Letter from the chairman

Dear shareholder

Patrice Motsepe, Chairman

A year of consolidation

The year under review was one of change and restructuring, in the midst of tough market circumstances.

The changes brought about within the company reflect a return to the old ethos of Harmony, with increased emphasis placed on planning, on understanding the orebodies that we mine, on controlling the mining process, on reducing costs, on motivating management and employees, and on paying bonuses – in short, on the delivery of results.

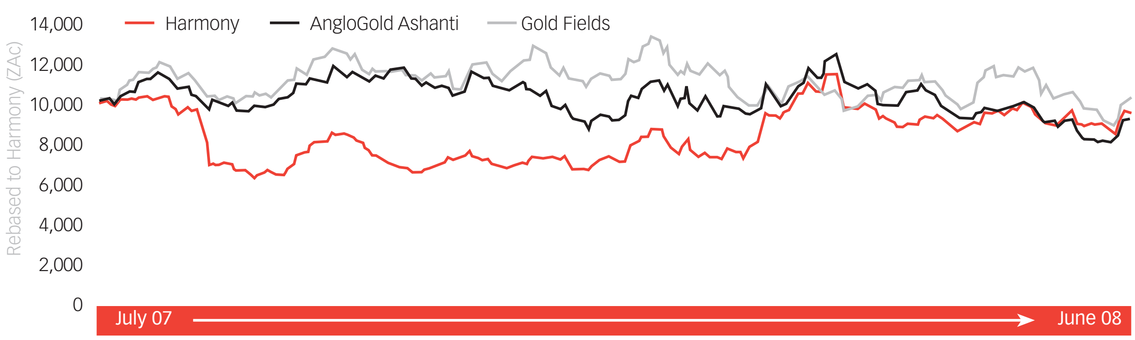
A due diligence was conducted on our mines towards the end of 2007 and, based on the findings, we embarked on a restructuring strategy. We recognised that stringent cost measures had to be implemented to return the company to profitability and to motivate and incentivise management appropriately. Furthermore, all capital expenditure was stringently reviewed, without disrupting delivery on our projects. In fact, we have formulated an aggressive plan to bring all our projects to full production by 2012.

These actions have been reflected in the operational results and a new baseline formulated from which the company can move forward and be competitive.

The company's performance was hampered by the national electricity crisis in South Africa. The South African economy as a whole suffered a setback when Eskom – the national electricity utility – announced that it was unable to supply uninterrupted power to the mining industry. This affected our strategic planning. New plans, incorporating the reduced power consumption, were devised and implemented. The company continues to operate at 90% electricity consumption, 10% down from its previous levels of consumption. This has led, however, to shafts and mining areas with high levels of electricity consumption being closed down.

Harmony's management has created further flexibility and opportunity for the company with the Rand Uranium and Papua New Guinea transactions. The transaction that led to the formation of Rand Uranium will deliver significant value to the company, while the introduction of Newcrest to the Papua New Guinea operations will see the pooling of the skills and expertise of two leading gold companies into an asset that has tremendous long-term potential.

Comparison of share price performance



Elandsrand, South Africa

Doornkop, South Africa

Capital expenditure

Attributable capital expenditure during FY08 amounted to R3.6 billion, of which R1.4 billion was incurred at the Hidden Valley mine in Papua New Guinea. It is anticipated that Hidden Valley will require significant further capital investment in FY09. In terms of the joint venture agreement, Newcrest is liable for the next $296 million of capital for the project.

International markets

The year under review has been one in which external factors have played a significant role. In the midst of tumultuous global investment markets, gold shares have not performed well, despite the fact that the gold market has demonstrated great resilience and a positive upside. Gold traded in a range between $649 per ounce and $1 011 per ounce during the year, with an average price of $821 per ounce. Our received gold price rose to an average of $818 per ounce, an increase of some 28% on the previous year.

Our share price, as well as those of our peers, has been disappointing in this environment. Nonetheless, the fact that Harmony has significantly outperformed its two key South African competitors provides some indication of the market's view of the company's performance.

Safety

Safety in the mining industry has been receiving a lot of urgent attention and focus. This was precipitated to some extent by the incident at Elandsrand in October 2007. This incident highlighted the calibre of people we have in Harmony and the way in which management works together, in partnership with labour and government, in the interest of safety.

I congratulate all those involved in dealing with this incident and ensuring the safety of the Elandsrand workforce.

It is with great regret that we report that 21 employees lost their lives as a result of work-related accidents during the year. Our sincerest sympathies are extended to their families, friends and colleagues.

It is encouraging though to note that there was an 18% decrease in our fatal injury frequency rate (FIFR), which reflects the continuing improvement we are striving to achieve.

Financial performance

On the back of lower production and a much-improved gold price of $818 per ounce, revenue for the year from continuing operations was up by 14.6% to R9.2 billion for the 2008 financial year. The exchange rate remained steady at an average rate of R7.26/$ for the year.

Cash operating costs increased year-on-year by 11% to R6.7 billion, reflecting the increased pressure from rising input costs, particularly steel, fuel, labour and, more recently, energy.

Cash operating profit for the 2008 financial year increased by 26% to R2.5 billion, with operating profit declining by 53% to R503 million.

Harmony reported a total basic loss of 62 cents per share for FY08 compared to a profit of 196 cents per share for FY07. This was primarily as a result of losses incurred on the sale of the Gold Fields' shares, those associated with Pamodzi Gold and the impairment of assets. Total headline earnings of 126 cents per share for FY08 compared to headline earnings of 53 cents per share for FY07.

As Harmony's capital programme continues to require extensive cash resources, no dividend was declared for the year. However, the board has indicated its commitment to paying dividends when circumstances permit.

Mineral rights conversions

The year also saw the culmination of a great deal of work and extensive engagement with government, labour and those communities adjacent to our mines in the development of our Social and Labour Plans (SLPs) as well as various environmental and other reports. The Department of Minerals and Energy (DME) has granted Harmony its mining rights conversions for all of its applications.

Letter from the chairman (continued)

Strategy

The company's business strategy has now been rolled out and each operation has been separately assessed. Individual benchmarks and targets which must be achieved by each operation, have been set. We are confident that improvements in costs, safety, productivity grade and mine call factors will become evident in the quarters and year ahead.

We have also started with training programmes and related development initiatives, especially in the fields of leadership development and team training. These programmes are already showing improvements in attitude and morale.

Prospects

Looking forward, shareholders can expect to see still further growth and progress on Harmony's 'back to basics' management philosophy and the results of the innovative solutions that the company has come up with during the year. The operating environment is expected to remain tough, with global financial markets expected to remain subdued despite the impetus for growth stemming from Asia, and China and India in particular.

Cost pressures are expected to continue in the year ahead, as are the ramifications of an energy supply shortage that will continue to affect us until at least 2012. The dire skills shortage in the industry is also likely to impact on our growth strategy. Nonetheless, increased production is expected with Harmony's new mines and Hidden Valley coming into production at the end of the 2009 financial year.

The company's financial position should continue to improve as the proceeds from various transactions are used to repay debt.

Harmony is on track to becoming a profitable and globally competitive gold company.

Conclusion

I would like to extend my appreciation to Graham Briggs, who was appointed chief executive officer with effect from 1 January 2008, after holding the fort in an acting position for five months. Graham and his management team have done an excellent job on restructuring and refocusing Harmony on our 'back to basics' philosophy which previously made Harmony globally competitive and successful.

I would also like to thank the board for their continued support and hard work. In particular I would like to welcome two new board members, both of whom bring significant expertise and experience to Harmony. Ken Dicks, a veteran mining engineer, was appointed to the board in February 2008, and Dr Cheick Diarra, a respected scientist and global business leader, was appointed in March 2008.

We would also like to thank our employees, managers and all stakeholders for their co-operation and assistance in building and growing Harmony.

Patrice Motsepe
Chairman
10 October 2008