Corporate governance

Doornkop, South Africa

Phakisa, South Africa

Hidden Valley, Papua New Guinea

Corporate governance

Harmony is committed to achieving its objectives and at the same time applying and upholding best practice in terms of corporate governance. The company's primary listing is on the JSE Limited, in South Africa. Harmony's ordinary shares are also listed on stock exchanges in London, Paris and Berlin, and are quoted in the form of American Depositary Receipts on the New York and Nasdaq exchanges, and as International Depositary Receipts on the Brussels exchange. The company's disclosure practices and policies are guided by the South African Companies Act, the JSE and other exchange requirements, and the US Securities and Exchange Commission (SEC). Also of importance are, in particular, the King Report on Corporate Governance 2002 (King II) and the Public Company Accounting Reform and Investor Protection Act of 2002, more commonly known as the Sarbanes-Oxley Act of 2002 (SOx), as applicable to foreign companies listed in the United States.

Summary of compliance with King II

Board and directors		
Unitary structure, comprising executive and non-executive directors	Comply	See page 108
Guide strategy	Comply	See pages 108 to 109
Ensure legal compliance	Comply	See Board Charter
Address material issues and delegate through written authority to management	Comply	See pages 109 to 110
Access to independent professional advice	Comply	See page 110
Identifies and monitors non-financial performance of the company	Comply	See Board Charter.
Consideration of going concern	Comply	See Directors' Report on page 139
Explanation of special resolutions	Comply	No special resolutions are required
Attend and encourage attendance at AGM	Comply	See page 111 and the Notice of Meeting
Provide CVs of directors standing for re-election	Comply	See pages 98 to 101
Charter in place	Comply	See pages 108 to 109
Composition of the board		
Majority of independent non-executive directors	Comply	See page 108
SA demographics to be considered	Comply	See page 108
Formal and transparent procedures for nominations to the board, assisted by the Nominations Committee	Partially comply	See pages 114 to 115
Rotation of directors staggered	Comply	See page 111
Chairman and Chief Executive Officer		
Chairman should be an independent non-executive director	Non-compliant	See page 110
Separation of roles of chief executive officer and chairman	Comply	See page 110
Annual appraisal of chairman by board	Non-compliant	See page 110
Performance of chief executive officer to be evaluated annually and results considered by Remuneration Committee	Compliant since January 2008	Technical and Remuneration Committees responsible (see charters)
Directors		
Formal induction and training provided for directors	Comply	See page 110
Remuneration		
Remuneration Committee to comprise independent non-executive directors only	Non-compliant; 75% of committee members are independent non-executive directors	See page 115
Chairman of Remuneration Committee to be an independent, non-executive director and to attend annual general meeting	Comply	See page 115
Full disclosure of directors' remuneration	Comply	See pages 143 to 145
Remuneration philosophy disclosed	Comply	See Directors' Report on pages 141 to 142
Remuneration of non-executive directors to be approved by shareholders prior to implementation	Comply	See Notice of Meeting

Corporate governance (continued)

Summary of compliance with King II cont

Board meetings		
To meet once per quarter and attendance to be disclosed	Comply	See page 110
Board should be briefed timeously and information should be subject to internal controls	Comply	See page 110
Non-executive directors to have access to management without executive directors present	Comply	See page 110
Board committees		
Board committees should assist the board, have clear terms of reference, ensure transparency in disclosure to the board, take independent advice as required and be subject to regular evaluation	Comply	See pages 111 to 112
Board and directors' evaluation		
Evaluation of board as a whole and individual directors to be undertaken	Board as a whole evaluated; individual directors not evaluated.	See page 110
All revised charters include provision for self-assessments/evaluations.	Comply	See page 110
Dealings in securities		
Appropriate measures in place	Comply	See page 119
Company secretary		
Access to company secretary by board members	Comply	See page 117
Risk management		
Appropriate processes and controls to be put in place	Comply	See page 120
Internal audit		
Independent assurance function to be in place, with direct access to the chairman	Comply	See page 122
Sustainability reporting		
Report to be developed in accordance with GRI	Comply	See Sustainable Development Report
Code of ethics		
Code of ethics to be in place	Comply	See page 119
Accounting and auditing		
To recommend appointment of auditors and approve use of auditors for non-financial audit work	Comply	See page 122
Reporting on non-financial information		
Statement of directors' responsibility	Comply	See page 136

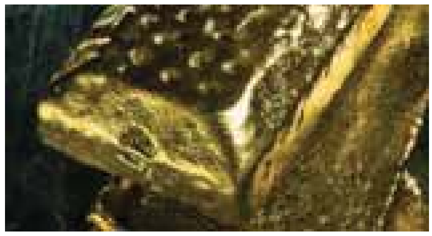
Board of directors

Harmony is governed by a unitary board which, in accordance with its Articles of Association, must comprise between four and twenty directors. As at the end of June 2008, the Harmony board was made up of twelve members, eight of whom have been determined as being independent and two of whom are executive directors. Two of the non-executive directors are women, and four directors are drawn from groups considered to be historically disadvantaged in South Africa. Determination of independence is done in accordance with King II and SOx.

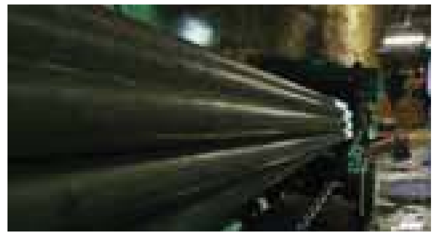
The board upholds sound principles of corporate governance, recognises the interests of communities that the company affects, ensures that the company acts as a responsible corporate citizen, and ensures the creation of optimal value for its shareholders.

Board purpose and function

The board is guided in its actions by the board charter which is reviewed on an annual basis and is available on the company's website at www.harmony.co.za. The charter serves as a guide to each member of the board



Doornkop, South Africa



Tshepong, South Africa

Members of Harmony's board of directors as at 30 June 2008:

Non-independent non-executive chairman	
	Patrice Motsepe
Executive directors	
	Graham Briggs (Chief Executive Officer)
	Frank Abbott (Interim Financial Director)
Independent non-executive directors	
	Joaquim Chissano
	Fikile De Buck
	Dr Cheick Diarra
	Ken Dicks
	Dr Simo Lushaba
	Cathie Markus
	Modise Motlaba
	Cedric Savage
Non-independent non-executive director	
	André Wilkens

in terms of the purpose and role of the board, its responsibilities, authority, composition and meetings as well as 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. The board provides strategic direction to the company through the quarterly board meetings and the delegation of authority to the board committees. The board reviews and directs the company's strategic objectives, annual budget and plans. The board also guides and reviews the non-financial performance of the company.

Given the location of Harmony's operations and of the exchanges on which it is listed, a number of onerous duties, responsibilities and personal liabilities are imposed on Harmony's directors under both common and statutory law, not only in South Africa, but also in the United States, Australia and the United Kingdom.

Board appointments

The company believes that the non-executive and independent directors are of sufficient calibre, experience and number for their views to carry significant weight in the board's decisions. In considering new appointments to the board, Harmony takes cognisance of gender and racial mix of the board and believes that it has achieved an acceptable balance of such members. Consideration of new appointments to the board is undertaken by the board as a whole.

Board meetings

The board, in terms of its charter, is required to hold at least one meeting every quarter. Four meetings were held in FY08. Attendance at these is reflected in the table below. Resolutions requiring urgent decisions were passed by means of round-robin resolutions.

Corporate governance (continued)

Attendance at board meetings in FY2008

	21 Aug 07	29 Oct 07	13 Feb 08	6 May 08
Patrice Motsepe	✓	✓	✓	✓
Graham Briggs	✓	✓	✓	✓
Frank Abbott	✓	✓	✓	✓
Joaquim Chissano	✓	✗	✓	✓
Fikile De Buck	✓	✓	✓	✓
Dr Cheick Diarra	NA	NA	NA	✓
Ken Dicks	NA	NA	✓	✓
Dr Simo Lushaba	✓	✓	✓	✓
Cathie Markus	✓	✓	✓	✓
Modise Motloba	✓	✓	✓	✓
Cedric Savage	✓	✓	✓	✓
Andre Wilkens	✓	✓	✓	✓

Chairman and chief executive officer

The roles of chairman and chief executive officer are separate and distinct as required by King II. The chairman, however, is not considered to be independent. The board is of the view that the value added by Mr Motsepe as chairman to the company is significant, and that the board as a whole is sufficiently independent in nature.

Induction to the board

The board accepts responsibility for the monitoring and supervision of executive management and the induction of new or inexperienced directors. As part of the company's induction programme, a new director is briefed by the company secretary and provided with a comprehensive company information pack containing, among other documentation, committee charters, Articles of Association, corporate governance guidelines, the Toolkit for Directors (provided by internal auditors KPMG) and a summary of the JSE Listings Requirements. Furthermore, each director has unrestricted access to the advice and services of senior management. All non-executive directors appointed to the board during FY08 were briefed accordingly.

All non-executive directors have an open invitation to visit Harmony's operations at any time and attend management meetings at their discretion. Specific training sessions are arranged as and when these are requested by directors.

Delegation of authority

The board delegate authority for certain matters through the charters to its board committees. These matters are monitored and evaluated by the board at each meeting. Board members have unrestricted access to all group information, records, documents and property. If necessary, a board member may take independent professional advice at the group's expense.

Assessment

The board, in terms of its charter, 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, including expertise, inquiring attitude, objectivity and independence, judgement, understanding of Harmony's business, understanding and commitment to the board's duties and responsibilities, willingness to devote the time needed to prepare for and participate in committee deliberations, timely responses and attendance at meetings.

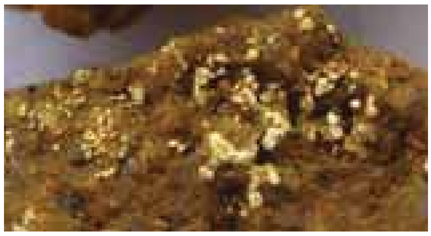
A board effectiveness self-evaluation was conducted in FY08, although a seperate evaluation of the chairman was not undertaken. It is the company's intention to undertake a third party review of the board effectiveness, including the effectiveness of the chairman, in FY09.

Following the review of the board, board charters and charters of board sub-committees, a clause relating to self-assessment was inserted into each charter. In addition, the Technical Committee was formed in January 2008 to assess the performance of the company and the chief executive officer.

Executive directors

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 also benefit from pension contributions (or provident fund), life insurance and medical aid. The number of share options held by executive directors



Edie Creek, Papua New Guinea

Bambanani, South Africa

during the financial year is detailed in the Directors' Report which may be found on pages 136 to 146.

Non-executive directors

None of the non-executive directors has a service contract with Harmony. Non-executive directors are entitled to fees as agreed at Harmony's annual general meeting and, from time to time, to reimbursement for out-of-pocket expenses incurred on the company's behalf as well as remuneration for other services, such as serving on committees. Details may be found in the Directors' report on page 142 and the Notice of Meeting

Shareholders approved an increase in non-executive directors' remuneration at the annual general meeting held on 26 November 2007. The increased fees were payable effective from 1 July 2007. Other than what has been stipulated under 'Related party transactions' in the Directors' Report on page 141, the company is not aware of any other director, or the families of any other directors, having any interest, direct or indirect, in any transaction during the last financial year or in any proposed transaction with any company in the Harmony group which has affected or will materially affect Harmony or its investment interest or subsidiaries.

Annual general meeting

The notice of the annual general meeting is posted timeously to all shareholders, with clear instructions of the responsibility of shareholders and the resolutions being voted for. Full details of the directors to be nominated/re-nominated are provided. Directors are encouraged to attend the annual general meeting, particularly the chairmen of the various board committees.

Rotation of directors

The rotation of directors is staggered and is provided for on an annual basis at the company's annual general meeting. In terms of the company's Articles of Association, one-third of the longest standing directors on the board must retire from office at the annual general meeting. Retiring directors usually make themselves available for re-election and are re-elected at the annual general meeting at which they retire. There are provisions in place within the Articles of Association for the exemption from retirement for executive directors in terms of their employment contracts. Currently, no directors are exempted from retirement under these provisions.

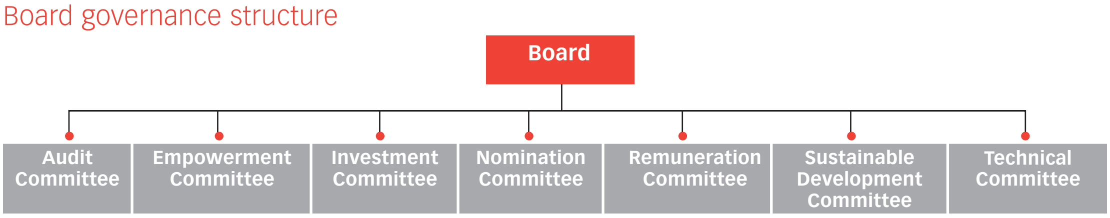
At the annual general meeting to be held on 24 November 2008, the following directors, Messrs Cedric Savage and Frank Abbott, will retire and have made themselves available for re-election. Full details may be found on pages 98 to 101 of this report and in the Notice of Meeting.

Board committees

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

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

Board governance structure



Corporate governance (continued)

The creation of these committees does not reduce the directors' overall responsibility and the chairmen of all sub-committees report and make recommendations to the board via designated reporting slots at each board meeting. The minutes of all committee meetings are made available to all board members in their board information pack prior to the board meeting.

Each board committee is guided by that committee's charter. Copies of these charters are available on the Harmony website at www.harmony.co.za. In order to discharge its responsibilities and fulfil its duties, each committee has adopted an agenda plan. Each plan is approved by the board on an annual basis. Reporting by each committee to the board takes place against the approved agenda plan. All board committees are chaired by an independent non-executive director, except for the Nomination Committee. A discussion of the areas of partial and non-compliance with King II appear in the relevant sections below.

AUDIT COMMITTEE

Members

In terms of its charter this committee must comprise at least three members.

As at 30 June 2008, the members of this committee were:

Cedric Savage (chairman):	Appointed to the committee on 26 January 2004 and chairman on 5 August 2005
Fikile de Buck:	Appointed to the committee on 30 March 2006
Dr Simo Lushaba	Appointed to the committee on 24 January 2003
Modise Motloba	Appointed to the committee on 30 July 2004

The internal auditors, the external auditors, the chief executive officer and executive managers are invited to the meeting.

Frequency of meetings

In terms of its charter, the Audit Committee is required to meet at least four times a year, or more frequently as circumstances dictate. During the 2008 financial year, the committee met on eight occassions.

Purpose and function

The Audit Committee was established to assist the board in discharging its duties relating to the safeguarding of assets; the operation of adequate system and internal controls and control processes; the preparation of accurate financial reporting and statements in compliance with all applicable legal requirements, corporate governance and accounting standards. It also provides support to the board on the risk profile and risk management of the group.

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

Independence/compliance

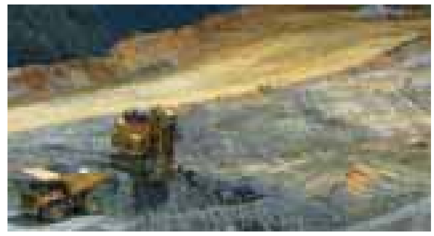
All members of the Audit Committee are independent, non-executive directors.

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

Attendance at Audit Committee meetings in FY08

Name	2 Aug 07	6 Aug 07	20 Aug 07	25 Sept 07	26 Oct 07	26 Nov 07	11 Feb 08	5 May 08
Cedric Savage	✓	✓	✓	✓	✓	✓	✓	✗
Fikile De Buck	✓	✓	✓	✓	✗	✗	✓	✓
Dr Simo Lushaba	✓	✓	✗	✓	✗	✓	✓	✓
Modise Motloba	✓	✓	✓	✗	✗	✗	✓	✓


Bambanani, South Africa


Hidden Valley, Papua New Guinea

EMPOWERMENT COMMITTEE

Members

The Empowerment Committee should have three members.

As at 30 June 2008, the members of this committee were as follows:

Joaquim Chissano (Chairman)	Appointed as member and chairman with effect from 3 May 2006
Modise Motloba	Appointed to the committee on 3 May 2006
Cathie Markus	Appointed to the committee on 29 October 2007

Bernard Swanepoel resigned from this committee on 6 August 2007.

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

Frequency of meetings

The Empowerment Committee met on two occasions during FY08.

Purpose and function

The Empowerment Committee was established by the board to ensure that the company meets not only regulations stipulated in the Employment Equity Act, the Labour Relations Act and the Mineral and Petroleum Resources Development Act's Mining Charter Scorecard, but also in fulfilment of Harmony's own empowerment imperatives.

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

Independence/compliance

The committee is chaired by an independent non-executive director and comprises of independent non-executive directors.

Attendance at Empowerment Committee meetings in FY08

Name	3 Aug 07	24 April 08
Joaquim Chissano	✓	✓
Modise Motloba	✓	✓
Cathie Markus	NA	✓

Corporate governance (continued)

INVESTMENT COMMITTEE

Members

In terms of its charter, this committee must comprise at least three members.

As at 30 June 2008, the members were:

Dr Simo Lushaba (chairman)	Appointed to the committee on 26 January 2004 and as chairman with effect from 5 August 2005
Frank Abbott	Appointed to the committee on 30 July 2004 and resigned from the committee following his appointment as interim financial director on 21 August 2007
Fikile De Buck	Appointed to the committee on 3 May 2006
Cedric Savage	Appointed to the committee on 26 January 2004
André Wilkens	Appointed to the committee on 7 August 2007
Cathie Markus	Appointed to the committee on 29 October 2007
Ken Dicks	Appointed to the committee on 13 February 2008

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

Frequency of meetings

The committee should meet at least four times a year, but may at its discretion meet more often depending on the circumstances. The committee met on eight occasions in FY08.

Purpose and function

The Investment Committee's purpose was reviewed, following the implementation of the Technical Committee in February 2008. The primary purpose of the Investment Committee is to consider projects, acquisitions and the disposal of assets in line with the Group's overall strategy. This includes performing such other investment related functions as may be designated by the board from time to time, considering the viability of the capital project and/or acquisition and/or disposal and the effect it may have on the Group's cash flow, as well as whether it will fit the Group's overall strategy and ensuring that due diligence procedures are followed when acquiring or disposing of assets.

Independence/compliance

The Investment Committee consists of six non-executive members, of which five are independent. The chairman is an independent, non-executive director. The chief executive officer, interim financial director and members of the Executive Management Committee attend all Investment Committee meetings.

NOMINATION COMMITTEE

Members

In terms of its charter, this committee must at all times comprise at least three members.

As at 30 June 2008, the members of this committee were:

Patrice Motsepe (chairman)	Appointed to the committee on 24 October 2003 as chairman
Joaquim Chissano	Appointed to the committee on 3 May 2006
Frank Abbott	Appointed to the committee on 5 August 2005

Frequency of meetings

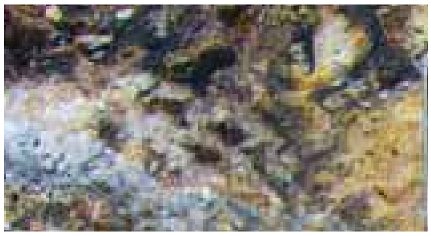
Members of this committee are required to meet annually or more often at the committee's discretion, depending on prevailing circumstances. In view of the fact that only one member of the committee is an independent non-executive director, any decisions by the Nomination Committee are approved by the board, either through a round robin resolution or at a board meeting.

Purpose and function

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

Attendance at Investment Committee meetings in FY08

Name	7 Aug 07	25 Sept 07	26 Oct 07	20 Nov 07	11 Feb 08	3 April 08	17 April 08	5 May 08
Dr Simo Lushaba	✓	✓	✓	✓	✓	✓	✓	✓
Fikile de Buck	✓	✓	✗	✗	✓	✓	✓	✓
Cedric Savage	✓	✓	✓	✓	✓	✓	✓	✗
André Wilkens	NA	✓	✓	✓	✓	✓	✓	✓
Cathie Markus	NA	NA	NA	✓	✓	✗	✗	✓
Ken Dicks	NA	NA	NA	NA	NA	✓	✓	✓


Hidden Valley, Papua New Guinea


Doornkop, South Africa

appointments and reviewing succession planning for directors. The duties and responsibilities of this committee are set out in the Nomination Committee charter, with which the committee is fully compliant.

Independence/compliance

The chairman of the Nomination Committee is non-executive, but is not independent. To ensure appropriate levels of governance, the potential directors identified by the nominations committee are considered by the board as a whole, the majority of whom are non-executive, independent directors.

REMUNERATION COMMITTEE

Members

In terms of its charter, this committee must comprise a minimum of three members.

As at 30 June 2008, the members of this committee were:

Cedric Savage (chairman)	Appointed to the committee on 24 January 2004 and as chairman from 3 May 2006
Dr Simo Lushaba	Appointed to the committee on 5 August 2005
Patrice Motsepe	Appointed to the committee on 26 January 2004
André Wilkens	Appointed to the committee on 7 August 2007

The chief executive officer, human resources executive and company secretary are invited to attend all meetings.

Frequency of meetings

The Remuneration Committee is expected to meet at least on a quarterly basis or, alternatively, to pass resolutions by round robin if and when a formal meeting cannot be held. In FY08, the committee met once and a number of round robin resolutions were passed.

Purpose and function

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 and 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 outcome of their decisions, and who will give due regard to the interests of the shareholders and to the financial and commercial health of the company.

The committee's primary objectives are to monitor and strengthen the objectivity and credibility of Harmony's directors' and senior executives' remuneration system, and to make recommendations to the board on remuneration packages and policies applicable to directors. A formal reward philosophy was adopted by the Remuneration Committee in March 2006. This philosophy is reviewed annually by the committee.

Independence/compliance

The committee comprises three non-executive directors, of which two are independent. It is therefore not compliant with King II which requires that the committee comprise independent directors only. The chairman of the Remuneration Committee is, however, an independent non-executive director and ensures that decisions are non-bias and fair. The chairman attended the annual general meeting which was held on 26 November 2007 to respond to any queries from shareholders.

Corporate governance (continued)

SUSTAINABLE DEVELOPMENT COMMITTEE

Members

In terms of its charter this committee should comprise at least three members.

As at 30 June 2008, the following were members of this committee:

Modise Motloba (chairman)	Appointed as chairman on 5 August 2005
Joaquim Chissano	Appointed to the committee on 3 May 2006
Fikile de Buck	Appointed to the committee on 3 May 2006

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

Frequency of meetings

The Sustainable Development Committee should meet at least four times a year, or more frequently as circumstances dictate. In FY08, four meetings of this committee were held.

Purpose and function

The objective of the Sustainable Development Committee 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 considers the following sustainable development issues: occupational health, safety, HIV/Aids, social investment and environmental management.

Independence/compliance

Members of the committee are all independent, non-executive directors.

TECHNICAL COMMITTEE

Members

In terms of its charter this committee should comprise at least three members.

As at 30 June 2008, the following were members of this committee:

André Wilkens (chairman)	Appointed chairman on 22 January 2008
Fikile de Buck	Appointed to the committee on 14 July 2008
Ken Dicks	Appointed to the committee on 13 February 2008
Modise Motloba	Appointed to the committee on 22 January 2008
Cedric Savage	Appointed to the committee on 22 January 2008

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

Frequency of meetings

The committee should meet at least six times a year. The committee, at its discretion, may decide to change this requirement, depending on the circumstances. Bearing in mind the Technical Committee was only established on 22 January 2008, three meetings were held between then and year-end.

Purpose and function

The Technical Committee was formed in January 2008 to provide a platform for the chief executive officer to discuss the company's strategy, its performance against targets, its operational results and projects. The Technical Committee keeps the board informed of the developments, progress and challenges facing the company's operations. The strategic plans are considered by the Technical Committee and recommended for approval to the Investment Committee and the Board. In addition, the Technical Committee provides guidance and support to management to ensure that the company remains sustainable and successful.

The committee considers and reviews the company's strategy, its performance targets and its projects on an annual basis; reviews the performance of the company

Attendance at Sustainable Development Committee meetings in FY08

Name	6 Aug 07	25 Oct 07*	12 Feb 08	24 Apr 08
Modise Motloba	✓	✗	✓	✓
Joaquim Chissano	✗	✗	✓	✓
Fikile De Buck	✓	✓	✓	✓

** Cancelled*

Tshepong, South Africa

Morobe, Papua New Guinea

Attendance at Technical Committee* meetings in FY08

Name	13 Feb 08	27 Mar 08	5 May 08
André Wilkens	✓	✓	✓
Ken Dicks	✓	✓	✓
Modise Motloba	✓	✓	✓
Cedric Savage	✓	✓	✗

* *The Technical Committee was only formed in January 2008*

and the chief executive officer; reports to the board on the developments, progress and challenges facing the company's operations on a quarterly basis and provides guidance and support to management to ensure that the company remains sustainable and successful.

Independence/compliance

The committee comprises of three independent, non-executive directors. The chairman is not independent, but it was agreed that he was best suited to be appointed as chairman, due to his vast knowledge of the company's assets and his years' of mining experience.

Company secretary

Harmony's company secretary 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, 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.
- Raising matters that may warrant the attention of the board.

Marian van der Walt served as company secretary until 30 September 2008 and was also the executive responsible for legal matters, compliance, risk management, internal audit, document retention and ensures compliance with all relevant statutory and regulatory requirements (including SOx) and internal audit. Marian has accepted the position of executive: corporate and investor relations officer from 1 October 2008. Khanya Maluleke has been appointed company secretary from 1 October 2008. The balance of Marian's responsibility will be taken on by the senior manager: corporate governance and internal audit.

The company secretary assists in the carrying out of corporate strategies by ensuring that the board's decisions and instructions are clearly communicated to the relevant people, and is available to provide a central source of guidance and advice within Harmony on matters of ethics and good governance.

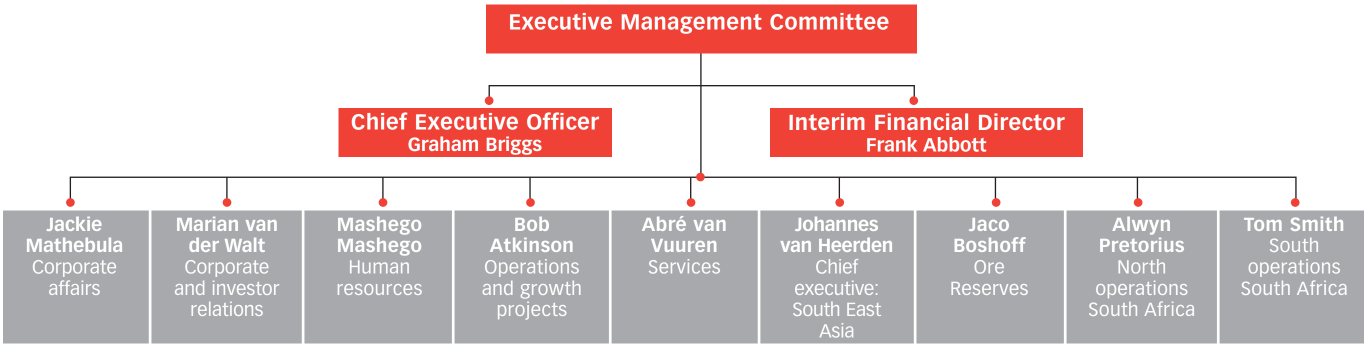
Other committees

EXECUTIVE MANAGEMENT COMMITTEE

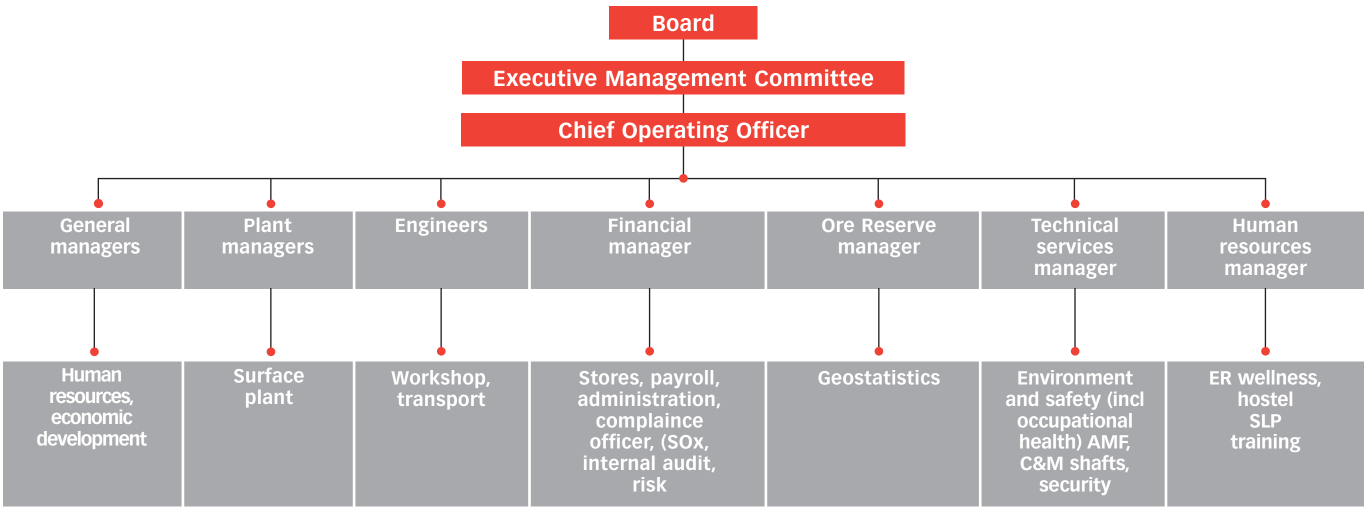
Members of the Executive Management Committee meet on a weekly basis. Standard items on the agenda are: operational results, cash flow, people issues and matters arising.

Corporate governance (continued)

The Executive Management Committee structure is as follows:



Following the decentralisation of services in December 2007, Harmony's reporting structure at an operational level is currently as follows:



Certain members of the Executive Management Committee belong to the following committees, which meet regularly. These committees are considered to be vital to the functioning of the company and ensuring the appropriate control and provision of information to the board.

Committee name	Members	Purpose and function	Frequency of meetings
Group Operational Committee	Chief operating officers and group operations teams	Review operations, safety performance, environmental issues and human resources	Weekly
Operations Committee	Chief operating officers, group operations teams and general managers	Oversees the execution of detailed shaft plans, employee relations, procurement, costs, cash flows	Monthly
Shaft Review Committee	Chief operating officers, shaft teams and members of the executive	Reviews shaft-specific operational performance, major capital expenditure and forecasts	Monthly at each shaft
Ethics Committee	Company secretary, human resources executive, corporate affairs executive, services executive	Monitors the ethical culture and levels of integrity	Quarterly within the Harmony group
IT Steering Committee	Chief executive officer, interim financial director, chief operating officers and chief information officer	Oversees IT within the company	Quarterly
Tender Committee	General manager procurement, group technical managers	Monitors all procurement procedures and reviews increases on contract items	Monthly
White Collar Crime Committee	Heads of services departments	Considers confidential reports received on code of ethics, violations, fraud and inappropriate behavior	Monthly
SOx Steering Committee	Company secretary, senior manager: internal audit and governance, financial managers	Review of SOx compliance	Monthly

Doornkop, South Africa

Elandsrand, South Africa

The Brand Committee and Enterprise Risk Management Committee were discontinued during the year. Risk is managed on shaft level and monitored by the Executive Management Committee on a regular basis.

Code of ethics

Harmony places a great deal of emphasis on instilling and maintaining the highest levels of integrity in the conduct of its business. Harmony has, through a process of constructive employee engagements enshrined the following values as those which the company and its employees subscribe to. These are:

- honesty
- resilience
- passion
- determination
- decisiveness
- inspirational
- focused
- ingenuity

Harmony's code of ethics was adopted to respond to the challenge of ethical conduct in a business environment. All employees and contractors are expected to comply with its contents. The code of ethics is available on the company's website at www.harmony.co.za. All employees are provided with a copy of the code of ethics when they join the company as well as each time an employee's renumeration is changed. Compliance with the code is a condition of service. The code of ethics is also applicable to all the company's suppliers, contractors and directors. An Ethics Committee meeting at executive management level is held every quarter. Their duties and responsibilities include the following:

- Monitoring the ethical behaviour within Harmony's business environment.
- Taking measures to ensure that the code of ethics is distributed to and signed by all employees of Harmony, and all contracting parties concluding any agreements with Harmony.
- Monitoring disciplinary action taken against any employee who does not act in accordance with the code.
- Reviewing the gift registers.
- Reviewing the reports received from the White Collar Crime Committee.
- Reviewing the code of ethics on an annual basis.

To enhance awareness of the code of ethics, an ethics alert is sent to employees who have access to e-mails, from the chief executive officer's desk on a monthly basis. The ethics alert provides information on fraudulent activity within the company and how employees can assist in preventing fraud. Harmony protects the identity of the employees who report non-compliance with our code of ethics and encourage employees to make use of the company's whistle-blowing line.

Restrictions on share dealings

Harmony employees and directors are prohibited from dealing in Harmony shares during price sensitive periods. The company secretary regularly distributes written notices, via e-mail, to advise employees and directors of restricted periods. Employees are obliged, in terms of regulatory and governance requirements, to disclose any dealings in Harmony shares by them or their concert parties to the company secretary. There is a formal clearance procedure in place with respect to directors dealing in Harmony shares.

Corporate governance (continued)

Risk management

It is Harmony's policy to manage all categories of risk associated with its business operations through the development and maintenance of a formal risk policy framework.

The Harmony board has committed the organisation to a process of risk management that is aligned to the principles of the King II. A comprehensive report on risk factors and their management may be found on pages 124 to 133.

Group structure and internal control

Given the breakdown of controls experienced in FY07 (see the Directors' Report), re-establishing controls and, in particular, ensuring that the appropriate levels of authority and responsibility are in place for all eventualities, was a primary area of focus for the year.

These controls have been integrated with the group's risk management processes to ensure that control measures to ensure effective measures to mitigate the risks identified are in place on the one hand and to ensure compliance with legislation and securities exchange listing requirements on the other.

Synergies between compliance testing, enterprise risk management and legal compliance proved that these functions could be integrated into one compliance team, eliminating duplication of compliance assurance.

To this end an Integrated Compliance Assurance Plan has been developed with its primary function of providing the Executive Management (Exco) and Audit Committees with confirmation that internal controls and risk mitigations are appropriately designed and implemented. This will ultimately enable these governance bodies to provide assurance to the board on the adequacy of the internal control and compliance environment. A compliance-based assurance plan follows the outputs of the exposure identification, assessment and control evaluation processes while encouraging the allocation of assurance resources based on compliance priorities.

There are several objectives of the integrated compliance assurance approach, namely to:

- Identify and specify the sources of assurance for risks and compliance exposures that have been identified by the organisation;
- Provide the Audit Committee, Exco and the board with information and comfort on the completeness and effectiveness of the assurance being obtained from the various assurance parties;
- Demonstrate good governance through the linking of compliance activities with assurance. This will also assist the Audit Committee and Exco to form their opinion on the effectiveness of the integrated compliance systems;
- Provide a basis for identifying any areas where additional assurance may be required; and
- Allow for the elimination of duplicated and/or excessive assurance where this is not considered cost effective.

The implementation of this combined approach requires that Harmony's business units utilise a spread of assurance providers for each risk or compliance element. These sources of control provide information and communication to Exco and the board to enable them to monitor the business and maintain stewardship responsibilities to investors. Internal audit provides support to this process by addressing the gaps in the control effort rather than replicating management activity or that of the other assurance providers. At the same time, however, the internal audit function provides objective and robust challenge with regard to the effectiveness of management reporting and monitoring processes.

In February 2008, the roll-out of this compliance plan began. Training workshops were scheduled with general managers and their operational teams to create an understanding and awareness of the approach. Each general manager and the operations teams were provided with a compliance toolkit. Several workshops were held to ensure an acceptable operational compliance report for the operations. A generic checklist which includes all activities on a typical operation determined a standard on which the operations could measure their compliance and prioritise actions to address high, medium and low compliance risks. SOx requirements are also addressed in the compliance register.

Operational compliance registers are updated by the general managers and their teams on a monthly basis and included in their monthly review packs. The information from the operational compliance registers are used to indicate compliance levels in the quarterly Audit Committee report.

Hidden Valley, Papua New Guinea

Wafi-Golpu, Papua New Guinea

Elandsrand, South Africa

Corporate governance (continued)

Internal audit

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, the internal audit function reports to the Audit Committee. The relationship between the Audit Committee and the internal audit function encompasses reporting and oversight activities.

Harmony has established an internal audit function, which has been outsourced to KPMG Services (Pty) Limited.

The procedures and systems, which act as checks and balances in respect of the provision/gathering of information, are reviewed by the board from time to time. This process has been supplemented by the Integrated Compliance Assurance Plan, set out on page 120.

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, among others, management and, ultimately, the board retain full responsibility for ensuring that Harmony maintains an appropriate framework of controls to reduce business risks to an acceptable level.

External audit

The appointment of external auditors is undertaken under the auspices of the Audit Committee, which also has oversight of and responsibility for the appointment of external auditors for functions other than the financial audit. The company's external auditors PricewaterhouseCoopers Inc, were engaged to undertake the following non-financial activities during the year:

- ensure corporate tax compliance;
- advise from tax persepctive on sale of Cooke assets;
- review quality assurance on SOx 404 documentation;
- provide effective evaluation of Rand Uranium (Pty) Ltd;
- advise on possible structuring of the Wafi-Golpu project;
- advise on potential investor in PNG mining assets; and
- assist with offering memorandum and comfort letter on bond.

The Sarbanes-Oxley Act of 2002

In terms of Section 302 of SOx, the chief executive officer and chief financial officer are required to certify that:

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

Section 404 of SOx

Section 404 requires management to develop and monitor procedures and controls to ensure its required assertion about the effectiveness of internal control over financial reporting, as well as the required attestation by an external auditor of management's assertion. To comply with Section 404 of SOx, Harmony management implemented an effective and efficient assessment process to manage reporting obligations:

The assessment process followed entails:

- Scoping to identify significant accounts, key risks and locations which have an impact on the financial statements.
- Updating of documentation and sign off by process owners.
- Testing of key controls for operating effectiveness and remediation of deficiencies identified. Deficiencies are evaluated and classified into the following categories:
  - Internal control deficiency
  - Significant deficiency
  - Material weakness. All significant deficiencies and potential material weaknesses are reported to the SOx Steering Committee and Audit Committee.

Full details of the processes are reported in the Form 20F under Item 15. Refer to Harmony's website to download the Form 20F. The SOx process was supported during the year by the implementation of an Integrated Compliance Assurance Plan (see page 120). An overview of SOx can be found in the Directors' Report.

Employee and stakeholder participation

Harmony is committed to maintaining a positive relationship with the unions and associations represented at its operations, with employees directly and with the communities within which it operates.

In respect of employee participation and relations with employee representatives, Harmony has both formal and informal employee participation structures in place to deal with a broad range of issues. The company actively encourages open communication, consultation, and the identification and resolution of conflicts through workplace forums.

The group plays an active role in the communities in which it operates. Social and Labour Plans (SLPs) and Local Economic Development (LED) plans have been developed in line with the company's compliance with the MPRDA and the Mining Charter. Further information on these elements is provided in the separate Sustainability Report which may be found at www.harmony.co.za.

Information management and access to information

Records are maintained to meet Harmony's legal and financial obligations and to manage the affairs of the company.

Harmony complies with the Promotion of Access to Information Act of 2002. All Harmony's shareholders and stakeholders have access to the website-based Information Manual at www.harmony.co.za.

Sustainable development reporting

Harmony recognises that financial reporting is only one facet of its responsibility to its stakeholders and that reporting on the economic, social and environmental impacts of the company, the so-called 'triple bottom line' is an important part of its responsibility to its shareholders and other stakeholders and to society as a whole. Harmony has for the third consecutive year, produced a separate Sustainability Report. As is recommended by King Report II and in line with best practice, Harmony has adopted the Global Reporting Initiative's (GRI) G3 guidelines as the basis for its sustainable development reporting.

The company is committed to incremental levels of reporting in line with GRI. In FY08, an independent assurance of key sustainability indicators was undertaken by external auditors PricewaterhouseCoopers. In FY08, the company self-declared a B+ level of reporting, reflecting a significant increase in disclosure on FY07 and the external assurance. This level of reporting was confirmed by the external auditors and will be submitted to GRI for an independent review.

Harmony's Sustainable Development Report for FY08 has been produced as a separate document and is available on the company's website at www.harmony/sustainability.co.za or as a printed document on request.

Reporting in compliance with the Mining Charter

As a South African company, Harmony takes seriously reporting of its compliance with the MPRDA and the Mining Charter and reports such compliance to the South African Department of Minerals and Energy (DME). A summary report dealing with the status of the various issues required by the Charter is provided in the company's Sustainability Report at www.harmony/sustainability.co.za

Awards and recognition

Harmony has qualified for the JSE's Socially Responsible Index for three consecutive years and will be considered for inclusion in the 2008 assessment. Harmony also received the PMR Award for socio-economic development in the Free State.

Sponsor

As required by the listing requirements of the JSE Limited, Merrill Lynch South Africa (Pty) Ltd is Harmony's appointed sponsor.

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

Harmony's NYSE 303A.11 disclosure may be found on the company's website at www.harmony.co.za under the heading Corporate Governance.

Corporate governance (continued)

Risk factors

Harmony has a formal risk policy framework in place, the maintenance and development of which is undertaken on an ongoing basis so as to assist management and to ensure that wherever possible all categories of risk associated with its business operations are managed. All of the Group's business, financial, technological, legal and operational risk exposures, be they insurable or not, are identified, assessed and appropriately managed. The overall aim of Harmony's risk management policy is to reduce the risk it is exposed to as much as reasonably possible. Equally it ensures compliance with the relevant legislation and fulfils the expectations of employees, communities, shareholders and other stakeholders in terms of corporate governance.

The realisation of the company's business strategy depends on it being able to take calculated risks in a way that does not jeopardise the direct interests of shareholders. Harmony's enterprise risk management system enables the company to anticipate and respond to changes in its business environment and to make informed decisions in conditions of uncertainty.

There may be risks in addition to the ones reported that Harmony does not currently know of or that Harmony currently deems immaterial based on information currently available to it. Any of these risks could have a materially adverse effect on Harmony's business, financial condition or operational results, leading to a decline in the trading prices of Harmony's ordinary shares or its ADSs. The risks described below may, in retrospect, turn out to be incomplete and therefore may not be the only risks to which we are exposed. Additional risks and uncertainties not presently known to us or that we now believe are immaterial, could also adversely affect our businesses, results of operations or financial condition. The order of presentation of the risk factors below does not indicate the likelihood of their occurrence or the magnitude or the significance of the individual risks. The risks described below could occur individually or cumulatively and intensify in case of a cumulative occurrence.

Risks relating to Harmony and the gold mining industry

The profitability of our operations, and the cash flows generated by those operations, are affected by changes in the rand price of gold, such that a fall in the of gold below our cash cost of production for any sustained period may lead us to experience losses and to curtail or suspend certain operations.

Substantially all of Harmony's revenues come from the sale of gold. Historically, the market price for gold has fluctuated widely and has been affected by numerous factors over which Harmony has no control, including:

- the demand for gold for industrial uses and for use in jewellery;
- international or regional political and economic trends;
- the strength or weakness of the U.S. dollar (the currency in which gold prices generally are quoted) and of other currencies;
- financial market expectations regarding the rate of inflation;
- interest rates;
- speculative activities;
- actual or expected purchases and sales of gold bullion held by central banks or other large gold bullion holders or dealers;
- forward sales by other gold producers; and
- the production and cost levels for gold in major gold-producing nations, such as South Africa, China, the United States and Australia.

In addition, the current demand for and supply of gold affects the price of gold, but not necessarily in the same manner as current demand and supply affect the prices of other commodities. Historically, gold has retained its value in relative terms against basic goods in times of inflation and monetary crisis. As a result, central banks, financial institutions and individuals hold large amounts of gold as a store of value and production in any given year constitutes a very small portion of the total potential supply of gold. Since the potential supply of gold is large relative to mine production in any given year, normal variations in current production will not necessarily have a significant effect on the supply of gold or its price.

The volatility of gold prices is illustrated in the following table, which shows the annual high, low and average of the afternoon London Bullion Market fixing price of gold in US dollars for the past ten calendar years:


Bambanani, South Africa


Hidden Valley, Papua New Guinea

Annual gold price: 1998 – 2008

	Price per ounce ($)		
Calendar year	High	Low	Average
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	476	411	434
2006	725	525	604
2007	841	608	695
2008 (to 10 October 2008)	1 011	741	896

On 10 October 2008, the afternoon gold price fix on the London Bullion Market was $900.50 per ounce.

While the aggregate effect of these factors is impossible to predict, if gold prices should fall below Harmony's cash cost of production and remain at such levels for any sustained period, Harmony may experience losses and be forced to curtail or suspend some or all of its operations. In addition, Harmony would also have to assess the economic impact of low gold prices on its ability to recover any losses that may be incurred during that period and on its ability to maintain adequate reserves. Harmony's average cash cost per ounce of gold sold from continuing operations was $591 in FY08, $479 in FY07 and $440 in FY06.

As the majority of its production costs are incurred in South African rands and other non-US currencies, and gold is sold in US dollars, Harmony's financial condition could be materially harmed by an appreciation in the value of the rand and other non-US currencies against the US dollar.

Gold is sold throughout the world in US dollars, but most of Harmony's operating costs are incurred in rands and other non-US currencies. As a result, any significant and sustained appreciation of the rand and other non-US currencies against the dollar will serve to materially reduce Harmony's revenues and overall net income.

Estimations of Hamony's gold reserves are based on a number of assumptions, including assumptions as to mining and recovery factors, future cash costs of production and the price of gold. As a result, quantities of gold produced may differ from current estimates.

The ore reserve estimates contained in this annual report are estimates of the mill delivered quantity and grade of gold in Harmony's deposits and stockpiles. They represent the amount of gold which Harmony believes can be mined, processed and sold at prices sufficient to recover its estimated future cash costs of production, remaining investment and anticipated additional capital expenditures. Estimates of Harmony's ore reserves are based upon a number of factors which have been stated in accordance with SAMREC, JORC and SEC Industry Guide 7. Calculations of Harmony's ore reserves are based on estimates of:

- future cash costs (which in some cases are assumed to decrease significantly);
- future gold prices; and
- future exchange rates.

These factors, which significantly impact ore reserve estimates, are beyond Harmony's control. As a result, the reserve estimates contained in this annual report should not be interpreted as assurances of the economic life of Harmony's gold and other precious metal deposits or the future profitability of operations.

Since these ore reserve estimates are based on assumptions related to the factors detailed above, should there be changes to these, Harmony may in future need to revise these estimates. In particular, if Harmony's cash operating and production costs increase or do not decrease as assumed (whether in terms of dollars, rands or other non-US currencies, or in relative terms due to the appreciation of the rand and other non-US currencies against the US dollar) or the gold price decreases, the recovery of a portion of Harmony's ore reserves may become uneconomical. This will lead, in turn, to a reduction in estimated reserves.

In order to maintain gold production beyond the expected lives of Harmony's existing mines or to

Corporate governance (continued)

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 are 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 those related to:

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

Harmony's exploration efforts might not result in the discovery of mineralisation, and any mineralisation discovered might not result in an increase in proven and probable reserves. To access additional reserves, Harmony will need to successfully complete development projects, including extensions to existing mines and, possibly, that of new mines. Development projects would also be necessary to access any new mineralisation discovered as a result of exploration activities around the world. Harmony typically uses feasibility studies to determine whether or not to undertake significant development projects. Feasibility studies include estimates of expected or anticipated economic returns, which are based on assumptions about:

- future gold and other metal prices;
- anticipated tonnage, grades and metallurgical characteristics of ore to be mined and processed;
- anticipated recovery rates of gold and other metals from the ore, and
- anticipated total costs of the project, including capital expenditure and cash costs.

Actual cash costs of production, production and economic returns may differ significantly from those anticipated by feasibility studies for new development projects.

It can take a number of years from the initial feasibility study until development is completed and, during that time, the economic feasibility of production may change. In addition, there are a number of uncertainties inherent in the development and construction of an extension to an existing mine or any new mine, including:

- the availability and timing of necessary environmental and governmental permits;
- the timing and cost of constructing mining and processing facilities, which can be considerable;
- the availability and cost of skilled labor, power, water and other materials;
- the accessibility of transportation and other infrastructure, particularly in remote locations;
- the availability and cost of smelting and refining arrangements; and
- the availability of funds to finance construction and development activities.

Harmony currently maintains a range of focused exploration programmes, concentrating on areas not too distant from its operational mines, as well as a number of prospective known gold mineralised regions around the world. During FY08 and FY07, the bulk of exploration expenditure was allocated to activities in South Africa, Papua New Guinea (PNG) and Australia. However, there is no assurance that any future development projects will extend the life of our existing mining operations or result in any new commercial mining operations.

The costs associated with the pumping of water inflows from closed mines adjacent to our operations could adversely affect Harmony's operational results.

Certain of Harmony's mining operations are located adjacent to the mining operations of other mining companies. A mine closure may have an adverse effect on the continued operations at an adjacent mine if appropriate preventative steps are not taken. In particular, this could include the ingress of underground water when pumping operations at the closed mine are suspended. Such ingress can result in damage to property, operational disruptions and additional pumping costs, which would adversely affect any one of our adjacent mining operations.

The supply of electricity and increases in the cost of power may adversely affect Harmony's operational results and financial condition.

Each of Harmony's mining operations is dependant on a sufficient supply of electricity. The electricity supply was interrupted by the South African governmental entity, ESKOM, during FY08 thereby halting production at certain Harmony mines. This led to management restructuring operating processes to control and reduce Harmony's consumption of electricity at all its operations. Nevertheless, an insufficient supply of electricity may adversely affect Harmony's operational results and financial condition.

As a result of ESKOM's planned capital expansion programme to deal with the current power constraints, an increase in rates charged to consumers has been approved by the National Energy Regulator South Africa (NERSA). More increases are anticipated in the future, which will also be driven by increases in input costs, primarily coal. These increases will have a negative impact on Harmony's operational results going forward.

As Harmony currently does not enter into forward sales, commodity, derivatives or hedging arrangements with respect to its future gold production, it is exposed to the impact of any significant decreases in the gold price.

As a general rule, Harmony sells its gold at the prevailing market price. Currently, the company does not generally enter into forward sales, commodity, derivative or hedging arrangements to establish a price in advance for the sale of future gold production, although Harmony may do so in the future. As a result, Harmony may realise the benefit of any short-term increase in the gold price, but is not protected against decreases in the gold price, and if the gold price should decrease significantly, Harmony's revenues may be materially adversely affected.

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

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

- Harmony's ability to identify appropriate assets for acquisition and/or to negotiate acquisitions on favourable terms;
- obtaining the financing necessary to complete future acquisitions;
- difficulties in assimilating the operations of the acquired business;
- difficulties in maintaining Harmony's financial and strategic focus 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 tha Harmony acquires mining operations outside South Africa or Australasia, encountering difficulties relating to operating in countries in which it has not previously operated.

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

Certain factors may affect Harmony's ability to support the carrying value of its property, plant and equipment, goodwill and other assets on its balance sheet.

Harmony's reviews and tests the carrying value of its assets on an annual basis when events or changes in circumstances suggest that the carrying amount may not be recoverable.

If there are indications that impairment may have occurred, estimates of expected future cash flows for each group of assets are prepared. These estimates of future cash flows are prepared at the lowest level at which identifiable cash flows are identified as being independent of the cash flows of other mining assets and liabilities. Expected future cash flows are inherently uncertain, and could materially change over time. Such cash flows are significantly affected by reserve and production estimates, together with economic factors such as spot and forward gold prices, discount rates, currency exchange rates, estimates of costs to produce reserves and future capital expenditures.

As of 30 June 2008, Harmony had substantial amounts of property, plant and equipment, goodwill and other assets on its consolidated balance sheets. Impairment charges relating to these assets were recorded and if any one or a combination of the uncertainties described above should occur, management may be required to recognise further impairment charges, which could adversely affect Harmony's financial results and condition.

Given the nature of mining and the type of gold mines operated by Harmony, it faces a material risk of liability, delays and increased cash costs of production from environmental and industrial accidents and pollution.

The business of gold mining by its nature involves significant risks and hazards, including environmental hazards and industrial accidents. In particular, hazards associated with underground mining include:

- rock bursts;
- seismic events;
- underground fires;
- cave-ins or falls of ground;
- discharges of gases and toxic chemicals;
- release of radioactive hazards;
- flooding;
- pillar mining
- accidents; and
- other conditions resulting from drilling, blasting and the removal and processing of material from a deep-level mine.

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

- flooding of the open-pit;
- collapse of the open-pit walls;
- accidents associated with the operation of large open-pits and rock transportation equipment; and

Corporate governance (continued)

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

Hazards associated with waste-rock mining include:

- accidents associated with operating a waste dump and rock transportation;
- pillar mining; and
- production disruptions caused by weather.

Harmony is at risk of experiencing any or all of these environmental or other industrial hazards. The occurrence of any of these hazards could delay production, increase cash costs and result in financial liability to Harmony.

The nature of Harmony's mining operations presents safety risks.

The environmental and industrial risks identified above also present safety risks for Harmony's operations and its employees and could lead to the suspension and potential closure of operations for indeterminate periods. For example, in October 2007, an incident occurred at the Elandsrand operation involving a compressed pipe column which broke off below the shaft surface bank and fell to the bottom of the men-and-material shaft. This caused extensive damage to the shaft steel work and electrical cables. The incident resulted in 3 000 workers being underground for more than 30 hours. Mining operations were temporarily suspended for 42 days to allow for repairs to be undertaken at the shaft. These and other safety risks, even in situations where no injuries occur, can have a material adverse effect on Harmony's operations and production.

Harmony's insurance coverage may prove inadequate to satisfy future claims against it.

Harmony has third-party liability coverage for most potential liabilities, including environmental liabilities. While it believes that its current insurance coverage for the hazards described above is adequate and consistent with industry practice, Harmony may be subject to liability for pollution (excluding sudden and accidental pollution) or other hazards against which it has not insured or cannot insure, including those in respect of past mining activities. Further, Harmony maintains and intends to continue to maintain, property and liability insurance consistent with industry practice, but such insurance contains exclusions and limitations on coverage. In addition, there can be no assurance that insurance will continue to be available at economically acceptable premiums. As a result, in the future, Harmony's insurance coverage may not cover the extent of claims against it for environmental or industrial accidents or pollution.

Harmony's operations may be negatively impacted by inflation.

The company's operations have been materially affected by inflation in recent years. At year-end, inflation in South Africa was 11.6%, a high level in recent years, and may rise further. In addition, working costs and wages especially, have increased considerably over the past three years resulting in significant cost pressures for the mining industry. Harmony's profits and financial condition could also be adversely affected in the absence of a concurrent devaluation of the rand against the US dollar and an increase in the price of gold.

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

Harmony has operations in South Africa and PNG. As a result, changes or instability to the economic or political environment in any of these countries or in neighbouring countries could affect an investment in Harmony. It is difficult to predict the future political, social and economic direction in these countries, or any other country in which Harmony operates, and the impact government decisions may have on its business.

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

Harmony's operational results may be affected by the availability and pricing of raw materials and other essential production inputs. The price of raw materials may be substantially affected by changes in global supply and demand, along with weather conditions, governmental controls and other factors. A sustained interruption to the supply of any of these materials would require Harmony to find acceptable substitute suppliers and could require it to pay higher prices for such materials. Any significant increase in the prices of these materials would increase operating costs and affect production considerations.

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

In terms of South Africa's exchange control regulations, the export of capital from South Africa is restricted. As a result, Harmony's ability to raise and deploy capital outside South Africa is limited. In particular, Harmony is:

- generally not permitted to export capital from South Africa, to hold foreign currency or incur indebtedness denominated in foreign currencies without the approval of the South African exchange control authorities;
- generally not permitted to acquire an interest in a foreign venture without the approval of the South African exchange control authorities and first having

complied with the investment criteria of the South African exchange control authorities;

- generally required to repatriate profits of foreign operations to South Africa; and
- limited in its ability to utilise the profits of one foreign business to finance operations of a different foreign business.

These restrictions could hinder Harmony's normal corporate functioning, including its ability to make foreign investments and procure foreign currency denominated financings in the future.

Since 1995, certain exchange controls in South Africa have been relaxed. The extent to which the South African government may further relax such exchange controls cannot be predicted with certainty, although the government has committed itself to a gradual approach to the relaxation of exchange control. Because South Africa has a fully floating exchange rate and a flexible interest rate policy, this could result in a rapid depreciation of the rand exchange rate relative to world's currencies which could serve to stem this withdrawal and could also result in an increase in interest rates due to the depreciation of the rand.

Harmony competes with mining and other companies for key human resources.

Harmony competes with mining and other companies on a global basis to attract and retain key human resources at all levels with the appropriate technical skills and operating and managerial experience necessary to continue to operate its business. The global shortage of key mining industry human resource skills, including geologists, mining engineers, metallurgists and skilled artisans has been exacerbated in the current environment of increased mining activity across the globe. There can be no assurance that we will attract and retain skilled and experienced employees and, should Harmony lose any of its key personnel, its business may be harmed and its operational results and financial condition could be adversely affected.

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

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

South African employment law sets out minimum terms and conditions of employment for employees. Though these minimum terms and conditions may be improved by agreements between Harmony and the trade unions, the prescribed minimum terms and conditions set the benchmark for all employment contracts.

Harmony is required to submit a report in terms of South African employment law detailing the progress made towards achieving employment equity in the workplace. In the event this report is not submitted, Harmony could incur substantial penalties.

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

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

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

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

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

Corporate governance (continued)

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

The incidence of HIV & AIDS in South Africa and PNG, which is forecast to increase over the next decade, poses risks in terms of potentially reduced productivity, and increased medical and other costs. If a significant increase in the incidence of HIV & AIDS infection and HIV & AIDS-related diseases among the workforce over the next several years occurs, then this may have an adverse impact on Harmony's operations, projects and financial status

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

Harmony's operations in South Africa are subject to health and safety regulations which could impose significant costs and burdens. The present Mine Health and Safety Act 29 of 1996, or the Mine Health and Safety Act, imposes various duties on mines and grants the authorities broad powers to, among other things, close unsafe mines and order corrective action relating to health and safety matters.

The Occupational Diseases in Mines and Works Act 78 of 1973, or the Occupational Diseases Act, governs the payment of compensation and medical costs related to certain illnesses contracted by persons employed in mines or at sites where activities ancillary to mining are conducted.

Occupational healthcare services are available to Harmony employees at its existing healthcare facilities in South Africa. There is a risk that the cost of providing such services could increase in future depending on changes in the nature of underlying legislation and the profile of its employees. This increased cost, should it transpire, is currently indeterminate. Harmony has embarked on a number of initiatives focused on improving the quality of life of its workforce, although there can be no guarantee that such initiatives will not be adversely affected by increased costs.

Laws governing mineral rights affect Harmony's business.

Harmony is governed by the South African Mineral and Petroleum Resources Development Act 2002 (MPRDA).

Under the MPRDA, tenure over established mining operations is secured for up to 30 years (and renewable for periods not exceeding 30 years each thereafter), provided that mining companies apply for new order mining rights over existing operations within five years of 1 May 2004 or before the existing right expires, whichever is the earlier date and fulfils requirements specified in the MPRDA and the Broad-Based Socio-Economic Empowerment Charter for the South African Mining Industry (Mining Charter).

The Mining Charter was signed by government and stakeholders in October 2002, and contains principles relating to the transfer, over a 10-year period, of 26% of South Africa's mining assets (as equity or attributable units of production) to historically disadvantaged South Africans (HDSAs), as defined in the Mining Charter. An interim target of 15% HDSA participation over five years has also been set and to this end, the South African mining industry has committed to securing financing to fund participation by HDSAs in an amount of R100 billion within the first five years of the Mining Charter's tenure. The Mining Charter provides for the review of the participation process after five years to determine what further steps, if any, are needed to achieve target participation of 26%. In order to measure progress in meeting the requirements of the Mining Charter, companies are required to complete a Scorecard, in which the levels of compliance with the objectives of the Mining Charter can be 'ticked off' after five and ten years, respectively. The Mining Charter and Scorecard require programmes for black economic empowerment and the promotion of value-added production, such as jewellery-making and other gold fabrication, in South Africa. In particular, targets are set out for broad-based black economic empowerment in the areas of human resources and skills development; employment equity; procurement and beneficiation. In addition, the Mining Charter addresses socio-economic issues, such as migrant labour, mine community and rural development and housing and living conditions.

Harmony actively carries out mining and exploration activities in all of its material mineral rights areas. All of its 13 South African operations have been granted their mining licences. Harmony will be eligible to apply for new licences over existing operations, provided that it complies with the Mining Charter. Harmony has taken steps to comply with the expected provisions of the Mining Charter, such as promoting value-added production, exploring black empowerment initiatives and increasing worker participation. Failure to comply with the conditions of the mining licences could have a material adverse effect on operations and Harmony's financial condition.

The MPRDA also makes reference to royalties payable to the South African state in terms of the envisaged Mineral and Petroleum Resources Royalty Bill which has not yet been enacted. The fourth draft of the Mineral and Petroleum Resources Royalty Bill was tabled by the South African government on 21 August 2008 and provides for the payment of a royalty according to a formula based on earnings before interest, tax and depreciation, after the deduction of capital expenditure. This rate is then applied to revenue to calculate the royalty amount due, with a minimum of 0.5% and a maximum of 5% for gold. It is estimated that the formula could translate to a royalty rate of more than 2% of gross sales in terms of current pricing assumptions. The latest proposal results in a large


Elandsrand, South Africa


Hidden Valley, Papua New Guinea

Masimong, South Africa

Corporate governance (continued)

increase from the 1.5% rate proposed in the second draft in 2006. The royalty is to become effective on 1 May 2009, if the Bill is passed by the South African government in its current form. The introduction of the Mining and Petroleum Royalty Act will have an adverse impact on the profits generated by our operations in South Africa.

In PNG, the mining licence for Hidden Valley was approved in March 2005. Once production in PNG begins, Harmony's PNG mining operations will be subject to royalty payments to the government of PNG. Should Harmony desire to expand any of its initiatives in PNG operations into additional areas under exploration, these operations would need to convert the existing exploration licences prior to the start of mining, and that process could require landowner title approval. There can be no assurance that any approval would be received.

Harmony is subject to extensive environmental regulations.

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

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

In the future, Harmony may incur significant costs regarding compliance with the increasingly stringent requirements being imposed under new legislation and regulations. This may include the need to increase and accelerate expenditure on environmental rehabilitation and to alter provisions for this expenditure, which could have a material adverse effect on its results and financial condition. Harmony may also face increased environmental costs should other mines in the vicinity of its mines fail to meet their obligations with regard to the pumping or treatment of water.

The South African government has reviewed requirements imposed upon mining companies to ensure environmental restitution. For example, following the introduction of an environmental rights clause in South Africa's constitution, a number of environmental legislative reform processes have been initiated. Legislation passed as a result of these initiatives has tended to be materially more onerous than laws previously applied in South Africa. Examples of such legislation include the MPRDA, the South African National Nuclear Regulator Act 1999, the South African National Water Act of 1998 and the South African National Environmental Management Act 1998, which include stringent 'polluter-pays' provisions. The adoption of these or additional or more comprehensive and stringent requirements, in particular with regard to the management of hazardous waste, the pollution of ground and ground-water systems and the duty to rehabilitate closed mines, may result in additional costs and liabilities.

Harmony's PNG operations are also subject to various laws and regulations relating to the protection of the environment, which are similar in scope to those of South Africa.

Investors in the United States may have difficulty bringing actions, and enforcing judgements, against Harmony, its directors and executive officers based on the civil liabilities provisions of the federal securities laws or other laws of the United States or any state thereof.

Harmony is incorporated in South Africa. Each of its directors and executive officers (and its independent registered public accounting firm) reside outside of the United States. Substantially all of the assets of these persons and substantially all of Harmony's assets are located outside the United States. As a result, it may not be possible for investors to enforce a judgement against these persons or the company obtained in a court of the United States predicated upon the civil liability provisions of the federal securities or other laws of the United States or any state thereof. A foreign judgement is not directly enforceable in South Africa, but constitutes a course of action which will be enforced by South African courts provided that:

- the court that pronounced the judgement had jurisdiction to entertain the case according to the principles recognised by South African law with reference to the jurisdiction of foreign courts;
- the judgement is final and conclusive;
- the judgement has not lapsed;
- the recognition and enforcement of the judgement by South African courts would not be contrary to public policy, including observance of the rules of natural justice which require that the documents initiating the United States proceedings 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 judgement does not involve the enforcement of a penal or revenue law; and
- the enforcement of the judgement is not otherwise precluded by the provisions of the Protection of Business Act 99 of 1978, as amended, of the Republic of South Africa.

Compliance with new and changing corporate governance and public disclosure requirements adds uncertainty to Harmony's compliance policies and increases its costs of compliance.

Laws, regulations and standards relating to accounting, corporate governance and public disclosure, new SEC regulations and other listing regulations applicable to Harmony are subject to change and can create uncertainty for companies such as Harmony. New or changed laws, regulations and standards could lack specificity or be subject to varying interpretations. Their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs of compliance as a result of ongoing revisions to such governance standards.

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, Harmony is required to furnish an annual management report on internal controls over financial reporting. The annual report contains, among other matters, an assessment of the effectiveness of Harmony's internal control over financial reporting as of the end of the fiscal year, including a statement as to whether or not its internal controls over financial reporting are effective. Harmony is required to have its independent auditors publicly disclose their conclusions regarding the evaluation.

During FY07, Harmony identified certain material weaknesses in its internal controls over financial reporting, in particular relating to the information technology control environment and the financial reporting closing process which led to material adjustments being required in our financial statements and which also negatively impacted the report issued by its auditors regarding Harmony's internal controls over financial reporting. Improvements were made to Harmony's internal control over financial reporting during FY08 to mediate these material weaknesses. It was concluded that the control related to the remediation of the material weaknesses previously disclosed in the 2007 Annual Report on Form 20-F were designed, in place and operating effectively for a sufficient period of time for management to determine that each of the material weaknesses was remediated as of 30 June 2008.

Harmony is committed to maintaining high standards of corporate governance and public disclosure, and its efforts to comply with evolving laws, regulations and standards in this regard have resulted in, and are likely to continue to result in, increased general and administrative expenses.

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

The primary listing of Harmony's ordinary shares is on the JSE Limited. Historically, the trading volumes and liquidity of shares listed on the JSE have been low relative to other major markets. The ability of a holder to sell a substantial number of Harmony's ordinary shares on the JSE in a timely manner, especially in a large block trade, may be restricted by this limited liquidity.

Because Harmony has a significant number of outstanding share options and convertible debt instruments, its ordinary shares are subject to dilution.

Harmony has employee share option schemes as well as other share schemes. The employee share option schemes came into effect in 1994, 2001 and 2003 respectively, and a new share scheme was introduced in 2006. The Harmony Board has authorised up to 14% of the issued share capital to be used for these plans. Additionally, it has convertible unsecured fixed rate bonds in the amount of R1.6 billion which are due on 21 May 2009. These bonds may be converted into equity at the option of the bondholder at any time after 1 July 2004 and up to and including 15 May 2009 at a specific conversion price in effect on that date. As a result, shareholders' equity interests in Harmony are subject to dilution to the extent of the future exercises of the options, through share schemes and convertible debt instruments.