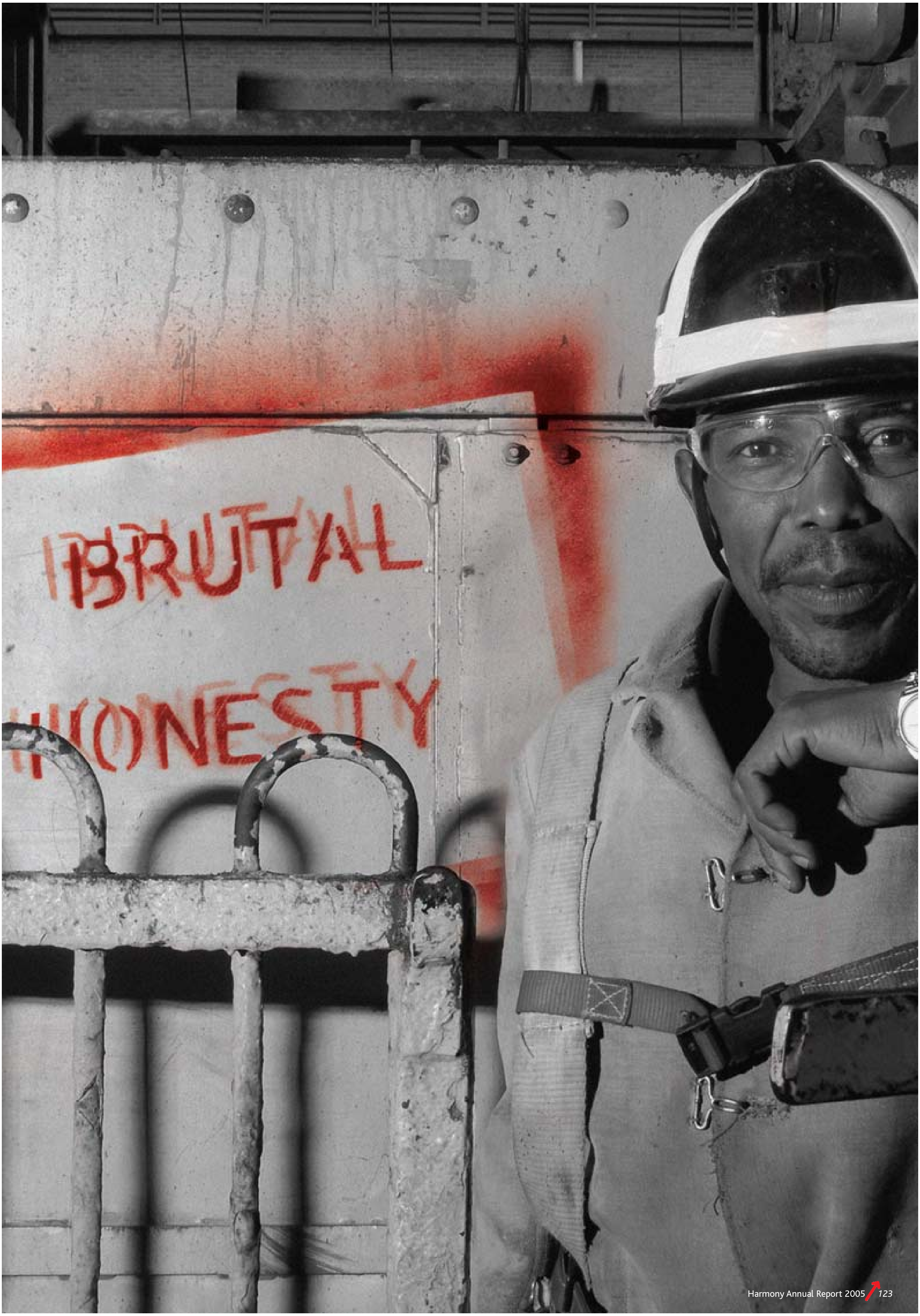
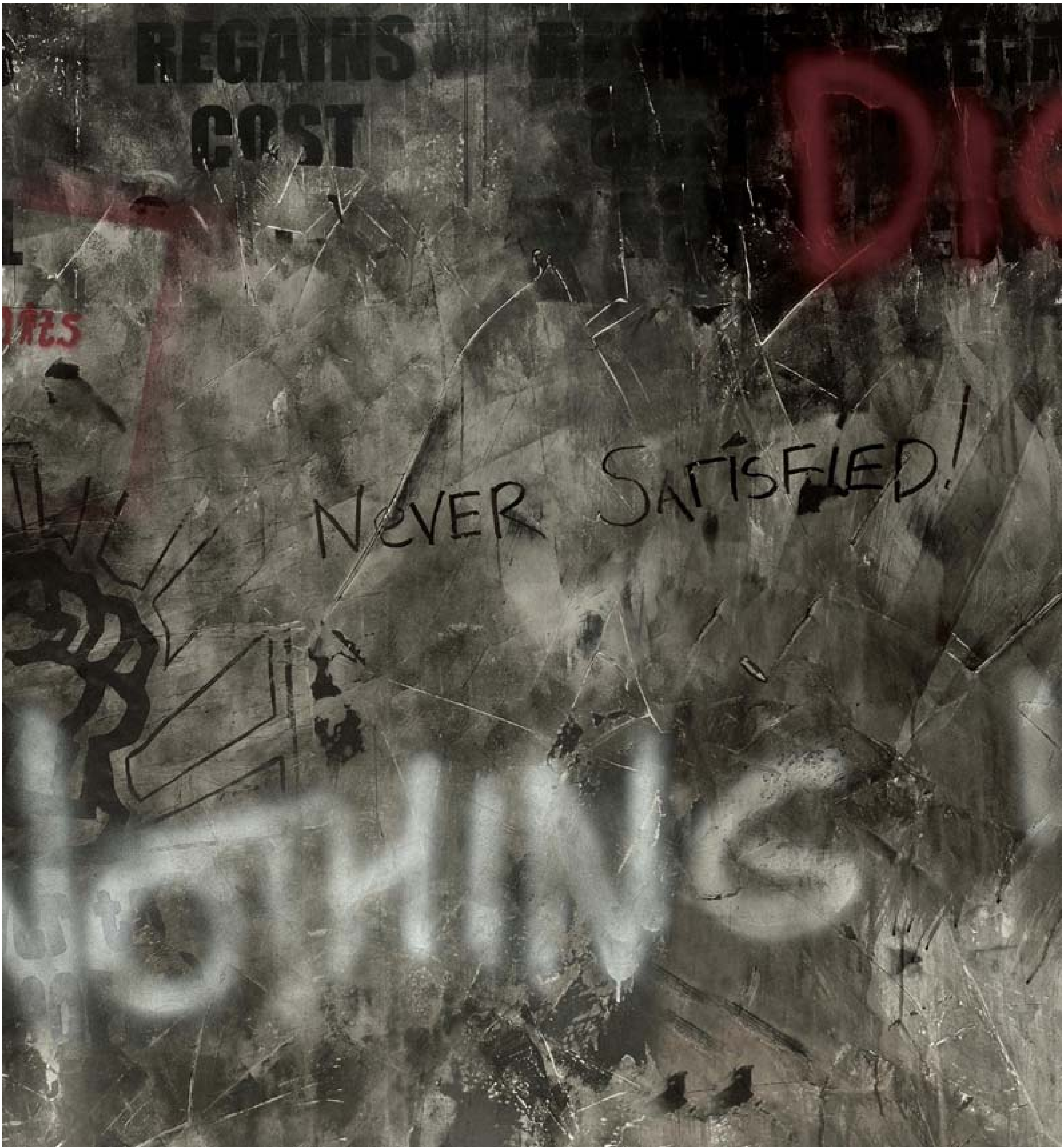
# On the straight and narrow

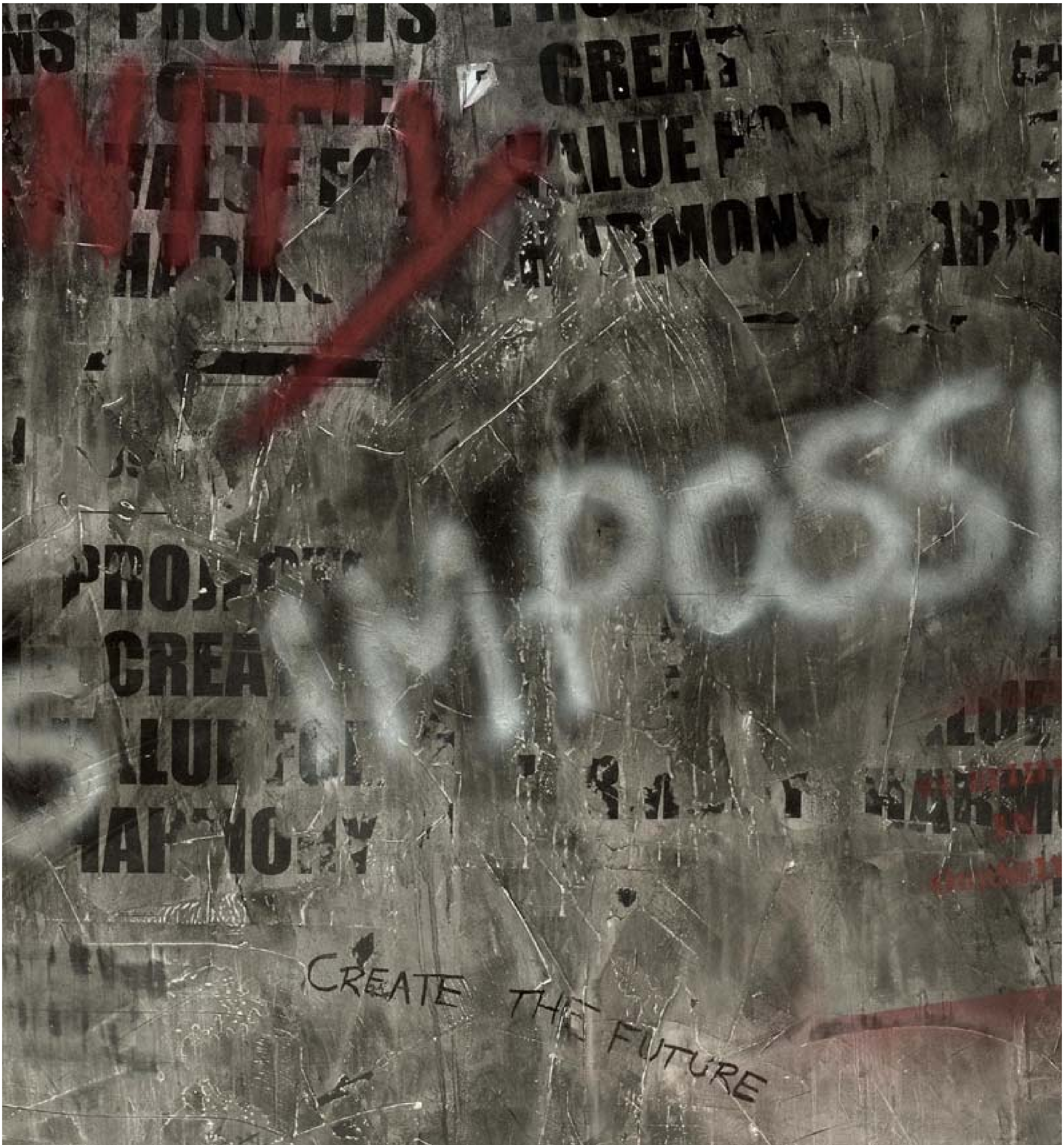
## Corporate governance

Harmony is committed to the highest levels of corporate governance. Harmony complies with the listings requirements of the JSE (and the other exchanges), and substantially complies with the recommendations of the King Report on Corporate Governance for South Africa (King II). As a foreign issuer listed on the NYSE, Harmony is also bound to comply with the Sarbanes-Oxley Act of 2002, and substantial progress has been made in this regard during the year.


BRUTAL
HONESTY




Harmony has a unitary board structure, comprising 12 directors, with a balance between executive (four) and non-executive (eight) directors. Of the eight non-executives, five are independent, as defined by King II.


PROJECTS
CREATE THE FUTURE



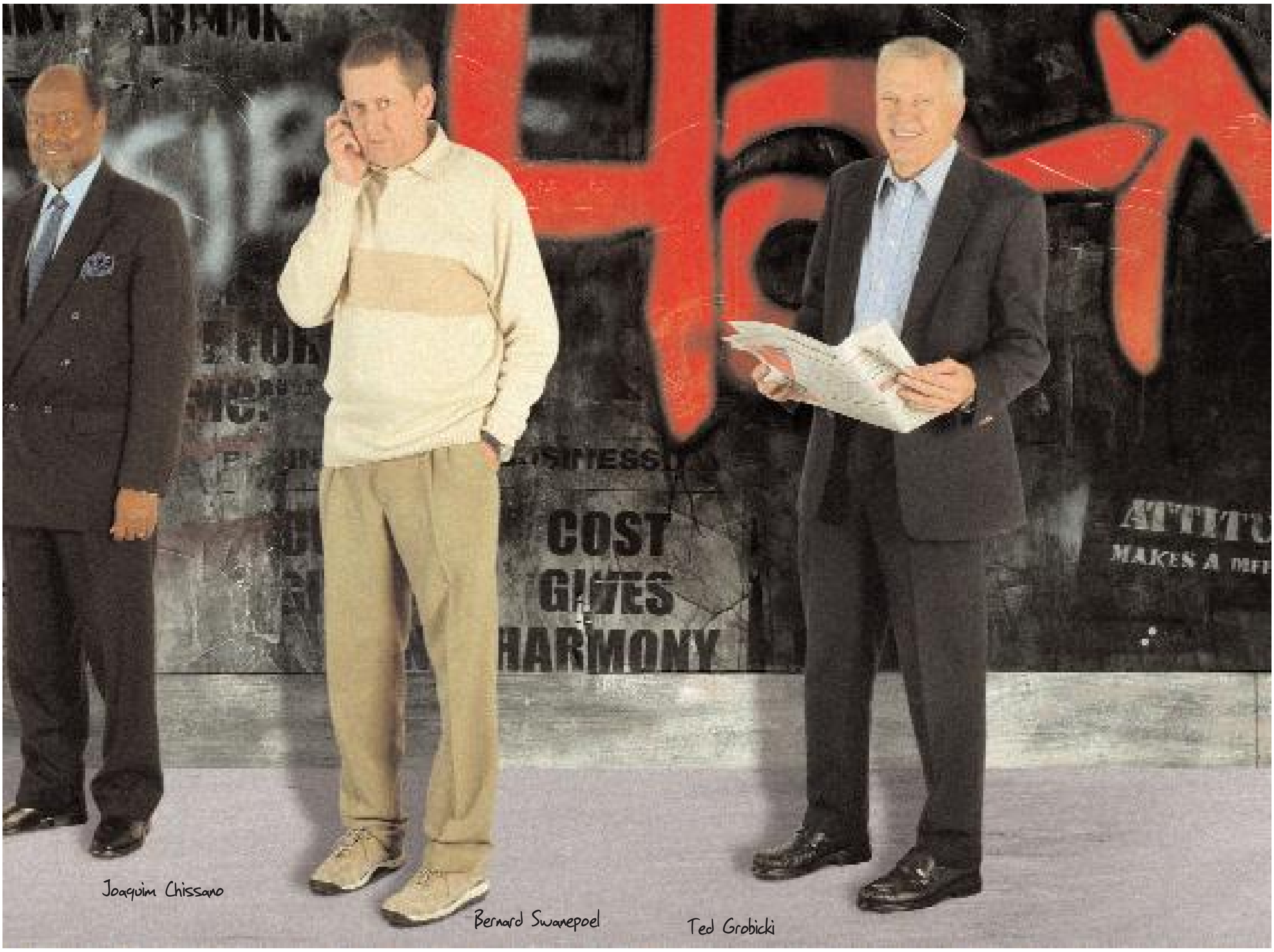
## Executive directors

**Bernard Swanepoel** (44) BSc (Mining Engineering), B Com (Hons), Chief Executive. Bernard Swanepoel started his career with Gengold in 1983, culminating in his appointment as general manager of Beatrix Mine in 1993. He joined Randgold in 1995 as managing director of Harmony. For the past 10 years, Bernard has led the team behind the company's growth and acquisition initiatives. Bernard is a non-executive director on the Board of ARM Limited and is a non-executive member of the Sanlam Board.

**Ferdi Dippenaar** (44), BCom, BProc, MBA, Executive Director, Corporate Affairs. Ferdi started his career at the Buffelsfontein gold mine in 1983 and completed his degrees through part-time studies while employed in various financial and administrative capacities at the Gengold mines. In 1996 he became managing director of Grootvlei and of East Rand Proprietary Mines. Following Harmony's acquisition of Grootvlei and Cons Modder, he was appointed Marketing Director of Harmony in 1997. He oversees Harmony's service delivery departments, corporate affairs and the company's investor relations.

**Ted Grobicki** (55), BSc (Hons) (Geology) MSc (Minerals Exploration) PrSciNat, FIMM, Executive Director. After fulfilling various roles within mining and exploration companies in South Africa, Namibia and Zimbabwe, Ted was appointed chief executive of Texas Gulf Inc South Africa in 1979. He has since served at a senior executive level in a wide range of public and private companies in the mining sector and was appointed as non-executive director of Harmony in 1994. With Harmony's merger with Kalgold and West Rand Cons in 1999, he was appointed as executive director focusing on new business. Ted has 30 years' experience in all aspects of the mining industry, including exploration, evaluation, development, mine management and financial and corporate management. He currently oversees the strategic planning processes for Harmony's operations and undertakes a variety of other executive roles in the group. Ted has indicated that he intends to retire at the end of December 2005.

**Nomfundo Qangule** (38), B Comm, B Comm (Hons) CTA, CA (SA), Member of CAIB (SA) and appointed the Financial Director of Harmony in July 2004. Prior to joining Harmony, Nomfundo was the Executive Manager of Worldwide African Investment Holdings (Pty) Ltd (WAIH). She was one of the executive committee members of WAIH, responsible for providing strategic direction to the company. Other positions held by Nomfundo whilst at WAIH include: chairperson of the Board of Argil Holdings (Pty) Ltd, non-executive director of CS Holdings Limited where she served as a member of the Remuneration, Audit and




Joaquim Chissano

Bernard Swanepoel

Ted Grobicki

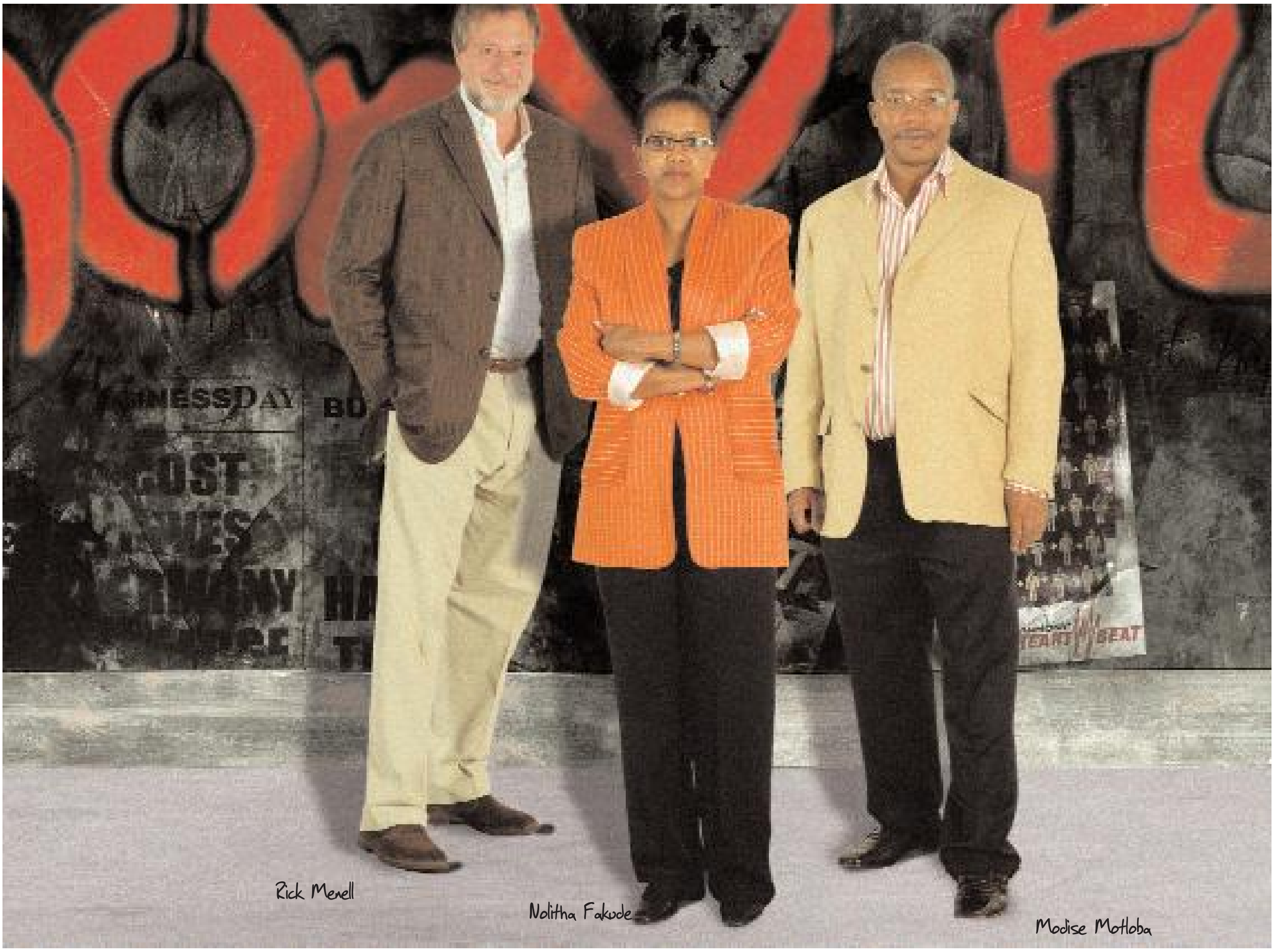
Investment committees. In addition she was an Executive Committee member and non-executive Director of Negotiated Benefits Consultants (Pty) Ltd. She worked in the Corporate and International Division of Nedcor Bank Limited as a Credit Manager. Later she joined ABSA Corporate and Merchant Bank's credit division. She is a qualified Chartered Accountant, a member of the Institute of Bankers and holds a certificate in financial markets from Acumen. Nomfundo obtained her B Comm degree from Rhodes University and completed her B Compt (Hons) CTA through Unisa.

## Non-executive directors

**Patrice Motsepe** (43) BA (Legal), LLB; Non-executive Chairman. Patrice was a partner in one of the largest law firms in South Africa, Bowman Gilfillan Inc. He was a visiting attorney in the USA for five years with McGuire Woods Battle and Boothe. In 2002, he was voted South Africa's Business Leader of the Year by the CEOs of the top 100 companies in South Africa. In the same year, he was winner of the Ernst & Young Best Entrepreneur of the Year Award. In 1994, he founded Future Mining, which grew rapidly to become a successful contract mining company. He formed ARMgold in 1997, which listed on the JSE in 2002. ARMgold merged with Harmony in 2003 and this ultimately led to the takeover of Anglovaal Mining (Avmin) by ARM. Patrice is the executive chairman of African Rainbow Minerals Limited (ARM) and the deputy chairman of Sanlam. His business responsibilities include being President of Business Unity South Africa (BUSA), which is the voice of organised business, president of the Chambers of Commerce and Industry South Africa (CHAMSA), NAFCOC and Mamelodi Sundowns Football Club.

**Frank Abbott** (50), BCom, CA(SA), MBL, Non-Executive Director. Frank joined the Rand Mines/Barlow Rand Group in 1981, where he obtained broad financial management experience at operational level. He was appointed as financial controller to the newly formed Randgold in 1992 and was promoted to financial director of that group in October 1994. Until 1997, he was also a director of the gold mining companies Blyvooruitzicht, Buffelsfontein, Durban Roodepoort Deep and East Rand Proprietary Mines and a non-executive director of Harmony, which culminated in his appointment as financial director of Harmony in the same year. Following the ARM Limited/ARMI transaction, it was agreed by the Board that Frank be appointed as Financial Director of ARM Limited and remains on Harmony's board as non-executive director.

**Joaquim Chissano** (65), an independent non-executive Director, Mr Chissano was appointed to Harmony's Board of directors with effect from 22 April 2005. Mr Chissano is the former President of Mozambique who has served that country in many

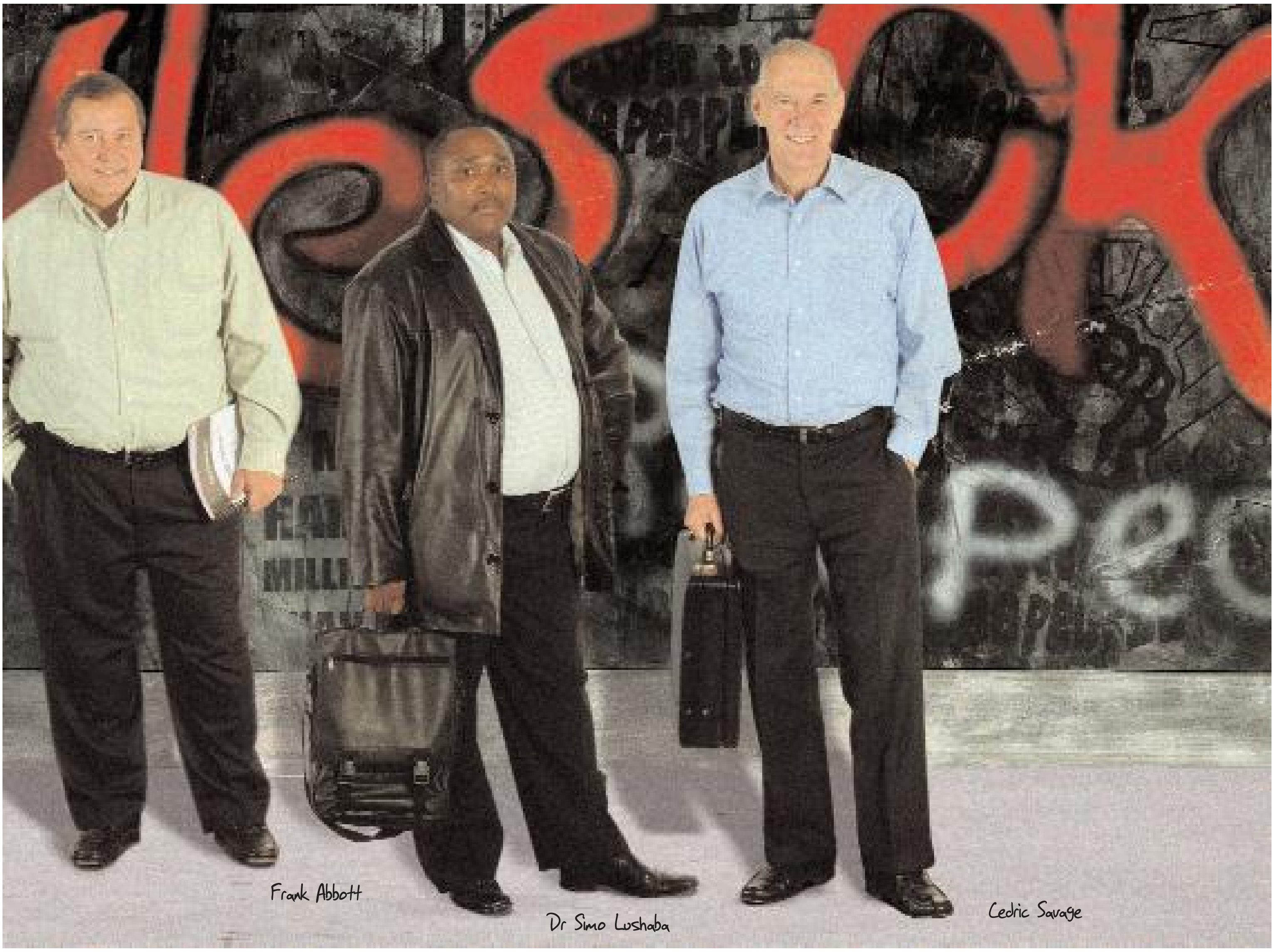



capacities initially as a founding member of the FRELIMO movement and one of the leaders during that country's struggle for independence (1962-1974). During the transition period of nine months that led the country to independence, he served as Prime Minister of the Transition Government (1974-1975). Subsequent to Mozambique's independence in 1975, he was appointed foreign minister and on the death of Samora Machel, assumed the office of President of the Republic and of the FRELIMO Party. He contested the multi-party presidential election held in Mozambique in 1994 and 1999 and won on both occasions. He declined to stand for a further term of office in 2004. His leadership at the helm of the FRELIMO Party and of government, advanced constitutional and economic reforms that helped to stop the devastating civil war and start the process of reconstruction of a shattered economy. More recently, (2003-2004) he served as chairman of the African Union. He has the military rank of Major General.

**Nolitha Fakude** (40), BA (Hons) (Psychology, Education and English) and an independent non-executive Director. Nolitha has been a director of Harmony since September 2002. Nolitha Fakude is the President and chairperson of the Black Management Forum (BMF). Nolitha serves on various boards, including BMF Investment Company, Woolworths Holdings Limited, Business Partners, as well as the Bigen Africa Group Holdings (Pty) Limited. In 2004 Nolitha was appointed by the Gauteng MEC for Economic Affairs as one of the Rainmakers for the Blue IQ project. She also served as executive director of Nedcor Limited and recently accepted an appointment as executive director of Sasol Limited.

**Dr Simo Lushaba** (39), BSc (Advanced Biochemistry), MBA, DBA, and an independent non-executive director. Simo has been a director of Harmony since October 2002. Simo also serves as non-executive Chairman of PIKITUP Johannesburg (Pty) Limited and as a non-executive director of Trans-Caledon Tunnel Agency (TCTA). He is currently the Chief Executive of Rand Water.

**Rick Menell** (50) BA, MA, MSc and deputy non-executive Chairman of Harmony. Trained as a geologist, Rick has been a merchant banker in New York and Melbourne. He also worked as an executive director of Delta Gold in Australia. He joined Avmin in February 1992 as assistant financial manager, mines. He was later appointed manager, finance and administration (mines) and then general manager, corporate services. Rick was appointed managing director of Avmin in 1996 and in 1999 to 2001 served as president of the Chamber of Mines of South Africa. (Avmin Limited changed its name to ARM Limited in 2004). He is also chairman of the South African Tourism




Board, chairman of Village Main Reef Gold Mining Company (1934) Limited, a director of the Standard Bank Group Limited, Telkom Limited and Mutual & Federal Insurance Company Limited and a trustee of the National Business Trust. Rick is also the deputy non-executive chairman of ARM Limited. It is expected that Rick will step down towards the end of 2005 as his executive role within ARM Limited increases.

**Modise Motloba** (39) (BSc), Diploma in Strategic Management, Baruch College, New York and was appointed as an independent non-executive director of Harmony in July 2004. Modise started his career with Rand Merchant Bank in 1993 as a trainee in the treasury division, where he progressed to Money Markets Dealer and Risk Manager. He then moved on to African Merchant Bank in 1998 as the Head of Money Markets Division. In 2000 he was employed by African Harvest Fund Managers as the Fixed Interest Portfolio Manager & Treasury Specialist and then worked as a Structured Debt and Equity Markets Specialist. He is the former President of the Association of Black Securities and Investment Professionals (ABSIP) and he led ABSIP and the Black Business Council in formulating the Financial Sector Charter with other industry bodies such as the Banking Council, Life Officers' Association and the JSE Limited. Modise is the recipient of the prestigious 2003 Black Business Quarterly Investment Specialist Award which recognises a leader who made a lasting contribution in the investments arena and broader financial and economic landscape. Modise is a member of the South African Financial Markets Board and a member of the Standing Committee on the Revision of the Bank's Act 1990, under the auspices of the Ministry of Finance. He is also a council member of the NAFCOC/ Johannesburg Chamber of Commerce and Industry (JCCI) Unity Committee. He is a director of companies including Wealthridge Investments, Uthajiri Investments and Africa Vukani Investment Management Services.

**Cedric Savage** (66) BSc (Eng), MBA, ISMP, an independent non-executive Director. Cedric commenced his career in the United Kingdom in 1960 as a graduate engineer with Fairey Aviation and in 1963 returned to South Africa where he worked in the oil (Mobil), textile (Felt & Textiles) and the chicken (Rainbow Chickens Limited) industries. In 1993/1994, he was appointed President of the South African Chamber of Business. He has also served as Chairman of the Board of Governors on the Natal University Development Foundation and as a member of Council of the University of Natal. He joined the Tongaat-Hulett Group in 1977 as Managing Director of Tongaat Foods and progressed to executive Chairman of the Building Materials Division, Chief Executive Officer of The Tongaat-Hulett Group Limited in 1991 and in May 2000, he assumed the dual roles of Chief Executive Officer and executive Chairman. He is currently non-executive chairman of the Tongaat-Hulett Group and serves on a number of other Boards.

# Operations Directors

- Bob Atkinson
- Peter Steenkamp
- Phillip Kotze

# Senior management committees

## EXCO Harmony

- Bob Atkinson
- Jaco Boshoff
- Graham Briggs
- Ferdi Dippenaar
- Ted Grobicki
- Yusuf Jardien
- Tracey Jonkheid
- Phillip Kotze
- Mohamed Madhi
- Jackie Mathebula
- Dawie Mostert
- Nomfundo Qangule
- Brenton Saunders
- De Wet Schutte
- Peter Steenkamp
- Bernard Swanepoel
- Boetie Swanepoel
- Johannes van Heerden
- Abre van Vuuren

## Change Management Steering Committee

- Yusuf Jardien (chairman)
- Bernard Swanepoel
- Jaco Boshoff
- Ferdi Dippenaar
- Tracey Jonkheid
- Mohamed Madhi
- Jackie Mathebula
- Dawie Mostert
- Nomfundo Qangule
- Boetie Swanepoel
- Abre van Vuuren

## Growth and Investment Committee

- (Chair is rotated)
- Bernard Swanepoel
- Ferdi Dippenaar
- Mohamed Madhi
- Nomfundo Qangule
- Brenton Saunders
- De Wet Schutte
- Graham Briggs
- Ted Grobicki

## EXCO Australasia

- Graham Briggs
- Johannes van Heerden
- Bill Wasley
- Duncan Coutts
- Richard Wills


Jackie Mathebula
Boetie Swanepoel
Tracey Jonkheid
Johannes van Heerden
Bob Atkinson
Brenton Saunders
Mohamed Madhi
Dawie Mostert
Phillip Kotze

## Compliance

In 2003, Harmony undertook a gap analysis to determine the level of its compliance with the requirements of its various listings and with King II. Following this process, formal charters were adopted for the Board and the various Board committees. The charters, which are available on our website and are summarised in this report, give the Board and its committees clear guidance on their roles and responsibilities and on how to achieve a balance between performance in the interests of the company and conformance with the principles of corporate governance. These charters are reviewed and updated on a regular basis. Currently, the company complies substantially with the requirements of King II.

Harmony started a project to ensure compliance with the Sarbanes-Oxley Act (SOX) in December 2004 and a remediation and further control implementation process is currently underway.

An important development brought about in King II is the integration of financial and non-financial reporting, where the latter includes reporting on the economic, social and environmental impacts of the company (the so-called triple bottom line) in line with the Global Reporting Initiative (GRI) Guidelines. Harmony has adopted an incremental approach to reporting in line with GRI and an index may be found on pages 117 to 119 of this report.

The board takes seriously its responsibility to act in good faith, with due diligence and care, and to supervise and ensure that good corporate governance is an integral part of the management of the company. We place great emphasis on enterprise risk management as a cornerstone of our internal control mechanisms and are satisfied that risk management has become a part of the daily running of Harmony, in all disciplines and at all levels in Harmony.

## Board structure

Harmony has a unitary board structure, comprising 12 directors, with a balance between executive (four) and non-executive (eight) directors. Of the eight non-executive directors, five are independent (as defined by King II). Harmony has no shadow directors.

We believe that the independent, non-executive directors are of sufficient calibre and number for their views to carry significant weight in the Board's decisions. In considering new appointments to the Board, Harmony has taken cognisance of gender and racial mix, and we believe that we have achieved an acceptable balance of members on our Board.

Details of our directorate are set out under the heading Directorate on page 124 to 129.

## Meetings

The Board, in terms of its charter, is required to hold regular meetings (at least quarterly) so as to monitor important issues and meet its objectives. All Board members are required to attend all Board meetings. During the year, the Board held four quarterly meetings and two special Board meetings. The special Board meetings were held in respect of the Gold Fields bid.

See table on page 135 for attendance of meetings.

## Chairman and Chief Executive

The roles of Chairman and Chief Executive are separate and distinct. As an indication of this separation, the performance of our Chairman and Chief Executive was reviewed by the Board during the year.

## Board Charter

The Board's fiduciary duties are incorporated in Harmony's Board Charter, which provides guidance to each member of the Board regarding the purpose and role of the Board, its responsibilities, its authority, composition, meetings and the need for self-assessment. In terms of this Charter, each director is required to exercise leadership, enterprise, integrity and judgement based on fairness, accountability, responsibility and transparency. Board members actively participate in affairs of the company, with high levels of participation at board and sub-committee meetings. A summary of the main elements of the Charter appears alongside.

A number of onerous duties, responsibilities and personal liabilities are imposed on our directors under both common and statutory law, not only in South Africa, but also in the US, Australia and the UK, owing to Harmony's operations in these countries and its listings in South Africa, London, Paris, Brussels and New York. In addition to the King II Report, the SOX also imposes additional prohibitions and responsibilities on all Harmony's directors. More details on SOX can be found in this report on page 154.

The duties and responsibilities of Harmony's directors, as per the Board Charter, is presented overleaf. This is an extract of the Board Charter and the complete Charter is available on our website www.harmony.co.za.

# Charter of Harmony Board of Directors

| Duties and responsibilities | Compliance |
|---|---|
| **Corporate governance** | |
| • To establish and administer the group's system of corporate governance. | ✓ |
| • To adopt a written statement of its own governance principles and regularly re-evaluate them. | ✓ |
| • To exercise leadership, enterprise, integrity and judgement based on fairness, accountability, responsibility and transparency. | ✓ |
| • To determine the Group's purpose, values and stakeholders, and to develop strategies to achieve its purpose, implement its values and satisfy its shareholders. | ✓ |
| • To evaluate the performance of the Board and prospective directors through the Nomination and Remuneration Committees. | ✓ |
| • To ensure that the Group complies with all the relevant laws, regulations, and codes of best business practice. | ✓ |
| • To ensure that the Group operates ethically by adopting and regularly reviewing and updating the Group Code of Ethics. (Available on the company's website.) | ✓ |
| • To make a statement at the end of each financial year as to whether they believe that the Group will be a going concern in the year ahead. | ✓ |

| Duties and responsibilities | Compliance |
|---|---|
| **Responsibilities** | |
| • Providing direction to and equipping management to formulate a strategic planning process and to adopt the recommended strategic plan. | ✓ |
| • Monitoring of Group policies. | ✓ |
| • Appointment of the Chairperson, provision of guidance on the appointment of directors and other senior executives | ✓ |
| • Consideration of the issue of succession of directors and senior management, as referred by the Nomination Committee. | ✓ |
| • Formulation and monitoring of a group-wide delegation of authority framework. | ✓ |
| • Identification of the principle risks and key performance indicators of the Group's businesses and ensuring the implementation and regular evaluation of systems to manage those risks through a Risk Management Committee. | ✓ |
| • Ensuring the Group has adequate systems of financial and operational internal controls. The directors should also ensure that there are procedures and systems which act as checks and balances on the information reviewed by the Board. | ✓ |
| • Ensure the financial health of the company through appropriate investment and funds mobilisation policies and strategies, including those relating to procurement and capital expenditure. | ✓ |
| • Manage conflicts of interest and issues relating to independence. | ✓ |
| • Monitoring and supervision of executive management. | ✓ |
| • Ensuring that an adequate budgeting and planning process exists and that performance is monitored against budgets and plans. | ✓ |
| • Providing accountability i.e. reporting to shareholders and other stakeholders and ensuring regulatory compliance with all relevant regulations e.g. Occupational Health and Safety Act, Road Ordinances Act, Companies Act, Banks Act, etc. | ✓ |
| • Addressing the adequacy of employee retirement and health care benefits and funding. | ✓ |
| • Ensuring that the Group has an employment equity action plan. | ✓ |
| • Reviewing, monitoring and approving the strategic direction with regard to IT solutions. | Informal |
| • Protection of assets and reputation. | ✓ |
| • Providing orientation and ensuring adequate training for directors. | ✓ |
| • Implement meaningful communication and integrated financial and relevant other reporting to its shareholders. | ✓ |
| • To annually ensure that the corporation will continue as a going concern for its next fiscal year. | ✓ |

The Board accepts responsibility for monitoring and supervising executive management and the induction of new or inexperienced directors. A comprehensive company information pack containing, for example, our committee charters, Articles of Association, corporate governance guidelines, the Toolkit for Directors (KPMG) and a reference guide on the JSE Listings Requirements, is provided to each new director. In addition, all non-executive directors have an open invitation to visit our operations at any time and attend management meetings at their discretion.

The Board has the authority to delegate matters – with the necessary written authority – to management. These matters are monitored and evaluated on a regular basis. The Board has unrestricted access to all Group information, records, documents and property. Board directors have access to management should they wish to discuss any matter separate from executive directors. If necessary, a Board member may take independent professional advice at the Group's expense.

## Internal control

The Board is ultimately responsible for ensuring that Harmony remains a going concern and that it thrives.

The Board retains full and effective control over Harmony by monitoring and supervising its executive management, being involved in all material decisions affecting Harmony and ensuring that adequate systems of financial and operational control are monitored. The procedures and systems which act as checks and balances on the provision/gathering of information are reviewed by the Board from time to time. Adequate budgets and plans exist against which performance is monitored.

The Sarbanes-Oxley (SOX) section 404 compliance project, which we embarked on in December 2004, has added tremendous value in ensuring that Harmony's controls are sound and that any deficiencies are addressed and the controls remedied. The project has four phases: scoping, review of documentation, testing and remediation. Although we have found some deficiencies in our controls, in terms of what is required by SOX, our remediation process is well underway, with controls currently being implemented.

## Self-assessment

The Board is required to conduct a self-assessment or self-evaluation annually. The Chairman is required to assess the performance of individual Board members and the Board is required to evaluate the Chairman, based on several factors, which include expertise, inquiring attitude, objectivity and independence, judgement, understanding of Harmony's business, understanding and commitment to the Board's duties and responsibilities, willingness to devote the time needed to prepare for and participate in committee deliberations, timely responses and attendance at meetings. An evaluation of Board members is currently being conducted.

## Directors' terms of employment

### Executive directors

Our executive directors have standard employee service agreements and all include a notice period of at least one month. Their employment letters do not make provision for pre-determined compensation on termination. The executive directors have waived their rights to directors' fees.

Executive directors participate in Harmony's share scheme and a discretionary executive profit share scheme, provided that in respect of the latter, certain profit targets (set by the Remuneration Committee) are achieved. The executive directors also benefit from pension contributions, life insurance and medical aid, the value of which is included in the salary details found on page 162.

The number of share options held by the executive directors during the financial year are detailed in the Directors' report on page 159.

### Non-executive directors

None of the non-executive directors have service contracts with Harmony. The non-executive directors are entitled to fees as agreed at Harmony's annual general meeting from time to time, reimbursement of out-of-pocket expenses incurred on Harmony's behalf and remuneration for other services, such as serving on committees. Currently, each non-executive director is entitled to R20 000 per quarter plus R5 000 per quarter for every committee he/she serves on. Frank Abbott is the only non-executive director who holds share options, which were awarded to him during his employ as an executive director and which will lapse on 30 June 2006. He has waived his right to directors' fees.

## Related parties

Patrice Motsepe was involved as a related party in the sale of Harmony's interest in African Rainbow Minerals Limited (ARM Limited). 14% of our holding in ARM Limited was sold to the ARM Broad-Based Economic Empowerment Trust of which Nomfundo Qangule and Frank Abbott are trustees.

We are not aware that any other director, or their families, had any interest, direct or indirect, in any transaction during the last financial year or in any proposed transaction with any company in the Harmony Group which has affected or will materially affect Harmony or its investment interests or subsidiaries.

## Rotation

The Articles of Association of Harmony provide that the longest serving one-third of directors retire from office at each annual general meeting. Retiring directors usually make themselves available for re-election and are re-elected at the annual general meeting at which they retire. At the next general meeting of shareholders, Cedric Savage, Frank Abbott and Patrice Motsepe will retire by rotation. All of these directors have made themselves available for re-election and summaries of their CVs appear on pages 126 to 129 of this report.

If a director is appointed to any Harmony executive office, his or her employment contract may provide that he or she shall be exempt from rotation for the lesser of (i) a period of five years or (ii) the period during which he or she continues to hold the relevant executive office. During the relevant period, the director in question shall not be taken into account in determining the retirement of directors by rotation. The number of directors who may be exempt from retirement by rotation in this manner shall not equal or exceed one half of the total number of the directors at the time of the relevant director's appointment. Currently, none of Harmony's directors are exempted from rotation under these provisions.

## Board committees

To enable the Board to properly discharge its onerous responsibilities and duties, certain responsibilities of the Board have been delegated to Board committees. The existence of committees does not, however, reduce such directors' overall responsibility and therefore all committees must report and make recommendations to the Board. All our Board committees are chaired by an independent non-executive director.

The various Board committees are as follows:

### Audit Committee

The Audit Committee was established to:

- assist the Board in discharging its duties relating to the safeguarding of assets, the operation of adequate systems and internal controls, control processes and the preparation of accurate financial reporting and statements in compliance with all applicable legal requirements, corporate governance and accounting standards.
- provide support to the Board on the risk profile and risk management of the group.

The Audit Committee reports and makes recommendations to the Board, but the Board retains responsibility for implementing such recommendations. The Audit Committee fulfills its responsibilities as set out in the Audit Committee Charter. The full charter is available on our website at www.harmony.co.za, and an extract is presented overleaf.

### Non-executive directors' attendance at Board and Board sub-committee meetings, FY05

| | Board | Audit | Nomination | Sustainable development | Remuneration | Investment |
|---|---|---|---|---|---|---|
| Number of meetings held | 6 | 5 | 1 | 3 | 2 | 3 |
| **Directors** | | | | | | |
| Patrice Motsepe (Chairman) | 6 | n/a | 1 | n/a | 2 | n/a |
| Frank Abbott* | 6 | 5 | n/a | n/a | n/a | 3 |
| Joaquim Chissano | 2 | n/a | n/a | n/a | n/a | n/a |
| Nolitha Fakude | 6 | n/a | 1 | 0 | n/a | n/a |
| Dr Simo Lushaba | 5 | 3 | n/a | n/a | n/a | 3 |
| Modise Motloba# | 5 | 4 | n/a | n/a | n/a | n/a |
| Rick Menell | 5 | n/a | n/a | 2 | n/a | n/a |
| Dr Morley Nkosi*** | 5 | n/a | n/a | n/a | n/a | n/a |
| Mike Pleming*** | 4 | 5 | n/a | 3 | 2 | 2 |
| Lord Robin Renwick of KCMG** | 1 | n/a | n/a | n/a | n/a | n/a |
| Cedric Savage | 5 | 5 | n/a | n/a | 2 | 3 |

* Although Frank Abbott is not a member of the Audit Committee, he is invited to attend due to his skills and expertise.
** Resigned on 17 October 2004
*** Retired on 30 June 2005
\# Appointed as member of the Sustainable Development Committee on 20 January 2005.
Note: Apologies were received from directors not able to attend the meetings.

# Audit Committee Charter

| | Duties and responsibilities | Compliance |
|---|---|---|
| General | • Review Group's strategic plan and strategic management process. | ✓ |
| | • Review accounting policies adopted by the group and any proposed changes to these. | ✓ |
| | • Review adequacy of insurance coverage. | ✓ |
| | • Review adequacy of disaster recovery and business resumption plans. | ✓ |
| | • Consider any other matters which may be referred to the Committee by the Board from time to time. | ✓ |
| | • Periodic review and update of the Charter, at least annually, or as conditions dictate. | ✓ |
| Risk management | • Facilitate risk assessments to determine the material risks to which the company may be exposed and to evaluate the strategy for managing those risks. | ✓ |
| | • Use the risk management strategy to prioritise and direct the audit effort, and to determine the skills required to manage these risks. | ✓ |
| | • Review and assess the reports issued in respect of strategic risks of the company. | ✓ |
| | • Review whether management effectively manages risks | ✓ |
| External audit | • Review and approve the fees and other compensation to be paid to the external auditor. On an annual basis, review and discuss with the external auditor all significant relationships the auditors have with the company to determine the auditor's independence. | ✓ |
| | • Approve any work to be done by the external auditor in respect of the Sarbanes Oxley Act, 2002, which does not fall within the normal scope of the audit. | ✓ |
| | • Periodically consult with the external auditor about internal controls and the completeness and accuracy of the group's financial statements. | ✓ |
| | • Review external audit reports to ensure that prompt action is taken by management in respect of those reports. | ✓ |
| | • Review any significant disagreement between management and the external auditor in connection with any external audit report. | ✓ |
| | • Evaluate the performance of the external auditor. | ✓ |
| Financial reporting process | • Evaluate the financial statements of the company for reasonability, completeness and accuracy, prior to issue and approval by the board. | ✓ |
| | • In consultation with the external auditors and the internal auditors, review the integrity of the company's financial reporting processes, both internal and external. | ✓ |
| | • Consider the external auditor's opinion about the quality and appropriateness of the company's accounting policies as applied in its financial reporting. | ✓ |
| | • Evaluate the performance of management in terms of financial reporting. | ✓ |
| | • Consider and approve, if appropriate, major changes to the company's auditing and accounting principles and practices as suggested by the external auditor, management, or the internal audit department. | ✓ |
| | • Pay particular attention to complex and/or unusual transactions | ✓ |
| | • Review the non-financial sections of the annual report before its release and consider whether the information is understandable and consistent with the members' knowledge about the company and its operations. | ✓ |

| | Duties and responsibilities (continued) | Compliance |
|---|---|---|
| Process improvement | • Establish regular and separate systems of reporting to the Audit Committee by senior management, the external auditor and the internal auditors regarding any significant judgements made and the view of each as to appropriateness of such judgements. | ✓ |
| | • Review with the external auditor, the internal auditing department and management the extent to which changes or improvements in financial / accounting practices or control environment, as approved by the audit committee, have been implemented. | ✓ |
| Ethical and legal compliance | • Review compliance with all laws, regulations, ethics, policies and rules. | ✓ |
| | • Review significant cases of employee conflicts of interest, misconduct, or fraud and the resolution of the cases. | ✓ |
| | • Review the internal audit's reports concerning any compliance reviews. | ✓ |
| | • Review periodically the company's code of conduct and ensure that management has established a system to enforce this code. | ✓ |
| | • Review management's monitoring of compliance with the company's code of conduct. | ✓ |
| | • Ensure that management has the proper review system in place to ensure that any activities, reports and other financial information disseminated meets legal requirements. | ✓ |
| | • Review with the company's counsel any legal matter that could have a significant impact on the company. | ✓ |
| Internal control | • Understand the company's key risk areas and the internal control structure. The Audit Committee monitors the control process through the results of audits executed by the internal and external audit functions. This includes internal and external audit reviews of the adequacy and effectiveness of the company's internal control structure, the quality of performance in carrying out assigned responsibilities, the extent to which resources are utilised in an efficient and economical manner and that programmes are carried out as planned. | ✓ |
| | • Report on the effectiveness of internal control in the annual report of the company. | ✓ |
| | • Consider how management is held to account for computer systems and contingency plans. | ✓ |
| Responsibilities related to the internal auditing function | • Concur with the appointment or removal of the internal audit company to whom the internal audit function has been outsourced. | ✓ |
| | • Review the activities, organisational structure, and qualifications of the internal audit department. | ✓ |
| | • Review internal audit plans, budgets and fees. | ✓ |
| | • Review the results of any audit work performed. | ✓ |
| | • Review any quality assurance reviews performed on the work of the internal audit department. | ✓ |
| | • Ensure internal audit complies with the relevant rules and regulations. | ✓ |
| | • Ensure that the internal audit company maintains its independence. | ✓ |
| | • Review and approve the internal audit reports to management and management's response. | ✓ |
| | • Evaluate whether senior management is communicating the importance of internal control and the management of risk. | ✓ |
| Reporting | The Audit Committee makes recommendations to the Board regarding any issues that may arise. | ✓ |

We believe that members of the committee are knowledgeable about the affairs of Harmony and have a working familiarity with basic finance and accounting practices. The Chief Executive, the Financial Director, the Financial Accountant, the Company Secretary and the Marketing Director are invited to each meeting to answer any questions posed by the members of the committee. Frank Abbott, a non-executive director, is also invited to every meeting owing to the skills and expertise he gained as a former financial director of Harmony.

Harmony does not have an individual "audit committee financial expert" as defined by the rules of the United States Securities and Exchange Commission (SEC) and in terms of SOX. However, Audit Committee members, through their collective experience, meet a majority of the definitions of the SEC for an "audit committee financial expert" in both the private and public sectors. The members have served as directors and officers of numerous public companies and have, over the years, developed extensive experience, knowledge and understanding of generally accepted accounting principles, and in overseeing the preparation, audit and evaluation of financial statements. Harmony believes that the combined knowledge, skills and experience of the Audit Committee, and its authority to engage outside experts as it deems appropriate to provide it with advice on matters related to its responsibilities, enable it, as a group, to act effectively in the fulfilment of its tasks and responsibilities required.

## Members of the Audit Committee are:

| Member | Independent non-executive | Period |
|---|---|---|
| Mike Pleming (chairman from 1 July 2004 to 30 June 2005)* | Yes | 1 July 2004 to 30 June 2005 |
| Modise Motloba | Yes | 30 July 2004 to date |
| Dr Simo Lushaba | Yes | 1 July 2004 to date |
| Cedric Savage (chairman from 5 August 2005 to date) | Yes | 1 July 2004 to date |

* Mike Pleming retired from the Board on 30 June 2005 and Cedric Savage accepted the position of chairman of the Audit Committee

The number of meetings and the members' attendance are shown in the table on page 135.

### Nomination Committee

The primary purpose of the Nomination Committee is to ensure that the procedures for appointments to the Board are formal and transparent, by making recommendations to the Board on all new Board appointments. The duties and responsibilities of this committee are set out in the Nomination Committee Charter which is available on our website, and an extract appears below.

## Nomination Committee Charter

| | Duties and responsibilities | Compliance |
|---|---|---|
| General | • Make recommendations to the Board on the appointment of new executive and non-executive directors, including alternate directors, making recommendations as to the composition of the Board generally and the balance between executive and non-executive directors. | ✓ |
| | • Regularly review the required mix of skills of the Board, experience and other qualities of the directors and alternate directors in order to assess the effectiveness of the Board as a whole, its committees and the contribution of each director. | ✓ |
| | • Regularly review the Board structure, size and composition and provide recommendations to the Board with regard to any adjustments deemed necessary. | ✓ |
| | • Perform annual performance evaluations of the directors. | ✓ |
| | • Establish the retirement age for executive and non-executive directors. | ✓ |
| | • Identify and nominate candidates for the approval of the Board, to fill Board vacancies as and when they arise and to put in place plans for succession – in particular for the chairperson and chief executive. | ✓ |
| | • Investigate the eligibility of new directors for appointment and their backgrounds, along the lines of the approach required for listed companies by the JSE, prior to their appointment. | ✓ |
| | • Recommend directors who are retiring by rotation to be put forward for re-election. | ✓ |
| | • The committee chairperson to attend the annual general meeting and be prepared to answer questions concerning the appointment of executive and non-executive directors. | ✓ |

The committee must consist of at least three members at all times. The members are required to meet annually or more often at its discretion, depending on the circumstances. The number of meetings and members' attendance are shown in the table on page 135.

## MEMBERS OF THE NOMINATION COMMITTEE ARE:

| Member | Independent non-executive | Period |
|---|---|---|
| Patrice Motsepe (chairman) | No | 1 July 2004 to date |
| Nolitha Fakude | Yes | 1 July 2004 to date |
| Lord Robin Renwick of KCMG* | Yes | 1 July 2004 – 17 October 2004 |
| Frank Abbott | No | 5 August 2005 to date |

* Resigned from the board on 17 October 2004.

### Remuneration Committee

The Remuneration Committee meets at least once a year and comprises three non-executive directors. The primary purposes of the Remuneration Committee are to ensure that the Group's directors and senior executives are fairly rewarded for their individual contributions to Harmony's overall performance, to demonstrate to all stakeholders that the remuneration of senior executive members of Harmony is set by a committee of Board members who have no personal interest in the outcomes of their decisions and who will give due regard to the interests of the shareholders and to the financial and commercial health of Harmony. The Remuneration Committee's primary objectives are to monitor and strengthen the objectivity and credibility of Harmony directors' and senior executives' remuneration system and to make recommendations to the Board on remuneration packages and policies applicable to directors.

Two meetings were held during the financial year, at which all the members were present. A Remuneration Committee Charter has been adopted, which sets out the objectives, role, responsibilities, authority, membership and meeting requirements of the committee. The Charter is available on the company's website. We believe that the members of the Remuneration Committee have duly exercised all the duties and responsibilities stipulated in its Charter. The number of meetings and the attendance of members is shown on page 135.

## MEMBERS OF THE REMUNERATION COMMITTEE ARE:

| Member | Independent non-executive | Period |
|---|---|---|
| Patrice Motsepe (chairman) | No | 1 July 2004 to date |
| Mike Pleming* | Yes | 1 July 2004 – 30 June 2005 |
| Cedric Savage | Yes | 1 July 2004 to date |
| Simo Lushaba | Yes | 5 August 2005 to date |

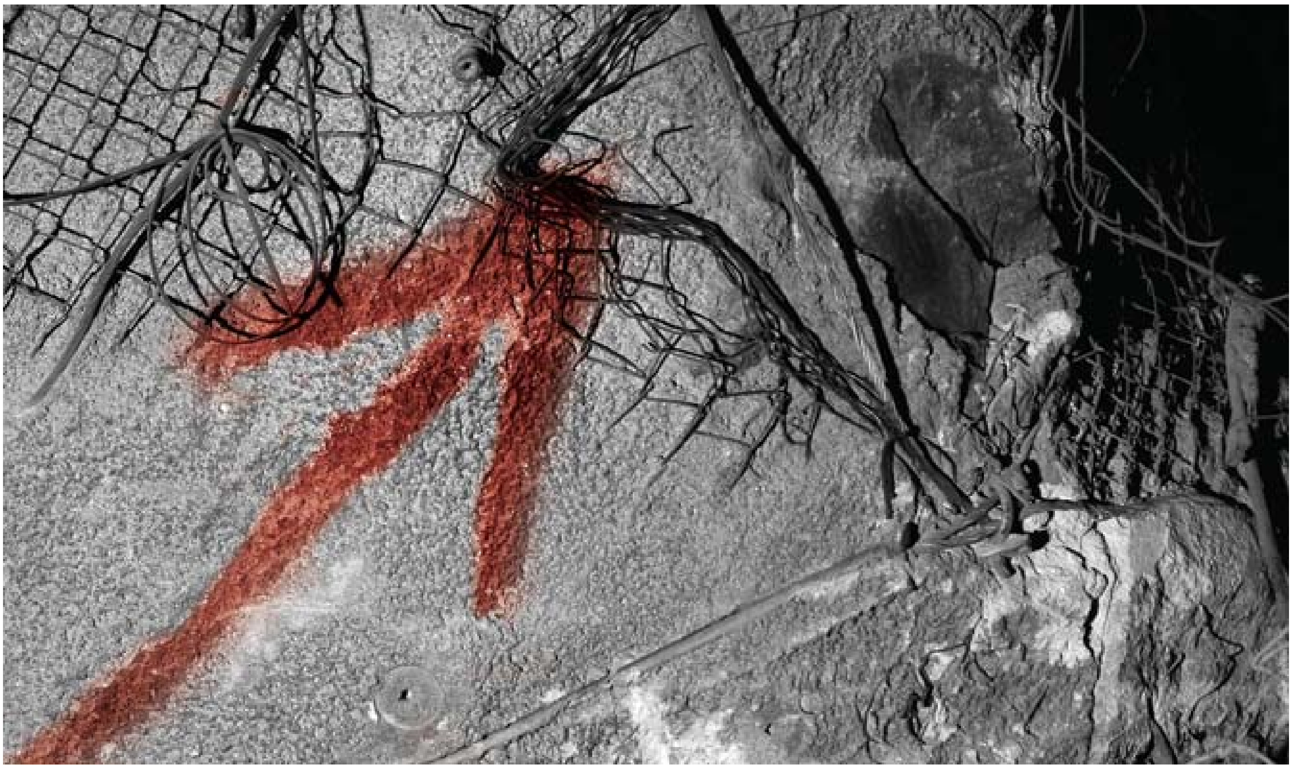
* Retired from the board on 30 June 2005.

### Sustainable Development Committee

The objective of the Sustainable Development Committee (SDC) is to assist the Board in ensuring that Harmony is and remains a committed, socially responsible, corporate citizen. The committee's primary role is to supplement, support, advise and provide guidance on the effectiveness or otherwise of management's efforts in respect of sustainable development. The committee regards sustainable development issues as being the following:

- health
- HIV/AIDS
- safety
- social investment
- environmental management

The SDC has fulfilled the following responsibilities as stipulated in the SDC Charter which is available on our website. An extract from the Charter appears overleaf:



## Sustainable Development Committee Charter

| Duties and responsibilities | Compliance |
| --- | --- |
| • Guide management in developing the framework, policies and guidelines for safety, health, social investment, HIV/AIDS and environmental management; | ✓ |
| • Review the policies and performance in respect of sustainable development of the company, its divisions and its managed subsidiaries and the progressive implementation of its policies; | ✓ |
| • Monitor key indicators on accidents and incidents and, where appropriate, ensure that they are communicated to other companies managed by or associated with the company; | ✓ |
| • Consider material national and international regulatory and technical developments in the fields of safety, health, social, HIV/AIDS and environmental management; and | ✓ |
| • Support management's facilitated participation, co-operation and consultation on safety, health, social, HIV/AIDS and environmental matters with government, industry, national and international organisations and institutions. | ✓ |

The SDC meets at least four times a year, or more frequently as circumstances dictate. Four meetings were held during the year which were attended by a majority of the members. (See the attendance table on page 135.)

### MEMBERS OF THE SUSTAINABLE DEVELOPMENT COMMITTEE ARE:

| Member | Independent non-executive | Period |
| --- | --- | --- |
| Dr Morley Nkosi (chairman from 30 July 2004 to 30 June 2005)* | Yes | 1 July 2004 to 30 June 2005 |
| Nolitha Fakude | Yes | 1 July 2004 to date |
| Rick Menell | No | 1 July 2004 to date |
| Modise Motloba (chairman from from 5 August 2005 to date)** | Yes | 5 August 2004 to date |
| Mike Pleming*# | Yes | 1 July 2004 to 30 June 2005 |

* Retired from the Board on 30 June 2005.
** Modise Motloba accepted the position of chairman of the Sustainable Development Committee on 5 August 2005.
\# Served as chairman until 29 July 2004.

## Employment Equity Committee

The Employment Equity Committee was established by the Board to ensure that the company meets not only the employment equity regulations stipulated in the Labour Relations Act and in the Mineral and Petroleum Resources Development Act's Mining Charter Scorecard, but also fulfils Harmony's own empowerment credentials. The primary purpose of the Employment Equity Committee is to provide guidance to management in developing and implementing a competitive human resource strategy to ensure that Harmony is able to attract, retain and develop the best possible talent to support superior performance.

The committee is required to meet at least once a year or more often should the need arise. No committee meeting was held during FY05, although employment equity issues were addressed by the Board. The number of meetings and the attendance of members are shown on page 135. The Employment Equity Committee Charter is available on our website and an extract appears below.

## Employment Equity Committee Charter

| Duties and responsibilities | Compliance |
|---|---|
| • Ensure that a sustainable organisational culture, structures and processes are in place to support the development of employees and optimise their potential, in line with the company's needs and requirements; | ✓ |
| • Audit, monitor and review the development and progress of the employees of the company; | ✓ |
| • Address inequalities that may exist in staff profiles and organisational practices; | ✓ |
| • Review and monitor whether appropriate support is given to previously disadvantaged staff in order to equip them for successful careers in the company. | ✓ |

## MEMBERS OF THE EMPLOYMENT EQUITY COMMITTEE ARE:

| Member | Independent non-executive | Period |
|---|---|---|
| Nolitha Fakude (chairman) | Yes | 1 July 2004 to 30 June 2005 |
| Modise Motloba | Yes | 30 July 2004 to 30 June 2005 |
| Rick Menell | No | 1 July 2004 to 30 June 2005 |

## Investment Committee

The Investment Committee was established in January 2004 to focus on major capital projects and acquisitions. The primary purpose of the Investment Committee is to ensure that capital projects have been adequately budgeted for, due diligence and any other required procedures for mergers and acquisitions have been followed and cognisance has been taken of BEE requirements. The Investment Committee consists of four non-executive members, of which two are independent. The Committee meets at least once a year, but may, at its discretion, meet more often depending on circumstances. The terms of reference of the Investment Committee set out the purpose, responsibilities and duties, authority, membership and meetings of the committee. The number of meetings and the attendance of members are shown on page 135. The Investment Committee Charter is available on our website; an extract appears below.

## Investment Committee Charter

| Duties and responsibilities | Compliance |
|---|---|
| • Consider the viability of the capital project and/or acquisition and the effect it may have on the company. | ✓ |
| • Make recommendations to the Board as to whether the capital project/acquisition should proceed. | ✓ |
| • Audit and monitor the development and progress of BEE investments. | ✓ |
| • Ensure that due diligence procedures have been followed. | ✓ |
| • Review due diligence procedures at least annually. | ✓ |

## MEMBERS OF THE INVESTMENT COMMITTEE ARE:

| Member | Independent non-executive | Period |
|---|---|---|
| Cedric Savage (chairman from 1 June 2004 to 4 August 2005) | Yes | 1 July 2004 to date |
| Dr Simo Lushaba (chairman from 5 August 2005) | Yes | 5 August 2005 to date |
| Mike Pleming * | Yes | 1 July 2004 to 30 June 2005 |
| Frank Abbott | No | 1 July 2004 to date |

* Retired from Board on June 2005.

During FY05, members of the Investment Committee met three times to make recommendations to the Board as to the merits of the Gold Fields bid. The number of meetings and the attendance of members are shown on page 135.

### Company Secretary

Harmony's Company Secretary, Marian van der Walt, plays a pivotal role in the achievement of good corporate governance and the Board has empowered her accordingly. The Company Secretary supports the Chairman in:

- ensuring the effective functioning of the Board;
- providing guidance to the Chairman and the Board and the directors of Harmony's subsidiaries on their responsibilities and duties within the prevailing regulatory and statutory environment;
- providing the Board with guidance as to how they can, in the best interests of Harmony, discharge these responsibilities and duties; and
- raising matters that may warrant the attention of the Board.

The Company Secretary also ensures compliance with all relevant statutory and regulatory requirements, having due regard for the specific business interests of Harmony. In addition, she assists in carrying out corporate strategies by ensuring that the Board's decisions and instructions are clearly communicated to the relevant persons, and is available to provide a central source of guidance and advice within Harmony on matters of ethics and good governance.

### Executive Committee

The following committees, which meet either weekly, bi-weekly or once a month, exist within the Executive team:

| Committee name | Dealing with: |
|---|---|
| Growth and Investment Committee | Capital projects, new business and other investment opportunities. A meeting is held every two weeks. |
| Change Management Steering Committee | Best practice, operational improvement, change management and employee development. This committee meets every week. |
| Operational Review Committee | Overseeing the execution of detailed shaft plans, employee relations, procurement, costs, cash flows. Meets every week. |
| IBANDLA (which means meeting of leaders) | All operational issues and safety. This meeting is held monthly and is attended by our mine managers, the Chief Executive and the Financial Director. |

# Risk management

Harmony's risk management strategy involves the integration of risk management principles into our business processes to ensure that, on a daily basis, all strategic and operational decisions are risk-based. A significant element of risk management is the prioritising of actions according to the level of risk so that managers can prioritise and allocate resources on a constant, objective and firm basis.

The gross exposure is the total potential negative impact (financial and other) in respect of a specific hazard or risk, assuming that all active risk control measures are ineffective.

The focus of risk management is on identifying, assessing, managing and monitoring all known forms of risk across all business units. We endeavour to minimise operating risk by ensuring that the appropriate infrastructure, control systems and people are in place throughout Harmony.

Harmony's operations are subject to the provisions of numerous South African acts and the regulations promulgated thereunder, the principal acts being the MPRDA and the Mine Health and Safety Act. The provisions of these acts and regulations require that extensive and well-managed risk-control initiatives are an integral part of Harmony's operations.

A risk register has been implemented to determine the material risks to which Harmony may be exposed.

Harmony has completed an evaluation of enterprise risk which has resulted in the identification and grading of the top risks in terms of severity, value and our ability to control these risks. An enterprise risk management system is being implemented across the company.

Phase 1 – Enterprise risk management as an extension of our audit and regulatory compliance processes

Phase 2 – Linking quantified risk to capital allocation and risk transfer decisions

Phase 3 – Operational assessment and response to strategic risk

Phase 4 – Operational assessment and response to small risks that can be prevented

Enterprise risk management is not limited to one event or circumstance. It is a dynamic process that unfolds over time and permeates every aspect of an organisation's resources and operations. It involves people at every level and requires applying a portfolio view of risk across an entire enterprise. By embedding risk management techniques in all of its day-to-day activities, the company is better equipped to identify events affecting its goals and to manage risks in ways that are consistent with its risk appetite.

Action plans have been developed and prioritised to minimise the risks to an acceptable level: for example, the use of a toll-free line for whistle-blowing was introduced in 2003 and open communication between employees and management is encouraged.

A succession plan is also in place, should circumstances exist that may have a substantial influence on our management structure.

# Risk factors

The following risk factors have been identified as part of Harmony's risk management process. Harmony has put in place measures to limit and mitigate against these risks as far as this is possible and practicable.

The risks identified by Harmony are reported in the company's Form 20F which is filed with the US Securities Exchange Commission. Although we are not required to report these risks in our annual report, we have done so in the interests of comprehensive and good disclosure. The risks identified have not been prioritised.

**1. 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 operating 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 industrial uses and for use in jewellery;

- international or regional political and economic trends;
- the strength or weakness of the US dollar (the currency in which gold prices generally are quoted) and of other currencies. Gold is sold throughout the world in US dollars, but the majority of Harmony's cash operating costs are incurred in South African rand. As a result, any significant and sustained appreciation of the rand against the US dollar will serve materially to reduce Harmony's rand revenues and overall net income. The rand has appreciated significantly against the US dollar since the end of calendar year 2001, following a significant depreciation against the US dollar between 1997 and 2001. Harmony's operating environment has been severely influenced by the strong rand, which has impacted the company's short-term profitability.
- financial market expectations regarding the rate of inflation. Harmony's operations have been materially affected by inflation in recent years. Even though the inflation rate has decreased over the last year, cash operating 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

## Gold price per ounce

| Year | High | Low | Average |
|---|---|---|---|
| 1995 | 396 | 372 | 384 |
| 1996 | 415 | 367 | 388 |
| 1997 | 367 | 283 | 331 |
| 1998 | 313 | 273 | 294 |
| 1999 | 326 | 253 | 279 |
| 2000 | 313 | 264 | 282 |
| 2001 | 293 | 256 | 271 |
| 2002 | 332 | 278 | 309 |
| 2003 | 412 | 322 | 361 |
| 2004 | 427 | 343 | 389 |
| 2005 (as at 1 Sept) | 445 | 435 | 440 |

condition could be also affected adversely in the absence of a concurrent devaluation of the rand and an increase in the price of gold.

- interest rates;
- speculative activities.
- actual or expected purchases and sales of gold bullion holdings by central banks or other large gold bullion holders or dealers. Over the past several years, one of the most important factors influencing the gold price has been actual or expected sales of gold reserves by central banks. Any future sales or publicly announced proposed sales by central banks of their gold reserves are likely to result in a decrease in the price of gold.
- forward sales by gold producers. Harmony is exposed to the impact of any significant drop in the gold price. Harmony normally does not enter into forward sales, derivatives or other hedging arrangements to establish a price in advance for the sale of its future gold production. In general, hedging in this manner reduces the risk of exposure to volatility in the gold price. Due to the fact that Harmony does not establish a future price for gold through hedging arrangements, Harmony can realise the positive impact of any increase in the gold price. However, this also means that Harmony is not protected against decreases in the gold price and if the gold price decreases significantly, Harmony runs the risk of reduced revenues in respect of gold production that is not hedged.
- the production and cash operating cost levels for gold in major gold-producing nations, such as South Africa, the rest of Africa and Australia.

In addition, the current demand for and supply of gold affects the price of gold, but not necessarily in the same manner as current demand and supply affect the prices of other commodities. Historically, gold has retained its value in relative terms against basic goods in times of inflation and monetary crises. 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 table above, which shows the annual high, low and average of the afternoon London Bullion Market fixing price of gold in US dollars for the past 10 years:

On 30 June 2005, the afternoon fixing price of gold on the London Bullion Market was \$437 per ounce. On 1 September 2005, the afternoon fixing price of gold on the London Bullion Market was \$443 per ounce. While the aggregate effect of these factors is impossible for Harmony to predict, if gold prices should fall below Harmony's cash operating 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 operating cost of production per ounce of gold sold was approximately \$412 in fiscal 2005, \$362 in fiscal 2004 and \$242 in fiscal 2003.

**2 Harmony's gold reserve figures are estimated based on a number of assumptions, including assumptions as to mining and recovery factors, future cash operating costs 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 operating costs of production, remaining investment and anticipated additional capital expenditures. Harmony 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 operating costs, future gold prices and, because of the fact that Harmony's gold sales are primarily in US dollars and Harmony incurs most of its cash operating costs in rands, on the exchange rate between the rand and the US dollar and, in the case of Harmony's Australian operations, the Australian dollar. As a result, the reserve estimates contained in the 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 future need to revise these estimates. In particular, if Harmony's cash operating costs increase (whether in rand terms, in Australian dollar terms, or in relative terms due to the appreciation of the rand or the Australian dollar against the US 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.

As at 30 June, 2005, Harmony's mining operations reported total proven and probable reserves of 54.1 million ounces. If Harmony is unable to acquire additional gold producers or generate additional proven and probable reserves at Harmony's existing operations or through its exploration activities, Harmony cannot be certain that it will be able to expand or replace its current production with new reserves in an amount sufficient to its mining operations beyond the current life of its reserves.

**3 Part of Harmony's strategy is to make additional acquisitions.**

In order to increase Harmony's gold production and to acquire additional reserves, Harmony continuously explores opportunities to expand its production base by acquiring selected gold producers and mining operations. However, Harmony cannot guarantee that:

- it will be able to identify appropriate acquisition candidates or negotiate acquisitions on favourable terms;
- it will be able to obtain the financing necessary to complete future acquisitions; or
- the issuance of Harmony's ordinary shares or other securities in connection with any future acquisition will not result in a substantial dilution in ownership interests of holders of Harmony's ordinary shares.

**4 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;
- identifying the metallurgical properties of orebodies;
- estimating the economic feasibility of mining orebodies;
- developing appropriate metallurgical processes;
- obtaining necessary governmental permits; and
- constructing mining and processing facilities at any site chosen for mining.

Harmony's exploration efforts might not result in the discovery of mineralisation and any mineralisation discovered might not result in an increase in 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 mineralisation discovered through exploration in Australasia. 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 operating costs.

Actual cash operating costs, production and economic returns may differ significantly from those anticipated by Harmony's feasibility studies. Moreover, it can take a number of years from the 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 labour, power, water and other materials;
- the accessibility of transportation and other infrastructure, particularly in remote locations;
- the availability and cost of smelting and refining arrangements; and
- the availability of funds to finance construction and development activities.

Harmony has addressed growth through the recent expansion of its exploration activities. The company currently maintains a range of focused exploration programs, concentrating on areas not too distant from its operation mines, as well as a number of prospective known gold mineralised regions around the world. During FY05, the bulk of exploration expenditure was allocated to activities in Australia, Papua New Guinea (PNG), Peru and South Africa with subordinate expenditure in West Africa. In FY06, Harmony intends to carry out exploration in South Africa, West and East Africa, Australia, Latin America and PNG.

In addition, Harmony has undertaken a comprehensive target generation program in Peru, supported by surface sampling programmes.

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.

**5 Harmony may experience problems in managing new acquisitions and integrating them with its existing operations.**

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

- 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.

Any difficulties or time delays in achieving successful integration of new acquisitions could have a material adverse effect on Harmony's business, operating results, financial condition and share price. Although this is a risk, Harmony's focus on the coming year will largely be on exploration.

**6 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 operating costs 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;
- accidents; and
- other conditions resulting from drilling, blasting and the removal and processing of material from a deep-level mine.

Hazards associated with open cast mining (also known as open pit mining) include:

- flooding of the open pit;
- collapse of the open pit walls;
- accidents associated with the operation of large open 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; 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 operating costs and result in liability.

**7 Harmony's land and mineral rights in South Africa could be subject to land restitution claims which could impose significant costs and burdens.**

Harmony's privately held land and mineral rights could be subject to land restitution claims under the South African Restitution of Land Rights Act 1994, or the Land Claims Act. Under this Act, any person who was dispossessed of rights to land in South Africa as a result of previous discriminatory laws or practices without payment of just and equitable compensation is granted certain remedies, including the restoration of the land. Under the Land Claims Act, persons entitled to institute a land claim were required to lodge their claims by 31 December, 1998. Harmony has not been notified of any land claims, but any claims of which it is notified in the future could have a material, adverse effect on Harmony's right to the properties to which the claims relate and, as a result, on Harmony's business, operating results and financial condition.

The South African Restitution of Land Rights Amendment Act 2004, or the Amendment Act, became law on 4 February 2004. Under the Land Claims Act, the Minister for Agriculture and Land Affairs, or the Land Minister, may not acquire ownership of land for restitution purposes without a court order unless an agreement has been reached between the affected parties. The Amendment Act, however, entitles the Land Minister to acquire ownership of land by way of expropriation either for, or, in respect of land as to which no claim has been lodged but the acquisition of which is directly related to or affected by a claim, the acquisition of which would promote restitution to those entitled or would encourage alternative relief to those not entitled.

Expropriation would be subject to provisions of legislation and the South African Constitution which provides, in general, for just and equitable compensation. There is, however, no guarantee that any of Harmony's privately held land rights could not become subject to acquisition by the state without Harmony's agreement, or that Harmony would be adequately compensated for the loss of its land rights, which could have a negative impact on Harmony's South African operations and therefore an adverse effect on its business, operating results and financial condition.

**8 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 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.

**9 The socio-economic framework in the regions in which Harmony operates may have an adverse effect on Harmony's operations and profits.**

It remains cumbersome to predict the future political, social and economic direction of any of the countries we operate in, be it South Africa, Australia, PNG or any other country, and the impact government decisions may have on Harmony's business.

**10 Harmony's financial flexibility could be materially constrained by exchange control regulations as imposed by the South African Reserve Bank.**

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 or to hold foreign currency without the approval 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 utilise profits of one foreign business to finance operations of a different foreign business.

These restrictions could hinder Harmony's normal corporate functioning. Exchange controls have, however been relaxed in recent years.

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

Despite the history of positive and constructive engagement with the unions, there are periods during which the various stakeholders are unable to agree on dispute resolution processes. Disruptive activities on the part of labour, which normally differ in intensity, then become unavoidable. Due to the high level of union membership among Harmony's employees, Harmony is at risk of having, and has experienced in the past, production stoppages for indefinite periods due to strikes and other labour disputes. Significant labour disruptions may have a material, adverse effect on our operations and financial condition and we are not able to predict whether we will experience significant labour disputes in the future.

Our production may also be materially affected by labour laws. Since 1995, South African labour law has changed significantly in ways that affect Harmony's operations. In particular, laws enacted since then which regulate work time, provide for mandatory compensation in the event of termination of employment for operational reasons, and impose large monetary penalties for non-compliance with administrative and reporting requirements in respect of affirmative action policies, could result in significant costs. In addition, future South African legislation and regulations relating to labour may further increase our cash operating costs or alter our relationship with our employees. Harmony may continue to experience significant changes in labour law in South Africa over the next several years.

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

The incidence of HIV/AIDS in South Africa, 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 significant increases in the incidence of HIV/AIDS infection and HIV/AIDS-related diseases among the workforce over the next several years may have an adverse impact on Harmony's operations 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 current estimates.

**13 The cost of occupational healthcare services may increase in the future.**

Occupational healthcare services are available to Harmony's employees from its existing healthcare facilities. There is a risk that the cost of providing such services could increase in future depending on changes in the 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 interventions 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.

**14 Changes in laws governing mineral rights ownership in South Africa.**

On 1 May 2004, the South African Mineral and Petroleum Resources Development Act 2002, or Minerals Act, became effective. The principal objectives set out in the Act are:

- to recognise 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 the State's custodianship of the nation's mineral and petroleum resources;
- to promote equitable access to South Africa's mineral and petroleum resources to all the people of South African and redress the impact of past discrimination;
- 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;
- to follow the principle that mining companies keep and use their mineral rights, with no expropriation and with guaranteed compensation for mineral rights; and
- to ensure that holders of mining and production rights contribute towards the socio-economic development of areas in which they are operating.

Under the Act, tenure licences over established operations will be secure for 30 years (and renewable for 30 years thereafter), provided that mining companies obtain new licences over existing operations within five years of the date of enactment of the Act and fulfill requirements specified in the Broad-Based Socio-Economic Empowerment Charter for the South African mining industry, or the Mining Charter.

The principles contained in the Mining Charter relate to the transfer of 26% of South Africa's mining assets to historically disadvantaged South Africans (HDSAs) over a 10-year period, as defined in the Mining Charter. Under the Mining Charter, the South African mining industry has committed to securing financing to fund participation by HDSAs for an amount of R100 billion within the first five years of the Mining Charter's tenure. The Mining Charter provides for the review of the participation process after five years to determine what further steps, if any, are needed to achieve the 26% target participation. The Mining Charter requires programmes for black economic empowerment and the promotion of value-added production, such as jewellery-making and other gold fabrication, in South Africa. The Mining Charter also sets out targets for broad-based black economic empowerment in the areas of human resources, skills development, employment equality, procurement and beneficiation. In addition, the Mining Charter addresses other socio-economic issues, such as migrant labour, housing and living conditions.

Harmony actively carries out mining and exploration activities in all of its material mineral rights areas. Three of Harmony's operations have been granted their mining licences and applications have been submitted for the balance. We will be eligible to apply for new licences over existing operations, provided that we comply with the Mining Charter. Harmony has taken steps to comply with the expected provisions of the Mining Charter, such as promoting value-added production, exploring black empowerment initiatives and increasing worker participation. We expect compliance with the Mining Charter to lead to increased cash operating costs, which may have an adverse impact on the profits generated by Harmony's operations in South Africa.

The Act also makes reference to royalties payable to the state in terms of an Act of Parliament, known as the Money Bill, which was made available for public comment. The introduction of the Money Bill will have an adverse impact on profits generated by Harmony's operations in South Africa. In 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 government based on production. There are, however, limited areas where government has 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 Australasian operations belong to the Australian and PNG governments and are subject to royalty payments. In addition, current Australian law generally requires native title approval to be obtained before a mining licence 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 licences prior to the start of mining, and that process could require native title approval. There can be no assurance that any approval would be received.

15 **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 operating costs of production arising from compliance with South African environmental laws and regulations. The Minerals Act, 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 authorisation in South Africa, Harmony will remain liable for compliance with the provisions of the Minerals Act, 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 regulation. 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.

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 Minerals Act, 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 groundwater systems and the duty to rehabilitate closed mines, may result in additional costs and liabilities.


Harmony's Australian 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.

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

It is the current policy of Harmony's Board to declare and pay cash dividends 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 profit of Harmony. No assurance can be given that cash dividends will be paid in the future, although current growth initiatives may well result in dividend payments in the future.

**17 Harmony's non-South African shareholders face additional investment risk from currency exchange rate fluctuations since any dividends will be paid in rands.**

Dividends or distributions with respect to Harmony's ordinary shares have historically been paid in rands. The US 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. In fiscal 2005, the value of the rand relative to the US dollar decreased by an average of 7.06%.

**18 Because Harmony has a significant number of outstanding options, Harmony's ordinary shares are subject to dilution.**

On 30 June 2005, Harmony had an aggregate of 1 200 000 000 ordinary shares authorised to be issued and, at that date, an aggregate of 393 341 194 ordinary shares were issued and outstanding. Harmony also has employee share option schemes. The employee share option schemes came into effect in 1994, 2001 and 2003 respectively. At 30 June 2005, options to purchase a total of 18 213 084 ordinary shares were outstanding. The exercise prices of these options vary between R22.90 and R93.00. As a result, shareholders' equity interests in Harmony are subject to dilution to the extent of the future exercises of the options.

19 **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 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 recognised by South African law with reference to the jurisdiction of foreign courts;
- the judgment is final and conclusive (that is, it cannot be altered by the court which pronounced it);
- the judgment has not lapsed;
- the recognition and enforcement of a judgment by South African courts would not be contrary to public policy, including observance of the rules of natural justice which require that documents initiated in the United States 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.

It is the policy of South African courts to award compensation for the loss or damage actually sustained by the person to whom the compensation is awarded. Although the award of punitive damages is generally unknown to the South African legal system, that does not mean that such awards are necessarily contrary to public policy. Whether a judgment was contrary to public policy depends on the facts of each case. Exorbitant, unconscionable, or excessive awards will generally be contrary to public policy. South African courts cannot enter into the merits of a foreign judgment and cannot act as a court of appeal or review over the foreign court. South African courts will usually implement their own procedural laws and, where an action based on an international contract is brought before a South African court, the capacity of the parties to the contract will usually be determined in accordance with South African law.

It is doubtful whether an original action based on United States federal securities laws may be brought before South African courts. A plaintiff who is not resident in South Africa may be required to provide security for costs in the event of proceedings being initiated in South Africa. Furthermore, the Rules of the High Court of South Africa require that documents executed outside South Africa must be authenticated for the purpose of use in South Africa.

## Code of ethics

The continued success of Harmony depends on the highest levels of integrity across all sectors of our business. We would like all our stakeholders to view Harmony as the company they can trust; we are therefore unequivocal about our values and the way in which these values find expression in our daily behaviour.

The Harmony Code of Ethics has been developed to respond to the challenge of ethical conduct in a business environment.

All our employees were involved in the development of the code, and therefore all employees are expected to comply with its contents. (The term employees is used in the broadest sense and includes all staff with whom a service contract exists, including management, non-management, directors, contractors, consultants and temporary staff.)

Harmony acknowledges the constitution of South Africa as the supreme law of the country, and commits itself to abide by this and all existing legislation. We have also committed the company to sound corporate governance. However, the Code of Ethics goes beyond our legal and institutional responsibilities by formalising our values within Harmony. The purpose of the code is to guide our employees' behaviour, not to provide specific answers to every conceivable situation in the workplace. Our Code of Ethics can be viewed on our website: www.harmony.co.za. Harmony's Whistle blower's line called Khuluma Crime line is available on the toll free number – 0800 811 811.

Our internal Security Department provides a 24-hour service to the company to attend to fraudulent matters reported. The primary task of our Security Department is to protect our gold. A total of R19 500 820 was recovered through white collar crime recoveries during FY05. A further R2 295 294 worth of gold bearing material was also recovered during the year. Recovery statistics for the last quarter of FY05 were audited by internal auditors as part of the internal audit plan and found to be correct. Our White Collar Crime Committee meets every week to discuss matters such as fraud, non-compliance with the Code of Ethics and the identification and elimination of any opportunities to commit fraud in our financial and logistic systems. A report on fraud is submitted to the Audit Committee on a quarterly basis. We are continuously busy with operations to combat illegal mining in our group and have had significant successes in the recovery of gold illegally mined by criminal miners in the past year.

## Restrictions on share dealings

Harmony employees and directors are prohibited from dealing in Harmony shares during price-sensitive periods. Our Company Secretary regularly distributes written notices, via e-mail, to advise employees and directors of restricted periods. Each employee is obliged, in terms of regulatory and governance requirements, to disclose any dealings in Harmony shares by them or their concert parties, to the Company Secretary. Harmony has also implemented a formal clearance procedure in respect of directors dealing in Harmony shares and has an Insider Trading Policy in place that is applicable to directors and employees.

## Internal control and internal audit

Harmony has established an internal audit function, which has been outsourced to KPMG Management Assurance Services. Internal Audit is an independent appraisal function established by the Board to evaluate the adequacy and effectiveness of controls, disciplines, systems and procedures, within Harmony, in order to reduce business risks to an acceptable level in a cost-effective manner. In achieving its independent organisational status, Internal Audit reports to the Audit Committee. The relationship between the Audit Committee and the Internal Audit Function encompasses reporting and oversight relationships.

Audits are conducted in accordance with the Code of Ethics and Standards of the Professional Practice of Internal Auditing as laid down by the Institute of Internal Auditors, Inc. Although the role of Internal Audit is to review internal controls, systems, procedures, risks etc., management, and ultimately the Board retains full responsibility for ensuring that Harmony maintains an appropriate framework of controls to reduce business risks to an acceptable level. Except for minor matters, the Board is satisfied that Harmony's internal controls are more than adequate in safeguarding our assets, preventing and detecting errors and fraud, ensuring the accuracy and completeness of accounting records and preparing reliable financial statements.

## Worker participation

We have worker participation structures in place to deal with issues that affect employer/employee relations by encouraging open communication, consultation and the identification and resolution of conflicts through workplace forums. These structures deal with issues relating to productivity, career security, legitimacy (interaction with labour in accordance with regulations and legislation) and identification with the company. Harmony is committed to maintaining a positive relationship with unions and associations.

## Record keeping

Accurate and reliable records of many kinds are necessary to meet Harmony's legal and financial obligations and to manage the affairs of Harmony. Harmony's records reflect all business transactions in an accurate and timely manner. Undisclosed or unrecorded revenues, expenses, assets or liabilities are not permissible, and employees responsible for accounting and record-keeping functions are expected to be diligent in enforcing proper practices.

Information necessary for Harmony's business is reliable and accurate and its confidentiality maintained. Only reputable and reliable sources are used to supplement this information. Information is retained for as long as it is needed or as required by law, and every employee realises his/her responsibility to ensure that such information is physically secured and protected.

## Promotion of Access to Information Act

Harmony complies with the Access to Information Act, 2 of 2000. All Harmony's shareholders and stakeholders have access to the information manual via our website.

## External audit

Non-audit services provided by our external auditors and approved by the Audit Committee are:

- assistance with SOX implementation;
- permissable taxation services; and
- limited transaction support.

The Chairman of the Audit Committee has been mandated, in conjunction with management, to approve the non-audit services provided by the external auditors. These services are ratified at each Audit Committee meeting.

## Sustainable Development Report

Harmony's Sustainable Development Report for FY2005 may be found on pages 82 to 121 of this report. As recommended by King II, Harmony has adopted the Global Reporting Initiative (GRI) guidelines as a basis for its reporting on sustainable development. Harmony is supportive of the principles embodied within GRI, and has adopted an incremental approach towards reporting in line with these guidelines. An index indicating those areas on which we are reporting this year, those areas where the systems are not currently in place for reporting and the areas that are not applicable to the company can be found on pages 117 to 121 of this report. As a South African company, Harmony also reports on its compliance with the MPRDA's Mining Charter Scorecard. All of the issues dealt with in the Scorecard are covered in the Sustainable Development section of our report, and a charter index appears on pages 120 to 121.

# The Sarbanes-Oxley Act of 2002

## Section 302

In terms of section 302 of SOX, our Chief Executive and Chief Financial Officer are required to certify, and do hereby certify, that:

- they have reviewed the annual report;
- based on their knowledge, the report contains no material misstatements or omissions;
- based on their knowledge, the financial statements and other financial information included in the annual report, fairly presents in all material respects the financial condition, results of operations and cash flows of the issuer (being Harmony) for the periods presented in this report;
- they are responsible for establishing and maintaining internal controls and procedures, and have properly designed and evaluated them;
- they have advised their auditors and Audit Committee of all significant deficiencies; and
- they have identified any significant changes in internal controls in the report.

## Section 404

Section 404 requires management to develop and monitor procedures and controls to make its required assertion about the adequacy of internal controls over financial reporting, as well as the required attestation by an external auditor of management's assertion.

In order to comply with section 404 of the Act Harmony's management has developed and is in the process of implementing an effective and efficient assessment process to manage reporting obligations in a way that will ensure public trust.

The section 404 assessment process entails the following:

| Phase | Progress |
|---|---|
| Phase 1: Scoping | • The scoping of significant accounts, disclosures and processes, which have an impact on the financial statements, is complete. |
| Phase 2: Documentation | • The documentation phase is nearing completion.<br>• Each documented process was reviewed at Control Group meetings held with the process owners. Thereafter, the Technical Review members reviewed the documented processes to establish whether internal controls were properly designed. |
| Phase 3: Testing and Remediation | • The processes for testing operating effectiveness have started.<br>• The testing results will be reviewed at Technical Review meetings to be held throughout the testing period<br>• Testing and remediation are done simultaneously and all design and operating effectiveness deficiencies are being addressed. |
| Phase 4: Reporting | • Harmony's Chief Executive and Chief Financial Officer will be required to confirm that the internal controls in Harmony are adequate and do not result in any material misstatements in the annual report in FY2007. |

We anticipate the finilisation of the section 404 compliance project by the end of 2005. Although the prescriptions of SOX are much publicised in the United States, Harmony has always subscribed to honest, transparent and timeous reporting.

# Significant ways in which Harmony's corporate governance practices differ from practices followed by US companies listed on the NYSE under Section 303A.11 of the New York Stock Exchange Listed Company Manual (the NYSE Listing Standards).

Foreign private issuers, such as Harmony must briefly highlight any significant ways in which their corporate governance practices differ from those followed by US-listed companies under the NYSE Listing Standards.

Harmony's South African corporate governance practices differ from the requirements of the NYSE Listing Standards relating to US-listed companies and set out below is a brief, general summary of the significant differences:

The NYSE Listing Standards require US-listed companies to have a nominating/-corporate governance committee composed entirely of independent directors. The JSE Listing Requirements also require the appointment of such a committee, and stipulate that all members of this committee must be non-executive directors, the majority of whom must be independent. Harmony has a Nomination Committee which comprises of three non-executive board members, two of whom are independent under the NYSE Listing Standards.

The JSE Listing Requirements require the chairperson of this committee to be the chairperson of the Board of Directors. The current chairman of the Harmony Board of Directors, Patrice Motsepe, is Chairman of one of Harmony's largest shareholders, African Rainbow Minerals Limited, and is thus not independent under the NYSE Listing Standards.

The NYSE Listing Standards require US-listed companies to have a remuneration committee composed entirely of independent directors. The JSE Listing Requirements also require the appointment of such a committee. Harmony has appointed a Remuneration Committee, comprising of three board members, all of whom are non-executive and two of whom are independent under both the JSE Listing Requirements and the NYSE Listing Standards. Patrice Motsepe, the chairman of the Remuneration Committee, would not be considered independent under the NYSE Listing Standards due to his affiliation as described above.

The NYSE Listing Standards require that the non-management directors of US-listed companies must meet at regularly scheduled executive sessions without management. The JSE Listing Requirements do not have a similar requirement. Although Harmony does not specifically require such meetings of its non-executive directors, the Board has unrestricted access to all company information, records, documents and property. Directors may, if necessary, take independent professional advice at the company's expense and non-executive directors have access to management and may meet separately with management, without the attendance of executive directors.

The NYSE Listing Standards require that companies publish and distribute to shareholders an annual report within 120 days from the end of its fiscal year. Non-US companies such as Harmony are given 225 days from the end of the fiscal year.

Harmony's NYSE 3A disclosure may be found on the company's website under Corporate Governance.

# Statement of responsibility of board of directors

The Directors of Harmony are responsible for the preparation, integrity, and fair presentation of the financial statements of Harmony Gold Mining Co Ltd and its subsidiaries. The financial statements presented on pages 164 to 237 have been prepared in accordance with Statements of Generally Accepted Accounting Practice (GAAP) in South Africa and International Financial Reporting Standards (IFRS). In addition, the accounts include amounts based on judgements and estimates made by management.

The Directors consider that in preparing the financial statements they have used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all Statements of GAAP and IFRS that they consider to be applicable have been followed. The Directors are satisfied that the information contained in the financial statements fairly presents the results of operations for the year and the financial position for the group at year end. The Directors also prepared the other information included in the annual report and are responsible for both its accuracy and its consistency with the financial statements.

The Directors have responsibility for ensuring that accounting records are kept. The accounting records should disclose with reasonable accuracy the financial position of the companies to enable the Directors to ensure that the financial statements comply with the relevant legislation.

Harmony Gold Mining Co Ltd and its subsidiaries operated in a well-established control environment, which is well documented and regularly reviewed. This incorporates risk management and internal control procedures, which are designed to provide reasonable, but not absolute, assurance that assets are safeguarded and the risks facing the group are being controlled. This risk management process was followed to the date of approval of the annual financial statements.

The going-concern basis has been adopted in preparing the financial statements. The Directors have no reason to believe that the group or any company within the group will not be going concerns in the foreseeable future, based on forecasts and available cash resources. These financial statements support the viability of the company and the group.

The Code of Corporate Practices and Conduct has been adhered to.

The group's external auditors, PricewaterhouseCoopers Incorporated, audited the financial statements, and their report is presented on page 167.

The financial statements were approved by the Board of Directors on 2 September 2005, and signed on its behalf.

ZB Swanepoel
Chief Executive
Virginia, South Africa
September 2005

NV Qangule
Financial Director

# Directors' Report

## The company and its subsidiaries

Harmony and its subsidiaries and associates conduct underground and surface gold mining and related activities, including exploration, processing, smelting, refining and beneficiation. Harmony's principal mining operations are located in South Africa and Australia, with exploration and evaluation programs in Papua New Guinea and Peru.

The company does not have a major controlling shareholder and is managed by its directors for and on behalf of its stakeholders.

## Financial statements and results

The directors have pleasure in submitting the financial statements of the company, together with those of the group, for the year ended 30 June 2005. These appear on pages 164 to 237 of this report. These financial statements have been prepared using appropriate accounting policies, conforming to South African Statement of Generally Accepted Accounting Practice and International Financial Reporting Standards, supported by reasonable and prudent judgements and estimates where required.

The strong rand, combined with continuing input cost pressures from administered utility prices, labour costs (which make up approximately 50% of our cash operating costs), and commodity-based consumables, led to a significant margin squeeze for South African producers, Harmony included. Every effort was made to contain costs and, together with our restructuring efforts, this resulted in cash operating costs increasing only 3% from R79 599 per kilogram to R81 839 per kilogram.

The lower rand gold price, combined with lower production, resulted in group revenues falling by 11.0% to R7.82 billion, from R8.79 billion the previous year.

Cash operating profits declined by 53% to R273 million in FY05 and Harmony reported a net loss of R3.46 billion, compared to a loss of R523 million in the previous year. At the headline level, the loss amounted to R1.48 billion (FY04: R781 million loss), which is equivalent to a headline loss per share of R4.08 (FY04: R3.08 per share loss). There were a number of extraordinary charges such as significant costs associated with the restructuring including R453 million in employment termination and restructuring (FY04: R224 million), impairment of fixed assets of R1 513 million, losses on the sales of shares in Gold Fields and African Rainbow Minerals (ARM) of R372 million and R213 million respectively and the net diminution of the carrying value of the balance of the ARM shares of R320 million and care and maintenance costs of closed shafts of R185 million.

## Going concern

The directors believe that Harmony has sufficient resources and expected cash flows to continue operating as a going concern.

## Corporate governance

Full details of Harmony's commitment to corporate governance can be found on pages 114 to 147.

## Capital

Full detail of the authorised, issued and unissued share capital of the company as at 30 June 2005 is set out in the statements of shareholders' equity on page 170 of this report

Year-on-year the issued share capital of the company increased by R36 299 808.50 to R196 670 597 which is equal to 72 599 617 newly-issued ordinary shares of 50 cents each. The increased amount is mainly due to the shares issued in respect of the 11.5% obtained in Gold Fields Limited and the exercise of share options under the company's share incentive schemes.

The control over the unissued shares of the company is vested in the directors in specific terms as regards allotments in terms of the various Harmony Share Option Schemes (share options schemes) and shares for cash.

The authorities granted to directors in respect of control over the unissued shares expire on the date of the annual general meeting of members to be held on 4 November 2005. Members, therefore, will be requested to consider resolutions at the forthcoming annual general meeting, placing under the control of the directors the then remaining unissued ordinary shares not required for purposes of the share option schemes.

Members will furthermore be requested to furnish general approval for the acquisition by the company of its issued shares in terms of Section 85 of the Companies Act, 1973 and subject to the listing requirements of the JSE Securities Exchange.

The full text of the proposed resolutions is contained in the notice of the annual general meeting (enclosed).

## Investments

A schedule of investments in subsidiaries, associates and listed and unlisted investments, appears on page 232 of this report.

## Contingencies

Action, in respect of silicosis claims, was instituted by 10 plaintiffs employed at Elandsrand Mine in December 2004. The First Defendant in these matters is Anglo American Corporation of South Africa Limited, with Harmony cited as the Second Defendant. These 10 claims constitute test cases in relation to claims for damages for silicosis allegedly contracted by the plaintiffs over their period of employment with Anglo American and Harmony at Elandsrand. The Occupational Diseases and Mine Works Act (unlike other similar legislation) does not contain a clause precluding employees from instituting claims against employers for damages arising from an occupational disease. The Board does not believe that the present 10 test cases present a significant risk and the probabilities vastly favour a dismissal of the actions.

## Movements in borrowings

A loan from BAE Systems Plc (a US dollar denominated term loan for financing the design, development and construction of a facility for the manufacture and sale of value added gold products at Harmony's premises in the Free State) was secured by a notarial covering bond over certain gold proceeds and other assets and was repaid in full on 2 April 2005. The loan bore interest at Libor plus 2% which was accrued daily from the drawdown date and interest was repayable on a quarterly basis.

On 24 December 2001, FreeGold entered into an agreement with AngloGold Limited to purchase its FreeGold assets for R2 881 million. R1 800 million was payable on 1 January 2002 at the call rate from this date until the 10th business day after the date of fulfilment of the last of the conditions precedent. R400 million was payable on 1 January 2005 at no interest charge. The balance of the consideration was payable five business days before AngloGold was obliged to pay recoupment tax, capital gains tax and any other income tax on the disposal of the assets at no interest charge. The final R400 million was fully repaid on 30 December 2004 through a Nedbank loan.

On 30 July 2003, Africa Vanguard Resources (Doornkop) (Proprietary) Limited (AVR) entered into a term loan facility of R 116 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 the applicable margin plus stamp duties and holding costs shall be repayable to the extent that the borrower received profit participation interest for the interest periods. Unpaid interest shall be capitalised and repaid with the loan amount. The loan amount and any interest accrued is repayable on 30 July 2008. Interest capitalised during the year ended 30 June 2005 amounted to R12 million (2004: R12 million).

On 5 April 2002, ARMgold entered into a term loan facility of R500 million with BOE Bank Limited for the purpose of partially funding ARMgold's acquisition of shares in Freegold and loans made by ARMgold to Freegold in connection with the acquisition of mining assets from AngloGold Limited. The facility is collateralised by a pledge of the following:

- ARMgold's shares in Freegold;
- The proceeds to ARMgold from the exercise of call options of Harmony as set out in the Freegold Joint Venture Agreement;
- The proceeds to ARMgold of put options purchased by ARMgold to create downside protection on the gold price,
- All amounts owing to ARMgold by Freegold; and
- Monies held to the account of the Distribution Account, being the account to which all distributions by Freegold to ARMgold in the form of the distribution on shares or repayments of interest or capital in respect of unsecured shareholder loans, must be credited. There were no balances on this account at 30 June 2005. The loan is repayable over a four year period in bi-annual installments of R89 580 194, the first was on 31 December 2002 and the final installment will be on 30 June 2006. The loan bears interest, compounded monthly, at a fixed interest rate of 15.49%.

On 2 March 2005, Harmony entered into a Gold Loan agreement with ABSA Bank to finance current working capital of R152 million. This loan was fully repaid on 30 June 2005.

On 15 April 2005, the ARM Broad-based Empowerment Trust entered into a term loan facility of R356 million with Nedbank Limited for the purpose of funding the ARM Empowerment Trust's partial acquisition of the shares, the Company held in ARM. The loan bears interest, compounded monthly, at a fixed rate of 10.02%. Interest capitalised during the year ended 30 June 2005 amounted to R8 million. The loan is repayable on the fifth anniversary of the advance date.

On 15 April 2005, the ARM Broad-based Empowerment Trust entered into a second term loan facility of R474 million with Nedbank Limited for the purpose of funding the balance of the ARM Empowerment Trust's acquisition of the shares the Company held in ARM. The loan bears interest, compounded monthly, at a fixed rate of 9.52%. Interest and additional charges capitalised during the year ended 30 June 2005 amounted to R9 million and R7 million, respectively. The loan is repayable on the fifth anniversary of the advance rate.

## Other borrowings

The level of the company's borrowing powers, as determined by its Articles of Association, shall not except with the consent of the company's general meeting, exceed R40 million or the aggregate from time to time of the issued and paid-up share capital of the company, together with the aggregate of the amounts standing to the credit of all distributable and non-distributable reserves (including minority interests in subsidiary companies and provisions for deferred taxation) and any share premium accounts of the Group. At year end, total borrowings amounted to R3 755 million (FY04: R3 370 million).

## Acquisitions

During the year under review, the following acquisitions were made:

On 18 October 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 Limited share. The proposed merger was structured on the basis of an Early Settlement Offer and a Subsequent Offer. As at 1 December 2004, Harmony had received valid acceptances of the Early Settlement Offer in respect of a total of 57 993 991 shares representing approximately 11.5% of the entire issued share capital of Gold Fields Limited. Between 30 November 2004 and 14 December 2004 Harmony issued 72 173 265 Offer Shares as consideration for the Early Settlement Offer. On 20 May 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 18 December 2004. Accordingly, the Subsequent Offer was no longer in force and no Gold Fields shares tendered into the Subsequent Offer were accepted.

## Disposals

(1) On 15 March 2005, Harmony disposed of its investment in Gindalbie Gold ML, carried at a total cost of A$0.1 million, less a provision for dimunition of A$0.05 million, for R3 million, resulting in a profit of R0.05 million.

(2) On 3 February 2005, Harmony undertook a secondary placing of 3 703 704 shares of its holding in ARM Limited at a price of R27.00 per share. On 15 March 2005, Harmony placed another 3 418 803 of its ARM Limited shares (the ARM shares) at a price of R29.25 per share. On 21 April 2005, Harmony disposed of 14% of its investment in ARM (the ARM shares) to The ARM Broad-Based Empowerment Trust (the Trust) for a cash consideration of R829 827 460 representing a price of R29.00 per ARM share. The sale of the ARM shares was in line with Harmony's stated commitment to unwind the Harmony ARM cross shareholding.

The Trust has been established for the purpose of warehousing the ARM shares to further facilitate broad-based empowerment in ARM's shareholder base. ARM is Harmony's largest shareholder and BEE partner holding 16.2% of Harmony.

The purchase by the Trust of the 14% stake in ARM was financed and underwritten by Harmony. As part of the various agreements put in place to arrange the sale of the shares to the Trust, Harmony has accepted terms which resulted in the majority of the risk not being transferred to the Trust. This relates to a put option whereby the loan of R480 million can be put to Harmony by Nedbank in the event of default of the loans obtained by the Trust in acquiring the shares from Harmony. Based on accounting rules governing the accounting for Special Purpose entities, Harmony is required to consolidate the Trust. Therefore, the total Trust liability and the total investment in ARM Limited is accounted for on a consolidated Harmony balance sheet, as the Trust is deemed to form part of the Harmony group. This will be unwound as the shares in the Trust are taken up by the incumbent owners. In the interim, the value of the shares in the Trust have been written down to R29 per share, which is the maximum realisable price in terms of the agreement. The net write-down is R337 million. The balance of 3% of the shares held in ARM were sold in the open market on 27 May 2005 at R29.01 per share, realising net proceeds of R146 573 431.

(3) Harmony disposed of its 11.6% holding in Bendigo on 1 April 2005, for A$32 million in cash. The shares were disposed of at A$1.10 per share, realising a small accounting profit in the amount of A$3 million for Harmony, after taking into account the write-down in June quarter 2004, resulting in a loss of R372 million.

(4) On 3 June 2005, Harmony disposed of 30 million Gold Fields Limited shares to the value of R2.041 billion. The placement was completed at a price of US$10.50 per share. Harmony still owns 26.6 million Gold Fields Limited shares.

## Property

Harmony holds freehold and leasehold properties in a number of jurisdictions. No single property is considered to be a principal establishment of Harmony or the Group. Full detail of the property, mineral and participation rights of the company and the group are available on request.

## Dividends

The final dividend for FY04 was paid in September 2004. No dividend was declared during FY05.

## Share incentives

Harmony share options are granted to management as an incentive, in addition to annual salaries. The exercise of each option granted is set at the closing market price of Harmony's ordinary shares on the JSE on the day before the date of grant. Each option remains open for acceptance for 10 years after the date of grant, subject to the terms of the relevant option scheme. Harmony has three share option schemes, namely the 1994 Share Option Scheme, the 2001 Share Option Scheme and the 2003 Share Option Scheme (the share option schemes), with similar rules.

The options issued under the Share Option Schemes may only be exercised over five years in five equal parts.

The following formula is used to calculate the amount of options an employee is entitled to:

$$\left(\frac{\text{Annual cost to company x Group level (1to7)}}{\text{Strike price}}\right) - \text{unvested options} = \text{option allocation/ top-up}$$

For example: the CE's top-up was calculated as follows:

$$\left(\frac{\text{R2 ,1 million x 7}}{\text{R43.50*}}\right) - 145\,600 = 195\,367$$

*A Remuneration Committee meeting was held on the 22nd of April 2005 at which meeting the list of allocations calculated at an average price of R43.50 was submitted. The allocations were approved, but at a strike price equal to the closing price of Harmony's share on 26 April 2005, which was R39.00."

Activity under the various share incentive schemes for the year under review was as follows:

## Executive Directors' and management's share options

| | Balance as at 1 July 2004 | | Exercised and sold during the year | | Allocated during the year [1] | | Vested Options [2] | | Lapsed | Balance 30 June 2005 | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Number of options | Average price per share | Number of options | Average price per share | Number of options | Average price per share | Number of options | Average price per share | | Number of options | Average price per share |
| Frank Abbott [4] | 73 400 | 49.60 | 0 | 0 | 0 | 0 | 73 400 | 49.60 | 0 | 73 400 | 49.60 |
| Ferdi Dippenaar | 36 700 | 49.60 | 0 | 0 | 200 441 | 52.58 | 55 400 | 57.88 | 0 | 237 141 | 51.58 |
| Ted Grobicki | 107 400 | 44.63 | 0 | 0 | 196 300 | 52.58 | 124 700 | 47.41 | 0 | 307 400 | 51.58 |
| Mangisi Gule [5] | 22 747 | 66.00 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Nomfundo Qangule | 0 | 0 | 0 | 0 | 186 124 | 52.58 | 26 000 | 66.15 | 0 | 186 124 | 52.58 |
| Bernard Swanepoel [6] | 128 800 | 49.60 | 0 | 0 | 340 967 | 52.58 | 157 920 | 57.88 | 0 | 468 800 | 51.58 |
| Management (All) [3] | 5 855 300 | 57.42 | 426 352 | 34.05 | 13 767 441 | 52.58 | – | – | 937 695 | 18 258 694 | 49.00 |

1 Options at R66.15 were awarded on 10 August 2004 and at R39.00 on 26 April 2005.
2 The options that have vested can be exercised. Only vested options should be added to the total remuneration of each director. Unvested options are deducted as part of the share option calculation formula and therefore each new option allocation merely constitutes a top-up. See formula above. Vested options have only been shown for Directors to give an indication of Directors' total remuneration.
3 The price per share option range between R22.90 and R93.00. The last date on which an option may be exercised is 26 April 2015.
4 Frank Abbott is the only non-executive director who holds share options. His options were allocated to him whilst he was CFO of Harmony and will expire on 30 June 2006.
5 Mangisi Gule's options were cancelled following his resignation on 24 December 2004.
6 See a breakdown of Bernard Swanepoel's total remuneration for FY05 on page 162.
7 This amount reflects the total number of options that have been issued been to share option participants.

The Share Option Schemes may be amended from time to time (whether retrospectively or otherwise) by the Board in any respect (except for certain specific clauses that may only be amended through approval in a general meeting), provided that no such amendment shall operate to alter the terms and conditions of any option granted to a participant prior thereto, without the written consent of that participant and provided that the prior written approval of the JSE has been obtained. Share options allocations are approved by the Remuneration Committee. No share options were re-priced during the financial year.

Harmony adopted a share purchase scheme in which 1994 and 2001 Share Option Scheme participants respectively were allowed to participate. The Share Purchase Scheme provides for a share purchase trust controlled by Harmony. Recourse loans are provided by the trust to the employees to enable them to acquire shares or exercise their options under the 1994 and the 2001 Share Option Scheme. Since 27 March 2003 share option scheme participants are no longer allowed to place their shares in the share purchase trust. The share purchase trust is funded by a loan from Harmony, which it repays once it receives repayment of the recourse loans granted to employees. Members of the Remuneration Committee serve as trustees. The trustees are not eligible to receive loans from the trust. We do not allow our participants to use structures to lock-in profits as the options are meant to align our employees with our shareholders. A Share Option Scheme (the 2003 Scheme) was approved by shareholders on 14 November 2003. The total number of shares reserved for the 2003 Scheme was 23 234 960, which represented 9% of the issued share capital of the company as at 16 September 2003. It was the intention at the time to reserve 4% of the then issued share capital for managerial employees and 5% for broad-based participation by non-managerial employees. We have had numerous discussions with unions representing our non-managerial employees but have not reached agreement as to the issue of options to non-managerial employees under the 2003 Scheme. As such, no options have been granted to non-managerial employees under the 2003 Scheme. 5% of the 2003 Scheme has been allocated to management.

In line with our negotiations with the unions, a decision has been taken to form a separate broad-based employee share option scheme or trust (the Broad-Based Scheme), with the beneficiaries thereof being non-managerial employees and communal employee beneficiary schemes, aimed at benefiting our non-managerial employees and their families.

The total number of shares to be reserved for the Broad-Based Scheme will be 5% of our current issued share capital - thus increasing the number of shares available for broad-based participation by non-managerial employees from the initially proposed 12 908 311 to 19 667 060. Options will be granted under the Broad-Based Scheme, subject to certain employee performance-linked milestones which can be realistically achieved. Once achieved, the value is unlocked to the Broad-Based Scheme for the ultimate benefit of the non-managerial employees. Management and employees will jointly participate in the structuring of the Broad-Based Scheme, which the company intends forming and implementing during the current financial year. It is the intention of the company to structure the Broad-Based Scheme to maximise recognition of black participation therein, both from the perspective of the Mineral and Petroleum Resources Development Act and the Broad Based Black Economic Empowerment Act.

## Directorate

The following directors served on Harmony's Board since our 2004 Annual Report was published:

### Board of directors

| Name | Date of appointment | Date of resignation |
|---|---|---|
| Patrice Motsepe* | 23 September 2003 | By rotation or resignation |
| Bernard Swanepoel | 16 May 1995 | By resignation or retirement |
| Frank Abbott* | 1 October 1994 | By rotation or resignation |
| Joaquim Chissano*# | 20 April 2005 | By rotation or resignation |
| Ferdi Dippenaar | 9 June 1997 | By resignation or retirement |
| Nolitha Fakude*# | 18 October 2002 | By resignation or retirement |
| Ted Grobicki | 12 October 1994 | By resignation or retirement |
| Mangisi Gule | 23 September 2003 | Resigned on 24 December 2005 |
| Dr Simo Lushaba*# | 18 October 2002 | By rotation or resignation |
| Rick Menell* | 23 April 2004 | By rotation or resignation |
| Modise Motloba *# | 30 July 2004 | By rotation or resignation |
| Dr Morley Nkosi*# | 23 April 2004 | Retired on 30 June 2005 |
| Mike Pleming*# | 1 September 1998 | Retired on 30 June 2005 |
| Lord Robin Renwick*# | 1 September 1998 | Resigned on 17 October 2004 |
| Nomfundo Qangule | 26 July 2004 | By resignation or retirement |
| Cedric Savage*# | 23 September 2003 | By rotation or resignation |

* Non-executive directors
# Independent

Abridged CVs of all our directors appear on pages 125 to 128 of this report. All directors made themselves available for election to the Board at the upcoming general meeting of members. In terms of the company's Articles of Association, Frank Abbott, Patrice Motsepe and Cedric Savage qualify for retirement by rotation at the forthcoming annual general meeting. The retiring directors are eligible and have made themselves available for re-election to the Board.

## Directors' interests

Disclosure by directors indicate that, at the date of this report, their individual shareholdings and those of their immediate families and associates, do not exceed one per cent of the company's issued share capital.

The existing directors' interests and dealings in shares acquired, other than through share incentive schemes, for the year under review and up to 30 June 2005 are set out in the table below:

| Title | Balance 30 June 2004 | Acquired | Disposed | Balance at 30 June 2005 |
|---|---|---|---|---|
| **Non-executive** | | | | |
| Rick Menell | 800 | – | – | 800 |
| **Executive** | | | | |
| Bernard Swanepoel | 10 000 | – | – | 10 000 |
| Ted Grobicki* | 30 000 | – | – | 30 000 |

* All holdings are beneficial, other than 30 000 held by Ted Grobicki on behalf of a trust of which he is a trustee, but not a beneficiary.
** None of the other directors hold any securities in Harmony.
# No changes to the Directors' interest occurred during FY05.

**Directors' emoluments**

Harmony's Remuneration Committee (see page 140 for details) ensures that Harmony's directors and senior executives are fairly rewarded for their individual contributions to Harmony's overall performance.

Directors' emoluments for the year ended 30 June 2005 are set out in the table on the next page in compliance with the requirements of the JSE Limited:

## Executive Directors' remuneration

| Name | remuneration (R000) FY04 | Directors' fees (R000) FY05 | Salaries and benefits[1] (R000) FY05 | Retirement contributions during the year (R000) FY05 | Bonuses paid (R000) FY05 | Total FY05 |
|---|---|---|---|---|---|---|
| **Non-executive** | | | | | | |
| Patrice Motsepe | 65 | 110 | - | - | - | - |
| Frank Abbott[2] | 1 200 | - | | | | |
| Nolitha Fakude | 120 | 135 | - | - | - | - |
| Dr Simo Lushaba | 110 | 120 | - | - | - | - |
| Rick Menell | 20 | 80 | - | - | - | - |
| Dr Morley Nkosi* | 25 | 100 | - | - | - | - |
| Modise Motloba | – | 85 | - | - | - | - |
| Mike Pleming[9] | 140 | 154 | - | - | - | - |
| Lord Robin Renwick[4] | 110 | 25 | - | - | - | - |
| Cedric Savage | 95 | 140 | - | - | - | - |
| **Executive**[3] | | | | | | |
| Bernard Swanepoel | 1 748 | - | 1 827 | 276 | 0 | 2 103 |
| Ferdi Dippenaar | 975 | - | 1 212 | 198 | 0 | 1 404 |
| Ted Grobicki[7] | 2 473 | - | 2 361 | 213 | 0 | 2 574 |
| Mangisi Gule[4, 5] | 576 | - | 424 | 12 | 0 | 436 |
| Nomfundo Qangule[6] | – | - | 1 080 | 94 | 0 | 1 174 |
| TOTAL | | 949 | 6 904 | | | |

Note: Please read this table in conjunction with the table setting out the appointments and resignations.

1 4% increase granted to executive directors in October 2004.
2 Frank Abbott has waived his non-executive Directors' fee. Frank was the financial director of Harmony until 30 June 2004.
3 Our executive directors have waived their Directors' fees in terms of our Articles of Association.
4 Lord Renwick of KCMG resigned on 17 October 2004, and Mangisi Gule resigned on 24 December 2004.
5 Mangisi Gule's salary was paid from 1 July 2004 to 24 December 2004, when he resigned.
6 Appointed on 26 July 2004. Nomfundo Qangule's salary is reflected for the 11 month period since the date of her appointment.
7 Ted Grobicki's salary is paid in $Aus. The conversion rate from $Aus to Rand is based on the average exchange rate for the year of 0.2137.
8 Executive directors' fees exclude bonuses paid during FY04.
9 Retired from the Board on 30 June 2005.

## CE's remuneration (salary and options)

| Options | Granted | Strike price (rand) | Vested | Value at strike price (rand) | Value of vested options if exercised at R52* on 1 Sept 2005 (rand) |
|---|---|---|---|---|---|
| Granted over three years on 20 November 2001 | 128 800 | 49.6 | 128 800 | 6 388 480 | 309 120 |
| Granted over five years on 10 August 2004 | 145 600 | 66.15 | 29 120 | 1 926 288 | 0 |
| Granted over five years on 26 April 2005 | 195 367 | 39.00 | 0 | 7 619 313 | 0 |
| Total value of options as at 22 August 2005 | 469 767 | 51.58 | 157 920 | 15 934 081 | 309 120# |

* Rounded-off 30 day VWAP of Harmony share as at 1 September 2005.
\# Income tax and broker's fee (2%) will be deducted from this amount.

| Salary | R000 |
|---|---|
| Salary as at 30 June 2004 | 1 748 |
| 4% increase in October 2004 on total package | 78 |
| Salary as at 30 June 2005 | 1 827 |
| Plus all other benefits | 276 |
| Plus current value of options | 309 |
| Plus Bonus plus retained bonus during FY05 | 0 |
| Total remuneration for the year ending 30 June 2005 | 2 412 |

## CE's total remuneration as multiple of the annual average remuneration of the following employees (R000):

| | Total | Multiple |
|---|---|---|
| Chief Executive (total cost) | 2 412 | 1 |
| Category 3 workers (lowest level) | 48 | 50 |
| Category 3 to 8 (workers) | 56 | 43 |
| Level 9 + (management) | 229 | 11 |

Non-executive directors are paid R20 000 per quarter plus R5 000 per quarter per sub-committee they serve on. An additional R4 000 per day is paid to a non-executive director who performs any additional duties over and above his or her duties as a non-executive director. Executives participate in an executive bonus scheme and bonuses (if any) are determined for a financial year by the Remuneration Committee based on a share of profits over a pre-determined benchmark. This is paid in equal parts over a three year term, provided that the executive is in service of the company on date of payment. No bonus was awarded to any of the executive directors during the past financial year. The remuneration committee has commissioned consultants to redesign the executive bonus scheme in line with current international best practice. No share options were exercised by any of our Directors during the FY2005.

## Employees' remuneration

Following the completion of the in-house salary equalisation programme and consistent with our productivity results, Harmony is the best 'payer' in the industry at all levels, except the executive level.

- category 3 workers (lowest level) earns on average R4 040 per month.
- category 3 to 8 workers earn on average R4 667 per month.
- Level 9 + (managers) earn on average R19 100 per month.

(These amounts exclude the increases granted in July 2005)

## Shareholders

Information on shareholder spread, range of shareholdings and public shareholders, as well as major shareholders, is presented on page 241-243 of this report.

## Post year-end event

### HAR I Bond

On 30 June 2005 Harmony announced that it would approach the market to purchase up to 25% of the outstanding notional amount (the Repurchase) of its 13% HAR1 bond (ISIN: ZAG000018011) listed on the Bond Exchange of South Africa due 14 June 2006. All holders of the Bonds were given an equal opportunity to participate in the Repurchase. On 6 July 2005 the partial re-purchase of Harmony's HAR1 corporate bond was completed. A total of R281.7 million of the bond's notional value was repurchased at a cost of some R294.6 million. This represents 23.5% of the total issue due for redemption in June 2006. The re-purchase was done at a spread of 195 bps above the benchmark government issue (R152). The bond has a semi-annual coupon of 13% and was launched in 2001.

## Company secretary

The secretary of the company is Marian van der Walt. Her business and postal addresses appear on page 240 of this report. The secretary has, in terms of section 268G(d) of the Companies Act, 1973, certified that: "All such returns as are required of a public company in terms of the Act had been made and are true, correct and up to date".

## Special resolutions

| Effective date | Resolution |
|---|---|
| 12 November 2004<br>(Annual General meeting) | • Increase of authorised share capital of the Company from R175 000 000 divided into 350 000 000 ordinary shares of 50 cents each to R225 000 000 divided into 450 000 000 ordinary shares of 50 cents each |
| | • Authority to directors to re-purchase shares |
| 12 November 2004<br>(Extra-ordinary meeting iro proposed Gold Fields merger) | • Increase of authorised share capital of the Company from R225 000 000 divided into 450 000 000 ordinary shares of 50 cents each to R600 000 000 divided into 1 200 000 000 ordinary shares of 50 cents each |