

Gold mining in South Africa is labor intensive, accounting for about 50% of Harmony s South African operating costs. To control these costs, Harmony structures its operations to achieve maximum productivity with the goal of having 60% of Harmony s workforce directly engaged in stoping, or underground excavation, and development rock breaking activities.

Commitment to cost control

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

Proactive maintenance practices

Harmony applies a principle of appropriate maintenance which allows it to spend capital commensurate with the life of a specified operation. This principle ensures safe operation and reduces capital that may be used ineffectively on mines that have a limited life.

Implementation of new systems

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

Increasing consistency at our operations

We are committed to increasing the consistency of our operations, in terms of both gold ore grades and production levels, in order to extract optimal value from our orebodies. To achieve this, we have undertaken an intensive program over the last 18 months to significantly improve the mining flexibility of our operations by increasing our development expenditure and focusing on comprehensive ore reserve management. We have made significant progress on this objective, as evidenced by our substantially improved development rates.

We are currently reviewing potential opportunities in respect of certain deposits and assets which we may develop independently of our core gold business, and in particular, our uranium assets, of which the underground resources are not currently reflected on our balance sheet or reserve statement. In respect of our Wafi/Golpu copper/gold prospects, we may seek to develop those assets with partners.

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Selected acquisitions that diversify our operations and complement our competitive strengths

Harmony has a long track-record of acquisitions, having completed over 25 transactions over the last eleven years and successfully integrating each of these operations into the Company.

We possess broad and extensive gold mining experience gained through the development and operation of both surface, opencast mines and mechanized, underground mines. This breadth of expertise provides us with a competitive advantage when evaluation acquisition opportunities.

Our acquisition strategy is currently focused on establishing another major growth area outside of South Africa by 2011. We believe that there is value in further diversifying our production base outside of South Africa, as well as applying our broad development and operational skills to new types of deposits.

Targeted disposals that will upgrade our overall portfolio quality

Harmony has accumulated a diverse portfolio of assets, a number of which are nearing the end of their productive lives for Harmony and are considered non-core to our business. However, these assets may be of higher value to smaller producers who are less concerned about short mine lives, and can still profitably operate these assets for a number of years.

As a result, we believe our disposal strategy will create value through the targeted sale of these assets which for Harmony have relatively higher cost bases and/or shorter mine lives.

However, we will look to retain upside gold exposure from any disposal through gold royalty arrangements. essentially a deferred purchase payment that is geared to increased production and increased gold price.

This disposal process is already well progressed, with an agreement entered into for the sale of the Orkney operations in September 2007. This sale includes gold royalty arrangements, and is due to be concluded by the first half of calendar 2008.

We have also signed sale agreements or letters of intent for the disposal of our Western Australian gold operations which includes South Kal and Mt Magnet.

Initiatives that target specific opportunities

We acknowledge significant capital expenditure and a commitment to a long time horizon are required to develop our projects into new mines. However, we firmly believe that this is the foundation of Harmony s future, and to this end, have made substantial investments in our major projects both in South Africa and PNG.

Principal Investments

We have concluded several other strategic transactions within and outside South Africa in the last three fiscal years, which are summarized below.

In March 2007, Harmony concluded negotiations with Rio Tinto plc (**Rio Tinto**) in which we purchased Rio Tinto s rights to the royalty agreement entered into prior to the acquisition by Harmony of the Hidden Valley and Kerimenge deposits in PNG. The cost to Harmony of approximately US$22.5 million (R158 million) will be met through the issue of shares and a cash payment of US$2.5 million (R18 million). The effect of the transaction will be to reduce the cost of gold produced at Hidden Valley by US$13 per ounce, estimated at around US$35 million savings over the life of the mine. The remaining condition precedent, which is to obtain approval of the relevant PNG minister on the recommendation of the Mining Advisory Council that the royalty rights may be transferred to Harmony, has not yet been satisfied. As a result the agreement was extended to the end of December 2007; however there can be no guarantee that the Mining Advisory Council will approve the transfer.

On June 21, 2006, Harmony announced that it had acquired 37.8% of the issued share capital of Village Main Reef Gold Mining Company Limited (**Village**) for an amount of R458,775 (US$0.1 million). The equity stake was purchased from ARM Limited at a price of SA 20 cents per share. Due to the fact that the acquisition surpasses the 35% mark, Harmony was obliged under the securities Regulation Code on Takeovers and Mergers to extend an offer to the remaining shareholders of Village to acquire all of their shares at the same price at which it acquired the 37.8% stake. On August 14, 2006, Harmony announced that minority shareholders holding 3,163 shares in Village (being 0.08% of the shares in respect of which the offer was made) had accepted its offer. Harmony now holds 2,295,663 shares representing 37.83% of the issued share capital of Village. See *Item 7. Related Party Transactions.*

On March 9, 2006, Harmony announced that it had acquired a total of 44.9 million shares in Western Areas Limited (Western Areas) for R2 billion (US$321 million), representing a 29.2% stake. This was done by acquiring 37.37 million shares from Allan Gray and buying a total of 7.62 million shares on the open market. To finance this acquisition, Harmony entered into a term loan facility of R1.0 billion (US$280.8 million) with Rand Merchant Bank (**RMB**), for the purpose of partially funding the acquisition of the 29.2% stake in Western Areas. Interest is compounded at a rate equal to three-month JIBAR plus 1.5%. The loan amount is payable on March 13, 2007, and interest, which is compounded monthly and payable quarterly from June 13, 2006. See *Item 7. Related Party Transactions.* The loan was repaid during March and April 2007. See *Item 5. Recently Retired Credit Facilities and Other Borrowings.*

On December 8, 2006 the Company disposed of its interest in Western Areas in exchange for Gold Fields ordinary shares. This was in terms of an offer by Gold Fields whereby every 100 Western Areas Shares were exchanged for 35 Gold Fields shares. The Company received 15.7 million Gold Fields shares, issued at R135.02 (US$19.15) per share, for its 44.9 million Western Areas shares.

On October 18, 2004, Harmony announced the terms of a proposed merger between Harmony and Gold Fields Limited offering 1.275 newly issued Harmony shares for each Gold Fields share. The proposed merger was structured on the basis of an Initial Offer and a Subsequent Offer. As at December 1, 2004, Harmony had received valid acceptances of the Initial Offer in respect of a total of 57,993,991 shares representing approximately 11.5% of the entire issued share capital of Gold Fields. Between November 30, 2004, and December 14, 2004, Harmony issued 72,173,265 offer shares as consideration for the Initial Offer. On May 20, 2005, the Witwatersrand Local Division of the High Court of South Africa ruled that Harmony s Subsequent Offer for Gold Fields had lapsed at midnight on December 18, 2004. Accordingly, the Subsequent Offer was no longer in force and no Gold Fields shares tendered into the Subsequent Offer were accepted. Harmony has since disposed of its Gold Fields investment.

Disposals

See Item 8 *Recent Developments* for post-year end disposals.

The Company disposed of 1,150,000 Gold Fields shares for $19.7 million in a range of transactions between January 26, 2007 and February 12, 2007. The total cost of these shares was $21.4 million, resulting in a loss of $1.7 million. During May and June 2007, a further 1.5 million shares with a cost of $28.3 million were disposed of for $25.1 million, resulting a a loss of $3.2 million.

In June 2007, Harmony announced that it has signed an agreement to divest of its nickel tenements at its South Kalgoorlie Mines for A$20 million (US$17 million) in cash, subject to certain conditions precedent. The transaction is expected to conclude in the December 2007 quarter.

In April 2007, the surface assets and metallurgical plant at Deelkraal was sold to Ogoerion Construction CC for R98 million ($13.7 million). It was agreed that the purchase price be paid in installments over a 24-month period.

On October 19, 2006, Randfontein 4 shaft was sold to Simmer & Jack Limited for an amount of R60 million ($8.5 million).

On March 31, 2006, the company disposed of the entire share capital of Buffalo Creek Mines (Pty) Ltd for A$24 million (US$17.2 million). According to the agreement the A$24 million (US$17.2 million) was to be settled as follows: (i) A$4.3 million (US$3.1 million) to be paid in cash; (ii) 1,907,892 shares in GBS Gold International, valued at A$5 million (US$3.6 million); (iii) A$5 million (US$3.6 million) to be paid in cash in September 2006; (iv) Shares in GBS Gold International, equal in value to A$4.4 million (US$3.1 million), to be issued in September 2006; and (v) A$5.4 million (US$3.8 million) to be paid in cash in September 2007. The net asset value of Buffalo Creek Mines (Pty) Ltd was A$20.1 million (US$14.2 million), resulting in a profit of A$3.1 million (US$3 million). Final settlement was received as per contract in September 2007.

On January 18, 2006, Harmony disposed of its investment in Atlas Gold Limited for A$0.2 million (US$0.15 million). The investment of 500,000 shares was carried at a total cost of A$0.1 million (US$0.07 million), resulting in a profit of A$0.1 million (US$0.07 million).

On December 29, 2005, Harmony disposed of its investment in San Gold Corporation for R19 million (US$3.1 million). The investment was carried at a total cost of R20 million (US$3.2 million), resulting in a loss of R1 million (US$0.1 million).

On November 16, 2005, the company disposed of the remaining portion of the Gold Fields investment purchased in fiscal 2005 for R2.4 billion (US$361.8 million). The process was concluded through market disposals which began on November 10, 2005 and an open market offering on November 15 and 16, 2005. The investment was acquired at a cost of R2.1 billion (US$316.4 million), resulting in a profit of R307 million (US$45.4 million).

On June 3, 2005, the company disposed of 30 million shares in Gold Fields for R2 billion (US$297.6 million). The investment was acquired at a cost of R2.4 billion (US$357.8 million), resulting in a loss of R372 million (US$60.4 million).

On April 1, 2005 the Company disposed of its 12.7% holding in Bendigo Mining NL for $25.5 million, resulting in a realized profit of $4.9 million.

On February 3, 2005, Harmony undertook a secondary placing of 3,703,704 shares of its holding in ARM Limited at a price of R27.00 (US$4.41) per share. On March 15, 2005, Harmony placed another 3,418,803 of its ARM Limited shares at a price of R29.25 (US$4.81) per share. On April 21, 2005, Harmony disposed of its 14% investment in ARM Limited to the ARM Broad-Based Empowerment Trust (**the ARM Empowerment Trust**) for a cash consideration of R829,827,460 (US$136,765,960) representing a price of R29.00 (US$4.78) per ARM Limited share. The ARM Empowerment Trust has been established for the purpose of holding the ARM Limited shares to further facilitate broad-based empowerment in ARM Limited s shareholder base. ARM Limited is Harmony s second largest shareholder and Broad-based Black Economic Empowerment (BEE) partner holding 16% of Harmony. For U.S. GAAP purposes, Harmony did not recognize the disposal of its investment in ARM Limited to the ARM Empowerment Trust as a sale. *See Item 7. Major Shareholders and Related Party Transactions* and the consolidated financial statements included in this annual report for a discussion on the treatment of this transaction.

Hedging Policy

Harmony has consistently maintained a policy of not entering into forward sales, derivatives or hedging arrangements to establish a price in advance for the sale of our future gold production, although we may do so in the future. As a result of this policy, Board approval is required when hedging arrangements are to be entered into to secure loan facilities. Any change to this policy requires ratification by the Board.

Where any such gold hedging position is acquired, Harmony s policy is to eliminate any such positions existing within acquired companies as soon as this can be achieved through sound, commercially advantageous transactions. There may, however, be instances where certain hedge positions in acquired companies need to be kept in place for contractual or other reasons. In line with this policy, Harmony has historically closed out hedging arrangements inherited through its acquisitions. Harmony s revenues are sensitive to the Rand to U.S. dollar exchange rates as all the revenues are generated by gold sales denominated in U.S. dollars. Harmony, does not enter into forward sales, derivatives or other hedging arrangements to establish a Rand to U.S. dollar exchange rate in advance for the sales of its future gold production.

In May 2007, Harmony closed out the remainder of its Australian hedge book, which it had inherited with the acquisition of the Hill 50 mine. In total, some 220,000 ounces were closed out at an average spot rate of A$809/ounce, for a total cost of A$72.8 million ($60.0 million). This means that Harmony is now totally unhedged.

Description of Mining Business

Exploration

Exploration activities are focused on the extension of existing orebodies and identification of new orebodies, both at existing sites and at undeveloped sites.

Our gold-focused exploration program has two components:

- on-mine exploration, which looks for resources within the economic radius of existing mines, and
- new mine exploration, which is the global search for early to advanced stage projects.

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Once a potential orebody has been discovered, exploration is extended and intensified in order to enable clearer definition of the orebody and the potential portions to be mined. Geological techniques are constantly refined to improve the economic viability of prospecting and mining activities.

We conduct exploration activities on our own or with joint venture partners. As at June 30, 2007, our prospecting interest in South Africa measured 95,827 hectares (236,798 acres), 348,000 hectares (859,926 acres) in PNG and 325,088 hectares (803,310 acres) in Australia.

Harmony spent $26.9 million on exploration in fiscal 2007 and the bulk of exploration expenditure was allocated to activities in Australia, PNG and South Africa with smaller expenditures in other parts of Africa. In fiscal 2008, Harmony intends to carry out exploration in PNG, Australia, South Africa and other parts of Africa.

Mining

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

Accessing the orebody. In Harmony s South African underground mines, access to the orebody is by means of shafts sunk from the surface to the lowest economically and practically mineable level. Horizontal development at various intervals of a shaft (known as levels) extends access to the horizon of the reef to be mined. On-reef development then provides specific mining access. In Harmony s Australian underground mines access to the orebody is by means of declines. Horizontal development at various intervals of the decline extends access to the horizon of the ore to be mined. The declines are advanced on a continuous basis to keep ahead of the mining taking place on the levels above. In Harmony s open pit mines, access to the orebody is provided by overburden stripping, which removes the covering layers of topsoil or rock, through a combination of drilling, blasting, loading and hauling, as required.

Mining the orebody. The process of ore removal starts with drilling and blasting the accessible ore. The blasted faces are then cleaned, and the ore is transferred to the transport system. In open pit mines, gold-bearing material may require drilling and blasting, and is usually collected by bulldozers or shovels to transfer it onto trucks, which transport it to the mill.

In Harmony s South African underground mines, once ore has been broken, train systems collect ore from the faces and transfer it to a series of ore passes that gravity feed the ore to hoisting levels at the bottom of the shaft. The ore is then hoisted to the surface in dedicated conveyances and transported either by conveyor belts directly or via surface railway systems or roads to the treatment plants. In addition to ore, waste rock broken to access reef horizons must similarly be hoisted and then placed on waste rock dumps. In the Australian underground mines once ore has been broken it is loaded into trucks, which transport it to the mill. In open pit mines, ore is transported to treatment facilities in large-capacity vehicles. The Hidden Valley mine in PNG will also be an open pit operation.

Processing

We currently have 9 operational metallurgical plants and 3 metallurgical plants on care and maintenance in South Africa. We also have 2 operational metallurgical plants in Australia that treat ore to extract the gold and intend to construct a metallurgical plant at the Hidden Valley project in PNG. The principal gold extraction processes we use are carbon in leach, or CIL, and carbon in pulp, or CIP.

The gold plant circuit consists of the following:

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

Treatment. In most of our metallurgical plants, gold is extracted into a leach solution from the host ore by leaching in agitated tanks. Gold is then extracted onto activated carbon from the solution using the CIL or CIP processes.

Gold in solution, at one of our plants, is recovered using zinc precipitation. Recovery of the gold from the loaded carbon takes place by elution and electro-winning. Cathode sludge or dore bars produced from electro- winning is now currently sent directly to

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Rand Refinery. Most of the South African plants no longer use smelting to produce rough gold bars (dore). Harmony s Australian plants and its South African zinc precipitation plants continue to smelt precipitate to produce rough gold bars. These bars are then transported to the Rand Refinery or in the case of the Australian plants, to an independent refinery, which is responsible for refining the bars to a minimum of good delivery status.

In fiscal 2006, we operated the only independent gold refinery and fabrication plant in South Africa. In fiscal 2006, approximately 84% of Harmony s South African gold production was refined at Harmony s refinery and the remainder was refined at the Rand Refinery, which is owned by a consortium of the major gold producers in South Africa. The Australian gold production is refined in Australia at an independent refiner, AGR Matthey. Since July 2006, all of our gold produced in South Africa has been sent to the Rand Refinery, as a decision was made to close the Harmony Refinery for economic reasons.

The South African government has emphasized that the production of value-added fabricated gold products, such as jewelry, is an important means for creating employment opportunities in South Africa and has made the promotion of these beneficiation activities a requirement of the Mining Charter described in *Item 4. Information on the Company Regulation Mineral Rights* . Harmony supports jewelry ventures in South Africa.

Harmony s Management Structure

We have a de-centralized management structure that is based on small, empowered management teams led by General Managers at each of our operations. In South Africa, the General Managers report to Alwyn Pretorius and Tom Smith, the Chief Operations Officers, and are responsible for business optimization, ore reserve optimization, and for developing a business culture at the operations. They also focus on long-term viability and growth of the operations. The General Managers are supported by an Ore Reserve Manager, a Business Analyst and a Human Resources Leader in ensuring the growth and long-term sustainability of the operations, and additional expertise and skill is obtained from the Mining Managers, Engineers and Human Resource Managers who also report to the respective General Managers.

Capital Expenditures

Capital expenditures for continuing operations, including the non-cash portion, incurred for fiscal 2007 totalled $354.1 million, compared with $240.4 million for fiscal 2006 and $210.5 million for fiscal 2005. The focus of Harmony s capital expenditures in recent years has been underground development and plant improvement and upgrades, and management currently expects the focus to remain on its growth projects in fiscal 2008. These growth projects will require a great deal of capital expenditure over the next two to three years and, given the current cash position of the company, we are re-evaluating the planned capital expenditure, together with project timelines. Additional funding options are being investigated, including debt raising and the disposal of certain assets, such as the Cooke uranium dump. The increase in capital expenditure in fiscal 2007 compared with fiscal 2006 resulted from the increased development in PNG, which accounted for 45% of the capital expended in the year. Expenditure was also incurred at Doornkop South Reef Project, Phakisa, Tshepong Sub 66 Decline and Elandsrand New Mine. The increase in capital expenditures in fiscal 2006 compared with fiscal 2005 resulted from the commencement of infrastructure establishment in PNG and further investment in the Doornkop South Reef Project, Phakisa and Elandsrand mine. During 2006, the Company changed its accounting policy for the capitalization of mine development costs. This change was made retrospectively, and comparative numbers have been restated. See *Item 5. Operating and Financial Review and Prospects Critical Accounting Policies and Estimates* for further information on the effects of this change on Harmony. The focus of capital expenditures in fiscal 2005 resulted from the commencement of infrastructure establishment in PNG and further investment in the Doornkop South Reef Project.

Capital expenditure for discontinued operations, including the non-cash portion, incurred for fiscal 2007 totalled $26.9 million, compared with $24.9 million for fiscal 2006 and $25.8 million for fiscal 2005.

Harmony has budgeted approximately $532.8 million for capital expenditures in fiscal 2008. Details regarding the capital expenditures for each operation are found in the individual mine sections under *Business Harmony s Mining Operations.* We currently expect that our planned operating capital expenditures will be financed from operations and new borrowings as needed. However, if we decide to expand major projects such as the Poplar Project and the Rolspruit Project at Evander beyond our current plans, we may consider alternative financing sources described below. See *Item 4. Information on the Company Business Harmony s Mining Operations Evander Operations.*

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Reserves

As at June 30, 2007, Harmony has declared proven and probable reserves of 53.67 million ounces, broken down as follows: 48.95 million ounces in South Africa, 0.46 million ounces in Australia, 4.26 million ounces in PNG (4.2 million ounces from Western Areas were exchanged for shares in Gold Fields in December 2006 and are no longer included as part of Harmony s reserves).

Harmony uses the South African Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (the **SAMREC Code**), which sets out the internationally recognized procedures and standards for reporting of mineral resources and ore reserves. Harmony uses the term ore reserves herein, which has the same meaning as mineral reserves , as defined in the SAMREC code. In reporting of reserves, we have complied with Industry Guide 7 of the United States Securities and Exchange Commission.

For the reporting of Ore Reserves at our South African and Australian operations Harmony uses a gold price of $520 per ounce. An exchange rate of R6.88 per U.S. dollar is used for South Africa and for Australia an exchange rate of $0.73 per Australian dollar is used giving a gold price of R115,000 per kilogram or AU$712 per ounce, respectively. These gold prices have also been used in mine planning. At Papua New Guinea, the Hidden Valley feasibility study was completed using a base case of US$520 per ounce (gold) and a silver price of US$8 per ounce and these prices have therefore been used in the declaration of Ore Reserves.

In order to define that portion of a measured and indicated mineral resource that can be converted to a proven and probable ore reserve, Harmony applies the concept of a cut-off grade. 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 maximized. The cut-off grade is determined using Harmony s Optimiser computer program which requires the following as input:

- the database of measured and indicated resource blocks (per shaft section);

- an assumed gold price which, for this ore reserve statement, was taken as R115,000 per kilogram;

- planned production rates;

- the mine recovery factor (**MRF**) which is equivalent to the mine call factor (**MCF**) multiplied by the plant recovery factor; and

- planned cash costs (cost per tonne).

Rand per tonne cash costs of the mines are historically based, but take into account distinct changes in the cost environment, such as the future production profile, restructuring, right-sizing, and other cost reduction initiatives which we expect in the aggregate to lead to lower unit costs, and for below-infrastructure ounces, an estimate of capital expenditure.

The ore reserves represent that portion of the measured and indicated resources above cut-off 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 which includes geology, survey, planning, mining engineering, rock engineering, metallurgy, financial management, human resources management, and environmental management have been involved at each mine in the life-of-mine planning process and the conversion of resources into reserves. The ore flow-related modifying factors used to convert the mineral resources to ore reserves through the life-of-mine planning process are stated for each individual shaft. For these factors, 18-month historical information is used, except if there is a valid reason to do otherwise. Because of depth and rock engineering requirements, some shafts design stope support pillars into their mining layouts which accounts for approximately 7% to 10% discounting. Further discounting relates to the life-of-mine extraction to provide for unpay and geological losses.

Harmony s standard for narrow reef sampling with respect to both proven and probable reserve calculations for underground mining operations at Elandskraal, Free State, Evander, Randfontein, Freegold, Orkney and Target is applied on a 6 meter by 6 meter grid. Average sample spacing on development ends is at 2 meter intervals in development areas. For the massive mining at the Target operations, the Harmony standard for sampling with respect to both proven and probable reserves are fan drilling with B sized diamond drill holes (43mm core) sited at 50 meter spaced sections along twin access drives. Harmony s standard for sampling with respect to both proven and probable reserves at its Australian underground operations includes sampling development drives and crosscuts at intervals of up to 4 meters, drilling fans of diamond drill boreholes with a maximum spacing of 20 meters in any

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orientation within the orebodies, and assaying core at 1 meter intervals. The Kalgold open cast operations are sampled on diamond drill and reverse circulation drill spacing of no more than 25 meters on average. Surface mining at South African operations other than Kalgold involves recovering gold from areas previously involved in mining and processing, such as metallurgical plants, waste rock dumps and tailings dams (slimes and sand) for which random sampling is used. Australian surface operations are sampled on diamond drill and reverse circulation drill spacing of no more than 20 meters on average.

Our mining operations reported total proven and probable reserves as of June 30, 2007 are set out below:

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Ore reserve statement (Imperial) as at June 30, 2007(4)

Gold

Operations	PROVEN Tonnes (million)	PROVEN Grade (oz/ton)	PROVEN Gold[1] (Moz)	PROBABLE Tonnes (million)	PROBABLE Grade (oz/ton)	PROBABLE Gold[1] (Moz)	TOTAL Tonnes (million)	TOTAL Grade (oz/ton)	TOTAL Gold[1] (Moz)
South Africa Underground									
Elandskraal	7.1	0.222	1.57	27.9	0.240	6.71	35.0	0.237	8.28
Free State	10.2	0.161	1.64	8.5	0.155	1.32	18.8	0.158	2.96
Randfontein	3.5	0.232	0.80	4.7	0.173	0.82	8.2	0.198	1.62
Evander	5.4	0.195	1.04	15.5	0.184	2.84	20.8	0.187	3.88
Evander(below infrastructure)				57.2	0.213	12.21	57.2	0.213	12. 21
Target	8.7	0.209	1.82	13.4	0.185	2.47	22.1	0.194	4.29
Free Gold	15.2	0.198	3.02	45.9	0.224	10.28	61.1	0.217	13.30
Total S.A. Underground	**50.0**	**0.198**	**9.90**	**173.2**	**0.213**	**36.64**	**223.2**	**0.209**	**46.54**
South Africa surface									
Randfontein	4.1	0.020	0.08	0.1	0.054	0.00	4.2	0.021	0.09
Kalgold	4.0	0.029	0.12	4.3	0.053	0.23	8.4	0.041	0.35
Free Gold	212.1	0.008	1.76	12.6	0.017	0.22	224.7	0.009	1.97
Total S.A. Surface	**220.2**	**0.009**	**1.96**	**17.0**	**0.026**	**0.45**	**237.2**	**0.010**	**2.41**
Australian operations[2]									
Mt. Magnet	1.9	0.064	0.12	0.6	0.147	0.09	2.5	0.083	0.21
South Kalgoorlie	0.5	0.028	0.01	4.3	0.055	0.24	4.8	0.052	0.25
Total Australian Operations	**2.4**	**0.056**	**0.14**	**4.9**	**0.066**	**0.32**	**7.3**	**0.063**	**0.46**
Papua New Guinea									
Hidden valley	5.6	0.064	0.36	36.4	0.055	2.01	42.0	0.056	2.37

Kaveroi and Hamata				7.3	0.070	0.51	7.2	0.070	0.51
Golpu				78.1	0.018	1.39	78.5	0.018	1.39
Total Papua New Guinea	**5.6**	**0.064**	**0.36**	**121.7**	**0.032**	**3.90**	**127.3**	**0.033**	**4.26**
Grand total	**278.3**	**0.044**	**12.35**	**316.7**	**0.130**	**41.31**	**595.1**	**0.090**	**53.67**

NB : Rounding of figures may result in slight computational discrepancies

(1) Gold oz figures are fully inclusive of all mining dilutions and gold losses, and are reported as mill-delivered tons and head grades. Metallurgical recovery factors have not been applied to the reserve figures stated above. The approximate metallurgical recovery factors for the table above are as follows: Elandskraal 97%; Free State 95%; Randfontein 96%; Evander 97%; Kalgold 85%; Freegold 96%; Target 97%; Mt. Magnet 93%; South Kalgoorlie 92%; PNG 93%. In order to derive the appropriate plant recovery factors for ore reserve estimates a process have been followed where realistic assumptions based on historical performance have been applied. There may be short term fluctuation either positive or negative which can lead to small discrepancies between actual and planned recovery factors.

(2) Includes reserves from underground and surface mining at each of the Australian operations.

(3) Includes reserves from underground and surface mining at the operations.

(4) Cut-off grades are calculated per individual shaft, each having its own unique cost structure, ore

flow and recovery factors, which are entered into Harmony s Optimizer software for a cut-off calculation per shaft and expressed in oz/t units. These cut off s indicated below are oz/ton and used on in situ grades. They are as follows: Harmony 2 (0.173); Merriespruit 1 (0.128); Merriespruit 3 (0.133); Unisel (0.146); Brand 3 (0.136); Masimong 5 (0.160); Bambanani (0.167); Phakisa (0.191); Tshepong (0.198); St Helena 8 (0.177); Joel (0.131); Evander 2 + 5 (0.211); Evander 7 (0.169); Evander 8 (0.203); Rolspruit (0.159); Poplar (0.204); Cooke 1 (0.204); Cooke 2 (0.211); Cooke 3 (0.214).; Doornkop Kr (0.090); Doornkop Sr (0.167); Elandsrand (0.176); Target (0.155); Kalgold (0.014)

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Silver

	PROVEN				PROBABLE				TOTAL			
Mine	**Tonnes (Mt)**	**g/t**	**Silver (000kg)**	**Silver (000oz)**	**Tonnes (Mt)**	**g/t**	**Silver (000kg)**	**Silver (000oz)**	**Tonnes (Mt)**	**g/t**	**Silver (000kg)**	**Silver (000oz)**
Hidden Valley and Kaveroi	5.1	39.63	202.1	6498	33.0	33.23	1096.7	35261	38.1	34.09	1298.9	41759
Grand total	5.1	39.63	202.1	6498	33.0	33.23	1096.7	35261	38.1	34.09	1298.9	41759

Silver price used = US$8/oz

NB : Rounding of figures may result in slight computational discrepancies

Copper

	PROVEN				PROBABLE				TOTAL			
Mine	**Tonnes (Mt)**	**%**	**Cu (000 t)**	**Cu (M lbs)**	**Tonnes (Mt)**	**%**	**Cu (000 t)**	**Cu (M lbs)**	**Tonnes (Mt)**	**%**	**Cu (000 t)**	**Cu (M lbs)**
Golpu	0.0	0.00	0.0	0.0	70.8	1.13	800.0	1763	70.8	1.13	800.0	1763
Grand total	0.0	0.00	0.0	0.0	70.8	1.13	800.0	1763	70.8	1.13	800.0	1763

Copper price used = US$30/lb

NB : Rounding of figures may result in slight computational discrepancies

Molybdenum

	PROVEN				PROBABLE				TOTAL			
Mine	**Tonnes (Mt)**	**ppm**	**Mo (000 t)**	**Mo (M lbs)**	**Tonnes (Mt)**	**ppm**	**Mo (000 t)**	**Mo (M lbs)**	**Tonnes (Mt)**	**ppm**	**Mo (000 t)**	**Mo (M lbs)**
Golpu	0.0	0.00	0.0	0.0	70.8	121.00	8.6	19	70.8	121.00	8.6	19
Grand total	0.0	0.00	0.0	0.0	70.8	121.00	8.6	19	70.8	121.00	8.6	19

Molybdenum price used = US$20/lb

NB : Rounding of figures may result in slight computational discrepancies

Of Harmony s 53.67 million ounces of ore reserves, 41.5 million ounces are classified as above infrastructure and 12.2 million ounces are classified as below infrastructure, those reserves for which the capital expenditure has yet to be approved.

Of the decline in ore reserves, year-on-year depletion accounted for 2.3 million ounces after disposals, shaft closures plus the loss of Western Area equity ounces amounts to another loss of 5.3 million ounces. This however was offset by ounces generated as a result of progress made with pre-feasibility studies at the Evander South Project and at Wafi/Golpu in PNG which added 3.5 million ounces to reserves.

The amount of gold mineralization which Harmony can economically extract, and therefore can classify as reserves, is sensitive to fluctuations in the price of gold. If gold prices differ from the R115,000 per kilogram ($520 per ounce with an exchange rate of US$/R6.88 for South Africa and A$/US$0.73 for Australia) that was used to estimate Harmony s attributable reserves of 53.67 million ounces of gold as of June 30, 2007 listed above, Harmony s operations would have had different reserves. Based on the same methodology and assumptions as were used to estimate Harmony s reserves as of June 30, 2007 listed above, but applying different Rand gold prices that are 10% above or below the estimated Rand per kilogram gold price, the attributable gold reserves for Harmony s operations would have been as follows:

R103,500 /kilogram (-10 percent)	**R115,000/kilogram**	**R126,500 /kilogram (+10 percent)**
50.685 million ounces	53.67 million ounces	55.747 million ounces

The London afternoon fixing price for gold on November 28, 2007 was $ 801.75 per ounce.

Harmony s methodology for determining its reserves is subject to change and is based upon estimates and assumptions made by management regarding a number of factors as noted above under *Reserves* . Accordingly, the sensitivity analysis of Harmony s reserves provided above should not be relied upon as indicative of what the estimate of Harmony s reserves would actually be or have been at the gold prices indicated, or at any other gold price, nor should it be relied upon as a basis for estimating Harmony s ore reserves based on the current gold price or what Harmony s reserves will be at any time in the future. See *Risk Factors* .

Worldwide Operations

Description of Property

The following is a map of our worldwide operations.

Harmony s operational mining areas in South Africa are set forth below:

	Hectares	Acres
Cooke (Randfontein)	8,696	21,488
Lindum (Randfontein)	3,143	7,766
Doornkop (Randfontein)	2,941	7,267
Elandskraal	5,113	12,634
Free State	22,583	55,802
Freegold	21,173	52,318
Kalgold	615	1,520
Evander	36,898	91,174
Target	7,952	19,649
Total	109,114	269,618

Harmony s discontinued operational mining areas (granted tenements) in Australia are set forth below:

	Hectares	Acres
Mt. Magnet	83,419	206,133
South Kalgoorlie	113,375	280,156
Total	196,794	486,289

In PNG, Harmony holds granted tenements as set forth below:

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	Hectares	Acres
PNG	346,138	855,326
Total Worldwide Operations	642,046	1,611,233

In line with the rest of the South African mining industry, and in an effort to reduce costs, we have been rationalizing our mineral rights holdings in recent years. Accordingly, over the past three years, we have disposed of our shares and participation rights in areas within and outside of South Africa in which we have not actively pursued mining. However, in some cases we have retained certain participation rights and option clauses in disposed of properties and mining rights. We may continue to investigate further disposals.

Geology

The major portion of our South African gold production is derived from mines located in the Witwatersrand Basin in South Africa. The Witwatersrand Basin is an elongated structure that extends approximately 300 kilometers in a northeast-southwest direction and approximately 100 kilometers in a northwest-southeast direction. It is an Archean sedimentary basin containing a six kilometer thick stratigraphic sequence consisting mainly of quartzites and shales with minor volcanic units. The majority of production is derived from auriferous placer reefs situated at different stratigraphic positions and at varying depths below the surface in three of the seven defined goldfields of the Witwatersrand Basin.

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

Harmony s Hidden Valley project comprises low sulphidation carbonate-base metal-gold epithermal deposits within the Morobe Goldfield, in the Morobe Province of PNG. In the Hidden Valley project area a batholith of Morobe Granodiorite (locally a coarse grained monzogranite) is flanked by fine metasediments of the Owen Stanley Metamorphics. Both are cut by dykes of Pliocene porphyry ranging from hornblende-biotite to feldspar-quartz porphyries. A number of commonly argillic altered and gold anomalous breccias are known, including both hydrothermal and over printing structural breccias. The Hidden Valley deposit area is dominated by a series of post Miocene faults controlling the gold mineralization, including an early north trending set and the main northwest faulting.

Harmony s Wafi project comprises the sedimentary/volcaniclastic rocks of the Owen Stanley Formation that surround the Wafi Diatreme and host the gold mineralization. Gold mineralization occurs as extensive high-sulphidation epithermal alteration overprinting porphyry mineralization and epithermal style vein-hosted and replacement gold mineralization with associated wall-rock alteration. The Golpu Copper-Gold project is located about one kilometer northeast of the Wafi gold orebody. It is a porphyry (diorite) copper-gold deposit. The host lithology is a diorite that exhibits a typical zoned porphyry copper alteration halo and the mineralized body can be described as a porphyry copper-gold pipe .

Harmony s Mining Operations Overview

In South Africa, we conduct underground mining at 6 sites:

Elandskraal

Free State

Randfontein

Evander

Freegold

Target

We conduct surface mining at 5 sites:

- Free State
- Randfontein
- Freegold
- Kalgold
- Target

Surface mining conducted at the South African operations other than Kalgold involves recovering gold from areas previously involved in mining and processing, such as metallurgical plants, waste rock dumps and tailings dams (slimes and sand).

In Australia, we presently conduct mining principally at two sites:

- Mt. Magnet (we have signed a letter of intent for the sale of this operation See *Disposals* above.)
- South Kalgoorlie (we have entered into an agreement for the sale of this operation See *Disposals* above.)

Underground and surface mining is conducted at each of these operations, with underground access through two declines at Mt. Magnet and one decline at South Kalgoorlie and surface access principally through open pits. Surface mining at South Kalgoorlie ceased in fiscal 2006 with treatment consisting of Mt. Marion ore and low grade stockpiles. Open pit mining recommenced at South Kalgoorlie mines during fiscal 2007. The Mt. Marion underground operation at South Kalgoorlie Mines ceased in June 2007, with only open pit operations continuing on that site.

The following discussion is a three-part presentation of our operations:

- an overview of our South African mining operations with a discussion of each site;
- a production analysis of our South African mining operations based on individual shafts or mine grouped into categories (Quality, Leveraged and Growth); and
- an overview of our Australasian (Australian and PNG) operations.

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South African Mining Operations General

Introduction: On January 31, 2001, Harmony entered into an agreement to purchase the assets and liabilities of the Elandskraal mines in the North West and Gauteng provinces of South Africa for approximately R1 billion ($128.4 million). Harmony and AngloGold jointly managed the Elandskraal mines between February 1, 2001 and April 9, 2001 and Harmony completed the purchase on April 9, 2001. The assets and liabilities of the Elandskraal mines include the mineral rights and mining title (excluding a portion of the Carbon Leader Reef horizon, which AngloGold continues to mine), mining equipment, metallurgical facilities, underground and surface infrastructure necessary for the continuation of mining, ore treatment and gold extraction at Elandskraal as a going concern, and contributions to a rehabilitation trust fund equivalent to the current rehabilitation liability of this operation. The addition of Elandskraal to Harmony s operations increased Harmony s reserves by approximately 9.9 million ounces at that time. In fiscal 2007, Harmony s Elandskraal operations accounted for approximately 8% (7% in fiscal 2006 and fiscal 2005) of Harmony s total gold sales.

History: Gold mining began at Elandskraal in 1978 following approval of the project in 1974 by Elandsrand Gold Mining Company for the Elandsrand operations and by Gold Fields of South Africa Ltd. for the Deelkraal operations. Two surface shafts and two adjoining sub-vertical shafts were sunk at Elandsrand and Deelkraal. The sub-vertical shafts at Elandsrand were completed in 1984, which accessed a deeper reef in the lease area. The sub shaft deepening project, or SSDP, the deepening of the sub-vertical shafts to approximately 3,600 meters below surface, has been completed. Activities are currently focused on accessing and opening up areas of the new mine and on the development and construction of support infrastructure. Harmony believes that the SSDP will enable Elandskraal to produce approximately 364,954 ounces per year over the life of the mines.

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

At the Elandsrand operations, the vertical separation between the VCR and CLR increases east to west from 900 meters to 1,300 meters as a result of the relative angle of the VCR unconformity surface to the regional stratigraphic strike and dip. The CLR strikes west-southwest and dips to the south at 25 degrees. The VCR strikes east-northeast and has a regional dip of 21 degrees to the south-southeast. Local variations in dip are largely due to the terrace-and-slope palaeotopography surface developed during VCR deposition.

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

Mining Operations: The Elandskraal operations are divided into the Elandsrand and the Deelkraal mines. The Elandsrand mine engaged in both underground and waste rock mining. The Deelkraal mine engaged in underground mining but as a result of the lower gold price in rand terms (taking into account the stronger rand as against the U.S. dollar) the production was stopped in June 2004 and remained closed during fiscal 2005, 2006 and 2007. The treatment of waste rock became uneconomical and was discontinued during January 2004. These operations are subject to all of the underground and waste rock mining risks detailed in the Risk Factors section.

Following our acquisition of Elandskraal, we implemented the Harmony Way at Elandskraal in an effort to cut costs and increase productivity, which resulted in the retrenchment of approximately 1,450 employees. This has improved the overall cost structure, which has enabled us to pursue capital development.

The Elandsrand mine, a mature mine with a declining production profile, has the challenge of a new mine being developed underneath the old mine. Due to the operating depths of the Elandskraal underground operations, seismicity and pressure related problems are a risk. Harmony regularly revisits its mining strategy and management procedures at all of its deeper mining operations in connection with its efforts to mitigate this risk. The primary challenges facing the Elandskraal operations are the lowering of working costs, increasing mining flexibility, controlling capital expenditure and the timely completion of the SSDP by fiscal 2010.

During August and September 2004, a major restructuring plan was implemented at Elandsrand. Along with the implementation of Continuous Operations or CONOPS between August 2004 and February 2005, production improved. Even so, it is still hampered by the lack of flexibility, an issue that will be addressed by the commissioning of the new mine. Capital development on three levels has been completed. Cash operating cost development is taking place in both easterly and westerly directions on these levels. Access development delays on two other levels resulted from slow progress of the access haulages through the Cobra Dyke. All the levels up to 113 Level are now through and developments rates have picked up substantially. Development and construction of support infrastructure has been completed. Work on the chambers for the refrigeration plants on 100 Level and the pump chamber on 115 Level is proceeding. The project is expected to be completed by fiscal 2010 and is expected to have a life of mine of 20 years. From the inception of the project through the end of fiscal 2007, R684 million (US$95.0 million calculated at the closing rate at balance sheet date) has been expended. A further R305 million (US$42.3 million calculated at the closing rate at balance sheet date) has been budgeted to complete the project. Good progress has been made with the Elandsrand New Mine Project.

In October 2007, an incident occurred at the Elandsrand operation involving a compressed pipe column which broke off below the shaft surface bank and fell to the bottom of the men and - material shaft, causing extensive damage to the shaft steel work and electrical cables. The incident resulted in 3,000 workers being stranded underground for more than 30 hours. Mining operations were temporarily suspended for 44 days to allow for repairs to be conducted in the shaft. On November 16, 2007 the Company announced that a tripartite team, consisting of management, unions and the Department of Minerals and Energy had found the shaft to be in good working condition. Elandsrand mine was brought back into operation o November 19, 2007 after it followed precautionary safety procedures during the start up of underground workings. Management presented its the findings of the investigation to the DME relating to the pipe failure, emergency power, water and evacuation services and procedures, as well as the impact of CONOPS on maintenance. While the emergency services were found to be acceptable, Harmony has revised its emergency procedures and is in the process of completing a new Code of Practice relating to emergency preparedness. The DME is also expected to begin its own inquiry into the incident at the end of November 2007. Conditions in the working places, following a 44 day period during which no production took place, were found to be better than expected. Production at Elandsrand has resumed, and it is anticipated that the

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shaft will be back on full production in December 2007. The losses due to the suspended production will be finalized and released at the end of the December 2007 quarter.

An agreement for the implementation of CONOPS at Deelkraal was reached with the respective unions on December 19, 2003. Due to delays, it was only fully operational by April 2004. Despite this, production at the Deelkraal mine was stopped in June 2004 as a result of the reduction in the Rand-denominated price of gold at that time which made mining at the shaft uneconomical. During fiscal 2005 and 2006 the Deelkraal mine was only operating as a service shaft.

Safety: During fiscal 2007, the safety record at the Elandskraal mine in terms of lost time frequency rate 18.49 per million hours worked compared unfavorably with the group average of 15.27. Significant work was done to address the seismic risk described above and the fatality frequency rate (0.08) returned to a more consistent ratio with the group average of 0.22 for underground operations. Safety standards from other Harmony operations are being applied at Elandskraal and receive constant and high-level attention.

Plants: Commissioned in 1978, the Elandsrand Plant has milling in closed circuit with primary and secondary hydrocyclones, secondary ball milling in closed circuit with hydrocyclones, thickening and cyanide leaching in a CIP pump cell carousel circuit. The CIP was commissioned after an upgrade of the facility in 1999. Following post-acquisition capital improvements, loaded carbon milled at the Elandsrand Plant is transported by road to the Central Plant at Virginia for elution, electro-winning and smelting to produce gold. Residues from the CIP are pumped either to a backfill plant or directly to the tailings facility. Ore from Elandsrand underground operations are delivered to the plant for treatment. Due to a high percentage of freegold a gravity separator is used to extract this gold. The sludge from this concentrator is then transported by air to the Target Plant for extraction and smelting.

The following table sets forth processing capacity and average tons milled during fiscal 2007 for the plant:

Plant	Processing Capacity (tons/month)	Average Milled for the Fiscal Year June 30, 2007 (tons/month)
Elandsrand Plant	185,000 *	84,783

* Processing capacity will reach its optimal capacity upon completion of the Elandsrand New Mine Project.

In fiscal 2007, the Elandsrand Plant recovered approximately 96.31% of the gold contained in the ore delivered for processing.

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Randfontein Operations

Introduction: The Randfontein gold mine is located in the Gauteng Province of South Africa, approximately thirty kilometers west of Johannesburg. The Randfontein mine currently operates under a mining authorization with a total area of 17,753 hectares. The Randfontein mine has both underground and surface mining operations, and has two metallurgical plants. Underground mining is conducted at Randfontein at depths ranging from 500 meters. In fiscal 2007, the Randfontein Operation owns the Cooke, Doornkop and Lindum shafts. Harmony s Randfontein operations accounted for approximately 13% (13% in fiscal 2006 and 11% in fiscal 2005) of Harmony s total gold sales.

History: Gold mining began at the Randfontein mine in 1889. Harmony obtained management control of Randfontein in January, 2000 and by June 30, 2000 had acquired 100% of Randfontein s outstanding ordinary share capital and 96.5% of the warrants to purchase ordinary shares of Randfontein. Since acquiring Randfontein, we have implemented the Harmony Way at Randfontein. We have reduced the number of senior managers, sold off non-core assets and implemented management teams.

Geology: The Randfontein mine is situated in the West Rand Goldfield of the Witwatersrand Basin, the structure of which is dominated by the Witpoortjie and Panvlakte Horst blocks, which are superimposed over broad folding associated with the southeast plunging West 50 Rand Syncline. The structural geology in the north section of the Randfontein mine is dominated by a series of northeast trending dextral wrench faults.

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

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

Mining Operations: The Randfontein operations are engaged in both underground and waste rock tunneling also takes place underground. These operations are subject to all of the underground and waste rock mining risks detailed in the Risk Factors section, and have historically also been subject to the open pit mining risks. Due to the shallow to moderate depths of the operations, seismicity and pressure related problems are infrequent. There is a risk of subterranean water and/or gas intersections in some areas of the mine. However, this risk is mitigated by active and continuous management and monitoring, which includes the drilling of boreholes in advance of faces. Where water and/or gas are indicated in the drilling, appropriate preventative action is taken.

The Doornkop South Reef Project was announced on January 22, 2003. The project involves the deepening of the Doornkop main shaft to 1,973 meters to the South Reef, which lies between 1,650 and 2,000 meters below surface, and includes development towards these mining areas. The estimated final capital cost is R1.284 million (US$178.3 million), with R610 million (US$84.72 million) spent as of June 30, 2007. After some initial suspensions, mining commenced at the South Reef at Doornkop in January 2004.

Currently, the Kimberley Reef is mined on the upper levels of the Doornkop Shaft between 900 and 1,100 meters below surface. Most of this mining is taking place on channel edges, which results in sporadic high, but mostly low recovered grades. Mining from this reef is planned to cease during fiscal 2008 with all focus being directed at the South Reef.

The South Reef on the lower levels is the target of the proposed shaft-deepening project. The most significant achievement for the past year was the completion of the shaft sinking programme. The shaft was sunk from two positions simultaneously, a world first as far as we know. The programme culminated with the removal of the plug between 192 and 197 levels, where a deflector was installed on 197 level allowing for loading of the rock from 197 level and for other operations to continue below in the shaft on 212 level. Although a very high risk exercise on paper, the programme was engineered and executed on time with few significant problems.

The upper portion of shaft (from 132 level to 192 level) has been equipped on the dual purpose compartment allowing for materials to be transported to the levels as they are equipped. 192 level is currently equipped to provide all the stoping materials required for the mining programme that will commence in July 2007. Sustaining the development programme via the sub shaft infrastructure has been a challenge, as has the development of our people to take on the operation of a new mine.

Key milestones that are expected to be achieved during fiscal 2008 include the Rock Winder commissioning by December 2007 and the main shaft that will be partially equipped by the end of December 2007. The main shaft will be commissioned for 90,000 t/month to be hoisted by end March 2008. The Rock Winder is expected to be hoisting by June 2008.

First gold was produced from the project in July 2007. Full production (135,000 tons) is expected to be reached by March 2010.

Safety: The safety record at the Randfontein operations during fiscal 2007 in terms of lost time frequency rate of 10.04 per million hours worked compared favorably with the group average of 15.27. The fatality frequency rate (0.46) compared unfavorably with the group average of 0.22 for underground operations.

Safety at the operations receives constant and high-level attention and where problems are identified steps are taken to address the situation. The Chief Operating Officer is responsible for leading initiatives to improve workplace health and safety at Harmony s South African operations.

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

The following table sets forth processing capacity and average tons milled during fiscal 2007 for the Cooke and Doornkop plants:

Plant	Processing Capacity (tons/month)	Average Milled for the Fiscal Year Ended June 30, 2007 (tons/month)
Cooke	280,000	56,619
Doornkop	220,000	169,613

In fiscal 2007, the Cooke plant recovery has been approximately 81%, while Doornkop plant recovered approximately 95% of the gold contained in the ore delivered for processing. During fiscal 2006, the Doornkop plant was upgraded and all underground tons were moved from Cooke plant to Doornkop plant, Cooke plant was mothballed in January 2006 but was recommissioned during fiscal 2007 to treat surface sources.

Introduction: Harmony s Free State operations are comprised of the original Harmony mines, the Unisel mine, Saaiplaas shaft 3, the Masimong shaft complex (comprised of Masimong shafts 4 and 5), Brand shafts 2, 3 and 5, and the Vermeulenskraal North mineral rights area. Mining is conducted at Harmony s Free State operations at depths ranging from 620 meters to 3129 meters. In fiscal 2007 Harmony s Free State operations accounted for approximately 19% (18% in fiscal 2006 and 15% in fiscal 2005) of Harmony s total gold sales.

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

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Geology: Harmony s Free State operations are located in the Free State goldfield on the south-western edge of the Witwatersrand Basin. Within this area, the operations are located on the south-western and south-eastern limb of a synclinal closure, with the Brand, Saaiplaas and Masimong shafts occupying northerly extensions of the same structure. The reefs dip inwardly from their sub-outcrop positions in the east and south of the mine to a position close to the western boundary of the original Harmony mine, where the reefs abut against the De Bron fault. To the west of the De Bron faulted zone, faulting is generally more intense, resulting in structurally more complex mining conditions.

Mining Operations: The Free State operations are engaged in both underground and waste rock mining. These operations are subject to all of the underground and waste rock mining risks detailed in the Risk Factors section. Due to the shallow to moderate depths of the underground operations, seismicity and pressure related problems are relatively infrequent with the exception of the Brand shafts where these problems receive constant attention. Harmony regularly revisits its mining strategy and management procedures in connection with its efforts to mitigate risks of these problems. There is a risk of subterranean water and/or gas intersections in some areas of the mine. However, this risk is mitigated by active and continuous management and monitoring, which includes the drilling of boreholes in advance of faces. Where water and/or gas is indicated in the drilling, appropriate preventative action is taken. The principal challenges at the Free State operations of achieving optimal volumes and grades of ore production are addressed by stringent ore reserve management.

In fiscal 2002, Harmony began implementing the Masimong Expansion Project, which includes developing the Basal and B Reef orebodies in the Masimong shaft area and equipping the shaft. The envisaged growth from the project was not realized in 2005 and 2006, and as a result the project was halted in June 2006.

During fiscal 2005, Masimong was affected by three underground fires (one of which stopped production for seven days in the last quarter), machinery break-downs, a go-slow strike in January 2005 and a regional strike in March 2005. CONOPS was implemented in the third quarter of fiscal 2006.

During fiscal 2005, Masimong 4 was placed on care and maintenance.

The Brand 2 and the Brand 5 shafts are currently on care and maintenance. Care and maintenance will remain in place until market conditions are more favorable or more economical parts of the orebody are discovered. All labour has been transferred to other Harmony operations, where they have augmented natural attrition positions or displaced contractor labour.

Safety: The safety record at the Free State operations during fiscal 2007 in terms of lost time frequency rate of 17.82 per million hours worked was higher than the group average of 15.27. The fatality frequency rate (0.22) is equal with the group average for underground operations lost.

Plants: There are two metallurgical plants at the Free State operations, namely Central and Saaiplaas plants. A third plant, Virginia plant, was closed in fiscal 2005 and clean up operations implemented. The Central plant was commissioned in 1986 and employs CIP/CIL hybrid technology. It is currently dedicated to the treatment of underground ore. The Saaiplaas plant, commissioned in the late 1950 s, has been converted from the zinc precipitation filter process to the CIL. It currently processes surface sources and reclaimed slime.

The following table sets forth processing capacity and average tons milled during fiscal 2007 for each of the plants:

Plant	**Processing Capacity (tons/month)**	**Average Milled for the Fiscal Year Ended June 30, 2007 (tons/month)**
Central	168,000	162,737
Saaiplaas	250,000	178,646

In fiscal 2007, Harmony s plants at its Free State operations Central Plant recovered approximately 95% of the gold contained in the ore delivered for processing and approximately 71% at the Saaiplaas plant.

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Introduction: Harmony s Evander operations are located in the province of Mpumalanga in South Africa and are comprised of an amalgamation of the former Kinross, Bracken, Leslie and Winkelhaak mines and 36,898 hectares of mineral rights adjacent to these mines. Mining at Harmony s Evander operations is conducted at depths ranging from 300 meters to 2,100 meters. In fiscal 2007, Harmony s Evander operations accounted for approximately 10% (12% in fiscal 2006 and 13% in fiscal 2005) of Harmony s total gold sales.

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

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

Mining Operations: The Evander operations are primarily engaged in underground mining. The Evander operations also process a limited amount of waste rock as and when necessary to allow the plants to operate efficiently. These operations are subject to all of the underground mining risks detailed in the Risk Factors section. Due to the shallow to moderate depths of the Evander underground operations, seismicity and pressure related problems are relatively infrequent. There is a risk of subterranean water and/or gas intersections in some areas of the mine. However, this risk is mitigated by active and continuous management and monitoring, which includes the drilling of boreholes in advance of faces. Where water and/or gas is indicated in the drilling, appropriate preventative action is taken. In fiscal 2004, an agreement was reached with the unions for the implementation of CONOPS at Evander. It has been fully implemented at all shafts at Evander. The implementation resulted in an increase in tons milled and consequently a rise in gold production.

During fiscal 2005, the Evander 2 and 5 shafts were combined and downscaled, while the Evander 9 shaft was closed successfully and placed on care and maintenance. The Evander 9 shaft employees were transferred to other Evander operations. The Evander 7 shaft (Decline No. 3, phase 3) project is currently under review due to geological complexities.

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Safety: The safety record at the Evander operations in terms of lost time frequency rate of 18.56 per million hours worked during fiscal 2007 is higher than the group average of 15.27. The fatality frequency rate (0.32) during fiscal 2007 is also higher than the group average of 0.22 for underground operations.

Plants: Evander has one active processing plant, the Kinross-Winkelhaak plant, which is operated as two geographically distinct sections. The bulk of the mine s ore production is treated at the Kinross plant, which is a CIP/CIL hybrid plant. The Winkelhaak plant mills all of the ore from shafts 2 and 5, and pumps the slurry to the Kinross plant for further processing. .

The following table sets forth processing capacity and average tons milled during fiscal 2007 for the operating plant:

Plant	Processing Capacity (tons/month)	Average Milled for the Fiscal Year Ended June 30, 2007 (tons/month)
Kinross-Winkelhaak	200,000	126,250

In fiscal 2007, the plant at Evander operations recovered approximately 96.5% of the gold contained in the ore delivered for processing.

Introduction: Harmony conducts a surface mining operation at the Kalgold gold mine near Mafikeng in the North West Province of South Africa. Through Kalgold, we also control extensive mineral rights on the Kraaipan Greenstone Belt in the North West Province of South Africa. We purchased Kalgold on July 1, 1999. In fiscal 2007, the Kalgold operations accounted for approximately 2% (3% in fiscal 2006 and 4% in fiscal 2005) of Harmony s total gold sales.

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

Geology: The Kalgold operations are situated on the Kraaipan granite-greenstone belt, which is a typical gold-bearing greenstone formation. It has undergone intense structural deformation that has led to its dislocation into separate units**.** Within the mining lease area, six steeply dipping zones of mineralization have been identified. Several additional zones of mineralization have been located within this area and are being evaluated. The first zone to be exploited by open cast mining has been

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an area known as the D-Zone. The D-Zone orebody has a strike length of 1,400 meters, varying in width between 40 meters in the south and 15 meters in the north.

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

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

Safety: The Kalgold operations had a lost time injury frequency rate of 6.08 per million hours worked in fiscal 2007, and recorded no fatal accidents in fiscal 2007. There is no reliable industry benchmark for safety at South African surface mining operations.

Plants: Ore is trucked from the pit and is directly tipped into the feed bin to the pre-primary crusher or stockpiled. The ore then undergoes a four phase crushing process before it reaches the Dome stockpile. Three ball mills are used to grind the ore down to between 70-80% less than 75 micron for the leaching process.

The replacement of a pre-aeration tank is in progress and is due for completion in December 2007. The estimated capital cost at completion amounts to R 2.5 million (US$0.35 million).

The following table sets forth processing capacity and average tons milled during fiscal 2007 for each of the plants:

Plant	Processing Capacity (tons/month)	Average Milled for the Fiscal Year Ended June 30, 2007 (tons/month)
CIL	135,000	132,485
Heap Leach*		

* Active use of heap leaching was discontinued in July 2001; however, the Heap Leach is treated through the current circuit on a monthly basis.

In fiscal 2007, Harmony s plants at its Kalgold operations recovered approximately 86% of the gold contained in the ore delivered for processing.

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Introduction: On April 23, 2002, Harmony and ARMgold acquired the Freegold operations from AngloGold through a joint venture with ARMgold in which Harmony and ARMgold each had a 50% interest for $206.8 million. Since Harmony acquired ARMgold in September 2003, the Freegold operations have been accounted for as a wholly owned subsidiary. For the year ended June 30, 2007, the Freegold operations accounted for 27% (26% in fiscal 2006 and 27% in fiscal 2005) of Harmony s total gold sales.

Freegold assets consist of the Joel, Tshepong, Matjhabeng, Bambanani and St. Helena mines, associated infrastructure and other mineral rights in the Free State Province of South Africa. Production from the underground mines and adjacent surface sources is processed through three processing facilities (the Free State 1, or FS1, Plant, Joel Plant and the St. Helena Plant).

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

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

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

Mining is conducted at depths ranging from 1,200 and 3,000 meters at Bambanani, at an average depth of approximately 1,925 meters at Tshepong, at an average depth of approximately 1,700 meters at Matjhabeng, at an average depth of approximately 1,000 meters at Joel and at an average depth of 1,489 meters at St. Helena. Production at Matjhabeng, which is a mature mine nearing closure, is currently focused on the extraction of remnant pillars and shaft pillars, specifically at the Eland shaft. Due to the increased operating costs in dollar terms, in fiscal 2005 the loss making shafts Nyala and Eland were placed on care and maintenance, while production at St. Helena was scaled down and Kudu/Sable was closed down.

Freegold is conducting a development program at the Bambanani shaft, which is nearing completion. Harmony expects this program to allow access to additional mining areas, which would reduce overall grade but increase overall production and life of mine.

CONOPS was introduced at the shafts during the quarter ended December 31, 2003. During a significant period of fiscal 2005, CONOPS was stopped due to a dispute between management and the unions.

The Tshepong Decline project, which started in April 2003, has accessed an additional two levels (69 and 71) of the Tshepong North Shaft. At fiscal 2007 year end, R254.7 million (US$ 35.4 million calculated at the closing rate at balance sheet date) has been spent. A further R25.6 million (US$ 3.6 million calculated at the closing rate at balance sheet date) has been budgeted to complete the project. Except for two rock passes, the development portion of the project work has been completed. Freegold estimates that the project work will be completed by June 2008 and is expected to make available an additional 43,481 kilos Au (1.4 million ounces)

The Phakisa Shaft Project is also proceeding on schedule. Phakisa shaft, a surface shaft, sunk to 75 level elevations and a planned decline shaft to 85 levels will access the ore reserves to a depth of 2,662 meters below surface. It is estimated that the area will yield 22.0 million tons, recovering 185.2 tons of gold over a project life of 22 years. Project completion requires sinking of a decline shaft, equipping and commissioning of the shaft with access development and stoping to maximum production build-up at a capital cost of R934 million (US$130 million calculated at the closing rate at balance sheet date). To date, R614 million (US$85 million calculated at the closing rate at balance sheet date) has already been spent. The project is expected to be in full production in 2010. The average production rate over the peak period of life of mine is 281,693 ounces per annum.

Shaft 2 at St.Helena mine was closed during the quarter ended December 31, 2003. CONOPS was introduced on November 2003. During a significant period of fiscal 2005, CONOPS was stopped due to a dispute between management and the unions.

Nyala shaft was placed on care and maintenance during March 2005. During June 2005, the decision was made to place the remaining shafts at Matjhabeng, being Kudu/Sable and Eland, on care and maintenance.

Safety: During fiscal 2007, the lost time frequency rate at the Freegold operations of 18.08 per million hours worked compared unfavorably with the group average of 15.27 while the fatality frequency rate of 0.23 nearly equalled the group average of 0.22.

Safety standards receive constant and high-level attention at Freegold.

Plants: Freegold operates one plant: the Free State One (FS1) Plant. This plant, which processes underground ore, waste rock and various surface accumulations, was commissioned in 1986 and is a conventional CIP plant processing ore that has been milled by semi-autogenous grinding. Gold is recovered from the eluate solution using zinc precipitation and a precoat vacuum filter. The precipitate recovered from the filter is calcined and smelted to bullion. The FS2 Plant was largely dedicated to the treatment of surface sources but due to the past low gold price in rand terms the plant became uneconomical and since the Free State plants have extra capacity, it was decided to stop treatment at the plant and to start a total clean up operation in fiscal 2005. It was commissioned in the early 1950 s and employs conventional crushing and filtration technology. The Joel plant is a hybrid CIP/CIL plant and was commissioned in 1987. During fiscal 2005, it was decided to close the Joel Plant and implement clean up operations. St. Helena operates a conventional zinc precipitation filter plant supported by two mills. Treatment at St. Helena plant was stopped in the latter part of the year and the plant was placed on care and maintenance.

The following table sets forth processing capacity and average tons milled during the fiscal year ended June 30, 2007 for the FS1 plant:

Plant	Processing Capacity (tons/month)	Average Milled for the Fiscal Year Ended June 30, 2007 (tons/month)
FS 1	420,000	404,167

In fiscal 2007, Harmony s plants at its Free State One Plant recovered approximately 96% of the gold contained in the ore delivered for processing.

Introduction: On September 22, 2003, Harmony and ARMgold completed a merger via a share exchange which resulted in ARMgold becoming a wholly owned subsidiary of Harmony. For accounting purposes, the merger was accounted for as a purchase by Harmony of ARMgold for a purchase consideration of $697 million. For fiscal 2005, 2006 and fiscal 2007, the ARMgold operations accounted for approximately 5% of Harmony s total gold sales. In September 2007, Harmony announced it had entered into formal agreements with Pamodzi Gold for the sale of the Orkney Shafts. See Item 8. - *Recent Developments* below.

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History: The ARMgold operations consist of the Welkom shafts in the Free State Province and the Orkney shafts in the North West Province. Due to the distance, they are operated as separate business units. Exploration, development and production in the Welkom area dates back to the 1940s leading to production by 1947. Exploration and development at Orkney started from 1886 and following dormant periods, large-scale production commenced during the 1940s with the formation of Vaal Reefs Gold Mining and Exploration Company Limited in 1944.

Geology: The Welkom operations are centrally located within the Free State goldfield, which lies some 270 kilometers southwest of Johannesburg on the southwest rim of the Witwatersrand Basin, in an area containing several other mature operations. The Basal Reef is the main reef exploited here. It strikes north to north-northwest and generally dips to the east between 20 degrees and 40 degrees. Other reefs that are exploited are the Leader Reef, the Saaiplaas Reef and the Middle Reef. There are a number of faults in this area, including Rheedersdam and De Bron.

At the Orkney operations, the Vaal Reef is the most significant reef mined. The reef strikes northeast, dipping southeast and is heavily faulted to form a series of graben structures. The dip is generally less than 30 degrees but can vary locally in direction and magnitude to exceed 45 degrees. The VCR is also exploited, as well as the Elsburg Reef. There are several major faults in the lease area, being Nooitgedacht, Buffelsdoorn, Witkop, WK2, No 3 BU, No 5 BU and No 2 BU Fault. These faults typically have throws of tens of meters and further divide the reef into blocks of up to 100 meters in width.

Mining operations: ARMgold is engaged in underground mining at all of its operations. These operations are subject to all of the underground mining risks detailed in the Risk Factors section. ARMgold regularly revisits its mining strategy and management procedures at both its operations in connection with its effort to minimize risks. Mining depths range from 1,000 meters to 1,200 meters below the surface at the Welkom operations and from 1,600 meters to 2,000 meters below the surface at the Orkney operations.

Cost control was one of the major challenges faced at the ARMgold operations. Since the merger, management has implemented the Harmony Way in an effort to cut costs and increase productivity.

During fiscal 2005, Welkom 1 and Orkney 6 were placed on care and maintenance. Harmony approved the re-opening of the Orkney 7 shaft during fiscal 2006 and production commenced during the first quarter of fiscal 2007.

Safety: During fiscal 2007, the safety record at ARMgold mines in terms of lost time frequency rate of 22.54 million hours worked compared unfavorably with the group average of 15.27. The fatality frequency rate of 0.26 compared less than favorable with the group average of 0.22 . Significant work is being done to address this.

Plants: ARMgold does not own any plants. Ore from the Orkney operations is treated at Vaal River Operations (VRO) No. 1 Gold Plant (of Anglo Gold Ashanti). Various agreements between Harmony and VRO govern the supply and quality of the ore and gold apportionment.

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Introduction: Avgold s operations consist of the Target mine, Target North and Extensions and Oribi Exploration Property situated near the town of Allanridge in the Free State Province, some 270 kilometers southwest of Johannesburg. Located at approximately latitude 28 (LOGO) 00 S and longitude 26 (LOGO) 30 E on the northern limit of the Welkom Goldfields, the site is accessed via the R30 motorway situated between the towns of Bothaville and Welkom.

On July 15, 2003, Harmony acquired 11.5% in Avgold from Anglo South Africa Capital (Pty) Ltd and later that year acquired ARM Limited s 42% share in Avgold. Through a scheme of arrangement, Harmony acquired the minority shareholding and Avgold became a wholly owned subsidiary. In fiscal 2006 and 2007 Avgold s operations accounted for 6% of Harmony s total gold sales (7% in fiscal 2005).

History: The Target Operations area was initially explored through surface drilling in the late 1980s with further exploration being undertaken from a 5.6 kilometers long decline, commenced in 1995, driven from 203L at Lorraine No. 1 shaft. A positive feasibility study into the development of a 105 ktpm operation was produced in May 1998 resulting in the decision to develop the Target mine. A detailed mine design was produced in 2000 and the mine officially opened in May 2002. Upon closure of the Lorraine mine in August 1998, the Lorraine No. 1 and No. 2 shafts were transferred to the Target mine, becoming Target No. 1 and No. 2 shafts, respectively.

Geology: The gold mineralization currently exploited by Target mine is contained within a succession of Elsburg and Dreyerskuil quartz pebble conglomerate reefs hosted by the Van Heeverrust and Dreyerskuil Members of the Eldorado Formation, respectively. Additional mineral resources have been delineated in the Big Pebble Reefs of the Kimberley Formation but these are not planned to be exploited in the current life of mine plan.

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The majority of the mineral reserves at Target mine are contained within the Eldorado fan, a structure with dimensions of some 135 meters vertically, 450 meters down-dip and 500 meters along strike. The Eldorado fan is connected to the subsidiary Zuurbron fan, located between the Target mine and Lorraine, by a thinner and lower grade sequence of Elsburg reefs termed the Interfan area. To the north of the Eldorado fan, a number of fans have been intersected by surface drilling of which the Siberia and Mariasdal fans are the most significant. These fans are subject to ongoing technical studies and do not form part of the current Target mine life of mine mineral reserve.

A number of faults that displace the reefs of the Target mine have been identified of which the most prominent are the north-south trending Eldorado fault and the east-west trending Dam and Blast faults. The Eldorado uplifts the more distal portions of the Elsburg and Dreyerskuil Reefs while the Blast fault forms the northern border of the Target mine.

Target North is sub-divided into the Paradise, Siberia and Mariasdal areas by the east-west trending Siberia and Mariasdal faults. To the north of the Siberia fault, the Eldorado fault continues trending more to the northwest and an additional north-south trending fault, the Twin fault has uplifted the distal portions of the reefs. North of the Maraisdal fault, the reef horizons are at a depth greater than 2,500 meters below surface. Resources have been delineated on strike up to 15 kilometers north of the Target mine

Approximately 40 kilometers north of Target mine, surface boreholes have intersected gold bearing reefs in the Oribi area close to the town of Bothaville. Resources have been delineated at Oribi on the VCR and Elsburg at depths of approximately 2,750 meters below surface.

Mining operations: The Avgold operations are engaged in underground and surface mining. Mining operations comprise one primary underground mine commissioned in May 2002, making use of information systems and mechanization, combined with process-driven organizational design that relies on a multi-skilled workforce. The majority of the production is derived from mechanized mining; however, conventional stoping is still employed primarily to de-stress areas ahead of the mechanized mining. The Avgold operations have been managed by Harmony since May 2004. The Harmony Way has been successfully implemented resulting in a decrease of cash costs.

During fiscal 2005, Target struggled with flexibility problems and a lack of access points to the orebody, despite a good start to the year. There were also several operational disruptions, including low availability of the mechanized fleet and consequently, low development rates. Critical machines have been replaced with new and refurbished equipment in an attempt to improve the availability of the fleet. CONOPS was also implemented in the conventional mining section which allowed the mine to step up the rate of over-stoping the massives.

Safety: The safety record at the Avgold operations during fiscal 2007 in terms of lost time frequency rate of 9.81 per million hours worked compared favorably with the group average of 15.27 while the fatality frequency rate of 0.0 compared favorably with the group average of 0.22 for underground operations.

Safety at the operations receives constant and high-level attention and where problems are identified steps are taken to address the situation. The Chief Operating Officer is responsible for leading initiatives to improve workplace health and safety at Harmony s South African operations

Plants: Target Plant was commissioned towards the end of 2001 and currently treats only underground ore. The process route comprise primary crushing, open circuit primary SAG milling, secondary ball milling closed with hydrocyclones, thickening, cyanide leaching, CIP adsorption, elution, electrowinning, smelting and tailings disposal. The milling circuit incorporates gravity concentration, the concentrates from which are processed via intensive cyanidation and electrowinning. Gold bullion is dispatched to the Rand refinery.

The installation of a ROM mill to enable the mill to run autogenously is progressing well. The objective is to save R 1.2 million on grinding media monthly. To date, a total of R14.8 million ($2.0 million) has been spent. Capital cost still to be incurred is expected to be R7. 0 million ($0.9 million).

The following table sets forth processing capacity and average tons milled during the year ended June 30, 2007:

Plant	Processing Capacity (tons/month)	Average Milled For the Fiscal Year Ended June 30, 2007 (tons/month)
Target Plant	105,000	101,217

In fiscal 2007, the Target Plant recovered approximately 96% of the gold contained in the ore delivered for processing.

South African Operations Production Analysis

We manage our operations on a shaft-by-shaft basis. Since fiscal 2006, we categorized the South African operations as follows: Quality assets, Leveraged assets and Growth assets. Surface operations are managed separately.

Quality assets are typically those shafts with a larger reserve base and longer life, which form the core of our production. The Quality assets are Target, Tshepong, Masimong complex, and Evander 2, which was downscaled and combined with Evander 5 during fiscal 2005, Evander 7, Evander 8 and Cooke 1, 2 and 3 shafts.

Leveraged assets are those shafts that supplement production and provide the upside in the event of an increase in the rand gold price. The leveraged operations consist of shafts that are either in the process of being restructured, downscaled in line with available ore reserves or mothballed. These include the currently operating Bambanani, Joel, West Shaft, Harmony 2, Merriespruit 1 and 3, Unisel, Brand 3 and Orkney 2, 4 and 7 shafts, as well as St. Helena which was scaled down significantly and Brand 5, Welkom 1, Kudu/Sable, Nyala and Eland that were placed on care and maintenance or closed down during fiscal 2005. West shaft was placed on care and maintenance in March 2007. The following shafts that were closed during fiscal 2004 were also Leveraged assets: Evander 9, Deelkraal, Saaiplaas 3, Welkom 1, 4, 6 and 7, as was Harmony 4 and Virginia, which was closed during fiscal 2003. In September 2007, Harmony announced the sale of the Orkney shafts to Pamodzi Gold, this transaction is expected to be concluded by the first half of 2008.

Growth assets comprise the expansion projects established through existing infrastructure, as well as the three new mines being built in South Africa. These operations include the Elandsrand and Doornkop mines and the Phakisa project. The Growth assets represent the future of our South African operations and, once completed, will result in a substantial improvement in the quality of our production profile.

In addition, surface operations comprise the Kalgold opencast mine, all previously mined rock, introducing waste or reef and any clean-up operations at plants and other infrastructure. Therefore, the surface operations at Freegold, the Free State and Randfontein and, for the first time in fiscal 2005, Target s surface operations are also included under surface operations as well as the surface operations from Elandsrand and Evander, which were discontinued in fiscal 2004.

Quality assets

The charts set out on the pages that follow detail the operating and production results from underground operations for all identified Quality assets for fiscal 2007, 2006, and 2005:

	Fiscal Year Ended June 30,		
	2007	**2006**	**2005**
Production			
Tons (000)	6,901	6,814	7,464
Recovered grade (ounces/ton)	0.155	0.167	0.185
Gold sold (ounces)	1,068,902	1,141,166	1,378,167
Results of operations ($)			
Product sales (000)	682,029	606,435	588,360
Cash cost (000)	472,749	437,193	436,018
Cash profit (000)	209,280	169,242	152,342
Cash costs			

Per ounce of gold ($)	442	383	316
Capex (000) ($)	105,578	89,587	81,615

Tons milled from Quality Assets decreased to 6,814,000 in fiscal 2006, compared with 7,464,000 in fiscal 2005. Volumes were negatively affected, mainly as a result of days lost to the industry through the wage strike in the first quarter and the Cosatu strike in the fourth quarter (See *Board of Directors, Senior Management and Employees Unionized Labor*), the influence of the CONOPS agreement that were only concluded in October 2005 in the Freegold operations and lower underground volumes. Recovered grade decreased from 0.185 in fiscal 2005 to 0.167 in fiscal 2006. The decrease in ounces sold from 1,378,165 in fiscal 2005 to 1,141,166 is attributable primarily to the decrease in the tons produced and the recovered grade.

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Tons milled from Quality assets increased to 6,901,000 in fiscal 2007, compared with 6,814,000 in fiscal 2006. Recovered grade decreased from 0.167 in fiscal 2006 to 0.155 in fiscal 2007. The decrease in ounces sold from 1,141,166 in fiscal 2006 to 1,068,902 is attributable primarily to a decrease in the recovered grade.

Gold sales increased to $682.0 million in fiscal 2007, compared with $606.4 million in fiscal 2006 and $588.4 million in fiscal 2005. Cash costs for the Quality assets were $442 per ounce of gold in fiscal 2007, compared with $383 per ounce of gold in fiscal 2006. This increase was mainly as a result of the lower grade and higher cash costs.

Refer to the charts set out on the following pages for detail on the operating and production results of individual Quality assets for fiscal 2007, 2006 and 2005:

	Fiscal Year Ended June 30,		
Target	**2007**	**2006**	**2005**
Production			
Tons (000)	904	813	1,178
Recovered grade (ounces/ton)	0.158	0.185	0.178
Gold sold (ounces)	142,433	150,196	209,847
Results of operations ($)			
Product sales (000)	91,228	81,178	89,233
Cash cost (000)	52,730	51,904	54,391
Cash profit (000)	38,498	29,274	34,842
Cash costs			
Per ounce of gold ($)	370	346	259
Capex (000)($)	16,745	9,644	10,818

Tons milled from the Target shaft decreased to 813,000 in fiscal 2006, compared with 1,178,000 in fiscal 2005. The decrease in tons milled was primarily due to flexibility issues and machine availability (and hence low development rates). We also took a strategic decision during the year to undertake vehicle maintenance in-house, replacing our external contractor agreement in December 2005 with our own labor. This changeover period had a major impact on the production levels. Ounces sold were 150,196 in fiscal 2006, compared with 209,847 in fiscal 2005. The decrease in ounces sold was negatively influenced by the lack of volumes. The recovery grade increased from 0.178 in fiscal 2005 to 0.185 in fiscal 2006.

Cash costs for Target were $51.9 million in fiscal 2006, compared with $54.3 million in fiscal 2005. This decrease was primarily attributed to lower production levels, a reduction in plant treatment costs and the termination of the external contractor vehicle maintenance contract. Cash costs per ounce were $346 in fiscal 2006, compared with $259 in fiscal 2005. This increase was attributable primarily to the lower production volumes. In addition there was a 7.5% depreciation of the Rand against the U.S. dollar during the year. See *Operating and Financial Review and Prospects Exchange Rates* . If expressed in Rand terms, costs per ounce would have increased in fiscal 2006, due primarily to lower production volumes, increases in costs of labor and supplies and the effect of inflation on supply contracts.

Tons milled from the Target shaft increased to 904,000 in fiscal 2007, compared with 813,000 in fiscal 2006. The age of the current fleet (vehicles) is of a big concern. There is a replacement strategy in place and delivery is awaited. Action plans are in place to improve the skills levels and the maintenance systems.

Ounces sold were 142,433 in fiscal 2007, compared with 150,196 in fiscal 2006. The decrease in ounces sold, was negatively influenced by the lower grade. The recovery grade decreased from 0.185 in fiscal 2006 to 0.158 in fiscal 2007.

Cash costs for Target were $52.7 million in fiscal 2007, compared with $51.9 million in fiscal 2006. This increase was primarily attributed to higher production levels, and an increase in labor cost. Cash costs per ounce were $370 in fiscal 2007, compared with $346 in fiscal 2006. This increase was attributable primarily to a lower recovery grade as well as an increase in cash costs.

The Target shaft s hoisting capacity is 110,000 tons per month. The average tons milled in fiscal 2007 was 68,675 tons per month.

On a simplistic basis, assuming no additional reserves are identified, at expected production levels, it is foreseen that the reported proven and probable ore reserves of 22.0 million tons (4.3 million ounces) will be sufficient for the Target shaft to maintain production until approximately 2026. However, any future changes to the assumptions upon which the reserves are based, as well as any unforeseen events affecting production levels, could have a material effect on the expected period of the future operations.

Capital expenditure: Harmony incurred approximately R120.5 million ($16.7 million) in capital expenditure at the Target shaft in fiscal 2007, principally for underground development and the replacement of the underground fleet. Harmony has budgeted R 285.5 million ($39.7 million at the closing rate at balance sheet date) for capital expenditure at Target in fiscal 2008, primarily for underground development, as well as the replacement of the underground vehicles.

	Fiscal Year Ended June 30,		
Tshepong	**2007**	**2006**	**2005**
Production			
Tons (000)	1,824	1,786	1,700
Recovered grade (ounces/ton)	0,175	0.188	0.224
Gold sold (ounces)	318,887	335,289	380,695
Results of operations ($)			
Product sales (000)	202,757	179,626	162,958
Cash cost (000)	112,043	111,462	101,091
Cash profit (000)	90,714	68,164	61,867
Cash costs			
Per ounce of gold ($)	351	332	266
Capex (000) ($)	26,072	23,529	23,346

Tons milled from the Tshepong shaft increased to 1,786,000 in fiscal 2006, compared with 1,700,000 in fiscal 2005. This increase was attributable primarily due to the re-implementation of CONOPS with effect from mid-November 2005. Ounces sold were 335,289 in fiscal 2006, compared with 380,695 in fiscal 2005. This decrease was attributable to the decrease in recovery grade to 0.188 in fiscal 2006, compared with 0.224 in fiscal 2005. The decrease in recovery grade was primarily due to decreases in the shaft and plant call factors.

Cash costs for the Tshepong shaft were $111.5 million in fiscal 2006, compared with $101.1 million in fiscal 2005. This increase was primarily attributed to the re-implementation of CONOPS during the year. The effect of CONOPS increases costs in the short term as additional people are utilized without being fully operational, but to increase profitability in the longer term as higher volumes have a positive impact on the bottom line. Cash costs per ounce were $332 in fiscal 2006, compared with $266 in fiscal 2005. This increase was attributable primarily due to decrease in the number of ounces of gold produced. In addition, there was a 7.5% depreciation of the Rand against the U.S. dollar during the year. See *Operating and Financial Review and Prospects Exchange Rates*. If expressed in Rand terms, costs per ounce have increased by 28% in fiscal 2006, primarily due to increases in the costs of labor and supplies and the effect of inflation on supply contracts.

Tons milled from the Tshepong shaft increased to 1,824,000 in fiscal 2007, compared with 1,786,000 in fiscal 2006. Ounces sold were 318,887 in fiscal 2007, compared with 335 289 in fiscal 2006. This decrease was attributable to the decrease in recovery grade to 0.175 in fiscal 2007, compared with 0.188 in fiscal 2006. The decrease in recovery grade was primarily due to decreases in the shaft call factor, plant call factor and the average mining grade which was 1365 cmg/t in fiscal 2007, compared to 1440 cmg/t in fiscal 2006, in line with the Life of Mine (LOM) profile. Industry standard practice in South Africa is to report drill results and cut-off grades for resource estimates in gold as thickness-grade values (cmg/t).

Cash costs for the Tshepong shaft were $112.0 million in fiscal 2007, compared with $111.5 million in fiscal 2006. In a CONOPS environment, the profitability in the longer term will be realized by higher volumes which have a positive impact on the bottom line. Cash costs per ounce were $351 in fiscal 2007, compared with $332 in fiscal 2006. This increase in unit cost was attributable primarily due to decrease in the number of ounces of gold produced. Cash costs have increased by 5.2% in fiscal 2007, primarily due to increases in the costs of labor and supplies and the effect of inflation on supply contracts.

On a simplistic basis, assuming no additional reserves are identified, at expected production levels, it is foreseen that the reported proven and probable ore reserves of 24.7 million tons (5.1 million ounces) will be sufficient for Tshepong to maintain underground production until approximately 2020. Any future changes to the assumptions upon which the ore reserves are based, as well as any unforeseen events affecting production levels, could have a material effect on the expected period of future operations.

*Capital Expenditure***:** Harmony incurred approximately R187.7 million ($26.1 million) in capital expenditures at the Tshepong shaft in the fiscal year ended June 30, 2007, primarily for the decline project and ongoing development. Harmony has budgeted R204.3

million ($28.4 million at the closing rate at balance sheet date) for capital expenditures in fiscal 2008. This capital include the completion of the current Sub 66 Decline of R25.6 million (US$3.6 million), the new Sub 71 decline (additional two levels 73 and 75) R39.1 million (US$5.4 million), B Reef exploration project R4.9 million (US$0.7 million), Rail Bound Equipment conversion R0.8 million (US$0.1 million) and ongoing development of R110.3 million (US$15.3 million)

	Fiscal Year Ended June 30,		
Masimong Shaft Complex	**2007**	**2006**	**2005**
Production			
Tons (000)	1,074	1,020	1,046
Recovered grade (ounces/ton)	0.138	0.133	0.153
Gold sold (ounces)	147,958	136,153	159,981
Results of operations ($)			
Product sales (000)	94,534	72,854	68,342
Cash cost (000)	82,815	66,563	65,388
Cash profit (000)	11,719	6,291	2,954
Cash costs			
Per ounce of gold ($)	560	489	409
Capex (000) ($)	15,141	14,520	10,630

Tons milled from the Masimong shaft complex were 1,020,000 in fiscal 2006, compared with 1,046,000 in fiscal 2005, and ounces sold were 136,153 in fiscal 2006, compared with 159,981 in fiscal 2005. Year-on-year production was slightly lower, with the decrease in ounces primarily due to the decrease in the recovered grade, and the days lost to the industry (through, the wage strike in the first quarter and the Cosatu strike in the fourth quarter). Production was stopped at Masimong 4 shaft in April 2005. The resultant decrease in production from this shaft was offset by an increase in production at the Masimong 5 shaft. Development was started in May 2006 at the Masimong 4 shaft to utilize this shaft for ventilation purposes. CONOPS were implemented towards the end of the fiscal 2006. Recovered grade was 0.133 in fiscal 2006, compared with 0.153 in fiscal 2005, mainly as a result of a lower shaft call factor from poor fragmentation and excessive water usage underground. Initiatives have been put in place to remedy these problems, and we expect to see improvement from July 2006.

Cash costs were $66.6 million in fiscal 2006 compared, with $65.4 million in fiscal 2005 with cash costs per ounce at $489 in fiscal 2006, compared with $409 in fiscal 2005. This increase in cash costs per ounce was attributable primarily to the decrease in the recovered grade and higher labor costs as we employed approximately 600 people for the implementation of CONOPS. The effect of CONOPS increases costs in the short term as additional people are utilized without being fully operational, but to increase profitability in the longer term as higher volumes have a positive impact on the bottom line. In addition, there was a 7.5% depreciation of the Rand against the U.S. dollar during the year. See *Operating and Financial Review and Prospects Exchange Rates* . If expressed in Rand terms, costs per ounce have increased by 23% in fiscal 2006, due primarily to lower production volumes, increases in the costs of labor and supplies and the effect of inflation on supply contracts.

Tons milled from the Masimong shaft complex were 1,074,000 in fiscal 2007, compared with 1,020,000 in fiscal 2006, and ounces sold were 147,958 in fiscal 2007, compared with 136,153 in fiscal 2006. Year on year production was slightly higher with a slightly higher recovery grade.

Cash costs were $82.8 million in fiscal 2007 compared with $66.6 million in fiscal 2006 with cash costs per ounce at $560 in fiscal 2007 compared with $489 in fiscal 2006. This increase in cash costs are mainly attributable to increase in labor costs as a result of the annual wage increases as well as a 21% increase in number of employees. This increase in people was to fully staff the operation for Continious Operations. This was the first year that Masimong was fully onto Continious Operations cycle. The effect of CONOPS increases costs in the short term as additional people are utilized without being fully operational, but to increase profitability in the longer term as higher volumes have a positive impact on the bottom line.

The total shaft hoisting capacity is 134,000 tons per month. The average tons milled in fiscal 2007 were 81,000 tons per month.

On a simplistic basis, assuming no additional reserves are identified, at expected production levels, it is foreseen that the reported proven and probable ore reserves of 10.0 million tons (1.7 million ounces) will be sufficient for the Masimong shaft complex to maintain underground production until approximately fiscal 2016. Any future changes to the assumptions upon which the reserves are based, as well as any unforeseen events affecting production levels, could have a material effect on the expected period of future operations.

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Capital Expenditure: Harmony incurred approximately R109.0 million ($15.1 million) in capital expenditures at Masimong in fiscal 2007,.. Harmony has budgeted R119.0 million ($16.6 million at the closing rate on balance sheet date) for capital expenditures at Masimong in fiscal 2007, primarily for growth development of the Masimong shaft complex.

	Fiscal Year Ended June 30,		
Evander 2	**2007**	**2006**	**2005**
Production			
Tons (000)			357
Recovered grade (ounces/ton)			0.137
Gold sold (ounces)			48,764
Results of operations ($)			
Product sales (000)			20,695
Cash cost (000)			27,404
Cash loss (000)			(6,709)
Cash costs			
Per ounce of gold ($)			562
Capex (000) ($)			15

No tons were produced from the Evander 2 in fiscal 2007 or in fiscal 2006, compared with 357,000 tons in fiscal 2005. This decrease in ore milled was due to the decision to downscale the operations and combine it with the Evander 5 shaft during fiscal 2005.

The total shaft hoisting capacity for the Evander 2 is 51,000 tons per month. In fiscal 2006 the hoisting capacity of this shaft has been combined with that of Evander 5.

Due to the economic climate, mining operations at Evander 2 and 5 were combined and downscaled during fiscal 2005. Harmony currently expects that production at Evander 2 and 5 will end between 2009 and 2010. Any future changes to the assumptions upon which the reserves are based, as well as any unforeseen events affecting production levels, could have a material effect on the expected period of future operations. See *Risk Factors Risks Relating to Our Business and Our Industry Harmony s gold reserve figures are estimated based on a number of assumptions, including assumptions as to mining and recovery factors, future cash costs of production and the price of gold and may yield less gold under actual production conditions than currently estimated* .

Capital Expenditure. Harmony incurred no capital expenditures at Evander 2 in fiscal 2007 or 2006. No provision was made for capital expenditures at Evander 2 in fiscal 2008.

Due to the recent economic climate, mining operations at Evander 2 shaft were combined with those at Evander 5 shaft and downscaled during fiscal 2005.

	Fiscal Year Ended June 30,		
Evander 5	**2007**	**2006**	**2005**
Production			
Tons (000)	377	450	245
Recovered grade (ounces/ton)	0.148	0.139	0.192
Gold sold (ounces)	55,643	62,388	47,093
Results of operations ($)			
Product sales (000)	35,673	32,183	20,078
Cash cost (000)	28,923	33,068	15,912
Cash (loss)/profit (000)	6,750	(885)	4,166
Cash costs			
Per ounce of gold ($)	520	530	338
Capex (000) ($)	5,451	6,453	7,006

Tons milled from the Evander 5 were 450,000 in fiscal 2006, compared with 245,000 in fiscal 2005, and ounces sold were 62,388 in fiscal 2006, compared with 47,093 in fiscal 2005. The increase in tons milled was due to the successful combination and restructuring of the Evander 2 and 5. The increase in ounces was due to the significantly higher production. Recovered grade was 0.139 in fiscal 2006, compared with 0.192 in fiscal 2005. The lower recovered grade was primarily due to the expected depletion of the high grade No. 5 Shaft pillar during the year.

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The increase in cash costs per ounce from $338 in fiscal 2005 to $530 in fiscal 2006 was attributable primarily to the additional labor incurred by Evander 5 due to the downscaling and restructuring of the No. 2 shaft operation. In addition, there was a 7.5% depreciation of the Rand against the U.S. dollar during the year. See *Operating and Financial Review and Prospects Exchange Rates* . If expressed in Rand terms, costs per ounce have increased by 61% in fiscal 2006, due primarily to increases in the costs of labor and supplies and the effect of inflation on supply contracts.

Tons milled at Evander 5 were 377,000 in fiscal 2007, compared with 450,000 in fiscal 2006, and ounces sold were 55,643 in fiscal 2007, compared with 62,388 in fiscal 2006. The decrease in tons milled was due to the depletion of the open raise lines on 24 level and 80% of mining happens in pillars now. The decrease in ounces was due to the significantly lower production in reef tons. Recovered grade was 0.148 in fiscal 2007, compared with 0.139 in fiscal 2006. The higher recovered grade was primarily due to an improvement of the MCF from 62% in 2006 to 70.5% in 2007.

The decrease in cash costs from $530 per ounce in fiscal 2006 to $520 per ounce in fiscal 2007 was attributable primarily to the lower cash cost resulting from the restructuring of the no.2 and no.5 operations, which decreases labor , equipment and material costs. Production took place in higher grade areas in 2007 therefore reducing cash cost per ounce.

The total shaft hoisting capacity at Evander 5 is 40,000 tons per month. The average tons milled in fiscal 2007 was 27,000 tons per month.

On a simplistic basis, assuming no additional reserves are identified, at expected production levels, it is foreseen that the reported proven and probable ore reserves of 2.4 million tons (0.4 million ounces) will be sufficient for Evander 5 to maintain production until approximately fiscal 2010. Mining operations at the No. 2 and 5 shafts were combined due to the fact that there are synergies between these shafts and the pillars being mined now are smaller than in previous years (Lenses being mined). Harmony currently expects that production at shafts 2 and 5 will end between 2009 and 2010. In addition, any future changes to the assumptions upon which the reserves are based, as well as any unforeseen events affecting production levels, could have a material effect on the expected period of future operations.

Capital Expenditure: Harmony incurred approximately R39.2 million ($5.4 million) in capital expenditures at Evander 5 in fiscal 2007. Harmony has budgeted R42.9 million ($6,0 million at the closing rate at the balance sheet date) for capital expenditures at the Winkelhaak operations in fiscal 2008, primarily for ongoing development and the upgrading of major equipment.

	Fiscal Year Ended June 30,		
Evander 7	**2007**	**2006**	**2005**
Production			
Tons (000)	447	435	541
Recovered grade (ounces/ton)	0.137	0.191	0.240
Gold sold (ounces)	61,044	83,202	130,009
Results of operations ($)			
Product sales (000)	39,242	42,365	55,502
Cash cost (000)	38,633	32,648	32,795
Cash profit (000)	609	9,717	22,707
Cash costs			
Per ounce of gold ($)	633	392	252
Capex (000) ($)	11,899	10,021	7,948

Tons milled from the Evander 7 were 435,000 in fiscal 2006, compared with 541,000 in fiscal 2005, and ounces sold were 83,202 in fiscal 2006, compared with 130,009 in fiscal 2005. The decrease in tons milled was primarily due to significantly lower production in the No. 3 decline due to a major sill intrusion in December 2005 that eliminated two entire raise lines. The decrease in ounces sold is attributable primarily to lower production levels and the decrease in recovery grade, which decreased to 0.191 in fiscal 2006, compared with 0.240 in fiscal 2005. The grade decrease was primarily attributable to the depletion of a very high grade payshoot area during the year.

The increase in cash costs per ounce from $252 in fiscal 2005 to $392 in fiscal 2006 was attributable primarily to the decrease in the recovered grade, and hence fewer ounces produced. Cash cost remained fairly constant at $32.6 million in fiscal 2006 versus $32.8 million in fiscal 2005. See *Operating and Financial Review and Prospects Exchange Rates* . If expressed in Rand terms, costs per ounce have increased by 60% in fiscal 2006, due primarily to lower production volumes, increases in the costs of labor and supplies and the effect of inflation on supply contracts.

Tons milled from the Evander 7 shaft were 447,000 in fiscal 2007, compared with 435,000 in fiscal 2006, and ounces sold were 61,044 in fiscal 2007, compared with 83,202 in fiscal 2006. The increase in tons milled was due to increase in mining of pillar areas. The decrease in ounces sold is attributable primarily to the decrease in recovery grade, which decreased to 0.137 in fiscal 2007, compared with 0.191 in fiscal 2006. The grade decrease was primarily attributable to the depletion of a very high grade pay shoot in the No 3 decline areas and the increase in mining in the uppers area of the shaft (pillar area) that is of lower grade. The shaft also started to hoist waste with reef in October 2006 due to infrastructure constraints.

The increase in cash costs from $392 per ounce in fiscal 2006 to $633 per ounce in fiscal 2007 was attributable primarily to the decrease in the recovered grade, and hence fewer ounces produced. Cash cost increased to $38.6 million in fiscal 2007 from $32.6 million in fiscal 2006.

The total shaft hoisting capacity for the Evander 7 shaft is 53,000 tons per month. The average monthly tons milled in fiscal 2007 were 32,135.

On a simplistic basis, assuming no additional reserves are identified, at expected production levels, it is foreseen that the reported proven and probable ore reserves of 4.9 million tons (0.9 million ounces) will be sufficient for Evander 7 shaft to maintain production until approximately fiscal 2008. We expect production to end in 2008 because by then all the production will take place in the pillar areas at much lower grade and therefore higher cash cost per ounce which will render the shaft unprofitable. Restructuring of the shaft will start during 2008. The shaft will continue with geological drilling in the sill breakthrough area. Labor will be re-deployed to Evander 8 and other shafts in the group where production build up is taking place. Any future changes to the assumptions upon which the reserves are based, as well as any unforeseen events affecting production levels, could have a material effect on the expected period of future operations.

*Capital Expenditure***:** Harmony incurred approximately R85.7 million ($11.9 million) in capital expenditures at Evander 7 in fiscal 2007, principally for underground declines at shaft 7. Harmony has budgeted Rand 42.4 million ($5.9 million at the closing rate at the balance sheet date) for capital expenditures at Evander 7 in fiscal 2008, primarily for ongoing development and opening up.

	Fiscal Year Ended June 30,		
Evander 8	**2007**	**2006**	**2005**
Production			
Tons (000)	842	815	734
Recovered grade (ounces/ton)	0.141	0.158	0.207
Gold sold (ounces)	118,692	128,849	151,936
Results of operations ($)			
Product sales (000)	76,124	67,325	64,912
Cash cost (000)	45,792	44,863	41,500
Cash profit (000)	30,332	22,462	23,412
Cash costs			
Per ounce of gold ($)	386	348	273
Capex (000) ($)	11,039	9,726	8,216

Tons milled from the Evander 8 shaft were 815,000 in fiscal 2006, compared with 734,000 in fiscal 2005, and ounces sold were 128,849 in fiscal 2006, compared with 151,936 in fiscal 2005. This increase in tons milled was due to an improved mining flexibility and improvement in face advance as a result of the successful implementation of CONOPS during fiscal 2005 continuing in fiscal 2006. The decrease in ounces was due to the significantly lower recovered grade. Recovered grade was 0.158 in fiscal 2006, compared with 0.207 in fiscal 2005, which is the result of payshoot variability that impacts on grade as a result of sequential mining.

The increase in cash costs per ounce from $273 in fiscal 2005 to $348 in fiscal 2006 was attributable primarily due to the significant decrease in the recovery grade. In addition, there was a 7.5% depreciation of the Rand against the

U.S. dollar during the year. See *Operating and Financial Review and Prospects* *Exchange Rates* . If expressed in Rand terms, costs per ounce have increased in fiscal 2006 by 31%, due primarily to lower production volumes, increases in the costs of labor and supplies and the effect of inflation on supply contracts.

Tons milled from the Evander 8 shaft were 842,000 in fiscal 2007, compared with 815,000 in fiscal 2006, and ounces sold were 118,692 in fiscal 2007, compared with 128,849 in fiscal 2006. The increase in tons was due to better efficiencies in the mining operations in the lower grade pillars. The decrease in ounces was due to a slightly lower recovered grade. Recovered grade was 0.141 in fiscal 2007, compared with 0.158 in fiscal 2006, which is the result of payshoot variability that impacts on grade as a result of sequential mining. The shaft also started to hoist waste with reef that dilutes the quality of the ore. Of the 842,000 tons in Fiscal 2007, 93,000 were waste.

The increase in cash costs from $348 per ounce in fiscal 2006 to $386 per ounce in fiscal 2007 was attributable primarily due to the decrease in the recovery grade that impacted negatively on gold production.

The total shaft hoisting capacity for Evander No. 8 shaft is 85,000 tons per month. The average tons milled in fiscal 2007 were 60,450 tons per month, Evander 8 only hoists to 15 level, from which the ore is cross trammed to Evander 7 to be hoisted in 7A shaft.

On a simplistic basis, assuming no additional reserves are identified, at expected production levels, it is foreseen that the reported proven and probable ore reserves of 13.6 million tons (2.5 million ounces) will be sufficient for Evander 8 shaft to maintain production until approximately fiscal 2031. Any future changes to the assumptions upon which the reserves are based, as well as any unforeseen events affecting production levels, could have a material effect on the expected period of future operations.

*Capital Expenditure***:** Harmony incurred approximately R79.5 million ($11.0 million) in capital expenditures at Evander 8 in fiscal 2007, principally for underground declines. Harmony has budgeted R65.5 million ($9.1 million at the closing rate at the balance sheet date) for capital expenditures at the Evander 8 shaft in fiscal 2008, primarily for ongoing development and phases 6 and 7 of the No 2 decline and two ventilation bore holes.

	Fiscal Year Ended June 30,		
Cooke 1	**2007**	**2006**	**2005**
Production			
Tons (000)	426	490	520
Recovered grade (ounces/ton)	0.178	0.164	0.152
Gold sold (ounces)	75,698	80,495	79,101
Results of operations ($)			
Product sales (000)	48,311	42,978	33,888
Cash cost (000)	32,852	32,274	31,115
Cash profit (000)	15,459	10,704	2,773
Cash costs			
Per ounce of gold ($)	434	401	393
Capex (000) ($)	1,967	3,759	2,811

Tons milled from Cooke 1 were 490,000 in fiscal 2006, compared with 520,000 in fiscal 2005, and ounces sold were 80,495 in fiscal 2006, compared with 79,101 in fiscal 2005. The decrease in tons milled was due to a change in mining mix during fiscal 2005 between pillars and conventional mining areas. Performance was also disrupted by moving the milling process from Cooke plant to Doornkop, which is a larger and more efficient plant. During fiscal 2006 the pillars accounted for approximately 60% of the operations and delivered a much higher recovered grade than the conventional mining areas, albeit at much lower volumes. The increase in ounces sold was primarily due to the higher recovered grade (0.164 in fiscal 2006 compared to 0.152 in fiscal 2005).

Cash costs per ounce were $401 in fiscal 2006, compared with $393 in fiscal 2005. This increase was attributable primarily to the change in mining mix, which constitutes a decrease in conventional mining and an increase in the portion of pillar mining from old remnant areas. This pillar mining is much more costly to undertake and high volumes are also not possible. In addition, there was a 7.5% depreciation of the Rand against the U.S. dollar during the year. See *Operating and Financial Review and Prospects Exchange Rates* . If expressed in Rand terms, costs per ounce have increased in fiscal 2006 by 5%, due primarily to lower production volumes, increases in the costs of labor and supplies and the effect of inflation on supply contracts.

Tons milled from Cooke 1 were 426,000 in fiscal 2007, compared with 490,000 in fiscal 2006, and ounces sold were 75,698 in fiscal 2007, compared with 80,495 in fiscal 2006. The decrease in tons milled was due to a change in mining mix during fiscal 2007 due to the depletion of the conventional mining areas. The decrease in ounces sold was primarily due to lower volumes. The recovery grade increased from 0.164 in fiscal 2006 to 0.178 in fiscal 2007.

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Cash costs per ounce of gold were $434 in fiscal 2007, compared with $401 in fiscal 2006. This increase was attributable primarily to the change in mining mix, which constitutes a decrease in conventional mining and an increase in the portion of pillar mining from old remnant areas. This pillar mining is much more costly to undertake and high volumes are also not possible. The increase was due primarily to lower production volumes, increases in the costs of labor and supplies and the effect of inflation on supply contracts also negatively affected cash costs.

The hoisting capacity of the Cooke 1 shaft is 176,000 tons per month, though currently operating at a rate of 35,583 tons per month in connection with the extraction of the pillars.

On a simplistic basis, assuming no additional reserves are identified, at expected production levels, it is foreseen that the reported proven and probable underground ore reserves of 0.3 million tons (0.1 million ounces) will be sufficient for the Cooke 1 shaft to maintain production until approximately fiscal 2008. Any future changes to the assumptions upon which the reserves are based, as well as any unforeseen events affecting production levels, could have a material effect on the expected period of future operations.

*Capital Expenditure***:** Harmony incurred approximately R14.2 million ($1.9 million) in capital expenditures at Cooke 1 shaft in fiscal 2007 for ongoing development and other abnormal expenditure seen as capital. Harmony has budgeted R23.2 million ($3.2 million at the closing rate at the balance sheet date) in fiscal 2008, mostly for ongoing development

	Fiscal Year Ended June 30,		
Cooke 2	**2007**	**2006**	**2005**
Production			
Tons (000)	385	353	403
Recovered grade (ounces/ton)	0.149	0.170	0.135
Gold sold (ounces)	57,215	59,836	54,441
Results of operations ($)			
Product sales (000)	36,290	32,025	23,274
Cash cost (000)	34,880	23,082	24,144
Cash profit (000)	1,410	8,943	(870)
Cash costs			
Per ounce of gold ($)	610	386	443
Capex (000) ($)	3,682	3,738	2,538

Tons milled from Cooke 2 were 353,000 in fiscal 2006, compared with 403,000 in fiscal 2005, and ounces sold were 59,836 in fiscal 2006, compared with 54,441 in fiscal 2005. The decrease in tons milled was due to planned scaling down in operations at some of the lower grade UE1A reef horizons, and the depletion of the underground sludge dams in fiscal 2005. The recovered grade increased from 0.135 in fiscal 2005 to 0.170 in fiscal 2006, mainly as a result of replacing carbon areas with higher grade sources. As a result of the increase in the recovered grade ounces sold also increased. Cash costs per ounce were $386 in fiscal 2006, compared with $443 in fiscal 2005. This decrease in cash costs per ounce was attributable primarily to the increased ounces sold. In addition, there was a 7.5% depreciation of the Rand against the U.S. dollar during the year. See *Operating and Financial Review and Prospects Exchange Rates* . If expressed in Rand terms, costs per ounce have decreased in fiscal 2006 by 10%.

Tons milled from Cooke 2 were 385,000 in fiscal 2007, compared with 353,000 in fiscal 2006, and ounces sold were 57,215 in fiscal 2007, compared with 59,836 in fiscal 2006. The increase in tons milled was due to an increase in production from the 79 level VCR project. The recovered grade decreased from 0.170 in fiscal 2006 to 0.149 in fiscal 2007.

Cash costs per ounce of gold were $610 in fiscal 2007, compared with $386 in fiscal 2006. This increase in cash costs per ounce was attributable primarily to the decrease in ounces produced, combined with increases in the costs of labor and supplies and the effect of inflation on supply contracts.

The hoisting capacity of the Cooke 2 shaft is 187,000 tons per month. The average tons milled in fiscal 2007 was 32,965 tons per month.

On a simplistic basis, assuming no additional reserves are identified, at expected production levels, it is foreseen that the reported proven and probable underground ore reserves of 0.8 million tons (0.2 million ounces) will be sufficient for the Cooke 2 shaft to maintain production until approximately fiscal 2009. Any future changes to the assumptions upon which the reserves are based, as well as any unforeseen events affecting production levels, could have a material effect on the expected period of future operations.

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Capital Expenditure: Harmony incurred approximately R26.5 million ($3.7 million) in capital expenditures at Cooke 2 in fiscal 2007 primarily for ongoing development. Harmony has budgeted R11 million ($1.5 million at the closing rate at the balance sheet date) in fiscal 2008, primarily for ongoing development.

	Fiscal Year Ended June 30,		
Cooke 3	**2007**	**2006**	**2005**
Production			
Tons (000)	622	652	740
Recovered grade (ounces/ton)	0.147	0.161	0.157
Gold sold (ounces)	91,332	104,758	116,300
Results of operations ($)			
Product sales (000)	57,870	55,901	49,478
Cash cost (000)	44,081	41,329	42,278
Cash profit (000)	13,789	14,572	7,200
Cash costs			
Per ounce of gold ($)	483	395	364
Capex (000)($)	13,582	8,197	8,287

Tons milled from Cooke 3 were 652,000 in fiscal 2006, compared with 740,000 in fiscal 2005. The decrease in tons milled was due to planned reduction of operations following the gradual depletion of current trackless mining workplaces, and a shift in the mining mix towards pillar mining operations from old remnant areas. The increase in recovered grade in 2006 was due to an increased percentage of pillar mining. Even though the recovered grade increased slightly from 0.157 in fiscal 2005 to 0.161 in fiscal 2006, ounces sold decreased to 104,758 in fiscal 2006, compared with 116,300 in fiscal 2005, primarily due to the decrease in tons milled.

Cash costs per ounce were $395 in fiscal 2006, compared with $364 in fiscal 2005. This increase was due to the decrease in ounces produced, combined with the decrease in trackless mining operations, which is a more cost effective method, and the move towards more expensive pillar mining. In addition, there was a 7.5% depreciation of the Rand against the U.S. dollar during the year. See *Operating and Financial Review and Prospects Exchange Rates* . If expressed in Rand terms, costs per ounce have increased in fiscal 2006, due primarily to the lower volumes produced, as well as increases in the costs of labor and supplies and the effect of inflation on supply contracts.

Tons milled from Cooke 3 were 622,000 in fiscal 2007, compared with 652,000 in fiscal 2006. The decrease in tons milled was due to the decrease in square meters. Square meters are down due to panels being stopped because of low grades. The decrease in recovered grade in 2007, from 0.161 in 2006 to 0.147 ounces per ton in 2007, was due to lower volumes from the high grade VCR and changes in the mining mix. Ounces sold decreased to 91,332 in fiscal 2007, compared with 104,758 in fiscal 2006, primarily due to the decrease in tons milled and recovery grade.

Cash costs per ounce of gold were $483 in fiscal 2007, compared with $395 in fiscal 2006. The increase is due to the decrease in ounces produced, combined with increases in the costs of labor and supplies and the effect of inflation on supply contracts.

The hoisting capacity of the Cooke 3 shaft is 265,000 tons per month. The average tons milled in fiscal 2007 was 57,210 tons per month.

On a simplistic basis, assuming no additional reserves are identified, at expected production levels, it is foreseen that the reported proven and probable underground ore reserves of 5.2 million tons (1.0 million ounces) will be sufficient for the Cooke 3 shaft to maintain production until approximately fiscal 2019. Any future changes to the assumptions upon which the reserves are based, as well as any unforeseen events affecting production levels, could have a material effect on the expected period of future operations.

Capital Expenditure: Harmony incurred R97.8 million ($13.6 million) in capital expenditures at the Cooke 3 shaft in fiscal 2007, primarily on accessing the reserves in the 128 South Area as well as for ongoing development. Harmony has budgeted R111.7 million ($15.5 million) calculated at the closing rate at balance sheet date, for capital expenditures at the Cooke 3 shaft in fiscal 2008, primarily for the 128 South development.

Leveraged assets

The following chart details the operating and production results from underground operations for all identified Leveraged assets for fiscal 2007, 2006 and 2005:

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	Fiscal Year Ended June 30,		
	2007	2006	2005
Production			
Tons (000)	5,507	5,122	5,990
Recovered grade (ounces/ton)	0.125	0,133	0.140
Gold sold (ounces)	687,499	683,450	841,280
Results of operations ($)			
Product sales (000)	438,310	361,178	358,139
Cash cost (000)	377,238	336,695	402,695
Cash profit (000)	61,072	24,483	(44,556)
Cash costs			
Per ounce of gold ($)	549	493	479
Capex (000) ($)	56,780	40,072	33,068

Tons milled from Leveraged Assets decreased to 5,122,000 in fiscal 2006, compared with 5,958,000 in fiscal 2005. Volumes were negatively affected, mainly as a result of days lost to the industry (through the wage strike in the first quarter and the Cosatu strike in the fourth quarter) and lower underground volumes due to the closing down of Kudu/Sable, Nyala, Welkom 1 and St. Helena shafts. Ounces sold decreased to 683,450 in fiscal 2006, compared with 841,280 in fiscal 2005, primarily due to the decrease in tons milled. The recovered grade decreased from 0.140 in fiscal 2005 to 0.133 in fiscal 2006.

Tons milled from Leveraged assets increased to 5,507,000 in fiscal 2007, compared with 5,122,000 in fiscal 2006. Ounces sold increase to 687,499 in fiscal 2007, compared with 683,450 in fiscal 2006. The recovered grade decreased from 0.133 in fiscal 2006 to 0.125 in fiscal 2007.

Gold sales increased from $361.2 million in fiscal 2006 to $438.3 million in fiscal 2007, as a result of the higher average gold price received during the year as well as an increase in ounces sold. Cash costs for the Leveraged assets were $549 per ounce of gold in fiscal 2007, compared with $493 per ounce of gold in fiscal 2006. This increase was due primarily to increases in the costs of labor and supplies and the effect of inflation on supply contracts.

Refer to the following charts for detail on the operating and production results of individual leverage assets for fiscal 2007, 2006 and 2005:

	Fiscal Year Ended June 30,		
Bambanani	2007	2006	2005
Production			
Tons (000)	1,191	1,196	1,090
Recovered grade (ounces/ton)	0.159	0.147	0.181
Gold sold (ounces)	189,683	175,214	197,535
Results of operations ($)			
Product sales (000)	120,733	93,111	84,165
Cash cost (000)	107,539	87,064	83,289
Cash profit (000)	13,194	6,047	876
Cash costs			
Per ounce of gold ($)	567	497	422
Capex (000) ($)	16,639	14,870	12,178

Tons milled from the Bambanani shaft increased to 1,196,000 in fiscal 2006, compared with 1,090,000 in fiscal 2005. Fires affected six months production in fiscal 2005 and three months of the 2006 fiscal year. Ounces sold were 175,214 in fiscal 2006, compared with 197,535 in fiscal 2005. This decrease was due to the decrease in the recovered grade, which decreased from 0.181 in fiscal 2005 to 0.147 in fiscal 2006.

Cash costs for Bambanani were $87.0 million in fiscal 2006, compared with $83.3 million in fiscal 2005. Cash costs per ounce increased to $497 in fiscal 2006, compared with $422 in fiscal 2005, primarily due to the decrease in ounces produced. In addition, there was a 7.5% depreciation of the Rand against the U.S. dollar during the year. See *Operating and Financial Review and Prospects Exchange Rates* . If expressed in Rand terms, costs per ounce have increased by 21% in fiscal 2006, due primarily to lower production volumes, increases in the costs of labor and supplies and the effect of inflation on supply contracts.

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Tons milled from the Bambanani shaft decreased to 1,191,000 in 2007 compared with 1,196,000 in fiscal 2006. An underground fire in March 2007 resulted in production loss of 4,180 ounces in fiscal 2007. Ounces sold were 189,683 in fiscal 2007, compared with 175,214 in fiscal 2006. This increase was due to the recovered grade, which increased from 0.147 in fiscal 2006 to 0.159 in fiscal 2007.

Cash costs for Bambanani were $567 in fiscal 2007, compared with $497 in fiscal 2006. The costs per ounce increased by 14% in fiscal 2007, due primarily to increases in the costs of labor and supplies and the effect of inflation on supply contracts.

The rock hoisting capacity at Bambanani is 116,000 tons per month. The average tons milled in fiscal 2007 was 90,106 tons per month.

On a simplistic basis, assuming no additional reserves are identified, at expected production levels, it is foreseen that the reported proven and probable ore reserves of 9.3 million tons (2.0 million ounces) will be sufficient for Bambanani to maintain underground production until approximately 2016. Any future changes to the assumptions upon which the ore reserves are based, as well as any unforeseen events affecting production levels, could have a material effect on the expected period of future operations.

Capital Expenditure: Harmony incurred approximately R119.8 million ($16.6 million) in capital expenditures at Bambanani in the fiscal year ended June 30, 2007, primarily for ongoing development. The below 103 level and De Bron Margin exploration program was terminated in August 2006 at an expenditure of R21.8 million ($3.0 million). Harmony has budgeted R141.4 million ($19.6 million at the closing rate at balance sheet date) for capital expenditures in fiscal 2008, for ongoing development, the new orepass system and upgrading of the No. 3 cooling tower and fan and abnormal expenditures.

	Fiscal Year Ended June 30,		
Evander 9	**2007**	**2006**	**2005**
Production			
Tons (000)			31
Recovered grade (ounces/ton)			0.083
Gold sold (ounces)			2,573
Results of operations ($)			
Product sales (000)			1,078
Cash cost (000)		21	3,005
Cash profit (000)		(21)	(1,927)
Cash costs			
Per ounce of gold ($)			1,168
Capex (000) ($)			

Significant restructuring initiatives commenced in the last quarter of fiscal 2004 and by the end of fiscal 2005 Evander 9 was successfully closed and placed on care and maintenance.

There was no production from Evander 9 shaft during fiscal 2007.

	Fiscal Year Ended June 30,		
Joel	**2007**	**2006**	**2005**
Production			
Tons (000)	504	436	498
Recovered grade (ounces/ton)	0.158	0.134	0.129
Gold sold (ounces)	79,923	58,595	64,464
Results of operations ($)			
Product sales (000)	50,839	31,346	27,282
Cash cost (000)	33,412	29,170	28,990
Cash profit (000)	17,427	2,176	(1,708)
Cash costs			

Per ounce of gold ($)	418	498	450
Capex (000)($)	3,911	3,644	2,582

Tons milled from Joel decreased to 436,000 in fiscal 2006, compared with 498,000 in fiscal 2005, attributable primarily to delays in commissioning of the midshaft loading arrangement on 137 level, which was only commissioned on February 28, 2006. Ounces sold were 58,595 in fiscal 2006, compared with 64,464 in fiscal 2005. Even though the recovered grade improved, the positive influence on

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ounces sold was diluted due to the decrease in tons milled. Recovered grade improved to 0.134 in fiscal 2006 compared with 0.129 in fiscal 2005.

Cash costs for Joel increased marginally to $29.2 million in fiscal 2006, compared with $29.0 million in fiscal 2005. This increase was primarily attributed to lower production volumes and increased contractor costs as contractors were utilized to do vamping of old areas. Cash costs per ounce were $498 in fiscal 2006, compared with $450 in fiscal 2005. In addition, there was a 7.5% depreciation of the Rand against the U.S. dollar during the year. See *Operating and Financial Review and Prospects Exchange Rates.* If expressed in Rand terms, costs per ounce have increased by 14% in fiscal 2006, due primarily to lower production volumes, increases in the costs of labor and supplies and the effect of inflation on supply contracts.

Tons milled from Joel shaft increased to 504,000 in fiscal 2007, compared with 436,000 in fiscal 2006, attributable primarily to the commissioning of the midshaft loading arrangement on 137 level. Tons milled were negatively influenced in fiscal 2007 due to ceasing hoisting operations at North Shaft on March 15, 2007 for the sinking stage removal, guide rope installation and the installation of a proper spillage arrangement at shaft bottom. Ounces sold were 79,923 in fiscal 2007, compared with 58,595 in fiscal 2006. The improved recovered grade and the increased tons positively influenced ounces sold. Recovered grade improved to 0.158 in fiscal 2007 compared with 0.134 in fiscal 2006.

Cash costs for Joel increased to $33.4 million in fiscal 2007, compared with $29.1 million in fiscal 2006. This increase was primarily attributed to higher production volumes and increased labor costs to support the build up in production. Cash costs per ounce were $418 in fiscal 2007, compared with $498 in fiscal 2006. This decrease was primarily attributable to the higher production levels and an increased grade.

The rock hoisting capacity at Joel is 180,000 tons per month. The average tons milled in fiscal 2007 was 42,083 tons per month.

On a simplistic basis, assuming no additional reserves are identified, at expected production levels, it is foreseen that the reported proven and probable ore reserves of 4.1 million tons (0.6 million ounces) will be sufficient for Joel to maintain underground production until approximately 2015. Any future changes to the assumptions upon which the ore reserves are based, as well as any unforeseen events affecting production levels, could have a material effect on the expected period of future operations.

Capital Expenditure: Harmony incurred approximately R28. 2 million ($3.9 million) in capital expenditures at Joel in the fiscal year ended June 30, 2007, on development on 129 level, general replacement, maintenance and ongoing development and has budgeted R29.0 million ($4.0 million at the closing rate at balance sheet date) for capital expenditures in fiscal 2008, primarily for ongoing development and 129 Level Development.

	Fiscal Year Ended June 30,		
Kudu/Sable	**2007**	**2006**	**2005**
Production			
Tons (000)	15	13	194
Recovered grade (ounces/ton)	0.053	0.156	0.130
Gold sold (ounces)	845	2,024	25,175
Results of operations ($)			
Product sales (000)	553	890	10,764
Cash cost (000)	189	895	18,885
Cash profit (000)	364	(5)	(8,121)
Cash costs			
Per ounce of gold ($)	224	442	750
Capex (000) ($)			

Tons milled from Kudu/Sable were 13,000 in fiscal 2006, compared with 194,000 in fiscal 2005. The decrease was primarily the result of the decision to close down the shaft in fiscal 2005. Ounces sold were 2,024 in fiscal 2006, compared with 25,175 in fiscal 2005. The decrease in ounces sold is primarily attributed to the decrease in tons milled. The recovered grade increased to 0.156 in fiscal 2006, compared with 0.130 in fiscal 2005.

Cash costs for Kudu/Sable were $895,000 in fiscal 2006, compared with $18.9 million in fiscal 2005. This decrease was primarily attributed to the substantially lower production levels and the decision to close the shaft. Cash costs per ounce were $442 in fiscal 2006, compared with $750 in fiscal 2005 primarily due to reduced volumes. In addition, there was a 7.5% depreciation of the Rand against the US dollar during the year. See Item 5. Operating and Financial Review and Prospects Exchange Rates. If expressed in Rand terms, costs per ounce have decreased in fiscal 2006 by 39%, due primarily to lower production volumes.

Tons milled from Kudu/Sable were 15,000 in fiscal 2007, compared with 13,000 in fiscal 2006. Ounces sold were 845 in fiscal 2007, compared with 2,024 in fiscal 2006. The recovered grade decreased to 0.053 in fiscal 2007, compared with 0.156 in fiscal 2006. Cash costs per ounce decreased in fiscal 2007 to $224 from $442 in fiscal 2006, mainly due to the shaft being in clean up and closure mode.

Capital expenditure: No capital expenditure was incurred during fiscal 2007. No capital expenditure has been budgeted for fiscal 2008.

	Fiscal Year Ended June 30,		
West Shaft	**2007**	**2006**	**2005**
Production			
Tons (000)	93	206	176
Recovered grade (ounces/ton)	0,080	0.124	0.160
Gold sold (ounces)	7,377	25,525	28,165
Results of operations ($)			
Product sales (000)	4,592	13,117	12,049
Cash cost (000)	7,929	13,650	12,907
Cash loss (000)	(3,337)	(533)	(858)
Cash costs			
Per ounce of gold ($)	1,075	535	458
Capex (000) ($)	666	887	107

A decision to close West shaft was taken and mining was stopped in December 2006, reclamation and mud loading commenced in January 2007. The employees were transferred to Bambanani Shaft from October 2006 to February 2007.

Tons milled from the West shaft were 206,000 in fiscal 2006, compared with 176,000 in fiscal 2005. The increase was primarily due to high levels of reef stripping during the year to access higher grade areas. Ounces sold were 25,525 in fiscal 2006, compared with 28,165 in fiscal 2005. The decrease in ounces sold is primarily attributed to the lower recovered grade which is directly related to the level of reef stripping being done The recovered grade decreased to 0.124 in fiscal 2006, compared with 0.160 in fiscal 2005, primarily due to the reef stripping at lower grades to get back into higher grade pillars.

Cash costs for the West shaft were $13.7 million in fiscal 2006, compared with $12.9 million in fiscal 2005. This increase was primarily attributed to increased production. Cash costs per ounce were $535 in fiscal 2006, compared with $458 in fiscal 2005. This increase in cash costs per ounce was attributable primarily to the lower level of gold produced. In addition, there was a 7.5% depreciation of the Rand against the US dollar during the year. *See Item 5. Operating and Financial Review and Prospects Exchange Rates.* If expressed in Rand terms, costs per ounce have increased in fiscal 2006 by 20%, due primarily to lower production volumes, increases in the costs of labor and supplies and the effect of inflation on supply contracts.

Tons milled from the West shaft were 93,000 in fiscal 2007, compared with 206,000 in 2006. The decrease was primarily due to placing the shaft on care and maintenance in March 2007. Ounces sold were 7,377 in fiscal 2007, compared with 25,525 in fiscal 2006. The decrease in ounces sold is primarily attributed to the lower recovered grade and placing the shaft on care and maintenance. The recovered grade decreased to 0.080 in fiscal 2007, compared with 0.124 in fiscal 2006, primarily due to the reef stripping at lower grades to get back into higher grade pillars.

Cash costs for the West shaft were $7.9 million in fiscal 2007, compared with $13.7 million in fiscal 2006. This decrease was primarily attributed to placing the shaft on care and maintenance. Cash costs per ounce were $1075 in fiscal 2007, compared with $535 in fiscal 2006. This increase in cash costs per ounce was attributable primarily to the lower level of gold produced, tons milled and grade recovered.

The rock hoisting capacity at the West shaft is 24,000 tons per month. The average tons milled in fiscal 2007 was 10,000 tons per month.

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No reserve was declared in 2007 for West shaft after the shaft was put on care and maintenance in March 2007.
*Capital Expenditure***:** Harmony incurred R4.8 million ($0.7 million) in capital expenditures at the West shaft in fiscal 2007 primarily on ongoing development. No capital expenditure required for 2008 as shaft was placed on care and maintenance.

	Fiscal Year Ended June 30,		
Nyala	**2007**	**2006**	**2005**
Production			
Tons (000)		2	198
Recovered grade (ounces/ton)		0.092	0.119
Gold sold (ounces)		184	23,503
Results of operations ($)			
Product sales (000)		81	9,897
Cash cost (000)		226	17,587
Cash profit (000)		(145)	(7,690)
Cash costs			
Per ounce of gold ($)		1,228	748
Capex (000)($)		3	1,440

Due to the increased operating costs in dollar terms, the decision was taken to close the Nyala shaft during the quarter ended March 31, 2005.
Tons milled from Nyala were 2,000 in fiscal 2006, compared with 198,000 in fiscal 2005. Ounces sold were 184 in fiscal 2006, compared with 23,503 in fiscal 2005. This decrease in ounces sold is primarily attributed to the decrease in tons milled and the lower recovery grade at Nyala as a result of the closure of the shaft.
The cash costs for Nyala s underground operations were $226,000 in fiscal 2006, compared with $17.6 million in fiscal 2005. This decrease was primarily attributed to the lower production levels as a result of the decision to close this shaft in fiscal 2005. Cash costs per ounce were $1,228 in fiscal 2006, compared with $748 in fiscal 2005.
Capital expenditure: No capital expenditure was incurred during fiscal 2007. No capital expenditure has been budgeted for 2008.

	Fiscal Year Ended June 30,		
Eland	**2007**	**2006**	**2005**
Production			
Tons (000)	11	21	175
Recovered grade (ounces/ton)	0.229	0.193	0.153
Gold sold (ounces)	2,420	4,058	26,782
Results of operations($)			
Product sales (000)	1,505	2,026	11,436
Cash cost (000)		1,066	13,404
Cash profit (000)	1,505	960	(1,968)
Cash costs			
Per ounce of gold ($)		263	500
Capex (000) ($)	79		

Based on the increased operating costs in dollar terms, the decision was taken to scale down the Eland shaft, commencing during fiscal 2004. The downscaling was completed during fiscal 2005 and the shaft was closed.
Tons milled from the Eland shaft were 21,000 in fiscal 2006, compared with 175,000 in fiscal 2005. The decrease in tons milled is primarily attributed to the decision to down scale the shaft and then close it, with the small amount of production coming from clean- up activities. Ounces sold decreased to 4,058 in fiscal 2006, compared with 26,782 in fiscal 2005, due to the decrease in tons milled. There was an increase in the grade recovered from 0.153 in fiscal 2005 to 0.193 in fiscal 2006.

Cash costs for the Eland shaft were $1.1 million in fiscal 2006, compared with $13.4 million in fiscal 2005. This decrease was primarily attributed to the downscaling of the operation. In addition, there was a 7.5% depreciation of the Rand against the US dollar during the year. See Item 5. Operating and Financial Review and Prospects Exchange Rates. If expressed in Rand terms, costs per ounce have decreased in fiscal 2006 by 46%, due primarily to lower production volumes.

Tons milled from the Eland shaft were 11,000 in fiscal 2007, compared with 21,000 in fiscal 2006. The decrease in tons milled is primarily attributed to the decision to down scale the shaft and then close it, with the small amount of production coming from clean-up activities. Ounces sold decreased further to 2,420 in fiscal 2007, compared with 4,058 in fiscal 2006, due to the decrease in tons milled. There was an increase in the grade recovered from 0.193 in fiscal 2006 to 0.229 in fiscal 2007.

Capital Expenditure: Harmony incurred capital expenditures of $0.1 million at the Eland shaft in fiscal 2007 and no capital expenditures are foreseen for fiscal 2008.

	Fiscal Year Ended June 30,		
Deelkraal	**2007**	**2006**	**2005**
Production			
Tons (000)			1
Recovered grade (ounces/ton)			2.284
Gold sold (ounces)			2,284
Results of operations ($)			
Product sales (000)			958
Cash cost (000)			714
Cash profit (000)			244
Cash costs			
Per ounce of gold ($)			313
Capex (000) ($)			

The Deelkraal shaft was closed in June 2004 and was only operating as a service shaft since fiscal 2005. There was no production at the Deelkraal shaft during fiscal 2006 and 2007.

Capital Expenditure: Harmony incurred no capital expenditures at Deelkraal in fiscal 2007 and no capital expenditures are foreseen for fiscal 2008.

	Fiscal Year Ended June 30,		
St. Helena	**2007**	**2006**	**2005**
Production			
Tons (000)	240	127	245
Recovered grade (ounces/ton)	0,089	0.101	0.122
Gold sold (ounces)	21,319	12,791	29,965
Results of operations ($)			
Product sales (000)	13,650	6,867	12,660
Cash cost (000)	17,909	10,802	24,191
Cash loss (000)	(4,259)	(3,935)	(11,531)
Cash costs			
Per ounce of gold ($)	840	845	807
Capex (000) ($)	1,440	443	901

Cash costs for St. Helena were $10.8 million in fiscal 2006, compared with $24.2 million in fiscal 2005. This decrease was primarily attributed to the reduction in tonnage milled and the lower recovered grade. Cash costs per ounce were $845 in fiscal 2006, compared with $807 in fiscal 2005. In addition, there was a 7.5% depreciation of the Rand against the U.S. dollar during the year. See *Operating and Financial Review and Prospects Exchange Rates* . If expressed in Rand terms, costs per ounce have increased in fiscal 2006 by 8%, due primarily to lower production volumes, increases in the costs of labor and supplies and the effect of inflation on supply contracts.

Tons milled from St. Helena were 240,000 in fiscal 2007, compared with 127,000 in fiscal 2006. The increase in tons milled was primarily due to the decision to consolidate 4 and 8 shafts into one unit. Ounces sold were 21,319 in fiscal 2007, compared with

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12,791 in fiscal 2006. The increase in ounces sold is primarily attributed to the increase in tons milled. The recovered grade however decreased to 0.089 during fiscal 2007, compared with 0.101 during fiscal 2006.

Cash costs for St. Helena were $17.9 million in fiscal 2007, compared with $10.8 million in fiscal 2007. This increase was primarily attributed to the increase in tonnage milled and square metres. Cash costs per ounce were $840 in fiscal 2007, compared with $845 in fiscal 2006 due to the increase in ounces produced.

The rock hoisting capacity at St. Helena is 63,000 tons per month. The average tons milled in fiscal 2007 was 18,235 tons per month.

On a simplistic basis, assuming no additional reserves are identified, at expected production levels, it is foreseen that the reported proven and probable ore reserves of 1.0 million tons (0.13 million ounces) will be sufficient for the St. Helena shaft to maintain underground production until approximately 2012. Any future changes to the assumptions upon which the ore reserves are based, as well as any unforeseen events affecting production levels, could have a material effect on the expected period of future operations.

Capital Expenditure: Harmony incurred R10.4 million ($1.4 million) in capital expenditures at St. Helena in fiscal 2007 and has budgeted R3.8 million ($527 thousands at the closing rate at balance sheet date) for capital expenditures in fiscal 2008.

	Fiscal Year Ended June 30,		
Harmony 2	**2007**	**2006**	**2005**
Production			
Tons (000)	516	598	559
Recovered grade (ounces/ton)	0.090	0.116	0.123
Gold sold (ounces)	46,274	69,446	68,547
Results of operations ($)			
Product sales (000)	29,936	36,716	29,295
Cash cost (000)	29,887	33,527	30,021
Cash profit (000)	49	3,189	(726)
Cash costs			
Per ounce of gold ($)	646	483	438
Capex (000) ($)	4,905	3,964	3,556

Tons milled from the Harmony 2 shaft increased to 598,000 in fiscal 2006, compared with 559,000 in fiscal 2005, primarily due to an increase in the availability of mineable ground resulting from development and equipping of areas identified by exploration drilling. Ounces sold were 69,446 in fiscal 2006, compared with 68,547 in fiscal 2005. This increase is attributable primarily to the increase in tons milled. Recovered grade was 0.116 in fiscal 2006, compared with 0.123 in fiscal 2005. This decrease in average grade is mainly attributable to a change in the mining mix between the Basal and A-Reef during the year.

Cash costs were $33.5 million in fiscal 2006 compared with $30.0 million in fiscal 2005. Cash costs per ounce were $483 in fiscal 2006 compared with $438 in fiscal 2005. This increase was attributable primarily to increase in tonnage produced. In addition, there was a 7.5% depreciation of the Rand against the U.S. dollar during the year. See *Operating and Financial Review and Prospects Exchange Rates* . If expressed in Rand terms, costs per ounce have increased in fiscal 2006 by 14%, due primarily to lower production volumes, increases in the costs of labor and supplies and the effect of inflation on supply contracts.

Tons milled from the Harmony 2 shaft decreased to 516,000 in fiscal 2007, compared with 598,000 in fiscal 2006, primarily due to an underground fire experienced at Harmony 2 in the Basal pillar. Ounces sold were 46,274 in fiscal 2007, compared with 69,446 in fiscal 2006. This decrease is attributable primarily to the fire in the high grade basal pillar area. Recovered grade was 0.090 in fiscal 2007, compared with 0.116 in fiscal 2006. This decrease in average grade is mainly attributable to the fire in the high grade basal pillar area.

Cash costs were $29. 8 million in fiscal 2007 compared with $33.5 million in fiscal 2006. Cash costs per ounce were $646 in fiscal 2007 compared with $483 in fiscal 2006. Although the total costs are lower than the previous year, it includes approximately R3.1m ($433,687) in terms of costs to fight the fire and replace critical items lost in the fire.

The cash cost per ounce is higher due to the loss of production in the higher grade basal pillars combined with the additional costs of the fire.

The rock hoisting capacity at the Harmony 2 shaft is 54,000 tons per month. The average tons milled in fiscal 2007 were 39,166 tons per month.

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On a simplistic basis, assuming no additional reserves are identified, at expected production levels, it is foreseen that the reported proven and probable ore reserves of 1.0 million tons (0.1 million ounces) will be sufficient for Harmony 2 to maintain underground production until approximately fiscal 2010. Any future changes to the assumptions upon which the reserves are based, as well as any unforeseen events affecting production levels, could have a material effect on the expected period of future operations.

Capital Expenditure: Harmony incurred R35.3 million ($4.9 million) on capital expenditures at Harmony 2 in fiscal 2007, primarily for ongoing capital development. Harmony has budgeted R30.1 million ($4.2 million at the closing rate at balance sheet date) for capital expenditures in fiscal 2008, primarily for ongoing development

	Fiscal Year Ended June 30,		
Merriespruit 1	**2007**	**2006**	**2005**
Production			
Tons (000)	476	410	414
Recovered grade (ounces/ton)	0.106	0.117	0.110
Gold sold (ounces)	50,612	48,069	45,559
Results of operations ($)			
Product sales (000)	32,520	25,685	19,428
Cash cost (000)	26,507	24,061	21,719
Cash profit (000)	6,013	1,624	(2,291)
Cash costs			
Per ounce of gold ($)	524	501	477
Capex (000) ($)	3,509	2,445	2,833

Tons milled from Merriespruit 1 were 410,000 in fiscal 2006, compared with 414,000 in fiscal 2005. Volumes were negatively affected, mainly as a result of days lost to the industry (through the wage strike in the first quarter and the Cosatu strike in the fourth quarter). Ounces sold increased to 48,069 in fiscal 2006, compared with 45,559 in fiscal 2005, attributable primarily to the slightly higher recovered grade. Recovered grade was 0.117 in fiscal 2006, compared with 0.110 in fiscal 2005. This increase was due to the increase in the mine call factor from 69% to 70%.

Cash costs were $24.1 million in fiscal 2006 compared with $21.7 million in fiscal 2005. This increase was attributable primarily to an increase in labor cost. Cash costs per ounce were $501 in fiscal 2006 compared with $477 in fiscal 2005. This increase was attributable primarily to the increased labor costs. In addition, there was a 7.5% depreciation of the Rand against the U.S. dollar during the year. See *Operating and Financial Review and Prospects Exchange Rates* . If expressed in Rand terms, costs per ounce have increased in fiscal 2006 by 8%, due primarily to increases in the costs of labor and supplies and the effect of inflation on supply contracts.

Tons milled from Merriespruit 1 were 476,000 in fiscal 2007, compared with 410,000 in fiscal 2006. Volumes increased, mainly as a result of being able to commence mining in the shaft pillar area, after completion of the shaft tower installation project. Equipping and development was enhanced enabeling entry to panels at an increased rate. Ounces sold increased to 50,612 in fiscal 2007, compared with 48,069 in fiscal 2006, attributable primarily to the increased tonnage and the recovered grade remaining at similar levels. Recovered grade was 0.106 in fiscal 2007, compared with 0.117 in fiscal 2006. This slight decrease was mainly due to the erratic grade of the Middle reef.

Cash costs were $26.7 million in fiscal 2007 compared with $24.1 million in fiscal 2006. This increase was attributable primarily to an increase in labor cost and additional support required in the shaft pillar area. Cash costs per ounce were $524 in fiscal 2007 compared with $501 in fiscal 2006. This increase was attributable primarily to the increased labor costs and the additional support costs in the shaft pillar area.

The rock hoisting capacity at the Merriespruit 1 shaft is 38,000 tons per month. The average tons milled in fiscal 2007 was 36,083 tons per month.

On a simplistic basis, assuming no additional reserves are identified, at expected production levels, it is foreseen that the reported proven and probable ore reserves of 1.7 million tons (0.2 million ounces) will be sufficient for Merriespruit 1 shaft to maintain underground production until approximately fiscal 2013. Any future changes to the assumptions upon which the reserves are based, as well as any unforeseen events affecting production levels, could have a material effect on the expected period of future operations.

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Capital Expenditure: Harmony incurred R25.3 million ($3.5 million) on capital expenditures at Merriespruit 1 in fiscal 2007, primarily on ongoing development and has budgeted R26.9 million ($3.7 million at the closing rate at balance sheet date) for capital expenditures in fiscal 2008, primarily for ongoing development.

	Fiscal Year Ended June 30,		
Merriespruit 3	**2007**	**2006**	**2005**
Production			
Tons (000)	444	452	548
Recovered grade (ounces/ton)	0.098	0.097	0.100
Gold sold (ounces)	43,541	43,691	54,690
Results of operations ($)			
Product sales (000)	27,933	23,078	23,325
Cash cost (000)	25,035	24,188	24,379
Cash profit (000)	2,898	(1,110)	(1,054)
Cash costs			
Per ounce of gold ($)	575	554	446
Capex (000) ($)	3,420	1,783	1,696

Tons milled from the Merriespruit 3 shaft decreased to 452,000 in fiscal 2006, compared with 548,000 in fiscal 2005, primarily due to the availability of replacement ground. Ounces sold were 43,691 in fiscal 2006, compared with 54,690 in fiscal 2005. The decrease in ounces sold is primarily attributed to the slightly lower recovery grade and the decrease in tons milled. Recovered grade was 0.097 in fiscal 2006, compared with 0.100 in fiscal 2005.

Cash costs were $24.2 million in fiscal 2006 compared with $24.4 million in fiscal 2005. This decrease was attributable primarily to the lower production levels. Cash costs per ounce were $554 in fiscal 2006 compared with $446 in fiscal 2005. This increase was attributable primarily to lower production levels, and a lower grade. In addition, there was a 7.5% depreciation of the Rand against the U.S. dollar during the year. See *Operating and Financial Review and Prospects Exchange Rates* . If expressed in Rand terms, costs per ounce have increased in fiscal 2006 by 28%, due primarily to lower production volumes, increases in the costs of labor and supplies and the effect of inflation on supply contracts.

Tons milled from the Merriespruit 3 shaft decreased to 444,000 in fiscal 2007, compared with 452,000 in fiscal 2006, primarily due to the availability of replacement ground. Ounces sold were 43,541 in fiscal 2007, compared with 43,691 in fiscal 2006. The decrease in ounces sold is primarily attributed to the decrease in tons milled. Recovered grade was 0.098 in fiscal 2007, compared with 0.097 in fiscal 2006.

Cash costs were $25.0 million in fiscal 2007 compared with $24.2 million in fiscal 2006. Cash costs per ounce were $575 in fiscal 2007 compared with $554 in fiscal 2006. This increase in costs is mainly attributable to increased labor rates and inflationary escalations.

The rock hoisting capacity at the Merriespruit 3 shaft is 48,000 tons per month. The average tons milled in fiscal 2007 was 33,645 tons per month.

On a simplistic basis, assuming no additional reserves are identified, at expected production levels, it is foreseen that the reported proven and probable ore reserves of 1.1 million tons (0.2 million ounces) will be sufficient for the Free State operations to maintain underground production until approximately fiscal 2010. Any future changes to the assumptions upon which the reserves are based, as well as any unforeseen events affecting production levels, could have a material effect on the expected period of future operations.

Capital Expenditure: Harmony incurred approximately R24.6 million ($3.4 million) in capital expenditures at the Merriespruit 3 shaft in fiscal 2007, principally for ongoing development and has budgeted R29.8 million ($4.1 million at the closing rate at balance sheet date) for capital expenditures in fiscal 2008, primarily for ongoing development.

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	Fiscal Year Ended June 30,		
Unisel	**2007**	**2006**	**2005**
Production			
Tons (000)	614	500	494
Recovered grade (ounces/ton)	0.130	0.146	0.132
Gold sold (ounces)	79,992	72,963	65,011
Results of operations ($)			
Product sales (000)	51,142	38,172	27,798
Cash cost (000)	35,013	28,789	31,055
Cash profit (000)	16,129	9,383	(3,257)
Cash costs			
Per ounce of gold ($)	438	395	478
Capex (000) ($)	5,436	3,907	4,147

Tons milled from Unisel were 500,000 in fiscal 2006, compared with 494,000 in fiscal 2005. The increase was due to improved blasting frequency. Ounces sold increased to 72,963 in fiscal 2006, compared with 65,011 in fiscal 2005, primarily because of the increase in tons milled and an improved recovery grade. Recovered grade was 0.146 in fiscal 2006, compared with 0.132 in fiscal 2005. The higher grade was due to better than expected grades from the Middle Reef.

Cash costs were $28.8 million in fiscal 2006 compared with $31.1 million in fiscal 2005. This decrease was attributable to benefits of the restructuring of the shaft in fiscal 2005. Cash costs per ounce were $395 in fiscal 2006 compared with $478 in fiscal 2005. This decrease was attributable primarily to the positive effect of the restructuring of the shaft in fiscal 2005 and the increase in the recovered grade. In addition, there was a 7.5% depreciation of the Rand against the U.S. dollar during the year. See *Operating and Financial Review and Prospects Exchange Rates* . If expressed in Rand terms, costs per ounce have decreased in fiscal 2006 by 15%.

Tons milled from Unisel were 614,000 in fiscal 2007, compared with 500,000 in fiscal 2006. The increase was due to improved blasting frequency. Ounces sold increased to 79,992 in fiscal 2007, compared with 72,963 in fiscal 2006, primarily because of the increase in tons milled. Recovered grade was 0.130 in fiscal 2007, compared with 0.146 in fiscal 2006

Cash costs were $35.0 million in fiscal 2007 compared with $28.8 million in fiscal 2006. This increase was attributable to the extra production, upgrade of the refrigeration plant and infrastructure. Cash costs per ounce were $438 in fiscal 2007 compared with $395 in fiscal 2006, primarily due to the increased labor costs and inflationary pressure on supply costs.

The rock hoisting capacity at Unisel is 70,000 tons per month. The average tons milled in fiscal 2007 was 46,621 tons per month.

On a simplistic basis, assuming no additional reserves are identified, at expected production levels, it is foreseen that the reported proven and probable ore reserves of 4.3 million tons (0.7 million ounces) will be sufficient for Unisel to maintain underground production until approximately fiscal 2015. Any future changes to the assumptions upon which the reserves are based, as well as any unforeseen events affecting production levels, could have a material effect on the expected period of future operations

Capital Expenditure: Harmony incurred R39.1 million ($5.4 million) in capital expenditures at Unisel in fiscal 2007, primarily on ongoing development and has budgeted R39.4 million ($5.4 million at the closing rate at balance sheet date) for capital expenditures in fiscal 2008, primarily for ongoing development.

	Fiscal Year Ended June 30,		
Brand 3	**2007**	**2006**	**2005**
Production			
Tons (000)	444	405	448
Recovered grade (ounces/ton)	0.103	0.103	0.103

Gold sold (ounces)	45,611	41,647	46,299
Results of operations ($)			
Product sales (000)	29,174	22,147	19,807
Cash cost (000)	27,771	23,272	22,883
Cash profit (000)	1,403	(1,125)	(3,076)
Cash costs			
Per ounce of gold ($)	609	559	494
Capex (000) ($)	1,590	987	1,267

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Tons milled from the Brand 3 shaft were 405,000 in fiscal 2006, compared with 448,000 in fiscal 2005. The decrease in tons was primarily due to the restructuring process at this shaft from July to September 2005. Ounces sold were 41,647 in fiscal 2006, compared with 46,299 in fiscal 2005, primarily because of the decrease in tons milled due to selective mining and fewer high grade basal pillars being mined. Recovered grade was 0.103 in fiscal 2006, compared with 0.103 in fiscal 2005.

Cash costs were $23.3 million in fiscal 2006 compared with $22.9 million in fiscal 2005. This increase was attributable primarily to the annual labor increases. Cash costs per ounce were $559 in fiscal 2006 compared with $494 in fiscal 2005. This increase was attributable primarily to lower production and lower grade mined. In addition, there was a 7.5% depreciation of the Rand against the U.S. dollar during the year. See *Operating and Financial Review and Prospects Exchange Rates* . If expressed in Rand terms, costs per ounce have increased in fiscal 2006 by 16%, due primarily to lower production volumes, increases in the costs of labor and supplies and the effect of inflation on supply contracts.

Tons milled from the Brand 3 shaft increased to 444,000 in fiscal 2007 from 405,000 in fiscal 2006. Ounces sold were 45,611 in fiscal 2007, compared with 41,647 in fiscal 2006, primarily because of the improvement in tons milled. Recovered grade remained constant at 0.103.

Cash costs were $27.8 million in fiscal 2007 compared with $23.3 million in fiscal 2006. This increase was attributable primarily to the bringing in of labor earlier to prepare for increase in production in fiscal 2008, and also the upgrade of rail infrastructure on 40 and 46 levels. Cash costs per ounce were $609 in fiscal 2007 compared with $559 in fiscal 2006. This increase was also attributable primarily to the rail infrastructure upgrade and new labor brought in to prepare for 2008 fiscal increase in production.

The rock hoisting capacity at the Brand 3 shaft is 45,000 tons per month. The average tons milled in fiscal 2007 was 33,742 tons per month.

On a simplistic basis, assuming no additional reserves are identified, at expected production levels, it is foreseen that the reported proven and probable ore reserves of 0.7 million tons (0.008 million ounces) will be sufficient for the Brand 3 operations to maintain underground production until approximately the end of fiscal 2009. Any future changes to the assumptions upon which the reserves are based, as well as any unforeseen events affecting production levels, could have a material effect on the expected period of future operations.

Capital Expenditure: Harmony incurred R11.4 million ($1.6 million) on capital expenditures at Brand 3 in fiscal 2007**.**

	Fiscal Year Ended June 30,		
Brand 5	**2007**	**2006**	**2005**
Production			
Tons (000)	12	3	
Recovered grade (ounces/ton)	0.077	0.156	
Gold sold (ounces)	918	469	33
Results of operations ($)			
Product sales (000)	592	236	8
Cash cost (000)	1526	975	2,120
Cash loss (000)	(934)	(739)	(2,112)
Cash costs			
Per ounce of gold ($)	1,661	2,079	64,242
Capex (000) ($)			

The Brand 5 shaft was placed on care and maintenance during the quarter ended September 30, 2003, this will remain in place until market conditions are more favorable or more economical parts of the orebody are discovered.

The few tons milled during 2006 and 2007 were due to vamping of mud while cleaning the underground dams. Water is pumped on the shaft and the dams are cleared and cleaned periodically.

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Capital Expenditure: Harmony incurred no capital expenditures at Brand 5 in fiscal 2007 and no capital expenditures are foreseen for fiscal 2008.

	Fiscal Year Ended June 30,		
Orkney 2	**2007**	**2006**	**2005**
Production			
Tons (000)	311	347	413
Recovered grade (ounces/ton)	0.168	0.201	0.190
Gold sold (ounces)	52,275	69,877	78,449
Results of operations ($)			
Product sales (000)	33,048	36,589	33,279
Cash cost (000)	26,262	29,716	31,495
Cash profit (000)	6,786	6,873	1,784
Cash costs			
Per ounce of gold ($)	502	425	401
Capex (000) ($)	4,273	2,380	1,443

Tons milled from the Orkney 2 shaft were 347,000 in fiscal 2006, compared with 413,000 in fiscal 2005. The decrease in tons milled was primarily due to seismic events in August 2005 resulting in the loss of face length flexibility and volume. Ounces sold were 69,877 in fiscal 2006, compared with 78,449 in fiscal 2005. The decrease in ounces sold is primarily attributed to the lower production, mainly due to the completion of the shaft pillar and other bigger pillars. Recovered grade was 0.201 in fiscal 2006, compared with 0.190 in fiscal 2005.

Cash costs were $29.7 million in fiscal 2006 compared with $31.5 million in fiscal 2005. Cash costs per ounce were $425 in fiscal 2006 compared with $401 in fiscal 2005. This increase was attributable primarily to additional labor hours. In addition, there was a 7.5% depreciation of the Rand against the U.S. dollar during the year. See *Operating and Financial Review and Prospects Exchange Rates.* If expressed in Rand terms, costs per ounce have increased in fiscal 2006 by 9%, due primarily to lower production volumes, increases in the costs of labor and supplies and the effect of inflation on supply contracts.

Tons milled from the Orkney 2 shaft were 311,000 in fiscal 2007, compared with 347,000 in fiscal 2006. The decrease in tons milled was primarily due to seismic events resulting in the loss of face length flexibility and volume. There was also a planned down scaling in production. Ounces sold were 52,275 in fiscal 2007, compared with 69,877 in fiscal 2006. The decrease in ounces sold is primarily attributed to the lower production. Recovered grade was 0.168 in fiscal 2007, compared with 0.201 in fiscal 2006, due to a decrease in average mining grade.

Cash costs were $26.3 million in fiscal 2007 compared with $29.7 million in fiscal 2006. Cash costs per ounce were $502 in fiscal 2007 compared with $425 in fiscal 2006. This increase was attributable primarily due to lower production volumes, increases in the costs of labor and supplies and the effect of inflation on supply contracts.

The rock hoisting capacity at the Orkney 2 shaft is 60,000 tons per month. The average tons milled in fiscal 2007 were 23,593 tons per month.

On a simplistic basis, assuming no additional reserves are identified, at expected production levels, it is foreseen that the reported proven and probable reserves of 308,000 tons (86,132 ounces) will be sufficient for the Orkney 2 operations to maintain underground production until approximately calendar year 2009. Any further changes to the assumptions upon which the ore reserves are based, as well as any unforeseen events affecting the production levels, could have a material effect on the expected period of future operations.

Capital Expenditure: Harmony incurred R30.8 million ($4.3 million) in on-going capital expenditures at Orkney 2 in fiscal 2007 and has budgeted R36.5 million ($5.1 million at the closing rate at balance sheet date) for capital expenditures in fiscal 2008, primarily for ongoing development.

	Fiscal Year Ended June 30,		
Orkney 4	**2007**	**2006**	**2005**
Production			

Tons (000)	397	406	455
Recovered grade (ounces/ton)	0.116	0.145	0.169
Gold sold (ounces)	46,041	58,897	76,971
Results of operations ($)			
Product sales (000)	28,960	31,117	32,720
Cash cost (000)	26,317	29,273	29,616
Cash profit (000)	2,643	1,844	3,104
Cash costs			
Per ounce of gold ($)	572	497	385
Capex (000) ($)	5,101	4,759	915

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Tons milled from the Orkney 4 shaft were 406,000 in fiscal 2006, compared with 455,000 in fiscal 2005. The decrease in tons milled was primarily due to shaft ore pass scaling and seismicity experienced in the shaft pillar area. Ounces sold were 58,897 in fiscal 2006, compared with 76,971 in fiscal 2005. The decrease in ounces sold is primarily attributed to the decrease in production and a decrease in the recovery grade. The decrease in recovered grade from 0.169 in fiscal 2005 to 0.145 in fiscal 2006 is mainly attributable to a switch in production as a result of seismicity experienced from the higher grade shaft pillar to lower grade areas.

Cash costs were $29.3 million in fiscal 2006 compared with $29.6 million in fiscal 2005. This decrease was attributable primarily to the lower production volumes. Cash costs per ounce were $497 in fiscal 2006 compared with $385 in fiscal 2005. This increase was mainly as a result of the reduced volumes. In addition, there was a 7.5% depreciation of the Rand against the U.S. dollar during the year. See *Operating and Financial Review and Prospects Exchange Rates.* If expressed in Rand terms, costs per ounce have increased in fiscal 2006 by 33%, due primarily to lower production volumes, increases in the costs of labor and supplies and the effect of inflation on supply contracts.

Tons milled from the Orkney 4 shaft were 397,000 in fiscal 2007, compared with 406,000 in fiscal 2006. The decrease in tons milled was primarily due to shaft ore pass scaling and seismicity experienced in the shaft pillar area. Ounces sold were 46,041 in fiscal 2007, compared with 58,897 in fiscal 2006. The decrease in ounces sold is primarily attributed to the decrease in production and a decrease in the recovery grade.The decrease in recovered grade from 0.145 in fiscal 2006 to 0.116 in fiscal 2007 is mainly attributable to a change in mining mix as a result of seismicity experienced from the higher grade shaft pillar to lower grade areas. There was also down scaling of production in the shaft pillar area which resulted the mining of more remote areas.

Cash costs were $26.3 million in fiscal 2007 compared with $29.3 million in fiscal 2006. This decrease was attributable primarily to the lower production volumes. Cash costs per ounce were $572 in fiscal 2007 compared with $497 in fiscal 2006. This increase was mainly as a result of the reduced volumes and recovery grade.

The rock hoisting capacity at the Orkney 4 shaft is 75,000 tons per month. The average tons milled in fiscal 2007 were 30,041 tons per month.

On a simplistic basis, assuming no additional reserves are identified, at expected production levels, it is foreseen that the reported proven and probable reserves of 2,69 million tons (356,000 ounces) will be sufficient for the Orkney 4 operations to maintain underground production until approximately calendar year 2013. Any further changes to the assumptions upon which the ore reserves are based, as well as any unforeseen events affecting the production levels, could have a material effect on the expected period of future operations.

Capital Expenditure: Harmony incurred approximately R36.7 million ($5.1 million) in ongoing capital expenditures at Orkney 4 in the fiscal year ended June 30, 2007, and has budgeted R27.1 million ($3.76 million at the closing rate at balance sheet date) in fiscal 2008, primarily for ongoing development.

	Fiscal Year Ended June 30,		
Orkney 7	**2007**	**2006**	**2005**
Production			
Tons (000)	239		
Recovered grade (ounces/ton)	0.086		
Gold sold (ounces)	20,668		
Results of operations ($)			
Product sales (000)	13,133		
Cash cost (000)	11,942		
Cash profit (000)	1,191		
Cash costs			
Per ounce of gold ($)	578		
Capex (000) ($)	5,768		

During fiscal 2006, Harmony approved the re-opening of the shaft. The shaft started producing in the first quarter of fiscal 2007.

Tons milled from the Orkney 7 shaft were 239,000 in fiscal 2007. Ounces sold were 20,668 in fiscal 2007. The recovered grade was 0.086 in fiscal 2007.

Cash costs were $11,942,000 in fiscal 2007. Cash costs per ounce were $578 in fiscal 2007.

The rock hoisting capacity at the Orkney 7 shaft is 60,000 tons per month. The average tons milled in fiscal 2007 were 18,085 tons per month.

On a simplistic basis, assuming no additional reserves are identified, at expected production levels, it is foreseen that the reported proven and probable reserves of 2,8 million tons (387,000 ounces) will be sufficient for the Orkney 7 operations to maintain underground production until approximately calendar year 2015. Any further changes to the assumptions upon which the ore reserves are based, as well as any unforeseen events affecting the production levels, could have a material effect on the expected period of future operations.

Capital Expenditure: Harmony incurred approximately R41.5 million ($5.8 million) on project capital expenditures at Orkney 7 in the fiscal year ended June 30, 2007, and has budgeted R27.3 million ($3.79 million at the closing rate at balance sheet date) in fiscal 2008, primarily for project development.

	Fiscal Year Ended June 30,		
Saaiplaas 3	**2007**	**2006**	**2005**
Production			
Tons (000)			30
Recovered grade (ounces/ton)			0.085
Gold sold (ounces)			2,541
Results of operations ($)			
Product sales (000)			1,026
Cash cost (000)			4,831
Cash profit (000)			(3,805)
Cash costs			
Per ounce of gold ($)			1,901
Capex (000)($)	43		4

The shaft was placed on care and maintenance during fiscal 2005.

Capital Expenditure: Harmony incurred capital expenditure of R0.3 million ($0.04 million) at the Saaiplaas 3 shaft in fiscal 2007. No capital expenditures are expected in fiscal 2008.

	Fiscal Year Ended June 30,		
Welkom 1	**2007**	**2006**	**2005**
Production			
Tons (000)			21
Recovered grade (ounces/ton)			0.130
Gold sold (ounces)			2,734
Results of operations ($)			
Product sales (000)			1,164
Cash cost (000)			1,604
Cash profit (000)			(440)
Cash costs			
Per ounce of gold ($)			587
Capex (000) ($)			

Welkom shafts 1, 2, 3, 4, 6 and 7   These shafts were placed on care and maintenance for the remainder of fiscal 2004 and had no production in fiscal 2005, 2006 or 2007.

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Capital Expenditure: Harmony incurred no capital expenditures at Welkom 1 in fiscal 2007 and has not budgeted for any capital expenditure at the Welkom 1 shaft in fiscal 2008.

Growth assets

The following chart details the operating and production results from underground operations for all identified Growth assets for fiscal 2007, 2006 and 2005:

	Fiscal Year Ended June 30,		
	2007	**2006**	**2005**
Production			
Tons (000)	1,714	1,502	1,545
Recovered grade (ounces/ton)	0.147	0.143	0.168
Gold sold (ounces)	252,074	214,460	260,066
Results of operations ($)			
Product sales (000)	160,850	113,391	111,055
Cash cost (000)	127,744	113,671	112,172
Cash profit (000)	33,106	(280)	(1,117)
Cash costs			
Per ounce of gold ($)	507	530	431
Capex (000) ($)	102,244	78,076	73,458

Tons milled from Growth Assets decreased to 1,502,000 in fiscal 2006, compared with 1,545,000 in fiscal 2005. Volumes were negatively affected, mainly as a result of days lost to the industry (through the wage strike in the first quarter and the Cosatu strike in the fourth quarter) and as a result of flexibility problems. Ounces sold decreased to 214,460 in fiscal 2005, compared with 260,066 in fiscal 2005, primarily due to the decrease in tons milled. Recovered grade decreased from 0.168 in fiscal 2005 to 0.143 in fiscal 2006.

Cash costs per ounce for the Growth Assets were $530 in fiscal 2006, compared with $431 in fiscal 2005. This increase was mainly a result of the reduced volumes. In addition, there was a 7.5% depreciation of the Rand against the U.S. dollar during the year. See *Operating and Financial Review and Prospects Exchange Rates* . If expressed in Rand terms, costs per ounce have increased in fiscal 2006 by 27%, due primarily to lower production volumes, increases in the costs of labor and supplies and the effect of inflation on supply contracts.

Tons milled from Growth assets increased to 1,714,000 in fiscal 2007, compared with 1,502,000 in fiscal 2006. Ounces sold increased to 252,074 in fiscal 2007, compared with 214,460 in fiscal 2006, primarily due to the increase in tons milled. Recovered grade increased from 0.143 in fiscal 2006 to 0.147 in fiscal 2007.

Gold sales increased to $160.9 million in fiscal 2007, compared with $113.4 million in fiscal 2006 due primarily to the higher average gold price received in fiscal 2007. Cash costs for the Growth assets decreased from $530 to $507 per ounce of gold in fiscal 2007.

Refer to the following charts for detail on the operating and production results of individual Growth assets for fiscal 2007, 2006 and 2005:

	Fiscal Year Ended June 30,		
Elandsrand	**2007**	**2006**	**2005**
Production			
Tons (000)	1,117	987	1,019
Recovered grade (ounces/ton)	0.174	0.173	0.204
Gold sold (ounces)	194,710	170,867	207,371
Results of operations ($)			
Product sales (000)	124,347	90,097	88,577
Cash cost (000)	102,534	89,349	88,599
Cash profit (000)	21,813	748	(22)
Cash costs			

Per ounce of gold ($)	527	523	427
Capex (000) ($)	33,094	30,523	26,081

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Tons milled from the Elandsrand shaft were 987,000 in fiscal 2006, compared with 1,1019,000 in fiscal 2005, and ounces sold were 170,867 in fiscal 2006, compared with 207,371 in fiscal 2005. Volumes were negatively affected, mainly as a result of days lost to the industry (through the wage strike in the first quarter and the Cosatu strike in the fourth quarter), and the continued lack of flexibility in face length to deal with erratic face grades and seismicity. Recovered grade decline during the second half of fiscal 2006 as a result of having to mill higher levels of waste rock from February to May 2006, resulting in an average of 0.173 in fiscal 2006, comparing to the average of 0.204 in fiscal 2005..

The reduction in ounces produced was the main contributor to the increase in cash cost from $427 per ounce in fiscal 2005 to $523 per ounce in fiscal 2006.

Tons milled from the Elandsrand shaft were 1,117,000 in fiscal 2007, compared with 987,000 in fiscal 2006. Ounces sold increased to 194,710 in fiscal 2007, compared with 170,867 in fiscal 2006 as a result of the increased volumes in production. Mining continues in the old, upper areas of the mine, while the new mine project is completed. Recovered grades increased during fiscal 2007, resulting in an average of 0.174 in fiscal 2007, compared to the average of 0.173 in fiscal 2006.

The increase in labor rates and inflation were the main contributors to the increase in cash cost from $523 per ounce in fiscal 2006 to $527 per ounce in fiscal 2007. Costs per ounce have increased in fiscal 2007 by 1%, due primarily to increases in the costs of labor and supplies and the effect of inflation on supply contracts.

Elandsrand currently operates one production shaft, with a current hoisting capacity of 190,000 tons per month which will be utilized to its full capacity, once the Elandsand New Mine Project is complete. The average tons milled in fiscal 2007 was 84,783 tons per month.

On a simplistic basis, assuming no additional reserves are identified, at expected production levels, it is foreseen that the reported proven and probable ore reserves of 34.9 million tons (8.3 million ounces) will be sufficient for the Elandsrand shaft to maintain underground production until approximately calendar year 2026. Any future changes to the assumptions upon which the ore reserves are based, as well as any unforeseen events affecting production levels, could have a material effect on the expected period of future operations

Elandsrand New Mine Project: The project, initiated by AngloGold Ashanti in 1991, was intended to increase the life of mine by exploiting the southern portion of the lease area between 3,000 3,600 meters below surface. This will be achieved by deepening the sub-vertical and ventilation shafts. During fiscal 2004, the payshoot, which was mined on the shallower levels of the old mine, was exposed on levels 102 and 105. Production from level 102 started in January 2004.

Good progress was made with the project during the 2007 fiscal year, with all the targeted milestones having been achieved. The project remains on schedule. Sinking of the No. 2 Service Shaft, from 95 level down to 105 level, was completed without a single incident or accident.

Infrastructure fiscal 2007:

- Sinking and equipping of the No 2 Service Shaft to its final depth (105 level) was completed during the year.

- The 92 level turbine dam was sunk to its depth of 26m, and supported and sealed.

- The Man 1 Winder stations on the sub-shaft were commissioned on all five levels (102, 105, 109, 113 and 115). The sub-shaft can now hoist men and material with both winders on the project levels.

- All the electrical main sub-stations on the project levels (except 115 level) have now been completed and commissioned. This includes all main feeder cables below 100 level. All the services cables have been installed from 100 level to 115 level. These are expected to be commissioned during the first quarter of the 2008 fiscal year.

- The 22 kV systems from surface to 100 level was completed during the year and is awaiting the installation of the 10 MVA transformer on 100 level.

The installation of the No. 1 Settler was completed during the year and is planned to be brought on line towards the end of December 2007.

The winder and headgear chamber for the No 3 Service shaft was completed during the year.

In March 2007, 109 levels access development reached the end of project capital position and is continuing on ongoing capital. A total of 738 meters was achieved.

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Capital Expenditure: Harmony incurred approximately R238.2 million ($33.1 million) in capital expenditures at the Elandsrand operations in fiscal 2007 mainly for the sub shaft deepening project and ongoing development. Harmony has budgeted R389.7 million ($54.1 million, using the closing rate at balance sheet date) for capital expenditures at the Elandsrand operations in fiscal 2008, primarily for the sub shaft deepening project and ongoing development.

	Fiscal Year Ended June 30,		
Doornkop	**2007**	**2006**	**2005**
Production			
Tons (000)	597	515	526
Recovered grade (ounces/ton)	0.096	0.085	0.100
Gold sold (ounces)	57,364	43,593	52,695
Results of operations ($)			
Product sales (000)	36,503	23,294	22,478
Cash cost (000)	25,210	24,322	23,573
Cash profit (000)	11,293	(1,028)	(1,095)
Cash costs			
Per ounce of gold ($)	439	558	447
Capex (000) ($)	37,557	26,031	28,621

Tons milled from Doornkop shaft were 515,000 in fiscal 2006, compared with 526,000 in fiscal 2005. Volumes were negatively affected mainly as a result of days lost to the industry (through the wage strike in the first quarter and the cosatu strike in the fourth quarter). Ounces sold were 43,593 in fiscal 2006, compared 52,695 in fiscal 2005. The decrease in ounces sold was primarily due to the lower recovery grade and decrease in tons milled. The recovered grade deteriorated to 0.085 in fiscal 2006, compared with 0.100 in fiscal 2005, due to the depletion of certain high grade panels.

Cash costs per ounce of gold were $558 in fiscal 2006, compared with $447 in fiscal 2005. This increase was attributable primarily to the lower production volumes and the lower recovered grade.

Tons milled from Doornkop shaft were 597,000 in fiscal 2007, compared with 515,000 in fiscal 2006. Mining continues in the old, upper areas of the mine, while the new mine project is completed. Volumes increased, mainly as a result of flexibility created during the year by increasing development of the orebody. Ounces sold were 57,364 in fiscal 2007, compared with 43,593 in fiscal 2006. This increase in ounces sold was primarily due to the increase in recovered grade and additional tons milled. The recovered grade improved to 0.096 in fiscal 2007, compared with 0.085 in fiscal 2006.

Cash costs per ounce of gold were $439 in fiscal 2007, compared with $558 in fiscal 2006. This decrease was attributable primarily to the higher production volumes and the higher recovered grade.

The hoisting capacity of the Doornkop shaft is 204,000 tons per month. The average tons milled in fiscal 2007 were 49,692 tons per month.

On a simplistic basis, assuming no additional resource are identified, at expected production levels, it is foreseen that the Doornkop shaft will maintain production until approximately fiscal 2017. Any future changes to the assumptions upon which the reserves are based, as well as any unforeseen events affecting production levels, could have a material effect on the expected period of future operations.

Doornkop South Reef Project: The project involves the deepening of the Doornkop mine shaft to 1,973m to mine the South Reef and includes development towards the mining areas. The South Reef lies between 1,650m and 2,000m below surface. Shaft Sinking operations were completed during the year. Equipping of the shaft continued and 192 level station was partially commissioned to support the production that commenced on this level. The rock winder programme is progressing well. Winder house preparations are completed and winder refurbishment is nearing completion. Development continued on all levels with raiselines opening up on 192 level.

Capital Expenditure: Harmony incurred approximately R270.4 million ($37.6 million) in capital expenditures at the Doornkop project in fiscal 2007, primarily for the expansion and deepening of the shaft. Harmony has budgeted R214.8 million ($29.8 million) for capital expenditures at the Doornkop South Reef project in fiscal 2008.

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	Fiscal Year Ended June 30,		
Phakisa	2007	2006	2005
Production			
Tons (000)			
Recovered grade (ounces/ton)			
Gold sold (ounces)			
Results of operations ($)			
Product sales (000)			
Cash cost (000)			
Cash profit (000)			
Cash costs			
Per ounce of gold ($)			
Capex (000) ($)	31,593	21,522	18,756

The expected capacity of the Phakisa shaft will be 126,766 tons per month. Phakisa has no rock hoisting facilities and all rock will be transported via a Rail system on 55 level to the Nyala mine for hoisting to surface.

On a simplistic basis reported proven and probable underground ore reserves of 22.0 million tons (5.4 million ounces) will be sufficient for the Phakisa shaft to, once production commence, maintain production until approximately fiscal 2027. Any future changes to the assumptions upon which the reserves are based, as well as any unforeseen events affecting production levels, could have a material effect on the expected period of future operations.

Phakisa Shaft Project: The project involves the establishment of infrastructure and the sinking and equipping of a primary shaft to a depth of 2,427m below surface. Access development have commenced on the five production levels (66, 69, 71, 73 and 75 Levels) and to date, in excess of 2000m development have been achieved. 75 level will be host to a 1,500m, 9 degree twin decline, with another five levels (77, 79, 81, 83 and 85) where access development will be done towards the reef horizon. Development of the twin decline is expected to commence during 2008.

Good progress was achieved during the year, the main shaft equipping was completed and the rock handling system on 77 Level was commissioned on August 20, 2006. Installation of the permanent water handling systems (i.e., Settlers, Main Pump Station on 77 Level, Mud press and Underground dams) have commenced and expected completion is April 2008. Construction has commenced on ventilation cooling plants on 55 Level and will be completed in May 2008. The cooling systems of Phakisa Shaft will include a first phase 10MW Ice Plant on surface. This will be a first in the gold mining industry.

The Rail on 55 level was installed over the 5km and commissioned on April 10, 2007. Although various commissioning challenges had to be negotiated, the Rail system has thus far proven to be a cost effective ore handling system.

Capital Expenditure: Harmony incurred approximately R227.4 million ($31.6 million) in capital expenditures at the Phakisa operations in the fiscal year ended June 30, 2007. Harmony has budgeted Rand 186.6 million ($25.9 million at the closing rate at balance sheet date) for capital expenditures in fiscal 2008, primarily for the establishing and development of the shaft.

Surface Operations

The following chart details the operating and production results from surface operations for all identified operations for fiscal 2007, 2006 and 2005:

	Fiscal Year Ended June 30,		
	2007	**2006**	**2005**
Production			
Tons (000)	5,451	3,984	6,528
Recovered grade (ounces/ton)	0.019	0.029	0.029
Gold sold (ounces)	100,925	116,388	188,904
Results of operations ($)			

Product sales (000)	65,407	59,833	80,222
Cash cost (000)	40,790	49,543	73,679
Cash profit (000)	24,617	10,290	(6,543)

	Fiscal Year Ended June 30,		
	2007	**2006**	**2005**
Cash costs			
Per ounce of gold ($)	404	426	390
Capex (000) ($)	16,417	13,259	5,675

Tons milled from surface operations cecrease to 3,984,000 in fiscal 2006, compared with 6,528,000 in fiscal 2005. Ounces sold decreased to 116,388 in fiscal 2006, compared with 188,904 in fiscal 2005, primarily due to the decrease in tons milled. Recovered grade remained constant at 0.029 in fiscal 2006 from fiscal 2005.

Cash costs for the surface operations were $426 per ounce of gold in fiscal 2006, compared with $390 per ounce of gold in fiscal 2005. This increase was mainly due to the significant decrease in volumes produced.

Tons milled from surface operations increased to 5,451,000 in fiscal 2007, compared with 3,984,000 in fiscal 2006. Ounces sold decreased to 100,925 in fiscal 2007, compared with 116,388 in fiscal 2006, primarily due to a recovered grade. Recovered grade decreased to 0.019 in fiscal 2007 compared to 0.029 in fiscal 2006. The increase in tons milled and decrease in recovered grade can primarily be attributed to the treatment of waste dumps which was started during fiscal 2007.

Gold sales increased to $65.4 million in fiscal 2007, compared with $59.8 million in fiscal 2006.

Cash costs for the surface operations were $404 per ounce of gold in fiscal 2007, compared with $426 per ounce of gold in fiscal 2006.

Refer to the following charts for detail on the operating and production results of individual surface operations for fiscal 2007, 2006 and 2005:

	Fiscal Year Ended June 30,		
Kalgold	**2007**	**2006**	**2005**
Production			
Tons (000)	1,740	2,008	1,855
Recovered grade (ounces/ton)	0.032	0.038	0.058
Gold sold (ounces)	56,129	77,071	108,195
Results of operations ($)			
Product sales (000)	35,743	39,342	46,331
Cash cost (000)	27,218	31,740	40,341
Cash profit (000)	8,525	7,602	5,990
Cash costs			
Per ounce of gold ($)	485	412	373
Capex (000) ($)	376	389	(4,145)

Tons milled increased from 1,855,000 in fiscal 2005 to 2,008,000 in fiscal 2006. This increase was due to the processing from strategic stockpiles while work in the D Zone was stopped. Ounces sold decreased to 77,071 in fiscal 2006, compared with 108,195 in fiscal 2005, primarily due to the lower recovered grade. The recovered grade decreased to 0.038 in fiscal 2006, compared with 0.058 in fiscal 2005. Due to unstable ground conditions on the eastern wall of the higher grade D Zone pit, work was stopped in this section during the December quarter. Mining only continued in the lower grade A Zone and from strategic stockpiles for the remainder of fiscal 2006, thus reducing average recovered grade for the year.

Cash costs at Kalgold were $412 per ounce in fiscal 2006, compared with $373 per ounce in fiscal 2005. This increase was due to the lower production volumes.

Ounces sold decreased to 56,129 in fiscal 2007, compared with 77,071 in fiscal 2006, primarily due to the lower recovered grade. Tons milled decreased from 2,008,000 in fiscal 2006 to 1,740,000 in fiscal 2007. These decreases were due to lower throughput into the plant due to a water shortage encountered in March 2007. Recovered grade decreased to 0.032 (ounces/ton) in fiscal 2007, compared with 0.038 in fiscal 2006. Mining was stopped on the A Zone pit during the December 2006 quarter for geotechnical reasons.

Cash costs at Kalgold were $485 per ounce in fiscal 2007, compared with $412 per ounce in fiscal 2006. This increase was due to the lower volumes produced.

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The processing capacity of the Kalgold operation is 165,000 tons per month. The average tons milled in fiscal 2007 were 132,485 tons per month.
Active use of heap leaching was discontinued in July 2001; however, Harmony expects to put the material on the heap leach pad through the processing mills at the end of the life of mine to recover the residual gold.
On a simplistic basis, assuming no additional reserves are identified and at expected production levels, it is foreseen that the reported proven and probable ore reserves of 7.9 million tons (0.37 million ounces) will be sufficient for the Kalgold operations to maintain production until approximately fiscal 2010. However, any future changes to the assumptions upon which the reserves are based, as well as any unforeseen events affecting production levels, could have a material effect on the expected period of future operations.
Capital Expenditure: Harmony incurred approximately R2.7 million ($0.4 million) in capital expenditures at the Kalgold operations in the fiscal year ended June 30, 2007. Harmony has budgeted R2.6 million ($0.4 million at the closing rate at balance sheet date) for capital expenditures in fiscal 2008, primarily for exploration drilling.

	Fiscal Year Ended June 30,		
Elandsrand	**2007**	**2006**	**2005**
Production			
Tons (000)			
Recovered grade (ounces/ton)			
Gold sold (ounces)			
Results of operations ($)			
Product sales (000)			
Cash cost (000)			
Cash profit (000)			
Cash costs			
Per ounce of gold ($)			
Capex (000) ($)	810		7

	Fiscal Year Ended June 30,		
Freegold	**2007**	**2006**	**2005**
Production			
Tons (000)	300	336	1,361
Recovered grade (ounces/ton)	0.010	0.033	0.027
Gold sold (ounces)	3,035	11,019	36,420
Results of operations ($)			
Product sales (000)	2,848	5,366	15,407
Cash cost (000)	302	5,386	15,436
Cash profit (000)	2,546	(20)	(29)
Cash costs			
Per ounce of gold ($)	99	489	424
Capex (000) ($)	913	340	314

Tons milled from surface operations continued to decrease to 336,000 in fiscal 2006, compared with 1,361,000 in fiscal 2005 due to the decision taken in fiscal 2004 to discontinue treating surface sources as a result of the prevailing Rand gold price. Even though the recovered grade increased to 0.033 in fiscal 2006, compared with 0.027 in fiscal 2005, ounces sold decreased to 11,019 in fiscal 2006, compared with 36,420 in fiscal 2005, primarily due to the lower tons milled.
Cash costs were $5.4 million in fiscal 2006, compared with $15.4 million in fiscal 2005. Cash costs per ounce were $489 in fiscal 2006, compared with $424 in fiscal 2005. If expressed in Rand terms, costs per ounce have increased in fiscal 2006 by 19%, due primarily to lower production volumes, increases in the costs of labor and supplies and the effect of inflation on supply contracts. In addition, there was a 7.5% depreciation of the Rand against the U.S. dollar

during the year. See *Operating and Financial Review and Prospects* *Exchange Rates.*

Tons milled from surface operations continued to decrease to 300,000 in fiscal 2007, compared with 336,000 in fiscal 2006. The recovered grade decreased to 0.010 in fiscal 2007, compared with 0.033 in fiscal 2006, ounces sold decreased to 3,035 in fiscal 2007, compared with 11,019 in fiscal 2006.

Cash costs were $302,000 in fiscal 2007, compared with $5.4 million in fiscal 2006. Cash costs per ounce were $99 in fiscal 2007, compared with $489 in fiscal 2006.

Capital Expenditure: Harmony incurred approximately $0.9 million in capital expenditure in fiscal 2007. An estimated R5 million ($0.7 million) is expected to be spent in capital expenditure on a feasibility study to treat 1 million tons per month at the unutilized St Helena Plant.

	Fiscal Year Ended June 30,		
Free State	**2007**	**2006**	**2005**
Production			
Tons (000)	2,369	897	467
Recovered grade (ounces/ton)	0.009	0.018	0.020
Gold sold (ounces)	21,345	15,902	9,542
Results of operations ($)			
Product sales (000)	13,628	8,614	3,720
Cash cost (000)	6,448	6,427	3,318
Cash profit (000)	7,180	2,187	402
Cash costs			
Per ounce of gold ($)	304	404	348
Capex (000) ($)	4,711	3,818	1,589

Tons milled from the Free State surface operations were 897,000 in fiscal 2006, compared with 467,000 in fiscal 2005, primarily due to the conversion of Saaiplaas plant from a underground treatment plant to a surface treatment plant. The recovered grade decreased to 0.018 in fiscal 2006, compared with 0.020 in fiscal 2005. Ounces sold increased to 15,902 in fiscal 2006, compared with 9,542 in fiscal 2005, primarily due to the increase in tons milled.

Cash costs were $6.4 million in fiscal 2006, compared with $3.1 million in fiscal 2005. This increase is attributable primarily to higher volumes being treated. Cash costs per ounce increased during fiscal 2006 to $404 per ounce, compared with $348 in fiscal 2005. In addition, there was a 7.5% depreciation of the Rand against the U.S. dollar during the year. See *Operating and Financial Review and Prospects Exchange Rates* . If expressed in Rand terms, costs per ounce have increased in fiscal 2006 by 19%, due primarily to increases in the costs of labor and supplies and the effect of inflation on supply contracts.

Tons treated from the Free State surface operations were 2,369,000 in fiscal 2007, compared with 897,000 in fiscal 2006, primarily due to Project Phoenix having been fully commissioned during the year and now treating 500,000 tons per month tailings material. The recovered grade decreased to 0.009 in fiscal 2007, compared with 0.018 in fiscal 2006 as a result of an increase in slimes dam reclamation. Ounces sold increased to 21,345 in fiscal 2007, compared with 15,902 in fiscal 2006, primarily due to the increase in tons treated.

Cash costs were $6.4 million in fiscal 2007, compared with $6.4 million in fiscal 2006. Cash costs per ounce decreased during fiscal 2007 to $304 per ounce, compared with $404 in fiscal 2006. Due to the increase in ounces produced

Capital Expenditure: Harmony incurred approximately R33.9 million ($4.7 million) in capital expenditures at the Free State operations in fiscal 2007. Harmony has no budgeted capital expenditures for the Free State operations for fiscal 2008.

	Fiscal Year Ended June 30,		
Randfontein	**2007**	**2006**	**2006**
Production			
Tons (000)	894	539	2,757
Recovered grade (ounces/ton)	0.021	0.022	0.012

Gold sold (ounces)	18,974	11,650	33,397
Results of operations ($)			
Product sales (000)	12,239	6,108	14,185

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	Fiscal Year Ended June 30,		
Randfontein	**2007**	**2006**	**2006**
Cash cost (000)	5,791	5,022	14,117
Cash profit (000)	6,448	1,086	68
Cash costs			
Per ounce of gold ($)	305	431	423
Capex (000) ($)	7,263	8,712	6,120

Tons milled from Randfontein s surface operations decreased to 539,000 in fiscal 2006, compared with 2,757,000 in fiscal 2005, primarily due to plant capacity constraints as higher grade underground materials were given preference. Ounces sold were 11,650 in fiscal 2006 compared with 33,397 in fiscal 2005. Recovered grade was 0.022 in fiscal 2006 compared with 0.012 in fiscal 2005.

In fiscal 2006, cash costs per ounce increased to $431 from $423 in fiscal 2005. This increase was attributable primarily to the decreased production volumes. In addition, there was a 7.5% depreciation of the Rand against the U.S. dollar during the year. See *Operating and Financial Review and Prospects Exchange Rates* . If expressed in Rand terms, costs per ounce have increased in fiscal 2006 by 5%, due primarily to lower production volumes, increases in the costs of labor and supplies and the effect of inflation on supply contracts.

Currently, Randfontein s surface operations are focused on the recovery of gold from areas previously involved in processing, including waste rock dumps and tailings sites (slimes and sand).

Tons milled from Randfontein s surface operations increased to 894,000 in fiscal 2007, compared with 539,000 in fiscal 2006 mainly due to the recommissioning of the Cooke Plant to treat surface sources. Ounces sold were 18,974 in fiscal 2007 compared with 11,650 in fiscal 2006. Recovered grade was 0.021 in fiscal 2007 compared with 0.022 in fiscal 2006.

In fiscal 2007, cash costs decreased to $305 per ounce from $431 per ounce in fiscal 2006. This decrease was attributable primarily to increased production volumes and the lower cost of treating sand through the Cooke Plant.

Capital Expenditure: Harmony incurred approximately R52.3 million ($7.3 million) in capital expenditures at the Randfontein operations in fiscal 2007, primarily on the upgrading of the Doornkop plant and surface dump sampling. An estimated R65 million ($9.2 million) is expected to be spent on converting the Cooke Plant to treat sand as well as to purchase land for an additional tailings disposal site in fiscal 2008.

	Fiscal Year Ended June 30,		
Target	**2007**	**2006**	**2005**
Production			
Tons (000)	147	204	88
Recovered grade (ounces/ton)	0.009	0.004	0.015
Gold sold (ounces)	1,316	746	1,350
Results of operations ($)			
Product sales (000)	869	404	579
Cash cost (000)	1,028	968	467
Cash profit (000)	(159)	(564)	112
Cash costs			
Per ounce of gold ($)	781	1,298	346
Capex (000) ($)	1,707		1,790

Tons milled from Target s surface operations increased to 204,000 in fiscal 2006 from 88,000 in fiscal 2005. This increase was as a result of the strategic decision to utilize the Target Plant to full capacity. The decrease in volumes from underground sources was compensated by the increase in surface tons milled.

Tons milled from Target s surface operations decreased to 147,000 in fiscal 2007 from 204,000 in fiscal 2006. This decrease was as a result of improved volumes from underground operations. Ounces sold increased to 1,316 in fiscal 2007 compared to 746 in fiscal 2006, primarily as a result of the substantial increase in recovered grade from 0.004 in fiscal 2006 to 0.009 in fiscal 2007.

In fiscal 2006, cash costs amounted to $1,298 per ounce, versus $781 in fiscal 2007.

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Capital Expenditure: Harmony incurred approximately $1.7 million capital expenditures at the Target surface operation in fiscal 2007. No capital expenditures are expected for fiscal 2008.

Harmony has two operational mines in Western Australia: the Mt. Magnet operations and the South Kalgoorlie operations. These operations were acquired as part of the purchase of two Australian gold mining companies: New Hampton, acquired in April 2001 and Hill 50 acquired in April 2002. The New Hampton transaction included two operations in Western Australia, Big Bell in the Murchison region (which ceased operation in July 2003 and its plant was sold in November 2003) and Jubilee in the Eastern Goldfields near Kalgoorlie, two processing plants associated with these operations and related exploration rights. The Hill 50 transaction included the Mt. Magnet operations in the Murchison region, the New Celebration operations in the Eastern Goldfields near Kalgoorlie, two plants associated with these operations and related exploration rights.

Each of our Australian operations conducts surface mining (principally through open pit methods) and underground mining, with access through two declines at Mt. Magnet and one decline at South Kalgoorlie. The Mt. Marion underground mine at South Kal Mine (**SKM**) ceased operating in June 2007. Open pit mining at South Kalgoorlie recommenced during fiscal 2007 with the start-up of the Shirl and Hampton Boulder Jubilee (HBJ) open pit projects.

Harmony uses mostly mechanized mining at its Australian operations in comparison to the South African operations (excluding operations at Target). Contractors conduct much of this mechanized mining. The contractors are responsible for provision of the equipment and personnel needed for production of the ore under guidance of Harmony s management. In fiscal 2007, Harmony commenced open pit mining at its operations with leased equipment and its own personnel. As of June 30, 2007, Harmony s Australian operations had 229 employees and 426 contractor employees

Our Australian operations control exploration and mineral rights over a total area of approximately 325,088 hectares (803,310 acres), of which the active mining areas currently total approximately 196,794 hectares (486,289 acres).

In fiscal 2005, 2006 and 2007, the Australian operations accounted for approximately 10% of our total gold sales. Harmony has classified these assets as being available for sale as they do not fit Harmony s strategy for operating large, long life mines and partly in response to a seismic event resulting in a rockfall at the Hill 50 mine at Mt. Magnet during May 2007 after which decline development was stopped. The event has impacted on the future life of this mine and its expected production levels, and also had a negative financial impact on the carrying value of these assets.

In November 2007, Harmony announced that it signed a letter of intent with the Austrlian-based junior miner Monarch Gold Mining Company (Monarch: ASX/DIFX:MON) for the sale of its Mt. Magnet operations for A$65 million (US$57.2 million). The offer is made up of a combination of A$30 million (US$26.4 million) cash. A$20 million (US$17.6 million) in shares and A$15 million (US$13.2 million) in convertible notes.

In July 2007 Harmony announced the sale of the South Kal Mine to Dioro Exploration NL. The transaction is expected to be concluded during the December 2007 quarter. The transaction price includes A$25 million (US$21.2 million) payable in cash to Harmony on completion and the issue of shares to the value of A$20 million (US$17 million) to Harmony.

The table details the operating and production results from our Australian operations for fiscal 2007, 2006 and 2005:

	Fiscal Year Ended June 30,		
	2007	**2006**	**2005**
Production			
Tons (000)	3,266	3,398	4,148
Recovered grade (ounces/ton)	0.069	0.068	0.072
Gold sold (ounces)	224,799	231,461	296,848
Results of operations ($)			
Product sales (000)	141,874	122,496	125,669
Cash cost (000)	115,193	96,950	100,178
Cash profit (000)	26,681	25,546	25,491
Cash costs			
Per ounce of gold ($)	512	419	337
Capex (000) ($)	26,919	24,971	25,813

Tons milled for the Australian operations were 3,398,000 in fiscal 2006 compared to 4,148,000, in fiscal 2005. This decrease was primarily due to lower production from open pits at Mt. Magnet and South Kalgoorlie Mines.Recovered grade from Australian operations was 0.068 for fiscal 2006 compared to 0.072 ounces per ton in fiscal 2005. This decrease was due to the treatment of significant quantities of low grade stockpiles at South Kalgoorlie Mines during the year. Cash costs per ounce for Australian operations were $419 in fiscal 2006, compared with $337 in fiscal 2005. This increase was due to higher underground and open pit contracting costs at both sites during the year, as well as decreased gold production levels.

Tons milled from Australian operations were 3,266,000 in fiscal 2007, compared with 3,398,000 in fiscal 2006. This decrease was primarily due to lower production from underground mines and surface sources at Mt. Magnet. Recovered grade from Australian operations was 0.069 in fiscal 2007, compared with 0.068 in fiscal 2006 which are mainly in-line with the previous fiscal year and are a combination of higher grades from our South Kal mines and lower grades from the Mt. Magnet operations. Cash costs for Australian operations were $512 per ounce of gold in fiscal 2007, compared with $419 per ounce of gold in fiscal 2006. This increase was due to higher underground and open pit contracting and labor cost at both sites during the year, as well as decreased gold production levels.

Capital expenditure: Net capital expenditure amounted to $26.9 million in fiscal 2007 compared to $43.3 million in fiscal 2006. The majority of which relates to on-mine decline development at Hill 50 (Mt Magnet) and Mt. Marion (South Kal) the new decline at the St. George mine (Mt Magnet), and the pre strip for the HBJ Open Pit (South Kal)

Mt. Magnet Operations

Introduction. In 2002, Harmony acquired Mt. Magnet as part of the Hill 50 transaction. In fiscal 2005, 2006 and 2007, Mt. Magnet s operations accounted for 6% of Harmony s total gold sales

History. Mining at Mt. Magnet began after the discovery of gold in 1896. From that time to June 30, 2007, the Mt. Magnet area has produced approximately 5.74 million ounces. The current Mt. Magnet operations commenced production in the late 1980s on the Hill 50 and Star underground mines and nearby open pits, and the processing of low grade ore from previously accumulated stockpiles. Production ceased at the Star underground mine in June 2005. The Star underground mine was subsequently replaced by St. George, a new underground mine.

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

Mining Operations. The Mt. Magnet operations are engaged in underground, open pit and waste rock mining. These operations are subject to the entire underground, open pit, and waste rock mining risks detailed in the Risk Factors section.

Underground operations at Mt. Magnet consist of the Hill 50 and St. George mines, each of which operates a decline. The Hill 50 mine, which is approaching 1,525 meters in depth, is currently one of Australia s deepest underground mines. The St. George Mine is approximately 300 meters in depth. Underground mining is conducted by decline tunnel access. The principal challenges facing the Hill 50 underground mine is its continuing depth and the geotechnical, ventilation and cost impediments that increased depth imposes, including increased ground stress and potential increased seismic activity. A decision was taken in May 2007 to put the Hill 50 mine s decline development on hold due to significant seismic activity, effectively putting it in harvest mode.

With the closure of Star, the development of the new underground mine at the St. George open pit provided additional underground tonnage for the Mt. Magnet operations. Underground development at St. George started in December 2005. The first stope was mined in the second quarter of fiscal 2006. Underground mining continued at this mine during fiscal 2007. This mine reached its economic depth limit during fiscal 2007, and was put in harvest mode, with mining operations ceasing in October 2007. Open pit production was hindered by the delay in the start up of the Cue open pits until the last quarter of fiscal 2005 as a result of delayed mining approvals and extended contractor negotiations, although these were subsequently resolved and mining commenced in fiscal 2006. Open pit mining mainly took place around Mt. Magnet during fiscal 2007.

Surface operations at Mt. Magnet exploit several medium-sized open pits, as well as numerous smaller open pits. Surface materials from areas previously involved in production, including waste rock dumps and tailings dams, are also processed at Mt. Magnet. The principal challenge facing the Mt. Magnet operations is that the open pits are situated on small orebodies, which results in short mine lives. As a result, we must continuously locate, evaluate, plan, develop and bring into production a succession of open pits to access additional reserves. Maintaining grade and managing the increased geotechnical complexities of the Hill 50 and St. George underground mines also remains critical. See *Risk Factors Risks Relating to Our Business and Our Industry 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.*

The table details the operating and production results from our operations at Mt. Magnet for the fiscal years 2007, 2006 and 2005.

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	Fiscal Year Ended June 30, 2007	2006	2005
Production			
Tons (000)	1,875	1,918	2,743
Recovered grade (ounces/ton)	0.073	0.078	0.066
Gold sold (ounces)	136,428	148,822	181,233
Results of operations ($)			
Product sales (000)	85,760	80,090	77,242
Cash cost (000)	70,626	59,427	60,915
Cash profit (000)	15,134	20,663	16,327
Cash costs			
Per ounce of gold ($)	518	399	336
Capex (000) ($)	20,199	22,651	15,652

Recovered grade was 0.078 ounces per ton in fiscal 2006 compared to 0.066 ounces per ton in fiscal 2005. This was due to improving grade both from the underground and open pit during the year. Tons milled were 1,918,000 in fiscal 2006 compared to 2,743,000 in fiscal 2005. Ounces sold decreased to 148,822 in fiscal 2006, compared to 181,233 in fiscal 2005. This decrease was primarily attributed to lower production from open pit and underground operations during the period.

Cash costs per ounce were $399 for fiscal 2006, compared to $336 for fiscal 2005. This increase was due to higher underground and open pit contracting cost due to the underlying mining cost increases in the Western Australian market environment.

Tons milled in fiscal 2007 were 1,875,000 compared with 1,918,000 in fiscal 2006, and ounces sold in fiscal 2007 were 136,428, compared with 148,822 in fiscal 2006, mainly as a result of significantly less production from open pits during the year and a seismic event at Hill 50 during May 2007, which also resulted in the reduction in the recovery grade from 0.078 ounces per ton to 0.073 ounces per ton.

Cash costs per ounce were $518 in fiscal 2007, compared to $399 for fiscal, 2006. A large portion of this increase was due to the underlying mining cost increases in Western Australia.

The current mine plan for Mt Magnet sees production halt in January 2008. The majority of the declared ore reserves will be mined by this date. The mines will be closed and the processing plant will be placed on care and maintenance. As mentioned previously the company has signed a Letter of Intent with Monarch Gold to purchase the site.

Plant. The Mt. Magnet operations include one metallurgical plant which was built in 1989 as a CIL plant and upgraded in 1999 to a CIP plant. Actual throughputs of the Mt. Magnet plant varies based upon the blend of oxide and sulphide ores in their feed. Processing capacity is an estimate of nominal throughput based on a 70% hard (sulphide) and 30% oxide (soft) blend. The following table sets forth processing capacity and average tons milled during fiscal 2007 for the Mt. Magnet plant:

Plant	**Processing Capacity*** *(tons/month)*	**Average Milled for the Year Ended June 30, 2007** *(tons/month)*
Mt. Magnet	243,000	156,145

Throughput rates at Mt. Magnet decreased in fiscal 2007 due to delays in approvals to commence several small open pits and also due to a substantial part of the feed material being hard in nature.

In fiscal 2007, the Mt. Magnet plant recovered approximately 91.8% of the gold contained in the ore delivered for processing. A decision was taken in March 2005 to reduce throughput of the plant by taking one circuit offline, as is

reflected in milling rates for fiscal 2006. This was done to process higher grade ore and to extend the mine life.
Capital Expenditure. Harmony spent $20.2 million in capital expenditure at the Mt. Magnet operations in fiscal 2007, primarily for underground development and plant components. We have budgeted approximately $14.2 million for capital expenditure at the Mt. Magnet operations during fiscal 2008, which largely consist of open pit development at the Western Queen South open pit and plant maintenance. However, this amount will be reduced to critical maintenance only, once open pit development has stopped in anticipation of the buyer taking over.

Exploration. Activities at Mt. Magnet, Western Australia, were hampered in fiscal 2007 by slow approval of work programmes and introduction of new legislative requirements regarding flora surveys over certain areas of banded iron formation (BIF) outcrop. Target generation activities were undertaken in the Cavangahs, Mirabaloo and broader Mt Magnet areas with drilling activities concentrated on final resource definition of the open pits mined during the year. A$5.5 million (US$4.3 million) was spent on exploration during the year.

South Kalgoorlie Operations

Introduction. The South Kalgoorlie Operations are made up of New Hampton s Jubilee Operations and Hill 50 s New Celebration operations. Since the commencement of operations to June 30, 2007, total gold production from the mines in the South Kalgoorlie area has exceeded 2.2 million ounces. In fiscal 2007, South Kalgoorlie operations accounted for 4% of Harmony s total gold sales, and accounted for 3% of Harmony s total gold sales in 2006 and 4% in fiscal 2005.

In July 2007 Harmony announced the sale of the South Kalgoorlie Mine to Dioro Exploration NL. The transaction is expected to be concluded during the December 2007 quarter.

History. The South Kalgoorlie operations included several open pits at Jubilee and New Celebration, as well at the Mt. Marion underground mine. The Jubilee operations were originally comprised of the large Jubilee open pit and a number of smaller open pits. The New Celebration operations were initially developed in 1987 by Newmont exploiting the same ore body that hosted the Jubilee Pit. Hill 50 acquired these operations from Newcrest Mining Ltd. in June 2001. The Mt. Marion decline was established in 1998. Open pit mining ceased at the South Kal Operations at the end of fiscal 2005, with only low grade stockpiles treated during fiscal 2006 together with Mt. Marion ore. During fiscal 2007 open pit mining recommenced at South Kalgoorlie Mines, with a cutback on the Hampton Boulder Jubilee (**HBJ**) pit, as well as the Shirl open pit.

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

Mining Operations. The South Kal operations are engaged in open pit, underground and waste rock mining. These operations are subject to all of the underground, often pit and waste rock mining risks detailed in the Risk Factors section.

At the South Kal operations, during fiscal 2007 open cast mining took place at Shirl open pit, together with a cutback project on the HBJ open pit. The HBJ open pit will have a mine life of three years and consist of 3.3 million tons of 0.048 ounces per ton. The Shirl open pit feedstock as well as low grade stockpiles were processed during the year together with ore from the Mt. Marion underground, while exploration continued to identify new and additional open pit sources. The discovery of the Shirl prospect during fiscal 2006, which resulted in an open pit reserve of 50,000 ounces and a 15 month mine life, together with an improved gold price environment, lead to the recommencement of open pit mining at South Kalgoorlie mines during fiscal 2007. The primary challenge facing the South Kalgoorlie operations is identifying adequate sources of new open pit and underground reserves and managing the geotechnical risk on the HBJ pit cutback. See *Risk Factors Risks Relating to Our Business and Our Industry To maintain gold production beyond the expected lives of Harmony s existing mines or to increase production materially above projected levels, Harmony will need to access additional reserves through development or discovery.*

The Mt. Marion underground mine, which ceased operations in June 2007, faced challenges similar to those faced by the Mt. Magnet underground operations; however, depths at Mt. Marion are much shallower (740 meter vertical depth versus 1,300 meter vertical depth at Mt. Magnet). The Mt. Marion mine was also exposed to risks typical of mechanized mines, including geotechnical issues, mine dilution and unpredictable remedial ground support after mine blasting. During fiscal 2006 development of the Mt. Marion decline ceased, as the mine reached its economic depth limit, which led to the closure of the mine in June 2007.

Detailed below are the operating and production results from the South Kalgoorlie operations for the fiscal years 2007, 2006 and 2005:

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	Fiscal Year Ended June 30, 2007	2006	2005
Production			
Tons (000)	1,391	1,480	1,405
Recovered grade (ounces/ton)	0.064	0.056	0.082
Gold sold (ounces)	88,371	82,639	115,615
Results of operations($)			
Product sales (000)	56,114	42,406	48,427
Cash cost (000)	44,567	37,523	39,263
Cash profit (000)	11,547	4,883	9,164
Cash costs			
Per ounce of gold($)	504	454	340
Capex (000)($)	6,720	2,320	10,161

Tons milled in fiscal 2006 were 1,480,000 compared with 1,405,000 in fiscal 2005, and ounces sold in fiscal 2006 were 82,639 compared with 115,615 in fiscal 2005. This decrease in ounces, and increase in tons, was primarily attributable to open pit throughout for the year being replaced by low grade stockpiles, which also caused the reduction in grade.

Cash costs per ounce were $454 for fiscal 2006, compared to $340 for fiscal 2005. This increase was due to higher underground and open pit contracting cost due to the underlying market increases in the Western Australian mining environment and lower gold production levels. Recovered grade was 0.056 ounces per ton in fiscal 2006 compared to 0.082 ounces per ton in fiscal 2005. This decrease in ounces, and increase in tons, was primarily attributable to open pit throughout for the year being replaced by low grade stockpiles, which also caused the reduction in grade.

Tons milled in fiscal 2007 were 1,391,000 compared with 1,480,000 in fiscal 2006, and ounces recovered in fiscal 2007 of 88,371 compared with 82,639 in fiscal 2006. This increase in ounces compared with the decrease in milled tons, were primarily attributable to the increase in the recovery grade from 0.056 ounces per ton from fiscal 2006 to 0.064 ounces per ton in fiscal 2007. The increase in the recovery grade is as a result of the mining of mostly higher grade underground ore. The decrease in throughput is primarily the result of tank refurbishments at the Jubilee plant.

Cash costs per ounce were $504 for fiscal 2007, compared to $454 for fiscal 2006. This increase was due to higher underground and open pit contracting cost due to the continuing increase in the underlying Western Australian mining environment and higher gold production levels.

Plants. The South Kal operation has a metallurgical plant located at Jubilee. This CIL treatment plant is capable of treating the planned production from the mining operations. Ore is hauled from the open pits and from low grade stockpiles, as well as from the Mt. Marion underground mine to the treatment plant by conventional road trains. Actual throughputs of the Jubilee plant vary based upon the blend of oxide and sulphide ores in their feed. Processing capacity is an estimate of nominal throughput based on a 70% hard (sulphide) and 30% soft (oxide) blend.

The New Celebration plant was sold during fiscal 2006 for A$3.0 million. This plant was originally commissioned in 1986 as a CIP plant and later upgraded in 1988 by the addition of a larger parallel circuit.

The following table sets forth processing capacity and average tons milled during fiscal 2007 and 2006 for the South Kalgoorlie plant:

Plant	Processing Capacity* *(tons/month)*	Average Milled for the Year Ended June 30, 2007 *(tons/month)*
Jubilee	122,000	115,878

Throughput rates in fiscal 2007 were lower than capacity due to tank refurbishments at the Jubilee plant.

In fiscal 2007, the Jubilee plant recovered approximately 89.3% of the gold contained in the ore delivered for processing compared to 90% in 2006. Processing volumes exceeded normal capacity at the Jubilee plant during fiscal 2006 as a result of the large quantity of low grade stockpiles treated during the year compared to the normal blend of open pit and underground ore in previous years.

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Capital Expenditure. Harmony spent $6.7 million in capital expenditures at South Kalgoorlie, primarily for the HBJ open pit cutback and to a lesser extent pre-production mining at Shirl open pit and plant refurbishments. Due to the sale of the South Kal operations, we have not budgeted for capital expenditures for 2008.

Exploration. On-mine exploration success was achieved during fiscal 2007 at South Kalgoorlie with definition of underground mineralization at the Shirl open pit, bringing the total Shirl mineralization to 221,000 ounces of gold. The Shirl deposit is a sub-vertical gabbro-hosted lode bounded by ultramafics, combined with mineralised cross-cutting shears and intersected by late porphyry intrusions. Exploration activities focused on larger base load targets along the main Boulder Lefroy Fault and within Location 59 during fiscal 2007. Boulder Lefroy Fault exploration targets have, in part, been generated by the AMIRA Stress Transfer Modeling project undertaken in fiscal year 2006. The project involves the application of stress transfer modelling techniques developed for modern seismogenic earthquake prediction to certain types of ore deposits associated with major fault systems with the aim of predicting ore location. Location 59 exploration targets have been developed through interpretation of detailed magnetics and the relationship to known mineralisation styles.

Exploration activities were scaled back in the second half fiscal 2007 in anticipation of the sale of the operation with $2.9 million spent.

Papua New Guinea Operations

Overview

Introduction. Harmony s lease holding in PNG is located southwest of Lae in the Morobe Province and encompasses over 3,480 square kilometers of tenure. The tenements are outlined in the figure below and fall into three main blocks centered in the Morobe province. These include the Wafi leases (440 square kilometers), the Morobe Hidden Valley leases (971 square kilometers) and the Morobe Coast EL (2,069 square kilometers).

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Harmony PNG tenement locations. In terms of regional geological setting, the tenements cover a portion of the PNG mobile belt. The mobile belt comprises tract of metamorphosed Lower Jurassic and Cretaceous sediments and oceanic crust. These rocks have undergone deformation in the collision zone between the Australian and Pacific Plates and multiple intrusive events including Tertiary granodiorite and younger mineralized porphyries. The PNG mobile belt hosts a number of major gold and copper-gold deposits including the Wafi-Golpu and Hidden Valley Projects which are 100% owned by Harmony.

Exploration expenditure outlook for fiscal 2008 is currently estimated at $19.49 million (A$22.97 million). Results from this work have been highly encouraging, as a number of targets with the potential for major stand-alone gold and copper/gold deposits have been identified and advanced to the drill testing phase.

Harmony currently has offices in Lae and Wau, to facilitate the development of the Hidden Valley project and support the pre-feasibility work on the Wafi Golpu copper gold project. In 2006 a technical support office was opened in Brisbane to support the construction phase of the Hidden Valley project as well as the evaluation of the Wafi and Golpu prospects.

Harmony has completed its Golpu copper stand alone pre-feasibility study (**PFS**) during the June 2007 quarter, on time and within budget. The study has identified a technically and economically viable project plan, with the highlight being the definition of a probable ore reserve. Importantly, the mining plan has restricted the overall average arsenic grade to 136ppm, with the highest grade in any single year restricted below 300ppm, to ensure that a saleable concentrate is maintained throughout the project life. The Wafi gold component of the pre-feasibility study was completed during October 2007, which will be technically reviewed during the December 2007 quarter.

Hidden Valley Project

Introduction. The Hidden Valley project entails the construction of a significant gold and silver mine. This mine will process 4.6Mt of ore a year from the two open pits. The Hamata orebody is one small pit and the Hidden Valley and Kaveroi orebodies are in a much larger open pit. The mine is located in a highly prospective exploration lease area and it is envisaged that, as active exploration continues, the life of the process facility may be extended as it is fed from a number of sources. The Hidden Valley Project is owned by Harmony through our wholly owned PNG subsidiary, Morobe Consolidated Goldfields Ltd. This project comprises four exploration licenses of 966 square kilometers in the Wau District of Morobe Province, PNG and is located 210 kilometers north-northwest of Port Moresby and 90 kilometers south-southwest of Lae, the two largest cities in PNG. Access to the project is presently by sealed road from the deepwater port of Lae to Bulolo. An all weather gravel road from Bulolo to the Hidden Valley mine site has been constructed by Harmony to access the site.

History. Alluvial gold was first discovered at Hidden Valley in 1928 but it was not until the early 1980 s that the area was investigated by CRA Exploration using modern exploration techniques that resulted in the discovery of the Hidden Valley and Kaveroi gold deposits on EL 677. A number of feasibility studies have been prepared for the Hidden Valley Project by the various owners, including one by Abelle in 2003. During fiscal 2006 the Abelle feasibility study was extensively reviewed and updated by Harmony to: (a) reflect changes in the project s ore body interpretation; (b) incorporate increases in capital and operating costs as a result of energy prices and scarce resources in the mining industry as well; and (c) resolve technical aspects that were outstanding from the previous study. The updated feasibility study was presented to the Harmony board during June 2006 and they approved construction of the project.

Site Access. The Hidden Valley site is located approximately 90 kilometers south-southwest of Lae, which is the nearest deepwater port for the project, and the Capital of Morobe Province. Access to the site from Lae uses an existing 110 kilometers sealed two-lane main road to the town of Bulolo, continuing to Hidden Valley via an all-weather two-lane access road constructed by Harmony. Work commenced on the construction of the Hidden Valley access road to the site from Bulolo town in October 2005. The road reached the mining lease boundary in May 2006 and the in-filled road network has been extended to the Hidden Valley deposit, Pihema Creek and the Hamata plant site. Pihema Creek has been diverted and platforms have been established for most of the project infrastructure, such as the permanent camp and the administration building. Work has commenced on the Tailings Storage Facility and the Hamata plant site. Harmony contracted a road construction manager and a core of operators with extensive PNG road-building experience to undertake this part of the project, utilising equipment bought by Harmony for construction purposes.

Engineering Procurement and Construction Management Contract. Following board approval, a small owners team of experienced construction professionals was recruited, including several key individuals with extensive PNG experience, to ensure that project objectives, scope of work and all other project requirements are met. In July 2006 an agreement was reached with the engineering group Ausenco Limited to provide engineering procurement and construction management services for the project. Ausenco started immediately with the preparation of a project execution plan as well as the detailed design stage of the project which is set for completion at the end of December 2007. By the end of fiscal 2007 the detailed design was approximately 45% complete and 82 of a planned 102 procurement/contract packages have been put out to enquiry. To date, 52 packages have been awarded.

Power supply. The ability to obtain an alternate power supply from PNG Power Limited (**PPL** PNG s national power supplier), is of critical importance to the economics of the project. On May 14, 2007, Harmony announced that it had signed an agreement with PPL to supply the Hidden Valley mine with electricity. PPL has committed to construct new transmission lines and infrastructure in order to supply hydro-electricity from the Yonki Dam. Supply is expected to commence on January 1, 2010.

In addition Harmony acquired diesel generators and will install them for the purpose of providing 100% backup power supply to the project, if required.

Customs and Excise. In November 2006 the PNG National Executive Committee approved exemptions to customs and excise on a range of commodities that will be required for the construction of the project. This still has to be gazetted, however, customs officials at Lae port are already applying the exemptions, based on the draft gazettal notice.

Mining Fleet. The mining equipment required for the project consists of: four 180t excavators, a fleet of nine 175t haul trucks and a range of ancillary equipment. Supply and maintenance agreements for this fleet were signed in September 2006. The delivery of the first batch of mining equipment for pre-stripping took place in the second quarter of fiscal 2007 and the delivery of the second batch is expected in the December 2007 quarter.

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Geology The proven and probable gold reserves for the Hidden Valley/Kaveroi/Hamata deposits are 2.868 million ounces at 0.0586 ounces per ton. Silver proven and probable reserves at Hidden Valley/Kaveroi and Hamata amount to 41.99 million ounces at 0.9928 ounces per ton. Extensive drilling is currently being undertaken at the Kaveroi prospect adjacent to the Hidden Valley ore body, with the intention to add additional reserves to the project.

Environment. The Environment Management Plan, which is a requirement of the mining lease, has been approved by the PNG Department of Environment. The key environmental issue for the project is the effective management of water quality in the Bulolo and Watut rivers. A range of control measures will be implemented for acid rock drainage, sediment runoff and tailings facility discharge water quality. Work continues on baseline studies and monitoring programs required for both the construction and operational phases of the project. Re-engineered surface designs have led to the tailings storage facility capacity being increased to 46.3 million tons and the waste dump s design now complying with acid rock drainage and other environmental commitments.

Community affairs/landowner discussions. Community support and development of the mine in compliance with the memorandum of agreement with landowner groups is critical to the success of the project. Meetings are held regularly with these groups and officials from the provincial and national government to monitor progress and ensure these objectives are met. A range of opportunities for the commercial participation of landowner groups in the development of the project are being considered as a priority, and community relations initiatives focused on positive outcomes for health, education and infrastructure are ongoing.

Project Overview. Once fully developed, the Hidden Valley Mine is expected to process 4.6 million tons of ore per annum from ore mined at two open pits, the Hamata ore body in one small pit and the Hidden Valley and Kaveroi orebodies in a much larger pit. Expected annual production will be 285,000 ounces of gold per annum, with a peak production of 317,000 ounces, and 4.05 million ounces of silver. Expected mine life is 9.7 years, with 44.6 million tons treated at an average grade of 0.057 ounces per ton. The construction period is estimated to be 30 months, with the mine expected to be commissioned by March 2009.

The resources will be mined in a sequence that sees the low silver, high gold Hamata ore mined first, with plant and infrastructure development for the project developed in close proximity to the Hamata deposit. The next ore mined will be the Hidden Valley/Kaveroi oxide/transition ores (high silver) followed by the Hidden Valley/Kaveroi primary ores.

Plant. As part of the project a treatment plant was brought from Misima Mines Limited and transported to Lae in April 2005. Parts of the plant that will be utilized in the project have been identified and refurbished in fiscal 2007 with the remainder to be disposed of. The plant is stored in Lae and its components will be transported to Hidden Valley for installation as the project proceeds.

Once completed, the processing plant is expected to process ore at a rate of approximately 4.6 million tons per annum and has been designed with three distinct process routes that complement the metallurgical characteristics of the three ore types to be mined. The processing plant will commence as a primary crushing, grinding (with the incorporation of a gravity gold recovery circuit), CIL, Merrill-Crowe zinc precipitation, goldroom and tailings detox plant for the low silver Hamata ores, revert to a primary and secondary crushing, grinding, flotation, concentrate regrind, counter-current decantation circuit with Merrill-Crowe zinc precipitation, flotation concentrate and tailing CIL, goldroom and tailings detox for the high silver oxide/transition ores and then a similar circuit without flotation tail CIL for high silver sulphide ores from Hidden valley/Kaveroi ores. The gravity gold recovered will be processed through an intensive cyanide leach followed by electrowinning circuit to produce a high quality ore product.

Ore will be delivered by truck to the Hamata and Hidden Valley crusher stations. Crushed Hamata ore will be delivered by conventional conveyor to the primary stockpile and Hidden Valley ore will be delivered via an overland pipe conveyor to the same stockpile.

All tailings will be stored in a tailings storage facility, and all water recovered will be subject to detoxification prior to being re-cycled or released to the environment. The processing plant and tailings storage facility will be built to meet or exceed the requirement of the International Cyanide Management Code. Construction completion is planned for the first quarter of 2009 with the first gold expected to be produced in March 2009.

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

The government of PNG also has a statutory right to acquire up to a 30% participatory interest in mining development projects, at sunk cost. However the memorandum of agreement signed between Harmony and the government reduced the participation right to

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5%, should the government wish to exercise it. Once an interest is acquired by the government of PNG, it contributes to the further exploration and development costs on a pro rata basis.

Third Party Royalties. On March 28, 2007 Harmony announced that it had concluded negotiations with Rio Tinto under which the parties agreed Harmony would purchase the Rio Tinto rights under a royalty agreement relating to Hidden Valley, which was entered into prior to the acquisition by Harmony of the Hidden Valley and Kerimenge deposits in Papua New Guinea. Under the royalty agreement, Rio Tinto has the right to receive a portion of between 2% and 3.5% of future ounces produced by the Hidden Valley mine in PNG. The consideration to be paid by Harmony to Rio Tinto will be $22.5 million to be settled with new Harmony ordinary shares to the value of $20 million and the balance of $2.5 million paid in cash when the closing of the transaction occurs.

The transaction should reduce cash costs per ounce of gold produced at Hidden Valley, and all further extensions to the project, mine life and reserves will be free of this royalty. The PNG Mining Advisory Council (**MAC**) has to approve the transfer of the royalties between the parties before the transaction becomes effective which is anticipated to be given in the second quarter of fiscal 2008.

Capital Expenditure. Capital expenditure on the project for fiscal 2007 was $72 million compared to $16 million spent in fiscal 2006. Capital was mainly spent on completing the access road to the Hidden Valley and Hamata mine sites, site earthworks and acquisition of construction fleet and a portion of the mining fleet. Other areas of significant expenditure were for process equipment and management related costs.

The total project capital cost is estimated to be $364 million (A$455 million), which represents a 23% increase on the last reported budget. Increases in costs were primarily caused by market forces resulting from the high demand created by resource development projects in the region. The only significant change in the scope of work was the move of the Hidden Valley ROM pad from the west to the eastern side of the pit. This was necessary because geotechnical drilling and advice received identified an unacceptable level of risk regarding potential slope stability. This value excludes $37 million for mine fleet repayments post the construction phase as well as $22.5 million for the Rio Tinto royalty buy-out which is not considered part of the construction capital.

Morobe Consolidated Goldfields Limited (MCG) Tenements

The MCG tenements encompass the Hidden Valley Project and include all tenements south of the Bulolo township. The tenements host the Hidden Valley and Hamata mine developments and the historical Kerimenge deposit. They remain highly prospective for similar deposits and for smaller high-grade satellite resources.

The aim of the exploration program on the Morobe Consolidated tenements is three-fold:

- Major new stand alone discoveries;
- High-grade drivers to improve cash flows of the Hidden Valley Project; and
- Additional reserves to substantially increase mine life of the Hidden Valley Project.

Fiscal 2007 programs have focused on the Kerimenge Prospect, and on regional exploration on the Morobe Coast EL1403. In addition to the existing prospects, project generation such as capture of historical data and grassroots exploration activities, which include mapping, stream sediment sampling and integration of results with regional magnetic data, will continue.

On the Hidden Valley Mining Lease ridge and spur and grid based soil sampling is planned for the first half of fiscal 2008. Furthermore, with mine construction underway new road cuttings and site preparation for infrastructure has unearthed a number of alteration zones which have never been sampled or mapped. Mapping of these new zones and integration with geochemical data and detailed Helimagnetics will provide a powerful tool for identifying new targets on the Hidden Valley Mining Lease.

Kerimenge and the broader prospect potential

Introduction. The main focus of exploration activities during the year has been on the Kerimenge deposit which lies approximately seven kilometers east of the proposed Hamata Processing Plant site. Drilling has targeted gold mineralization on the Kerimenge fault, and its southern strike extension. A total of 11 holes for 1671m have been completed during fiscal 2007 by Harmony. Results have been encouraging.

Geology. Gold mineralization occurs as disseminated pyrite and arsenopyrite in hydrothermal breccia, and with quartz veined stockwork in Andesite porphyry. Drilling remains ongoing. Of particular importance is the drill intercept obtained in QD136. The mineralization occurs in brecciated metasediments in the footwall of the Kerimenge fault and represents a new style of high-grade mineralization that was previously unknown at the prospect.

Project Status. Compilation of historical exploration data around the broader Kerimenge prospect area has shown a number of high grade trench results that have not seen follow-up drilling. These trench results are broadly coincident with limestone contacts and mapping, and drill testing is planned for fiscal 2008.

Morobe Coast Exploration License

Introduction. The Morobe Coast exploration license was granted in April 2006 and encompasses some 2,068 square kilometers. The area lies to the southeast of the Morobe goldfield and Harmony believes it presents grassroots exploration potential. Historical exploration work has been limited, but returned anomalous gold assays in rock chip and stream sediment samples from the Lokaniu volcanics. There has been little follow-up to determine the hardrock source, and no drill testing has ever been undertaken on the tenement.

Project status. Following access and community liaison, a camp was established in November 2006. Field mapping and surface sampling programs commenced. Recent results from the Giu prospect are highly encouraging.

Giu Prospect

The Giu prospect falls approximately ten kilometers southwest of the Morobe township on the east coast of PNG. The prospect represents a district scale anomaly, twenty kilometers in diameter with elevated gold rock chip and stream sediment geochemistry. The aim of the work programs is to identify and develop prospect areas with the potential for stand-alone-gold (+/- related metal) orebodies.

Mapping to date has outlined several areas of structurally controlled epithermal vein mineralization, hosted in vesicular basalts. Rock chip results have been encouraging with anomalous values of copper, gold, molybdenum and zinc returned.

Project Status. Field work continues including stream sediment sampling and excavation of trenches over outcropping mineralized zones. Systematic stream sediment geochemical coverage is currently scheduled for completion by the second quarter of fiscal 2008. Recommendations for follow-up will be based on these results.

Wafi Golpu Project Area

Introduction. The Wafi prospect is owned through a wholly owned Harmony subsidiary, Wafi Mining Limited. The first exploration at Wafi dates back to the nationwide porphyry copper search by CRA Exploration Ltd in the late 1960 s. Elders Resources farmed-in to the project from 1989-1991 and AGF farmed-in to the project for a short period in 1997 prior to going into administration in 1998. Aurora subsequently acquired the project from Rio Tinto (CRA) in 1999, with ownership passing to Abelle when they merged with Aurora in 2002. Harmony assumed control of the Wafi project as a result of its acquisition of Abelle in 2003. The project is held under four contiguous exploration licenses totalling 996 square kilometers, and comprises two separate ore systems located within close proximity of each other known as the Wafi Gold Project and the Golpu Copper/Gold Project respectively. The Wafi gold mineralization is hosted by sedimentary/volcanoclastic rocks of the Owen Stanley Formation which surrounds the intrusive Wafi Diatreme. Gold mineralization occurs as extensive high-sulphidation epithermal alteration overprinting porphyry mineralization and epithermal style vein-hosted and replacement gold mineralization with associated wall-rock alteration. We spent a total of $15.54 million (A$18.31 million) to conduct pre-feasibility studies for the Wafi Gold and Golpu Copper/Gold Projects during fiscal years 2006 and 2007.

Geography. The Wafi prospect is located near Mt. Watut in the Morobe Province of PNG, 60 kilometers southwest of Lae and 60 kilometers northwest of Wau. The site is accessed by sealed road (Lae to Bulolo) which comes within 5 kilometers of the eastern edge of the tenements and 10 kilometers from the Wafi camp. The Wafi camp is located at an elevation of approximately 400 meters above sea level. The terrain is mountainous and forested in most areas. The Wafi Gold and Golpu Copper/Gold prospects are serviced by the sealed Lae-Bulolo road to Timini and then by a dirt base access track to the prospect which is now accessible during most weather conditions. The access track is approximately 38 kilometers in length. The site is serviced by helicopter when the road access is cut due to poor weather or minor landslides. Immediately west of the project area, the Watut Valley has a large area of flat land. The foothills of the Valley are planned to be utilized for placement of ore processing and accommodation infrastructure.

Mining Reserves. Following completion of the Golpu Copper/Gold pre-feasibility study, a probable ore reserve has been declared. The ore reserve is summarized in the table below:

Golpu	Ton (Mt)	Cu %	Au ppm	As ppm	Ag ppm	Mo ppm	Cu Metal (000t)	Au Metal (000oz)	Mo Metal (000t)
Proven Reserve									
Probable Reserve	78.5	1.1	0.6	136	1.2	121	881	1,389	9.5
Total	**78.5**	**1.1**	**0.6**	**136**	**1.2**	**121**	**881**	**1,389**	**9.5**

The reserve is subject to a number of clarifications which are included in the ore reserve statement. Major clarifications to be considered are:

The Golpu Ore Reserve is derived from the Golpu Stand Alone Project Pre Feasibility Study. This study assumes a block cave underground mine with ore processed on site to produced a copper and gold concentrate for shipping to smelter. Metallurgical Studies indicate that recoveries of 88% for copper, 54% for gold and 36% for molybdenum can be expected. Metal prices are assumed at US$2.30/lb for copper, US$520/oz gold and US$20/lb for molybdenum.

In declaring the probable reserve, the following considerations are required:

1. The PFS is completed to industry accepted standards for a PFS (±20-25% accuracy). The outcome of further more detailed studies may affect the reserve.

2. The location for the tailings storage facility has not been finalised, however two potential sites proximal to the project have been defined.

3. There are outstanding issues associated with traditional land owners required to be resolved before the project is able to be constructed.

4. The Harmony Board has not yet committed to completing subsequent phases of study, or to project construction.

It is not intended to declare a reserve for the Wafi gold ore bodies upon completion of the respective PFS studies. It is considered that a number of unknowns will exist upon completion of the current phase of study, and such unknowns will be required to be quantified prior to declaration of a reserve.

Government Royalty and Other Rights. The metal production from the Wafi Project is subject to a 2% royalty payable on the net return from refined production if refined in PNG or a 2% royalty payable on the realized price if refined outside of PNG. The government royalty has been accounted for in project financial models. PNG also has a statutory right to acquire up to a 30% participatory interest in mining development projects at sunk cost. Once an interest is acquired by the government of PNG, it contributes to the further exploration and development costs on a pro rata basis.

Third Party Royalties. Pursuant to the sale agreement of Wafi Mining Ltd to Abelle (via wholly owned subsidiary companies) from Rio Tinto, a royalty of 2% on gold production or a 2% NSR (net smelter return) from copper-gold concentrates is payable to Rio Tinto as a deferred acquisition cost. The royalty has been accounted for in project financial models.

Additional Prospects and Exploration Potential. The Wafi pre-feasibility study concentrates on developing the Golpu copper-gold, the high-grade link zone mineralization, and the non-refractory (oxide) portion of the A and B zone gold mineralization. However, excellent prospects remain in the immediate vicinity of the existing resource areas on the northern and western margin of the diatreme. Recent drill intercepts at Western Zone highlight the potential for deep high grade Link Zone style mineralization off the diatreme margin. With the exception of some discrete areas of drilling, the bulk of the area off the western and northern quarters of the diatreme margin remains untested. Other prospect areas peripheral to the Wafi core complex that require additional exploration include the Nambonga and Malaria zones. There are several exploration targets within a ten kilometers radius of the Wafi site, including

Biamena,

Bawaga and Kasiago, which have historical aeromagnetic signatures and anomalous stream sediment data. The Biamena and Nambonga deposits are the subject of current drilling programs.

Capital Expenditure. No capital expenditure was incurred during fiscal 2007 or 2006 as the pre-feasibility study was still underway and costs were expensed as a result. The pre-feasibility study is due for completion in two phases. The Golpu study was completed in the last quarter of fiscal 2007, and the Wafi study is due for completion in the second quarter of fiscal 2008.

It is expected that review of pre-feasibility studies will be conducted during the Quarters two and three of fiscal 2008. Depending on the assessment of review teams, it is expected that Definitive Feasibility studies will commence during Quarter 4 of fiscal 2008.

Wafi Gold Projects

Introduction. The Wafi Gold resource is comprised of three main zones: Zone A; Zone B; and the Link Zone (high grade lenses within Zone B). Additional to the Wafi resource the Western Zone is an advanced exploration project.

Geology. The pre-feasibility study undertaken by Harmony has focused on extraction of the high grade Link Zone material, and on delineation of shallower oxidized mineralization, amenable to high gold recovery under standard cyanide leach conditions (associated with Zones A and B). Additional exploration activities have focused on the discovery of additional Link Zone style mineralization (such as the Western Zone) which may have the potential to improve Wafi gold project economics.

Pre-feasibility test work for the Link Zone has focused on whole ore pressure oxidation of the Link Zone ore (which was shown to be technically viable during the AGF test work program detailed above), and comminution test work. Test work completed during the study further demonstrated the technical viability of the processing method, with gold recoveries of around 95% achieved. Only 45% of sulphides present in the ore are required to be oxidized to achieve optimal gold recovery. Previous studies assumed complete oxidation of sulphides. Work undertaken to complete the study in Quarter 1 of fiscal 2008 will focus on determining the financial viability of the process, and the overall project plan for the Link Zone.

Metallurgical test work for the Non-Refractory gold ore (**NRG1"**) has focused on establishment of cyanide recoveries in both the transitional and fully oxidized ores across the known mineralization. Test work has shown that the 95% recovery of gold in completely oxidized ores is consistently achieved, however recovery in the transitional material remains variable. Initial indications have shown that recoveries averaging 84% to 86% are able to be achieved, however further definition is still required. The PFS will be completed assuming 84% recovery in the zone. Should the PFS identify the project to remain economic at that recovery, further work to define recovery in each area of the ore body will be undertaken. Some planned drilling in the zone was not completed due to time constraints and delays experienced during the program. Given the cost of maintaining the site it was decided to complete the PFS based on information at hand, to ensure that excessive expenditure was not undertaken prior to confirmation that the ore body is economic.

Project Status. Geotechnical, mining, infrastructure, and environmental investigations have been undertaken as part of the Link Zone and NRG1 study, in parallel with the Golpu studies. Synergies between the Wafi Gold projects and the Golpu Copper project have been utilized during the studies to minimize cost as far as possible. The synergies between projects will also be utilized in the final mine development plan to produce the best economic results for the project. The finalized economic model will be available during the second quarter of fiscal 2008.

The pre-feasibility study for the NRG1 and Link Zone deposits is due for completion in the second quarter of fiscal 2008. Scoping studies completed for both projects during fiscal 2007 indicated that both projects may be viable, with the Link Zone appearing particularly positive.

Wafi Leases

Porphyry copper-gold and stand-alone gold targets represent the best potential to crystallize value from the Wafi tenement group. Biamena, Bawaga, and Kesiago all have the potential to deliver Wafi-Golpu style mineralization. Regional magnetics also show favorable structural environments for major gold or copper-gold systems in areas where there has been little or no previous exploration. First pass exploration by way of stream sediment sampling, mapping and reconnaissance rock chip sampling is recommended for these areas to identify new prospect areas and maintain the grassroots end of the project pipeline.

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Exploration within a one kilometer radius of the existing deposits at Wafi and Golpu remains focused on adding high-grade underground or surface oxide resources. These targets have the potential to impact significantly on the economics of the Wafi pre-feasibility study. Most of the regional exploration within 10km of the Wafi site is focused on delineating additional copper porphyry resources, or high grade gold ore bodies.

Golpu Copper-Gold Project

Introduction. The Golpu Copper-Gold Project, or Golpu Project, is located approximately one kilometer northeast of the Wafi gold orebodies.

Geology. The Golpu host lithology is a typical zoned porphyry copper alteration halo, grading from potassic to phyllic to advanced argillic upwards in the core. Outwards from the core the alteration grades from the above to argillic potassic to propylitic. The mineralized body is a porphyry copper-gold pipe with approximately 200 meters by 200 meters plan dimensions, slightly north plunging and still displaying strong mineralization at grades similar to those in the rest of the potassic alteration zone at 1.2 kilometers depth, the maximum depth to which it has been drilled. Recent drilling and reinterpretation have shown that copper and gold mineralization extend some way into the metasediment host rock immediately adjacent to the porphyry body. The mineralized metasediment has potential to add up to 75% to the volume of the porphyry stock if additional exploration defines the mineralization as part of the resource.

The surface expression is oxidized and leached to about 150 meters vertical depth, resulting in a residual gold only mineralization from which the copper has been leached. At the oxidation interface a strong 20-30 meters thick zone of supergene copper enrichment is developed which transitions at depth into a lower grade covellite-enargite ore. Beneath this is a zone of more covellite rich mineralization that contains lesser enargite and consequently less arsenic. From approximately 300 meters below surface the ore exists in a covellite-rich (arsenic-poor) form grading into a chalcopyrite-bornite rich zone from approximately 500 meters to its current known depth of approximately 1.2 kilometers. Harmony completed the pre-feasibility study for Golpu, during the last quarter of fiscal 2007. The PFS identifies a reserve of 71Mt @ 1.1%Cu, 0.6g/t gold, and 121 ppm Molybdenum. There is potential to significantly increase the mining inventory if additional mineralized metasediment material is able to be included in the resource estimate following further exploration activities.

The metasediment domain comprises mineralization peripheral to the porphyry stock that is hosted in the metasediments. Mineralization in the metasediment is distributed irregularly around the porphyry stock with the majority occurring on the western side of the porphyry. Mineralization occurs in all three alteration types: advanced argillic, phyllic and potassic. Further work during subsequent phases of study will be planned with a view to converting the mineralized metasediment to an indicated resource, and subsequently a probable reserve.

Importantly, the current pre-feasibility study test work has established that a coarser grind size of p80 106 µm can be used to achieve these recoveries. Test work by previous owners contemplated grinding ore to as fine as p80 50 µm in order to achieve similar or lower recoveries. This represents a potentially significant reduction in operating costs.

Production of copper metal on site has not been considered during the current phase of study. The cost of power at the site is presently high, with on site heavy fuel oil generation. It is note expected that on site metal production will be viable unless power cost can be substantially reduced.

Project Status. The Golpu pre-feasibility study was undertaken in parallel with the Link Zone and NRG1 pre-feasibility studies. The Golpu pre-feasibility drilling was completed in September 2006. A full team of mining, processing, and infrastructure personnel (both in-house and consultant personnel) have completed study. The Golpu pre-feasibility study is planned to be completed in the first quarter of fiscal 2008.

Findings of the pre-feasibility study indicate that an annual production rate of 9 million tones is optimal and achievable, utilizing the block cave mining method. Ore is planned to be mined from the block cave, and conveyed via an underground decline to a processing plant located in the Eastern foothills of the Watut River Valley, some four kilometers west of the deposit. Concentrate produced will be either pumped or truck-hauled to the port of Lae for dispatch to Asian smelting markets, with the transport method to be finalized in the completed PFS report due in the second quarter of fiscal 2008.

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REGULATION

Mineral Rights

South Africa

South African law provides for the separate ownership of surface and mineral rights. Prior to the promulgation of the MPRDA on May 1, 2004, it was therefore possible for one person to own the surface of a property, another to own rights to precious metals, and yet another to own rights to base minerals. In terms of the MPRDA, all mineral rights in South Africa are now vested in the South African state. The principal objectives of the Act are:

- to recognize the internationally accepted right of the state of South Africa to exercise full and permanent sovereignty over all the mineral and petroleum resources within South Africa;
- to give effect to the principle of South Africa s custodianship of its mineral and petroleum resources;
- to promote equitable access to South Africa s mineral and petroleum resources to all the people of South Africa;
- to substantially and meaningfully expand opportunities for historically disadvantaged persons including women, to enter the mineral and petroleum industry and to benefit from the exploitation of South Africa s mineral and petroleum resources;
- to promote economic growth and mineral and petroleum resources development in South Africa;
- to promote employment and advance the social and economic welfare of all South Africans;
- to provide security of tenure in respect of prospecting, exploration, mining and production operations;
- to give effect to Section 24 of the South African Constitution by ensuring that South Africa s mineral and petroleum resources are developed in an orderly and ecologically sustainable manner while promoting justifiable social and economic development; and
- to ensure that holders of mining and production rights contribute towards socio-economic development of the areas in which they are operating.

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 apply for new order mining rights over existing operations within five years of May 1, 2004, or before the existing right expires, whichever is the earlier date and fulfill requirements specified in the MPRDA and the Mining Charter.

The Mining Charter was signed by government and stakeholders in October 2002 and contains principles relating to the transfer, over a ten-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 5 years has also been set and to this end, the South African mining industry has committed to securing financing to fund participation of HDSAs in an amount of R100.0 billion within the first five years of the Mining Charter s tenure. The Mining Charter provides for the review of the participation process after five years to determine what further steps, if any, are needed to achieve the 26% target participation. 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 Mining Charter can be ticked-off after five and ten years respectively. The Mining Charter and Scorecard require programs for black economic empowerment and the promotion of value-added production, such as jewelry-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 resource and skills development; employment equity; procurement beneficiation and direct ownership. In addition, the Mining Charter addresses socio-economic issues such as migrant labor, mine community and rural development, and housing and living conditions.

Currently, the South African Government has given its assurance that the Mining Charter will take precedence over the more recently promulgated Black Economic Empowerment Act 2003 and, in particular, the Codes of Good Practice published thereunder, which are of general application to the South African economy. It is therefore envisaged that the Mining Charter will remain relevant to securing the conversion of mineral rights.

We actively carry out mining and exploration activities in all of our material mineral rights areas. Accordingly, the MPRDA has not had a significant impact on these mining and exploration activities because we are eligible to apply for new licenses over our existing operations (some of which have already been granted), provided that we comply with the Mining Charter. There can be no assurance, however, that any licenses would be received. However, we have had several discussions with the National Department of Minerals and Energy and have no reason to believe that the licenses will not be granted.

We have already complied with the requirements of the Mining Charter, with an equivalent of 34% of production ounces qualifying as empowerment credit ounces. We have been working on our program of licensing since 2004, which involved the compilation of a mineral assets register and the identification of all of our economic, mineral and mining rights. We have secured all old mining rights and validated existing mining authorizations. Our strategy has been to secure all strategic mining rights on a region-by-region basis. The first application for conversion from old order to new order mining rights was for the Evander Operations and was lodged on May 21, 2004. The Evander mining license was the first conversion application in the region and in October 2004 we became the first senior company to convert old order to new order mining rights for our Evander and Randfontein operations. Although it is not possible to estimate how long it will take for each application to be processed by the regional offices of the Department of Minerals and Energy, we have worked closely with the department to help ensure, to the extent we are able, that the licenses are granted as swiftly as possible. The conversion of licences for all our remaining operations were granted during November 2007 and will be executed before the end of January 2008.

The MPRDA also makes reference to royalties being payable to the South African state in terms of the envisaged Mining and Petroleum Royalty Act which has not yet been finalized. However, a Bill, known as the Royalty Bill, was made available for public comment. It is anticipated that the Mining and Petroleum Royalty Act will only come into force in 2009. The introduction of the Mining and Petroleum Royalty Act as law may have an adverse impact on the profits generated by our operations in South Africa. We are currently evaluating the impact that the proposed Mining and Petroleum Royalty Act may have with regard to our operations and no assurance can be given as to whether or when the proposed Mining and Petroleum Royalty Act will be enacted.

The MPRDA:

- limits ministerial discretion insofar as applications relating to the conversion of old order mining rights are concerned,
- introduces a first-come first-served principle with respect to the consideration of applications for new order mining rights,
- introduces a mining advisory board to advise the Minister of Minerals and Energy on matters relating to minerals and mining, consisting of representatives of, *inter alia*, the South African state, organized labor, organized business and relevant community based organizations,
- provides for compensation for currently held rights in certain circumstances, and
- provides that a party aggrieved by an administration decision made in terms of the MPRDA has the right of appeal to either the Director General or the Minister and may only take matters to the courts once that party has exhausted his or her remedies in terms of the appeal procedures that are to be set forth.

Australia

In Australia, all minerals are owned by the Australian government except where it has granted freehold title to the land, in which case ownership of minerals other than gold, silver and other precious metals vests in the freehold title holder. Mining companies must pay royalties to the Australian government based on production.

Each Australian state has its own mining legislation and administers mineral exploitation through the issuance of a variety of exploration and mining tenements.

Mt. Magnet, New Hampton and South Kal hold various mining tenements issued by Western Australia s Department of Industry and Resources in accordance with the provisions of the Mining Act 1978 (WA). In the conduct of their operations, they must comply with a wide range of statutes, including the Mining Act, the Mines Safety and Inspection Act 1994 (WA) and various environmental statutes, as well as the provisions of the tenements themselves and various operating and abstraction licenses issued by the State s Department of Environmental Protection and the Water and Rivers Commission.

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All mining leases in Western Australia are secured by environmental performance bonds which cannot be relinquished or cancelled without the approval of the Department of Industry and Resources. The amounts of the bonds are assessed on an annual basis and are audited by a regional inspector.

Hampton Gold Mining Areas is the freehold owner of the Hampton Lands, which are freehold estates in Western Australia in respect of which the state has waived its entitlement to royalties on gold production. These areas are not subject to the Mining Act 1978 (WA) and are instead governed by the Hampton Regulations, which are administered by Hampton Gold Mining Areas. Both New Hampton and South Kal conduct mining operations on the Hampton Lands under the auspices of special leases issued to them by Hampton Gold Mining Areas in accordance with the Hampton Regulations.

Australian law generally requires that all necessary landowner title approval be obtained before a mining lease can be granted and mining operations can commence. Mt. Magnet, New Hampton and South Kal have approved mining leases for most of their reserves, including all reserves that are currently being mined. If these companies wish to initiate mining operations in areas presently held under exploration tenement, their relevant exploration tenements will need to be converted to mining leases. This issuance of a mining lease requires the agreement of the affected landowner title claimants, on terms either directly negotiated with them or otherwise determined in accordance with the Native Title Act 1993. There can be no assurance that any approval would be received.

Papua New Guinea

The Mining Act of 1992 (PNG) is based on Australian legislation. Accordingly, mineral rights in PNG also belong to the government of PNG and they have a statutory right to obtain up to a 30% participating interest 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.

The key difference in PNG is that citizens have the right to carry out non-mechanized mining of alluvial minerals on land owned by them. These customary rights do not extend over a mining lease, unless an alluvial mining lease is obtained.

Almost all land in PNG is owned by a person or group of persons, and is not generally overlaid by landowner title issues. There is, however, considerable difficulty in identifying landowners of a particular area of land because land ownership may arise from both contract and inheritance, and because of the absence of a formal written registration system.

Prior to commencing exploration, compensation for loss or damage must be agreed with the landowners. Prior to commencing mining, a written agreement must be entered into with landowners dealing with compensation and other matters.

In PNG, Morobe Consolidated Goldfields Limited (**Morobe"**) holds a mining lease and various exploration licenses granted by the Department of Mining for the Hidden Valley Project. Morobe has also entered into a memorandum of agreement with the state, local government and the landowners.

Wafi Mining Limited holds various exploration licenses granted by the Department of Mining for the Wafi/Golpu Project, and has entered into a compensation agreement with landowners on one of its exploration licenses.

In PNG there are no applicable exchange control restrictions but the PNG central bank does have to be informed of all transactions and has to approve lending facilities and interests rates charged.

Environmental Matters

South Africa

Harmony recognizes that the long-term sustainability of our business is as dependent on good management of our environment as it is on the optimal extraction of our mineral resources. It is our duty to assess environmental impacts and, where significant pollution or degradation may occur as a result of our activities, to take reasonable measures to minimize these and to rectify any impacts that have already been caused.

The overall objectives of Harmony s environmental management activities are to:

clean the surface environment after mining and ensure certificates of closure are obtained;

- promote clean mining and minerals processing;
- support Harmony s social plan requirements, such as required by the MPRDA and Mining Charter, Black Economic Empowerment (**BEE**) and local community involvement;
- reduce environmental liabilities by 10% per annum by optimising assets; and
- self-fund environmental rehabilitation through economic activities/savings, thus contributing to the bottom line.

Our approach to environmental management encompasses the following four broad principles:

- All relevant environmental risks should be identified and prioritized;
- Environmental issues should be dealt with promptly;
- Environmental issues, particularly relating to continuous non-compliance or potentially serious environmental impacts, should be notified and dealt with at the board level; and
- we will adopt the best practicable environmental option; that is, the option that has most benefit, or causes the least damage to the environment, at a cost acceptable to society and affordable to us.

Harmony developed its environmental policy in consultation with various stakeholders such as mine managers, employees and unions, and which has the approval of the Chairman of the Sustainable Development Committee and the Chief Executive. It has also been adopted by each mine manager at signing ceremonies held at each shaft. It commits companies to returning their areas of operation as close as possible to the pre-mining state, thus creating sustainability and economic viability for generations to come . The main areas of the policy are:

- That environmental management is a corporate priority;
- That environmental policies, programs and practices will be integrated into the activities of Harmony;
- That we will strive for continued improvement and efficiency;

That we will work with government departments and the public to come up with the best sustainable solutions;

That contractors and suppliers will be required to comply with the Harmony policy; and

That employees will be informed and educated regarding their environmental responsibilities.

The focus was on implementing an environmental management policy at an operational level during fiscal 2007. Harmony is in the process of adopting the ISO 14001 specification as the Environmental Management System (**EMS**) for the South African operations. Previously the discipline was managed through the development and implementation of an in-house EMS, based on the Environmental Management Programme Reports (**EMPR**s). It was found, however, that this did not meet the levels of governance required by the group. The EMS is a structured approach for addressing the triple bottom line (social, economic and environmental) and forms the backbone of environmental management at an operational level. ISO 14001 is a recognized and widely adopted EMS framework.

During fiscal 2007 a management company was appointed to assist with the implementation phase of ISO 14001. To date the phased approach to introduce the system on a per site basis has progressed. Doornkop Mine: the site specific team has been formed under the chairmanship of the General Manager and a full aspect analysis has been completed and a detailed compliance audit completed. In the execution of this site it has been established that the complexities of such a programme and the timing for implementation on the other target sites will have to be extended to ensure the success of the project Target and Elandsrand Mines: Steering committees have been set up at both mines again under the leadership of the General Manager. The aspect/impact identification process has been completed. Both areas are currently developing the Environmnetal Management Programmes (**EMP**) for the significant impacts as identified during the above process.

In addition to the above sites, the Phakisa Mine has been added as a further first phase site as it is a major project in the group and as such will form one of the backbones of the company going forward into the future and will therefore be committed to fully complying with the company s environmental policy.
The programme for implementation of the above four sites, which represent a cross section of the companies activities, covering deep level mining and trackless type operations , is late 2008.

Environmental policy and strategy within Harmony, as well as the environmental impact of our operations on regional communities, is overseen by the Sustainable Development Committee. The management of environmental issues at operational level is the responsibility of each Chief Operational Officer, who is supported by line management in the various regions. Structures and reporting mechanisms have been put in place to ensure that the board is kept fully informed of environmental matters within the group.

The Environmental Management Forum (**EMF**) has been structured to support operational goals. Primarily, this means it will ensure reasonably practicable compliance with legislation, and the promotion of environmental awareness. At a regional level, environmental management managers provide advice and support to the relevant operational management teams. Given the diversity of the environmental issues being dealt with, one of the environmental challenges facing the operations is to effectively access the diverse range of skills necessary to address environmental issues. Rehabilitation and mitigation capacity resides within the various operational functions, such as surface engineering, metallurgy, etc. Where specific capacity is lacking in-house, use is made of external consultants with appropriate specialist expertise. The process of rehabilitation has been given a boost with the appointment of a group level Environmental Manager specifically charged with accelerating the rehabilitation of specific target areas with a view to obtain concurrent closure instead of the approach of viewing final mine closure at the end of life of mine. Operational personnel are assisted by the EMF to determine the scope of work and consultants are selected and employed as the need arises. Their selection is conducted in terms of the Harmony procurement policy. Regional environmental managers meet on a quarterly basis as part of a process to encourage networking, information sharing and joint problem-solving. Staff members are encouraged to develop their skills through on-the-job training and external opportunities such as conferences and short courses. Current complements provide for further strengthing of the skills base of the EMF in line with our commitments.

Environmental management at Harmony is guided by the environmental policy, by prevailing environmental laws and the EMPRs developed by Harmony for each operation and approved by the DME which are legally binding. We are not aware of any litigation, current or pending, against Harmony in this regard. During the fiscal year 2005, we were issued with directives from the Department of Water Affairs and Forestry (**DWAF**) related to the collection, removal and re-use or disposal of extraneous groundwater in the Klerksdorp, Orkney, Stilfontein and Hartebeestfontein (**KOSH**) area. This follows the liquidation of the DRDGOLD North West operations in this area and the subsequent liquidation of Stilfontein, which brought an end to their pumping activities and threatened to flood other mines in the area. We continue to comply with the requirements of these directives and are working with other mining companies AngloGold Ashanti and Simmer & Jack Mines Limited and the various government departments the DME, DWAF and the Department of Environment and Tourism (**DEAT**) to address the fundamental question of liability for defunct operations. In February 2007, Harmony, AngloGoldAshanti and Simmer Jack Mines Limited entered into an agreement pursuant to which Margaret Water Company (**MWC**) has been formed to manage the water emanating from the now defunct Stilfontein Gold Mine. The company, West Basin Environmental Corporation (**WBEC**) is managed by directors appointed by each of the mining houses and is in the process of funding the necessary infrastructure improvements to ensure the sustainability of the pumping operations. The Western Utilities Corporation (**WUC**) has also been established in order to fund the treatment of the water on a sustainable basis. WUC has secured sufficient offshore funding from offshore investors and has entered into a management agreement with WBEC to engineer and build a pilot plant.

MWC and the three mining companies have agreed to enter into a loan agreement for the provision of a loan of R18.0 million (US$2.56 million) from each mining company to MWC as seed funding for stabilization of the infrastructure. The three mining companies on behalf of MWC are currently negotiating the acquisition of the assets necessary for pumping the water and intend to formalize the existing service relationship with Buffelsfontein Mine who is currently acting as managers in the water pumping process. Negotiations with the liquidator of Stilfontein Gold

Mine are in the final stages which will secure the necessary assets and staffing for the continued operation.

We also received a DWAF directive pertaining to the water management of the Western Mining Void water decant. We currently comply with the regulators requirements within the operating constraints of the water treatment plant. We are in regular contract with DWAF in this regard and are currently minimizing the water discharge quantity by re-use in our metallurgical facilities. The water treatment plant is being upgraded to improve the discharge water quality to enable us to meet the prescribed water quality levels.

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A further DWAF directive with regard to the apportionment of costs in regard to the Western Basin decant was issued in December 2006 which was followed shortly after by an inter-mine agreement between the recipients namely Harmony, Mintails SA and WestWits (DRDgold). This agreement has led to the formation again of a section 21 company , named The West Basin Environmental Corporation (**WBEC**) which in turn spawned the formation of an independently funded and managed entity named The Western Utilities Corporation, who has secured funding for a pilot plant and bankable feasibility study for the long term treatment of the decant water. This pilot plant is in construction and is expected to be commissioned be the end of calendar 2007.In the interim the parties to WBEC are sharing the costs and facilities to treat the water.

EMS forms the basis for the implementation of the environmental policy and monitoring compliance. All of the South African operations function within the requirements and conditions of the EMPRs that have been approved by the DME. These EMPRs contain specific as well as generic principles relating to environmental management during the operation of the mine. Closure objectives are set and closure plans formulated within the EMPR. The latter includes investigation of the potential for re-use of existing infrastructure, preparation of a rehabilitation plan, rehabilitation and vegetation of the affected area and post-closure monitoring. Conversion to new order mining rights in line with the MPRDA requires that mining companies report on the extent of compliance with their approved EMPRs. The EMPRs identify individual impacts, mitigation measures and rehabilitation requirements. These have been used as the basis for the development of a proprietary EMS, which is currently being tested, populated with information, and rolled out to the various operations. This proprietary EMS, which encompasses the principles of ISO 14000, is an electronic-based system. The proprietary EMS encompasses the following activities:

Environmental inspection: general inspections are performed routinely and systematically with collected data entered into the system to enable follow-up actions.

Risk assessment: detailed and specific risk assessments are conduced to help identify deviations that may not have been otherwise anticipated.

Stakeholder communication: all communication is managed and may result in action items for the organization for which the stakeholder will require follow-up feedback. All such communication is logged.

Monitoring: impact monitoring is focused on collecting and analyzing environmental data that may well result in follow-up actions.

Licenses/permits: all details relating to licenses or permits can be registered in the system.

Major loss, incident and accident notification: when an incident occurs, initial information about the incident is recorded to trigger a notification process.

The bulk of the significant impacts at Harmony are historic, and are currently managed in terms of site-specific procedures or codes of practice. Any major operational changes will, in future, take cognizance of the Environmental Impact Assessment (**EIA**) process and adhere to the outcomes of such studies. Furthermore, the continued development of EMSs, with respect to site monitoring and risk assessment, will allow for the inclusion of specific evaluation criteria in the decision-making process. We have conducted internal compliance assessments on all of our EMPRs. Assessments and non-compliance areas are being addressed. The results of the compliance assessment have been included in the application for conversion to new order mining rights.

In accordance with legislation, we have established seven independent environmental rehabilitation trust funds to make adequate financial provision for the expected cost of environmental rehabilitation at mine closure and for the discharge of our obligations and contingency liability. Each operation estimates its expected environmental closure liability annually and this estimated amount is used to calculate the contributions to be made to the rehabilitation trust funds. The contributions are spread over the operational life-of-mine and contributions are made by each operation on an annual basis. Even though the various investments in the rehabilitation trust funds are pooled, each operational unit has its own account. The accumulated amount in the various South African rehabilitation trust funds as at June 30, 2007 was $189.1 million, while the total rehabilitation liability was $131.9 million in current monetary terms.

The assets of each mine within each fund are ring-fenced and may not be used to cross-subsidize one another. Contributions to the various funds will continue to be made over the operations life-of-mine and each fund is expected to be fully-funded at the time of closure. Sudden and accidental pollution is covered under our public liability insurance policy. The Asset Management Committee formed during the 2006 fiscal year continues to co-ordinate the activities related to the disposal of assets and subsequent closure of redundant operational sites to an environmentally acceptable standard. The EMF is represented on the committee at senior management level. An important element of this committee s work is to investigate alternative and appropriate land use, particularly in respect of those assets for which closure is being planned.

Pursuant to South African law, mine properties must be rehabilitated upon closure. Mining companies are required by law to submit EMPRs, to the Department of Minerals and Energy. EMPRs identify the rehabilitation issues for a mine and must also be approved by other South African government departments including, but not restricted to, the Department of Water Affairs and Forestry.

EMPRs have been prepared and submitted for all of Harmony s South African operations. All of Harmony s South African mining operations have permanent mining authorizations as required in terms of the previous MPRDA. Harmony is currently in the process of converting these mining authorizations to new order mining rights as required under the MPRDA. The application for the Evander Operations has been submitted. Harmony has already obtained certain new order mining rights and does not anticipate any difficulties in this regard. Harmony meets with and intends to continue to meet on a regular basis with the relevant government departments to continue the information sharing process that it has with them and to ensure the environmental impact of Harmony s mining operations are managed in accordance with applicable regulatory requirements and industry standards.

All water uses are now in the process of being licensed, and Harmony has submitted water-use registrations required by the National Water Act of 1998. Harmony has also developed water management plans for all of its South African operations. This process is now extended to a full review and submission of Water Use Licence applications, which will take into account all water-related issues as well as planned projects.

In addition, an environmental surveillance system has been implemented at slimes dams at Harmony s operations to monitor dust generation and fall-out in residential and other areas. This will assist in future dust suppression and the design and measurement of rehabilitation programs. In excess of R5 million ($0.7 million) has been spent in contouring the tops of the slimes dams concerned and to provide wind erosion containment measures and the supply of sewage discharge water to initiate vegetation growth in the coming season has been completed. In addition, spraying of the leading edges of the dams and dumps with eco-friendly palliatives to bind the soils in the short term is ongoing, although the palliatives have had limited success in binding the dust particles, further tests are ongoing.

Australia

Harmony s Western Australian operations are subject to applicable environmental legislation, and also specific site conditions attaching to the mining tenements imposed by the Department of Industry and Resources, to the operating licenses issued by the Department of Environmental Protection, and also to the water abstraction licenses issued by the Water and Rivers Commission.

As a result, Harmony must make provision for environmental rehabilitation whenever mining operations are conducted. While Harmony believes that its current provision for compliance with such requirements is reasonable, any future changes and development in Australian environmental laws and regulations may adversely affect these Australian operations. The total Australian rehabilitation liability was $20.8 million (A$24.5 million) at the end of fiscal 2007.

In Western Australia, rehabilitation obligations under the Mining Act are covered by environmental securities issued by Harmony, or by performance bonds issued by Harmony s bankers. These bonds cannot be relinquished or cancelled without the approval of the Department of Industry and Resources. The amount of the bond is established prior to issuance of the tenement and commencement of operations, and generally is audited by the regional inspector. Thereafter, the amount is reviewed on an annual basis following the issuance by Harmony of an annual environmental report. As areas are successfully rehabilitated, the bond requirement is reduced.

Audits are generally conducted on a bi-annual basis by the Australian Department of Environmental Protection to determine compliance with the relevant operating license(s). There are currently no outstanding material non-compliance issues against Harmony s licenses.

At each of its mines, Harmony has appointed a person dedicated to environmental matters who, in addition to organizing the implementation of the environmental management programs, monitors the impact of mining on the environment and responds to impacts that require specific attention outside of the normal program of environmental activities.

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

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Based on current environmental and regulatory requirements, Harmony accrues for the estimated rehabilitation expense in full when mining commences and then amortizes these environmental rehabilitation costs over the operating life of a mine.

Papua New Guinea

Harmony s PNG operations are in exploration, pre-feasibility study and project construction phases, and mining has not yet commenced. Harmony is subject to applicable environmental legislation including specific site conditions attaching to the mining tenements imposed by the PNG Government Department of Environment and Conservation (**DEC**), to the terms and conditions of operating licenses issued by the Department of Mines and DEC, and also to the environment permit for water abstraction and discharge issued by DEC.

The current status of Harmony s PNG projects can be summarized as follows:

The Hidden Valley project is in the construction phase. The project has obtained and is in compliance with all permits and licenses required for the current stage of the project s development. The access road to the Hidden Valley project site has been completed with part of the road sides successfully revegetated. The foundations have been completed for accommodation and administration buildings for the general mine infrastructure. Excavation is underway for the plant site, tailings storage facility and the access road to the open pit. Government approval has been given to amend the environment permit based on an updated feasibility study for the site.

The Wafi Golpu project is presently undertaking pre-feasibility studies. The project has obtained, and is in compliance with, all permits and licenses for the current stage of the project s development.

Harmony PNG is committed to working within the framework of corporate EMS in accordance with the international EMS standard, ISO 14001:2004, adapted for use in Australia and New Zealand as AS/NZS ISO 14001:2004 and the Equator Principles of the World Bank. These standards provide Harmony PNG with the elements of an effective EMS, that is, a procedure for implementing, achieving, reviewing and maintaining Harmony s environmental policy, and also incorporates good industry environmental management practices, which form the basis of a project-specific EMS.

An EMS is a structured approach to managing an environmental program, and provides a quality system to guide:

- development and implementation of environmental management procedures;
- monitoring of environmental impacts and performance; and
- review of procedures to ensure continual improvement.

Health and Safety Matters

South Africa

The Mine Health and Safety Act

For many years, the safety of persons working in South African mines and quarries was controlled by the Mines and Works Act of 1956 and then by the Minerals Act of 1991 which was replaced by the Mine Health and Safety Act of 1996. The Minerals Act of 1991 has subsequently been repealed and the Mineral and Petroleum Resources Development Act of 2002 (**MPRDA**) promulgated. The findings of the Leon Commission of Inquiry into Health and Safety in the Mining Industry (held in April 1994) culminated in the Mine Health and Safety Act of 1996, which was a product of intensive discussion and debate between government, employers and employee representatives over an extended period of time. The objectives of the Mine Health and Safety Act are:

- to protect the health and safety of employees and other persons at mines;
- to promote a culture of health and safety;
- to require employers and employees to identify hazards and eliminate, control and minimize the risks relating to health and safety at mines;
- to give effect to the public international law obligations of South Africa that concern health and safety at mines;
- to provide for employee participation in matters of health and safety through health and safety representatives and health and safety committees at mines;
- to provide for the effective monitoring of health and safety conditions at mines;
- to provide for the enforcement of health and safety measures at mines; and
- to foster and promote co-operation and consultation on health and safety between the Department of Minerals and Energy, employers, employees and their representatives.

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

Government, through the Department of Minerals and Energy, ordered the institution of audit teams to conduct legal compliance and systems audits on mines across all commodities.

It is anticipated that mining companies will incur additional expenditure in order to comply with the prescribed legislative requirements. Management anticipates that such additional expenditure will not have a material adverse effect upon Harmony s operational results or financial condition.

HIV/AIDS Policy

Harmony is actively pursuing holistic HIV/AIDS awareness campaigns with its South African workforce and is also providing medical assistance and anti-retroviral treatment. Employees who decide to leave their place of work and return home for care are cared for at their homes through the TEBA home based care system, to which Harmony contributes. See *Risk Factors Risks Relating to Our Business and Our Industry HIV/AIDS poses risks to Harmony in terms of productivity and costs* and *Risk Factors Risks Relating to Our Business and Our Industry The cost of occupational healthcare services may increase in the future* .

In South Africa, Harmony has an agreement with the relevant stakeholders concerning the management of HIV/AIDS in the workplace. This agreement, originally signed in 2002 with the National Union of Mine Workers (**NUM**) and the United Association of South Africa (**UASA**) was amended for the third time in August 2006. While many aspects of the policy have remained unaltered, the most fundamental change is the inclusion in the policy of a broad spectrum of chronic manageable diseases other than

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HIV/AIDS such as diabetes and hypertension. Harmony has done this in the hope of doing more to take the stigma away from the disease and encouraging people to see it for what it is Harmony believes AIDS can be managed through the proper use of medication. The agreement is also used as a marketing tool to encourage employee participation in the Harmony HIV/AIDS Program.

Harmony s HIV/AIDS Program, which is fully supported by management, is overseen by a qualified medical practitioner, together with the assistance of qualified consultants and experts. In September 2005, an independent consultant, the Health Monitor Group undertook a business impact assessment for the group. Based on actuarial information, it appears that the prevalence rates of HIV/AIDS within Harmony have stabilized at around 30%. The introduction of Highly Active Anti-Retroviral Therapy has also helped to manage the treatment of HIV/AIDS infected employees. The effectiveness of these measures will only be determined over time. We are currently negotiating an agreement on the Traditional Health Practitioners with the NUM and we have a contracted a dually qualified Western Doctor/Traditional Health Practitioner who attends to patients once weekly at the clinic in Randfontein and also advises us in view of the pending National Traditional Health Practitioners Bill.

In the 2007 fiscal year, there were 52 documented AIDS related deaths as compared to 49 in 2006 and 66 in 2005. In addition, 783 employees left as a result of medical repatriation as compared to 1,572 in 2006 and 1,611 in 2005. Medical repatriations refer to those employees who are not sufficiently well to continue working and are thus provided with an early and humane exit from Harmony.

Harmony embarked upon a holistic and integrated campaign in fiscal 2007 in which approximately R14.0 million ($1.9 million) was spent.

Australia

Australia has a well regulated system of occupational health and safety, comprised of legislation and regulations in each of its states. Several of these specifically apply to the mining industry, including extensive codes of practice and guidelines. There is also a well developed certification and licensing system for employees and the usage of certain items of equipment. The legislation and regulations governing this area include the Australian Standards 4804, the Safety Management Systems and the Western Australian Mining Regulation Act 1994, the Occupational Safety and Health Act 1984 (WA), the Occupational Safety and Health Regulations 1996, the Mines Safety and Inspection Act 1994 (WA) and the Mines Safety and Inspection Regulations 1995.

In the event of injury while at work, employees are protected by a compulsory workers compensation scheme.

Harmony currently believes that the prevalence of HIV/AIDS-related diseases among its Australian workforce is not material to its Australian operations.

Papua New Guinea

PNG has a significant mining industry, and a developing system of occupational health and safety. The Mining (Safety) Act of 1977 (PNG) is the principal legislation that addresses a range of issues such as working hours, minimum safety and reporting requirements. Other legislation and regulations also apply.

As Harmony is currently building its first mine in PNG, the occupational health and safety standards for the mine are undergoing development.

Although reliable statistics with regard to infection rates are not readily available, preliminary results indicate that Papua New Guinea is in the early stages of an AIDS pandemic. As part of the development of the Hidden Valley project, and other exploration activities carried out by Harmony in PNG, Harmony has rolled out a health care strategy for its employees to increase Aids awareness. See *Risk Factors Risks Relating to Our Business and Our Industry HIV/AIDS poses risks to Harmony in terms of productivity and costs* and *Risk Factors Risks Relating to Our Business and Our Industry The cost of occupational healthcare services may increase in the future".*

Item 4A. UNRESOLVED STAFF COMMENTS

Not applicable.

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Item 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

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

Overview

We conduct underground and surface gold mining and related activities, including exploration, processing, smelting and beneficiation. Our operations have grown significantly since 1995, largely through acquisitions. Since 1995, Harmony has expanded from a lease-bound mining operation into an independent world-class gold producer. We are currently the third largest producer of gold in South Africa, producing some 19.7% of the country s gold output, and the fifth largest gold producer in the world. Harmony s gold sales have increased from 650,312 ounces of gold in fiscal 1995 to approximately 2.3 million ounces of gold in fiscal 2007. As at June 30, 2007, Harmony s mining operations reported total proven and probable reserves of approximately 53.67 million ounces and in fiscal 2007, we processed approximately 22.8 million tons of ore.

We manage and evaluate our operations on a shaft-by-shaft basis. The South African underground operations are treated as three separate reporting segments for management and reporting purposes. We have found this system to be very effective as, among other things, it allows for different management styles and capital allocations.

These three segments are:

the *Quality Assets*, which typically have a larger reserve base and hence a longer life. These form the core of our operations;

the *Leveraged Assets* are those that provide significant upside in the event of a rising gold; and

the *Growth Assets*, which *comprise* the expansion projects/new mines currently being constructed in South Africa.

In addition, there are a number of surface operations.

Our South African operations are categorized as follows:

Quality Assets	Leveraged Assets***	Growth Assets	Surface Operations
Target	Bambanani	Elandsrand mine and project	Kalgold
Tshepong	Joel	Doornkop mine and project	Freegold
Masimong shaft complex	West Shaft*	Phakisa capital project	Free State
Evander 2, 3 & 5	St. Helena		Randfontein
Evander 7	Harmony 2		Target
Evander 8	Merriespruit 1		
Cooke 1	Merriespruit 3		
Cooke 2	Unisel		
Cooke 3	Brand 3		
	Orkney 2**		
	Orkney 4**		
	Orkney 7**		

* West Shaft closed end of March 2007.

** On September 24, 2007 an agreement to sell the Orkney shaft was entered into with Pamodzi Gold and is expected to be concluded by the first half of 2008.

*** The Harmony 4 Shaft, St. Helena 2 Shaft and Eland Shaft are all currently under care and maintenance as of June 30, 2007.

Critical Accounting Policies And Estimates

The preparation of our financial statements requires management to make estimates and assumptions that affect the reported results of our operations. Actual results may differ from those estimates. Harmony has identified the most critical accounting policies upon which its financial status depends. Some of Harmony s accounting policies require the application of significant judgment and estimates by management in selecting the appropriate assumptions for calculating financial estimates. By their nature, these judgments

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are subject to an inherent degree of uncertainty and are based on Harmony s historical experience, terms of existing contracts, management s view on trends in the gold mining industry and information from outside sources.

Harmony s significant accounting policies are described in more detail in note 2 to the consolidated financial statements. This discussion and analysis should be read in conjunction with the consolidated financial statements and related notes included in reporting Item 18. Financial Statements. Harmony s management has identified the following as critical accounting policies because estimates used in applying these policies are subject to material risks and uncertainties. Harmony s management believes the following critical accounting policies, together with the other significant accounting policies discussed in the notes to the consolidated financial statements, affect its more significant judgments and estimates used in the preparation of the consolidated financial statements and could potentially impact Harmony s financial results and future financial performance.

Depreciation and Amortization of Mining Assets

Depreciation and amortization expense is calculated using the units of production method and is based on Harmony s current gold production as a percentage of total expected gold production over the lives of Harmony s mines. A unit is considered to be produced for U.S. GAAP purposes at the time it is physically removed from the mine. The lives of the mines are estimated by Harmony s geology department using proven and probable mineral reserves, as determined in accordance with the SEC s Industry Guide Number 7. The resultant depreciation and amortization expense is then classified as inventory and subject to inventory valuation under U.S. GAAP.

The estimate of the total expected future lives of Harmony s mines could be materially different from the actual amount of gold mined in the future and the actual lives of the mines due to changes in the factors used in determining Harmony s mineral reserves, such as the gold price, foreign currency exchange rates, working costs and working rates (continuous operations mining). We regularly review the lives of the mines and economic capacity of those assets with reference to any events or circumstances that may indicate an adjustment is needed. Given the significance of mining assets to our financial statements, any changes to the life of mine could have a material impact on the annual amortization charge and materially impact on our results of operations and financial conditions. See *Item 3. Key Information Risk Factors Harmony s gold reserve figures are estimated based on a number of assumptions, including assumptions as to mining and recovery factors, future cash costs of production and the price of gold and may yield less gold under actual production conditions than currently estimated.*

Business Combinations

Harmony accounts for its business acquisitions under the purchase method of accounting. The total value of consideration paid for acquisitions is allocated to the underlying net assets acquired, based on their respective estimated fair values determined by us using internal or external valuations. We use a number of valuation methods to determine the fair value of assets and liabilities acquired including discounted cash flows, external market values, valuations on recent transactions or a combination thereof and others and believes that it uses the most appropriate measure or a combination of measures to value each asset or liability. In addition, we believe that we use the most appropriate valuation assumptions underlying each of those valuation methods based on current information available including discounted rates, market risk rates, entity risk rates, cash flow assumptions and others. The accounting policy for valuation of business acquisitions is considered critical because judgments made in determining the estimated fair value and expected useful lives assigned to each class of assets and liabilities acquired can significantly impact the value of the asset or liability, including the impact on deferred taxes, the respective amortization periods and ultimately net profit. Therefore, the use of other valuation methods, as well as other assumptions underlying these valuation methods, could significantly impact the determination of financial position and results of operations.

Carrying Value of Goodwill

Harmony evaluates, on at least an annual basis, the carrying amount of goodwill to determine whether current events and circumstances indicate that such carrying amount may no longer be recoverable. To accomplish this, Harmony compares the fair values of its reporting units to their carrying amounts. If the carrying value of a reporting unit were to exceed its fair value at the time of the evaluation, Harmony would compare the implied fair value of the reporting unit s goodwill to its carrying amount and any shortfall would be charged to statements of operations. Assumptions underlying fair value estimates are subject to risks and uncertainties. If these assumptions change in future, we may need to record impairment charges on goodwill not previously recorded.

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Impairment of Long-Lived Assets

Harmony reviews and evaluates its long-lived assets for impairment when events or changes in circumstances indicate the related carrying amounts may not be recoverable. An asset impairment is considered to exist if the total estimated future cash flows on an undiscounted basis are less than the carrying amount of the asset, including goodwill, if any. An impairment loss is measured and recorded based on discounted estimated future cash flows. Future cash flows are estimated based on estimated quantities of recoverable minerals, expected gold prices (considering current and historical prices, price trends and related factors), production levels and cash costs of production, capital and reclamation costs, all based on detailed life-of-mine plans. The significant assumptions in determining the future cash flows for each individual operating mine at June 30, 2007, apart from production cost and capitalized expenditure assumptions unique to each operation, included a long-term gold price of $520 per ounce and South African and Australian dollar exchange rates of $1 = R6.88 and A$1 = $0.73, respectively. The term recoverable minerals refers to the estimated amount of gold that will be obtained from proven and probable reserves and 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 exploration stage mineral interests are risk adjusted based on management s relative confidence in such materials. 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.

As discussed above under Depreciation and amortization of mining assets , various factors could impact Harmony s ability to achieve its forecasted production schedules from proven and probable reserves. Additionally, gold prices, capital expenditure requirements and reclamation costs could differ from the assumptions used in the cash flow models used to assess impairment. The ability to achieve the estimated quantities of recoverable minerals from exploration stage mineral interests involves further risks in addition to those factors applicable to mineral interests where proven and probable reserves have been identified, due to the lower level of confidence that the identified mineralized material can ultimately be mined economically. Assets classified as other mine-related exploration potential and greenfields exploration potential have the highest level of risk that the carrying value of the asset can be ultimately realized, due to the still lower level of geological confidence and economic modelling.

During the years ended June 30, 2007, 2006 and 2005, write-downs of long-lived assets of the continuing operations were $10.2 million, $15.9 million and $122.8 million, respectively. Material changes to any of these factors or assumptions discussed above could result in future impairment charges.

Hedging and Financial Derivatives

Harmony accounts for its derivative financial instruments in accordance with Statement of Financial Accounting Standards (SFAS) No. 133. See *Item 11. Quantitative and Qualitative Disclosures About Market Risk General.* The determination of the fair value of hedging instruments and financial derivatives, when marked to market, takes into account estimates such as projected commodity prices, interest rates and foreign currency exchange rates under prevailing market conditions, depending on the nature of the hedging and financial derivatives. These estimates may differ materially from actual commodity prices, interest rates and foreign currency exchange rates prevailing at the maturity dates of the hedging and financial derivatives and, therefore, may materially influence the values assigned to the hedging and financial derivatives, which may result in a charge to or an increase in Harmony s earnings at the maturity dates of the hedging and financial derivatives.

Remediation Obligations (Asset Retirement Obligations)

Harmony s mining and exploration activities are subject to various laws and regulations governing the protection of the environment. In August 2001, the FASB issued SFAS No. 143, Accounting for Asset Retirement Obligations, which established a uniform methodology for accounting for estimated reclamation and abandonment cost. The reclamation costs are allocated to expense over the life of the related assets and will be adjusted for changes resulting from the passage of time and revisions to either the timing or amount of the original present value estimate.

Prior to adoption of SFAS No. 143, estimated future reclamation costs were based principally on legal and regulatory requirements. Such costs related to active mines were accrued and charged over the expected operating lives of the mines using the units of production method based on proven and probable reserves.

Accounting for reclamation and remediation obligations requires management to make estimates unique to each mining operation of the future costs we will incur to complete the reclamation and remediation work required to comply with existing laws and regulations. Actual costs incurred in future periods could differ from amounts estimated. Additionally, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by us. Any such increases in future costs could materially impact the amounts charged to operations for reclamation and remediation.

For more information regarding the environmental regulations applicable to Harmony s operations, see *Item 3. Key Information Risk Factors Harmony s operations are subject to extensive government regulations,* and *Item 3. Key Information Regulation Environmental Matters.*

Deferred Tax Asset

We recognize a valuation allowance against our deferred tax assets when it is more likely than not that the asset will not be utilized. Assessing recoverability of deferred tax assets requires management to make significant estimates related to expectation of future taxable income. Estimates of future taxable income are based on forecasted cash flows from operations, reversals of deferred tax liabilities and the application of existing tax laws in each jurisdiction. To the extent that future taxable income differs significantly from estimates, our ability to realize the net deferred tax assets recorded at the balance date could be impacted. Additionally, future charges in tax laws in the jurisdictions in which we operate could limit our ability to obtain the future tax benefits represented by deferred tax assets recorded at the balance date.

Revenue

Substantially all of Harmony s revenues are derived from the sale of gold. As a result, Harmony s operating results are directly related to the price of gold. Historically, the price of gold has fluctuated widely. The gold price is affected by numerous factors over which Harmony does not have control. See *Item 3. Key Information Risk Factors The profitability of Harmony s operations, and the cash flows generated by those operations, are affected by changes in the market price for gold, which in the past has fluctuated widely.*

As a general rule, Harmony sells the gold it produces at market prices to obtain the maximum benefit from prevailing gold prices and does not enter into hedging arrangements such as forward sales or derivatives that establish a price in advance for the sale of its future gold production.

A substantial proportion of the production at each of New Hampton and Hill 50 was already hedged when acquired by Harmony. In fiscal 2002, in line with Harmony s strategy of being generally unhedged, Harmony reduced New Hampton s hedge book by over 900,000 ounces. In fiscal 2002, Harmony also combined and restructured the overall hedge portfolio of Harmony s Australian operations (which include New Hampton and Hill 50), after which all of these hedge positions were normal purchase and sales agreements, under which Harmony had to deliver a specified quantity of gold at a future date in exchange for an agreed-upon price. During fiscal 2003, Harmony continued to reduce the hedge book of the Australian operations by delivering into the contracts as required and by closing out certain contracts prior to their delivery date. Forward sales contracts, call options sold and put options purchased covering a total of approximately 330,000 ounces were closed out prior to their delivery dates during fiscal 2003. During fiscal 2004, Harmony continued with its policy to reduce the hedge books inherited through the acquisition of the Australian operations by closing out further contracts totaling 500,000 ounces at a cost of approximately $15 million. In fiscal 2005, Harmony closed out all the gold lease rate agreements associated for the Australian hedge book and received approximately $350,000. There were no costs involved in the close out of the Australian hedge book in fiscal 2005. During fiscal 2006, 138,000 ounces of the inherited hedge books of New Hampton and Hill 50 were closed out at a cost of $34 million.

For accounting purposes, following the restructuring of the Australian operations hedge book during fiscal 2002, these commodity sales agreements qualified for the normal purchase, normal sales exception of SFAS No. 133 and were accounted for as such. However, following the early close of certain contracts during fiscal 2003, the remaining Australian operations hedge book has been determined to be speculative, and as such does not qualify for the normal purchase, normal sales exception of SFAS No. 133, and is being accounted for at fair value from that date, with changes in fair value reflected in the income statement. See *Item 11. Quantitative and Qualitative Disclosures About Market Risk.*

In line with Harmony s strategy of continuously evaluating hedge agreements as well as market conditions in order to close out these contracts at the most beneficial time, the Company was able to close out the remainder of the Australian hedge book inherited with the acquisition of Hill 50 Mine in Western Australia: 220,000 ounces were closed out at an average spot rate of A$809 per ounce,

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for a total cost of A$72.8 million ($60.0 million) on May 17, 2007. This close out results in Harmony being totally unhedged in line with its stated company policy to give shareholders full exposure to the gold price.

The cost to Harmony of closing out certain Australian operations hedge positions in fiscal 2007, 2006 and 2005 was approximately $60 million, $34 million and $Nil, before taxes, respectively.

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

Harmony s Realized Gold Price

The average gold price in US dollars received by Harmony has generally increased since January 1, 2002. In fiscal 2007, the average gold price in US dollars received by Harmony was $638 per ounce. The market price for gold (and, accordingly, the price received by Harmony) is affected by numerous factors over which Harmony has no control. See *Item 3. Key Information Risk Factors The profitability of Harmony s operations, and the cash flows generated by those operations, are affected by changes in the market price for gold, which in the past has fluctuated widely.*

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

	Fiscal Year Ended June 30		
	2007	**2006**	2005
		($/oz)	
Average	638	527	422
High	692	726	454
Low	561	418	387
Harmony s average sales price(1)	638	529	427

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

Costs

Harmony s cash costs and expenses typically make up over 80% of its total costs. The remainder of Harmony s total costs consists primarily of exploration and new business costs, employment termination costs, corporate and sundry expenditure, and depreciation and amortization. Harmony s cash costs consist primarily of production costs exclusive of depreciation and amortization. Production costs are incurred on labor, stores and utilities. Labor costs are the largest component and typically comprise approximately 50% of Harmony s production costs. Harmony s cash costs has increased from $378 per ounce in fiscal 2005 to $486 per ounce in fiscal 2007, mainly as a result of lower production volumes, the impact of increased wages of between 6% and 7% with effect from 1 July 2005 as a result of the two year wage agreement reached with the unions in August 2005, and inflationary pressures on our consumable stores.

Harmony s costs are very sensitive to the Rand-US dollar exchange rate. See *Item 5. Operating and Financial Review and Prospects Exchange Rates.* Appreciation of the Rand against the US dollar increases working costs at Harmony s South African operations when those costs are translated into US dollars. See *Item 3. Key Information Risk Factors Because most of Harmony s production costs are in Rand, while gold is generally sold in US dollars, Harmony s financial condition could be materially harmed by an appreciation in the value of the Rand.*

The South African Rand appreciated approximately 2% against the US dollar in fiscal 2007 compared to fiscal 2006.

Reconciliation of Non-GAAP Measures

Total cash costs and total cash costs per ounce are non-GAAP measures.

Harmony s cash costs consist primarily of production costs and include, among other things, ongoing development costs, which are incurred to access ore to produce current mined reserves and are expensed as incurred. Cash costs do not include capital

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development costs, which are incurred to allow access to the ore body for future mining operations and are capitalized and amortized when the relevant reserves are mined.

Harmony has calculated total cash costs and total cash costs per ounce by dividing total cash costs, as determined using the guidance provided by the Gold Institute, by gold ounces sold for all periods presented. Total cash costs, as defined in the guidance provided by the Gold Institute, include mine production costs, transport and refinery costs, applicable general and administrative costs, costs associated with movements in production inventories and ore stockpiles and ongoing environmental rehabilitation costs as well as transfers to and from deferred stripping and costs associated with royalties. Ongoing employee termination cost is included, however, employee termination costs associated with major restructuring and shaft closures are excluded.

During the 2006 financial year, the group retrospectively changed its accounting policy on the capitalization of mine development costs and stripping costs incurred during the production phase of a mine. See *"- Critical Accounting Policies"*. Cash costs for fiscal 2005 and 2004 have also been retrospectively adjusted for these changes to ensure that cash costs are presented on a consistent basis for all periods presented. Changes in cash costs per ounce are affected by operational performance, as well as changes in the currency exchange rate between the Rand and the US dollar and, in the case of the Australian operations, the Australian dollar. Total cash costs and total cash costs per ounce are non-GAAP measures. Total cash costs and total cash costs per ounce should not be considered by investors in isolation or as an alternative to net income, income before tax, operating cash flows or any other measure of financial performance calculated in accordance with U.S. GAAP. In particular, depreciation and amortization would be included in a measure of total costs of producing gold under U.S. GAAP, but is not included in the guidance provided by the Gold Institute. In addition, while the Gold Institute has provided a definition for the calculation of total cash costs and total cash costs per ounce, the calculation of total cash costs and total cash costs per ounce may vary from company to company and may not be comparable to other similarly titled measures of other companies. However, Harmony believes that cash costs per ounce is a useful indicator to investors and management of a mining company s performance as it provides (1) an indication of the cash generating capacities of our mining operations, (2) the trends in cash costs as the company s operations mature, (3) a measure of a company s performance, by comparison of cash costs per ounce to the spot price of gold and (4) an internal benchmark of performance to allow for comparison against other companies.

The following is a reconciliation of total cash costs, as a non-GAAP measure, to the nearest comparable GAAP measure, total production cost inclusive of depreciation and amortization under U.S. GAAP:

Continuing operations

The following is a reconciliation of total cash costs from continuing operations, as a non-GAAP measure, to the nearest comparable GAAP measure, total production cost inclusive of depreciation and amortization from continuing operations:

	Fiscal year ended June 30,		
	2007	**2006**	**2005**
	(in $ thousands, except per ounce amounts)		
Total production costs from continuing operations under U.S. GAAP	1,170,320	1,123,153	1,195,179
Depreciation and amortization expense (excluding depreciation on non-mining assets)	(120,795)	(147,344)	(141,354)
Other items to be excluded from GAAP measure (1)	(25,967)	(17,255)	(17,045)
Production costs exclusive of depreciation and amortization per financial statements	1,023,558	958,554	1,036,780
Less: share-based compensation	(5,113)	(15,726)	(15,618)
Total cash costs using Gold Institute guidance	1,018,445	942,828	1,021,162
Per ounce calculation:			

Ounces sold	2,109,400	2,155,464	2,668,417
Total cash cost per ounce using Gold Institute guidance	483	437	383
Total production cost per ounce under U.S. GAAP	555	521	448

(1) Includes corporate costs and decrease in rehabilitation cost from continuing operations.

Discontinued operations

The following is a reconciliation of total cash costs from discontinuing operations, as a non-GAAP measure, to the nearest comparable GAAP measure, total production cost inclusive of depreciation and amortization from discontinuing operations:

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	Fiscal year ended June 30,		
	2007	**2006**	**2005**
	(in $ thousands, except per ounce amounts)		
Total production costs from discontinuing operations under U.S. GAAP	146,902	111,846	103,258
Depreciation and amortization expense (excluding depreciation on non-mining assets)	(31,547)	(12,089)	(3,971)
Other items to be excluded from GAAP measure [(1)]	321	(1,480)	890
Production costs exclusive of depreciation and amortization per financial statements	115,676	98,277	100,177
Less; Share-based compensation	(483)	(1,329)	
Total cash costs using Gold Institute guidance	115,193	96,948	100,177
Per ounce calculation:			
Ounces sold	224,798	231,461	296,848
Total cash cost per ounce using Gold Institute guidance	512	419	337
Total production cost per ounce under U.S. GAAP	653	483	348

(1) Includes corporate costs and decrease in rehabilitation cost from discontinued operations.

Total Harmony Continuing and discontinued operations

	Fiscal year ended June 30,		
	2007	**2006**	**2005**
	(in $ thousands, except per ounce amounts)		
Total production costs under U.S. GAAP	1,317,222	1,234,999	1,298,437
Depreciation and amortization expense (excluding depreciation on non-mining assets)	(152,342)	(159,433)	(145,325)
Other items to be excluded from GAAP measure [(1)]	(25,646)	(18,735)	(16,155)
Production costs exclusive of depreciation and amortization per financial statements	1,139,234	1,056,831	1,136,957
Less: share-based compensation	(5,596)	(17,055)	(15,618)
Total cash costs using Gold Institute guidance	1,133,638	1,039,776	1,121,339
Per ounce calculation:			
Ounces sold	2,334,198	2,386,925	2,965,265
Total cash cost per ounce using Gold Institute guidance	486	436	378
Total production cost per ounce under U.S. GAAP	564	517	438

(1) Includes corporate costs and decrease in rehabilitation

cost.

Within this disclosure document, Harmony s discussion and analysis is focused on the total cash costs measure as defined by the Gold Institute.

While recognizing the importance of reducing cash costs, Harmony s chief focus is on controlling and, where possible, reducing total costs, including overhead costs. Harmony aims to control total unit costs per ounce produced by maintaining its low total cost structure at its existing operations and implementing this low-cost structure at the new mining operations it acquires. Harmony has been able to reduce total costs by implementing a management structure and philosophy that is focused on reducing management and administrative costs, implementing an ore reserve management system that allows for greater grade control and acquiring higher grade reserves. See *Item 4. Information on the Company Business Strategy.* Harmony has reduced its costs by flattening the management structure at its operating units by removing excess layers of management. Harmony s ore reserve management system relies on a detailed geological understanding of the orebody backed up by closely-spaced sampling and an emphasis on grade control.

Exchange Rates

Harmony s revenues are very sensitive to the Rand-US dollar exchange rate. Currently, the majority of Harmony s earnings are generated in South Africa and, as a result, most of its costs are incurred in Rand. Since gold is generally sold in US dollars, however, most of Harmony s revenues are received in US dollars. The average gold price received by Harmony during fiscal 2007 increased $109 per ounce to $638 per ounce from $529 per ounce during fiscal 2006.

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

Accordingly, strength in the Rand generally results in poorer Rand earnings for Harmony.

The exchange rates obtained when converting US dollars to Rand are set by foreign exchange markets, over which Harmony has no control. The Rand appreciated significantly against the US dollar during the period from April 1, 2002 through December, 2004 to Rand 5.58 per US$1.00. The conversion rate for balance sheet items as at June 30, 2007 is Rand 7.04 per US$1.00, expect for specific items within shareholders equity that are converted at the exchange rate prevailing on the date the transaction was entered into. This compares with a conversion rate of Rand 7.16 per US$1.00 as at June 30, 2006, reflecting an appreciation of 2% of the Rand against the US dollar when compared with June 30, 2006. Income statement items were converted at the average exchange rate for the fiscal 2007 (Rand 7.20 per US$1.00), reflecting a depreciation of 13% of the Rand against the US dollar when compared with fiscal 2006. The majority of Harmony s working costs are incurred in Rands and as a result this depreciation of the Rand against the US dollar would reduce Harmony s working costs when translated into US dollars. This effect was however negated by increases in our labor costs as a result of the two year wage agreement reached with the unions in August 2005 (in terms of the agreement increases were between 6% and 7%, and were backdated to 1 July 2005) as well as inflationary pressures on our consumable stores and energy cost, which served to decrease operating margins and net income reflected in Harmony s consolidated income statement for fiscal 2006 and 2007. Depreciation of the Rand against the US dollar would cause a decrease in Harmony s costs in US dollar terms. See *Item 3. Key Information Risk Factors Because most of Harmony s production costs are in Rand, while gold is generally sold in US dollars, Harmony s financial condition could be materially harmed by an appreciation in the value of the Rand.*

Inflation

Harmony s operations have been materially impacted by inflation in recent years. Because Harmony s costs are primarily in Rand and Harmony generally sells its gold in US dollars, movements in the Rand US dollar exchange rate may further influence the impact of inflation on Harmony s profits. To the extent the Rand depreciates against the US dollar, this depreciation may offset the impact of inflation. The Rand appreciated approximately 2% in fiscal 2007 as a result of weaker US markets and increases in commodity prices.

South African Socio-Economic Environment

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

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

Social and Labor Plans, or SLPs, have been developed for each of Harmony s South African operations. These SLPs are prepared in line with legislation governing the participation of historically disadvantaged South Africans in mining assets.

Harmony has been granted all of its mining licenses under the Minerals and Petroleum Resources Development Act. We have therefore already started to incur expenses relating to HDSA participation. We believe the biggest challenge will lie in maintaining these licenses, as we will have a responsibility in respect of human resource development, procurement and local economic development. We are unable, however, to provide a specific amount of what the estimated cost of compliance will be but we will continue to monitor these costs on an ongoing basis. See Note 32 of our consolidated financial statements.

Royalties

The Mineral and Petroleum Resource Development Act (MPRDA) makes reference to royalties being payable to the South African state in terms of the envisaged Mining and Petroleum Royalty Act which has not yet been finalized. The third draft of the Mineral and Petroleum Resources Royalty Bill was published on December 6, 2007 and provides for the payment of a royalty according to a formula based on earnings before interest, tax and depreciation. This rate is then applied to revenue to calculate the royalty amount due. It is estimated that the formula could translate to a royalty rate of more than 4 percent of gross sales in terms of current pricing assumptions. The latest proposal results in a large increase from the 1.5 percent rate proposed in the second draft in 2006. The payment of royalties is currently scheduled to begin on May 1, 2009, if the Bill is passed by Parliament in its current form. We have, together with our peers in the industry, made a presentation regarding the third draft to the Portfolio Committee of Finance on March 19, 2008. Discussions with National Treasury are ongoing.

Costs

In order to better control our costs, we have reinstated monthly reviews to ensure that stringent cost control measures are in place and enforced. This will assist the Company to monitor and reduce consumable costs.

Due to the fact that the new mines are expected to start producing high volumes of ore, due to better economics of scale, at higher grades, we expect that cash operating costs in dollar per ounce terms will be reduced. This will be dependent on the Company achieving its operational plans. The higher grade is expected to balance the decrease in volume, ensuring that there is consistency in the ounces produced, with an increase expected in revenue due to the increase in the gold price, as per the Company s long term view on the various factors influencing the Rand gold price.

The Company reassessed its labor force and implemented several measures to reduce labor costs. These measures included terminating the majority of contractors and offering voluntary severance packages to employees.

CONOPS

A task team was established to investigate the detailed implementation of this concept on a shaft by-shaft basis. During the December quarter, the internal due diligences on the effectiveness of the CONOPS method were completed at the Tshepong, Elandsrand, Masimong, Evander 8 and Winkelhaak shafts, as well as Cooke 2 operations. These operations and Target are the only Harmony shafts that operate on CONOPS. The review revealed that CONOPS was not an effective mining method at Masimong and it has subsequently been terminated and the majority of the workforce transferred to Phakisa. CONOPS will be reviewed continually and it is our intention to phase out CONOPS at those operations that do not deliver on our objectives. Despite our efforts to contain the costs, there may be an increase due to factors outside of our control.

We have a CONOPS task team comprised of a mining engineer, 2 production engineers, a financial manager and a human resource manager, which studies the success of CONOPS at each mine and reports to both Chief Operating Officers. After the CONOPS task team completes its due diligence study at each operation, it makes a determination as to the success of the CONOPS operation. Overall, it was concluded that CONOPS was unsuccessful at most of the Harmony operations where it was implemented. The level of success in each case was measured against criteria that included the percentage production increase, if any, the percentage decrease in unit cost (R/ton) and the safety record at the mine. The success rate of achieving the original envisaged benefits from CONOPS varied between the different operations. Based on the performance before and after the implementation of CONOPS, a decision was taken to either continue or discontinue CONOPS at an operation. In cases where CONOPS was abandoned, the operations generally continued on the same or marginally lower production levels, while total working costs normally decreased as a result of lower labour cost due to withdrawal from paying CONOPS allowances over a three month period and in some cases the reduction of labour. At operations where the decision was taken to abandon CONOPS because of production and unit cost reasons, profitability has improved.

Productivity

The decline in productivity has been one of the challenges facing the South African gold industry for a number of years. This decline of productivity in Harmony mainly came as a result of an aging workforce, the health of the workforce that has been negatively impacted by HIV/Aids, increased working distances from shafts and aging infrastructure. Harmony reacted to these challenges through various initiatives including the Healthy workforce drive, the VCT campaign (voluntary testing and counselling), upgrade of rail bound equipment and track work and other improvement projects. Although these initiatives are in place to mitigate the effect of a declining labour productivity, there may continue to be a negative impact on production and unit costs.

Electricity Supply

On January 24, 2008, ESKOM advised Harmony that it would be interrupting the power supply to the Company s South African operations. As the safety of the miners could not be guaranteed, mining was halted for four days, after which shafts operated at between 60% 80% of capacity. A meeting between ESKOM and its industrial consumers was held on January 29, 2008, whereby ESKOM committed to supplying 90% of the Company s electricity demand prior to the shut down. This came into effect on February 1, 2008. Management is restructuring operating processes in order to gain the most effective and efficient use of the electricity allotted. In the light of Eskom s electricity supply disruptions and with mines operating only at 90% of Harmony s previous power supply, the Company s production for the March 2008 quarter could decrease. However, Harmony s Management continues to have discussions with Eskom and are dealing with the power allocated to our shafts responsibly. We are devising new strategies on optimizing operations to produce at 90% of previous electricity supply to ensure that we deliver in line with our strategic plans.

Results Of Operations

Years Ended June 30, 2007 and 2006

Continuing Operations

Revenues

Revenue increased $205.8 million, or 18%, from $1,140.8 million in fiscal 2006 to $1,346.6 million in fiscal 2007. This increase is attributable primarily to the higher average price of gold received by Harmony, $638 per ounce in 2007 compared to $529 per ounce in fiscal 2006. This increase was partially offset by a decrease in ounces produced. Harmony s gold sales decreased 46,064 ounces, or 2%, from 2,155,464 in fiscal 2006 to 2,109,400 in fiscal 2007. The grade recovered was lower, at 0.10 ounces per ton in fiscal 2007 compared to 0.12 in fiscal 2006, negatively impacting on the ounces produced.

At Harmony 2 ounces produced decreased by 33,4% from 69,446 in fiscal 2006 to 46,274 in fiscal 2007. Production volumes decreased by 14% mainly due to an underground fire in the basal pillar which also negatively affected the recovered grade.

At Evander 5 ounces produced decreased by 10,8% from 62,388 in fiscal 2006 to 55,643 in fiscal 2007. This can primarily be attributed to a decrease in tons milled. The decrease in tons milled was mainly due to the depletion of the open raise lines on 24 level and 80% of the mining is done in pillars.

Gold production at Evander 7 decreased by 26,6%. Ounces produced decreased from 83,202 in fiscal 2006 to 61,044 in fiscal 2007, the decrease can primarily be attributed to a significantly lower recovered grade. The grade decrease was mainly due to the depletion of a very high grade pay shoot in the No 3 decline areas and the increase in mining in the upper area of the shaft (pillar area) that is of lower grade. The shaft also started to hoist waste with reef in October 2006 due to infrastructure constraints.

At Cooke 3 ounces produced decreased from 104,758 in fiscal 2006 to 91,332 in fiscal 2007. The decrease in ounces was due to lower volumes as well as a lower recovery grade. The decrease in tons milled was due to a decrease in square meters. Square meters were down due to panels being stopped because of low grades. The decrease in recovered grade, from 0.161 in 2006 to 0.147 ounces per ton in 2007, was due to lower volumes from the VCR and changes in the mining mix.

Ounces produced at Orkney 2 shaft decreased from 69,877 in fiscal 2006 to 52,275 in fiscal 2007. This was mainly due to a decrease in tons milled. The decrease in tons milled was primarily due to seismic events resulting in the loss of face length flexibility and volume.

At Orkney 4 ounces produced decreased by 21,8% from 58,897 in fiscal 2006 to 46,041 in fiscal 2007, which was mainly due to a lower recovery grade. The decrease in recovered grade from 0.145 in fiscal 2006 to 0.116 in fiscal 2007 is mainly attributable to a change in mining mix as a result of seismicity experienced from the higher grade shaft pillar to lower grade areas. There was also a down scale of production in the shaft pillar area which resulted the mining of more remote areas.

Ounces produced at Kalgold decreased from 77,071 in fiscal 2006 to 56,129 in fiscal 2007. Tons milled decreased from 2,008,000 in fiscal 2006 to 1,740,000 in fiscal 2007. These decreases were due to lower throughput into the plant due to a water shortage encountered in March 2007.

At Joel mine ounces produced increased by 36,4% from 58,595 in fiscal 2006 to 79,923 in fiscal 2007. The increase in ounces produced was due to an increase in tons milled as well as an increase in recovered grade. The increase in tons milled was primarily attributable to the commissioning of the midshaft loading arrangement on 137 level, which was commissioned on February 28, 2006.

At Elandsrand ounces produced increased from 170,867 in fiscal 2006 to 194,710 in fiscal 2007. This can primarily be attributed to an increase in production volumes.

At Doornkop ounces produced increased by 31,6% from 43,593 in fiscal 2006 to 57,364 in fiscal 2007. This was mainly due to an increase in production volumes. Volumes increased, mainly as a result of flexibility created during the year by increasing development of the orebody.

Costs

The following table sets out Harmony s total ounces sold and weighted average cash costs per ounce for fiscal 2007 and fiscal 2006:

	Year Ended June 30, 2007		Year Ended June 30, 2006		Percentage Increase in Cash Costs per ounce
	(oz)	**($/oz)**	**(oz)**	**($/oz)**	
SOUTH AFRICA					
Free State operations					
Quality assets					
Masimong	147,958	560	136,153	489	15
Leveraged assets					
Harmony 2	46,274	646	69,446	483	34
Merriespruit 1	50,612	524	48,069	501	5

Merriespruit 3	43,541	575	43,691	554	4
Unisel	79,992	438	72,963	395	11
Brand 3	45,611	609	41,647	559	9
Brand 5	918	1,662	469	2,079	(20)

	Year Ended June 30, 2007		Year Ended June 30, 2006		Percentage Increase in Cash Costs per ounce
	(oz)	($/oz)	(oz)	($/oz)	
Surface operations	21,346	302	15,902	404	(25)
Evander operations					
Quality assets					
Evander 5	55,643	520	62,388	530	(2)
Evander 7	61,044	633	83,202	392	61
Evander 8	118,692	386	128,849	348	11
Randfontein operations					
Quality assets					
Cooke 1	75,698	434	80,495	401	8
Cooke 2	57,215	610	59,836	386	58
Cooke 3	91,332	483	104,758	395	22
Growth assets					
Doornkop	57,364	439	43,593	558	(21)
Surface operations	18,974	305	11,650	431	(29)
Elandskraal operations					
Growth assets					
Elandsrand	194,710	527	170,867	523	1
Freegold operations					
Quality assets					
Tshepong	318,887	351	335,289	332	6
Growth assets					
Phakisa					
Leveraged assets					
Bambanani	189,683	567	175,214	497	14
Joel	79,923	418	58,595	498	(16)
Eland	2,420		4,058	263	(100)
Kudu/Sable	845	224	2,024	442	(49)
West Shaft	7,377	1,075	25,525	535	101
Nyala			184	1,228	(100)
St. Helena	21,319	840	12,791	845	(1)
Surface operations	3,035	99	11,019	489	(80)
ARMgold operations					
Leveraged assets					
Orkney 2	52,275	502	69,877	425	18
Orkney 4	46,041	572	58,897	497	15
Orkney 7	20,668	578			100
Surface	125	24			100
Avgold operations					
Quality assets					
Target	142,433	370	150,196	346	7
Surface operations	1,316	781	746	1,298	(40)
Kalgold operations					
Surface operations	56,129	485	77,071	412	18

AUSTRALASIA
Papua New Guinea
Other entities

Total continuing operations	2,109,400	2,155,464	
Weighted average	483	437	11

Harmony s weighted average cash costs from continuing operations increased by $46 per ounce, or 11%, from $437 per ounce in fiscal 2006 to $483 per ounce in fiscal 2007. Cash costs per ounce vary with the working costs per ton (which is, in turn, affected by the number of tons processed) and grade of ore processed. Cash costs expressed in US dollars per ounce also vary with fluctuations in the Rand-US dollar exchange rate, because most of Harmony s working costs are incurred in Rand. The increase in cash cost expressed in US dollars per ounce in fiscal 2007 was attributable primarily to an increase in operating cost as the ounces produced remained almost unchanged when compared to fiscal 2006. Annual increases in labor cost as well as inflationary pressures on our consumable stores and energy costs were the main contributors towards a higher operating cost.

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At Masimong, cash costs increased by 15% from $489 per ounce in fiscal 2006 to $560 per ounce in fiscal 2007. This was due to higher labor costs as a result of the implementation of CONOPS.

At Harmony 2 cash costs increased from $483 per ounce in fiscal 2006 to $646 per ounce in fiscal 2007, primarily due to lower production volumes and lower recovery grades due to a fire in the high grade Basal pillar.

At Evander 7, cash costs increased from $392 per ounce in fiscal 2006 to $633 per ounce in fiscal 2007. This increase was primarily attributable to the lower year on year gold production, mainly due to a lower recovery grade.

At Evander 8, cash costs increased from $348 per ounce in fiscal 2006 to $386 per ounce in fiscal 2007. This increase was primarily attributable to the lower recovered grade at Evander 8.

At Bambanani, cash costs increased from $497 per ounce in fiscal 2006 to $567 per ounce in fiscal 2007, primarily as a result of higher labour costs as well as a lower recovery grade due to underground fires during fiscal 2007.

At Orkney 2, cash costs increased from $425 per ounce in fiscal 2006 to $502 per ounce in fiscal 2007. This increase was primarily attributable to lower production.

At Orkney 4, cash costs increased from $497 per ounce in fiscal 2006 to $572 per ounce in fiscal 2007. This increase was primarily attributable to lower volumes and recovery grade.

Cash costs at Target increased from $346 per ounce in fiscal 2006 to $370 per ounce in fiscal 2007. This was mainly as a result of a lower recovery grade as well as an increase in cash costs due to higher production levels and labor costs.

At Doornkop, cash costs decreased from $558 per ounce in fiscal 2006to $439 per ounce in fiscal 2007. This increase was primarily attributable to the increase in production levels at Doornkop.

At Joel, cash costs decreased from $498 per ounce in fiscal 2006 to $418 per ounce in fiscal 2007. This decrease was primarily attributable to higher production as well as an improved recovery grade.

Depreciation and Amortization

Depreciation and amortization charges decreased $31.5 million, or 20%, from $154.0 in fiscal 2006 to $122.5 million in fiscal 2007.

The following factors attributed to the change in the depreciation and amortization charge:

Due to a decrease in production and increased reserves the depreciation for the following shafts and surface operations decreased significantly compared to fiscal 2007: Kalgold ($6.6 million) and Harmony 2 ($0.8 million).

Depreciation on capitalized underground development cost decreased significantly at the following shafts during fiscal 2007: Doornkop ($3.3 million), Evander 5 ($1.3 million), Evander 7 ($1.0 million) and Evander 8 ($1.9 million).

Depreciation on capitalized underground development cost increased significantly as a result of decrease production at the following shafts during fiscal 2007: Elandsrand ($1.1 million), Merriespruit 3 ($1.0 million) and Unisel ($1.7 million).

Increases at the following shafts due to a decrease in the reserves resulting in accelerated depreciation: Cooke 1 ($1.5 million), Evander 5 ($1.5 million), Evander 7 ($1.5 million), Target ($3.6 million), Tshepong ($1.1 million) and Unisel ($1.6 million).

Impairment of Assets

Impairment charges decreased from $16.0 million in fiscal 2006 to $10.2 million in fiscal 2007. The $10.2 million impairment recorded in 2007 relates to losses at Harmony s Free State and Freegold operations. The Free State Refinery is no longer in operation and the carrying value has been written down to $Nil. The West shaft, which forms part of the Freegold operations, was placed on care and maintenance and as a result the carrying value has been reduced to $3 million. The $16.0 million impairment recorded in

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2006 relates to an impairment loss at Lydenburg Exploration Limited on amounts previously capitalized as undeveloped properties for which no future financial benefits are expected by management.

Employment Termination Costs

No charge was recorded for employment termination costs in fiscal 2007, a decrease from a credit of $12.3 million in fiscal 2006. During fiscal 2006 Harmony continued with the process of a final restructuring process in the Free State region. This process was announced in fiscal 2005. This affected the Free State, Freegold, ARMgold and Avgold operations.

Care and Maintenance Cost of Restructured Shafts

The charge for the care and maintenance cost of restructured shafts decreased from $26.8 million in fiscal 2006 to $9.2 million in fiscal 2007. This resulted from lower labor costs relating to the termination of non-productive employees.

Profit on sale of property, plant and equipment

Profit on sale of property, plant and equipment increased $15.2 million from $10.1 million in fiscal 2006 to $25.3 million in fiscal 2007. This was primarily due to the profit on the sale of Randfontein 4 shaft and the Deelkraal surface assets, resulting in profits of $9.8 million and $13.7 million respectively.

Corporate Expenditure, Exploration Expenditure and Marketing and New Business Expenditure

Corporate expenditure, exploration expenditure and marketing and new business expenditure increased $23.2 million, or 58%, from $40.2 million in fiscal 2006 to $63.4 million in fiscal 2007. This increase was due primarily to exploration expenditure, which increased by $15.8 million, primarily due to increased exploration activity in PNG (Wafi and Hidden Valley areas) See *Item 4. Information on the Company Business Exploration.*

Share-Based Compensation

Effective July 1, 2005, the Company adopted the fair value recognition provisions of SFAS No. 123(R), Share-Based Payments (SFAS No. 123(R)). Prior to that date, the Company applied SFAS No. 123, Accounting for Stock-Based Compensation (SFAS No. 123) in accounting for options granted after July 1, 2001 and Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees (APB 25) together with its related interpretations in accounting for options granted prior to July 1, 2001.

The Company adopted SFAS No. 123(R) using the modified retrospective transition method. Under this method, share-based payment expense in fiscal 2007 and 2006 includes: (a) compensation cost for all share-based payments granted prior to, but not yet vested as of July 1, 2005, based on the grant-date fair value estimated in accordance with the original provisions of SFAS No. 123, and (b) compensation cost for all share-based payments granted subsequent to July 1, 2005, based on the grant-date fair value estimated in accordance with the provisions of SFAS No. 123(R). In both cases, the Company has recognized the share-based payment expense associated with options with graded-vesting features over the requisite service period for each separately vesting tranche of the award as though the award were, in substance, multiple awards.

The share-based payment expense, for both fiscal 2007 and 2006 represents the grant-date fair value of the awards which are being recognized over the employee s requisite service period, which varies from three to five years. Share-based compensation expenses decreased by $10.6 million, or 68%, from $15.7 million in fiscal 2006 to $5.1 million in fiscal 2007 due to shares options forfeited when senior management left the Company s employment.

Share-based compensation expense is included within Production costs exclusive of depreciation and amortization. During November 2006, share appreciation rights and shares were offered to eligible employees in terms of the Harmony (2006) Share Plan. The charge in fiscal 2007 and 2006 relates to the amortization of the fair value of the 2005, 2003 and 2001 options.

Decrease in Rehabilitation Costs

The credit resulting from current year decreases in asset rehabilitation liabilities in excess of capitalized asset retirement costs amounted to $1.1 million to a credit of $1.6 million in fiscal 2007 and $2.7 million in fiscal 2006. The decreases in fiscal 2007 relate primarily to the Harmony and Randfontein operations. The credit in fiscal 2006 related to the Free State operations.

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Post-Retirement Benefits Expense

Harmony provides for amounts due under its former employees post-retirement benefits. In fiscal 2007, Harmony recognized a credit of $1.8 million compared to a charge of $1.2 million in fiscal 2006 for these benefits, based on updated actuarial valuations performed in fiscal 2007 which resulted in an actuarial gain of $1.7 million as apposed to an actuarial loss of $1.5 million in fiscal 2006.

Dividends Received

Dividend income decreased to $2.0 million in fiscal 2007 from $3.3 million in fiscal 2006. In both years, the totals are primarily as a result of dividends received from Gold Fields.

Loss on Derivative Financial Instruments

The loss on financial instruments in fiscal 2007 was $284.7 million as compared with a loss of $52.6 million in fiscal 2006. The loss in fiscal 2007 relates primarily to the change in the derivative financial liability recorded as a result of the ARM Empowerment Trust transaction. The amount in fiscal 2006 comprises a loss of $49.3 million on the ARM Empowerment Trust derivative and a loss of $3.3 million on derivatives held by Avgold. The loss on the derivative financial liability represents the increase in fair value of ARM shares in the ARM Empowerment Trust which legally belongs to the beneficiaries of the ARM Empowerment Trust. The increases in the fair value of the shares continues to be included as a component of other Comprehensive Income as a Result of Harmony not being able to recognize the transfer of the shares to the ARM Empowerment Trust as a sale.

(Loss)/Profit on Sale of Other Assets and Listed Investments

Harmony recorded a loss of $4.9 million in fiscal 2007 as compared with a profit of $45.3 million on the sale of other assets and listed investments in fiscal 2006. The loss in fiscal 2007 arose when the Company disposed of a portion of its interest in Gold Fields through various transactions.

In fiscal 2006 the Company disposed of its remaining investment in Gold Fields for $361.8 million acquired in prior years. The process was concluded through market disposals which commenced on November 10, 2005 and an open market offering on November 15 and 16, 2005. The investment was acquired at a cost of $316.4 million, resulting in a gain of $45.4 million.

Impairment of listed investments

Harmony recorded an impairment of $51.1 million in its investment in Gold Fields in fiscal 2007 ($nil in fiscal 2006). At June 30, 2007 management assessed the decrease in the market value of the Gold Fields shares and determined that this decrease was other-than-temporary . This resulted in a loss being recorded in the consolidated statements of income.

Profit on Sale of Associate

A profit of $33.5 million was recognized in fiscal 2007 ($nil in fiscal 2006). This was as a result of the disposal of the Company s interest in Western Areas Limited (Western Areas) in exchange for Gold Fields shares.

Profit on Sale of Subsidiary

No gain or loss was recognized in fiscal 2007 on the sale of subsidiaries, as compared to a profit of $3.0 million in fiscal 2006. The profit in 2006 results from the Company disposing of the entire share capital of Buffalo Creek Mines (Pty) Ltd for $17.2 million (A$ 24 million) on March 31, 2006. Buffalo Creek Mines had a net asset value to the company of $14.2 million.

Profit on Sale of Investment in Joint Ventures

A profit of $0.03 million was recognized in fiscal 2007 ($nil in fiscal 2006). This profit resulted after the disposal of 17% of the Company s interest in Orpheo by Harmony (Pty) Ltd (Orpheo) for $0.24 million.

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Interest Income

Interest received decreased from $32.4 million in fiscal 2006 to $24.9 million in fiscal 2007. This decrease was attributable primarily to the decrease in interest earned on bank and call accounts due to lower average balances through the year. This was partially offset by an increase in South African interest rates.

Interest Expense

Interest paid was $47.6 million in fiscal 2007 compared to $55.5 million during fiscal 2006. This decrease was due to the lower average interest bearing debt balance during the year, primarily as a result of the redemption of the senior uncollateralized fixed rate bonds during June 2006 as well as the capitalization of interest for qualifying assets under construction. This decrease was offset primarily by an increase in interest paid on the $140 million RMB loan raised to finance the acquisition of the stake in Western Areas in March 2006.

Other (Expenses)/Income

Other expenses decreased by $19.8 million, from $26.4 million in fiscal 2006 to $6.6 million in fiscal 2007.

The decrease is attributable to foreign exchange profits on foreign bank accounts and a reduction of costs on beneficiation projects.

Income and Mining Taxes

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

The tax rate applicable to the mining and non-mining income of a gold mining company depends on whether the company has elected to be exempt from the Secondary Tax on Companies, or STC. The STC is a tax on dividends declared and, at present, the STC tax rate is equal to 12.5%. To the extent Harmony receives dividends, such dividends received are offset against the amount of dividends paid for purposes of calculating the amount subject to the 12.5% STC tax. In 1993, all existing South African gold mining companies had the option to elect to be exempt from STC. If the election was made, a higher tax rate would apply for both mining and non-mining income. In 2007, the tax rates for companies that elected the STC exemption were 45% for mining income and 37% for non-mining income, compared with 36% for mining income and 29% for non-mining income if the STC exemption election was not made. In 2006, the tax rates were comparable to that in 2007. A change of the tax rate was enacted during March 2005. In 1993, Harmony elected to pay the STC tax. All of Harmony s South African subsidiaries, excluding Avgold, elected the STC exemption.

Income and Mining Tax	**2007**	**2006**
Effective tax rate (expense)/benefit	(18)%	1%

The effective tax rate for fiscal 2007 was lower than the statutory tax rate of 45% for Harmony and its subsidiaries as a whole. The most significant reason for the decrease in the effective tax rate in fiscal 2007 relates to the non taxable income received by way of the profit realized on the disposal of the investment held in Western Areas. Offsetting this amount is an increase in the difference between the South African mining formula tax rate and the maximum mining statutory rate on mining income. Contributing to the tax expense for fiscal 2007 are non-deductible expenses of $122.3 million, which includes the fair value adjustments on the derivative liability relating to the ARM Empowerment Trust.

Papua New Guinea. Harmony is in the process of developing the Hidden Valley Project in PNG. We are also reviewing other potential projects and carrying out extensive exploration.

PNG mining projects are taxed on a project basis. Therefore each project is taxed as a separate entity, even though it may be one of a number of projects carried on by the same company. Tax losses are generally quarantined and cannot be transferred between projects.

PNG mining companies are taxed at a rate of tax of 30%.

Capital development and exploration expenditure incurred in PNG is capitalised for tax purposes and can be generally deducted at 25% per annum on a diminishing value basis against project income.

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PNG imposes dividend withholding tax of 10% on dividends paid by PNG mining operations to non residents. Although PNG also imposes interest withholding tax on interest off shore, PNG mining operations may qualify for an exemption.

Equity Income of Joint Ventures

Equity income of joint ventures increased from $0.4 million in fiscal 2006 to $1.7 million in fiscal 2007. The amounts in fiscal 2007 and 2006 relates to the Company s share of profits and losses from Healthshare and Orpheo.

Equity Loss of Associated Companies

Equity loss of associate companies was $2.6 million in fiscal 2007, compared to $16.4 million in fiscal 2006. The amount in fiscal 2007 relates to the Company s attributable share of losses in Western Areas for the six months from July 1, 2006 to December 8, 2006. The amount in fiscal 2006 relates to the Company s 29.2% attributable share of losses in Western Areas for the three months from March 9, 2006 until June 30, 2006.

Discontinued operations

Revenue

Revenue increased by $19.4 million in fiscal 2007 from $122.5 million in fiscal 2007 to $141.9 million as a result of a higher average gold price received.

Costs

Costs decreased in fiscal 2007 from $185.3 million in fiscal 2007 to $148.4 million. This was primarily due to the decrease in losses from derivative instruments from $78.8 million in fiscal 2006 to $4.6 million in fiscal 2007. This was offset by an increase of $19.5 million in the depreciation charge in fiscal 2007 due to a reduction in reserves as well as an increase in cash operating cost of $17.5 million.

Impairment of assets

During fiscal 2007, an impairment of assets ($51.8 million) was recorded.

Taxation

Generally, Australia imposes tax on the worldwide income (including capital gains) of all of Harmony s Australian incorporated and tax resident entities. The current income tax rate for companies is 30%. Ongoing business, mining, exploration and rehabilitation costs incurred each year are fully deductible. The cost of plant and capital mining expenditure may be depreciated and deducted over its effective life.

The Australian legislature has introduced a Tax Consolidations Regime, under which from July 1, 2003, Harmony Gold Australia Proprietary Limited and its wholly owned Australian subsidiary companies are recognised and taxed as a single entity. Under the consolidations rules all of the Australian subsidiary companies are treated as divisions of Harmony Gold Australia. As a result all inter company transactions between group members are ignored for tax purposes. This allows the group to transfer assets between group members without any tax consequences, and to utilize all tax losses incurred by each company in the group.

Mining operations (other than operations on freehold land) are also subject to a 2.5% gold royalty because the mineral rights are owned by the state. All gold production from the Mt. Magnet operations is subject to this royalty. Most of the production from the South Kalgoorlie operations is from freehold land and is, accordingly, exempt from this royalty.

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

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Continuing and discontinued operations

Cumulative Effect of Change in Accounting Principle, Net of Tax

The Cumulative Effect of Change in Accounting Principle, Net of Tax was a credit of $2.1 million in fiscal 2006. The cumulative credit was due to the adoption of FAS123(R) during fiscal 2006, which related to the effect of recognizing fair values including estimates for forfeitures rather than only recording them upon actual forfeiture.

Net Loss

Net loss was $295.4 million in fiscal 2007 compared with the loss of $155.7 million in fiscal 2006. This decrease is attributed primarily to the factors described above.

Years Ended June 30, 2006 and 2005

Continuing operations

Revenues

Revenue increased $1.3 million from $1,139.5 million in fiscal 2005 to $1,140.8 million in fiscal 2006. This increase was attributable primarily to the higher average sales price of gold received by Harmony, $529 per ounce in fiscal 2006 compared to $427 per ounce in fiscal 2005.

Harmony s gold sales decreased 512,953 ounces, or 19.2% from 2,668,417 ounces in fiscal 2005 to 2,155,464 ounces in fiscal 2006. The grade recovered was also slightly lower, negatively impacting on the ounces produced.

At Unisel ounces produced increased by 7,952 ounces, or 12% as a result of increased production tonnages through improved blasting frequencies, and an improved recovered grade.

At Cooke 1, ounces produced increased by 1,394 ounces, or 2% as a result of improved recovery grades. At Cooke 2, ounces produced increased by 5,395 ounces, or 10% as a result of improved recovery grades as a result of a change in mining mix. At Cooke 3, ounces produced decreased by 11,542 ounces, or 10% as a result of lower production volumes.

At Masimong ounces produced decreased by 23,828 ounces, or 15%. Production volumes decreased slightly, with the decrease in ounces primarily due to a reduction in recovered grade and days lost to the industry through labor action.

At Evander 2, ounces produced decreased by 48,764 ounces, or 100% as a result of the decision taken in fiscal 2005 to downscale and combine the shaft with Evander 5. Production at Evander 5 increased by 15,295 ounces, or 32% as a result of this combination. The decision to place Evander 9 on care and maintenance resulted in a decrease of 2,573 ounces. At Evander 7, ounces produced decreased by 46,807 ounces, or 36% as a result of lower production volumes in the No 3 decline due to a major sill intrusion, and a reduction in recovered grade as a result of the depletion of a very high grade pay shoot area during the year. At Evander 8, despite higher production volumes, ounces produced decreased by 23,087 ounces, or 15% as a result of a significantly lower recovered grade from payshoot variability.

Elandsrand ounces produced decreased with 36,504 ounces, or 18%, in fiscal 2006 than in fiscal 2005. This was due to days lost to the mining industry through labor action and the continued lack of flexibility, which resulted in lower tonnages and recovered grades in fiscal 2006 when compared to fiscal 2005.

At Tshepong, ounces produced decreased by 45,406 ounces, or 12%, as a result of lower recovered grades due to decreases in the shaft and plant call factors.

At Orkney 4, ounces produced decreased by 18,074 ounces, or 23%, as a result of lower production volumes due to seismicity, and days lost due to shaftore pass scaling. Recovered grade also decreased as result of switching mining from higher grade pillars to lower grade areas.

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At Kalgold, ounces produced decreased by 31,124 ounces, or 29%, as a result of a lower recovered grade from mining the lower grade A Zone due to the poor ground conditions in the eastern wall of the higher grade D Zone.

Costs

The following table sets out Harmony s total ounces sold and weighted average cash costs per ounce for fiscal 2006 and fiscal 2005:

	Year Ended June 30, 2006		Year Ended June 30, 2005		Percentage Increase in Cash Costs per ounce
	(oz)	($/oz)	(oz)	($/oz)(1) Adjusted	
SOUTH AFRICA					
Free State operations					
Quality assets					
Masimong	136,153	489	159,981	409	20
Leveraged assets					
Harmony 2	69,446	483	68,547	438	10
Merriespruit 1	48,069	501	45,559	477	5
Merriespruit 3	43,691	554	54,690	446	24
Unisel	72,963	395	65,011	478	(17)
Brand 3	41,647	559	46,299	494	13
Brand 5	469	2,079	33	64,242	(97)
Saaiplaas 3			2,541	1,901	
Surface operations	15,902	404	9,542	348	16
Evander operations					
Quality assets					
Evander 2			48,764	562	
Evander 5	62,388	530	47,093	338	57
Evander 7	83,202	392	130,009	252	56
Evander 8	128,849	348	151,936	273	27
Leveraged assets					
Evander 9			2,573	1,168	
Randfontein operations					
Quality assets					
Cooke 1	80,495	401	79,101	393	2
Cooke 2	59,836	386	54,441	443	(13)
Cooke 3	104,758	395	116,300	364	9
Growth assets					
Doornkop	43,593	558	52,695	447	25
Surface operations	11,650	431	33,397	423	2
Elandskraal operations					
Growth assets					
Elandsrand	170,867	523	207,371	427	22
Leveraged assets					
Deelkraal			2,284	313	
Freegold operations					
Quality assets					
Tshepong	335,289	332	380,695	266	26
Growth assets					
Phakisa					

Leveraged assets					
Bambanani	175,214	497	197,535	422	18
Joel	58,595	498	64,464	450	11
Eland	4,058	263	26,782	500	(48)
Kudu/Sable	2,024	442	25,175	750	(41)
West Shaft	25,525	535	28,165	458	17
Nyala	184	1,228	23,503	748	64
St. Helena	12,791	845	29,965	807	5
Surface operations	11,019	489	36,420	424	15
ARMgold operations					
Leveraged assets					

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	Year Ended June 30, 2006		Year Ended June 30, 2005		Percentage Increase in Cash Costs per ounce
	(oz)	($/oz)	(oz)	($/oz)(1) Adjusted	
Orkney 2	69,877	425	78,449	401	6
Orkney 4	58,897	497	76,971	385	29
Welkom 1			2,734	587	
Avgold operations					
Quality assets					
Target	150,196	346	209,847	259	34
Surface operations	746	1,298	1,350	346	275
Kalgold operations					
Surface operations	77,071	412	108,195	373	(10)
AUSTRALASIA					
Papua New Guinea					
Other entities					
Total	2,155,464		2,668,417		
Weighted average		437		383	14

Harmony s weighted average cash costs increased by $56 per ounce, or 15%, from $383 per ounce in fiscal 2005 to $437 per ounce in fiscal 2006. Cash costs per ounce vary with the working costs per ton (which is, in turn, affected by the number of tons processed) and grade of ore processed. Cash costs expressed in US dollars per ounce also vary with fluctuations in the Rand-US dollar exchange rate, because most of Harmony s working costs are incurred in Rand. The increase in cash costs expressed in US dollars per ounce in fiscal 2006 was attributable primarily to the reduction in ounces produced during the year, increased labor costs as a result of a two year wage agreement reached with the unions in August 2005 of between 6% and 7%, and inflationary pressures on our consumable stores. This increase was offset by the depreciation of the Rand against the US Dollar. See *Item 5. Operating and Financial Review and Prospects Exchange Rates.*

At Masimong, cash costs increased by 20%, from $409 per ounce in fiscal 2005 to $489 per ounce in fiscal 2006. This was due to higher labor costs as a result of the implementation of CONOPS A lower grade also negatively impacted on the cost per ounce.

At Merriespruit 3 cash costs increased from $446 per ounce in fiscal 2005 to $554 per ounce in fiscal 2006, primarily due to lower production volumes and lower recovered grades.

Brand 5 was placed on care and maintenance during fiscal 2005 and as a result the cash costs decreased from $64,242 per ounce in fiscal 2005 to $2,079 per ounce in fiscal 2006.

Cash costs decreased at Evander 2 from $562 in fiscal 2005 to nil in fiscal 2006 as there was no production from this shaft in fiscal 2006. This was due to the downscaling and combination of the mining operations at Evander 2 with those from Evander 5.

At Evander 5, cash costs increased from $338 per ounce in fiscal 2005 to $530 per ounce in fiscal 2006. This increase was primarily attributable to the additional labor costs incurred due to the downscaling and combination of the mining operations of Evander 2 with those of Evander 5.

At Evander 7, cash costs increased from $252 per ounce in fiscal 2005 to $392 per ounce in fiscal 2006. This increase was primarily attributable to the lower year on year production at Evander 7.

At Evander 8, cash costs increased from $273 per ounce in fiscal 2005 to $348 per ounce in fiscal 2006. This increase was primarily attributable to the lower recovered grade at Evander 8.

Lower tonnage as well as a lower recovery grade at Doornkop resulted in an increase in cash costs from $447 per ounce in fiscal 2005 to $558 per ounce in fiscal 2006.

At Elandsrand, cash costs increased from $427 per ounce in fiscal 2005 to $523 per ounce in fiscal 2006, primarily as a result of lower production.

At Tshepong, cash costs increased from $266 per ounce in fiscal 2005 to $332 per ounce in fiscal 2006. This decrease was primarily attributable to lower production and costs associated with the implementation of CONOPS during the year.

Lower tonnage as a result of Shaft 4 at St. Helena being placed on care and maintenance during fiscal 2005 as well as a lower recovered grade at St. Helena resulted in an increase in the cash costs from $807 per ounce in fiscal 2005 to $845 per ounce in fiscal 2006.

Cash costs at Target increased from $259 per ounce in fiscal 2005 to $346 per ounce in fiscal 2006. This was as a result of the reduction in production volumes and recovery grade.

Depreciation and Amortization

Depreciation and amortization charges increased $6.1 million, or 4%, from $147.9 in fiscal 2005 to $154.0 million in fiscal 2006.

This increase was attributable primarily to the depreciation of the Rand against the US dollar, which increased the depreciation charges for the South African operations. Also contributing to the increase were increases at the following shafts and surface operations due to a decrease in the reserves resulting in accelerated depreciation: Kalgold ($8 million), Elandsrand ($1.4 million) and Tshepong ($2 million). Due to a decrease in production and increase reserves the depreciation for the following shafts decreased compared to fiscal 2005: Cooke 1 ($2 million) and Target ($6.5 million). Depreciation on capitalized underground development cost increased significantly at the following shafts during fiscal 2006: Doornkop ($2.4 million), Evander 8 ($2.4 million) and Tshepong ($1.8 million).

Impairment of Assets

Impairment charges decreased from $122.8 million in fiscal 2005 to $16.0 million in fiscal 2006. The $16.0 million impairment recorded in 2006 relates to an impairment loss at Lydenburg Exploration Ltd on amounts previously capitalized as undeveloped properties for which no future financial benefits are expected by management. The impairment charge of $122.8 million in fiscal 2005 related to adjustments and revisions in the life of mine plans for the South African operations for expected gold production as well as working costs. These plans did not support the carrying value of some of the operations on an undisclosed cash flow basis. As a result, impairments were recorded at numerous shafts and pit operations.

Employment Termination Costs

Employment termination costs decreased $85.5 million, from $73.2 million in fiscal 2005 to a credit of $12.3 million in fiscal 2006. During fiscal 2006 Harmony continued with the process of a final restructuring process in the Free State region. This process was announced in fiscal 2005. This affected the Free State, Freegold, ARMgold and Avgold operations. A provision for this process was raised in fiscal 2005.

The decrease from fiscal 2005 to fiscal 2006 can be primarily attributed to the reversal of an overprovision in costs at the Free State (decrease of $8.6 million), Freegold (decrease of $4.8 million) and ARMgold (decrease of $0.9 million) operations. As of June 30, 2005, the company had completed negotiations with its unions related to restructuring of a number of its shafts in South Africa and identified employees who would be made redundant. However, subsequent to year-end and prompted in part by strikes during the fiscal year, the company and the unions renegotiated the terms of agreement and in the end modified the scope of redundancies and instead redeployed many of these employees. This led to the company utilizing less of its fiscal 2004 and fiscal 2005 restructuring provisions than anticipated.

In fiscal 2005 the Company also announced the decision to downscale certain shafts and this was communicated to the unions by June 30, 2005. Additional Costs incurred in this process during fiscal 2006 affected the Randfontein and Elandskraal ($0.8 million), Evander ($0.9 million) and Avgold ($0.3 million) operations.

Care and Maintenance Cost of Restructured Shafts

The charge for the care and maintenance cost of restructured shafts decreased from $29.9 million in fiscal 2005 to $26.8 million in fiscal 2006. This resulted from lower labor costs relating to the termination of non-productive employees.

Profit on sale of property, plant and equipment

Profit on sale of property, plant and equipment decreased by $3.5 million from $13.6 million in fiscal 2005 to $10.1 million in fiscal 2006. This was due to fewer sales of excess assets.

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Corporate Expenditure, Exploration Expenditure and Marketing and New Business Expenditure

Corporate expenditure, exploration expenditure and marketing and new business expenditure increased $2.3 million, or 6%, from $37.9 million in fiscal 2005 to $40.2 million in fiscal 2006. This increase was due primarily to increased corporate expenditures following Harmony s unsuccessful bid for Gold Fields ($4.2 million) and the Harmony of Tomorrow (HOT) initiative ($0.8 million). In fiscal 2006, the exploration expenditure increased by $6.4 million, primarily due to increased exploration activity in PNG (Wafi and Hidden Valley areas) See *Item 4. Information on the Company Business Exploration.*

Share-Based Compensation

The Company adopted SFAS No. 123(R) using the modified retrospective transition method. Under this method, share-based payment expense in fiscal 2006 includes: (a) compensation cost for all share-based payments granted prior to, but not yet vested as of July 1, 2005, based on the grant-date fair value estimated in accordance with the original provisions of SFAS No. 123, and (b) compensation cost for all share-based payments granted subsequent to July 1, 2005, based on the grant-date fair value estimated in accordance with the provisions of SFAS No. 123(R). In both cases, the Company has recognised the share-based payment expense associated with options with graded-vesting features over the requisite service period for each separately vesting tranche of the award as though the award were, in substance, multiple awards.

The share-based payment expense for both fiscal 2006 and 2005 represents the grant-date fair value of the awards which are being recognized over the employee s requisite service period, which varies from three to five years. Share-based compensation expenses increased to $0.1 million from $15.6 million in fiscal 2005 to $15.7 million in fiscal 2006. The increase in the expense from fiscal 2005 to fiscal 2006 results primarily from the share options granted on April 26, 2005, for which only two months of service were completed in fiscal 2005, compared to a full year in fiscal 2006, and the depreciation of the Rand against the US dollar, which increased the share-based charges in US dollar terms.

Share-based compensation expense is included within Production costs exclusive of depreciation and amortization. No new options were granted during the 2006 fiscal year. The charge in fiscal 2006 relates to the amortization of the fair value of the 2005, 2003 and 2001 options. The charge in fiscal 2005 relates to the amortization of the fair value of the 2005, 2003 and 2001 option grants for Harmony.

Decrease in Rehabilitation Costs

As from July 1, 2002, the company adopted FAS 143 for accounting for its environmental rehabilitation costs. The decrease in rehabilitation costs in fiscal 2006 relates primarily to decreases in rehabilitation liability at operations in excess of associated capitalized rehabilitation costs (net of accumulated depreciation). The decrease in the rehabilitation liability arose because of increases in the Life of Mine, which resulted in a decrease in the present value of the liability The gain recognized as a result of the decrease in rehabilitation liabilities in both years was partially offset by certain expenses that were paid in cash of $1.1 million in fiscal 2006 and $1.0 million in fiscal 2005, respectively.

Post-Retirement Benefits

Harmony provides for amounts due under its former employees post-retirement benefits. In fiscal 2006, Harmony provided $1.2 million for these benefits compared with $9.1 million in fiscal 2005, based on updated actuarial valuations performed in fiscal 2006.

Dividends Received

Dividend income increased from $2.8 million in fiscal 2006 to $3.3 million in fiscal 2006 primarily as a result of dividends received from Gold Fields.

Loss on Derivative Financial Instruments

The loss on financial instruments in fiscal 2006 was $52.6 million, as compared with a loss in fiscal 2005 was $18.4 million. The loss relates mainly to the change in the derivative financial liability recorded as a result of the ARM Empowerment Trust transaction Avgold. The amount comprises a loss of $49.3 million on the ARM Empowerment Trust derivative and a loss of $3.3 million on derivatives held by Avgold. The loss in fiscal 2005 relates to the change in the derivative financial liability recorded as a result of the

ARM Empowerment Trust transaction and the change in the mark-to-market of derivative instruments inherited as a result of the acquisitions of Avgold.

(Loss)/Profit on Sale of Other Assets and Listed Investments

Harmony recorded a profit of $45.3 million on the sale of other assets and listed investments in fiscal 2006 as compared with a loss of $93.5 million in fiscal 2005. In fiscal 2006 the Company disposed of its remaining investment held in Gold Fields for $361.8 million. The process was concluded through market disposals which commenced on November 10, 2005 and an open market offering on November 15 and 16, 2005. The investment was acquired at a cost of $316.4 million, resulting in a gain of $45.4 million.

The loss in fiscal 2005 comprises a loss of $38.2 million on the sale of the investment in ARM Limited as well as a loss of $60.2 million on the sale of the investment in Gold Fields. These losses were partially offset by a gain of $4.9 million on the sale of the investment in Bendigo. During the period that the investment in Bendigo was held by Harmony, an amount of $2 million for impairment of investment in associate was taken to the income statement. Therefore the net amount taken to the income statement was positive $2.9 million.

Impairment of Listed Investments

Harmony recorded no impairments of listed investments in fiscal 2006 versus an impairment of its investment in ARM Limited amounting to $63.2 million in fiscal 2005. Prior to the disposal of the ARM shares to the ARM Empowerment Trust, the market value of ARM Limited shares decreased significantly below cost at which it was acquired. Harmony determined that this decrease was other-than-temporary and recorded the unrealized loss as an impairment of listed investment in consolidated statements of operations. See *Item 7. Related Party Transactions* for a discussion of the accounting treatment of the investment subsequent to its transfer to the ARM Empowerment Trust.

(Loss)/Profit on Sale of Subsidiary

A profit of $3 million was recorded during fiscal 2006 on the sale of subsidiaries, compared to the loss of $0.1 million that was recorded during fiscal 2005. The profit in 2006 results from the Company disposing of the entire share capital of Buffalo Creek Mines (Pty) Ltd for $17.2 million (A$ 24 million) on March 31, 2006. Buffalo Creek Mines had a net asset value to the company of $14.2 million.

The loss in fiscal 2005 results from the disposal of the entire shareholding of Future, which had a net asset value of $1.4 million, for $0.17 million, resulting in a loss of $1.4 million. This loss was partially offset by profits on the sale of NACS ($0.1 million) and Ubuntu ($1.1 million). The entire shareholding of NACS, which had a net asset value of $0.1 million, was sold for $0.2 million. Ubuntu s entire shareholding was sold for $0.1 million. The net asset value was a negative $1.0 million.

Interest Income

Interest received increased from $21.3 million in fiscal 2005 to $32.4 million in fiscal 2006. This increase was attributable primarily to the increase in interest earned on bank and call accounts due to higher average balances through the year as well as an increase in South African interest rates.

Interest Expense

Interest paid was $55.5 million during fiscal 2006 compared to $63.9 million during fiscal 2005. This decrease was due to the lower average interest bearing debt balance during the year. This was mitigated to an extent by the raising of the $140 million RMB loan to finance the acquisition of the stake in Western Areas in March 2006.

Other (Expenses)/Income

Other expenses increased by $9.0 million, from $17.4 million in fiscal 2005 to $26.4 million in fiscal 2006.

The increase is attributable to higher foreign exchange losses as a result of the depreciation of the Rand. Higher costs from beneficiation projects also contributed to the increase. These increases were offset by a lower bad debts amount for the year.

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Income and Mining Taxes

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

The tax rate applicable to the mining and non-mining income of a gold mining company depends on whether the company has elected to be exempt from the Secondary Tax on Companies, or STC. The STC is a tax on dividends declared and, at present, the STC tax rate is equal to 12.5%. To the extent Harmony receives dividends, such dividends received are offset against the amount of dividends paid for purposes of calculating the amount subject to the 12.5% STC tax. In 1993, all existing South African gold mining companies had the option to elect to be exempt from STC. If the election was made, a higher tax rate would apply for both mining and non-mining income. In 2006, the tax rates for companies that elected the STC exemption were 45% for mining income and 37% for non-mining income, compared with 36% for mining income and 29% for non-mining income if the STC exemption election was not made. In 2005, the tax rates were comparable to that in 2006. A change of the tax rate was enacted during March 2005. In 1993, Harmony elected to pay the STC tax. All of Harmony s South African subsidiaries, excluding Avgold, elected the STC exemption.

Income and Mining Tax	**2006**	**2005**
Effective tax rate benefit	1%	12%

The effective tax rate for fiscal 2006 was lower than the statutory tax rate of 45% for Harmony and its subsidiaries as a whole. The most significant reason for the decrease in the effective tax rate in fiscal 2006 relates to the non taxable income received by way of the profit realized on the disposal of the investment held in Goldfields.

Papua New Guinea. Harmony is in the process of developing the Hidden Valley Project in PNG. We are also reviewing other potential projects and carrying out extensive exploration.

PNG mining projects are taxed on a project basis. Therefore each project is taxed as a separate entity, even though it may be one of a number of projects carried on by the same company. Tax losses are generally quarantined and cannot be transferred between projects.

PNG mining companies are taxed at a rate of tax of 30%.

Capital development and exploration expenditure incurred in PNG is capitalised for tax purposes and can be generally deducted at 25% per annum on a diminishing value basis against project income.

PNG imposes dividend withholding tax of 10% on dividends paid by PNG mining operations to non residents. Although PNG also imposes interest withholding tax on interest off shore, PNG mining operations may qualify for an exemption.

Equity income from Joint Venture Companies

Equity income from joint venture companies was $0.4 million during the 2006 fiscal year ($nil in fiscal 2005). This amount relates to the Company s attributable share of profits in Healthshare.

Equity Loss of Associate Companies

Equity loss of associate companies was $16.4 million in fiscal 2006 ($nil in fiscal 2005). This amount relates to our 29.2% attributable share of losses in Western Areas for the three months from March 9, 2006 until June 30, 2006.

Discontinued Operations

Revenue

Revenue decreased from $ 125.7 million in fiscal 2005 to $122.5 million in fiscal 2006 primarily due to reduced ounces produced.

Costs

Costs increased in fiscal 2006, from $110.5 million in fiscal 2005 to $185.3 million in fiscal 2006. This was primarily attributable to the increase in the losses on financial derivatives of $78.8 million in fiscal 2006, depreciation and amortization increased $8.1 million in fiscal 2006 as a result of a decrease in reserves and the charge for the provision for rehabilitation increased $2.4 million in fiscal 2006.

Impairment charge

An impairment charge of $120.3 million was recorded in fiscal 2005 primarily as a result of management writing down amounts that had been previously capitalized as undeveloped properties, for which they did not expect any future financial benefits , with no impairments recognized in fiscal 2006.

Taxation

Generally, Australia imposes tax on the worldwide income (including capital gains) of all of Harmony s Australian incorporated and tax resident entities. The current income tax rate for companies is 30%. Ongoing business, mining, exploration and rehabilitation costs incurred each year are fully deductible. The cost of plant and capital mining expenditure may be depreciated and deducted over its effective life.

The Australian legislature has introduced a Tax Consolidations Regime, under which from July 1, 2003, Harmony Gold Australia Pty Ltd and its wholly owned Australian subsidiary companies are recognised and taxed as a single entity. Under the consolidations rules all of the Australian subsidiary companies are treated as divisions of Harmony Gold Australia. As a result all inter company transactions between group members are ignored for tax purposes. This allows the group to transfer assets between group members without any tax consequences, and to utilize all tax losses incurred by each company in the group.

Mining operations (other than operations on freehold land) are also subject to a 2.5% gold royalty because the mineral rights are owned by the state. All gold production from the Big Bell and Mt. Magnet operations is subject to this royalty. Most of the production from the South Kalgoorlie operations is from freehold land and is, accordingly, exempt from this royalty.

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

Cumulative Effect of Change in Accounting Principle, Net of Tax

The Cumulative Effect of Change in Accounting Principle, Net of Tax was a credit of $2.1 million in fiscal 2006. There was no Cumulative Effect of Change in Accounting Principle, Net of Tax in fiscal 2005. The cumulative credit was due to the adoption of FAS123(R) during fiscal 2006, which related to the effect of recognizing fair values including estimates for forfeitures rather than only recording them upon actual forfeiture.

Net Loss

Net loss was $155.7 million in fiscal 2006 compared with the loss of $552.5 million in fiscal 2005. This improvement is attributed primarily to the factors described above.

Recent Accounting Pronouncements

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, (FIN 48) an interpretation of FASB Statement No. 109, Accounting for Income Taxes. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Interpretation requires that we recognize in the financial statements, the impact of a tax position, if that position is more likely than not of being sustained on audit, based on the technical merits of the position. FIN 48

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also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods and disclosure. The provisions of FIN 48 are effective beginning July 1, 2006 with the cumulative effect of the change in accounting principle recorded as an adjustment to the opening balance of retained earnings. We are currently evaluating the impact of adopting FIN 48 on our financial statements.

In September 2006, The FASB issued SFAS No. 157 Fair Value Measurements (SFAS 157). This Statement defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. This Statement does not require any new fair value measurements, it emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. SFAS 157 expands disclosures about the use of fair value to measure assets and liabilities in interim and annual periods subsequent to initial recognition. This statement applies for derivatives and other financial instruments measured at fair value under SFAS No. 133, Derivative Financial Instruments at initial recognition and in all subsequent periods. We plan to early-adopt SFAS 157 on July 1, 2007, and are currently evaluating the impact of SFAS 157 on our financial position and results of operations.

In September 2006, the FASB issued SFAS 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans an amendment of FASB Statements No. 87, 88, 106, and 132(R) (SFAS 158). SFAS 158 improves financial reporting by requiring an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan (other than a multiemployer plan) as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income. SFAS 158 requires an employer to measure the funded status of a plan as of the date of its year-end statement of financial position, with limited exceptions. The adoption of SFAS 158 on July 1, 2006 did not have an impact on the Company's financial position and results of operations.

In November 2006, the FASB ratified the consensus reached by the Emerging Issues Task Force (EITF) in connection with EITF Issue No. 06-6, Debtor s Accounting for a Modification (or Exchange) of Convertible Debt Instruments (EITF 06-6). EITF 06-6 addresses the analysis required to determine the accounting for a modification of or exchange in convertible debt instruments that changes the terms of an embedded conversion option. The consensus reached under EITF 06-6 is applicable to modifications or exchanges of debt instruments occurring after July 1, 2008. The Company will evaluate the impact of EITF 06-6 on its financial position and results of operations should there be any modifications or exchanges in debt instruments.

In February 2007, the Financial Accounting Standards Board (FASB) issued SFAS No. 159 The Fair Value Option for Financial Assets and Financial Liabilities including an amendment of FAS 115 (SFAS 159 or Fair Value Option). This Statement permits entities to choose to measure many financial instruments and certain other items at fair value. Application of the provisions of the Fair Value Option is optional and the provisions can be elected on an instrument by instrument basis. The Company plans to early-adopt SFAS 159 on July 1, 2007 and anticipates electing the Fair Value Option for its investment in African Rainbow Minerals Limited, held through ARM Broad-Based Economic Empowerment Trust. The adoption of the Fair Value Option for this investment, will result in a cumulative-effect adjustment of $386.1 million, representing the unrealized gain included in Accumulated Other Comprehensive Income as of June 30, 2007. Going forward, changes in the fair value of the investment will be recorded in the Consolidated Statement of Income, consistent with changes in the fair value of the derivative liability.

In September 2006, the SEC staff issued Staff Accounting Bulletin No. 108 was issued in order to eliminate the diversity of practice surrounding how public companies quantify financial statement misstatements.

We initially applied the provisions of SAB No 108 by recording the cumulative effect as an adjustment to retained earnings on July 1, 2006. See Note 3 of our consolidated financial statements.

Liquidity and Capital Resources

Funding and treasury policies are managed centrally by Harmony. There are no legal or economic restrictions on the ability of Harmony s subsidiaries to transfer funds to Harmony. Harmony has generally funded its operations and its short-term and long-term liquidity requirements from (i) cash generated from operations, (ii) credit facilities and other borrowings and (iii) sales of equity securities.

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Cash Resources

	2007 $ 000	2006 $ 000	2005 $ 000
Continuing operations			
Operating cash flows	217,795	61,772	(143,126)
Investing cash flows	(323,242)	(268,415)	233,979
Financing cash flows	163,389	(16,615)	7,709
Foreign exchange differences	(6,950)	31,235	(11,085)
Total cash flows from continuing operations	50,993	(192,023)	87,477
Discontinued operations			
Operating cash flows	(53,111)	(9,961)	27,512
Investing cash flows	9,962	21,520	(76,029)
Financing cash flows			
Foreign exchange differences	3,138	2,907	10,762
Total cash flows from discontinued operations	(40,011)	14,466	(37,755)

Operations

Net cash provided by operations is primarily affected by the quantities of gold sold, the gold price, the Rand-US dollar exchange rate, cash costs per ounce and, in the case of the Australian operations, the Australian dollar-US dollar exchange rate. A significant adverse change in one or more of these parameters could materially reduce cash provided by operations as a source of liquidity.

Net cash generated by operations was $164.7 million in fiscal 2007, as compared with $51.8 million in fiscal 2006. This improvement is attributable primarily to the higher gold price received during the year as well as the decrease in working capital chares of $26.3 million. Negating the effect of the improvement was the decrease in interest and dividends received of $8.5 million as well as an increase in the production costs of $103.9 million due to inflationary pressures relating to labour, materials and energy supplies.

Net cash generated by operations was $51.8 million in fiscal 2006, as compared with net cash utilized of $115.6 million in fiscal 2005. This improvement is attributable primarily to the higher gold price received during the year and lower production costs during the year, which were lower by $80.1 million due to lower production volumes. Negating the effect of the improvement was the increase in the working capital charges of $8.7 million. Income and mining taxes received decreased by $7.1 million in fiscal 2006.

Investing

Net cash utilized by investing activities was $313.3 million in fiscal 2007, as compared with $246.9 million in fiscal 2006. This increase was mainly due to the increase in capital expenditure during fiscal 2006 by $108.7 million to $380.5 million. A decrease of $310.3 million in fiscal 2007 from proceeds on disposal of listed investments also contributed to the increase in cash utilized during fiscal 2007. Offsetting these amounts were an increase in proceeds on disposal of mining assets ($13.9 million) and a decrease in the restricted cash balance ($27.9 million).

Net cash utilized by investing activities was $246.9 million in fiscal 2006, as compared with net cash generated of $157.9 million in fiscal 2005. This decrease was mainly due to the acquisition of the Western Areas Limited shares on March 14, 2006 ($321.5 million). During fiscal 2006 capital expenditure increased by $43.2 million to $271.8 million, which further decreased the cash generated from investing activities.

Financing

Net cash generated by financing activities was $163.4 million in fiscal 2007, as compared with the net cash utilized was $16.6 million in fiscal 2006. This increase was mainly due to the raising of borrowings during the year as well as the decrease in repayment of borrowings.

Net cash utilized by financing activities was $16.6 million in fiscal 2006, as compared with net cash generated of $7.7 million in fiscal 2005. This decrease was mainly due to the repayment of borrowings during the year.

Outstanding Credit Facilities and Other Borrowings

On July 30, 2003, Africa Vanguard Resources (Doornkop) (Proprietary) Limited (AVR) entered into a term loan facility of R116 million ($16 million) with Nedbank Limited for the purpose of partially funding AVR s purchase of an undivided 26% share of the Mining titles, to be contributed to the Doornkop joint venture with Randfontein. Interest at a fixed rate equal to JIBAR plus 2%, compounded monthly, and any stamp duties and holding costs. The loan matures on July 30, 2008, at which date all loan amounts and any interest accrued are to be paid. The loan is jointly and severally guaranteed by Evander Gold Mines Limited, Harmony, Kalahari Gold Ridge Mining Company Limited, Lydenburg Exploration Limited and Randfontein. The facility from Nedbank to AVRD is guaranteed by Harmony and certain of its subsidiaries. Interest capitalized during the fiscal 2007 was $2.2 million compared to $2.3 million in fiscal 2006 (fiscal 2005 was $1.9 million). During fiscal 2005, Africa Vanguard borrowed an additional R18 million ($2.8 million) from its holding company Africa Vanguard Resources to service working capital commitments. The loan is uncollateralized and interest free. As there are no fixed repayment terms, the loan has no fixed maturity date.

On May 21, 2004, Harmony issued R1.7 billion ($252.0 million) in international unsecured fixed-rate convertible bonds in order to refinance its domestic Rand debt. Harmony pays interest on the convertible bonds of 4.875% per annum, payable semi-annually in arrears on May 21 and November 21 of each year. The bonds are convertible at the option of the bondholders into fully paid up ordinary shares, at nominal value of R0.50 per share, at any time on or after July 1, 2004 and up to, and including, May 15, 2009, unless they have been previously redeemed, converted or purchased and cancelled by the Company. The trust deed for the convertible bonds contains clauses that restrict certain of Harmony s activities, including a negative pledge, according to which Harmony will not create or permit any mortgage, charge, lien, pledge or other form of encumbrance of security interest with respect to any part of its undertaking or assets, present or future, to secure any relevant debt, guarantee or indemnity. In addition, the trust deed contains covenants that require Harmony to, among other things, maintain the listing of the bonds with the UK Listing Authority and to all things necessary, in the opinion of the trustee, to give effect to the trust deed. Including in the amortization charge as per the income statement is $1.2 million compared to $1.4 million in 2006 and $1.4 million in 2005 for amortization of the bond issue costs.

On April 15, 2005 the ARM Empowerment Trust entered into a term loan facility of R474 million ($75.4 million) with Nedbank Limited for the purpose of funding the balance of the ARM Empowerment Trust s acquisition of the ARM shares held by the Harmony. The loan bears interest, compounded monthly, at a fixed rate of 9.52%. The loan is repayable on April 15, 2010. Harmony has guaranteed this loan, subject to a maximum guaranteed amount of R367.4 million ($50.4 million) plus interest. In addition, if the ARM Empowerment Trust chooses to dispose of 8,175,640 of its ARM Limited shares at cost, the maximum guaranteed amount will be reduced to R214.9 million ($29.5 million) plus interest. Harmony has also entered into an indemnity agreement with ARM Limited, pursuant to which ARM Limited has indemnified Harmony against 50% of all claims under the guarantee, subject to a maximum of R107.4 million ($14.7 million) plus interest thereon at the applicable rate from May 26, 2006. Interest capitalized during the year ended June 30, 2007 amounted to $8.5 million compared to $7.6 million in fiscal 2006. Subsequent to year end, the guarantee was cancelled by Nedbank and consequently Harmony has no further obligation to Nedbank.

On April 15, 2005, the ARM Empowerment Trust entered into a second term loan facility of R356 million ($56.7 million) with Nedbank Limited for the purpose of funding the ARM Empowerment Trust s partial acquisition of the ARM shares held by Harmony. The loan bears interest, compounded monthly, at a fixed rate of 10.02%. The loan is repayable on April 15, 2010. Interest capitalized during the year ended June 30, 2007 amounted to $6.7 million compared to $6 million in fiscal 2006. Subsequent to year end, the guarantee was cancelled by Nedbank and consequently Harmony has no further obligation to Nedbank.

On March 20, 2007, Harmony arranged financing from RMB, collateralized by 5,747,000 shares in Gold Fields, resulting in total cash proceeds of R750.3 million ($103.4 million). Of these proceeds, R599.8 million ($82.3 million) were applied towards partial repayment of the R1.0 billion term loan facility with RMB. See *Recently Retired Credit Facilities and Other Borrowings* . Interest is payable at a rate equal to the SAFEX overnight deposit rate plus 35 basis points. Subsequent to year end, the Company repaid the loan.

On March 20, 2007 Randfontein Estates Limited (**Randfontein**) (a wholly owned subsidiary of Harmony) entered into a preference share subscription agreement with RMB. According to the terms of the agreement, following the satisfaction of certain

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conditions, Randfontein issued R550.0 million ($75.4 million) principal amount of preference shares to RMB on April 5, 2007. Dividends on the preference shares are payable semi-annually on the principal amount and are calculated at 35% of the South African Prime Interest Rate from the issue date until August 31, 2007, 50% of the South African Prime Interest Rate from September 1, 2007 to February 29, 2008 and 83% of the South African Prime Interest Rate thereafter. The preference shares have been guaranteed by Harmony, Evander Gold Mines Limited, ARMgold/Harmony Freegold Joint Venture Company (Pty) Limited, Avgold Limited and ARMgold/Harmony Joint Investment Company (Pty) Limited (AHJIC), as well as certain future material subsidiaries.

In the subscription agreement for the preference shares, AHJIC has also granted a security interest over 6,196,863 Gold Fields shares held by it to secure its obligations under the subscription agreement for the preference shares. In the subscription agreement for the preference shares, AHJIC has also undertaken that, if the cover ratio of the value of the Gold Fields shares to the redemption amount falls below 1.25, it will deposit additional Gold Fields shares or cash to bring this ratio to 1.5. On or after March 1, 2008, if this ratio falls below 2.0, AHJIC will be required to deposit cash equal to 75% of the redemption amount.

The preference shares are redeemable at the option of the holders on the final redemption date, which is three years and one day after the issue date, and upon the occurrence of certain events, including a failure by AHJIC to meet its obligations under the subscription agreement, a delisting of the Gold Fields shares from the Johannesburg Stock Exchange, cross-defaults or other events that are customary events of default for financing agreements. The preference shares are also redeemable by Randfontein at any time. Subsequent to year end, the preference shares were redeemed.

On June 29, 2007, Harmony entered into a senior bridge loan facility for R500.0 million ($68.6 million) with RMB for the purpose of funding its capital expenditure requirements in respect to the Hidden Valley mine project. The loan bears interest, compounded monthly at a rate equal to the SAFEX Financial Derivatives overnight deposit rate (the **Safex Overnight Rate**) plus 2.4% until July 31, 2007, the maturity date. In the event that Harmony elects to extend the loan facility until September 30, 2007, the loan will bear interest at a rate equal to the Safex Overnight Rate plus 3.6% during the extension period. Subsequent to year end, the loan was settled in full.

On June 27, 2007 the Company entered into a draw down facility agreement with Westpac Bank for the PNG operations. The limit is K3 million and interest is payable at 9.45%. Subsequent to the balance sheet date, the facility was repaid and then cancelled.

Recently Retired Credit Facilities and Other Borrowings

On 9 March 2006, Harmony Gold Mining Company entered into a term loan facility of R1.0 billion ($159.7 million) with RMB, for the purpose of partially funding the acquisition of the 29.2% stake in Western Areas. Interest is compounded at a rate equal to three-month JIBAR plus 1.5%. This facility was partially repaid on March 27, 2007 from the net proceeds of a sale of Gold Fields shares, and the balance was repaid on April 4, 2007 from the net proceeds from the issuance of certain preference shares by our subsidiary Randfontein.

On June 16, 2001, Harmony launched and priced an issue of South African Rand denominated senior uncollateralized fixed rate bonds in an aggregate principal amount of R1.2 billion ($115.5 million), with semi-annual interest payable at a rate of 13% per annum. The bonds were listed on the Bond Exchange of South Africa and issued to settle existing debt and fund the purchase of Elandskraal and New Hampton. As long as the bonds were outstanding, Harmony was not permitted encumber its present or future assets or revenues to secure indebtedness for borrowed money, without collateralizing the outstanding bonds equally and ratably with such indebtedness, except for certain specified permitted encumbrances. Issuance costs of $1.9 million were incurred and capitalized and are being amortized over the life of the bonds. Included in the amortization charge in the income statement is $0.8 million (2005: $0.6 million) for amortization of the bond issue costs. On July 6, 2005 a total of $45.0 million of the bond s notional value was repurchased at a cost of some $47.1 million. This represented 23.5% of the total issue due for redemption. The remaining balance of the bond was settled on June 14, 2006 (original redemption date) at a total cost of R918 million (US$134.5 million).

During December 2003 Musuku Beneficiation Systems (Proprietary) Limited, a wholly owned subsidiary of the Company, entered into a long term loan facility of R2 million ($0.3 million) with Auriel Alloys for the purpose of financing the acquisition of Dental Alloy equipment. The loan bore interest at 11% and was payable by way of 60 installments of R50,000 ($6,974) each. During December 2006, the loan was bought out in terms of a purchase agreement with Auriel Alloys for R812,733 ($0.1 million), which was the original amount reduced by the capital portion of the installments paid to date.

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Contractual Obligations and Commercial Commitments

Harmony s contractual obligations and commercial commitments consist primarily of credit facilities, post-retirement healthcare and environmental obligations

Contractual Obligations on the Balance Sheet

The following table summarizes Harmony s contractual obligations as of June 30, 2007:

		Payments Due by Period			
		Less Than 12 Months	**12-36 Months**	**36-60 Months**	**After 60 Months**
		July 1, 2007 to June 30, 2008	**July 1, 2008 to June 30, 2010**	**July 1, 2010 to June 30, 2012**	**Subsequent June 30, 2012**
	Total ($ 000)	**($ 000)**	**($ 000)**	**($ 000)**	**($ 000)**
Convertible uncollaterized bonds(1)	264,544	11,766	252,778		
Africa Vanguard Resources(1)	4,543				4,543
Nedbank AVR(1)	28,892	28,892			
Nedbank ARM 1(1)	121,985	121,985			
Nedbank ARM 2(1)	92,932	92,932			
RMB Financing (1)	108,430	108,430			
RMB Preference Shares (1)	79,530	79,530			
RMB senior bridge loan facility (1)	73,211	73,211			
Westpac Bank	981	981			
Post retirement health care(2)	15,257				15,257
Environmental obligations(3)	168,853				168,853
Total contractual obligations	**959,158**	**273,918**	**496,587**		**188,653**

(1) See *Item 5. Operating and Financial Review and Prospects Liquidity and Capital Resources Credit Facilities and Other Borrowings Outstanding Credit Facilities and Other Borrowings.*

(2) This liability relates to post-retirement medical benefits of former employees who retired prior to December 31, 1996 and is based on actuarial valuations conducted during fiscal 2007.

(3) Harmony makes provision for environmental rehabilitation costs and related liabilities based on management s interpretations of current environmental and regulatory requirements. See *Item 5. Operating and Financial Review and Prospects Critical Accounting Policies.*

Contractual Obligations off the Balance Sheet

The following table summarizes Harmony s obligation with regards to operating leases: