Directors' report

Doornkop, South Africa

Tshepong, South Africa

Tshepong, South Africa

Directors' report (continued)

The directors of Harmony Gold Mining Company Limited are responsible for the preparation, integrity and fair presentation of the financial statements of Harmony and its subsidiaries (the Group). The financial statements presented on pages 152 to 232 and pages 234 to 262 have been prepared in accordance with International Financial Reporting Standards (IFRS). In addition, the accounts include amounts based on judgements and estimates made by management.

The directors consider that in preparing the financial statements they have used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all aspects of IFRS have been complied with. The directors are satisfied that the information contained in the financial statements fairly represents the results of operations for the year and the financial position for the group at year-end. The directors have also prepared the additional information included in the annual report and are responsible for both its accuracy and consistency with the financial statements.

The directors are responsible for ensuring that accounting records are kept. The accounting records should disclose with reasonable accuracy the financial position of the company to enable the directors to ensure that the financial statements comply with the relevant legislation.

Harmony and its subsidiaries operate in a well-established financial environment, which is well-documented and regularly reviewed. This incorporates risk management and internal control procedures, which are designed to provide reasonable, but not absolute, assurance that assets are safeguarded and the risks facing the group are monitored and, where possible, managed. The Sarbanes-Oxley compliance process assisted in identifying potential deficiencies in controls.

The going-concern criterion has been adopted in preparing the financial statements. Based on current plans as compiled and various initiatives to improve cash flow, the company and the group will be able to continue as a going concern.

Based on current forecasts and available cash resources, barring any unforeseen event or sharp decrease in the gold price, the directors have no reason to believe that the group or any company within the group will not be going concerns in the foreseeable future. These financial statements support the viability of the company and the group.

The Code of Ethics has been adhered to. Please refer to the Corporate Governance Report on page 119 for more information.

The group's external auditors, PricewaterhouseCoopers Incorporated, have audited the financial statements and their report is presented on page 150. The financial statements were approved by the Board of Directors on 10 October 2008 and signed on its behalf by:

GP Briggs
Chief Executive Officer
Randfontein,
South Africa

F Abbott
Interim Financial Director
Randfontein,
South Africa

Board of directors

Name	Date of appointment
Patrice Motsepe* (Chairman)	23 September 2003
Graham Briggs (Chief executive officer)	6 August 2007
Frank Abbott**	1 October 1994
Joaquim Chissano*#	20 April 2005
Fikile De Buck*#	30 March 2006
Dr Cheick Diarra*#	5 March 2008
Ken Dicks*#	13 February 2008
Dr Simo Lushaba*#	18 October 2002
Cathie Markus*#	31 May 2007
Modise Motloba*#	30 July 2004
Nomfundo Qangule [1]	26 July 2004
Cedric Savage*#	23 September 2003
Bernard Swanepoel [2]	16 May 1995
André Wilkens*	6 August 2007

* Non-executive directors
** Frank Abbott served as a non-executive director until 20 August 2007 and was appointed interim financial director on 21 August 2007.
\# Independent
1. Resigned on 21 August 2007
2. Resigned on 6 August 2007

Directorate

The directors referred to above have served on Harmony's board during FY08. Abridged CVs of all directors appear on pages 98 to 101 of this report. In terms of the company's Articles of Association, Messrs CML Savage and F Abbott qualify for retirement by rotation at the forthcoming annual general meeting. The retiring directors are eligible and have made themselves available for re-election to the board.

Directors' interests

The Board of Directors indicated that, at the date of this report, other than André Wilkens, neither they, nor any of their immediate families and associates, held any direct shareholding in the company's issued share capital. No executive director held or acquired any shares in the company, other than through share incentive schemes for the year under review and up to 30 June 2008. André Wilkens holds 203 000 shares in Harmony

The company and its subsidiaries

Harmony and its subsidiaries conduct underground and surface gold mining and related activities, including exploration, processing and smelting. Harmony's principal mining operations are located in South Africa and Papua New Guinea. Exploration and evaluation programmes are undertaken in both countries.

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

Financial statements and results

The directors have pleasure in submitting the financial statements of the company, together with those of the group, for the year ended 30 June 2008. These appear on pages 152 to 232 and 234 to 262 of this report. These financial statements have been prepared using appropriate accounting policies, conforming to International Financial Reporting Standards, supported by reasonable and prudent judgements and estimates where required.

Basis of presentation of the financial information

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and in the manner required by the South African Companies Act. The consolidated financial statements are presented in both South African rands and US dollars for the benefit of local and international investors.

The amounts discussed below are for continuing operations, unless otherwise stated.

Exchange rates

The average exchange rate for the year ended 30 June 2008 was R7.26/US$1 compared to R7.20/US$1 in 2007. The closing rate at 30 June 2008 was R7.80/US$1, compared to R7.04/US$1 at 30 June 2007. The average value of the rand versus the Australian dollar for FY08 was R6.51/A$1 compared with R5.66/A$1 in FY07.

Directors' report (continued)

Commodity prices

The average gold price received for FY08 was US$818/oz or R190 958/kg, compared to US$639/oz or R147 808/kg for 2007. Gold closed at a low of US$648/oz and a high of US$/1 011/oz during the year under review.

Production

Kilograms produced decreased by 6 113kg to 48 227kg during 2008. This was mainly due to a 16% reduction in tonnes milled at our underground operations as the recovery grade remained fairly constant at 4.82g/t. Gold production from surface operations increased by 77% to 4 632kg in FY08 from 2 620kg in FY07.

Income statement

Revenue

Gold sales increased by R1 173 million, or 15%, in the 2008 financial year, from R8 037 million in FY07 to R9 210 million. In US dollar terms, gold revenue increased from US$1 116 million in FY07 to US$1 269 million in 2008. These increases were due to the rise in commodity prices during the period.

Cost of sales

Cost of sales increased by 22% in rand terms from R6 687 million in 2007 to R8 184 million in 2008. Included in this increase is R360 million relating to the impairment of assets.

In US dollar terms, cost of sales increased from US$929 million in FY07 to US$1 122 million in FY08. This increase includes $40 million relating to impairment of assets.

The main changes in the cost of sales are analysed as follows:

- Production costs rose by R652 million (US$82 million) in 2008, from R6 021 million (US$836 million) to R6 673 million (US$918 million). This equates to an increase in cash costs of R27 534/kg (US$112/oz) year-on-year. This was largely due to the escalating price of consumables such as steel and fuel, as well as increases in electricity rates. The upsurge in labour costs also had a significant effect on the increase in production costs.

- Employment termination and restructuring costs for the year amounted to R212 million (US$29 million). These costs relate to the voluntary retrenchment process initiated by the group in the December 2007 quarter. No costs were recorded in FY07.

- Impairment of assets amounted to R316 million (US$40 million) for FY08, an increase of R450 million (US$59 million) when compared with a net credit of R134 million (US$19 million) in FY07. The impairments in FY08 relate to shafts that are nearing the end of their lives and include a portion of goodwill.

- Amortisation and depreciation increased by R83 million (US$11 million) from R763 million (US$106 million) to R846 million (US$117 million) in FY08.

Operating profit

The group reported an operating profit of R503 million (US$73 million) in FY08, a decrease of R602 million (US$81 million) when compared to an operating profit of over R1.1 billion (US$154 million) in 2007. This was due to the increase in cost of sales, including the increase in the impairment charge, as well as other expenses, but which were countered by the increase in revenue.

Other income and expenses

- Loss from associates increased from R19 million (US$3 million) to R78 million (US$11 million). The loss for FY08 relates primarily to losses attributable to Pamodzi Gold.

- An impairment of the investment in associate of R95 million (US$12 million) was recorded in FY08, primarily as a result of the decrease in fair value of the investment in Pamodzi Gold.

- A loss of sale of listed investments of R459 million (US$63 million) was recorded in FY08 as a result of the sale of the remaining Gold Fields shares. In FY07, the loss recorded was R35 million (US$5 million).

- Investment income increased from R188 million (US$27 million) to R282 million (US$39 million). This was primarily due to the increase in interest rates on restricted investments, representing the group's environmental trust funds.

- Finance costs rose from R454 million (US$65 million) to R514 million (US$70 million), due to the increase in interest rates and balances of outstanding debt.

- The taxation expense increased from R277 million (US$39 million) to R465 million (US$65 million), primarily due to an increase in deferred taxation and prior year adjustments.

- A profit from discontinued operations of R551 million (US$74 million) was recorded, compared to a loss of R473 million (US$66 million) in FY07. This was due to an increase in profits for the year from the Cooke operations and Mt Magnet in Australia as well as the cessation of depreciation on reclassification as held for sale in terms of IFRS 5. Included in this amount is the profit and loss on the sale of discontinued operations, a net credit of R15 million (US$2 million).

Headline earnings

Headline earnings from continuing operations decreased by 87 SA cents (10 US cents) per share in 2008, from earnings of 105 SA cents (14 US cents) per share to 18 SA cents (4 US cents) per share.

Total headline earnings including discontinued operations rose by 73 SA cents (12 US cents) per share in 2008, from earnings of 53 SA cents (6 US cents) per share to 126 SA cents (18 US cents) per share.

Cash flows

The discussion on cash flows is the aggregate of continuing and discontinued operations.

Operating activities

Net cash generated from operating activities was R1 738 million (US$236 million) in 2008, an increase of R552 million (US$77 million) when compared to the corresponding amount of R1 186 million (US$159 million) in FY07.

Investing activities

Total capital expenditure for FY08 was R3 955 million (US$552 million), of which R1 428 million (US$197 million) of this expenditure was incurred at the Hidden Valley mine project in Papua New Guinea. This is an increase of R1 257 million (US$169 million) on the amount spent in 2007, reflecting the group's significant investment in its future project pipeline.

Financing activities

Loans raised during the year amounted to R2 234 million (US$323 million), including a loan of R2 billion from Nedbank. During the year, loans from Rand Merchant Bank totalling R1 820 million (US$256 million) were repaid.

The net result of Harmony's operating, investing and financing activities was an outflow of R140 million (US$15 million), which combined with the opening balance of R494 million (US$70 million) and a positive translation of R61 million (negative translation of US$2 million), resulted in a closing cash and cash equivalents balance of R415 million (US$53 million).

Outlook

Capital expenditure for FY09 is estimated at R3 082 million (US$395 million), 22% less than in FY08. The decrease in Harmony's capital profile is mainly as a result of Newcrest's substantial funding of the balance of the construction expenditure at Hidden Valley.

Going concern

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

Sarbanes-Oxley

Harmony is required, pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 (SOx), to report on the company's internal controls regarding financial reporting. The report will contain, among other matters, an assessment of the effectiveness of Harmony's internal controls of its financial reporting as at the end of the financial year, including a statement as to this effectiveness. This report will only be finalised with the 20F filing. The assessment of the effectiveness of internal controls over financial reporting will be based on criteria established in the Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

The company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in management's report on internal control over financial reporting. Harmony's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that:

(i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;

(ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with the authorisation of management and directors of the company; and

(iii) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Where appropriate, the necessary actions are taken to remedy any failings or weaknesses identified in the review of the effectiveness of the internal control system.

Internal control over financial reporting is a process that involves human diligence and compliance, and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

Capital

Full details of the authorised, issued and unissued share capital of the company as at 30 June 2008 are set out in the statements of shareholders' equity on page 155 of this report.

Shareholders

Information on shareholder spread, the range of shareholdings and public shareholders, as well as major shareholders, is presented on pages 265 to 267 of this report.

Investments

A schedule of investments in subsidiaries and associates appears on pages 260 to 262 of this report.

Contingencies

None of Harmony's properties is the subject of pending material legal proceedings. We receive a number of claims and are involved in legal and arbitration proceedings that are incidental to the normal conduct of our business, such as those described below. The directors do not, however, believe that liabilities related to such claims and proceedings are likely to be, individually or in the aggregate, material to the company's consolidated financial condition.

Class action

We have been informed of a pending class action in the United States of America against Harmony, whereby certain ADR holders are seeking damages pertaining to the company's business practices. We have retained legal professionals in that country to advise Harmony.

Borrowings

Movements in borrowings

See note 28 to the group financial statements.

Borrowing powers

The level of the company's borrowing powers, as determined by its Articles of Association, shall not, except with the consent of the company's shareholders, exceed the aggregate from time to time of the issued and paid-up share capital of the company, together with the aggregate of the amounts standing to the credit of all distributable and non-distributable reserves (including interests in subsidiary companies and provisions for deferred taxation) and any share premium account of the Group. At year-end, total borrowings amounted to R4 099 million (FY07: R4 598 million).

Acquisitions

Rio Tinto royalty rights

During March 2007, Harmony announced that it had concluded negotiations with Rio Tinto Limited (Rio Tinto) in terms of which the parties have agreed that Harmony purchase the Rio Tinto right under the royalty agreement, which was entered into prior to the acquisition by Harmony of the Hidden Valley and Kerimenge deposits in Papua New Guinea. In terms of the royalty agreement, Rio Tinto had the rights to receive a portion of between 2% and 3.5% of future ounces produced by the Hidden Valley mine in Papua New Guinea. The transaction between Harmony and Rio Tinto was concluded in March 2008 and the consideration paid by Harmony to Rio Tinto amounted to US$22 million.

Disposals

Sale of South Kal to Dioro

During July 2007, Harmony signed an agreement with Dioro Exploration NL (Dioro) for the sale to all rights, title and interest of the South Kalgoorlie (South Kal) Mine Operations located near Kalgoorlie, Western Australia.

The purchase consideration for the acquisition of the South Kal project was A$45 million. Harmony received A$25 million cash and 11.43 million Dioro shares with a market value of A$20 million. During December 2007, Harmony announced that Harmony and Dioro had satisfied all the conditions required to settle the South Kal Sale agreement.

Sale of Orkney assets to Pamodzi Gold

During September 2007, Harmony signed formal agreements with Pamodzi Gold Limited (Pamodzi Gold) for the sale to all rights, title and interest of Orkney shafts located near Orkney in North West Province. The purchase consideration was R345 million which was settled in shares. As a result, Harmony holds an interest of 32.4% in Pamodzi Gold. Pamodzi Gold is therefore

Elandsrand, South Africa

Hidden Valley, Papua New Guinea

regarded as an associate of Harmony for accounting purposes (refer to note 20). The effective date of the Pamodzi Gold transaction was 27 February 2008, on which date Pamodzi Gold took full control of the Orkney assets.

Harmony provided goods and services to Pamodzi Gold at cost plus an applicable margin as set out in a service agreement entered into between Harmony and Pamodzi Gold. The balance of the unsecured loan at 30 June 2008 was R103 million (US$13 million).

Related party transactions

None of the directors or major shareholders of Harmony or, to the knowledge of Harmony, their families, has had an interest, direct or indirect, in any transaction since 1 July 2007, or in any proposed transaction that has affected or will materially affect Harmony or its subsidiaries, other than as stated below. African Rainbow Minerals Limited (ARM) currently holds 16% of Harmony's shares. Patrice Motsepe, André Wilkens and Frank Abbott are directors of ARM Limited.

Property

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

Dividends

No dividend was declared during FY08.

Special resolutions

No special resolutions were passed during FY08

Shareholdings exceeding 5%

As at 30 June 2008 those shareholders with holdings of more than 5% were as follows:

Institution	Shares held	% shareholding
Allan Gray Ltd	74 820 914	18.62%
ARM Ltd	63 632 922	15.84%
Blackrock Investment Management (UK) Ltd	33 298 000	8.29%
Orbis Investment Management Ltd	26 623 844	6.63%

Remuneration

1. Annual incentive scheme

Harmony's Remuneration Committee ensures that Harmony's directors and senior executives are fairly rewarded for their individual contributions to Harmony's overall performance. In September 2006, the Remuneration Committee approved an annual incentive scheme as part of Harmony's Reward Philosophy to benefit executive directors and members of management.

2. Long-term incentives

In addition to employees' annual salaries, Harmony has implemented various share option schemes including the Harmony 2006 Share Plan. In all, 14% of Harmony's share capital is reserved for long-term incentive schemes, which were approved by shareholders at the annual general meeting held in November 2005.

2.1 Existing share option schemes

Harmony has two share option schemes, namely the 2001 share option scheme and the 2003 share option scheme (collectively, the existing schemes), which both have similar rules. Since the implementation of the 2006 Share Plan, no options have been nor will be issued in terms of the existing schemes. Options granted before the implementation of the 2006 Share Plan remain open for acceptance for 10 years after the date of grant, subject to the terms of the relevant option scheme.

A share purchase trust was established in 2002 which is controlled by Harmony. Recourse loans are provided by the trust to employees to enable them to acquire shares or exercise their options under the share option schemes. Since 27 March 2003, share option scheme participants are no longer allowed to place their shares in the share purchase trust.

The share purchase trust is funded by a loan from Harmony, which it repays once it receives repayment of the recourse loans granted to employees. Members of the Remuneration Committee serve as trustees. The trustees are not eligible to receive loans from the trust. Participants are not allowed to use structures to lock-in profits as the options are meant to align employees with our shareholders.

2.2 Broad-Based Employee Share Scheme

The total number of shares to be reserved for the Broad-Based Employee Share Scheme (Broad-Based Scheme) will be 5% of our

Directors' report (continued)

current issued share capital, subject to certain employee performance-linked milestones which can be realistically achieved. Once achieved, the value is unlocked to the Broad-Based Scheme for the ultimate benefit of non-managerial employees. The company intends to structure the Broad-Based Scheme so as to maximise the recognition of black participation therein, both from the perspective of the MPRDA and the Broad-Based Black Economic Empowerment Act. Discussions relating to option benefits for non-managerial employees are ongoing with unions representing these employees.

2.3 The Harmony 2006 Share Plan

The Harmony 2006 Share Plan (the Plan) was adopted by shareholders at the annual general meeting held on 10 November 2006. The plan incorporates the following elements: equity-settled share appreciation rights, performance shares and performance allocated restricted shares. The Plan is in line with global best practice and emerging South African practice, which in combination serves to reward the required attributes of shareholder alignment and long-term, sustained performance.

In terms of the Plan, executive directors and senior employees of Harmony and its subsidiaries and associates are awarded rights to receive shares in Harmony, based on the value of these awards when time and performance conditions have been met, the awards have vested and, in the case of Share Appreciation Rights (SARs), the restricted shares, have been exercised.

The primary intent of the Plan is to reward executives and senior management for long-term, sustained performance achievements which are aligned to shareholder value, and at the same time to ensure optimal positioning in terms of the accounting and regulatory environment.

In order to minimise volatility in earnings dilution due to IFRS 2, it is envisaged that rewards will be settled in shares. The nature of the Plan, which is linked to performance conditions, is not as dilutive as a normal share option scheme.

Annual allocations of SARs awards of performance shares and grants of restricted shares are governed by Harmony's reward philosophy, in which (inter alia) the 'expected value' of long-term incentive rewards is set for defined categories of executives and senior management. The expected value is defined as the present value of the future reward outcome of an allocation/award/grant, given the targeted future performance of Harmony and its share price. See table on pages 144-145 for details of executive directors and management long-term incentives.

3. Directors' emoluments

Harmony's Remuneration Committee (see page 115 for details) ensures that Harmony's directors and senior executives are fairly rewarded for their individual contributions to Harmony's overall performance. See table on page 143.

The board has agreed to an increase in non-executive directors' fees, effective from 1 July 2008. The increase granted is to ensure that non-executive directors' fees remain competitive. Shareholders will be required to approve the increase in fees, as set out in the Notice of Meeting, at the annual general meeting to be held on 24 November 2008.

Post balance sheet events

Sale of Randfontein's Cooke assets

During December 2007, Harmony announced that its wholly owned subsidiary, Randfontein Estates Limited (Randfontein), had entered into an agreement with Pamodzi Resources Fund (PRF), in terms of which, certain of Randfontein's uranium and gold assets would be sold into a newly formed company, Rand Uranium (Proprietary) Limited (Rand Uranium). This transaction is in line with Harmony's strategy of realising value from its uranium assets.

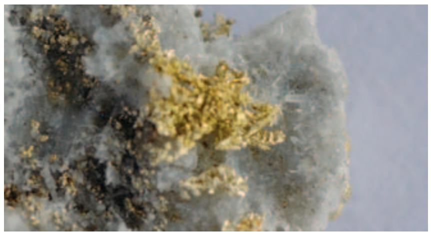
Since entering into the agreement with PRF, Rand Uranium has been established as a stand-alone company, information on the building of a potential uranium plant has been compiled and consultants have been involved with feasibility, metallurgical and environmental studies regarding uranium extraction.

Sale of Mount Magnet

Harmony announced on 8 November 2007 that it had signed a letter of intent with Monarch Gold Mining Company for the sale of its Mount Magnet operations for A$65 million. On 8 July 2008 Harmony further announced a revision to the deal and an extension of the period in which the conditions precedent is to be met. Subsequent to this announcement Harmony was advised that Monarch had placed itself in voluntary administration.

On 1 August 2008, the Administrator indicated that Monarch would not proceed with the proposed purchase and consequently the purchase agreement was terminated. Harmony received from Monarch a deposit of A$5 million of which A$2.5 million has been refunded and A$2.5 million has been recorded as revenue. Harmony has resumed management of the operation and has re-commenced the sale process. The assets are now under care and maintenance.


Hidden Valley, Papua New Guinea


Edie Creek, Papua New Guinea

The price in the binding purchase agreement with Monarch was considered to be the best evidence of the fair value less cost to sell of the Mount Magnet operations at 30 June 2008. Due to the significant changes in economic circumstances that occurred after 1 July 2008, including the availability and cost of funding to any potential buyer, management obtained an external indicative valuation for the selling price of the Mt Magnet operations in October 2008. This external valuation indicated that the fair value less costs to sell decreased by an estimated R152 million (US$18.3 million) in the period subsequent to 30 June 2008. As a result, Harmony recognised additional impairments of its Mount Magnet operations in the September 2008 quarter.

Contineud on page 146

Directors' remuneration

Name	Total remune-ration (R000) FY07	Directors' fees (R000) FY08	Salaries (R000) FY08	Retirement contributions (R000) FY08	Bonuses paid during the year (R000) FY08	Total remune-ration (R000) FY08
Non-Executive						
Patrice Motsepe	615	631	–	–	–	631
Mr J Chissano	275	259	–	–	–	259
Ms F De Buck	260	243	–	–	–	243
Dr Cheick Diarra (1)	–	–	–	–	–	–
Ken Dicks	–	80	–	–	–	80
Dr Simo Lushaba	280	264	–	–	–	264
Cathie Markus	–	186	–	–	–	186
Modise Motloba	300	316	–	–	–	316
Cedric Savage	325	333	–	–	–	333
Andre Wilkens	–	228	–	–	–	228
Executive						
Nomfundo Qangule (2)	2 000	–	1 816	25	–	1 841
Bernard Swanepoel (3)	3 655	–	1 797	130	605	2 532
Frank Abbott (4)	–	–	1 448	217	–	1 665
Graham Briggs (5)	–	–	2 578	–	1 589	4 167
Total	**7 710**	**2 540**	**7 639**	**372**	**2 194**	**12 745**

(1) Dr Cheick Diarra has waived his directors' fees

(2) Nomfundo Qangule resigned as Financial Director on 21 August 2007

(3) Bernard Swanepoel resigned as Chief Executive Officer on 1 August 2007

(4) Repayment of a portion of Frank Abbott's salary to ARM Limited

(5) Graham Briggs was appointed Acting Chief Executive Officer on 6 August 2007 and Chief Executive Officer on 1 January 2008

Directors' report (continued)

Share allocation as at 30 June 2008

See pages pages 141 and 142 for details of Harmony's long-term share incentive schemes.

Executive directors' and management share options

	GP Briggs		ZB Swanepoel		N Qangule	
	Amount	Avg price (SA Rand)	Amount	Avg price (SA Rand)	Amount	Avg price (SA Rand)
Opening balance as at 1 July 2007	**106 737**		**381 605**		**139 692**	
Share options	91 938	48.55	340 967	50.59	122 900	56.23
Share appreciations rights	3 473	112.64	6 536	112.64	3 941	112.64
Performance shares	11 326	n/a	34 102	n/a	12 851	n/a
Options granted	**260 475**	**–**	**–**	**–**	**–**	
Share options	–	–	–	–	–	–
Share appreciations rights	205 638	77.60	–	–	–	–
Performance shares	54 837	n/a	–	n/a	–	n/a
Options exercised	**–**		**(165 506)**		**(37 224)**	
Share options[1]	–	–	(165 506)	53.33	(37 224)	57.96
Share appreciations rights	–	–	–	–	–	–
Performance shares	–	n/a	–	n/a	–	n/a
Options forfeited and lapsed	**–**		**(216 099)**		**(102 468)**	
Share options	–	–	(175 461)	48.01	(85 676)	55.48
Share appreciations rights	–	–	(6 536)	112.64	(3 941)	112.64
Performance shares	–	n/a	(34 102)	n/a	(12 851)	n/a
Closing balance as at 30 June 2008	**367 212**		**–**		**–**	
Share options	91 938	48.55	–	–	–	–
Share appreciations rights	209 111	78.18	–	–	–	–
Performance shares	66 163	n/a	–	n/a	–	n/a
Grant date						
Share options	**91 938**	**48.55**	**–**	**–**	**–**	**–**
24 April 2001	–	–	–	–	–	–
20 November 2001	–	–	–	–	–	–
23 September 2002	–	–	–	–	–	–
27 March 2003	–	–	–	–	–	–
10 August 2004	32 340	66.15	–	–	–	–
26 April 2005	59 598	39.00	–	–	–	–
Share appreciation rights	**209 111**	**78.18**	**–**	**–**	**–**	**–**
15 November 2006	3 473	112.64	–	–	–	–
15 November 2007	159 484	70.54	–	–	–	–
7 March 2008	46 154	102.00	–	–	–	–
Performance shares	**66 163**	**n/a**	**–**	**n/a**	**–**	**n/a**
15 November 2006	11 326	n/a	–	n/a	–	n/a
15 November 2007	42 529	n/a	–	n/a	–	n/a
7 March 2008	12 308	n/a	–	n/a	–	n/a
Closing balance as at 30 June 2008	**367 212**		**–**		**–**	

1 The following are the average selling prices received (SA Rand):

ZB Swanepoel	78.50
N Qangule	70.33
Exco members	94.12
Other management	92.77

Exco members		Other management		Total	
Amount	Avg price (SA Rand)	Amount	Avg price (SA Rand)	Amount	Avg price (SA Rand)
791 486		**8 178 659**		**9 598 179**	
704 001	52.55	6 869 863	47.70	8 129 669	48.38
23 074	112.64	892 970	112.64	929 994	112.64
64 411	n/a	415 826	n/a	538 516	n/a
674 074		**2 261 064**		**3 195 613**	
–	–	–	–	–	–
518 939	70.54	1 497 450	70.54	2 222 027	71.19
155 135	n/a	763 614	n/a	973,586	n/a
(99 298)		**(1 462 104)**		**(1 764 132)**	
(99 298)	46.95	(1 462 104)	48.61	(1 764 132)	49.16
–	–	–	–	–	–
–	n/a	–	n/a	–	n/a
–	**–**	**(1 945 916)**		**(2 264 483)**	
–	–	(1 576 161)	45.00	(1 837 298)	45.77
–	–	(246 050)	111.36	(256 527)	110.27
–	n/a	(123 705)	n/a	(170 658)	n/a
1 366 262		**7 031 703**		**8 765 177**	
604 703	53.47	3 831 598	48.46	4 528 239	49.14
542 013	72.33	2 144 370	83.52	2 895 494	81.04
219 546	n/a	1 055 735	n/a	1 341 444	n/a
604 703	**53.47**	**3 831 598**	**48.46**	**4 528 239**	**49.14**
–	–	21 000	36.50	21 000	36.50
–	–	221 260	49.60	221 260	49.60
7 667	66.00	26 101	66.00	33 768	66.00
50 000	91.60	211 000	91.60	261 000	91.60
217 873	66.15	816 500	66.15	1 066 713	66.15
329 163	39.00	2 535 737	39.00	2 924 498	39.00
542 013	**72.33**	**2 144 370**	**83.52**	**2 895 494**	**81.04**
23 074	112.64	661 333	112.64	687 880	112.64
518 939	70.54	1 483 037	70.54	2 161 460	70.54
–	102.00	–	–	46 154	102.00
219 546	**n/a**	**1 055 735**	**n/a**	**1 341 444**	**n/a**
64 411	n/a	298 369	n/a	374 106	n/a
155 135	n/a	757 366	n/a	955 030	n/a
–	n/a	–	n/a	12 308	n/a
1 366 262		**7 031 703**		**8 765 177**	

Directors' report (continued)

Village Main Reef Gold Mining Company (1934) Limited (Village)

During July 2008, Harmony entered into a sale of shares agreement with To The Point Growth Specialists Investments 2 (Proprietary) Limited (To The Point) in terms of which Harmony sold its 37.8% shareholding in Village to To The Point. Bernard Swanepoel, former chief executive officer of Harmony, is a director of To The Point. To The Point acquired 2 295 663 shares of 12.5 cents each, fully paid up, constituting 37.8% of the entire issued ordinary and listed share capital of Village. The purchase price of R1 million was paid in July 2008.

Joint venture transactions: Harmony/Newcrest Papua New Guinea Joint Venture

During April 2008, Harmony and Australasia's largest gold company, Newcrest Mining Limited (Newcrest), signed an agreement allowing Newcrest to earn a 50% interest in Harmony's Papua New Guinea (PNG) gold assets. Newcrest will earn its 50% interest in the new joint venture by contributing US$525 million in two stages: stage 1 involves the purchase of a 30.01% participating interest for US$229 million; stage 2 involves the buy-out of an additional 19.99% participating interest by Newcrest's funding of capital expenditure of approximately US$300 million.

On 16 July 2008, the conditions precedent, which included the regulatory and statutory approvals by the PNG government, were finalised. Stage 1 completion took place on 31 July 2008, with the receipt of US$229 million cash, US$ 50 million of which was placed in an escrow account. This was subsequently released to Harmony in September 2008 on approval of the exploration licence by the PNG mining authorities.

Company secretary

Marian van der Walt served as secretary of the company until 30 September 2008. She accepted the position of Executive: Corporate and Investor Relations in September 2008 and Khanya Maluleke was appointed as secretary of the company from 1 October 2008. Khanya's business and postal addresses appear on the inside back cover of this report. The secretary has, in terms of section 268G(d) of the Companies Act, 1973, certified that: "All such returns as are required of a public company in terms of the Act have been made and are true, correct and up to date".

Independent auditors

PricewaterhouseCoopers Inc. will continue in office in accordance with section 270(2) of the Companies Act of South Africa.

Their address is:
2 Eglin Road
Sunninghill 2157
South Africa