



Harmony is going through an important period of change in the leadership of its management.

I am confident that the process that is currently under way of re-focusing and re-motivating management and reverting to our 'Back to Basics' Harmony management style will re-position Harmony as a globally competitive and profitable company.

Shareholders will be aware that Bernard Swanepoel resigned as Chief Executive at the beginning of August 2007. Bernard played an important role in the growth and success of Harmony.

On behalf of the Board, Harmony's executive committee and all its employees, I thank him for the huge contribution he has made to Harmony over the years and wish him well in the future.

The history of Harmony reflects an ability to confront serious challenges and to

restructure and turn loss-making shafts into profitable operations.

The bulk of the management team that was part of the Harmony success story is still with us and we are committed to rebuilding and repositioning Harmony as a globally competitive company. The Board appointed Graham Briggs who is an experienced Harmony executive to be Acting CE.

Graham has been with the company for 12 years and prior to his appointment as Acting CE, he was responsible for Harmony's international portfolio in Australia and Papua New Guinea. A geologist by profession, with extensive experience over three decades in ore reserve management, mining and the management of people. Graham is ideally suited to spearhead Harmony's 'Back to Basics' approach in the coming months. He has the support of an able and resourceful management team.

From an operational point of view, Harmony experienced a number of challenges which, when combined with the unsatisfactory focus on cost control and systems, resulted in various operational areas underperforming during the year. These areas will be more closely managed by the strong leadership team that has been put in place and this should result in improved productivity and competitiveness.

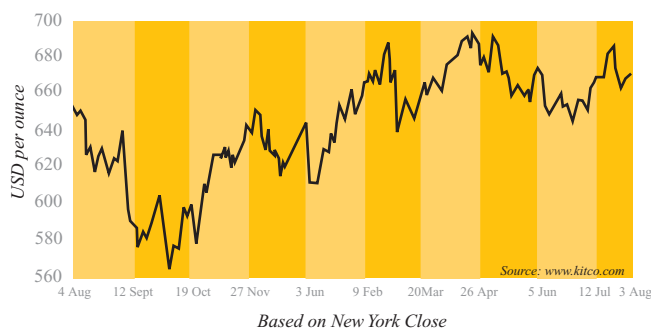
On the other hand, Harmony made excellent progress in accelerating development to create flexibility at existing operations; the substantial progress made at the five world-class growth projects should ensure that the company is transformed into a global player, with better quality and lower cost assets.

In its pursuit of becoming a low-cost, high-quality gold producer, Harmony has negotiated the sale of two of the mines it purchased during its early formative years in order to rebalance its asset base and to fund the high-growth pathway ahead of it.

The sale of the South African Orkney shafts to Pamodzi Gold Ltd and the sale of the South Kal mine in Australia to Dioro Exploration NL were an integral part of the rebalancing strategy. The company has retained an interest in the potential upside that these operations may yield, through a royalty agreement in the case of Pamodzi and a shareholding in Dioro. Both transactions are subject to conditions precedent and should be finalised in FY08, once these conditions have been fulfilled.

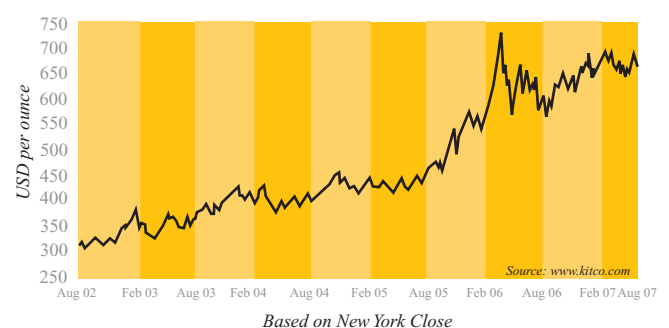
Gold price over one year

High 694.28 Low 560.75



Gold price over five years

High 725.75 Low 305.20



WE BELIEVE IN GOLD



Harmony rejoins the World Gold Council



In June 2007, Harmony rejoined the World Gold Council (WGC) an organisation it had exited some years before.

Founded in 1987, the WGC was formed and funded by the world's leading gold mining companies with the aim of stimulating and maximising the demand for, and holding of, gold by consumers, investors, industry, and the official sector.

As well as undertaking marketing initiatives to drive demand, the WGC is also instrumental in working to lower regulatory barriers to the widespread ownership of gold products, helping to develop distribution systems and promoting the role of gold as a reserve asset in the official sector. Its members number 24 leading gold mining companies with operations in 22 countries.

I am confident that Graham and the management team will rejuvenate and refocus Harmony to successfully implement the 'Back to Basics' strategy.

Financial performance

For the year ended June 2007, Harmony reported improved headline earnings of 43 SA cents per share compared with a headline loss of 269 SA cents per share in FY06.

In US dollars, headline earnings improved from a loss of 42 US cents per share in FY06 to a profit of 6 US cents per share for FY07. A net profit of R341 million was reported for FY07.

Both the operational and financial performance in the fourth quarter were disappointing. In particular, data capturing problems with a newly-installed accounting system led to the under-reporting of costs amounting to some R250 million in the third quarter with these having to be allocated to the fourth quarter, with negative effects. An internal review of the new accounting system is currently underway to address shortcomings in both the system and its operation.

Total cash operating costs for the group rose by 26.8% year-on-year which was more than anticipated. Management is giving this matter serious attention.

The gold market

The market for gold shares continues to confound and bemuse scholars and speculators alike.

Two things remain certain – firstly, fundamental demand for gold remains strong and, secondly, as gold shares behave like no others, these continue to trade at higher multiples than do other stocks.

At Harmony we believe in gold, and despite the handsome attractions of other metals such as our by-products copper and uranium, we want to reassure shareholders that we are first and foremost a gold mining company.

We are developing new mines at a lower cost per ounce than our current operations, thus making them robust enough to survive any margin squeeze and to withstand any sudden reverse in the gold price. However, we expect the gold price to continue to trade in the \$500 to \$700/oz price range in the medium term where it has traded during the year under review.

We are further encouraged by a recent Gold Fields Minerals Services (GFMS) report that indicates continued support for investor confidence in gold in the medium to long term. GFMS cites possible reasons for this as being: actual and potential dollar weakness; a potentially sharp slowdown in the US economy and the damage this would inflict on conventional asset returns; the threat of higher inflation and an escalation of geopolitical tensions.

Fundamental demand for gold appears to have continued with lower official sales and an acceptance of a new 'floor price' in the gold jewellery sector. Producer de-hedging, combined with the continued decline in global gold output, underpins this bullish view.

Dividends

Harmony is committed to significant capital expenditure for the next four years in order to increase its production volumes. During this period, cash generated by the operations will be used to fund our growth projects. Accordingly, no final dividend was declared by the Board of Directors for the financial year ended 2007.

Prospects

Looking ahead to FY08, we see continued buoyancy in the gold market. We expect the rand/dollar exchange rate to perform much as it did in FY07. While Harmony is likely to produce marginally less gold in FY08 – these should be higher quality ounces which directly benefit the bottom line. In the longer term, the company will continue to grow as new projects come on stream. Production is planned to rise to about 3.1Moz by FY11, with about 50% of that production coming from the newer, lower cost assets.

Thanks

The board extends its thanks to the Harmony management team and to the employees and their representatives who have withstood a tough year. I extend my personal thanks to my fellow board members and take this opportunity to welcome to the board former platinum industry executive Cathie Markus as non-executive director, and look forward to her contribution to the company. I also welcome veteran miner and ARM CEO André Wilkens as non-executive director to the Harmony board with effect from August 2007, and Frank Abbott who has agreed to assume the position of interim finance director for a period of six months. This follows the resignation of Nomfundo Qangule on 21 August 2007, to whom we also extend our thanks and good wishes.

In conclusion

The next financial year is sure to bring more change and I am confident that Harmony will rise to the challenges and that management will rebuild the trust and credibility that made us globally competitive and successful.

Patrice Motsepe
Chairman
28 September 2007