The 2007 financial year has been a challenging one for Harmony and, having been appointed post year-end, it is incumbent on me to provide greater insight into our plans for the year ahead. That said, some review is relevant and necessary, particularly on the status of the market, and on our operating and financial performance.

The gold market and the market for gold shares

The gold price continued to be robust during the year under review, and global equity markets hit all-time highs. Post year-end, the US-based liquidity crunch sent substantial ripples into all sectors. Harmony was not unaffected and, while the company outperformed its primary competitors for the financial year (see graph), our trading update released in early August – discussed below – was unfortunately ill-timed and coincided with the market jitters. Our share price has since started to rebound as we provided greater clarity to investors and I believe that consistent delivery on our promises will be rewarded.

Harmony remains one of the few gold counters that reflects its "gold premium", and this is something that we are ever mindful of when we consider the turning to account of resources that are rich in copper and uranium. We are also conscious of maintaining our leverage to gold, the ultimate store of value and haven of safety.

Safety and health

It is with great regret that I report that 27 people died during the course of work at our South African operations. The board and management of Harmony extend their sympathy to the families and friends of the deceased.

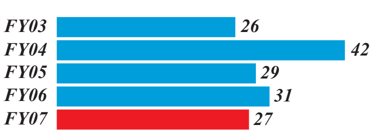
The provision of safe and healthy workplaces is one of Harmony's key priorities, and the elimination of all workplace injuries is a strategic focus area. Following a regression in the company's safety performance in South Africa in FY06, an immediate high-level review was instituted. Action taken as a consequence of this included the recruitment of highly qualified personnel to staff a new safety management service focused on compliance. Each shaft and surface area is audited three or four times annually, and includes audits of compliance with legal and company standards as well as physical conditions.

While not a single fatality is acceptable to us, it is pleasing to note that our efforts have resulted in some improvement in both our Lost-Time Injury Frequency Rate (LTIFR) and our Fatal Injury Frequency Rate (FIFR). In South Africa, the FIFR (per million man hours) declined from 0.27 to 0.22, an improvement of 19%, while the LTIFR declined by 7% to 15.27 (per million man hours) (FY06: 16.42). Safety performance in both Australia and PNG continued to be exemplary during the year under review. Additional information on safety and health appears in the Sustainable Development Report which may be downloaded from our website, www.harmony.co.za.

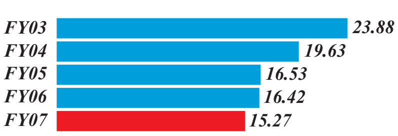
Financial performance

As can be seen from the summary presented in the table on page 11, our performance in FY07 exceeded that of FY06, albeit largely as a result of the rising gold price. The financial performance was much improved, with the group posting net profit of R341 million (US$46 million), the first time that we have registered a profit in three years (clearly indicating the impact that the restructuring is having on our performance).

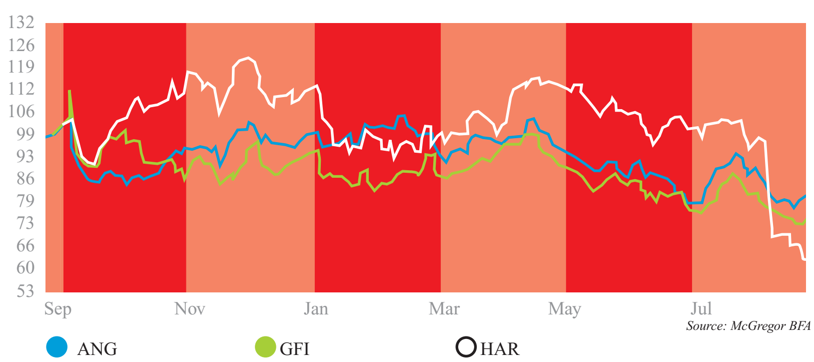
Group fatalities



Group LTIFR (per million man hours)



Harmony's share price versus AngloGold Ashanti and Gold Fields



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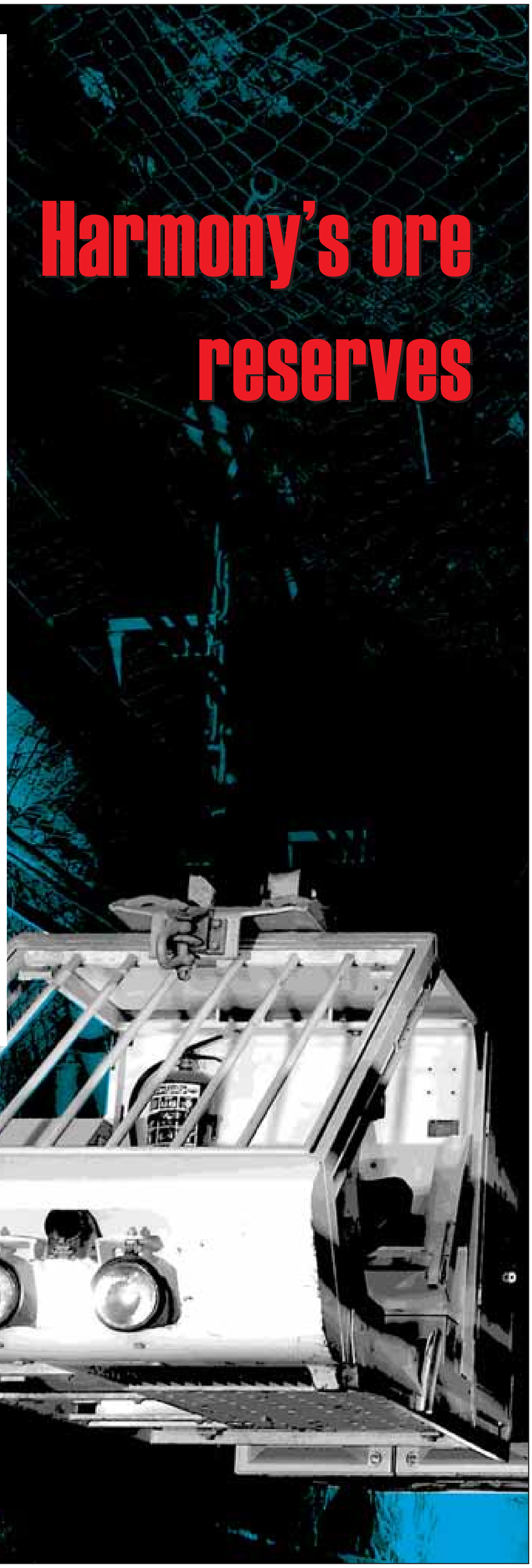
BACK TO BASICS

Harmony's ore reserves

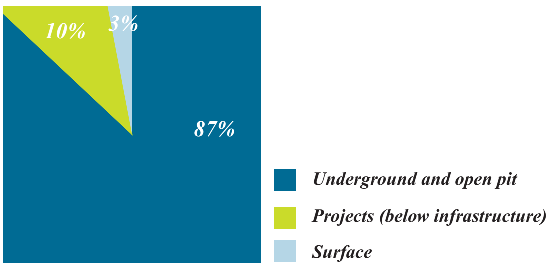


Harmony's ore reserves as at 30 June 2007 amounted to 53.6 million ounces of gold compared with 56.0 million 12 months previously. Mineral resources at year-end totalled 281.6 million ounces of gold, of which ore reserves accounted for 19%.

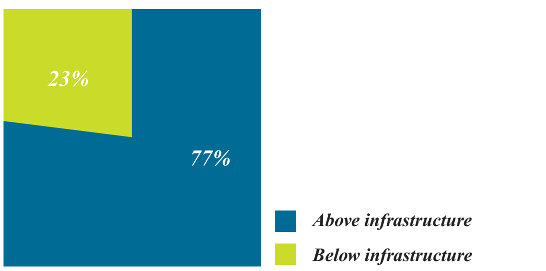
Of the decline in ore reserves, year-on-year depletion accounted for 2.3 million ounces after disposals, shaft closures and the loss of Western Area equity ounces of 5.3 million ounces. This however was offset by ounces generated as a result of progress made with pre-feasibility studies at the Evander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

Of the company's 53.6 million ounces of reserves, 41.5 million ounces are classified as current reserves (above infrastructure) and 12.1 million ounces are classified below infrastructure (reserves for which capital expenditure has still to be approved).

Ore reserves by source



Breakdown of ore reserves



		FY07	FY06
Gold produced - continued ops	kg	61 879	62 975
	oz	1 989 445	2 024 667
Gold produced - discontinued ops	kg	10 723	11 267
	oz	344 753	362 258
Gold produced - total	kg	72 602	74 242
	oz	2 334 198	2 386 925
Average gold price achieved	R/kg	147 839	108 345
– cont. ops	US$/oz	639	530
Average gold price achieved	R/kg	146 321	107 926
– discont. ops	US$/oz	629	524
Average gold price achieved	R/kg	147 580	108 268
– total	US$/oz	638	529
Revenue - continued ops	R million	9 148	6 823
	US$ million	1 271	1 073
Revenue - discontinued ops	R million	1 569	1 216
	US$ million	217	190
Revenue - total	R million	10 717	8 039
	US$ million	1 488	1 263
Cash costs - continued ops	R/kg	110 958	88 638
	US$/oz	480	434
Cash costs - discontinued ops	R/kg	120 768	88 577
	US$/oz	522	431
Cash costs - total	R/kg	112 407	88 629
	US$/oz	486	433
Cash operating profit	R million	2 282	1 241
– cont. ops	US$ million	317	195
Cash operating profit	R million	274	218
– discont. ops	US$ million	37	34
Cash operating profit	R million	2 556	1 459
– total	US$ million	354	229
Cash operating margin			
– continued ops	%	25	18
Cash operating margin			
– discontinued ops	%	17	18
Cash operating margin - total	%	24	18
Cash earnings per share	SA cps	574	316
– cont. ops	US cps	80	50
Cash earnings per share	SA cps	69	56
– discont. ops	US cps	10	9
Cash earnings per share - total	SA cps	642	371
	US cps	89	58
Headline earnings/(loss) per share	SA cps	129	(275)
– cont. ops	US cps	18	(43)
Headline earnings/(loss) per share	SA cps	(85)	6
– discont. ops	US cps	(12)	1
Headline earnings/(loss) per share	SA cps	43	(269)
– total	US cps	6	(42)
Fully diluted earnings/(loss)	SA cps	235	(139)
per share – cont. ops	US cps	33	(22)
Fully diluted earnings/(loss)	SA cps	(150)	4
per share - discont. ops	US cps	(21)	1
Fully diluted earnings/(loss)	SA cps	85	(133)
per share - total	US cps	12	(21)
Average exchange rate	Rand/US$	7.20	6.36

Pleasingly, cash operating profit increased to R2 556 million (FY06: R1 459 million) while operating profit improved to R1 228 million from R255 million in FY06. This follows a rise in revenue for the year of 33% to R10 717 billion (FY06: R8 039 billion). The gold price received for the year was 21% higher, at US$638/oz (FY06: US$529/oz), while the rand/dollar exchange rate was weaker at R7.20, and also played a role in raising rand-based revenue. Basic headline earnings per share improved substantially to 43 SA cents from a loss of 269 SA cents per share recorded in FY06.

Operating performance

Operating performance was disappointing on a number of levels and this is discussed in greater detail in the review of operations on pages 14 to 19.

The issue of most concern during the year was the significant increase in cash operating costs, which rose by 26.8% year-on-year from R6.6 billion to R8.2 billion. The cost spiral was felt particularly in the second half of the year, but was masked in the third quarter owing to a system-capturing error.

The erroneous reporting is regrettable and was first reported in a trading update to the market on 6 August 2007 when initially discovered. It had a significant impact on both the results for the fourth quarter and for the year. The error is ascribed to a newly installed accounting software system that resulted in some R250 million of the March quarter's costs not being reported and having to be captured in the June quarter. This in turn resulted in the final quarter's total cash operating costs rising by 44.0%, quarter-on-quarter.

Costs remain of foremost concern to management and stringent cost control mechanisms are actively being implemented, particularly regarding capital expenditure, overheads and services. Some of the biggest culprits in recent months have been the rising cost of consumables (such as steel) and supervisory labour. Harmony is also placing greater emphasis on smarter mining to ensure that we mine as the orebody dictates we should. Ore reserve management is something that we at Harmony have been particularly good at in the past – we have the skills and know-how but we have dropped the ball in terms of focus. We intend to get this back.

Internal and external reviews of our new accounting system are being conducted and we believe that by FY08 all outstanding issues should have been resolved. We understand that it will require consistent effort to regain investor confidence, both in our systems and our ability to manage our costs. We are committed to building a positive track record in this regard.

On the issue of costs, we are pleased to have spearheaded objections against Arcelor Mittal Steel South Africa Limited (Mittal Steel) which after four years of investigation and testimony, led to the precedent-setting judgment by the South African Competition Tribunal (Tribunal) in its case against the excessive pricing of flat steel by that company. Steel is an important consumable in our company and the industry in general in South Africa. We estimate that, over the life of our mines, excessive costs will have shaved off around R1.5 billion from our bottom line.

In March 2007, the Tribunal found that Mittal did in fact abuse its dominant position by engaging in excessive pricing. On 6 September, the Tribunal imposed a penalty on Mittal Steel and certain behavioural remedies aimed at reducing Mittal Steel's dominance and its practice of segmented pricing in the local market for flat steel products.

An area where we can be justifiably proud of having met expectations is that of orebody development. This was a strategic imperative set by the company to be able to gain greater flexibility over a period of 18 months. Year-on-year development increased by 35% and, while we have not seen the full benefits of this increase as yet, we anticipate its visible impact in the coming financial year.

We also welcome the spirit and manner in which this year's wage negotiations were conducted. We are pleased that the parties were able to reach agreement without any strikes or shifts being lost. A wage increase of 8.5% which was signed between the gold mining industry and the trade unions became effective 1 July 2007. Wage offers for the second year were agreed on CPIX + 1%, with a guaranteed minimum of 8%.

Disposals

Harmony embarked on a disposal strategy during the year in support of transforming the company's asset base to a lower-cost, longer-life one. In April 2007, we announced the sale of the Orkney shafts to Pamodzi Gold in a transaction valued at R550 million (US$78 million). The sale may provide cash to Harmony, and has been set up so that we can enjoy any upside to the gold price through an innovative royalty agreement. The transaction agreement was signed on 31 August and the sale should be concluded by the end of the year.

On 31 July 2007, we reached agreement to sell South Kal Mines to Dioro Exploration NL in Australia. Dioro will pay to Harmony A$25 million (R150 million) in cash and will issue a 160 million shares to the value of A$20 million (R120 million).
The transaction is expected to close in October 2007.

Growth

The events just after year-end did much to distract the attention from the good progress made at our growth projects during FY07. These projects represent the life-blood of Harmony going forward and bringing them on stream on time and at the right cost remains a priority. Together these projects will add some 1.4 million ounces to production over the next four years and substantially improve the quality of our operations going forward.

Attributable capital expenditure incurred for these five growth projects during FY07 amounted to R1 174 million, with Hidden Valley in PNG accounting for around 45% of this. A special report on these projects appears on pages 20 to 33 of this report.

These projects will require a great deal of capital expenditure over the next two to three years and, given the current cash position of the company, we are re-evaluating the planned capital expenditure, together with project timelines. Additional funding options are being investigated, including debt raising and the disposal of certain assets, such as the Cooke uranium dump. We will keep shareholders apprised of developments over the coming months.

Exploration

Another area where we have made a great deal of progress is in both extending and proving our exploration portfolio and this is addressed in greater detail in the Exploration Review on pages 34 to 45. Exploration activities cost the company around R194 million (US$27 million) in FY07, which is an increase of 173% on the exploration expenditure incurred in FY06.

In July 2007, we completed the pre-feasibility studies for the Golpu copper-gold deposit located at the Wafi site in the Morobe province of PNG. A pre-feasibility study for the Wafi gold deposit study is currently under way and due for completion in November 2007. The Golpu study identified a technically and economically viable project plan, with the definition of a probable ore reserve of 70.8 million tonnes, grading 1.1% copper, 0.61g/t gold, and 121ppm molybdenum. The project is due to be presented to the board in January 2008 for approval of a full-scale feasibility study. The possibility of complementary or investment partnerships is being considered to turn the projects into mines, particularly given the large copper component of the orebodies.

While we recognise that exploration is an important part of the reserves and resources pipeline, the company's current cash situation dictates that exploration activities at Evander South and Target North be slowed down, and activities in Senegal and West Africa suspended. Exploration in PNG will continue, although in the short term we will refocus on extracting optimal value from our investment.

Building up reserves

After accounting for depletion and replacements, Harmony's gold ore reserves amounted to 53.6 million ounces at the end of June 2007. (A gold price of US$520/oz was used for the conversion of Mineral Resources to Ore Reserves along with an exchange rate of US$/R6.88 for South Africa and AU$/US$0.73 for Australia, resulting in equivalent gold prices of R115 000/kg or AU$712/oz, respectively.) A comprehensive and expanded reserve and resource statement may be found on page 46.

This reserve statement reflects a year-on-year depletion of 2.3Moz during the course of the year owing to mining, disposals of assets and shaft closures. The loss of the Western Areas equity ounces accounted for a further decrease of 5.3Moz of reserves.

The pre-feasibility studies at Harmony's Evander South Project as well as Wafi/Golpu in PNG added 3.5Moz to reserves. A further increase of 1.8Moz is attributable to growth in reserves from the South African operations. While our copper and molybdenum reserves were not included as gold equivalents, following an extensive drilling exploration programme, Harmony declared its uranium mineral resources within the measured and indicated resource categories. Five tailings dams at Randfontein delivered 363 million tonnes containing 79.1 million pounds of U_3O_8; and six tailings dams in the Free State, 264 million tonnes containing 40 million pounds of U_3O_8. These resources represent the total contained dump resources and no economic cut-offs were applied. Economics of dual pay limits were also not applied.

Other developments

A number of other corporate developments were undertaken during the year in order to clean up and align the company structure.

In March 2007, Harmony concluded negotiations with Rio Tinto in which we purchased Rio's rights to the royalty agreement entered into prior to the acquisition by Harmony of the Hidden Valley and Kerimenge deposits in PNG. The cost to Harmony of approximately US$22.5 million (R158 million) will be met through the issue of shares and a cash payment of US$2.5 million (R18 million). The effect of the transaction will be to reduce the cost of gold produced at Hidden Valley by US$13 per ounce, estimated at around US$35 million savings over the life of the mine.

In May 2007, Harmony closed out the remainder of its Australian hedge book, which it had inherited with the acquisition of Hill 50 mine. In total, some 230 000 ounces were closed out at an average spot rate of A$809/ounce, for a total cost of A$75.8 million (R436 million). This means that Harmony is now totally unhedged.

After tendering our Western Areas shares for conversion to Gold Fields shares in December 2006, we entered into an agreement in August 2007 to sell our Gold Fields ordinary shares for a consideration of some R1.3 billion (US$185 million). The proceeds were used to settle the Randfontein redeemable preference shares issued to Rand Merchant Bank (RMB) in April 2007, as well as the performance equity swap entered into with RMB.

At the beginning of July 2007 Harmony announced its intention to issue a US dollar-denominated seven-year fixed-rate unsecured bond, subject to market conditions. However, by mid-July it had become apparent that market conditions were not suitable and this bond was postponed.

Mining rights conversion

Harmony has lodged applications with the Department of Minerals and Energy to obtain new order mining rights in terms of the Minerals and Petroleum Development Act 2002, Act No 288 of 2002 (MPRDA).

As part of the requirements for obtaining and retaining the mining licences in terms of the MPRDA, Harmony has undertaken to invest in various parts of each operation's Social and Labour Plan (SLP).

The Harmony team

Much has changed at Harmony during the past year and, no doubt, much will continue to change during the year ahead. In March 2007, Alwyn Pretorius, an experienced and highly competent mining engineer, was appointed to head up the South African operations. He replaced Peter Steenkamp, who joined our BEE partner Pamodzi Gold as CEO.

Since being appointed Acting CE, I have strengthened the Harmony executive by appointing Mashego Mashego as Human Resources Executive. Abre van Vuuren now assumes responsibility for Corporate Services.

Tom Smith, general manager of Tshepong, has been appointed chief operating officer (COO), South Region. In order to improve the effectiveness of the COO, I also thought it prudent to split the responsibilities between Tom Smith and Alwyn Pretorius, COO North Region, in running Harmony's 22 mines.

Thanks

I would like to extend my appreciation to the chairman and the board for their guidance and support, particularly in the trying times of recent months. Very importantly, I want to thank our management team and our employees for their valued support and encourage them to take to heart our back to basics approach. This is what made Harmony great and what we are good at.

Going forward

Harmony's growth and value-accretion strategy remains intact and we will continue to exploit complementary and opportunistic acquisitions both locally and internationally.

A key priority for the year ahead is ensuring that we turn our current operations to optimal account. Due diligence procedures will be completed at all our shafts to ascertain what measures should be implemented where.

Our back to basics approach and focus on disciplined mining should have management and the workforce concentrating on reversing the downward trend in our production and the upward trend in costs. We are keenly aware that good management and intensive cost controls will enhance the company's prospects. Although no dramatic upturn should be expected in the next two quarters, productivity improvements will, however, be expected from each and every employee throughout the company. We recognise too that we need to align the objectives of the company with those of our employees, particularly middle management. Our efforts will be focussed on remotivating the Harmony management, and re-implementing the 'Back to Basics' Harmony approach is what made us competitive and successful in the past.

We have excellent orebodies, well-advanced projects and high-calibre management. With a clear focus on future improvements in production and costs, we will make a contribution to the future prosperity of Harmony.

Graham Briggs
Acting CE
28 September 2007