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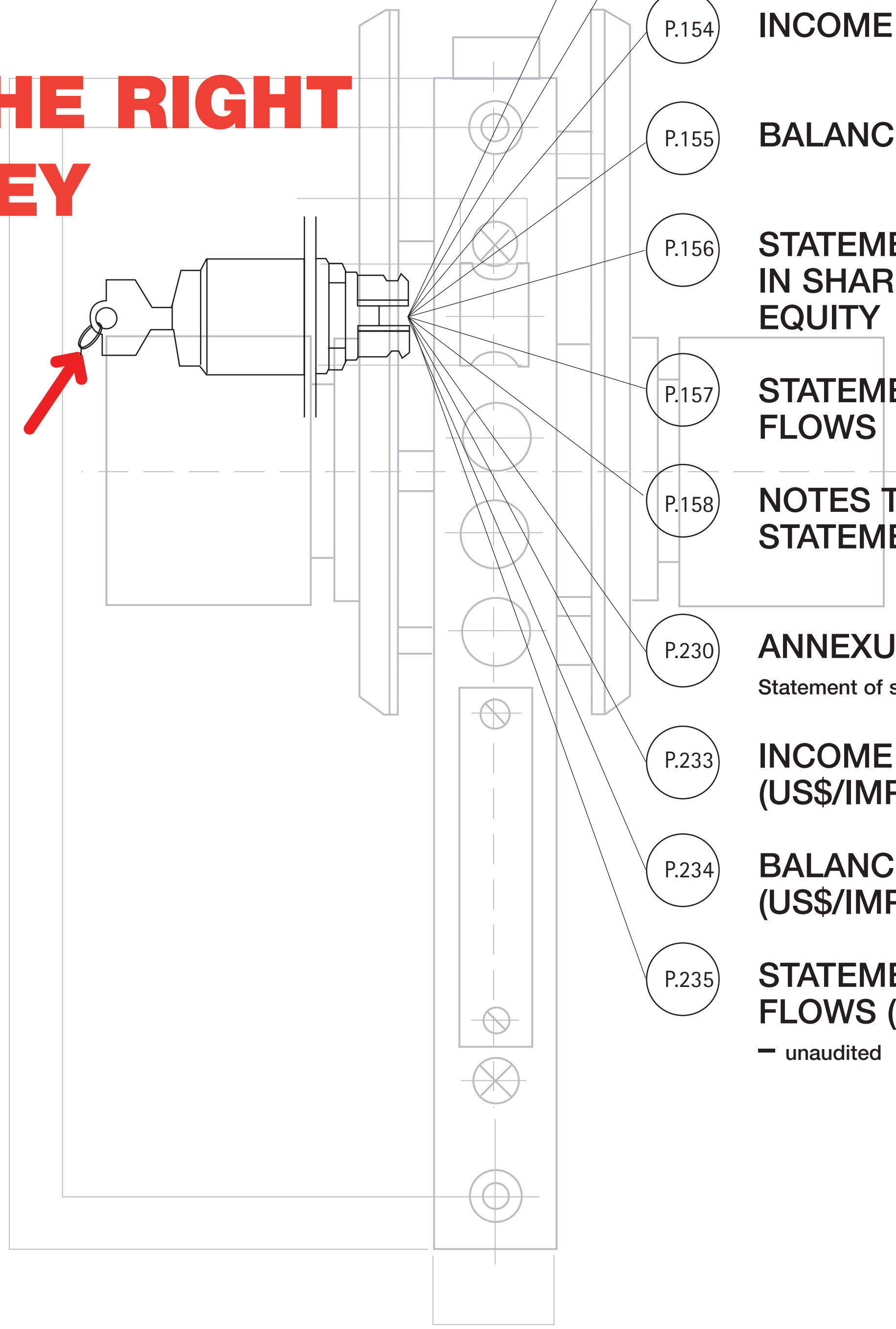

CONTENTS

OPERATIONAL RESULTS

FOR THE YEAR ENDED 30 JUNE 2006

METRIC (RAND)	2006	2005
Underground operations		
Tonnes milled (000)	13 040	14 484
Gold produced (kg)	67 881	81 209
Yield (g/t)	5.20	5.61
Cash operating cost (R/t milled)	460	420
Surface operations		
Tonnes milled (000)	5 839	8 799
Gold produced (kg)	6 361	11 021
Yield (g/t)	1.09	1.25
Cash operating cost (R/t milled)	100	99
Total operations		
Gold produced (kg)	74 242	92 230
Gold price received per kilogram (R/kg)	108 268	84 799
Cash operating cost (R/kg)	88 629	75 388

IMPERIAL (US DOLLAR)	2006	2005
Underground operations		
Tonnes milled (000)	14 381	15 972
Gold produced (oz)	2 182 415	2 610 918
Yield (oz/t)	0.152	0.163
Cash operating cost ($/t milled)	66	68
Surface operations		
Tonnes milled (000)	6 439	9 703
Gold produced (oz)	204 510	354 332
Yield (oz/t)	0.032	0.037
Cash operating cost ($/t milled)	14	15
Total operations		
Gold produced (oz)	2 386 925	2 965 250
Gold price received per ounce ($/oz)	529	427
Cash operating cost ($/oz)	433	380

Average conversion rate for the 12 months under review: US$1 = R6.36 (2005: R6.18)

This statement does not form part of the annual financial statements and is unaudited. It is included for convenience.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HARMONY GOLD MINING COMPANY LIMITED

We have audited the annual financial statements and group annual financial statements of Harmony Gold Mining Company Limited set out on pages 135 to 150 and pages 154 to 232 for the year ended 30 June 2006. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company and of the group at 30 June 2006, and the results of their operations and cash flows for the year then ended, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc.
Director: HP Odendaal
Registered Auditor

13 September 2006
Johannesburg

INCOME STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

COMPANY 2005 RM	COMPANY 2006 RM		NOTE	GROUP 2006 RM	GROUP 2005 RM
1 192	1 448	**Revenue**		8 039	7 822
(1 303)	(1 352)	Cash operating costs	4	(6 580)	(6 953)
(111)	96	**Cash operating profit/(loss)**		1 459	869
(114)	(135)	Amortisation and depreciation of mining properties, mine development costs and mine plant facilities	4	(1 032)	(1 008)
(32)	(31)	Corporate, administration and other expenditure	4	(127)	(111)
15	12	Reversal of provision for rehabilitation costs	4	13	23
(242)	(58)	**Gross profit/(loss)**	5	313	(227)
(14)	(14)	Amortisation and depreciation of assets other than mining properties, mine development costs and mine plant facilities	6	(57)	(34)
–	(28)	Care and maintenance cost of closed shafts		(174)	(185)
(129)	55	Employment termination and restructuring costs	7	78	(453)
–	–	Exploration expenditure		(107)	(72)
(294)	156	Reversal of impairment/(impairment) of assets	8	216	(1 513)
–	–	Loss from associates	23	(105)	–
(1)	–	(Loss)/gain on financial instruments		(523)	16
–	–	Marketing and new business expenditure		(58)	(95)
(72)	(10)	Other (expenses)/income – net	9	(21)	(26)
(394)	306	Profit/(loss) on sale of listed investments	10	306	(555)
1	–	Profit/(loss) on sale of subsidiaries	11	14	(1)
–	–	Permanent diminution in value of available-for-sale financial asset	12	–	(337)
1	1	Provision for post retirement benefits	35	(7)	(56)
–	–	Fair value of non-derivative financial instruments	13	87	17
(36)	(48)	Share-based compensation	30	(103)	(67)
218	275	Investment income	14	224	149
(325)	(275)	Finance cost	15	(470)	(505)
(1 287)	360	**(Loss)/income before tax**		(387)	(3 944)
118	(46)	Taxation	16	(138)	730
(1 169)	314	**Net (loss)/income**		(525)	(3 214)
		Basic loss per share (cents)	17	(133)	(888)
		Fully diluted loss per share (cents)	17	(133)	(888)
		Interim dividends per share (cents)	18	–	–
		Proposed final dividends per share (cents)	18	–	–
		Total dividends per share (cents)	18	–	–

BALANCE SHEETS

AT 30 JUNE 2006

COMPANY 2005 RM	COMPANY 2006 RM		NOTE	GROUP 2006 RM	GROUP 2005 RM
		ASSETS			
		Non-current assets			
1 297	1 517	Property, plant and equipment	19	23 318	22 511
–	–	Intangible assets	20	2 270	2 267
1	1	Restricted cash	21	255	52
2 151	129	Investments in financial assets	22	2 255	4 070
–	1	Investments in associates	23	1 909	–
24 168	27 777	Investments in subsidiaries	24	–	–
70	110	Deferred income tax	16	1 975	1 811
79	66	Trade and other receivables	27	107	84
27 766	29 601	**Total non-current assets**		32 089	30 795
		Current assets			
256	247	Inventories	26	666	583
167	178	Trade and other receivables	27	721	632
30	30	Income and mining taxes		27	27
1 301	157	Cash and cash equivalents	28	651	1 778
1 754	612	**Total current assets**		2 065	3 020
29 520	30 213	**Total assets**		34 154	33 815
		EQUITY			
		Share capital and reserves			
25 338	25 521	Share capital	29	25 489	25 289
213	372	Other reserves	30	(271)	(586)
301	615	(Accumulated loss)/retained earnings		(2 015)	(1 485)
25 852	26 508	**Total equity**		23 203	23 218
		Non-current liabilities			
1 392	1 463	Borrowings	31	2 591	2 422
95	180	Deferred income tax	16	4 275	3 994
24	–	Derivative financial instruments	32	631	386
118	115	Provision for environmental rehabilitation	33	860	837
14	16	Provision for other liabilities and charges	34	16	14
4	4	Retirement benefit obligations	35	107	89
1 647	1 778	**Total non-current liabilities**		8 480	7 742
		Current liabilities			
844	922	Trade and other payables	36	1 458	1 514
1 171	1 000	Borrowings	31	1 006	1 333
6	5	Shareholders for dividends		7	8
2 021	1 927	**Total current liabilities**		2 471	2 855
3 668	3 705	**Total liabilities**		10 951	10 597
29 520	30 213	**Total equity and liabilities**		34 154	33 815

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 30 JUNE 2006

	Number of ordinary shares issued	Share capital RM	Share premium RM	(Accumulated loss)/retained earnings RM	Other reserves RM	Total RM
Notes		29	29		30	
GROUP						
Balance – 30 June 2004 (as previously reported)	320 741 577	160	20 729	1 078	(1 186)	20 781
Change in accounting policy for the capitalisation of development costs (net of income tax of R191 million)	–	–	–	765	–	765
Adoption of IFRS2 – Share-based compensation	–	–	–	(17)	17	–
Balance – 30 June 2004 (as restated)	320 741 577	160	20 729	1 826	(1 169)	21 546
Net loss (restated)	–	–	–	(3 214)	–	(3 214)
Dividends declared	–	–	–	(97)	–	(97)
Issue of shares						
– Acquisition of 11.5% interest in Gold Fields	72 173 265	37	4 422	–	–	4 459
– Exercise of employee share options	426 352	–	20	–	–	20
Share issue expenses	–	–	(80)	–	–	(80)
Treasury shares	–	–	1	–	–	1
Foreign exchange translation	–	–	–	–	349	349
Deferred share-based compensation	–	–	–	–	67	67
Mark-to-market of listed and other investments	–	–	–	–	173	173
Mark-to-market of environmental trust funds	–	–	–	–	(6)	(6)
Balance – 30 June 2005	393 341 194	197	25 092	(1 485)	(586)	23 218
Net loss	–	–	–	(525)	–	(525)
Dividends declared	–	–	–	(5)	–	(5)
Issue of shares						
– Exercise of employee share options	3 593 256	2	181	–	–	183
Treasury shares	–	–	17	–	–	17
Foreign exchange translation	–	–	–	–	109	109
Deferred share-based compensation	–	–	–	–	103	103
Mark-to-market of listed and other investments	–	–	–	–	105	105
Mark-to-market of environmental trust funds	–	–	–	–	(2)	(2)
Balance – 30 June 2006	**396 934 450**	**199**	**25 290**	**(2 015)**	**(271)**	**23 203**
COMPANY						
Balance – 30 June 2004 (as previously reported)	320 741 577	160	20 779	1 357	256	22 552
Change in accounting policy for the capitalisation of development costs (net of income tax of R13 million)	–	–	–	221	–	221
Adoption of IFRS2 – Share-based compensation	–	–	–	(11)	11	–
Balance – 30 June 2004 (as restated)	320 741 577	160	20 779	1 567	267	22 773
Net loss (restated)	–	–	–	(1 169)	–	(1 169)
Dividends declared	–	–	–	(97)	–	(97)
Issue of shares						
– Acquisition of 11.5% interest in Gold Fields	72 173 265	37	4 422	–	–	4 459
– Exercise of employee share options	426 352	–	20	–	–	20
Share issue expenses	–	–	(80)	–	–	(80)
Deferred share-based compensation	–	–	–	–	36	36
Mark-to-market of listed and other investments	–	–	–	–	(90)	(90)
Balance – 30 June 2005	393 341 194	197	25 141	301	213	25 852
Net income	–	–	–	314	–	314
Issue of shares						
– Exercise of employee share options	3 593 256	2	181	–	–	183
Deferred share-based compensation	–	–	–	–	48	48
Mark-to-market of listed and other investments	–	–	–	–	111	111
Balance – 30 June 2006	**396 934 450**	**199**	**25 322**	**615**	**372**	**26 508**

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2006

COMPANY 2005 RM	COMPANY 2006 RM		NOTE	GROUP 2006 RM	GROUP 2005 RM
		Cash flows from operating activities			
(285)	159	Cash generated by/(utilised in) operations	40	690	(357)
201	254	Interest received		207	132
17	21	Dividends received		17	17
(254)	(199)	Interest paid		(201)	(261)
(37)	–	Income and mining taxes paid		(12)	(55)
(358)	235	**Net cash generated by/(utilised in) operating activities**		701	(524)
		Cash flows from investing activities			
–	(14)	Net increase in amounts invested in environmental trusts		(31)	(2)
10	–	Restricted cash		(203)	10
–	–	Cash held by subsidiaries on acquisition	41	2	5
–	–	Cash held by subsidiaries at disposal	41	–	(11)
(85)	–	Investment in Gold Fields acquired		–	(85)
–	–	Investment in Orpheo by Harmony acquired	41	(5)	–
–	–	Investment in MP Britz and H Taute Pharmacies acquired	41	(1)	–
–	–	Proceeds on disposal of Buffalo Creek	41	19	–
–	–	Cost on closure of hedge positions		(344)	(212)
2 094	2 461	Proceeds on disposal of available-for-sale financial assets		2 462	2 546
–	–	Acquisition of associate		(2 012)	–
(637)	(3 598)	Decrease/(increase) in other non-current investments		18	(7)
3	3	Proceeds on disposal of mining assets		80	129
(159)	(200)	Additions to property, plant and equipment		(1 747)	(1 392)
1 226	(1 348)	**Net cash (utilised in)/generated by investing activities**		(1 762)	981
		Cash flows from financing activities			
553	1 000	Borrowings raised		1 000	1 403
(632)	(1 213)	Borrowings paid		(1 393)	(1 212)
20	183	Ordinary shares issued		183	20
(80)	–	Shares issue expenses		–	(80)
(97)	(1)	Dividends paid		(7)	(97)
(236)	(31)	**Net cash (utilised in)/generated by financing activities**		(217)	34
–	–	**Foreign currency translation adjustments**		151	(65)
632	(1 144)	**Net (decrease)/increase in cash and cash equivalents**		(1 127)	426
669	1 301	**Cash and equivalents – beginning of year**		1 778	1 352
1 301	157	**Cash and equivalents – end of year**		651	1 778

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

1 ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The annual financial statements, as modified by available-for-sale financial assets, and financial assets and liabilities (including derivative instruments), which have been brought to account at fair value through the income statement or through other reserves under shareholders' equity, are prepared on an historical cost basis. The accounting policies as set out below have been consistently applied, except for the capitalisation of mine development cost and the adoption of share-based compensation (IFRS2). The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the South African Companies Act.

New accounting standards and IFRIC interpretations

Certain new accounting standards and IFRIC interpretations have been published that are mandatory for accounting periods beginning on or after 1 January 2006. These new standards and interpretations have not been early adopted by the group and a reliable estimate of the impact of the adoption thereof for the group cannot yet be determined for all of them, as management is still in the process of determining the impact of these standards and interpretations on future financial statements.

At the date of authorisation of these financial statements, the following standards and interpretations were in issue but not yet effective:

Title		Effective date
New statement		
• IFRS 6 – Exploration for and evaluation of Mineral Resources	#	Financial year commencing on or after 1 January 2006
• IFRS 7 – Financial instruments: disclosures, and a complementary amendment to IAS 1, Presentation of financial statements – capital disclosures	#	Financial year commencing on or after 1 January 2007
New South African Statement		
• AC 503 – Accounting for black economic empowerment (BEE) transactions	^	Financial year commencing on or after 1 May 2006
Amendment		
• IAS 19 – Employee benefits	^	Financial year commencing on or after 1 January 2006
• IAS 21 – Net investment in a foreign operation	^	Financial year commencing on or after 1 January 2006
• IAS 39 and IFRS 4 – Financial guarantee contracts	#	Financial year commencing on or after 1 January 2006
• IAS 39 – Cash flow hedge accounting of forecast intragroup transactions	&	Financial year commencing on or after 1 January 2006
• IAS 39 – The fair value option	^	Financial year commencing on or after 1 January 2006

1 ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

Title	Effective date
New Interpretation	
• IFRIC Interpretation 4 – Determining whether an arrangement contains a lease	# Financial year commencing on or after 1 January 2006
• IFRIC Interpretation 5 – Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds	# Financial year commencing on or after 1 January 2006
• IFRIC Interpretation 6 – Liabilities arising from participating in a specific market – waste electrical and electronic equipment	# Financial year commencing on or after 1 January 2006
• IFRIC Interpretation 7 – Applying the restatement approach under IAS 29 financial reporting in hyperinflationary economics	& Financial year commencing on or after 1 March 2006
• IFRIC Interpretation 8 – Scope of IFRS 2	ˆ Financial year commencing on or after 1 May 2006
• IFRIC Interpretation 9 – Reassesment of embedded derivatives	# Financial year commencing on or after 1 June 2006
• IFRIC Interpretation 10 – Interim financial reporting and impairment	# Financial year commencing on or after 1 November 2006

Not yet assessed
ˆ Assessed: no major impact
& Assessed: not applicable

(b) Implementation of new accounting policy

IFRS 2, Share-based payments: On 1 July 2005, the company adopted the requirements of IFRS 2, share-based payments. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity-settled payments after 7 November 2002 that were unvested as at 1 January 2005. The company issues equity-settled instruments to certain qualifying employees under an Employee Share Option Scheme to purchase shares in the company's authorised but unissued ordinary shares. Equity share-based payments are measured at fair value of the equity instruments at the date of the grant. The deferred share-based compensation is expensed over the vesting period, based on the company's estimate of the shares that are expected to eventually vest. The company used the binomial option pricing model in determining the fair value of the options granted.

The impact of this adjustment was as follows:

	GROUP	
	2006 RM	2005 RM
Effect on net loss:		
Increase in expense	(103)	(67)
Income tax	–	–
Increase in net loss	(103)	(67)
Effect on opening accumulated loss:		
Increase in expense		(17)
Income tax		–
Increase in accumulated loss		(17)

1 ACCOUNTING POLICIES (CONTINUED)

(b) Implementation of new accounting policy (continued)

	COMPANY	
	2006 RM	2005 RM
Effect on net income/(loss):		
Increase in expense	**(48)**	(36)
Income tax	**–**	–
Decrease in net income/increase in net loss	**(48)**	(36)
Effect on opening retained earnings:		
Increase in expense		(11)
Income tax		–
Decrease in retained earnings		(11)
Refer to note 30(f), Other reserves		

(c) Change in accounting policy

During the financial year, the group retrospectively changed its accounting policy on the capitalisation of mine development cost.

Previously mine development costs were capitalised only until the reef horizon was intersected. Further costs to develop the orebody were expensed as normal working costs. Under the revised accounting policy, expenditure for all development incurred after intersection of the reef horizon that will give access to proven and probable ore reserves will now be capitalised. Capitalised costs are amortised over the estimated life of the proven and probable reserves to which the costs give access.

The group believes that the newly adopted principle is more relevant and reliable because:
(i) it aligns its policy with those of its peers in the global mining industry;
(ii) allows for a direct link between revenue and associated expenditure;
(iii) allows for better componentisation; and
(iv) the additional costs capitalised under the revised policy meet the definition of an asset.

The impact of this adjustment was as follows:

	GROUP	
	2006 RM	2005 RM
Effect on net loss:		
Decrease in cash operating cost	**659**	595
Increase in amortisation and depreciation of mining properties, mine development costs and mine plant facilities	**(314)**	(213)
Increase in taxation	**(74)**	(73)
Decrease in loss	**270**	308
Effect on opening retained earnings:		
Decrease in cash operating cost		1 406
Increase in amortisation and depreciation of mining properties, mine development costs and mine plant facilities		(450)
Increase in taxation		(191)
Increase in retained earnings		765

1 ACCOUNTING POLICIES (CONTINUED)

(c) Change in accounting policy (continued)

	COMPANY	
	2006 RM	2005 RM
Effect on net income/loss:		
Decrease in cash operating cost	138	122
Increase in amortisation and depreciation of mining properties, mine development costs and mine plant facilities	(64)	(53)
Increase in taxation	(4)	(4)
Increase in profit/decrease in loss	69	66
Effect on opening retained earnings:		
Decrease in cash operating cost		316
Increase in amortisation and depreciation of mining properties, mine development costs and mine plant facilities		(82)
Increase in taxation		(13)
Increase in retained earnings		221

Refer to note 19, Property, plant and equipment

(d) Consolidation

The consolidated financial information includes the financial statements of the company, its subsidiaries, its proportionate interest in joint ventures, special purpose entities (SPEs) – also referred to as special purpose vehicles (SPVs) – and its interests in associates.

(i) **Subsidiaries**, which are those entities in which the group has an interest of more than one half of the voting rights or otherwise giving it the power to govern the financial and operating policies, are consolidated. Subsidiaries are consolidated from the date on which control is acquired and are no longer consolidated when control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus costs directly attributable to the acquisition.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at acquisition date, irrespective of the extent of any minority interest. Minorities are carried at fair value at acquisition.

The excess of the cost of acquisition over the fair value of the group's share of the identifiable net asset acquired is recorded as goodwill (refer to 1(d)(v)).

In situations of successive share purchases when control already existed at the date of further acquisition, no fair value adjustment is made to the identifiable net assets acquired and any excess/deficit in the purchase price over the carrying value of minorities acquired is accounted for in shareholders' equity.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless costs cannot be recovered. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the group.

Investments in subsidiaries are accounted for at cost and are adjusted for impairments where appropriate in the company's financial statements.

1 ACCOUNTING POLICIES (CONTINUED)

(d) Consolidation (continued)

(ii) Associates are those entities, other than a subsidiary, in which the group has a material long term interest and in respect of which the group exercises significant influence over operational and financial policies, normally owning between 20% and 50% of the voting equity, but which it does not control.

Investments in associates are accounted for by using the equity method of accounting, and are initially recognised at cost. The cost of an acquisition is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus costs directly attributable to the acquisition.

The group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. Cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The carrying value of an associate is reviewed on a regular basis and, if an impairment in the carrying value has occurred, it is written off in the period in which such permanent impairment is identified.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred.

Accounting policies of associates have been reviewed to ensure consistency with the policies adopted by the group.

Investments in associates are accounted for at cost and are adjusted for impairments where appropriate in the company's financial statements.

(iii) Joint ventures are those entities in which the group holds a long-term interest and which is jointly controlled by the group and one or more ventures under a contractual arrangement. The group's interest in jointly controlled entities is accounted for by proportionate consolidation. Under this method, the group includes its share of the joint venture's individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the group's financial statements.

The group recognises the portion of gains or losses on the sale of assets by the group to the joint venture that is attributable to other ventures. The group does not recognise its share of profits or losses from the joint venture that result from the purchase of assets by the group from the joint venture until it resells the assets to an independent party. However, if a loss on the transaction provides evidence of a reduction in the net realisable value of current assets or an impairment loss, the loss is recognised immediately.

Investments in joint ventures are accounted for at cost and are adjusted for impairment where appropriate in the company's financial statements.

1 ACCOUNTING POLICIES (CONTINUED)

(d) Consolidation (continued)

(iv) Special purpose entities (SPEs) are those undertakings that are created to satisfy specific business needs of the group. These are consolidated where the group has the right to the majority of the benefits of the SPE and/or is exposed to the majority of the risk thereof. SPEs are consolidated in the same manner as subsidiaries when the substance of the relationship indicates that the SPE is controlled by the group.

(v) Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net assets of the acquired subsidiary, associate, joint venture or business at the date of acquisition. Goodwill on acquisition of subsidiaries, joint ventures and businesses are included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

The gain or loss on disposal of an entity includes the carrying amount of goodwill relating to the entity sold.

(e) Foreign currency transactions

i) Functional and presentation currency: Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in South African rands, which is the group's functional and presentation currency.

ii) Transactions and balances: Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. These transactions are included in the determination of other income.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences are recognised in profit or loss, and other changes in carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities are reported as part of fair value gain or losses. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the fair value reserve in equity.

1 ACCOUNTING POLICIES (CONTINUED)

(e) Foreign currency transactions (continued)

iii) Group companies: The results and financial position of all group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

a) assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of the balance sheet;

b) income and expenses for each income statement are translated at average exchange rates; and

c) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

iv) Convenience translations: The consolidated income statement, the consolidated balance sheet and the consolidated statement of cash flows have been expressed in United States dollars for information purposes and do not form part of the audited financial statements.

For this purpose, the consolidated income statement and the consolidated statement of cash flows were translated at the average rate for the year and the consolidated balance sheet at the exchange rate ruling at the balance sheet date.

(f) Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand, deposits held at call with banks and short-term highly liquid investments with insignificant interest rate risk and original maturities of three months or less.

(g) Restricted cash

Restricted cash consists of cash held as security deposits on mining tenements as well as cash held to acquire shares in subsidiaries as part of the compulsory takeover of shares.

(h) Financial assets

The group classifies its financial assets in the following categories: loans and receivables, available-for-sale, held-to-maturity and at fair value through profit or loss. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

(i) Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are initially recognised at fair value and subsequently measured at amortised cost. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

1 ACCOUNTING POLICIES (CONTINUED)

(h) Financial assets (continued)

(ii) Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Investments are initially recognised at cost plus transaction costs for all financial assets. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Unrealised gains and losses arising from changes in the fair value of investments classified as available-for-sale are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement.

The fair values of quoted investments are based on current bid prices. If the value of the financial instrument can not be obtained from an active market, the group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If, in the opinion of the directors, permanent diminution in value exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement.

(iii) Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the group's management has the positive intention and ability to hold to maturity. The group's held-to-maturity investments are held at amortised cost.

(iv) Financial assets at fair value through profit or loss have two sub-categories: 'financial assets held-for-trading', and those designated at fair value through profit and loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as 'held-for-trading' unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(i) Inventories

Inventories which include bullion on hand, gold in process, and stores and materials, are measured at the lower of cost and net realisable value after appropriate allowances for redundant and slow moving items. Cost of bullion is determined by reference to production cost.

Stores and materials consist of consumable stores and are valued at average cost.

1 ACCOUNTING POLICIES (CONTINUED)

(i) Inventories (continued)

Bullion on hand and gold in process at certain of the underground operations include gold in lockup which can be reliably measured, and generally this is from the smelter onwards. Where mechanised mining is used in underground operations, work in progress is accounted for at the earliest stage of production when reliable estimates of quantities and costs are capable of being made, normally from when ore is broken underground. Given the varying nature of the group's open-pit operations, predominantly located in Australia, gold in process represents either production in the form of broken ore or production from the time of placement on heap leach pads. It is valued using the weighted average cost method. Costs included are average production costs, including amortisation and depreciation at the relevant stage of production.

The group assesses the gold content of broken ore or ore placed on heap leach pads by reference to the historical recovery factor obtained for the type of broken ore and ore added to the heap leach pad.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to perform the sale.

(j) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(k) Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The group designates derivatives as hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge).

The group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as the risk management objectives and strategy for undertaking various hedge transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 39. The full fair value of hedging derivatives is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability if the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Fair value hedge: Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the income statement within 'finance costs'. The gain or loss relating to the ineffective portion is recognised in the income statement within 'other (losses)/gains – net'. Changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk are recognised in the income statement within 'finance costs'.

1 ACCOUNTING POLICIES (CONTINUED)

(l) Borrowings

Borrowings are initially recognised at fair value net of transaction cost incurred and subsequently measured at amortised cost, comprising original debt less principal payments and amortisations, using the effective yield method.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds are allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(m) Exploration costs

Exploration costs are expensed as incurred. When a decision is taken that a mining property is capable of commercial production, all further pre-production expenditure, including evaluation costs, are capitalised. Costs related to property acquisitions and mineral and surface rights are capitalised. Where the directors consider that there is little likelihood of the properties or rights being exploited or the value of the exploration rights have diminished below cost, an impairment is recognised.

(n) Property, plant and equipment

(i) Mining assets including mine development costs and mine plant facilities are initially recorded at cost, whereafter it is measured at cost less accumulated amortisation and impairment. Costs include pre-production expenditure incurred in the development of the mine and the present value of future decommissioning costs. Interest on borrowings to specifically finance the establishment of mining assets is capitalised until it is substantially completed. Development costs incurred to evaluate and develop new orebodies, or to define mineralisation in existing orebodies, or to establish or expand productive capacity or to maintain production are capitalised. Mine development costs are capitalised to the extent it provide access to gold bearing reef and have future economic benefit.

Stripping costs incurred during the production phase to remove waste ore are deferred and charged to operating costs on the basis of the average life-of-mine stripping ratio. The average stripping ratio is calculated as the number of tonnes of waste material removed per tonne of ore mined. The average life-of-mine ratio is revised annually in the light of additional knowledge and change in estimates. The cost of "excess stripping" is capitalised as mine development costs when the actual stripping ratio exceeds the average life-of-mine stripping ratio.

Where the average life-of-mine stripping ratio exceeds the actual stripping ratio, the cost is charged to the income statement.

(ii) Mining operations placed on care and maintenance: The net assets of operations placed on care and maintenance are impaired to their recoverable amount. Expenditure on the care and maintenance of these operations is charged against income, as incurred.

(iii) Non-mining fixed assets: Land is shown at cost and not depreciated. Other non-mining fixed assets are shown at cost less accumulated depreciation and accumulated impairment losses.

(iv) Undeveloped properties are initially valued at the fair value of resources obtained through acquisitions. The fair value of these properties are annually tested for impairment.

1 ACCOUNTING POLICIES (CONTINUED)

(n) Property, plant and equipment (continued)

(v) Depreciation and amortisation of mining assets: Depreciation and amortisation of mineral property interests, mineral and surface rights, mine development costs and mine plant facilities are computed principally by the units of production method based on estimated proved and probable reserves. To the extent that these costs benefit the entire ore body, they are amortised over the estimated life of the ore body. Costs incurred to access specific ore blocks or areas that only provide benefit over the life of that area are amortised over the estimated life of that specific ore block or area. Proved and probable ore reserves reflect estimated quantities of economically recoverable reserves which can be recovered in future from known mineral deposits. Amortisation is first charged on mining ventures from the date on which the mining ventures reach commercial production quantities.

(vi) Depreciation and amortisation of non-mining fixed assets: Other non-mining fixed assets are depreciated on a straight-line basis over their estimated useful lives as follows:

- Vehicles at 20% per year;
- Computer equipment at 33.3% per year;
- Computer software at 50% per year; and
- Furniture and equipment at 16.67% per year.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(o) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(p) Environmental rehabilitation

Estimated long-term environmental obligations, comprising pollution control, rehabilitation and mine closure, are based on the group's environmental management plans in compliance with current technological, environmental and regulatory requirements.

The net present value of expected rehabilitation cost estimates are recognised and provided for in full in the financial statements. The estimates are reviewed annually and are discounted using rates that reflect inflation and the time value of money.

Annual changes in the provision consist of finance costs relating to the change in the present value of the provision and inflationary increases in the provision estimate, as well as changes in estimates. The present value of environmental disturbances created are capitalised to mining assets against an increase in the rehabilitation provision. The rehabilitation asset is amortised as noted in the group's accounting policy. Rehabilitation projects undertaken, included in the estimates are charged to the provision as incurred. The cost of ongoing current programmes to prevent and control pollution is charged against income as incurred.

1 ACCOUNTING POLICIES (CONTINUED)

(q) Environmental trust funds

Annual contributions are made to the group's trust funds, created in accordance with statutory requirements, to fund the estimated cost of pollution control, rehabilitation and mine closure at the end of the life of the group's mines. Contributions are determined on the basis of the estimated environmental obligation over the life of the mine. Income earned on monies paid to environmental trust funds is accounted for as investment income. The funds contributed to the trusts plus growth in the trust funds are included under investments on the balance sheet.

(r) Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

(s) Deferred taxation

The group follows the comprehensive liability method of accounting for deferred tax using the balance sheet approach. Under this method deferred income and mining taxes are recognised for the tax consequences of temporary differences by applying expected tax rates to the differences between the tax base of certain assets or liabilities and its balance sheet carrying amount. Deferred tax is charged to the income statement except to the extent that it relates to a transaction that is recognised directly in equity, or on the initial recognition of an asset or liability in a transaction that is not a business combination and does neither affect accounting nor taxable profit or loss at the time of the transaction. The effect on deferred tax of any changes in tax rates is recognised in the income statement, except to the extent that it relates to items previously charged or credited directly to equity.

The principal temporary differences arise from amortisation and depreciation on property, plant and equipment, provisions, post retirement benefits, tax losses and unutilised capital allowances carried forward. Deferred tax assets relating to the carry forward of unutilised tax losses and unutilised capital allowances are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unutilised capital allowances can be utilised.

(t) Employee benefits

(i) Pension and provident plans are funded through annual contributions. The group's contributions to the defined contribution pension and provident plans are charged to the income statement in the year to which they relate. The group's liability is limited to its annually determined contributions.

(ii) Medical plans: The group provides medical cover to current employees and certain retirees through certain funds. The medical accounting costs for the defined benefit plan are assessed using the projected unit credit method. The health care obligation is measured as the present value of the estimated future cash outflows using market yields consistent with the term and risks of the obligation. Actuarial gains and losses as a result of these valuations are recognised in the income statement at revaluation date. The future liability for current and retired employees and their dependents is accrued in full based on actuarial valuations obtained annually.

1 ACCOUNTING POLICIES (CONTINUED)

(t) Employee benefits (continued)

(iii) Equity compensation benefits: The group operates an equity-settled, share-based compensation plan, where the group grants share options to certain employees. Equity share-based payments are measured at fair value of the equity instruments at the date of the grant. The deferred share-based compensation is expensed over the vesting period, based on the company's estimate of the shares that are expected to eventually vest. The company used the binominal option pricing model in determining the fair value of the options granted. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(iv) Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

(v) Leave pay: The group provides for the cost of the leave days granted to employees during the period in which the leave days accumulate.

(u) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(v) Leases

Leases in which a significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(w) Revenue recognition

(i) Revenue represents gold sales and is recognised when the risks and rewards of ownership has passed to the buyer with delivery from the refinery. Sales revenue excludes value added tax but includes the net profit and losses arising from financial derivatives that meet the definition of normal sale to the extent that they relate to that metal and have been matched at the date of the financial statements.

(ii) Interest income: Interest is recognised on a time proportion basis, taking into account the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the group.

(iii) Dividend income is recognised when the shareholder's right to receive payment is established. This is recognised at the last date of registration.

1 ACCOUNTING POLICIES (CONTINUED)

(x) Dividends declared

Dividends proposed and the related transactions thereon are recognised when declared by the board of directors. The dividends paid therefore relate to those declared in the current financial year. Dividends are payable in South African rands.

Dividends declared which are payable to foreign shareholders are subject to approval by the South African Reserve Bank in terms of South African foreign exchange control regulations. In practice, dividends are freely transferable to foreign shareholders.

(y) Segmental reporting

The primary reporting format of the group is by business segment. As there is only one business segment, being mining, extraction and production of gold, the relevant disclosures have been given in the financial statements. The secondary reporting format is by geographical analysis by origin. The segmental information is supplied on a shaft level in the geographical area. The accounting policies of the segments are the same as those described in the other accounting policy notes.

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements in conformity with IFRS requires the group's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Estimates and judgements are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The resulting accounting estimates may differ from actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Valuation and amortisation of mining assets

The fair value of mining assets are generally determined utilising discounted future cash flows. Management also considers such factors as the market capitalisation of the group, the quality of the individual orebody and country risk in determining the fair value.

During the year under review, the group calculated fair value based on updated life-of-mine plans, a gold price of R105 000 per kilogram and a discount rate of 8.38% (2005: R92 000 per kilogram and a 8.2% discount rate) (refer note 8).

(b) Impairment of investment in associate

For listed companies the carrying value of investments in associates, are evaluated for impairment on the higher of the closing share price on year end, average share price over a reasonable period thereafter as well as recent transactions or the fair value of the underlying assets of the investment. An impairment loss or the reversal of an impairment loss is only recognised when deemed of a permanent nature.

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(c) Valuation of investments (assets available-for-sale)

If the value of the financial instrument can not be obtained from an active market, the group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models refined to reflect the issuer's specific circumstances.

(d) Estimate of exposure and liabilities with regard to rehabilitation costs

Estimated long-term environmental obligations, comprising pollution control, rehabilitation and mine closure, are based on the group's environmental management plans in compliance with current technological, environmental and regulatory requirements.

A discount rate of 12.88%, inflation rate of 5.5% and expected life of the mines according to the life-of-mine plans were utilised in the calculation of the estimated net present value of the rehabilitation liability (2005: discount rate of 13.63% and inflation rate of 5%).

(e) Estimate of employee benefit liabilities

An updated actuarial valuation is being carried out at the end of each financial year. Assumptions used to determine the liability include, a discount rate of 9%, no increases in employer subsidies (in terms of the agreement) and mortality rates according to the SA 1956/62 mortality table (SA "a mf" tables) (60 years) and a medical inflation rate of 6.34% (2005: discount rate of 9%, 60 years and a medical inflation rate of 6.34%).

(f) Estimate of taxation

The group is subject to income tax in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(g) Hedging and financial derivatives

The Delta of the hedge position, is the equivalent gold position that would have the same mark-to-market sensitivity for a small change in the gold price. This is calculated using the Black-Scholes option formula with the ruling market prices, interest rates and volatilities at year end (refer note 39).

(h) Fair value of share-based compensation

The fair value of options granted are being determined using the binomial valuation model. The significant inputs into the model are: vesting period and conditions, risk free interest rate, volatility, price on date of grant and dividend yield. (Refer to note 38 for detail on each of the share option schemes.)

(i) Impairment of goodwill

The group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(d)(v). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(j) Gold in lock-up

Gold in lock-up in certain plants are estimated based on the plant call factor calculated.

(k) Assessment of contingencies

Contingencies will only realise when one or more future events occur or fail to occur. The exercise of significant judgement and estimates of the outcome of future events are required during the assessment of the impact of such contingencies.

(l) Undeveloped properties

The valuation of undeveloped properties was based on going market prices for these resources.

(m) Gold mineral reserves

At the end of each financial year, the estimate of proven and probable gold mineral reserve is updated. Depreciation of mining assets is prospectively adjusted, based on these changes.

3 FINANCIAL RISK MANAGEMENT

The group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance. The group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a central treasury department (Group Treasury) under policies approved by the board of directors. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the group's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and the investment of excess liquidity (refer note 39).

(a) Market risk

(i) Foreign exchange risk

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

The group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

(ii) Price risk

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk

Credit risk arises from the risk that a counterparty may default or not meet its obligations timeously. Financial instruments, which subject the company to significant concentrations of credit risk, consist predominantly of cash and cash equivalents, short-term investments and various derivative financial instruments.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury aims to maintain flexibility in funding by keeping committed credit lines available.

(d) Cash flow and fair value liquidity risk

Fluctuations in interest rates and gold lease rates impact on the value of short-term cash and financing activities, giving rise to interest rate risk.

The group's interest rate risk further arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the group to fair value interest rate risk.

The group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the group raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the group had borrowed at fixed rates directly. Under the interest rate swaps, the group agrees with other parties to exchange, at specified intervals (mostly quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

COMPANY 2005 RM	COMPANY 2006 RM		GROUP 2006 RM	GROUP 2005 RM
		4 COST OF SALES		
		Cash operating costs include mine production, transport and refinery costs, applicable general and administrative costs, movement in inventories and ore stockpiles and ongoing environmental rehabilitation costs as well as transfers to and from deferred stripping. Ongoing employee termination costs are included, however employee termination costs associated with major restructuring and shaft closures are excluded. These costs, analysed by nature, consist of the following:		
895	1 004	Labour costs, including contractors	4 711	4 749
287	281	Stores and materials	1 495	1 571
165	141	Water and electricity	815	871
33	15	Hospital costs	89	147
(12)	(12)	Changes in inventory	(131)	(11)
(122)	(138)	On-going capital	(659)	(595)
57	61	Other	260	221
1 303	1 352	Cash operating costs	6 580	6 953
114	135	Amortisation and depreciation of mining properties, mine development costs and mine plant facilities	1 032	1 008
32	31	Corporate, administration and other expenditure	127	111
(15)	(12)	Reversal of provision for rehabilitation costs	(13)	(23)
1 434	1 506	Cost of sales	7 726	8 049
		5 GROSS PROFIT/(LOSS)		
		The following have been included in gross profit/(loss):		
8	6	**Professional fees**	35	51
2	2	**Auditors' remuneration**	13	13
1	2	Fees – current year	11	9
1	–	Fees – other services	2	4
		6 AMORTISATION AND DEPRECIATION OF ASSETS OTHER THAN MINING PROPERTIES, MINE DEVELOPMENT COSTS AND MINE PLANT FACILITIES		
–	–	Other non-mining assets	43	20
14	14	Borrowings' issue costs	14	14
14	14		57	34

COMPANY 2005 RM	COMPANY 2006 RM		GROUP 2006 RM	GROUP 2005 RM
		7 EMPLOYMENT TERMINATION AND RESTRUCTURING COSTS		
(129)	55	Free State	55	(129)
–	–	Randfontein and Elandskraal	(5)	(103)
–	–	Evander	(6)	(25)
–	–	Kalgold	–	(1)
–	–	Freegold	31	(174)
–	–	ARMgold (Welkom and Orkney)	6	(12)
–	–	Avgold	(2)	(9)
–	–	Musuku	(1)	–
(129)	55		78	(453)

During FY06, the company continued with the process of down-scaling production at some shafts. This was done according to the initial plan that was communicated to the unions by 30 June 2005. Actual cost amounted to R140 million and was utilised against the provision recognised in 2005.

The re-negotiations with the various labour unions at the beginning of FY06, resulted in a reduced number of employees being retrenched at the Free State, Freegold and ARMgold operations. Only 3 000 of the initial 5 000 planned and communicated retrenchments were realised during the year. The remaining balances were reversed during the 2006 year.

During March 2005, Harmony announced that the company had commenced the final restructuring process in its Free State region following the weakening of the gold price in rand per kilogram terms. A process to down-scale production at some shafts was initiated and communicated to the unions by 30 June 2005. An accrual was raised to cover the estimated cost of the restructuring.

COMPANY 2005 RM	COMPANY 2006 RM		GROUP 2006 RM	GROUP 2005 RM
		8 REVERSAL OF IMPAIRMENT/(IMPAIRMENT) OF ASSETS		
(294)	156	Free State	156	(294)
–	–	Lydex	(114)	–
–	–	Evander	80	(89)
–	–	Kalgold	–	(137)
–	–	Australian operations	–	(637)
–	–	Freegold	94	(353)
–	–	ARMgold (Welkom and Orkney)	–	(3)
(294)	156		216	(1 513)

COMPANY			GROUP	
2005 RM	2006 RM		2006 RM	2005 RM

8 REVERSAL OF IMPAIRMENT/(IMPAIRMENT) OF ASSETS (CONTINUED)

During the year ended 30 June 2006, the group reversed R330 million of the R736 million impairment recorded in 2005 at its Free State, Evander and Freegold operations. The fair values calculated based on the updated mine plans, a gold price of R105 000 per kilogram and a discount rate of 8.38%, fairly exceeded the carrying value of the abovementioned operations at 30 June 2006. Accordingly, a decision was made to reverse the previously recorded impairments.

The R114 million impairment recorded in 2006 at Lydenburg Exploration Ltd relates to an impairment loss on amounts previously capitalised as undeveloped properties for which no future financial benefits are expected by management.

During the year ended 30 June 2005, the South African operations recorded an impairment of R876 million at a number of its operations. This impairment relates to an impairment of mining properties, mine development costs and mine plant facilities, as well as some undeveloped properties. The adjustment to the expected amount of gold to be produced as well as revised working costs resulted in revised life-of-mine plans being designed for the South African operations. Utilising the revised mine plans, a gold price of R92 000 per kilogram and a discount rate of 8.2%, the calculated fair values did not support the carrying value of some of the South African operations. Accordingly an asset impairment of R876 million was charged against income.

The Australian operations recorded an impairment of R637 million during the year ended 30 June 2005. This impairment relates to an impairment loss on amounts previously capitalised as undeveloped properties for which no future financial benefits are expected by management. An impairment was also recorded on mining assets mainly resulting from a review performed on life-of-mine plans. The revised life-of-mine plans included an adjusted Australian dollar gold price and adjustments to estimated production costs. Using the revised mine plans, a gold price of A$550 per ounce and a discount rate of 7%, the calculated fair values did not support the carrying value of some of the Australian operations. Accordingly, an asset impairment of R637 million was charged against income. The Australian discount rate differs from the South African discount rate due to the difference in country risk.

Fair value is generally determined utilising discounted future cash flows. Management also considers such factors as the market capitalisation of the group, the quality of the individual orebody and country risk in determining fair values.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

Company 2005 RM	Company 2006 RM		Group 2006 RM	Group 2005 RM
		9 OTHER (EXPENSES)/INCOME – NET		
3	2	Profit on sale of property, plant and equipment	65	78
(20)	8	Foreign exchange profits/(losses) – net	(25)	3
(38)	–	Non-mining bad debts	(5)	(38)
(17)	(20)	Other expenditure – net	(56)	(69)
(72)	(10)		(21)	(26)
		10 PROFIT/(LOSS) ON SALE OF LISTED INVESTMENTS		
(372)	307	Profit/(loss) on sale of investment in Gold Fields Limited	307	(372)
–	(1)	Loss on sale of investment in San Gold Corporation	(1)	–
(22)	–	Loss on sale of investment in ARM Limited	–	(213)
–	–	Profit on sale of investment in Bendigo NL	–	30
(394)	306		306	(555)

The company disposed of its remaining investment in Gold Fields Limited (Gold Fields) for R2 442 million. The process was concluded through market disposals which began on 10 November 2005 and an open market offering on 15 and 16 November 2005. The investment was acquired at a cost of R2 135 million, resulting in a profit of R307 million (refer note 22(f)).

On 29 December 2005, Harmony disposed of its investment in San Gold Corporation for R19 million. The investment was carried at a total cost of R20 million, resulting in a loss of R1 million (refer note 22(a)).

On 18 January 2006 Harmony disposed of its investment in Atlas Gold Limited for R1 million (A$0.2 million). The investment of 500 000 shares was carried at a total cost of A$0.1 million, resulting in a profit of A$0.1 million (refer note 22(g)).

On 3 June 2005, the company disposed of 30 million shares in Gold Fields Limited (Gold Fields) for R2 041 million. The investment was acquired at a cost of R2 413 million, resulting in a loss of R372 million (refer note 22(f)).

The company disposed of 5.82% of the 19.5% investment held in ARM Limited (ARM) for R346 million through a range of transactions on 3 February 2005, 15 March 2005 and 27 May 2005. The 5.82% portion of the investment was acquired at a cost of R559 million, resulting in a loss of R213 million (refer note 22(e)).

On 1 April 2005, Harmony disposed of its investment in Bendigo NL (Bendigo), carried at a total cost of A$26 million, for R158 million, resulting in a profit of R30 million. Previously a diluted loss of R88 million was accounted for, resulting in a net loss over the life of the investment of R58 million.

COMPANY 2005 RM	COMPANY 2006 RM		GROUP 2006 RM	GROUP 2005 RM
		11 PROFIT/(LOSS) ON SALE OF SUBSIDIARIES		
–	–	Profit on sale of investment in Buffalo Creek Mines (Pty) Ltd (a)	14	–
1	–	Profit on sale of investment in NACS (b)	–	1
–	–	Loss on sale of investment in Future (c)	–	(9)
–	–	Profit on sale of investment in Ubuntu (d)	–	7
1	–		14	(1)

(a) On 31 March 2006, the company disposed of the entire share capital of Buffalo Creek Mines (Pty) Ltd for R106 million (A$24 million). According to the agreement the A$24 million was to be settled as follows:
- A$4.3 million to be paid in cash
- 1 907 892 Shares in GBS Gold International, valued at A$5 million.
- A$5 million to be paid in cash in September 2006
- Shares in GBS Gold International, to be issued in September 2006, equal to the value of A$4.4 million
- A$5.4 million to be paid in cash in September 2007

The net asset value of Buffalo Creek Mines (Pty) Ltd was R92 million (A$21 million), resulting in a profit of R14 million (A$2.9 million) for the group.

(b) On 1 July 2004, the company disposed of the entire share capital of National Accommodation & Catering Services (Proprietary) Limited (NACS) for R1.3 million. The net asset value of NACS was R0.5 million, resulting in a profit of R0.8 million for the group. The subsidiary was acquired from African Rainbow Mineral and Exploration Investments (Proprietary) Limited (ARMI) as part of the acquisition of ARMgold on 23 September 2003.

(c) On 29 November 2004, the company disposed of the entire share capital of Future Mining (Proprietary) Limited (Future) for R1. The net asset value of Future was R9 million, resulting in a loss of R9 million for the group. The subsidiary was acquired from ARMI as part of the acquisition of ARMgold on 23 September 2003.

(d) On 30 November 2004, the company disposed of the entire share capital of Ubuntu Small Scale Mining (Proprietary) Limited (Ubuntu) for R0.4 million. The net asset value of Ubuntu was a negative R6.6 million, resulting in a profit of R7 million for the group. The subsidiary was acquired from ARMI as part of the acquisition of ARMgold on 23 September 2003.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

COMPANY 2005 RM	COMPANY 2006 RM		GROUP 2006 RM	GROUP 2005 RM
		12 PERMANENT DIMINUTION IN VALUE OF AVAILABLE-FOR-SALE FINANCIAL ASSET		
–	–	Permanent diminution in value of shares in listed companies	–	(337)

The purchase by the ARM Broad-Based Economic Empowerment Trust (the Trust) of 13.68% of the investment in ARM was financed and underwritten by Harmony. As part of the various agreements put in place to arrange the sale of the shares to the Trust, Harmony accepted terms which resulted in the majority of the risk not being transferred to the Trust. The Trust is accounted for on the consolidated Harmony balance sheet, as the Trust is deemed to form part of the Harmony Group. This will be unwound as the shares in the Trust are taken up by the incumbent owners. In the interim, the value of the shares in the Trust have been written down to R29 per share which is the maximum realisable price in terms of the agreement.

COMPANY 2005 RM	COMPANY 2006 RM		GROUP 2006 RM	GROUP 2005 RM
		13 FAIR VALUE OF NON-DERIVATIVE FINANCIAL INSTRUMENT		
–	–	Mark-to-market on embedded derivative	87	17

The sale agreement of the ARM shares gave rise to a non-derivative financial instrument that is classified as "fair value through profit and loss". This is due to Harmony not sharing in the full increase in the share value of the ARM shares above R29 per share, as the fair value movement recognised is equivalent to the interest paid on the Nedbank Loans (refer note 31(h) and (i)).

COMPANY 2005 RM	COMPANY 2006 RM		GROUP 2006 RM	GROUP 2005 RM
		14 INVESTMENT INCOME		
201	254	Interest received on held-to-maturity and other financial assets	207	132
17	11	Dividends received from available-for-sale financial assets	11	17
–	10	Other dividends	6	–
218	275		224	149

COMPANY 2005 RM	COMPANY 2006 RM		GROUP 2006 RM	GROUP 2005 RM
		15 FINANCE COST		
		Cash interest paid		
26	–	Banks and short-term facilities	–	32
136	90	Senior unsecured fixed-rate bonds	90	136
81	84	Convertible unsecured fixed-rate bonds	82	81
11	–	Nedbank Limited	2	11
	24	Rand Merchant Bank	24	–
–	1	Other creditors	3	1
254	199	**Total cash interest paid**	201	261
		Non-cash interest paid		
57	63	Convertible unsecured fixed-rate bonds	63	57
–	–	AngloGold Limited	–	27
–	–	BOE Bank Limited	18	44
–	–	Nedbank Limited	88	17
–	–	Post-retirement benefits	8	20
14	13	Rehabilitation costs	92	79
71	76	**Total non-cash interest paid**	269	244
325	275	**Total interest paid**	470	505

The non-cash interest charges relate to imputed interest charges on the various liabilities, in terms of the applicable accounting rules.

16 TAXATION

The components of taxation in the income statement are the following:

COMPANY 2005 RM	COMPANY 2006 RM		GROUP 2006 RM	GROUP 2005 RM
		South African taxation		
(4)	–	Mining tax	–	(4)
–	–	Non-mining tax	(11)	(3)
82	(26)	Deferred tax	(138)	404
40	(20)	Deferred tax – impairment of assets	(65)	158
		Foreign taxation		
–	–	Current tax	–	(69)
–	–	Deferred tax – normal	76	53
–	–	Deferred tax – impairment of assets	–	191
118	(46)	**Total taxation**	(138)	730

16 TAXATION (CONTINUED)

Mining tax on mining income is determined on a formula basis which takes into account the profit and revenue from mining operations during the year. Non-mining income is taxed at a standard rate. Mining and non-mining income of Australian operations are taxed at a standard tax rate of 30% (2005: 30%). Deferred tax is provided at the estimated expected future mining tax rate for temporary differences. Major items causing the company's income tax provision to differ from the maximum mining statutory tax rate of 45% (2005: 45%) were:

Company 2005 RM	Company 2006 RM		Group 2006 RM	Group 2005 RM
535	(131)	Tax on net income at the maximum statutory mining tax rate	179	1 280
(270)	58	Non-taxable income/additional deductions	(98)	282
163	62	Difference between estimated effective mining tax rate and maximum mining statutory rate on timing differences	38	213
(224)	–	Difference between South African mining formula tax rate and maximum mining statutory rate on mining income	10	(670)
–	–	Difference between non-mining tax rate and maximum mining statutory rate on non-mining income	(76)	(78)
(81)	(35)	Change in estimated effective mining tax rate on deferred tax	(191)	(282)
(5)	–	Change in statutory mining tax rate	–	(10)
–	–	Change in statutory non-mining tax rate	–	(5)
118	(46)	**Income and mining taxation**	(138)	730
9%	13%	**Effective income and mining tax rate**	-36%	19%

Deferred income and mining tax liabilities and assets on the balance sheet as of 30 June 2006 and 30 June 2005, relate to the following:

Company 2005 RM	Company 2006 RM		Group 2006 RM	Group 2005 RM
		Deferred income and mining tax liabilities		
45	137	Amortisation and depreciation	3 587	3 291
3	1	Product inventory not taxed	64	16
18	27	Convertible bonds	28	18
–	1	Other	14	–
–	–	Deferred financial liability	(72)	(76)
(5)	(21)	Unredeemed capital expenditure	(681)	(603)
(9)	(9)	Provisions, including non-current provisions	(172)	(112)
(27)	(66)	Tax losses	(468)	(351)
25	70		2 300	2 183

The group's net deferred tax liability/(asset) per tax entity is made up as follows:

Company 2005 RM	Company 2006 RM		Group 2006 RM	Group 2005 RM
(70)	(110)	Deferred tax assets	(1 975)	(1 811)
95	180	Deferred tax liabilities	4 275	3 994
25	70		2 300	2 183

COMPANY 2005 RM	COMPANY 2006 RM		GROUP 2006 RM	GROUP 2005 RM
		16 TAXATION (CONTINUED)		
		The movement in the net deferred tax liability recognised in the balance sheet is as follows:		
147	25	At the beginning of the year	2 183	2 850
–	–	Acquired through the purchase of subsidiaries and businesses and the finalisation of purchase prices of subsidiaries and businesses	(17)	–
(122)	45	Total charge/(reversal) per income statement	127	(806)
–	–	Foreign currency translation adjustments	7	139
25	70	At the end of the year	2 300	2 183

As at 30 June 2006, the group had unredeemed capital expenditure of R7 797 million (2005: R6 581 million) and tax losses carried forward of R2 507 million (2005: R1 827 million) available for deduction against future mining income. These future deductions are utilisable against mining income generated only from the group's current mining operations and does not expire unless the group ceases to trade for a period longer than one year.

17 LOSS PER SHARE

Basic loss per share

Basic loss per share is calculated by dividing the net income attributable to shareholders by the weighted number of ordinary shares in issue during the year

	GROUP 2006 RM	GROUP 2005 RM
Net loss attributable to shareholders	(525)	(3 214)
Weighted average number of ordinary shares in issue ('000)	393 727	361 817
Basic loss per share (cents)	(133)	(888)

Fully diluted loss per share

For the diluted loss per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potential dilutive ordinary shares as a result of share options granted to employees under the share option schemes and warrants in issue. A calculation is performed to determine the number of shares that could have been acquired at fair value, determined as the average annual market share price of the company's shares, based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	GROUP 2006 RM	GROUP 2005 RM
Weighted average number of ordinary shares in issue ('000)	393 727	361 817
Potential ordinary shares ('000)	–	–
Weighted average number of ordinary shares for fully diluted loss per share ('000)	393 727	361 817
Fully diluted loss per share (cents)	(133)	(888)

COMPANY 2005 RM	COMPANY 2006 RM		GROUP 2006 RM	GROUP 2005 RM
		17 LOSS PER SHARE (CONTINUED)		
		The inclusion of share options issued to employees as at 30 June 2006 and 30 June 2005, as potential ordinary shares, would have an anti-dilutive effect on the diluted loss per share. Additionally the potential ordinary shares to be issued upon the conversion of the convertible unsecured fixed-rate bond (refer to note 31) would have an anti-dilutive effect on diluted earnings per share. Accordingly, such additional shares have not been taken into account in the determination of the diluted loss per share.		
		Headline loss per share		
		The calculation of headline loss per share is based on the basic loss per share calculation adjusted for the following items:		
		Net loss attributable to shareholders	(525)	(3 214)
		Net (reversal of impairment)/impairment of assets	(151)	1 163
		– Gross	(216)	1 513
		– Taxation	65	(350)
		Profit on sale of property, plant and equipment	(65)	(78)
		Net (profit)/loss on sale of listed investments	(306)	555
		Net (profit)/loss on sale of subsidiary	(14)	1
		Permanent diminution in value of available-for-sale financial asset	–	337
		Headline loss	(1 061)	(1 236)
		Basic headline loss per share (cents)	(269)	(342)
		Fully diluted headline loss per share (cents)	(269)	(342)
		18 DIVIDENDS DECLARED		
		No interim dividend was declared during 2006 and 2005	–	-
		No final dividend was declared during 2006 (2005: dividend no. 79 for 2004 of 30 cents)	–	97
		No final dividend was proposed for 2006. The final dividend in respect of the 2004 financial year was approved on 30 July 2004. The 2004 financial statements did not reflect the final dividend proposed. It was accounted for in the 2005 financial year.		

COMPANY 2005 RM	COMPANY 2006 RM		GROUP 2006 RM	GROUP 2005 RM
		19 PROPERTY, PLANT AND EQUIPMENT		
1 296	1 516	Mining properties, mine development costs and mine plant facilities	23 250	22 342
1	1	Other non-mining assets	68	169
1 297	1 517		23 318	22 511
		Mining properties, mine development costs and mine plant facilities		
2 873	3 031	Cost at beginning of year	31 683	30 287
–	–	Acquired through the purchase of subsidiaries	1	4
–	–	Acquired through the purchase of businesses	5	–
159	200	Additions	1 708	1 431
(1)	(1)	Disposals	(47)	(604)
–	–	Disposal of subsidiary	–	(4)
–	–	Foreign currency translation adjustments	489	569
–	–	Adjustment to rehabilitation asset	(55)	–
3 031	3 230		33 784	31 683
1 327	1 735	Accumulated depreciation and amortisation at beginning of year	9 341	7 253
–	–	Acquired through the purchase of subsidiaries	–	2
294	(156)	Impairment of fixed assets	(330)	1 513
–	–	Disposals	(33)	(571)
–	–	Disposal of subsidiary	–	(4)
–	–	Foreign currency translation adjustments	524	140
114	135	Amortisation and depreciation charge for the year	1 032	1 008
1 735	1 714		10 534	9 341
1 296	1 516	**Net book value**	23 250	22 342
		Other non-mining assets		
28	28	Cost at beginning of year	249	226
–	–	Additions	39	27
–	–	Disposals	(1)	(5)
–	–	Foreign currency translation adjustments	18	1
28	28		305	249
27	27	Accumulated depreciation and amortisation at beginning of year	80	60
–	–	Impairment of assets	114	–
–	–	Amortisation and depreciation charge for the year	43	20
27	27		237	80
1	1	**Net book value**	68	169
1 297	1 517	**Total net book value**	23 318	22 511

Other non-mining assets consist of mineral subscription and participation rights, freehold land, computer equipment and motor vehicles.

COMPANY 2005 RM	COMPANY 2006 RM		GROUP 2006 RM	GROUP 2005 RM
		20 INTANGIBLE ASSETS		
		Goodwill		
–	–	Opening net book value (a)	2 267	2 267
–	–	Acquired through the purchase of subsidiaries (b)	3	–
–	–	**Closing net book value**	2 270	2 267
		The net book value as at 30 June 2006, is made up as follows:		
–	–	Cost	2 375	2 372
–	–	Accumulated amortisation	(105)	(105)
–	–	**Net book value**	2 270	2 267

(a) The opening net book value of goodwill relates to the acquisition of ARMgold on 22 September 2003.

(b) The goodwill relates to the acquisition of GP Britz Pharmacy and H Taute Pharmacy, by Healthshare Health Solutions (Pty) Ltd. Healthshare Health Solutions (Pty) Ltd is a joint venture company with Network Healthcare Holdings Limited (Netcare).

COMPANY 2005 RM	COMPANY 2006 RM		GROUP 2006 RM	GROUP 2005 RM
		21 RESTRICTED CASH		
1	1	Bissett proceeds held in trust	1	1
–	–	Australian shareholders funds	8	9
–	–	Security deposits	246	42
1	1		255	52

An amount of C$0.2 million (2005: C$0.2 million) of the proceeds on sale of Bissett is held in trust with Stike and Elliot attorneys in Canada. The amount will be held in trust until clearance is provided by the Canadian tax authority that all outstanding tax obligations by Harmony have been met.

An amount of A$1.4 million (2005: A$2 million) is held to acquire the remaining shares in Australian subsidiaries, as part of the compulsory takeover of shares.

An amount of A$46 million (2005: A$8 million) is held in respects of security deposits on mining tenements.

Restricted cash is measured at fair value.

COMPANY 2005 RM	COMPANY 2006 RM		GROUP 2006 RM	GROUP 2005 RM
		22 INVESTMENTS IN FINANCIAL ASSETS		
		Available-for-sale financial assets		
11	–	Investment in San Gold Resources Corporation (a)	–	11
6	–	Investment in Gold City Industries Limited (b)	–	6
–	–	Investment in GBS Gold International Inc (c)	21	–
–	–	Investment in Alloy Resources (d)	5	–
–	–	Investment in African Rainbow Minerals Limited (e)	941	854
2 027	–	Investment in Gold Fields Limited (f)	–	2 027
–	–	Investment in Atlas Gold Limited (g)	–	1
–	–	Investment in Peninsula Minerals Limited (h)	1	–
2 044	–		968	2 899
		Held-to-maturity		
107	129	Environmental trust funds (i)	1 287	1 171
2 151	129	Total financial assets	2 255	4 070

(a) On 17 March 2004, the company received 5 000 000 ordinary shares in San Gold, issued at C$0.40 per share, as partial consideration for the sale of the company's wholly owned subsidiary, Bissett. San Gold is a mineral resources company, which has a secondary listing on the Toronto Stock Exchange. The market value of the investment was R11 million (C$0.40 per share) on 30 June 2005, resulting in an increase of R1 million since acquisition, which was reflected as equity reserves (refer to note 30(b) for more detail). Effective 30 June 2005, Gold City and San Gold Resources were amalgamated to form a new company named San Gold Corporation. Accordingly the company received 0.5176 San Gold Corporation shares for each Gold City share held and 1 San Gold Operation share for 1 San Gold share, bringing the total shares held in San Gold Corporation to 7 957 498 shares. On 29 December 2005 the company disposed of its investment in San Gold Corporation for R19 million. The investment was carried at a total cost of R20 million, resulting in a loss of R1 million (refer to note 10).

(b) On 17 March 2004, the company received 5 714 285 ordinary shares in Gold City, issued at C$0.35 per share, as partial consideration for the sale of the company's wholly owned subsidiary, Bissett. Gold City was a mineral resources company, which had a secondary listing on the Toronto Stock Exchange. Effective 30 June 2005, Gold City and San Gold Resources were amalgamated to form a new company named San Gold Corporation. Accordingly the company received 2 957 498 San Gold Corporation shares, exchanged at a ration of 1:0.5176.

COMPANY			GROUP	
2005	2006		2006	2005
RM	RM		RM	RM

22 INVESTMENTS IN FINANCIAL ASSETS (CONTINUED)

(c) On 31 March 2006, Vadessa (Pty) Ltd, a subsidiary of Harmony Gold (Australia) (Proprietary) Limited, received 1 907 892 shares in GBS Gold International Inc., issued at C$1.75, as partial consideration for the sale of the company's wholly owned subsidiary, Buffalo Creek Mines (Pty) Ltd. GBS is a mineral resources company, which is listed on the Toronto Stock Exchange. The market value of the investment was R21 million (C$1.75 per share) on 30 June 2006, resulting in a decrease of R4.7 million since acquisition, which was reflected as equity reserves (refer note 30(b)).

(d) On 3 April 2006, Big Bell Gold Operations (Pty) Ltd, a subsidiary of Harmony Gold (Australia) (Proprietary) Limited, received 5 000 000 shares, valued at A$0.20 per share, in Alloy Resources, as partial consideration for the sale of Comet tenements. The market value of the investment was R5 million (A$0.185 per share) on 30 June 2006, resulting in a decrease of R0.4 million since acquisition, which was reflected as equity reserves (refer to note 30(b)).

(e) During FY05, Harmony entered into a number of transactions to dispose of the 19.5% investment held in ARM. These transactions included transactions in the open market to dispose of a 5.82% share in ARM on which a loss of some R213 million was recorded (refer to note 10). In addition Harmony disposed of the remaining portion of the investment in ARM to the Trust. As part of the various agreements put in place to arrange the sale of the shares to the Trust, Harmony has accepted terms which resulted in the majority of the risk not being transferred away from Harmony. This relates mainly to a guarantee whereby the loan of R480 million can be put to Harmony by Nedbank Limited in the event of default on any of the loans obtained by the Trust in acquiring the shares from Harmony. Based on accounting rules governing the accounting for SPEs, it is required that Harmony consolidate the Trust and therefore the total Trust liability and the total investment in ARM is accounted for on the consolidated balance sheet, as the Trust is deemed to form part of the Harmony Group.

The value of the shares in the Trust have been written down to R29 per share which is the maximum realisable price in terms of the agreement (refer to note 12 and 13).

On 6 June 2006, the ARM Broad-Based Economic Empowerment Trust refinanced the shares held by the Trust, which resulted in the cancellation of the "Put Option". The "Put Option" was replaced with a guarantee to the value of R367 million as at 27 May 2006, plus interest accrued at the applicable funding rate. The number of shares available for disposal by the Trust is 8 175 640.

COMPANY			GROUP	
2005 RM	2006 RM		2006 RM	2005 RM

22 INVESTMENTS IN FINANCIAL ASSETS (CONTINUED)

An indemnity from ARM Limited to the value of 50% of Harmony's liability under the guarantee has been received. This guarantee is subject to a maximum amount of R107 million, as at 27 May 2006, plus interest thereon at the applicable funding rate, and further reduces Harmony's obligation. Net obligation to Harmony, after taking the afore-mentioned adjustments into account, will be R260 million plus accrued interest.

(f) On 30 November 2004, the company acquired 56 606 482 ordinary shares in Gold Fields, representing 11.5% of their issued share capital, at a total cost of R4 458 million by the issue of 1.275 Harmony shares for every Gold Fields' share. Gold Fields is a mineral resources company, primarily gold, with a primary listing on the JSE and a secondary listing on the New York Stock Exchange (NYSE). The investment was classified as an available-for-sale investment. On 3 June 2005, the company disposed of 30 million shares in Gold Fields, representing 6.5% of their issued share capital, for R2 041 million. These shares were acquired at a total cost of R2 413 million, resulting in a loss of R372 million (refer to note 10).

The company disposed of its remaining investment held in Gold Fields Limited (Gold Fields) for R2 442 million. The process was concluded through market disposals which commenced on 10 November 2005 and an open market offering on 15 and 16 November 2005. The investment was acquired at a cost of R2 135 million, resulting in a profit of R307 million (refer to note 10).

The investment was carried at fair value and the R376 million mark-to-market movement for 2006 resulted in an increase in value of R268 million since acquisition, which was reflected as equity reserves (refer to note 30(b)).

Dividends to the value of R11 million were received from this investment during the current financial year (2005: R17 million).

(g) During January 2006, the company disposed of the 500 000 ordinary held in Atlas Gold Limited for R1 million (A$0.2 million). The investment was acquired on 13 January 2005, as partial consideration for the sale of tenements, at a cost of A$0.20 per share (A$0.1 million) (refer note 10).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

COMPANY 2005 RM	COMPANY 2006 RM		GROUP 2006 RM	GROUP 2005 RM
		22 INVESTMENTS IN FINANCIAL ASSETS (CONTINUED)		

(h) On 25 January 2005, the company received 5 million ordinary shares in Peninsula Minerals Limited, issued at A$0.02 per share, as partial consideration for the sale of tenements. The market value of the investment was R0.5 million (A$0.02 per share) on 30 June 2006 (2005: R0.3 million (A$0.01 per share)).

(i) The environmental trust funds are irrevocable trusts under the group's control. The contributions to the trusts are invested primarily in interest-bearing short-term and other investments. The cost of these investments approximate their fair value. These investments provide for the estimated cost of rehabilitation during and at the end of the life of the group's mines. Income earned on the investments are accounted for as investment income. These investments are restricted in use and may only be used to fund the group's approved rehabilitation costs.

23 INVESTMENTS IN ASSOCIATES

COMPANY 2005 RM	COMPANY 2006 RM		GROUP 2006 RM	GROUP 2005 RM
–	–	Opening carrying amount	–	124
–	–	Associate becoming a listed investment on dilution (a)	–	(124)
–	1	Shares acquired at cost	2 014	–
–	–	Share of loss after tax	(105)	–
–	1	Closing carrying amount	1 909	–
		The carrying amount consist of the following:		
–	–	ARMgold (a)	–	–
–	–	Western Areas Limited (b)	1 908	–
–	1	Village Main Reef Gold Mining Company (1934) Limited (c)	1	–
–	1		1 909	–

(a) In prior years, the group acquired a 17.25% interest in ARM through its 50% interest in a joint venture with ARMgold, ARMgold/Harmony Joint Investment Company Pty Ltd (Clidet). The joint venture company purchased 27 786 362 shares in ARM from Anglo American Plc for R1 209 million on 8 May 2003 and a further 11 003 399 shares for R478 million on 14 May 2003, giving a combined interest of 34.5% in the issued share capital of ARM. On 22 September 2003, the group acquired the additional 17.25%, owned by Clidet, through its acquisition of ARMgold. ARM is listed on the JSE and has interests in operating gold, manganese, iron, chrome, platinum, and nickel mines in South Africa, as well as cobalt and copper mines in Zambia. Clidet's investment in ARM was diluted to 19% in May 2004, by the issue of new shares by ARM, following a range of transactions between Harmony, ARM and ARMI, resulting in a loss on dilution of R163 million. A voting pool agreement between Harmony and ARMI in respect of their shareholding in ARM, was reached.

COMPANY			GROUP	
2005 RM	2006 RM		2006 RM	2005 RM

23 INVESTMENTS IN ASSOCIATES (CONTINUED)

The result was that the investment in ARM was reclassified in 2005 to an available-for-sale financial asset (refer to note 22(e)).

(b) On 9 March 2006, the group acquired a 29.2% interest in the issued share capital of Western Areas Limited through its subsidiary ARMgold/Harmony Joint Investment Company Pty Ltd. The company purchased 44 985 939 shares in Western Areas Limited on 9 March 2006 at R44.23 per share at a total cost of R2 012 million. Western Areas is listed on the JSE Limited and has interests in operating gold mines in South Africa.

On 30 June 2006, the fair value of the investment was calculated at R1 872 million (R41.70 per share). The fair value was evaluated by management and no permanent indication of impairment was identified, therefore no diminution was recognised.

Western Areas Limited has a 31 December year-end and the latest available audited financials are for the year ended 31 December 2005.

The unaudited results of Western Areas for the period since acquisition of the investment on 9 March 2006 to 30 June 2006 are as follows:

	100% RM	29.2% RM
Revenue	50	15
Cash operating costs	(165)	(48)
Cash operating loss	(115)	(33)
Operating loss	(155)	(45)
Net loss	(358)	(105)

At 30 June 2006, the unaudited balance sheet of Western Areas Limited was as follows:

	100% RM	29.2% RM
Non-current assets	6 043	1 765
Current assets	250	73
Total assets	6 293	1 838
Equity and liabilities	887	259
Non-current liabilities	4 642	1 356
Current liabilities	764	223
Total equity and liabilities	6 293	1 838

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

COMPANY 2005 RM	COMPANY 2006 RM		GROUP 2006 RM	GROUP 2005 RM
		23 INVESTMENTS IN ASSOCIATES (CONTINUED)		
		(c) On 21 June 2006, Harmony acquired 37.8% of the issued share capital of Village Main Reef Gold Mining Company (1934) Limited at a total cost of R0.5 million. The equity stake was purchased from African Rainbow Minerals Limited at a price of 20 cents per share. Village is listed on the JSE Limited in the gold sector and has been dormant for some time without any operating mines. The acquisition forms part of Harmony's strategic positioning.		
		Village Main Reef Gold Mining Company (1934) Limited has a 30 June year-end and the latest available audited financials are for the year ended 30 June 2005.		
		Non-current assets		1
		Current assets		4
		Total assets		5
		Equity		2
		Non-current liabilities		3
		Total liabilities		5
		24 INVESTMENTS IN SUBSIDIARIES		
20 394	20 400	Shares at cost (refer Annexure A)		
3 774	7 377	Loans to subsidiaries (refer Annexure A)		
24 168	27 777	**Total investments in subsidiaries**		

25 INVESTMENT IN JOINT VENTURES

The group has joint venture agreements with the following companies:

Orpheo by Harmony (Pty) Ltd (50%)

Healthshare Health Solutions (Pty) Ltd (45%)

The group's effective share of income, expenses, assets and liabilities, which is included in the 2006 consolidated statements, is as follows:

Orpheo by Harmony (Pty) Ltd (50%)

Income statement

Net income to the value of R0.006 million is included in the group's results.

COMPANY 2005 RM	COMPANY 2006 RM		GROUP 2006 RM	GROUP 2005 RM
		25 INVESTMENT IN JOINT VENTURES (CONTINUED)		
		Balance sheet		
		Non-current assets		
		Property, plant and equipment	1	–
		Current assets		
		Inventories	1	–
		Total assets	2	–
		Non-current liabilities		
		Borrowings	1	–
		Current liabilities		
		Trade and other payables	1	–
		Total equity and liabilities	2	–
		Healthshare Health Solutions (Pty) Ltd		
		Income statement		
		Interest received	1	–
		Other income/expenses	19	6
		Profit before tax	20	6
		Taxation	(7)	–
		Dividend declared	(10)	–
		Net profit	3	6
		Balance sheet		
		Non-current assets		
		Goodwill	3	–
		Current assets		
		Inventories	2	–
		Trade and other receivables	3	5
		Cash and cash equivalents	12	2
		Total assets	20	7
		Equity	9	6
		Current liabilities		
		Trade and other payables	7	1
		Income tax	4	–
		Total equity and liabilities	20	7
		During the financial year the group received income of R6 million from this investment.		

COMPANY 2005 RM	COMPANY 2006 RM		GROUP 2006 RM	GROUP 2005 RM
		26 INVENTORIES		
81	94	Gold in-process and bullion on hand	458	342
175	153	Stores and materials at average cost	208	241
256	247		666	583
		Gold in-process in the following operations are valued at net realisable value:		
		Free State	–	81
		Randfontein	–	109
		Elandskraal	18	7
		Freegold	–	11
			18	208
		27 TRADE AND OTHER RECEIVABLES		
		Current		
89	84	Trade receivables (gold sales)	292	288
16	8	Other mining related receivables	102	65
(2)	(2)	Provision for impairment	(13)	(14)
103	90		381	339
(12)	(14)	Value added tax	108	100
48	57	Interest and other receivables	85	124
22	26	Employee receivables	40	36
6	19	Insurance claims and prepayments	60	33
–	–	Deferred consideration for sale of Buffalo Creek (a)	47	–
167	178		721	632
		Non-current		
–	–	Deferred consideration for sale of Buffalo Creek (a)	29	–
53	55	Loans and other (b)	78	84
26	11	Loan to Harmony Share Trust (c)	–	–
79	66		107	84

(a) On 31 March 2006, the company disposed of the entire share capital of Buffalo Creek Mines (Pty) Ltd for R106 million (A$24 million). According to the agreement the last instalment was to be settled in cash, payable September 2007 (refer note 11(a)).

(b) Loans and other comprise various industry related investments and loans, which have been valued by the directors. The directors of the company perform independent valuations of the investments on an annual basis to ensure that no permanent impairment in the value of the investments has occurred. These loans are unsecured and interest free, with no fixed terms of repayment over the short term. During the financial year, the group did not receive any income from these investments (2005: R0 million).

(c) A loan of R11 million (2005: R26 million) was made to the Harmony Share Trust to acquire 387 571 shares (2005: 589 050 shares) for employees participating in the Harmony Share Option Scheme. Refer to note 38 for detail on the share option scheme.

COMPANY 2005 RM	COMPANY 2006 RM		GROUP 2006 RM	GROUP 2005 RM
		28 CASH AND CASH EQUIVALENTS		
1 301	**157**	Cash at bank and deposits on call	**651**	1 778
		All deposits are on twenty-four hour call.		
		29 SHARE CAPITAL		
		Share capital		
		Authorised		
		1 200 000 000 (2005: 1 200 000 000) ordinary shares of 50 cents each		
		10 958 904 (2005: 10 958 904) redeemable convertible preference shares of 50 cents each		
		Issued		
		396 934 450 (2005: 393 341 194) ordinary shares of 50 cents each		
		On 30 June 2006, 143 919 shares were still to be issued by the company. These shares relate to share options that were exercised on 30 June 2006.		
		Shares		
160	**197**	Balance of ordinary shares of 50 cents each at 1 July 2005	**197**	160
–	**2**	Issued in terms of the share option scheme	**2**	–
37	**–**	Acquisition of 11.5% interest in Gold Fields	**–**	37
197	**199**	Balance as at 30 June 2006	**199**	197
		Share premium		
20 779	**25 141**	Balance as at 1 July 2005	**25 092**	20 729
4 422	**–**	Issue of shares: Acquisition of 11.5% interest in Gold Fields	**–**	4 422
20	**181**	Exercise of employee share options	**181**	20
(80)	**–**	Share issue expenses	**–**	(80)
–	**–**	Treasury shares	**17**	1
25 141	**25 322**	Balance as at 30 June 2006	**25 290**	25 092
25 338	**25 521**	Total share capital	**25 489**	25 289

The unissued shares are under the control of the directors until the forthcoming annual general meeting. The Directors' report and note 38 set out details in respect of the share option scheme.

The company has a general authority to purchase its shares up to a maximum of 20% of the issued share capital in any one financial year. This is in terms of the annual general meeting of shareholders on 12 November 2004. The general authority is subject to the Listings Requirements of the JSE Limited and the Companies Act no 61 of 1973 of South Africa, as amended.

COMPANY 2005 RM	COMPANY 2006 RM		GROUP 2006 RM	GROUP 2005 RM
		30 OTHER RESERVES		
–	–	Foreign exchange translation reserve (a)	(316)	(425)
(111)	–	Mark-to-market of listed investments (b)	(7)	(112)
–	–	Mark-to-market of environmental trust funds (c)	–	2
277	277	Equity component of convertible bond (d)	277	277
–	–	Acquisition of minority interest in subsidiary (e)	(381)	(381)
47	95	Share based compensation (f)	187	84
–	–	Other	(31)	(31)
213	372		(271)	(586)

(a) The balance of the foreign exchange translation reserve represents the cumulative translation effect of the company's off-shore operations.

(b) On 30 November 2004, the company acquired 56 606 482 ordinary shares in Gold Fields, at a total cost of R4 458 million by the issue of 1.275 Harmony shares for every Gold Fields' share. Gold Fields is a mineral resources company, primarily gold, which has its primary listing on the JSE Limited and a secondary listing on the NYSE. On 3 June 2005, the company disposed of 30 million shares in Gold Fields, resulting in a loss of R372 million. The market value of the remaining investment as at 30 June 2005 was R2 027 million, resulting in a decrease of R108 million since acquisition.

The company disposed of its remaining investment held in Gold Fields Limited (Gold Fields) for R2 442 million. The process was concluded through market disposals which commenced on 10 November 2005 and an open market offering on 15 and 16 November 2005. The investment was acquired at a cost of R2 135 million, resulting in a profit of R307 million.

The market value of the investment increased by R376 million during the period, resulting in a net increase of R268 million since acquisition, which was realised in the income statement as profit on disposal of the investment (refer to note 22(f)).

On 17 March 2004, the company received 5 000 000 ordinary shares in San Gold, valued at R10 million, as partial consideration for the sale of the company's wholly owned subsidiary, Bissett. San Gold is a mineral resources company, which has a secondary listing on the Toronto Stock Exchange. Effective 30 June 2005, Gold City and San Gold Resources were amalgamated to form a new company named San Gold Corporation. Accordingly the company received 0.5176 San Gold Corporation shares for each Gold City share held and 1 San Gold Operation share for 1 San Gold share, bringing the total shares held in San Gold Corporation to 7 957 498 shares. On 29 December 2005 the company disposed of its investment in San Gold Corporation for R19 million. The investment was carried at a total cost of R20 million, resulting in a loss of R1 million. The market value of the investment as at 29 December 2005 was R20 million, resulting in a decrease of R6 million since acquisition, which realised in the income statement to the profit on disposal of the investment (refer to note 22(a)).

COMPANY			GROUP	
2005 RM	2006 RM		2006 RM	2005 RM

30 OTHER RESERVES (CONTINUED)

On 17 March 2004, the company received 5 714 285 ordinary shares in Gold City, valued at R10 million, as partial consideration for the sale of the company's wholly owned subsidiary, Bissett. Gold City is a mineral resources company, which has a secondary listing on the Toronto Stock Exchange. Effective 30 June 2005, Gold City and San Gold Resources were amalgamated to form a new company named San Gold Corporation. Accordingly the company received 2 957 498 San Gold Corporation shares, exchanged at a ration of 1:0.5176. The market value of the investment as at 30 June 2005 was R6 million, resulting in a decrease of R4 million since acquisition, which realised in the income statement to the profit on disposal of the investment (refer to note 22(b)).

On 31 March 2006 the group received 1 907 892 shares in GBS Gold International Inc., issued at C$1.75, as partial consideration for the sale of the company's wholly owned subsidiary, Buffalo Creek Mines (Pty) Ltd. GBS is a mineral resources company, which are listed on the Toronto Stock Exchange. The market value of the investment was R21 million (C$1.75 per share) on 30 June 2006, resulting in a decrease of R4.7 million since acquisition, which was reflected as equity reserves (refer note 22(c)).

On 3 April 2006 Big Bell Gold Operations (Pty) Ltd, a subsidiary of Harmony Gold (Australia) (Proprietary) Limited, received 5 000 000 shares, valued at A$0.20 per share, in Alloy Resources, as partial consideration for the sale of Comet tenements. The market value of the investment was R5 million (A$0.185 per share) on 30 June 2006, resulting in a decrease of R0.4 million since acquisition, which was reflected as equity reserves (refer to note 22(d)).

Harmony's 34.5% investment in 38 789 761 issued ordinary shares of ARM was diluted to 19% on 3 May 2004, by the issue of new shares by ARM, following a range of transactions between Harmony, ARM and ARMI. The result was that the investment in ARM was reclassified from an investment in an associate to an available-for-sale investment. Through the same range of transactions, Harmony disposed of its platinum interest in the Kalplats platinum project to ARM for the issue of 2 000 000 new ordinary shares in ARM, giving a total value to the investment in ARM of R1 727 million. ARM is listed on the JSE Limited and has interests in operating gold, manganese, iron, chrome, platinum, and nickel mines in South Africa. The market value of the investment as at 30 June 2004 was R1 452 million, resulting in a decrease in carrying value of R275 million. Starting on 3 February 2005 the company disposed of its entire investment in ARM through a range of transactions and the mark-to-market reserve was realised in the income statement to the profit on disposal of the investment and the permanent diminution in value of investment (refer to notes 12 and 13).

30 OTHER RESERVES (CONTINUED)

(c) The balance of the mark-to-market of environmental trust funds reserve relates to the mark to market of government gilts and bonds in the portfolio of investments of the environmental trust funds.

(d) On 21 May 2004, the company issued 4.875% convertible bonds at a nominal value of R1 700 million. The bonds are convertible at the option of the bondholders at any time on or after 1 July 2004 and up to and including 15 May 2009, unless previously redeemed, converted or purchased and cancelled, into fully paid ordinary shares, at a nominal value R0.50 per share. The fair values of the liability component and the equity conversion component were determined on the issue of the bond. The fair value of the liability component, included in long term borrowings, was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion component, is included in fair value and other reserves, net of deferred income taxes. The equity conversion component is determined on the issue of the bonds and is not changed in subsequent periods (refer to note 31(b)).

(e) On 15 March 2004, Harmony announced that it had made an off-market cash offer to acquire all the ordinary shares, listed and unlisted options of Abelle, held by minorities. The excess of the purchase price of R579 million (A$123 million) over the carrying amount of minorities acquired, amounting to R381 million, has been accounted for under other reserves.

(f) The company issues equity-settled instruments to certain qualifying employees under an Employee Share Option Scheme to purchase shares in the company's authorised but unissued ordinary shares. Equity share-based payments are measured at the fair value of the equity instruments at the date of the grant. Deferred share-based compensation is expensed over the vesting period, based on the company's estimate of the shares that are expected to eventually vest. During 2006 a deferred share-based compensation expense of R103 million (2005: R67 million) was charged to the income statement (refer to note 38).

The different categories of other reserves are made up as follows:

Company 2005 RM	Company 2006 RM		Group 2006 RM	Group 2005 RM
		Foreign exchange translation reserve		
–	–	At the beginning of the year	**(425)**	(774)
–	–	Current year's foreign exchange movement	**109**	349
–	–	At the end of the year	**(316)**	(425)

COMPANY 2005 RM	COMPANY 2006 RM		GROUP 2006 RM	GROUP 2005 RM
		30 OTHER RESERVES (CONTINUED)		
		Mark-to-market of listed investments		
(21)	**(111)**	At the beginning of the year	**(112)**	(285)
7	**–**	Unrealised mark-to-market of San Gold investment	**(6)**	7
–	**–**	Realised mark-to-market of San Gold investment	**6**	–
–	**3**	Realised mark-to-market of Gold City investment	**3**	–
–	**–**	Unrealised mark-to-market of GBS Gold investment	**(5)**	–
–	**–**	Unrealised mark-to-market of Alloy Resources investment	**(1)**	–
(5)	**–**	Unrealised mark-to-market of ARM investment	**–**	(108)
17	**–**	Realisation of mark-to-market on disposal of ARM investment	**–**	383
(313)	**376**	Unrealised mark-to-market of Gold Fields investment	**376**	(313)
204	**(268)**	Realisation of mark-to-market on disposal of Gold Fields investment	**(268)**	204
(111)	**–**	At the end of the year	**(7)**	(112)
		Mark-to-market of environmental trust funds		
–	**–**	At the beginning of the year	**2**	8
–	**–**	Mark-to-market of available-for-sale investments	**(2)**	(6)
–	**–**	At the end of the year	**–**	2
		Equity component of convertible bond		
277	**277**	At the beginning/end of the year	**277**	277
		Acquisition of minority interest in subsidiary		
–	**–**	At the beginning/end of the year	**(381)**	(381)
		Deferred share based compensation		
11	**47**	At the beginning of the year	**84**	17
36	**48**	Share based compensation expensed	**103**	67
47	**95**	At the end of the year	**187**	84
		Other reserves		
–	**–**	At the beginning/end of the year	**(31)**	(31)
		31 BORROWINGS		
		Unsecured long-term borrowings		
1 200	**–**	Senior unsecured fixed rate bonds (a)	**–**	1 200
(24)	**–**	Fair value adjustment	**–**	(24)
(5)	**–**	Less: amortised discount and bond issue costs	**–**	(5)
1 171	**–**		**–**	1 171
(1 171)	**–**	Less: short-term portion	**–**	(1 171)
–	**–**		**–**	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

COMPANY 2005 RM	COMPANY 2006 RM		GROUP 2006 RM	GROUP 2005 RM
		31 BORROWINGS (CONTINUED)		
1 700	1 700	Convertible unsecured fixed rate bonds (b)	1 700	1 700
(277)	(277)	Equity conversion component, net of deferred tax liability	(277)	(277)
(60)	(60)	Deferred tax liability	(60)	(60)
1 363	1 363	Liability component on initial recognition	1 363	1 363
64	127	Interest expense	127	64
(35)	(27)	Less: amortised bond issue costs	(27)	(35)
1 392	1 463		1 463	1 392
–	–	Africa Vanguard Resources (Proprietary) Limited (c)	32	32
–	1 000	Rand Merchant Bank (d)	1 000	–
–	(1 000)	Less: short term portion	(1 000)	–
–	–		–	–
1 392	1 463	**Total unsecured long-term borrowings**	1 495	1 424
		Secured long-term borrowings		
–	–	Gold Fields Limited (e)	5	5
–	–	Less: short-term portion	(5)	(2)
–	–		–	3
–	–	Nedbank Limited (f)	154	140
–	–	BOE Bank Limited (g)	–	159
–	–	Less: short-term portion	–	(159)
–	–		–	–
–	–	Nedbank Limited (h)	402	364
–	–	Nedbank Limited (i)	540	490
–	–	Auriel Alloys (j)	1	2
–	–	Less: short-term portion	(1)	(1)
–	–		–	1
–	–	**Total secured long-term borrowings**	1 096	998
1 392	1 463	**Total long-term borrowings**	2 591	2 422

(a) On 16 June 2001, Harmony launched and priced an issue of senior unsecured fixed-rate bonds in an aggregate principal amount of R1 200 million, with semi-annual interest payable at a rate of 13% per annum. These bonds were repayable on 14 June 2006, subject to early redemption at Harmony's option. The bonds were listed on the Bond Exchange of South Africa and were issued to settle existing debt and fund the purchase of Elandskraal and New Hampton. Included in the amortisation charge as per the income statement is R5 million (2005: R5 million) for amortisation of the bond issue costs. On 6 July 2005, a total of R281.7 million of the bond's notional value was repurchased at a cost of R294.6 million. The remaining balance of the bond was settled on 14 June 2006 at a total cost of R918 million.

COMPANY			GROUP	
2005 RM	2006 RM		2006 RM	2005 RM

31 BORROWINGS (CONTINUED)

(b) On 21 May 2004, Harmony issued an international unsecured fixed-rate convertible bond in an aggregate principal amount of R1 700 million. Interest at a rate of 4.875% per annum is payable semi-annually in arrears on 21 May and 21 November of each year, commencing 21 November 2004. The bonds mature five years from the issue date at their nominal value of R1 700 million unless converted into the company's ordinary shares. The bonds are convertible at the option of the bondholders at any time on or after 1 July 2004 and up to and including 15 May 2009, unless previously redeemed, converted or purchased and cancelled, into fully paid ordinary shares, at a nominal value of R0.50 per share. The number of ordinary shares to be issued at such a conversion shall be determined by dividing the principal amount of each bond by the conversion price in effect on the relevant conversion date. The fair values of the liability component and the equity conversion component were determined on the issue of the bond. The fair value of the liability component, included in long term borrowings, was calculated using a market interest rate for an equivalent non-convertible bond (10%). The residual amount, representing the value of the equity conversion component, is included in shareholders' equity in fair value and other reserves net of deferred income taxes. In subsequent periods, the liability component continues to be presented on the amortised cost basis, until extinguished on conversion or maturity of the bonds. The equity conversion component is determined on the issue of the bonds and is not changed in subsequent periods. The bonds are listed on the London Stock Exchange for Bonds. The terms and conditions of the bonds prohibit Harmony and its material subsidiaries from creating any encumbrance or security interest over any of its assets to secure any relevant debt (or any guarantee or indemnity in respect of any relevant debt) without according the same security to the bondholders or without obtaining the prior approval of the bondholders. Included in the amortisation charge as per the income statement is R9 million (2005: R9 million) for amortisation of the bond issue costs.

(c) The loan from Africa Vanguard Resources (Proprietary) Limited (AVR) remained unchanged from the previous year. In 2005, AVR borrowed an additional R18 million to service working capital commitments. This increased the initial loan of R14 million to R32 million. The loan is unsecured and interest free, with no fixed terms of repayment over the short term.

(d) On 9 March 2006, Harmony Gold Mining Company entered into a term loan facility of R1 000 million with Rand Merchant Bank, for the purpose of partially funding the acquisition of the 29.2% stake in Western Areas Limited. Interest is compounded at a rate equal to three-month JIBAR plus 1.5%. The loan amount is payable on 13 March 2007 and interest, which is compounded monthly, is payable quarterly from 13 June 2006.

COMPANY			GROUP	
2005 RM	2006 RM		2006 RM	2005 RM

31 BORROWINGS (CONTINUED)

(e) On 1 July 2002, Freegold entered into an agreement with St Helena Gold Mines Limited, a fully owned subsidiary of Gold Fields Limited, to purchase its St Helena assets for R129 million. R120 million was payable on 29 October 2002, being the effective date after the fulfillment of all the conditions precedent. The balance of R9 million is payable by way of a 1% royalty on turnover, monthly in arrears, for a period of 48 months, commencing on the 10th of the month following the effective date.

(f) On 30 July 2003, Africa Vanguard Resources (Doornkop) (Proprietary) Limited (AVR) entered into a term loan facility of R116 million with Nedbank Limited for the purpose of partially funding AVR's purchase of an undivided 26% share of the Mining titles, to be contributed to the Doornkop joint venture with Randfontein. Interest at a fixed rate equal to JIBAR plus the applicable margin plus stamp duties and holding costs shall be repayable to the extent that the borrower received profit participation interest for the interest periods. Unpaid interest shall be capitalised and repaid with the loan amount. The loan amount and any interest accrued is repayable on 30 July 2008. Interest capitalised during the year ended 30 June 2006 amounted to R14 million (2005: R12 million).

(g) On 5 April 2002, ARMgold entered into a term loan facility of R500 million with BOE Bank Limited for the purpose of partially funding ARMgold's acquisition of shares in Freegold and loans made by ARMgold to Freegold in connection with the acquisition of mining assets from AngloGold Limited. The facility is collateralised by a pledge of the following:

(i) ARMgold's shares in Freegold;
(ii) The proceeds to ARMgold from the exercise of call options of Harmony as set out in the Freegold Joint Venture Agreement;
(iii) The proceeds to ARMgold of put options purchased by ARMgold to create downside protection on the gold price,
(iv) All amounts owing to ARMgold by Freegold; and
(v) Monies held to the account of the Distribution Account, being the account to which all distributions by Freegold to ARMgold in the form of the distribution on shares or repayments of interest or capital in respect of unsecured shareholder loans, must be credited. There were no balances on this account at 30 June 2005.

The loan was repayable over a four-year period in bi-annual instalments of R89 580 194, the first of which was on 31 December 2002. The final instalment was settled on 30 June 2006. Interest was compounded monthly at a fixed rate of 15.49%.

COMPANY 2005 RM	COMPANY 2006 RM		GROUP 2006 RM	GROUP 2005 RM

31 BORROWINGS (CONTINUED)

(h) On 15 April 2005, the Trust entered into a term loan facility of R356 million with Nedbank Limited for the purpose of funding the Trust's partial acquisition of the shares, the company held in ARM (refer note 22(e)). The loan bears interest, compounded monthly, at a fixed rate of 10.02%. Interest capitalised during the year ended 30 June 2006 amounted to R38 million (2005: R8 million). The loan is repayable on the 5th anniversary of the advance date (refer note 12 and 13).

(i) On 15 April 2005, the Trust entered into a second term loan facility of R474 million with Nedbank Limited for the purpose of funding the balance of the Trust's acquisition of the shares, the company held in ARM (refer note 22(e)). The loan bears interest, compounded monthly, at a fixed rate of 9.52%. Interest capitalised during the year ended 30 June 2006 amounted to R49 million (2005: R9 million interest and R7 million other charges). The loan is repayable on the 5th anniversary of the advance date (refer note 12 and 13).

(j) During December 2003, Musuku Beneficiation Systems (Proprietary) Limited, a wholly owned subsidiary of the company, entered into a long-term loan facility of R2 million with Auriel Alloys for the purpose of financing the acquisition of Dental Alloy equipment. The loan bears interest at 11% and is payable by way of 60 instalments of R50 000 each.

The exposure of the group's borrowings to interest-rate changes and the contractual repricing dates are as follows:

COMPANY 2005 RM	COMPANY 2006 RM		GROUP 2006 RM	GROUP 2005 RM
–	–	Variable	154	140
1 171	1 000	Current	1 006	1 333
–	–	Between 1 to 2 years	–	5
1 392	1 463	Between 2 to 5 years	2 405	2 245
–	–	Over 5 years	32	32
2 563	2 463	Total borrowings	3 597	3 755
%	%		%	%
0.0	0.0	Variable	4.2	3.7
45.7	40.6	Current	28.0	35.5
0.0	0.0	Between 1 to 2 years	0.0	0.1
54.3	59.4	Between 2 to 5 years	66.9	59.8
0.0	0.0	Over 5 years	0.9	0.9
100.0	100.0	Total borrowings	100.0	100.0

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

COMPANY 2005 RM	COMPANY 2006 RM		GROUP 2006 RM	GROUP 2005 RM
		31 BORROWINGS (CONTINUED)		
		The maturity of borrowings is as follows:		
1 171	1 000	Current	1 006	1 333
–	–	Between 1 to 2 years	–	5
1 392	1 463	Between 2 to 5 years	2 559	2 385
–	–	Over 5 years	32	32
2 563	2 463	Total borrowings	3 597	3 755
		The effective interest rates at the balance sheet date were as follows:	%	%
		*Senior unsecured fixed rate bonds (a)	–	13.0
		Convertible unsecured fixed rate bonds (b)	10.0	10.0
		Africa Vanguard Resources (Proprietary) Limited (c)	0.0	0.0
		Rand Merchant Bank (d)	9.0	0.0
		Gold Fields Limited (e)	0.0	0.0
		Nedbank Limited (f)	13.0	9.5
		*BOE Bank Limited (g)	15.5	15.5
		Nedbank Limited (h)	10.0	10.02
		Nedbank Limited (i)	9.5	9.5
		Auriel Alloys (j)	11.0	11.0

* Loan repaid in full

Other borrowings

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 general meeting, exceed R40 million or 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 minority interests in subsidiary companies and provisions for deferred taxation) and any share premium accounts of the group. At year end, total borrowings amounted to R3 597 million (2005: R3 755 million).

COMPANY 2005 RM	COMPANY 2006 RM		GROUP 2006 RM	GROUP 2005 RM
		32 DERIVATIVE FINANCIAL INSTRUMENTS		
24	–	Derivative financial liabilities	631	386

During the financial year ended 30 June 2006, Harmony closed out 30 000oz call options sold and 108 000oz forward contracts at a cost of R213 million (US$34 million). Currency contracts acquired with the acquisition of Avgold matured on 31 December 2005 and was closed out at a total cost of R131 million. During the previous financial year, Harmony closed out the remaining gold lease rate swaps which were inherited through the acquisition of New Hampton Gold and Hill 50. These close outs are in accordance with Harmony's strategy of being unhedged.

All forward-pricing commitments and forward exchange contracts are classified as speculative and the mark-to-market movements are reflected in the income statement.

Refer to note 39 for more detail on the outstanding financial instruments.

COMPANY 2005 RM	COMPANY 2006 RM		GROUP 2006 RM	GROUP 2005 RM
		33 PROVISION FOR ENVIRONMENTAL REHABILITATION		
		Provision raised for future rehabilitation		
123	118	Opening balance	837	776
–	–	Change in estimate – Balance sheet	(57)	–
(19)	(16)	Change in estimate – Income statement	(19)	(29)
5	6	Inflation present value adjustment	44	32
9	7	Time value of money component	48	47
–	–	Foreign currency translation adjustments	7	11
118	115	Closing balance	860	837

While the ultimate amount of rehabilitation costs to be incurred in the future is uncertain, the group has estimated that based on current environmental and regulatory requirements, the total cost for the mines, in current monetary terms, is approximately R1 696 million (2005: R1 390 million).

Included in the charge to the income statement is an amount of R48 million (2005: R47 million) relating to the time value of money.

The movements in the investments in the group Environmental Trust Funds, were as follows:

COMPANY 2005 RM	COMPANY 2006 RM		GROUP 2006 RM	GROUP 2005 RM
99	107	Opening balance	1 171	1 080
8	7	Interest accrued	87	87
–	14	Contributions made	32	3
–	–	Mark-to-market of available-for-sale investments	(2)	2
–	–	Reimbursement of costs incurred	(1)	(1)
107	128	Closing balance	1 287	1 171
		Future net obligations		
252	291	Ultimate estimated rehabilitation cost	1 696	1 390
(107)	(128)	Amounts invested in Environmental Trust Funds	(1 287)	(1 171)
145	163		409	219

The group intends to finance the ultimate rehabilitation costs from the money invested with the environmental trust funds, ongoing contributions, as well as the proceeds on sale of assets and gold from plant clean-up at the time of mine closure.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

COMPANY 2005 RM	COMPANY 2006 RM		GROUP 2006 RM	GROUP 2005 RM
		34 PROVISION FOR OTHER LIABILITIES AND CHARGES		
		Social plan		
12	14	Opening balance	14	12
2	2	Charge to income statement	2	2
14	16	Closing balance	16	14

The company has undertaken to donate R50 million over a period of 10 years to The Harmony Gold Mining Company Social Plan Trust in terms of an agreement signed on 3 November 2003. An initial donation of R18.5 million was made during the 2004 year. The balance will be donated in instalment of R3.5 million per annum with the final instalment in 2013. The purpose of the trust is to fund the social plan to reduce the negative effects of restructuring on the company's workforce, to put measures in place to ensure that the technical and life skills of the company's workforce are developed and to develop the company's workforce in such a manner to avoid or minimise the effect of job losses and a decline in employment through turnaround or redeployment strategies.

The movements in the investment of The Harmony Gold Mining Company Social Plan Trust for the period were as follows:

COMPANY 2005 RM	COMPANY 2006 RM		GROUP 2006 RM	GROUP 2005 RM
20	26	Opening balance	26	20
4	4	Contributions made	4	4
2	2	Interest accrued	2	2
26	32	Closing balance	32	26

35 RETIREMENT BENEFIT OBLIGATIONS

(a) Pension and provident funds: The group contributes to several pension and provident funds governed by the Pension Funds Act, 1946 for the employees of its South African subsidiaries. The pension funds are multi-employer industry plans. The group's liability is limited to its annually determined contributions.

The provident funds are funded on the "money accumulative basis" with the member's and employer's contributions having been fixed in the constitution of the funds.

The Australian group companies make contributions to each employee's Superannuation (pension) funds in accordance with the Superannuation Guarantee Scheme (SGS). The SGS is a Federal Government initiative enforced by law which compels employers to make regular payments to regulated funds providing for each employee on their retirement. The Superannuation Guarantee Contributions were set at a minimum of 9% of gross salary and wages for the 2006 year (2005: 9%).

Substantially all the group's employees are covered by the above mentioned retirement benefit plans. Funds contributed by the group for the 2006 financial year amounted to R317 million (2005: R346 million).

COMPANY 2005 RM	COMPANY 2006 RM		GROUP 2006 RM	GROUP 2005 RM
		35 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)		
		(b) Post-retirement benefits other than pensions: Most of the supervisory and managerial workers in South Africa participate in the Minemed medical scheme, as well as other medical schemes. The group contributes to these schemes on behalf of current employees and retired employees who retired prior to 31 December 1996 (Minemed scheme). The annual contributions for these retired employees are fixed. The group's contributions to these schemes on behalf of current employees amounted to R88 million for 2006 and R62 million for 2005.		
		With the exception of some Freegold employees included from date of acquisition, no post-retirement benefits are available to other current employees. No liability exists for employees who were members of these schemes who retired after the date noted above. The medical schemes pay certain medical expenses for both current and retired employees and their dependents. Current and retired employees pay an annual fixed contribution to these schemes.		
		Assumptions used to determine the liability relating to the Minemed medical scheme included, a discount rate of 9%, no increases in employer subsidies (in terms of the agreement) and mortality rates according to the SA "a mf" tables and a medical inflation rate of 6.34%.		
		The liability is based on an actuarial valuation conducted during the year ended 30 June 2006, using the projected unit credit method. The next actuarial valuation will be performed on 30 June 2007.		
4	**4**	Present value of unfunded obligations	**107**	89
		Movement in the liability recognised in the balance sheet		
5	**4**	Opening balance as previously stated	**89**	10
–	**–**	Additional provision for the current employees	**–**	39
		Contributions paid		
(1)	**(1)**	– Current financial year	**(2)**	(2)
–	**–**	– Prior financial years	**–**	(2)
		Other expenses included in staff costs		
		Current service cost		
–	**1**	– Current financial year	**3**	3
–	**–**	– Prior financial years	**–**	4
		Interest cost		
–	**–**	– Current financial year	**8**	7
–	**–**	– Prior financial years	**–**	13
		Net actuarial gains recognised during the year		
–	**–**	– Current financial year	**9**	20
–	**–**	– Prior financial years	**–**	(3)
4	**4**	Balance at the end of the year	**107**	89
		The principal actuarial assumptions used for accounting purposes were:		
9%	**9%**	Discount rate	**9%**	9%
6.34%	**6.34%**	Healthcare inflation rate	**6.34%**	6.34%
60 years	**60 years**	Normal retirement age	**60 years**	60 years

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

Company 2005 RM	Company 2006 RM		Group 2006 RM	Group 2005 RM
		36 TRADE AND OTHER PAYABLES		
311	416	Trade payables	523	331
–	–	Short term borrowings	8	18
324	274	Payroll accruals	281	434
51	61	Leave liabilities	221	204
78	53	Accruals	259	300
80	118	Other liabilities	166	227
844	922		1 458	1 514
		Leave liability		
		Employee entitlements to annual leave are recognised on an ongoing basis. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. The movement in the liability recognised in the balance sheet is as follows:		
62	51	At the beginning of the year	204	264
(51)	(48)	Benefits paid	(182)	(257)
–	–	Foreign currency translation adjustments	1	2
40	58	Total expenses per income statement	198	195
51	61	At the end of the year	221	204
		37 EMPLOYEE BENEFITS		
		Number of permanent employees as at 30 June:		
		Harmony Free State	11 847	11 365
		Evander	5 874	5 895
		Kalgold	172	180
		Randfontein	5 550	5 640
		Elandskraal	4 264	4 149
		Australian operations	513	195
		Freegold (100%)	12 736	15 404
		ARMgold	2 398	3 530
		Avgold	442	435
		Other	67	71
		Total	43 863	46 864
		Aggregate earnings:		
		The aggregate earnings of employees including directors were:		
		Salaries and wages and other benefits	3 461	3 207
		Retirement benefit costs	318	317
		Medical aid contributions	88	50
			3 867	3 574
		Directors' remuneration is fully disclosed in the Directors' report.		

38 SHARE OPTION SCHEME

The company has an Employee Share Option Scheme (Harmony Share Option Scheme) hereunder referred to as the HSOS scheme.

Harmony has employee share option schemes under which certain qualifying employees may be granted options to purchase shares in the company's authorised but unissued ordinary shares. Of the total of 8 000 000 ordinary shares under the specific authority of the directors in terms of the Harmony (2001) Share Option Scheme, 7 572 500 shares have been offered to participants leaving a balance of 427 500. In addition a total of 1 065 400 shares were still outstanding under the Harmony (1994) Share Option Scheme. On 12 November 2003, an additional 23 204 960 ordinary shares were approved to be offered to participants under the Harmony (2003) Share Option Scheme. On 30 June 2006, 13 532 997 shares have been offered to participants, leaving a balance of 9 671 963.

In terms of the rules of the HSOS scheme, the exercise price of the options granted is equal to fair market value of the shares at the date of the grant.

Options currently expire no later than 10 years from the grant date and annually from the grant date, a third of the total options granted are exercisable in terms the Harmony (1994) Share Option Scheme and a fifth of the total options granted are exercisable in terms of the Harmony (2001) Share Option Scheme, as well as the Harmony (2003) Share Option Scheme. The company has no legal or constructive obligation to repurchase or settle the options in cash. Proceeds received by the company from the exercise are credited to share capital and share premium.

Equity share-based payments are measured at the fair value of the equity instruments at the date of the grant. Deferred share-based compensation is expensed over the vesting period, based on the company's estimate of the shares that are expected to eventually vest. During 2006 a deferred share-based compensation expense of R103 million (2005: R67 million) was charged to the income statement.

Share option activity was as follows:

	Number of share options granted	Average exercise price per share (Rand)
Balance as at 30 June 2004	6 101 958	–
Share options granted during the year	13 611 762	–
Share options lapsed	(883 695)	–
Share options exercised during the year	(471 962)	45.69
Balance as at 30 June 2005	18 358 063	–
Share options lapsed	(1 449 181)	–
Share options exercised during the year	(4 167 575)	49.76
Balance as at 30 June 2006	12 741 307	–

The details pertaining to share options issued and exercised by directors during the year are disclosed in the directors' report.

The number of shares held by the Harmony Share Trust at year end amounted to 177 200 (2005: 589 050).

The following table summarises the status of share options outstanding at 30 June 2006:

Grant date	Number of options	Option price (Rand)
21 September 1999	15 600	22.90
13 January 2000	31 700	35.40
15 November 2000	22 000	27.20
24 April 2001	66 750	36.50
20 November 2001	1 014 104	49.60
23 September 2002	127 351	66.00
27 March 2003	667 000	91.60
10 August 2004	3 076 550	66.15
26 April 2005	7 720 252	39.00
	12 741 307	

The share options outstanding at 30 June 2006 comprise 3.21% of the issued share capital.

38 SHARE OPTION SCHEME (CONTINUED)

The following table summarises the number of share options not vested:

	2006	2005
Grant date		
27 March 2003	536 400	804 600
10 August 2004	3 119 639	3 899 549
26 April 2005	7 769 770	9 712 213
	11 425 809	14 416 362

The fair value of the options is determined using the binomial valuation model.

The significant inputs into the model were:

	2006	2005
Price at date of grant (Rand per share)		
26 April 2005 option grant	39.00	39.00
10 August 2004 option grant	66.15	66.15
27 March 2003 option grant	91.60	91.60
Vesting period (years)		
26 April 2005 option grant	5	5
10 August 2004 option grant	5	5
27 March 2003 option grant	5	5
	%	%
Risk-free interest rate		
26 April 2005 option grant	8.37	8.37
10 August 2004 option grant	9.94	9.94
27 March 2003 option grant	11.63	11.63
Volatility*		
26 April 2005 option grant	35	35
10 August 2004 option grant	40	40
27 March 2003 option grant	45	45
Dividend yield		
26 April 2005 option grant	0	0
10 August 2004 option grant	0	0
27 March 2003 option grant	0	0
Vesting conditions		
Employee needs to remain in service of the group for the vesting period.		

* The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over the last three years.

39 DERIVATIVE FINANCIAL INSTRUMENTS AND FAIR VALUE AND CREDIT RISK OF FINANCIAL INSTRUMENTS

Harmony is exposed to various market risks, including commodity price risk, foreign currency risk, interest rate risk, liquidity risk and credit risk associated with the underlying assets and liabilities of the company as well as with anticipated transactions. Harmony does not issue derivative financial instruments for trading or speculative purposes. However, following periodic evaluation of these exposures, Harmony may enter into derivative financial instruments to manage these exposures.

Commodity price sensitivity

As a general rule, Harmony sells its gold production at market prices. Harmony, generally, does not enter into forward sales, derivatives or other hedging arrangements to establish a price in advance for the sale of its future gold production. A significant proportion of New Hampton's and Hill 50's production was however already hedged when they were acquired by Harmony.

It is Harmony's strategy to continuously evaluate the hedge agreements as well as market conditions in order to close these contracts out at the most beneficial time.

The group had the following net forward-pricing commitments against future production at 30 June 2006. The total net delta of the hedge position at 30 June 2006 was 356 849 oz (11 099 kg).

Summary of the group's gold hedge position at 30 June 2006

Year		30 June 2007	30 June 2008	30 June 2009	Total
Australian Dollar Gold:					
Forward contracts	Kilograms	4 572	3 110	3 110	10 793
	Ounces	147 000	100 000	100 000	347 000
	AUD per oz	515	518	518	516
Call options sold	Kilograms	311	–	–	311
	Ounces	10 000	–	–	10 000
	AUD per oz	562	–	–	562
Total commodity contracts	Kilograms	4 883	3 110	3 110	11 104
	Ounces	157 000	100 000	100 000	357 000
Total net gold **	Delta (kg)	4 885	3 111	3 104	11 099
	Delta (oz)	157 056	100 006	99 788	356 849

** The Delta of the hedge position indicated above, is the equivalent gold position that would have the same marked-to-market sensitivity for a small change in the gold price. This is calculated using the Black-Scholes option formula with the ruling market prices, interest rates and volatilities at 30 June 2006.

These contracts are classified as speculative and the marked-to-market movement is reflected in the income statement.

The mark-to-market of these contracts was a negative R631 million (negative US$88 million) at 30 June 2006 (at 30 June 2005: negative R252 million or negative US$38 million). The values at 30 June 2006 were based on a gold price of US$600 (AUD808) per ounce, exchange rates of US$1/R7.17 and AUD1/USD0.74 and prevailing market interest rates and volatilities at that date. These valuations were provided by independent risk and treasury management experts.

These marked-to-market valuations are not predictive of the future value of the hedge position, nor of the future impact on the revenue of the company. The valuation represents the cost of buying all hedge contracts at the time of the valuation, at market prices and rates available at the time.

Harmony closed out 30 000oz call options sold and 108 000oz forward contracts during the year ending 30 June 2006 at a cost of R213 million (US$34 million)

Foreign currency sensitivity

Harmony's revenues are sensitive to the ZAR/US$ exchange rates as all of the revenues are generated by gold sales, denominated in US$. Harmony, generally, does not enter into forward sales, derivatives or other hedging arrangements to establish a ZAR/US$ exchange rate in advance for the sale of its future gold production.

39 DERIVATIVE FINANCIAL INSTRUMENTS AND FAIR VALUE AND CREDIT RISK OF FINANCIAL INSTRUMENTS (CONTINUED)

Foreign currency sensitivity (continued)
Harmony inherited these currency contracts with the acquisition of Avgold. The contracts were classified as speculative and the mark-to-market movement was reflected in the income statement.

These currency contracts matured on 31 December 2005 and was closed out accordingly at a total cost of R131 million. The mark-to-market of these contracts was NIL at 30 June 2006. At 30 June 2005, the mark-to-market was a negative R108 million (negative US$16 million), based upon an exchange rate of US$1/R6.6670 and prevailing market interest rates at the time. Independent risk and treasury management experts provided these valuations.

Interest rate and liquidity risk
Fluctuations in interest rates and gold lease rates impact on the value of short-term cash and financing activities, giving rise to interest rate risk.

Gold lease rate swaps
Harmony generally does not undertake any specific actions to cover its exposure to gold lease rates in respect of its derivative financial instruments. Through its acquisitions of New Hampton Gold and Hill 50, Harmony did however acquire certain gold lease rate swaps.

During the financial year ending 30 June 2005, Harmony closed out the remaining gold lease rate swaps which were inherited through the acquisition of New Hampton Gold and Hill 50. Through the close out of these agreements, Harmony received R2 million (US$0.3 million). The mark-to-market movement was reflected in the income statement.

Interest rate swaps
The group had interest rate swap agreements to convert R600 million of its R1.2 billion senior unsecured fixed rate bond (HAR1) to variable rate debt. These interest rate swaps were designated as fair value hedges.

The interest rate swap ran over the term of the bond and comprised of two separate trances:
(a) R400 million: receive interest at a fixed rate of 13% and pay floating at JIBAR (reset quarterly) plus a spread of 1.8%.
(b) R200 million: receive interest at a fixed rate of 13% and pay floating at JIBAR (reset quarterly) plus a spread of 2.2%.

The bond as well as the interest rate swaps matured on 14 June 2006 and was settled in full. The marked-to-market value of the transactions was a NIL at 30 June 2006 (at 30 June 2005 a negative R24 million (US$4 million), based on the prevailing interest rates and volatilities at the time.)

Surplus funds
In the ordinary course of business, the group receives cash from its operations and is required to fund its working capital and capital expenditure requirements. The cash is managed to ensure that surplus funds are invested in a manner to achieve market-related returns and to provide sufficient liquidity at the minimum risk. The group is able to actively source financing at competitive rates.

Concentration of credit risk
Credit risk arises from the risk that a counterpart may default or not meet its obligations timeously.

Financial instruments, which subject the company to significant concentrations of credit risk, consist predominantly of cash and cash equivalents, short-term investments and various derivative financial instruments. The group's financial instruments do not represent a concentration of credit risk as the group deals with and maintains cash and cash equivalents, short-term investments and derivative financial instruments with a variety of well established financial institutions of high quality and credit standing.

The credit exposure to any one counter party is managed by setting exposure limits, which are reviewed regularly. The group's debtors and loans are regularly monitored and assessed. An adequate level of provision is maintained.

Fair value of financial instruments
The fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties.

The carrying amount of the receivables, all accounts payable, cash and cash equivalents are a reasonable estimate of the fair values thereof, because of the short-term maturity of such instruments.

The carrying value of investments in the environmental trust funds with short term maturities, approximate their fair values. Available-for-sale investments (including those in the environmental trust fund) are carried at market value.

Long-term borrowings are subject to market related rates and approximate fair value.

COMPANY 2005 RM	COMPANY 2006 RM		GROUP 2006 RM	GROUP 2005 RM
		40 CASH GENERATED BY/(UTILISED IN) OPERATIONS		
		Reconciliation of (loss)/profit before taxation to cash generated by/(utilised in) operations:		
(1 287)	360	(Loss)/income before taxation	(387)	(3 944)
		Adjustments for:		
128	149	Amortisation and depreciation	1 089	1 042
294	(156)	(Reversal of impairment)/impairment of assets	(216)	1 513
1	–	Loss/(gain) on financial instruments	523	(16)
(3)	(2)	Profit on sale of mining assets	(65)	(78)
(1)	(1)	Net increase in provision for former employees' post retirement benefits	7	56
(19)	(16)	Net decrease in provision for environmental rehabilitation	(19)	(29)
–	–	Loss from associates	105	–
36	48	Share-based compensation	103	67
–	–	Permanent diminution in value of available-for-sale financial asset	–	337
–	–	Fair value of non-derivative financial instrument	(87)	(17)
394	(306)	(Profit)/loss on sale of listed investments	(306)	555
(1)	–	(Profit)/loss on sale of subsidiary	(14)	1
(17)	(21)	Dividends received	(17)	(17)
(201)	(254)	Interest received	(207)	(132)
254	199	Interest paid – cash	201	261
71	76	Interest paid – non cash	269	244
15	7	Other non cash transactions	(86)	(56)
		Effect of changes in operating working capital items:		
138	(11)	Receivables	(54)	235
(38)	9	Inventories	(82)	(50)
(49)	78	Accounts payable and accrued liabilities	(67)	(329)
(285)	159	Cash generated by/(utilised in) operations	690	(357)

41 ADDITIONAL CASH FLOW INFORMATION

The income and mining taxes paid in the statement of cash flow represents actual cash paid.

a) Acquisitions and disposals of Subsidiaries/Businesses

i) For the year ended June 2006:

(a) On 1 July 2005, the group acquired a 50% share in a joint venture with Orpheo by Harmony (Pty) Ltd. The aggregate fair value of the assets acquired and liabilities assumed were:

	2006 RM	2005 RM
Inventories	1	
Property, plant and equipment	5	
Accounts payable and accrued liabilities	(1)	
Total purchase price	5	
Paid for by way of accounts payable	(5)	
Cash and cash equivalents at acquisition	–	

	2006 RM	2005 RM
41 ADDITIONAL CASH FLOW INFORMATION (CONTINUED)		
a) Acquisitions and disposals of Subsidiaries/Businesses (continued)		
i) For the year ended June 2006: (continued)		
(b) On 20 December 2005, the group acquired a 45% share in GP Britz and H.Taute Pharmacies through its joint venture agreement with Healthshare Health Solutions (Pty) Ltd. The aggregate fair value of the assets acquired and liabilities assumed were:		
Inventories	2	
Accounts receivable	1	
Property, plant and equipment	1	
Intangible assets	3	
Accounts payable and accrued liabilities	(8)	
Total purchase price	(1)	
Paid for by way of accounts payable	(1)	
Cash and cash equivalents at acquisition	(2)	
(c) On 31 March 2006, the group disposed of its shareholding in Buffalo Creek Mines (Pty) Ltd. The aggregate fair values of the assets and liabilities sold were:		
Inventories	1	
Property, plant and equipment	110	
Deferred tax	(16)	
Provision for rehabilitation liability	(4)	
Accounts payable and accrued liabilities	(1)	
Foreign exchange	(1)	
Profit on disposal sale of subsidiary	14	
Total purchase price	103	
Proceeds received by way of accounts receivable	(62)	
Proceeds received by way of cash	(19)	
Proceeds received by way of shares	(22)	
Cash and cash equivalents at disposal	–	
ii) For the year ended June 2005:		
(a) With effect from 22 September 2003, the company acquired the entire shareholding of Harmony Engineering (Proprietary) Limited, Ubuntu, NACS and Future from ARMI, as part of the acquisition of ARMgold. During the year, the company disposed of the entire share capital of the following companies: NACS as of 1 July 2004; Future as of 29 November 2004; and Ubuntu as of 30 November 2004. The aggregate fair values of the assets acquired and liabilities assumed, and subsequently disposed of, were:		
Inventories		1
Accounts receivable		5
Property, plant and equipment		1
Investments		16
Accounts payable and accrued liabilities		(13)
Income and mining taxes payable		(3)
Net loss on sale of subsidiaries		1
Total purchase price		8
Paid for by way of accounts payable		(4)
Proceeds received by way of accounts receivable		2
Cash and cash equivalents at disposal		(11)
Cash and cash equivalents at acquisition		(5)

COMPANY 2005 RM	COMPANY 2006 RM		GROUP 2006 RM	GROUP 2005 RM
		42 COMMITMENTS AND CONTINGENCIES		
		Capital expenditure commitments		
–	4	Contracts for capital expenditure	153	28
210	54	Authorised by the directors but not contracted for	2 678	1 829
210	58		2 831	1 857
		This expenditure will be financed from existing cash resources and where appropriate, borrowings.		
		Contingent liabilities		
–	–	Guarantees and suretyships	18	18
28	28	Environmental guarantees	129	134
28	28		147	152

Occupational healthcare services

Occupational healthcare services are made available by Harmony to employees from its existing facilities. There is a risk that the cost of providing such services could increase in the future depending upon changes in the nature of underlying legislation and the profile of employees. This increased cost, should it transpire, is currently indeterminate. The group is monitoring developments in this regard.

Action was instituted by 10 plaintiffs employed at Elandsrand Mine in December 2004. The first defendant in these matters is Anglo American Corporation of South Africa Limited (Anglo American), with Harmony cited as the second defendant. These 10 claims constitute test cases in relation to claims for damages for silicosis allegedly contracted by the plaintiffs over their period of employment with Anglo American and Harmony at Elandsrand. The board of directors does not believe that the 10 test cases present a significant risk and the probabilities vastly favour a dismissal of the actions. At this stage, the contingent liability can not be reasonably quantified.

43 RELATED PARTY TRANSACTIONS

The Chairman of the company's board of directors, Patrice Motsepe, was involved as a related party in the sale of Harmony's interest in ARM. 14% of our shareholding in ARM was sold to the ARM Broad-based Economic Empowerment Trust of which Nomfundo Qangule and Frank Abbott, directors of the company, are trustees, representing Harmony and ARM respectively (refer to note 22(e)).

On 21 June 2006, Harmony acquired 37.8% of the issued share capital of Village Main Reef Gold Mining Company (1934) Limited (Village) from ARM Limited. The Chairman of the company's board of directors, Patrice Motsepe, is also a member of ARM Limited's board of directors.

Frank Abbott was also a director of Village Main Reef Gold Limited (Village), at the time that Harmony purchased ARM Limited's 37.8% holding in Village (refer to note 23(c)).

The group acquired 37.37 million of the 44.99 million shares held in Western Areas Limited from Allan Gray Ltd. As at 30 June 2006, Allan Gray Ltd was one of the group's top shareholders, holding 11.8% of Harmony's total shares (refer to note 23(b)).

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly, including any director, (whether executive or otherwise) of the company.

For the year 2006, total directors remuneration amounted to R8.5 million and senior management's remuneration to R524 million. Directors' remuneration is fully disclosed in the Directors' report.

None of the directors or major shareholders of Harmony or, to the knowledge of Harmony, their families, had any interest, direct or indirect, in any transaction concluded in the 2006 and 2005 financial years, or in any proposed transaction that has affected or will materially affect Harmony or its investment interests or subsidiaries, other than stated above.

None of the directors or members of senior management of Harmony or any associate of such director or member of senior management is currently or has been at any time during the past two financial years indebted to Harmony and /or its subsidiaries.

44 SUBSEQUENT EVENTS AFTER BALANCE SHEET DATE

(a) On 21 June 2006, Harmony announced that it had acquired 37.8% of the issued share capital of Village Main Reef Gold Mining Company (1934) Limited (Village). Due to the fact that the acquisition surpasses the 35% mark, Harmony was obliged under the Securities Regulation Code on Takeovers and Mergers to extend an offer to the remaining shareholders of Village to acquire all of their shares at the same price at which it acquired the 37.8% stake.

On 14 August 2006, Harmony announced that minority shareholders holding 3 163 shares in Village (being 0.08% of the shares in respect of which the offer was made) had accepted its offer. Harmony currently holds 2 295 663 shares representing 37.83% of the issued share capital of Village (refer note 23(c)).

45 GEOGRAPHICAL AND SEGMENT INFORMATION

The primary reporting format of the company is by business segment. As there is only one business segment, being mining, extraction and production of gold, the relevant disclosures have been given in the financial statements. The secondary reporting format is by geographical analysis by origin. It was decided to supply the segmental information at a shaft level in the geographical area. The accounting policies of the segments are the same as those described in the accounting policy notes.

Gold operations are internally reported based on the following geographic areas: Free State, Evander, Kalgold, Randfontein, Elandskraal, Free Gold, New Hampton, Hill 50, Abelle, ARMgold and Avgold. The Free State, Randfontein, Kalgold, Evander, Elandskraal, Free Gold, ARMgold and Avgold are specific gold producing regions within South Africa. New Hampton, Hill 50 and Abelle mines are located primarily in Western Australia and Papua New Guinea. The Company also has exploration interests in Southern Africa, Australia and Peru which are included in Other. Cash operating costs include mine production, transport and refinery costs, applicable general and administrative costs, movement in inventories and ore stockpiles and ongoing environmental rehabilitation costs as well as transfers to and from deferred stripping. Ongoing employee termination cost is included, however employee termination cost associated with major restructuring and shaft closures are excluded. Selling, administrative, general charges and corporate costs are allocated between segments based on the size of activities based on production results.

Harmony has split its South African operations in the following categories for segmental purposes:

a) Quality assets: The quality shafts are those shafts with a larger reserve base and longer life, which form the core of the Group's production.

b) Leverage assets: The leverage shafts are those shafts that supplement production and provide the upside in the event of a positive swing in the Rand gold price.

c) Growth projects: The growth shafts comprise the expansion projects established through existing infrastructure, as well as the three new mines we are building in South Africa.

d) Surface: The South African surface operations include the Kalgold opencast mine, all previously mined rock, whether waste or reef, and any clean-up operations as well as plant and other infrastructure.

e) Other: It relates to the segmental information that could not be allocated to specific shafts or surface operations within a geographical area.

f) Other entities: The other entities category represents all other companies and entities that do not form part of the normal mining operations in the Group.

The effect of the change in accounting policy, Capitalisation of ongoing development costs (refer note 1 (c)) as allocated to the reported segments is set out on page 222 to 223, effect of the change in policy – 2006 and pages 228 to 229 effect of the change in policy – 2005

The effect of the implementation of new accounting policy – IFRS2: Share-based payments (refer note 1 (b)) is not disclosed, as this information is not allocated to shaft level.

The segmental split on a geographical basis at a shaft level is:

45 GEOGRAPHICAL AND SEGMENT INFORMATION (CONTINUED)

YEAR ENDED 30 JUNE 2006	Revenue RM	Production costs RM	Cash operating profit/(loss) RM	Depreciation RM	Reversal of impairment RM
SOUTH AFRICA					
Free State operations					
Quality assets					
Masimong (note a)	464	424	40	36	92
Leveraged assets					
Harmony 2	234	213	21	17	–
Merriespruit 1	163	153	10	10	–
Merriespruit 3	147	154	(7)	8	–
Unisel	243	183	60	18	64
Brand 3	141	148	(7)	11	–
Brand 5	2	6	(4)	–	–
Surface	54	41	13	33	–
Other	–	–	–	17	–
Total Free State	1 448	1 322	126	150	156
Evander operations					
Quality assets					
Evander 5 (note b)	205	210	(5)	31	80
Evander 7	270	208	62	27	–
Evander 8	428	286	142	42	–
Leveraged assets					
Evander 9	–	–	–	–	–
Surface	–	–	–	2	–
Other	–	–	–	–	–
Total Evander	903	704	199	102	80
Randfontein operations					
Quality assets					
Cooke 1	273	205	68	30	–
Cooke 2	204	147	57	23	–
Cooke 3	356	263	93	18	–
Growth projects					
Doornkop	148	155	(7)	39	–
Surface	39	32	7	40	–
Other	–	–	–	–	–
Total Randfontein	1 020	802	218	150	–
Elandsrand operations					
Growth projects					
Elandsrand	573	569	4	72	–
Leveraged assets					
Deelkraal	–	–	–	–	–
Surface	–	–	–	0	–
Other	–	–	–	–	–
Total Elandsrand	573	569	4	72	–

a) In 2006, Saaiplaas 3 shaft was included in the Masimong complex and therefore not reported separately.
b) In 2006, Evander 2 shaft was consolidated into Evander 5 shaft and therefore not reported separately.
* Unallocated assets represent all the assets other than property, plant and equipment that could not be allocated to a specific shaft eg. cash, receivables, investments, etc.
** Production statistics are unaudited.
*** Net loss before taxation from the other entities includes a loss from associates of R105 million.

Profit/(loss) before tax RM	Taxation RM	Net profit/ (loss) RM	Mining assets RM	Unallocated assets (*) RM	Total assets RM	Total liabilities RM	Capital expenditure RM	Kilograms gold (**)	Tonnes milled (**) (T'000)
Profit/(loss) before tax not calculated at shaft level	Taxation not calculated at shaft level	Net profit/(loss) not calculated at shaft level	472	–	472	Total liabilities not calculated at shaft level	92	4 235	925
			50	–	50		25	2 160	542
			45	–	45		16	1 495	372
			37	–	37		11	1 359	410
			212	–	212		25	2 269	454
			18	–	18		6	1 295	367
			–	–	–		–	15	3
			241	–	241		25	494	813
			442	908	1 350		–	–	–
174	**46**	**128**	**1 517**	**908**	**2 425**	**3 630**	**200**	**13 322**	**3 886**
Profit/(loss) before tax not calculated at shaft level	Taxation not calculated at shaft level	Net profit/(loss) not calculated at shaft level	237	–	237	Total liabilities not calculated at shaft level	41	1 940	408
			337	–	337		64	2 588	394
			290	–	290		62	4 008	739
			–	–	–		–	–	–
				–	–		–	–	–
			272	188	460		6	–	–
149	**23**	**126**	**1 136**	**188**	**1 324**	**323**	**173**	**8 536**	**1 541**
Profit/(loss) before tax not calculated at shaft level	Taxation not calculated at shaft level	Net profit/(loss) not calculated at shaft level	85	–	85	Total liabilities not calculated at shaft level	24	2 504	445
			93	–	93		24	1 861	320
			198	–	198		52	3 258	591
			1 434	–	1 434		166	1 356	467
			37	–	37		55	362	489
			–	818	818		–	–	–
24	**193**	**(169)**	**1 847**	**818**	**2 665**	**935**	**321**	**9 341**	**2 312**
Profit/(loss) before tax not calculated at shaft level	Taxation not calculated at shaft level	Net profit/(loss) not calculated at shaft level	1 859	–	1 859	Total liabilities not calculated at shaft level	194	5 315	895
					–		–	–	–
			2	–	2		–	–	–
			–	656	656		–	–	–
(87)	**(57)**	**(30)**	**1 861**	**656**	**2 517**	**578**	**194**	**5 315**	**895**

45 GEOGRAPHICAL AND SEGMENT INFORMATION (CONTINUED)

YEAR ENDED 30 JUNE 2006 (CONTINUED)	Revenue RM	Production costs RM	Cash operating profit/(loss) RM	Depreciation RM	Reversal of impairment RM
SOUTH AFRICA					
Freegold operations					
Quality assets					
Tshepong	1 143	709	434	175	–
Growth projects					
Phakisa	–	–	–	–	–
Leveraged assets					
Bambanani	592	554	38	82	43
Joel	199	186	13	14	10
Eland	13	7	6	–	–
Kudu/Sable	6	6	–	–	–
West Shaft	83	87	(4)	10	–
Nyala	1	1	–	–	–
St Helena	44	69	(25)	3	41
Surface	34	34	–	1	–
Other	–	–	–	–	–
Total Freegold	2 115	1 653	462	285	94
ARMgold operations					
Leveraged assets					
Orkney 2	233	189	44	15	–
Orkney 4	198	186	12	8	–
Welkom 1	–	–	–	–	–
Surface	–	–	–	–	–
Other	–	–	–	1	–
Total ARMgold	431	375	56	24	–
Avgold operations					
Quality assets					
Target	517	330	187	80	–
Surface	2	6	(4)	1	–
Other	–	–	–	–	–
Total Avgold	519	336	183	81	–
Kalgold operations					
Surface	250	202	48	77	–
Other	–	–	–	–	–
Total Kalgold	250	202	48	77	–
Other entities ***	–	–	–	7	(114)
TOTAL SOUTH AFRICA	7 259	5 963	1 296	948	216
AUSTRALASIA					
Mt Magnet	510	378	132	116	–
South Kal	270	239	31	18	–
Papua New Guinea	–	–	–	2	–
Other	–	–	–	5	–
TOTAL AUSTRALASIA	780	617	163	141	–
TOTAL HARMONY	8 039	6 580	1 459	1 089	216

a) In 2006, Saaiplaas 3 shaft was included in the Masimong complex and therefore not reported separately.
b) In 2006, Evander 2 shaft was consolidated into Evander 5 shaft and therefore not reported separately.
* Unallocated assets represent all the assets other than property, plant and equipment that could not be allocated to a specific shaft eg. cash, receivables, investments, etc.
** Production statistics are unaudited.
*** Net loss before taxation from the other entities includes a loss from associates of R105 million.

Profit/(loss) before tax RM	Taxation RM	Net profit/ (loss) RM	Mining assets RM	Unallocated assets (*) RM	Total assets RM	Total liabilities RM	Capital expenditure RM	Kilograms gold (**)	Tonnes milled (**) (T'000)
Profit/(loss) before tax not calculated at shaft level	Taxation not calculated at shaft level	Net profit/(loss) not calculated at shaft level	3 077		3 077	Total liabilities not calculated at shaft level	150	10 429	1 620
			1 870		1 870		147	–	–
			706		706		85	5 450	1 084
			73		73		23	1 823	395
			–		–		–	126	19
			–		–		–	63	12
			64		64		6	794	186
			–		–		–	6	2
			46		46		3	398	115
			6		6		2	343	304
			1 153	1 842	2 995		–	–	–
177	**4**	**173**	**6 995**	**1 842**	**8 837**	**2 886**	**416**	**19 432**	**3 737**
Profit/(loss) before tax not calculated at shaft level	Taxation not calculated at shaft level	Net profit/(loss) not calculated at shaft level	66	–	66	Total liabilities not calculated at shaft level	15	2 173	315
			84	–	84		30	1 832	368
			–	–	–		–	–	–
			–	–	–		–	–	–
			5	2 437	2 442		–	–	–
(11)	**(5)**	**(6)**	**155**	**2 437**	**2 592**	**144**	**45**	**4 005**	**683**
Profit/(loss) before tax not calculated at shaft level	Taxation not calculated at shaft level	Net profit/(loss) not calculated at shaft level	2 005	–	2 005	Total liabilities not calculated at shaft level	61	4 672	737
			5	–	5		–	23	185
			5 139	137	5 276		–	–	–
72	**–**	**72**	**7 149**	**137**	**7 286**	**38**	**61**	**4 695**	**922**
Profit/(loss) before tax not calculated at shaft level	Taxation not calculated at shaft level	Net profit/(loss) not calculated at shaft level	87	–	87	Total liabilities not calculated at shaft level	2	2 397	1 821
			–	39	39		–	–	–
(38)	**–**	**(38)**	**87**	**39**	**126**	**14**	**2**	**2 397**	**1 821**
(234)	10	(244)	10	3 076	3 086	958	–	–	–
226	**214**	**12**	**20 757**	**10 101**	**30 858**	**9 506**	**1 412**	**67 043**	**15 797**
(4)	5	(9)	515	67	582	170	155	4 629	1 739
(3)	6	(9)	305	60	365	88	25	2 570	1 343
(46)	–	(46)	1 520	6	1 526	23	95	–	–
(560)	(87)	(473)	154	669	823	1 164	1	–	–
(613)	**(76)**	**(537)**	**2 494**	**802**	**3 296**	**1 445**	**276**	**7 199**	**3 082**
(387)	**138**	**(525)**	**23 251**	**10 903**	**34 154**	**10 951**	**1 688**	**74 242**	**18 879**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

45 GEOGRAPHICAL AND SEGMENT INFORMATION (CONTINUED)

Effect of change in accounting policy – 2006	Decrease in working cost	Increase in amortisation	Gross impact on loss before tax	Deferred tax	Net impact on loss after tax
SOUTH AFRICA				Deferred tax not calculated at shaft level	Net impact on loss after tax not calculated
Free State operations					
Quality assets					
Masimong (note a)	57	18	39		
Leveraged assets					
Harmony 2	23	11	12		
Merriespruit 1	15	10	5		
Merriespruit 3	12	6	6		
Unisel	25	11	14		
Brand 3	6	8	(2)		
Brand 5	–	–	–		
Surface	–	–	–		
Other	–	–	–		
Total Free State	**138**	**64**	**74**	**4**	**70**
Evander operations				Deferred tax not calculated at shaft level	Net impact on loss after tax not calculated
Quality assets					
Evander 5 (note b)	39	26	13		
Evander 7	23	16	7		
Evander 8	37	32	5		
Leveraged assets					
Evander 9	–	–	–		
Surface	–	–	–		
Other	–	–	–		
Total Evander	**99**	**74**	**25**	**5**	**20**
Randfontein operations				Deferred tax not calculated at shaft level	Net impact on loss after tax not calculated
Quality assets					
Cooke 1	24	13	11		
Cooke 2	24	12	12		
Cooke 3	42	14	28		
Growth projects					
Doornkop	19	30	(11)		
Surface	–	–	–		
Other	–	–	–		
Total Randfontein	**109**	**69**	**40**	**–**	**40**
Elandsrand operations				Deferred tax not calculated at shaft level	Net impact on loss after tax not calculated
Growth projects					
Elandsrand	75	30	45		
Leveraged assets					
Deelkraal	–	–	–		
Surface	–	–	–		
Other	–	–	–		
Total Elandsrand	**75**	**30**	**45**	**14**	**31**

a) In 2006, Saaiplaas 3 shaft was included in the Masimong complex and therefore not reported separately.
b) In 2006, Evander 2 shaft was consolidated into Evander 5 shaft and therefore not reported separately.

Effect of change in accounting policy – 2006 (continued)	Decrease in working cost	Increase in amortisation	Gross impact on loss before tax	Deferred tax	Net impact on loss after tax
SOUTH AFRICA (CONTINUED)				Deferred tax not calculated at shaft level	Net impact on loss after tax not calculated at shaft level
Freegold operations					
Quality assets					
Tshepong	96	36	60		
Growth projects					
Phakisa	–	–	–		
Leveraged assets					
Bambanani	79	20	59		
Joel	17	7	10		
Eland	–	–	–		
Kudu/Sable	–	–	–		
West Shaft	6	2	4		
Nyala	–	–	–		
St Helena	3	3	–		
Surface	–	–	–		
Other	–	–	–		
Total Freegold	**201**	**68**	**133**	**43**	**90**
ARMgold operations				Deferred tax not calculated at shaft level	Net impact on loss after tax not calculated at shaft level
Leveraged assets					
Orkney 2	15	6	8		
Orkney 4	17	2	16		
Welkom 1	–	–	–		
Surface	–	–	–		
Other	–	–	–		
Total ARMgold	**32**	**8**	**24**	**8**	**16**
Avgold operations				Deferred tax not calculated at shaft level	Net impact on loss after tax not calculated at shaft level
Quality assets					
Target	5	1	4		
Surface	–	–	–		
Other	–	–	–		
Total Avgold	**5**	**1**	**4**	**–**	**4**
Kalgold operations				Deferred tax not calculated at shaft level	Net impact on loss after tax not calculated at shaft level
Surface	–	–	–		
Other	–	–	–		
Total Kalgold	–	–	–	–	–
Other entities	–	–	–	–	–
TOTAL SOUTH AFRICA	**659**	**314**	**345**	**74**	**271**
AUSTRALASIA					
Mt Magnet	–	–	–	–	–
South Kal	–	–	–	–	–
Papua New Guinea	–	–	–	–	–
Other	–	–	–	–	–
TOTAL AUSTRALASIA	**–**	**–**	**–**	**–**	**–**
TOTAL HARMONY	**659**	**314**	**345**	**74**	**271**

45 GEOGRAPHICAL AND SEGMENT INFORMATION (CONTINUED)

YEAR ENDED 30 JUNE 2005	Revenue RM	Production costs RM	Cash operating profit/(loss) RM	Depreciation RM	Reversal of impairment RM
SOUTH AFRICA					
Free State operations					
Quality assets					
Masimong (note a)	423	404	19	33	98
Leveraged assets					
Harmony 2	181	186	(5)	14	–
Merriespruit 1	120	134	(14)	9	21
Merriespruit 3	144	151	(7)	8	–
Unisel	172	192	(20)	14	52
Brand 3	123	141	(18)	11	23
Brand 5	–	13	(13)	1	18
Saaiplaas 3	6	30	(24)	0	2
Surface	23	21	2	23	80
Other	–	–	–	15	–
Total Free State	**1 192**	**1 272**	**(80)**	**128**	**294**
Evander operations					
Quality assets					
Evander 2	128	169	(41)	11	45
Evander 5	124	98	26	11	44
Evander 7	343	203	140	25	–
Evander 8	401	257	144	24	–
Leveraged assets					
Evander 9	7	19	(12)	–	–
Surface	–	–	–	1	–
Other	–	–	–	–	–
Total Evander	**1 003**	**746**	**257**	**72**	**89**
Randfontein operations					
Quality assets					
Cooke 1	209	193	16	34	–
Cooke 2	144	149	(5)	16	–
Cooke 3	306	261	45	23	–
Growth projects					
Doornkop	139	146	(7)	32	–
Surface	88	87	1	20	–
Other	–	–	–	–	–
Total Randfontein	**886**	**836**	**50**	**125**	**–**
Elandsrand operations					
Growth projects					
Elandsrand	548	548	–	52	–
Leveraged assets					
Deelkraal	6	4	2	–	–
Surface	–	–	–	–	–
Other	–	–	–	–	–
Total Elandsrand	**554**	**552**	**2**	**52**	**–**

* Unallocated assets represent all the assets other than property, plant and equipment that could not be allocated to a specific shaft eg. cash, receivables, investments, etc.

** Production statistics are unaudited.

	Profit/(loss) before tax RM	Taxation RM	Net profit/ (loss) RM	Mining assets RM	Unallocated assets (*) RM	Total assets RM	Total liabilities RM	Capital expenditure RM	Kilograms gold (**)	Tonnes milled (**) (T'000)
	Profit/(loss) before tax not calculated at shaft level	Taxation not calculated at shaft level	Net profit/(loss) not calculated at shaft level	320	–	320	Total liabilities not calculated at shaft level	66	4 976	949
				42	–	42		22	2 132	507
				39	–	39		18	1 417	376
				34	–	34		11	1 701	497
				141	–	141		26	2 022	448
				23	–	23		17	1 440	406
				–	–	–		–	1	–
				3	–	3		–	79	27
				250	–	250		10	297	424
				445	4 029	4 474		–	–	–
	(1 334)	(118)	(1 216)	1 297	4 029	5 326	3 597	170	14 065	3 634
	Profit/(loss) before tax not calculated at shaft level	Taxation not calculated at shaft level	Net profit/(loss) not calculated at shaft level	73	–	73	Total liabilities not calculated at shaft level	–	1 517	324
				70	–	70		43	1 465	222
				299	–	299		49	4 044	491
				270	–	270		51	4 726	666
				–	–	–		–	80	28
				–	–	–		–	–	–
				267	208	475		–	–	–
	66	60	6	979	208	1 187	313	143	11 832	1 731
	Profit/(loss) before tax not calculated at shaft level	Taxation not calculated at shaft level	Net profit/(loss) not calculated at shaft level	89	–	89	Total liabilities not calculated at shaft level	18	2 460	472
				92	–	92		16	1 693	366
				164	–	164		51	3 617	671
				1 285	–	1 285		177	1 639	477
				18	–	18		37	1 039	2 501
				–	461	461		–	–	–
	(166)	(170)	4	1 648	461	2 109	397	299	10 448	4 487
	Profit/(loss) before tax not calculated at shaft level	Taxation not calculated at shaft level	Net profit/(loss) not calculated at shaft level	1 718	–	1 718	Total liabilities not calculated at shaft level	161	6 450	924
				17	–	17		–	71	1
				2	–	2		–	–	–
				–	659	659		–	–	–
	(231)	(59)	(172)	1 737	659	2 396	670	161	6 521	925

45 GEOGRAPHICAL AND SEGMENT INFORMATION (CONTINUED)

YEAR ENDED 30 JUNE 2005 (CONTINUED)	Revenue RM	Production costs RM	Cash operating profit/(loss) RM	Depreciation RM	Reversal of impairment RM
SOUTH AFRICA					
Freegold operations					
Quality assets					
Tshepong	1 008	625	383	137	–
Growth projects					
Phakisa	–	–	–	–	–
Leveraged assets					
Bambanani	520	515	5	82	49
Joel	169	179	(10)	15	12
Eland	71	83	(12)	–	–
Kudu/Sable	67	117	(50)	4	37
West Shaft	74	80	(6)	6	–
Nyala	61	109	(48)	10	96
St Helena	78	149	(71)	9	119
Surface	95	95	–	7	40
Other	–	–	–	–	–
Total Freegold	**2 143**	**1 952**	**191**	**270**	**353**
ARMgold operations					
Leveraged assets					
Orkney 2	206	195	11	17	–
Orkney 4	202	183	19	13	–
Welkom 1	7	10	(3)	–	–
Surface	–	–	–	–	–
Other	–	–	–	1	3
Total ARMgold	**415**	**388**	**27**	**31**	**3**
Avgold operations					
Quality assets					
Target	552	336	216	113	–
Surface	3	3	–	2	–
Other	–	–	–	–	–
Total Avgold	**555**	**339**	**216**	**115**	**–**
Kalgold operations					
Surface	286	249	37	21	137
Other	–	–	–	–	–
Total Kalgold	**286**	**249**	**37**	**21**	**137**
Other entities **	11	–	11	6	–
TOTAL SOUTH AFRICA	**7 045**	**6 334**	**711**	**820**	**876**
AUSTRALASIA					
Mt Magnet	478	376	101	136	270
South Kal	299	243	57	82	182
Papua New Guinea	–	–	–	3	–
Other	–	–	–	1	185
TOTAL AUSTRALASIA	**777**	**619**	**158**	**222**	**637**
TOTAL HARMONY	**7 822**	**6 953**	**869**	**1 042**	**1 513**

* Unallocated assets represent all the assets other than property, plant and equipment that could not be allocated to a specific shaft eg. cash, receivables, investments, etc.

** Production statistics are unaudited.

Profit/(loss) before tax RM	Taxation RM	Net profit/ (loss) RM	Mining assets RM	Unallocated assets (*) RM	Total assets RM	Total liabilities RM	Capital expenditure RM	Kilograms gold (**)	Tonnes milled (**) (T'000)
Profit/(loss) before tax not calculated at shaft level	Taxation not calculated at shaft level	Net profit/(loss) not calculated at shaft level	4 282	–	4 282	Total liabilities not calculated at shaft level	144	11 841	1 542
			1 723	–	1 723		116	–	–
			675	–	675		75	6 144	989
			55	–	55		16	2 005	452
			–	–	–		–	833	159
			–	–	–		–	783	176
			68	–	68		1	876	160
			–	–	–		9	731	180
			15	–	15		6	932	222
			23	–	23		2	1 133	1 235
			–	3 978	3 978		–	–	–
(903)	**(250)**	**(653)**	**6 841**	**3 978**	**10 819**	**3 038**	**369**	**25 278**	**5 115**
Profit/(loss) before tax not calculated at shaft level	Taxation not calculated at shaft level	Net profit/(loss) not calculated at shaft level	64	–	64	Total liabilities not calculated at shaft level	9	2 440	375
			69	–	69		5	2 394	413
			–	–	–		–	85	19
			–	–	–		–	–	–
			–	141	141		3	–	–
(14)	**(24)**	**10**	**133**	**141**	**274**	**326**	**17**	**4 919**	**807**
Profit/(loss) before tax not calculated at shaft level	Taxation not calculated at shaft level	Net profit/(loss) not calculated at shaft level	2 023	–	2 023	Total liabilities not calculated at shaft level	62	6 527	1 069
			6	–	6		11	42	80
			5 139	109	5 248		–	–	–
28	**–**	**28**	**7 168**	**109**	**7 277**	**200**	**73**	**6 569**	**1 149**
Profit/(loss) before tax not calculated at shaft level	Taxation not calculated at shaft level	Net profit/(loss) not calculated at shaft level	136	–	136	Total liabilities not calculated at shaft level	(26)	3 365	1 683
			8	49	57		–	–	–
(122)	**–**	**(122)**	**144**	**49**	**193**	**31**	**(26)**	**3 365**	**1 683**
(582)	6	(588)	6	1 149	1 155	818	13	–	–
(3 258)	**(555)**	**(2 703)**	**19 953**	**10 783**	**30 736**	**9 389**	**1 219**	**82 997**	**19 531**
(380)	(105)	(275)	521	–	521	498	97	5 637	2 488
(262)	(68)	(194)	369	–	369	347	63	3 596	1 266
(29)	–	(29)	1 338	–	1 338	18	74	–	–
(15)	(2)	(13)	162	689	851	344	13	–	–
(686)	**(175)**	**(511)**	**2 390**	**689**	**3 079**	**1 207**	**247**	**9 233**	**3 754**
(3 944)	**(730)**	**(3 214)**	**22 343**	**11 472**	**33 815**	**10 597**	**1 466**	**92 230**	**23 285**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

45 GEOGRAPHICAL AND SEGMENT INFORMATION (CONTINUED)

Effect of change in accounting policy – 2005	Decrease in working cost	Increase in amortisation	Gross impact on loss before tax	Deferred tax	Net impact on loss after tax
SOUTH AFRICA					
Free State operations				Deferred tax not calculated at shaft level	Net impact on loss after tax not calculated at shaft level
Quality assets					
Masimong	43	11	32		
Leveraged assets					
Harmony 2	22	11	11		
Merriespruit 1	18	8	10		
Merriespruit 3	7	6	1		
Unisel	26	10	16		
Brand 3	17	6	11		
Brand 5	–	–	–		
Surface	–	–	–		
Other	–	–	–		
Total Free State	**133**	**52**	**81**	**4**	**77**
Evander operations				Deferred tax not calculated at shaft level	Net impact on loss after tax not calculated at shaft level
Quality assets					
Evander 5	43	15	28		
Evander 7	25	6	19		
Evander 8	29	17	12		
Leveraged assets					
Evander 9	–	–	–		
Surface	–	–	–		
Other	–	–	–		
Total Evander	**97**	**38**	**59**	**13**	**46**
Randfontein operations				Deferred tax not calculated at shaft level	Net impact on loss after tax not calculated at shaft level
Quality assets					
Cooke 1	16	6	10		
Cooke 2	15	5	10		
Cooke 3	51	17	34		
Growth projects					
Doornkop	21	14	7		
Surface	–	–	–		
Other	–	–	–		
Total Randfontein	**103**	**42**	**61**	**–**	**61**
Elandsrand operations				Deferred tax not calculated at shaft level	Net impact on loss after tax not calculated at shaft level
Growth projects					
Elandsrand	65	20	45		
Leveraged assets					
Deelkraal	–	–	–		
Surface	–	–	–		
Other	–	–	–		
Total Elandsrand	**65**	**20**	**45**	**14**	**31**

Effect of change in accounting policy – 2005 (continued)	Decrease in working cost	Increase in amortisation	Gross impact on loss before tax	Deferred tax	Net impact on loss after tax
SOUTH AFRICA (CONTINUED)				Deferred tax not calculated at shaft level	Net impact on loss after tax not calculated at shaft level
Freegold operations					
Quality assets					
Tshepong	102	24	78		
Growth projects					
Phakisa	–	–	–		
Leveraged assets					
Bambanani	51	16	35		
Joel	15	9	6		
Eland	–	–	–		
Kudu/Sable	–	–	–		
West Shaft	1	1	–		
Nyala	–	–	–		
St Helena	6	3	3		
Surface	–	–	–		
Other	–	–	–		
Total Freegold	**175**	**53**	**122**	**39**	**83**
ARMgold operations				Deferred tax not calculated at shaft level	Net impact on loss after tax not calculated at shaft level
Leveraged assets					
Orkney 2	9	3	6		
Orkney 4	5	1	4		
Welkom 1	–	–	–		
Surface	–	–	–		
Other	–	–	–		
Total ARMgold	**14**	**4**	**10**	**3**	**7**
Avgold operations				Deferred tax not calculated at shaft level	Net impact on loss after tax not calculated at shaft level
Quality assets					
Target	8	4	4		
Surface	–	–	–		
Other	–	–	–		
Total Avgold	**8**	**4**	**4**	**–**	**4**
Kalgold operations				Deferred tax not calculated at shaft level	Net impact on loss after tax not calculated at shaft level
Surface	–	–	–		
Other	–	–	–		
Total Kalgold	–	–	–	–	–
Other entities *	–	–	–	–	–
TOTAL SOUTH AFRICA	**595**	**213**	**382**	**73**	**309**
AUSTRALASIA					
Mt Magnet	–	–	–	–	–
South Kal	–	–	–	–	–
Papua New Guinea	–	–	–	–	–
Other	–	–	–	–	–
TOTAL AUSTRALASIA	**–**	**–**	**–**	**–**	**–**
TOTAL HARMONY	**595**	**213**	**382**	**73**	**309**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

ANNEXURE A – STATEMENT OF SUBSIDIARY COMPANIES

COMPANY AND DESCRIPTION		ISSUED SHARE CAPITAL R000	EFFECTIVE GROUP INTEREST 2006 %	EFFECTIVE GROUP INTEREST 2005 %	COST OF INVESTMENT BY HOLDING COMPANY 2006 RM	COST OF INVESTMENT BY HOLDING COMPANY 2005 RM	LOANS FROM/(TO) HOLDING COMPANY 2006 RM	LOANS FROM/(TO) HOLDING COMPANY 2005 RM
DIRECT SUBSIDIARIES:								
Dormant companies								
Harmony Gold (Management Services) (Pty) Ltd	(a)	1	100	100	–	–	–	–
Virginia Salvage (Pty) Ltd	(a)	2	90	90	–	–	–	–
Unisel Gold Mines Ltd	(a)	23 136	100	100	89	89	(92)	(92)
Exploration company:								
Harmony Gold Peru SA	(b)	2	100	100	6	–	–	4
Lydenburg Exploration Ltd	(a)	42 792	100	100	204	204	(15)	(20)
Gold mining companies:								
African Rainbow Minerals Gold Ltd	(a)	96	100	100	7 081	7 081	115	(45)
Avgold Ltd	(a)	6 827	100	100	6 935	6 934	265	167
Evander Gold Mines Ltd	(a)	39 272	100	100	545	545	8	15
Randfontein Estates Ltd	(a)	19 882	100	100	1 311	1 311	2 658	2 094
Investment holding companies:								
Harmony Gold Australia (Pty) Ltd	(c)	3 886 933	100	100	3 887	3 887	266	(157)
West Rand Consolidated Mines Ltd	(a)	17 967	100	100	321	321	(24)	(2)
Harmony Gold (Netherlands) B.V.	(i)	165	100	–	–	–	–	–
HGM (Isle of Man) Ltd	(f)	14	100	–	–	–	–	–
Marketing companies:								
Authentic Beverage (Pty) Ltd	(a)	#	100	100	–	–	–	–
Harmony Gold (Marketing) (Pty) Ltd	(a)	#	100	100	–	–	63	63
Harmony Precious Metal Services SAS	(d)	62	100	100	–	–	68	63
Mining related services companies:								
Harmony Engineering (Pty) Ltd	(a)	#	100	100	3	3	(2)	(3)
Musuku Benefication Systems (Pty) Ltd	(a)	#	100	100	–	–	61	48
Property holding companies:								
La Riviera (Pty) Ltd	(a)	#	100	100	–	–	–	–
INDIRECT SUBSIDIARIES:								
Dormant companies:								
Arai Liki Offshore (Pty) Ltd	(c)	293	100	100	–	–	–	–
Bracken Mines Ltd	(a)	#	100	100	–	–	–	–
Garden Gully (Pty) Ltd	(c)	#	100	100	–	–	–	–
Garnkirk (Pty) Ltd	(c)	#	100	100	–	–	–	–
Jubilee Minerals (Pty) Ltd	(c)	2	100	100	–	–	–	–
Leslie Gold Mines Ltd	(a)	#	100	100	–	–	–	–
Loraine Gold Mines Ltd	(a)	#	100	100	–	–	–	–
Muro Baru (Pty) Ltd	(c)	#	100	100	–	–	–	–
NHG Investments (Pty) Ltd	(c)	#	100	100	–	–	–	–
Selcast Nickel (Pty) Ltd	(c)	#	100	100	–	–	–	–
Swaziland Gold (Pty) Ltd	(e)	#	100	100	–	–	–	–
Winkelhaak Mines Ltd	(a)	#	100	100	–	–	–	–
Exploration company:								
Harmony Gold (Exploration) (Pty) Ltd	(a)	10	100	100	–	–	–	–

COMPANY AND DESCRIPTION		ISSUED SHARE CAPITAL R000	EFFECTIVE GROUP INTEREST 2006 %	2005 %	COST OF INVESTMENT BY HOLDING COMPANY 2006 RM	2005 RM	LOANS FROM/(TO) HOLDING COMPANY 2006 RM	2005 RM
INDIRECT SUBSIDIARIES (continued)								
Gold mining companies:								
Abelle Ltd	(c)	488 062	100	100	–	–	–	–
Big Bell Gold Operations (Pty) Ltd	(c)	#	100	100	–	–	–	–
Buffalo Creek Mines (Pty) Ltd	(c)	#	100	100	–	–	–	–
Harmony Gold Operations Ltd	(c)	405 054	100	100	–	–	–	–
Kalahari Goldridge Mining Company Ltd	(a)	1 275	100	100	–	–	–	–
Mt Magnet Gold NL	(c)	79 710	100	100	–	–	–	–
New Hampton Gold Fields Ltd	(c)	196 248	100	100	–	–	–	–
South Kal Mines (Pty) Ltd	(c)	6	100	100	–	–	–	–
Investment holding companies:								
Aurora Gold Ltd	(c)	685 006	100	100	–	–	–	–
Aurora Gold Australia (Pty)Ltd	(c)	58	100	100	–	–	–	–
Aurora Gold Finance Ltd	(c)	#	100	100	–	–	–	–
Aurora Gold Services (Pty) Ltd	(c)	#	100	100	–	–	–	–
Aurora Gold (WA) (Pty) Ltd	(c)	163 115	100	100	–	–	–	–
Aurora Gold (PNG) (Pty) Ltd	(c)	#	100	100	–	–	–	–
Aurora Gold (Wafi) (Pty) Ltd	(c)	#	100	100	–	–	–	–
Aurora Gold Administration (Pty) Ltd	(c)	293	100	100	–	–	–	–
Evander Stone Holdings (Pty) Ltd	(a)	#	100	100	–	–	–	–
Harmony Gold Ltd	(f)	550	100	100	–	–	–	–
Harmony Gold Investments (Pty) Ltd	(c)	#	100	100	–	–	–	–
Harmony Gold Securities (Pty) Ltd	(c)	#	100	100	–	–	–	–
Harmony Gold WA (Pty) Ltd	(c)	#	100	100	–	–	–	–
Harmony Victoria (Pty) Ltd	(c)	#	100	100	–	–	–	–
Potchefstroom Gold Areas Ltd	(a)	8 407	100	100	–	–	–	–
Vadessa (Pty) Ltd	(c)	#	100	100	–	–	–	–
Marketing company:								
Harmony Precision Casting (Pty) Ltd	(a)	357	70	70	–	–	–	–
Mineral right holding companies:								
Australian Ores & Minerals (Pty) Ltd	(c)	8 766	100	100	–	–	–	–
Carr Boyd Minerals (Pty) Ltd	(c)	402 414	100	100	–	–	–	–
Cogent (Pty) Ltd	(a)	#	100	100	–	–	–	–
Hampton Gold Mining Areas Ltd	(g)	299 680	100	100	–	–	–	–
Kwazulu Gold Mining Company (Pty) Ltd	(a)	#	100	100	–	–	–	–
Morobe Consolidated Gold Fields Ltd	(h)	#	100	100	–	–	–	–
Portions 1 and 3 Wildebeesfontein (Pty) Ltd	(a)	2	100	100	–	–	–	–
Potchefstroom Gold Holdings (Pty) Ltd	(a)	2	100	100	–	–	–	–
Remaining Extent and Portion 15 Wildebeesfontein (Pty) Ltd	(a)	1	90	90	–	–	–	–
The Kunana Mining Company (Pty) Ltd	(a)	#	100	100	–	–	–	–
Trodex Platinum (Pty) Ltd	(a)	4	100	100	–	–	–	–
Venda Gold Mining Company (Pty) Ltd	(a)	#	100	100	–	–	–	–
Wafi Mining Ltd	(h)	#	100	100	–	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

ANNEXURE A – STATEMENT OF SUBSIDIARY COMPANIES

COMPANY AND DESCRIPTION		ISSUED SHARE CAPITAL R000	EFFECTIVE GROUP INTEREST 2006 %	2005 %	COST OF INVESTMENT BY HOLDING COMPANY 2006 RM	2005 RM	LOANS FROM/(TO) HOLDING COMPANY 2006 RM	2005 RM
INDIRECT SUBSIDIARIES (continued)								
Property holding companies:								
Evander Township Ltd	(a)	1 340	**100**	100	**–**	–	**–**	–
Evander Township Development Ltd	(a)	3	**100**	100	**–**	–	**–**	–
Quarrytown Ltd	(a)	#	**100**	100	**–**	–	**–**	–
Salt Holdings Ltd	(a)	60	**100**	100	**–**	–	**–**	–
JOINT VENTURE COMPANY – DIRECT:								
Gold mining company:								
ArmGold/Harmony Freegold Joint Venture Company (Pty) Ltd	(a)	20	**100**	100	**17**	17	**2 256**	1 902
Investment holding company:								
ARMgold/Harmony Joint Investment Company (Pty) Ltd	(a)	#	**100**	100	**1**	1	**1 750**	(263)
Mining related services company								
Healthshare Health Solutions (Pty) Ltd	(a)	#	**45**	–	**–**	–	**–**	–
Orpheo by Harmony (Pty) Ltd	(a)	#	**50**	–	**–**	–	**–**	–
JOINT VENTURE COMPANY – INDIRECT:								
Dormant company:								
Jeanette Gold Mines Ltd	(a)	#	**96**	96	**–**	–	**–**	–
GP Britz Pharmacy Pty Ltd	(a)	#	**45**	–	**–**	–	**–**	–
H Taute Pharmacy Pty Ltd	(a)	#	**45**	–	**–**	–	**–**	–

The group's interest in jointly controlled entities is accounted for by proportionate consolidation. Under this method the group includes its share of the joint venture's individual income and expenses, assets and liabilities in the relevant components of the financial statements on a line by line basis.

COMPANY AND DESCRIPTION		ISSUED SHARE CAPITAL R000	EFFECTIVE GROUP INTEREST 2006 %	2005 %	COST OF INVESTMENT BY HOLDING COMPANY 2006 RM	2005 RM	LOANS FROM/(TO) HOLDING COMPANY 2006 RM	2005 RM
ASSOCIATE COMPANY – INDIRECT:								
Gold mining company:								
Western Areas Limited	(a)	154 054	**29**	–	**–**	–	**–**	–
Village Main Reef Gold Mining Company	(a)	758	38	–	**–**	–	**–**	–

Investments in associates are accounted for by using the equity method of accounting. Equity accounting involves recognising in the income statement the group's share of the associates' profit or loss for the period. The group's interest in the associate is carried on the balance sheet at an amount that reflects the cost of the investment, the share of post acquisition earnings and other movement in the reserves.

	COST 2006 RM	COST 2005 RM	LOANS 2006 RM	LOANS 2005 RM
Total	**20 400**	20 394	**7 377**	3 774
Total investments			**27 777**	24 168

\# Indicates issued share capital of less than R1 000

(a) Incorporated in the Republic of South Africa
(b) Incorporated in the Republic of Peru
(c) Incorporated in Australia
(d) Incorporated in France
(e) Incorporated in Swaziland
(f) Incorporated in the Isle of Man
(g) Incorporated in the United Kingdom
(h) Incorporated in the Papua New Guinea
(i) Incorporated in the Netherlands

The above investments are valued by the directors at book value.

The interest of Harmony Gold Mining Company Ltd in the aggregate amount of the after tax losses of its subsidiaries, joint venture companies and associates is R839 million (2005: losses of R2 045 million).

CONVENIENCE TRANSLATION UNAUDITED INCOME STATEMENTS (US$/IMPERIAL)

FOR THE YEAR ENDED 30 JUNE 2006

Please note: This income statement has not been prepared in accordance with US-GAAP. For convenience purposes, the IFRS income statement has been converted in US Dollars using the applicable rates.

	GROUP		
	2006 $M	2005 $M	2004 $M
Revenue	1 264	1 266	1 276
Cash operating costs	(1 035)	(1 125)	(1 104)
Cash operating profit	229	141	172
Amortisation and depreciation of mining properties mine development costs and mine plant facilities	(162)	(164)	(154)
Corporate, administration and other expenditure	(20)	(18)	(14)
Reversal of provision for rehabilitation costs	2	4	17
Gross profit/(loss)	49	(37)	21
Amortisation and depreciation of assets other than mining properties mine development costs and mine plant facilities	(9)	(5)	(18)
Care and maintenance cost of closed shafts	(27)	(30)	–
Employment termination and restructuring costs	12	(73)	(33)
Exploration expenditure	(17)	(12)	(15)
Reversal of impairment/(impairment) of assets	30	(245)	–
(Loss)/Income from associates	(16)	–	8
(Loss)/gain on financial instruments	(82)	3	(32)
Marketing and new business expenditure	(9)	(15)	(13)
Other (expenses)/income – net	(3)	(5)	9
Profit/(loss) on sale of listed investments	48	(90)	5
Profit on sale of subsidiaries	2	–	–
Permanent diminution in value of available-for-sale financial asset	–	(55)	–
Provision for post-retirement benefits	(1)	(9)	–
Impairment of investment in associate	–	–	(13)
Fair value of non-derivative financial instruments	14	3	
Share-based compensation	(16)	(11)	(2)
Profit on sale and loss on dilution of investment in associates	–	–	54
Investment income	35	24	30
Finance cost	(74)	(82)	(73)
Loss before tax	(64)	(639)	(72)
Taxation	(22)	118	34
Net loss before minority interests	(86)	(521)	(38)
Minority interests	–	–	1
Net loss	(86)	(521)	(37)
Convenience translation based on average rates of US$/R6.36 (2005: US$/R6.18) (2004: US$/R6.89)			

CONVENIENCE TRANSLATION UNAUDITED BALANCE SHEETS (US$/IMPERIAL)

AT 30 JUNE 2006

Please note: This income statement has not been prepared in accordance with US-GAAP. For convenience purposes, the IFRS income statement has been converted in US Dollars using the applicable rates.

	GROUP 2006 $M	2005 $M
ASSETS		
Non-current assets		
Property, plant and equipment	3 252	3 375
Intangible assets	317	340
Restricted cash	36	7
Investment in financial assets	315	611
Investment in associates	266	–
Deferred income tax	275	272
Trade and other receivables	15	13
Total non-current assets	4 476	4 618
Current assets		
Inventories	93	87
Trade and other receivables	100	94
Income and mining taxes	4	4
Cash and equivalents	91	267
Total current assets	288	452
Total assets	4 764	5 070
EQUITY		
Share capital and reserves		
Share capital	3 555	3 792
Other reserves	(38)	(88)
Accumulated loss	(281)	(223)
Total equity	3 236	3 481
Non-current liabilities		
Borrowings	361	363
Deferred income tax	596	599
Derivative financial instruments	88	58
Provision for environmental rehabilitation	120	126
Provision for other liabilities and charges	3	2
Retirement benefit obligations	15	13
Total non-current liabilities	1 183	1 161
Current liabilities		
Trade and other payables	204	227
Borrowings	140	200
Shareholders for dividends	1	1
Total current liabilities	345	428
Total equity and liabilities	4 764	5 070
Convenience translation based on closing rates of US$/R7.17 (2005: US$/R6.67)		

CONVENIENCE TRANSLATION UNAUDITED STATEMENTS OF CASH FLOWS (US$/IMPERIAL)

FOR THE YEAR ENDED 30 JUNE 2006

Please note: This income statement has not been prepared in accordance with US-GAAP. For convenience purposes, the IFRS income statement has been converted in US Dollars using the applicable rates.

	GROUP 2006 $M	 2005 $M	 2004 $M
Cash flows from operating activities			
Cash generated by/(utilised in) operations	**108**	(58)	131
Interest received	**33**	21	29
Dividends received	**3**	3	1
Interest paid	**(32)**	(42)	(46)
Income and mining taxes paid	**(2)**	(9)	(84)
Net cash generated by/(utilised in) operating activities	**110**	(85)	31
Cash flows from investing activities			
Net increase in amounts invested in environmental trusts	**(5)**	–	(5)
Restricted cash	**(32)**	2	(9)
Cash held by subsidiaries on acquisition	**–**	1	101
Cash held by subsidiaries at disposal	**–**	(2)	–
Investment in Orpheo acquired	**(1)**	–	–
Cash paid for Abelle	**–**	–	(88)
Investment in MP Britz and H.Taute Pharmacies acquired	**–**	–	–
Proceeds on disposal of Buffalo Creek	**3**	–	–
Cash received for Bissett	**–**	–	3
Investment in Gold Fields acquired	**–**	(14)	–
Cost on closure of hedge positions	**(54)**	(34)	(19)
Proceeds on disposal of listed investments	**365**	380	146
Acquisition of associate	**(321)**	–	–
Increase in other non-current investments	**3**	(1)	(8)
Proceeds on disposal of mining assets	**13**	21	29
Additions to property, plant and equipment	**(275)**	(225)	(215)
Net cash (utilised in)/generated by investing activities	**(304)**	128	(65)
Cash flows from financing activities			
Borrowings raised	**160**	232	267
Borrowings paid	**(205)**	(200)	(211)
Ordinary shares issued	**29**	3	19
Shares issue expenses	**–**	(13)	(11)
Dividends paid	**(1)**	(16)	(57)
Net cash (utilised in)/generated by financing activities	**(17)**	6	7
Foreign currency translation adjustments	**35**	1	19
Net (decrease)/increase in cash and cash equivalents	**(176)**	50	(8)
Cash and equivalents – beginning of year	**267**	217	225
Cash and equivalents – end of year	**91**	267	217
Convenience translation based on average rates of US$/R6.36 (2005: US$/R6.18) (2004: US$/R6.89)			
Convenience translation based on closing rates of US$/R7.17 (2005: US$/R6.67) (2004: US$/R6.23)			