

UNDER LOCK AND KEY

Board and management, corporate governance
and the directors' report



Non-executive chairman

Patrice Motsepe (44) BA (Legal), LLB.

Appointed to the board in 2003.

Patrice was a partner in one of the largest law firms in South Africa, Bowman Gilfillan Inc. He was a visiting attorney in the USA with the law firm, McGuire Woods Battle and Boothe. In 1994 he founded Future Mining, which grew rapidly to become a successful contract mining company. He then formed ARMgold in 1997, which listed on the JSE in 2002. ARMgold merged with Harmony in 2003 and this ultimately led to the takeover of Anglovaal Mining (Avmin) by ARM. In 2002 he was voted South Africa's Business Leader of the Year by the CEOs of the top 100 companies in South Africa. In the same year, he was winner of the Ernst & Young Best Entrepreneur of the Year Award. Patrice is the executive chairman of African Rainbow Minerals Limited (ARM) and also deputy chairman of Sanlam. His various business responsibilities include being President of Business Unity South Africa (BUSA), which is the voice of organised business in South Africa. He is also president of the Chambers of Commerce and Industry South Africa (CHAMSA), NAFCOC and Mamelodi Sundowns Football Club.

Executive directors

Bernard Swanepoel (45) BSc (Mining Engineering), B Com (Hons) – Chief executive. Bernard started his career with Gengold in 1983, culminating in his appointment as general manager of Beatrix Mine in 1993. He joined Randgold in 1995 as managing director of Harmony. For the past 11 years, Bernard has

led the team behind the company's growth and acquisition initiatives. He serves as a non-executive director of ARM Limited, Sanlam Limited and Western Areas Limited.

Nomfundo Qangule (39), BComm, BComm (Hons) CTA, CA (SA), member of CAIB (SA) – Financial director (appointed July 2004). Prior to joining Harmony, Nomfundo was the executive manager of Worldwide African Investment Holdings (Pty) Ltd (WAIH). During her time at WAIH, she was chairperson of the Board of Argil Holdings (Pty) Ltd and non-executive director of CS Holdings Ltd, serving as a member of the Remuneration, Audit and Investment committees. In addition, she was an Executive Committee member and non-executive director of Negotiated Benefits Consultants (Pty) Ltd. Nomfundo started her career as a credit manager in the Corporate and International Division of Nedcor Bank Ltd. Later she joined ABSA Corporate and Merchant Bank's Credit Division. She is a qualified chartered accountant, a member of the Institute of Bankers and holds a Certificate in Financial Markets from Acumen.

Non-executive directors

Frank Abbott (51), BCom, CA(SA), MBL – Non-executive director. Frank joined the Rand Mines/Barlow Rand Group in 1981, where he obtained broad financial management experience at operational level. He was appointed as financial controller to the newly formed Randgold in 1992 and was promoted to financial director of that group in October 1994. Until 1997, he was also a director of the gold mining companies Blyvooruitzicht,

Buffelsfontein, Durban Roodepoort Deep and East Rand Proprietary Mines. Initially a non-executive director of Harmony, he was appointed as financial director of the company in 1997. Following the ARM Limited/ARMI transaction, it was agreed by the board that Frank be appointed as financial director of ARM and remain on Harmony's board as a non-executive director. Currently, Frank is the financial director of ARM.

Joaquim Chissano (66), an independent Non-executive director. Mr Chissano was appointed to Harmony's Board of Directors with effect from 22 April 2005. Mr Chissano is the former President of Mozambique who has served his country in many capacities initially as a Founding Member of the FRELIMO Movement and one of the leaders during that country's struggle for independence (1962-1974). During the transition period that led the country to independence, he served as Prime Minister of the Transition Government (1974-1975). Subsequent to Mozambique's independence in 1975, he was appointed Foreign Minister and on the death of Samora Machel, assumed the office of President of the Republic and of the FRELIMO Party in 1986. His leadership at the helm of the FRELIMO Party and of Government advanced constitutional and economic reforms that helped stop the devastating civil war and start the process of reconstruction of a shattered economy. He contested the multi-party presidential elections held in Mozambique in 1994 and 1999 and won on both occasions. He declined to stand for a further term of office in 2004. More recently (2003-2004), he served as Chairperson of the African Union. He has the

Cedric Savage

Frank Abbott

Fikile De Buck

Patrice Motsepe

Nomfundo Qangule

DIRECTORATE

military rank of Major General. After leaving office, he established the Joaquim Chissano Foundation dealing with matters of peace, development and culture, of which he is the Chairperson. He also established the Africa Forum for Former African Heads of State and Government of which he is the current Chairperson. He has business interests in Mozambique, owning two agro-industry companies called MJ3 Lagoas and Madricil. In South Africa he sits on the boards of African Rainbow Minerals Ltd (ARM) and TEAL Exploration Et Mining. He is also a member of the board of several international institutions, notably the Club de Madrid, The Hunger Project, International Crisis Group, and Nelson Mandela Institution (for Science Et Technology).

Fikile De Buck (46), BA (Economics), FCCA (UK) – Non-executive director. Fikile joined the board on 1 April 2006. A certified chartered accountant, she is a fellow of the Association of Chartered Certified Accountants (FCCA) (UK) and a member of the Association of Chartered Certified Accountants (ACCA) (UK). In 1990 Fikile won the Stuart Crystal Prize, awarded to the best accounting student at the Birmingham Polytechnic in the United Kingdom. She is the chief operations officer and chief financial officer of the Council for Medical Schemes in South Africa where she has held various positions since joining in September 2000. Prior to that, she was treasurer at the Botswana Development Corporation.

Dr Simo Lushaba (39) BSc (Advanced Biochemistry), MBA, Doctorate in Business Administration, Independent non-executive director. Simo has been a director of Harmony since October 2002. He also serves as non-executive chairman of PIKITUP Johannesburg (Pty) Ltd and as a non-executive director of Trans-Caledon Tunnel Agency. He resigned as the chief executive of Rand Water late in 2005 and joined Lonmin Platinum Ltd as Shared Business Services Advice President.

Modise Motloba (40) BSc, Diploma in Strategic Management, Baruch College, New York – Independent non-executive director (appointed July 2004). Modise was appointed to the board in July 2004. He started his career with Rand Merchant Bank in 1993 as a trainee in the Treasury Division, where he progressed to money markets dealer and risk manager. He then moved on to African Merchant Bank in 1998 as head of the Money Markets Division. In 2000 he was employed by African Harvest Fund Managers as the manager of the Fixed Interest Portfolio and Treasury specialist and afterwards as a specialist in Structured Debt and Equity Markets. He is the former president of the Association of Black Securities and Investment Professionals (ABSIP) where he led ABSIP and the Black Business Council in formulating the Financial Services Sector Charter with other industry bodies such as the Banking Council, the Life Officers' Association and the JSE Ltd. Modise is the recipient of the prestigious 2003 Black Business Quarterly Investment Specialist Award which recognises a leader who made a lasting

contribution in the investments arena and broader financial and economic landscape. He is a member of the South African Financial Markets Board and of the Standing Committee on the Revision of the Bank's Act 1990, under the auspices of the Ministry of Finance. He is also a council member of the NAFCOC/ Johannesburg Chamber of Commerce and Industry (JCCI) Unity Committee. He is a director of a number of companies including Wealthridge Investments, Uthajiri Investments and Africa Vukani Investment Management Services.

Cedric Savage (67) BSc (Eng), MBA, ISMP (Harvard) – Independent non-executive director. Cedric started his career in the United Kingdom in 1960 as a graduate engineer with Fairey Aviation. He returned to South Africa in 1963 and worked in the oil (Mobil), textile (Felt Et Textiles) and chicken (Rainbow Chickens Limited) industries. He was president of the South African Chamber of Business from 1993 to 1994. He has also served as chairman of the Board of Governors of Natal University's Development Foundation and as a member of the Council of that university. He joined the Tongaat-Hulett Group Ltd in 1977 as managing director of Tongaat Foods and thereafter progressed to Executive Chairman of the Building Materials Division; he became chief executive officer of the group in 1991; and, in May 2000, he assumed the dual roles of chief executive officer and executive chairman. He is currently non-executive chairman of the group and serves on a number of other boards including those of the Nedbank Group, Datatec Limited and Kumba Resources.





MANAGEMENT

Bob Atkinson (54), NHD (Metalliferous Mining). In the 2004 financial year, Bob was the Chief Operating Officer at Harmony Gold Australia and was appointed as Executive, Sustainable Development (Safety and Occupational Health) at Harmony in South Africa in July 2004. He serves as Operations Director of Growth Projects. He has more than 30 years' experience in the mining industry. He joined Harmony as a production manager in 1986 and served as Operations Manager on the Executive Committee from June 2001 to May 2003.

Jaco Boshoff (36), BSc (Hons), MSc (Geology), PrSciNat. Jaco has been with Harmony since April 1996. Since March 2004, he has served as an Ore Resources Executive and Competent Person. Prior to this appointment, he was the Ore Reserve Manager from 1998 to 2004 and before that held geologist positions at Harmony and at Gengold. Jaco is registered as a professional geological scientist with the South African Council for Natural Scientific Professions and has worked in the mining industry for over 10 years.

Graham Briggs (51), BSc (Hons) (Geology), PrSciNat. Graham has some 30 years' experience in the mining industry. He joined Harmony as New Business Manager in 1995 and is currently the Chief Executive of Harmony Australia and the Regional Manager for Australasia. He started his career in geology as a field assistant in 1972 and had exposure to various exploration projects. Before attending university, Graham spent most of his time on gold exploration in the Free State, South Africa. At Gengold he spent time on various mines in South Africa including Buffelsfontein, West Rand Consolidated, Grootvlei and ended his career with Gengold as an ore reserve manager at Beatrix. He has had a varied career at Harmony including a 20-month period in Canada, but the focus has been on matters relating to ore reserve management.

Tracey Jonkheid (35), BA Communication (Hons) (cum laude), MBA. Tracey has served as Harmony's internal strategist on a full-time basis since May 2002, in which capacity she advises the Executive Committee on implementing and integrating initiatives for internal change. She fulfilled this role as an external consultant on a part-time basis for 18 months prior to May 2002. Her background is in the advertising industry where she has worked as a strategist at four of South Africa's largest advertising agencies. Tracey is the company's Executive, Marketing. Tracey resigned on 1 August 2006.



Philip Kotze (45), GDE (Mining Economics) (Wits), NHD (Metalliferous Mining) (Wits), DPLR (UNISA), MDP (Wits Business School). Philip started his career with Anglovaal in 1981. After completing a NHD in Metalliferous Mining in 1984, he joined Anglo American's Gold and Uranium Division. During this period he was involved in a number of major projects. These included the establishment of mechanised deep-level mining and the restructuring of operations to optimum profitability. He left AngloGold (as Anglo American's Gold and Uranium Division was then known) at the end of 1996 and was responsible for starting up Kalahari Goldridge Mining Company, a low-grade open-pit gold mine in the Kalahari, South Africa. He was responsible for building the mine to design capacity and served as executive director. During 1999, following Harmony's acquisition of Kalgold, Philip became part of the Harmony Executive Committee. His role in Harmony has been operational in nature and has mainly been focused on the integration of new acquisitions. He accepted the position of Executive, Investor Relations when Ferdi Dippenaar resigned in December 2005.

Jackie Mathebula (35), BAdmin (Hons), MBA. Jackie joined Harmony in September 2002 as an Employee Relations and Industrial Relations Executive. In 2004 his portfolio was changed to that of Training, Human Resource Development and Occupational Health, and in 2005 to the position of Executive, Corporate Affairs. Prior to joining Harmony, he was a general manager in human resources for Gensec Bank, a human resources manager at Gold Fields Ltd and he also occupied various positions within the then Iscor group (now Mittal Steel South Africa). His last position at Iscor was that of works manager, human resources for the specialised steel products business. He also worked for the South African government in the Gazankulu Public Service Commission.

De Wet Schutte (35), BComm (Acc), BCompt (Hons), CA(SA) and Executive Program University of Virginia (USA).

De Wet joined Harmony in May 2004 and is responsible for Exploration and New Business Development. Before joining Harmony, De Wet spent seven years at Iscor Ltd (now Ispat Iscor) in various positions including those of general manager, corporate finance. He also brings experience from Metair Ltd where he served as group financial manager.



Tracey Jonkheid

Peter Steenkamp

Jaco Boshoff

Peter Steenkamp (46), BSc (Eng), Mine Managers Certificate. Peter currently serves on the Executive Committee as Chief Operating Officer. Peter joined Harmony in October 2003 following the merger with ARMgold. Prior to joining Harmony, he was an executive director of ARMgold in charge of Gold Operations. Peter has 21 years' experience in the mining industry. He started his career as a trainee miner with the Chamber of Mines Training College and after graduating he worked for Gold Fields as a shift boss. He then joined Vaal Reefs (an operation in Anglo American's Gold and Uranium Division) in 1989, occupying various positions including those of shift boss, mine overseer, technical assistant, section manager and business unit manager until 1997. The following year he began working for ARMgold as a business unit leader.

Boetie Swanepoel (46), BCompt (Hons), CA(SA). Boetie joined Harmony from Beatrix Mine in 1995 as Financial Manager. He has more than 21 years' financial services experience, mostly in the mining industry. He was appointed to the Executive Committee in November 2000 and is responsible for the development of Harmony's shaft financial managers, the financial control environment and the service delivery departments.

Marian van der Walt (33), BCom (Law), LLB, Higher Diploma in Tax, Diploma in Corporate Governance, Diploma in Insolvency Law, Certificate in Business Leadership. Marian has 10 years of legal experience and was appointed as Company Secretary on 3 February 2003. She completed her articles at Roulledges Modise Attorneys and was admitted as an attorney and conveyancer in 1998. She then joined Deloitte and Touche as an insolvency practitioner/ administrator. Prior to joining Harmony, she held the positions of legal advisor, credit manager and structured finance consultant at The Standard Bank of South Africa Ltd in the Commercial Properties Division. Marian was appointed to the Executive Committee in October 2005 and Legal and Compliance (which includes risk management) was added to her portfolio in January 2006.

Johannes van Heerden (34), BCompt (Hons), CA(SA). Johannes joined Harmony in 1998 as Financial Manager of the Free State operations. Here he obtained broad financial management experience at operational level. Subsequent to that he was appointed as Group Financial Manager in 2001, before being relocated in 2003 to his current position at Harmony Australasia as Chief Financial Officer.

Abre van Vuuren (46) BComm, MDP, DPLR. Abre joined Harmony in 1997 from Grootvlei Mine, where he was human resources manager. He was appointed to the Executive Committee in November 2000 and is responsible for Human Resource Processes and Systems and Remuneration. He has approximately 21 years' experience in the mining industry.

CORPORATE GOVERNANCE

We at Harmony recognise that our continued success depends on the highest levels of integrity across all sectors of our business. We want all our stakeholders to view Harmony as a company that they can trust. The company is therefore unequivocal about its values and the way in which these values find expression in daily behaviour. Corporate governance is not just a check-list at Harmony; our aim is to 'live' by the spirit and principles of the company's codes of corporate governance.

Harmony acknowledges the Constitution of South Africa as the supreme law of the country and is committed to the principles of sound corporate governance. The company is satisfied that it complies with the listings requirements of the JSE Limited (primary listing) and the other exchanges on which the company is listed, and substantially complies with the recommendations of the King Report for Corporate Governance for South Africa, 2002 (King II). As a foreign issuer registered with the Securities and Exchange Commission (SEC) in the United States, Harmony is also bound to comply with Section 404 of the Sarbanes-Oxley Act of 2002.

Board of directors

The Harmony Board of Directors takes its responsibility seriously to act in good faith, with due diligence and care, and to supervise and monitor so that good corporate governance forms an integral part of the management of the company. The board places great emphasis on enterprise risk management as a cornerstone of its internal control mechanisms and is satisfied that risk management has become a part of the daily running of Harmony, in all disciplines and at all levels.

The board and each board committee has its own charter. These give the board and the committees clear guidance on their roles and responsibilities and how to achieve the balance between performance in the interests of the company and conformance with the principles of corporate governance. These charters are reviewed on an annual basis to ensure that the conduct of the board and its committees are in line with the latest governance requirements. The board charters are available on the company's website at www.harmony.co.za.

Board structure

Harmony has a unitary board structure, comprising nine directors, with a balance between executive (two) and non-executive (seven) directors. Of the seven non-executive directors, five are independent as defined by King II. Harmony has no shadow or alternate directors.

The company believes that the non-executive and independent directors are of sufficient calibre and number for their views to carry significant weight in the board's decisions. In considering new appointments to the board, Harmony takes cognisance of the gender and racial mix of its members and believes that it has achieved an acceptable balance. The details of our directorate are set out under the heading Directorate on page 100.



Meetings

The board, in terms of its charter, is required to hold regular meetings (on at least a quarterly basis) so as to monitor important issues and to meet its objectives. All board members are required to attend all board meetings. Four board meetings were held during the year. See table on page 109 for attendance of meetings.

Chairman and chief executive

The roles of chairman and chief executive are separate and distinct.

Board Charter

The board's fiduciary duties are dealt with in Harmony's board charter, which serves as guidance to each member of the board regarding the purpose and role of the board, its responsibilities, its authority, composition, meetings and the need for self-assessment. In terms of this charter, each director is required to exercise leadership, enterprise, integrity and judgement based on fairness, accountability, responsibility and transparency.

A number of onerous duties, responsibilities and personal liabilities are imposed on Harmony's directors under both common and statutory law, not only in South Africa, but also in the United States, Australia and the United Kingdom, owing to Harmony's operations in these countries and its listings in South Africa, London, Paris, Brussels and the USA (Nasdaq and the NYSE). In addition to King II, the Sarbanes-Oxley Act imposes additional prohibitions and responsibilities on all Harmony's directors. A more comprehensive report on Harmony's compliance with the Sarbanes-Oxley Act appears on page 133.

The board accepts responsibility for monitoring and supervision of executive management and the induction of new or inexperienced directors. As part of the company's induction programme each new director is personally briefed by the company secretary and provided with a comprehensive company information pack containing, among other documentation, committee charters, Articles of Association, corporate governance guidelines, the Toolkit for Directors (provided by the company's auditors, KPMG) and the JSE Listings Requirements. This induction is also extended to directors' appointments to various committees. Non-executive directors are invited to visit Harmony's operations at their convenience and attend management meetings at their discretion. The company secretary and other specialists also perform additional briefings as circumstances require or as requested by board members.

The board has the authority to delegate matters, with the necessary written authority, to management and these matters are monitored and evaluated on a regular basis. Board members have unrestricted access to all group information, records, documents and to management should they wish to discuss any matter independently of the executive directors. If necessary, a board member may take independent professional advice at the group's expense.

DUTIES AND RESPONSIBILITIES: THE BOARD

Duties

- To establish and administer the group's system of corporate governance.
- To adopt a written statement of its own governance principles and regularly re-evaluate them.
- To exercise leadership, enterprise, integrity and judgement based on fairness, accountability, responsibility and transparency.
- To determine the group's purpose, values and stakeholders and to develop strategies to achieve its purpose, implement its values and satisfy its shareholders.
- To evaluate the performance of the board and prospective directors through the Nomination and Remuneration committees.
- To ensure that the group complies with all the relevant laws, regulations and codes of best business practice.
- To ensure that the group operates ethically by adopting and regularly reviewing and updating the group's Code of Ethics.
- To make a statement at the end of each financial year that they believe that the group will be a going concern in the year ahead.

Responsibilities

- Providing direction to and equipping management to formulate a strategic planning process and to adopt the recommended strategic plan.
- Monitoring of group policies.
- Appointment of the chairperson, provision of guidance on the appointment of directors and other senior executives, including the chief executive officer and secretary.
- Consideration of the issue of succession of directors and senior management, as referred by the Nomination Committee.
- Formulation and monitoring of a group-wide delegation of authority framework.
- Identification of the principal risks and key performance indicators of the group's businesses and ensuring the implementation and regular evaluation of systems to manage those risks through a Risk Management Committee.
- Ensuring the group has adequate systems of financial and operational internal controls. The directors should also ensure that there are procedures and systems which act as checks and balances on the information reviewed by the board.
- Ensure the financial health of the company through appropriate investment and funds mobilisation policies and strategies, including

those relating to procurement and capital expenditure.

- Manage conflicts of interest and independence issues.
- Monitoring and supervision of executive management.
- Ensuring that an adequate budgeting and planning process exists and that performance is monitored against budgets and plans.
- Providing accountability: reporting to shareholders and other stakeholders and ensuring regulatory compliance with all relevant regulations e.g. Occupational Health and Safety Act, Road Ordinances Act, Companies Act, Banks Act, etc.
- Addressing the adequacy of employee retirement and health care benefits and funding.
- Ensuring that the group has an effective affirmative action plan.
- Reviewing, monitoring and approving the strategic direction with regard to IT solutions.
- Protection of assets and reputation.
- Providing orientation and ensuring adequate training for directors.
- Implement meaningful communication and integrated financial and relevant other reporting to its shareholders.
- To ensure on an annual basis that the corporation will continue as a going concern for its next fiscal year.

Internal control

The board is ultimately responsible for ensuring that Harmony remains a going concern and that it thrives. The board retains full and effective control over Harmony by monitoring and supervising its executive management, being involved in all material decisions affecting Harmony and ensuring that adequate systems of financial and operational internal controls are monitored. The procedures and

systems which act as checks and balances on the provision and gathering of information are reviewed by the board from time-to-time. The Sarbanes-Oxley compliance project, of which the first three phases were completed during the year, has added value in ensuring that Harmony's controls are sound and that any deficiencies are addressed and that any control deficiencies are remedied. Harmony has started a company-wide project to improve its standards, policies and procedures in respect of internal control: project teams have been formed at operational and service levels to assist with the updating of various standards, policies and procedures. An adequate budgeting and planning process exists and performance is monitored against these budgets and plans.

Self-assessment

The board is required to conduct a self-assessment or self-evaluation annually. The chairman is required to assess the performance of the individual board members and the board is required to evaluate the chairman, based on several factors, which include expertise, inquiring attitude, objectivity and independence, judgement, understanding of Harmony's business, understanding and commitment to the board's duties and responsibilities, willingness to devote the time needed to prepare for and participate in committee deliberations, timely responses and attendance at meetings. A board effectiveness survey was launched in June 2006, the results of which will be presented during the coming year.

Directors' terms of employment

Executive directors

Executive directors have standard employee service agreements and all include a notice period of at least one month. Their employment letters do not make provision for pre-determined compensation on termination. The executive

directors have waived their rights to directors' fees.

Executive directors participate in Harmony's share scheme and also benefit from pension contributions, life insurance and medical aid, the value of which is included in the salary details found on page 148. The number of share options held by the executive directors during the financial year are detailed in the Directors' Report on page 145.

Non-executive directors

None of the non-executive directors has service contracts with Harmony. The non-executive directors are entitled to fees as agreed at Harmony's annual general meeting (AGM) from time to time, reimbursement of out-of-pocket expenses incurred on Harmony's behalf and remuneration for other services, such as serving on committees. Currently, each non-executive director is entitled to R20 000 per quarter, plus R5 000 per quarter for every committee on which he/she serves. Non-executive directors do not qualify for share options.

The Remuneration Committee has agreed to an increase in directors' fees for the 2007 financial year, subject to approval by shareholders. The proposed new fee schedule is set out in the notice of meeting.

Harmony's Chairman, Patrice Motsepe, was involved as a related party in the sale of Harmony's holding in African Rainbow Limited (ARM) to the ARM Broad-Based Economic Empowerment Trust of which Harmony and ARM Limited are trustees, with Nomfundo Qangule and Frank Abbott representing each company respectively.

Frank Abbott was also a director of Village Main Reef Gold Limited, at the time that Harmony purchased ARM Limited's 37.8% holding in that company in June 2006.

The company is not aware of any other directors, or their families, having any interest, direct or indirect, in any transaction during the last financial year or in any proposed transaction with any company in the Harmony group which has affected or will materially affect Harmony or its investment interest or subsidiaries.

Rotation

Harmony's Articles of Association require that the longest serving one-third of directors retire from office at each AGM. Retiring directors usually make themselves available for re-election and are re-elected at the AGM at which they retire. At the next general meeting of shareholders, Dr Simo Lushaba and Mr Modise Motloba will retire by rotation. These directors have made themselves available for re-election and a summary of their CVs appears on pages 100 and 101 of this report.

If a director is appointed to any Harmony executive office, his or her employment contract may provide that he or she shall be exempt from rotation for the lesser of (i) a period of five years or (ii) the period during which he or she continues to hold the relevant executive office.

During the relevant period, the director in question shall not be taken into account in determining the retirement of directors by rotation. The number of directors who may be exempt from retirement by rotation in this manner shall not equal or exceed one half of the total number of the directors at the time of the relevant director's appointment. Currently, none of Harmony's executive directors is exempt from retirement under these provisions.

Board committees

To enable the board to properly discharge its onerous responsibilities and duties, certain responsibilities of the board have been delegated to board committees. The creation of committees does not reduce the directors' overall responsibility and therefore all committees must report and make recommendations to the board. All our board committees are chaired by an independent non-executive director, except for the Nomination Committee. All board committees report and make recommendations to the board regarding any issues that may arise. Furthermore, each board committee acts in accordance with its respective charter.

NON-EXECUTIVE DIRECTORS' ATTENDANCE AT BOARD MEETINGS FY06

Board	
Number of meetings held	4
Directors	
Patrice Motsepe (Chairman)	4
Frank Abbott	4
Joaquim Chissano	4
Fikile De Buck*	0
Dr Simo Lushaba	4
Modise Motloba	4
Cedric Savage	4

* Fikile De Buck was only appointed on 30 March 2006.

The various board committees are as follows:

AUDIT COMMITTEE

Members	Independent non-executive	Period
Cedric Savage (chairman as from 5 August 2005)	Yes	26 January 2004 to date
Fikile De Buck	Yes	30 March 2006 to date
Dr Simo Lushaba	Yes	24 January 2003 to date
Modise Motloba	Yes	30 July 2004 to date

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

The Audit Committee reports and makes recommendations to the board, but the board retains responsibility for implementing such recommendations. The Audit Committee fulfils the following responsibilities as set out in the Audit Committee Charter. Harmony believes that members of the committee are knowledgeable about the affairs of the company and have a working familiarity with basic finance and accounting practices. The chief executive, the financial director, the financial accountant, the company secretary and the executive: new business are invited to each meeting to answer any questions posed by the members of the committee. Frank Abbott, a non-executive, is also invited to every meeting because of the skills and expertise which he gained as the former financial director of Harmony.

Harmony does not have an individual 'audit committee financial expert' as defined by the rules of the SEC and in terms of the Sarbanes-Oxley Act. However, the Audit Committee members through their collective experience meet a majority of the definitions of the SEC for an 'Audit Committee financial expert' in both the private and public sectors. The members have served as directors and officers of numerous public companies and have over the years developed extensive experience, knowledge and understanding of generally accepted accounting principles, in overseeing the preparation, audit and evaluation of financial statements. Harmony believes that the combined knowledge, skills and experience of the Audit Committee, and their authority to engage outside experts as they deem appropriate to provide them with advice on matters related to their responsibilities, enable them, as a group, to act effectively in the fulfilment of their tasks and required responsibilities.

Their attendance of meetings is shown in the table on the previous page.

The Audit Committee is reviewed on an ongoing basis to ensure that the committee's duties and responsibilities are aligned with the requirements of and developments regarding corporate governance. The Audit Committee complies fully with its charter.

Responsibilities of the Audit Committee as set out in the Audit Committee Charter

General

- Review the group's strategic plan and strategic management process.
- Review the accounting policies adopted by the group and any proposed changes thereto.
- Review the adequacy of insurance coverage.
- Review the adequacy of the Disaster Recovery and Business Resumption plans.
- Consider any other matters which may be referred to the committee by the board from time to time.
- Periodic review and update of the charter, at least annually, or as conditions dictate.

Risk management

- The Audit Committee and the Risk Management Committee must facilitate risk assessments to determine the material risks to which the company may be exposed and to evaluate the strategy for managing those risks.
- Use the risk management strategy to prioritise and direct the audit effort, and to determine the skills required to manage these risks.
- The Audit Committee must review and assess the reports issued by the Risk Management Committee.
- Review whether the roles and responsibilities of the Risk Management Committee, as stated in the Risk Management policy, are effectively achieved.

External audit

- Review and approve the fees and other compensation to be paid to the external auditor. On an annual

basis, review and discuss with the external auditor all significant relationships the auditors have with the company to determine the auditor's independence.

- Approve any work to be done by the external auditor in respect of the Sarbanes Oxley Act, 2002, which does not fall within the normal scope of their audit.
- Periodically consult with the external auditor about internal controls and the completeness and accuracy of the group's financial statements.
- Review external audit reports to ensure that prompt action is taken by management in respect of those reports.
- Review any significant disagreement among management and the external auditor in connection with any external audit report.
- Evaluate the performance of the external auditor.

Financial and reporting processes

- Evaluate the financial statements of the company for reasonableness, completeness and accuracy, prior to issue and approval by the board.
- In consultation with the external auditors and the internal auditors, review the integrity of the company's financial reporting processes, both internal and external.
- Consider the external auditor's opinion about the quality and appropriateness of the company's accounting policies as applied in its financial reporting.
- Evaluate the performance of management in terms of financial reporting.

- Consider and approve, if appropriate, major changes to the company's auditing and accounting principles and practices as suggested by the external auditor, management, or the internal audit department.
- Pay particular attention to complex and/or unusual transactions.
- Review the non-financial sections of the annual report before its release and consider whether the information is understandable and consistent with the members' knowledge of the company and its operations.

Process improvement

- Establish regular and separate systems of reporting to the Audit Committee by senior management, the external auditor and the internal auditors regarding any significant judgements made and the view of each as to appropriateness of such judgements.
- Review with the external auditor, the internal auditing department and management the extent to which changes or improvements in financial/accounting practices or control environment, as approved by the Audit Committee, have been implemented. (This review should be conducted at an appropriate time subsequent to implementation of improvements, as decided by the committee.)

Ethics and legal compliance

- Review compliance with all laws, regulations, ethics, policies and rules.

Responsibilities of the Audit Committee as set out in the Audit Committee Charter cont.

- Review significant cases of employee conflicts of interest, misconduct, or fraud and the resolution of the cases.
- Review the internal audit's reports concerning any compliance reviews.
- Review periodically the company's code of conduct and ensure that management has established a system to enforce this code.
- Review management's monitoring of compliance with the company's code of conduct.
- Ensure that management has the proper review system in place to ensure that any activities, reports and other financial information disseminated meets legal requirements.
- Review with the company's counsel any legal matter that could have a significant impact on the company.
- Perform any other activities consistent with this charter, as the committee or the board deems necessary or appropriate.

Internal control

- Understand the company's key risk areas and the internal control structure. The committee should monitor the control process through the results of audits executed by the internal and external audit functions. The monitoring includes internal and external audit reviews of the adequacy and effectiveness of the company's internal control structure, and the quality of performance in carrying out assigned responsibilities. It also includes the extent to which resources are utilised in an efficient and economical manner and programmes carried out as planned.
- Report on the effectiveness of internal control in the annual report of the company.

- Consider how management is held to account for computer systems and contingency plans.

Responsibilities related to the internal auditing function

- Review and approve the Internal Audit Charter
- Concur with the appointment or removal of the internal audit manager, which includes any company to whom the internal audit function has been outsourced.
- Review the activities, organisational structure, and qualifications of the Internal Audit Department.
- Review internal audit plans, budgets and fees.
- Review the results of any audit work performed.
- Review any quality assurance reviews performed on the work of the Internal Audit Department.
- Ensure internal audit complies with the relevant rules and regulations.
- Ensure that the Internal Audit Department maintains its independence.
- Review and approve the internal audit reports to management and management's response thereto.
- Evaluate whether senior management is communicating the importance of internal control and the management of risk.

Reporting

- The Audit Committee must report and make recommendations to the board regarding any issues that may arise. The main board retains responsibility for implementing such recommendations.

Duties and responsibilities of the Nomination Committee

- Make recommendations to the Board on the appointment of new executive and non-executive directors, including alternate directors, making recommendations as to the composition of the board generally and the balance between executive and non-executive directors.
- Regularly review the required mix of skills of the board, experience and other qualities of the directors and alternate directors in order to assess the effectiveness of the board as a whole, its committees and the contribution of each director.
- Regularly review the board structure, size and composition and provide recommendations to the board with regard to any adjustments deemed necessary.
- Perform annual performance evaluations of the directors.
- Establish the retirement age for executive and non-executive directors.
- Identify and nominate candidates for the approval of the board, to fill board vacancies as and when they arise and to put in place plans for succession – in particular for the chairperson and chief executive.
- Investigate the eligibility of new directors for appointment and their backgrounds, along the lines of the approach required for listed companies by the JSE, prior to their appointment.
- Recommend directors who are retiring by rotation to be put forward for re-election.
- The committee chairperson to attend the annual general meeting and be prepared to answer questions concerning the appointment of executive and non-executive directors.

NOMINATION COMMITTEE

Members	Independent non-executive	Period
Patrice Motsepe	No	24 October 2003 to date
Nolitha Fakude*	Yes	1 January 2004 to 30 March 2006
Frank Abbott	No	5 August 2005 to date
Joaquim Chissano	Yes	3 May 2003 to date

* Nolitha Fakude resigned on 30 March 2006 due to her increased responsibilities as executive of a listed company.

The primary purpose of the Nomination Committee is to ensure that the procedures for appointments to the board are formal and transparent, by making recommendations to the board on all new board appointments and to review succession planning of directors. The duties and responsibilities of this committee are set out in the Nomination Committee Charter, with which the committee complies fully.

The committee must at all times consist of at least three members. The members are required to meet annually or more often at the committee's discretion, depending on the circumstances.

REMUNERATION COMMITTEE

Members	Independent non-executive	Period
Cedric Savage (chairman as from 3 May 2006)	Yes	24 January 2004 to date
Dr Simo Lushaba	Yes	5 August 2005 to date
Patrice Motsepe*	No	26 January 2004 to date

* Patrice Motsepe resigned as chairman of the Remuneration Committee on 2 May 2006 to comply with corporate governance recommendations regarding the independence of the Remuneration Committee chairman. He remained as a member of the Remuneration Committee.

In October 2005, the board resolved that the Remuneration Committee should meet at least quarterly. The Remuneration Committee comprises three independent non-executive directors. The primary purposes of the Remuneration Committee are to ensure that the group's directors and senior executives are fairly rewarded for their individual contributions to Harmony's overall performance, to demonstrate to all stakeholders that the remuneration of senior executive members of Harmony is set by a committee of board members who have no personal interest in the outcomes of their decisions and who will give due regard to the interests of the shareholders and to the financial and commercial health of Harmony. The Remuneration Committee's primary objectives are to serve as a party to monitor and strengthen the objectivity and credibility of Harmony directors' and senior executives' remuneration system and to make recommendations to the board on remuneration packages and policies applicable to directors.

Duties and responsibilities of the Remuneration Committee

- Annual review of remuneration policies for senior executives and directors.
- Annual review of the basis of calculation of senior executives' and directors' remuneration to ensure that it is reasonable.
- Review of current industry practice and professional executive recruitment organisations' publications.
- Review of the different methods of remunerating senior executives and directors.
- Review of existing and proposed fringe benefits and share option schemes;
- Review of retirement and termination payments.
- Review of related party transactions and disclosure, if any.
- Make recommendations to the board on remuneration packages and policies applicable to the directors.
- Approve the allocation of share options in terms of the Share Option Schemes and/or incentives in respect of any other incentive plan.
- Act as trustees of the Harmony Share Trust.

Duties of the Sustainable Development Committee

- Guide management in developing the framework, policies and guidelines for safety, health, social investment, HIV/Aids and environmental management.
- Review the policies and performance in respect of sustainable development of the company, its divisions and its managed subsidiaries, and the progressive implementation of its policies.
- Monitor key indicators on accidents and incidents and, where appropriate, ensure that they are communicated to other companies managed by or associated with the company.
- Consider material national and international regulatory and technical developments in the fields of safety, health, social, HIV/Aids and environmental management.
- Support management's facilitated participation, co-operation and consultation on safety, health, social, HIV/Aids and environmental matters with government, industry, national and international organisations and institutions.

Duties and responsibilities of the Empowerment Committee

- Ensuring that a sustainable organisational culture, structures and processes are in place that will support the development of empowerment in the company in line with the company's needs and requirements.
- Auditing and monitoring the development and progress of empowerment within the company.
- Addressing inequalities that may exist in staff profiles and organisational practices.
- Reviewing and monitoring whether appropriate support is given to previously disadvantaged staff in order to equip them for successful careers in the company.

A formal reward philosophy was adopted by the Remuneration Committee in March 2006. This philosophy will be reviewed annually by the committee.

Three meetings were held during the financial year, at which a majority of the members were present. The objectives, role, responsibilities, authority, membership and meeting requirements of the committee are set out in the Remuneration Committee's charter, with which the committee complies fully.

SUSTAINABLE DEVELOPMENT COMMITTEE

Member	Independent non-executive	Period
Modise Motloba (chairman)	Yes	5 August 2005 to date
Nolitha Fakude*	Yes	24 January 2003 to 30 May 2006
Joaquim Chissano	Yes	3 May 2006 to date
Fikile De Buck	Yes	3 May 2006 to date

* Read together with table on page 145 regarding directorate appointments, resignations and retirement.

The objective of the Sustainable Development Committee is to assist the board in ensuring that Harmony is and remains a committed socially responsible corporate citizen. The committee's primary role is to supplement, support, advise and provide guidance on the effectiveness or otherwise of management's efforts in respect of sustainable development. The committee considers sustainable development issues as, in particular, health and safety, HIV/Aids, social investment and environmental management. The Sustainable Development Committee complies fully with its charter.

The Sustainable Development Committee meets at least four times a year, or more frequently as circumstances dictate. Three meetings were held during the year which were attended by a majority of the members. (See the attendance table on page 109.)

EMPOWERMENT COMMITTEE

Member	Independent non-executive	Period
Nolitha Fakude *	Yes	26 January 2004 to 30 May 2006
Joaquim Chissano (chairman)	Yes	3 May 2006 to date
Modise Motloba	Yes	30 July 2004 to date
Bernard Swanepoel	No	3 May 2006 to date

* Read together with table on page 145 regarding directorate appointments, resignations and retirements.

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

The responsibilities and duties of the Empowerment Committee include meeting at least once a year or more often should the need arise. One meeting was held in FY06 and it is planned that in future this committee should meet on a quarterly basis.

INVESTMENT COMMITTEE

Members	Independent non-executive	Period
Dr Simo Lushaba (chairman as from 5 August 2005)	Yes	26 January 2004 to date
Frank Abbott	No	30 July 2004 to date
Fikile De Buck	Yes	3 May 2006 to date
Cedric Savage (former chairman)	Yes	26 January 2004 to date

The Investment Committee was established to focus on annual capital projects, strategic and operational plans and any acquisitions, thereby assisting the board with regard to these matters. The primary purpose of the Investment Committee is to ensure that the capital projects have been adequately reviewed and budgeted for, due diligence and any other procedures for mergers and acquisitions have been followed, and cognisance has been taken of BEE requirements.

The Investment Committee has four non-executive members, three of whom are independent. The committee meets at least twice a year, but may, at its discretion, meet more often depending on the circumstances. The Investment Committee's terms of reference set out the purpose, responsibilities and duties, authority, membership and frequency of meetings of the committee. This committee complies fully with its charter.

Duties and responsibilities of the Investment Committee

- Considering the viability of the capital project and/or acquisition and the effect it may have on the company.
- Making recommendations to the board as to whether or not to proceed with a particular capital project. During significant mergers and acquisitions the following shall be considered:
 - auditing and monitoring the development and progress of investments;
 - ensuring that due diligence procedures have been followed; and
 - reviewing the due diligence procedures.



Five Investment Committee meetings were held during the financial year.

Company secretary

Harmony's Company Secretary, Marian van der Walt, plays a pivotal role in the achievement of good corporate governance and the board has empowered her accordingly. The company secretary supports the chairman in:

- ensuring the effective functioning of the board;
- providing guidance to the chairman and the board and the directors of Harmony's subsidiaries on their responsibilities and duties within the prevailing regulatory and statutory environment;
- providing the board with guidance as to how they can, in the best interest of Harmony, discharge these responsibilities and duties; and
- raising matters that may warrant the attention of the board.

Marian van der Walt is also the executive responsible for legal matters, compliance and risk management and she ensures compliance with all relevant statutory and regulatory requirements, having due regard for the specific business interests of Harmony. In addition, she assists in carrying out corporate strategies by ensuring that the board's decisions and instructions are clearly communicated to the relevant persons, and is available to provide a central source of guidance and advice within Harmony on matters of ethics and good governance.

Management committees

The following committees, which meet either weekly, bi-weekly or once a month, exist within the executive team:

Committee name	Dealing with:
Brand Committee	Deals with all matters relating to the Harmony brand. Meets monthly.
Ethics Committee	Reviews gift registers on a quarterly basis and discuss matters relating to ethics in the company. Instituted in May 2006.
Exco Committee	The executive committee meets on a monthly basis to discuss company strategy, operational results and major projects.
Mining Rights Conversion Committee	Oversees the mining rights conversion process. Instituted in February 2006, and required to meet monthly.
Operational Review Committee	Oversees the execution of detailed shaft plans, employee relations, procurement, costs and cash flows.
Ibandla (which means 'Meeting of leaders')	The Ibandla deals with all operational issues and safety. This meeting is held monthly and attended by mine managers, the chief executive and the financial director.

Risk management

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

The Harmony board has committed the organisation to a process of risk management that is aligned to the principles of the King II Report. The features of this process are outlined in the group's Risk Policy Framework. All group divisions, operations and processes are subject to the risk policy framework.

Harmony recognises that risk in business is a complex and diverse concept, and that there are many parts of the organisation working at managing risk exposures. These parts work together in a consistent and integrated manner with the overall objective of reducing risk as far as reasonably practicable.

Different risk-related or assurance-provider functions align the various goals and reporting processes into one cohesive and structured framework. All of the organisation's business, financial, technological, legal and operational risk exposures, whether they are insurable or not, are identified, assessed and appropriately managed. Harmony's risk strategy considers various risk functions as it determines aspects such as risk tolerance limits and capital allocation processes.

All risk management efforts are focused on supporting the group's business objectives. Equally, it ensures compliance with relevant legislation, and fulfils the expectations of employees, communities, shareholders and other stakeholders in terms of corporate governance.

Effective risk management is imperative to an organisation with Harmony's risk profile. The realisation of the company's business strategy depends on it being able to take calculated risks in a way that does not jeopardise the direct interests of stakeholders. Sound management of risk through Harmony's enterprise risk management system enables the company to anticipate and respond to changes in our business environment, as well as take informed decisions in conditions of uncertainty. Risk registers have been rolled out at most of our operations, making it easier for the identification of the various risks and opportunities within Harmony. The subject of risk has been included as an agenda item for management meetings.

An Enterprise Risk Management Committee was established in April 2005. This committee consists of the financial director, the chief risk officer, the company secretary, the group engineer and the treasurer (responsible for insurance). The committee meets quarterly to discuss the various risks detected by the risk registers and report their findings to the Audit Committee.

In addition to the risk registers, action plans have been developed and prioritised to minimise the risks in Harmony to an acceptable level: for example, a toll-free line for whistle-blowing is available to all employees (including contractors and suppliers) and open communication between employees and management is encouraged.

A succession plan is also in place, should circumstances arise that may have a substantial influence on the company's management structure.

Risk factors

As part of its risk management process, Harmony has identified the following risk factors. Also as part of this process, Harmony has put in place measures to limit and mitigate these risks, as far as this is possible and practicable. These risks are reported in the company's Form 20F which is filed with the US Securities Exchange Commission (SEC) and, in the interests of comprehensive and good disclosure, we report on these risks in this annual report as well.

The profitability of Harmony'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.

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

- the demand for gold for industrial uses and for use in jewellery;
- international or regional political developments and economic trends;
- the strength of the US dollar (the currency in which gold prices generally are quoted) and of other currencies;
- financial market expectations regarding the rate of inflation;
- interest rates;
- speculative activities;
- actual or expected purchases and sales of gold bullion by central banks or other large gold bullion holders or dealers;
- forward sales by other gold producers (because Harmony does not normally enter into forward sales, derivatives or other hedging arrangements to establish a price in advance for the sale of its future gold production, Harmony is not protected against decreases in the gold price and if the gold price decreases significantly, Harmony runs the risk of reduced revenues in respect of any gold production that is not hedged); and
- the production and cost levels for gold in major gold-producing countries, such as South Africa, other African countries (Ghana, Tanzania and Mali) and Australia.

In addition, the current demand for and supply of gold affects the price of gold, but not necessarily in the same manner as current demand and supply affect the prices of other commodities.

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

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



PRICE PER OUNCE

Year	High (\$)	Low (\$)	Average (\$)
1996	418	378	398
1997	390	330	360
1998	339	276	308
1999	305	357	331
2000	338	252	295
2001	298	254	276
2002	330	264	297
2003	389	302	345
2004	431	340	385
2005	457	389	423
2006 (through to 12 September)	730	418	574

On 30 June 2006, the afternoon fixing price of gold on the London Bullion Market was \$614 per ounce. On 13 September 2006, the afternoon fixing price of gold on the London Bullion Market was \$590.70 per ounce.

While the aggregate effect of these factors is impossible for Harmony to predict, if gold prices should fall below Harmony's cash operating cost of production and remain at such levels for any sustained period, Harmony may experience losses and may be forced to curtail or suspend some or all of its operations. In addition, Harmony would also have to assess the economic impact of low gold prices on its ability to recover any losses it may incur during that period and on its ability to maintain adequate reserves. Harmony's average cash operating cost of production per ounce of gold sold was approximately R93 968/kg in FY06, R81 839/kg in FY05 and R79 599/kg in FY04.

As most of Harmony's production costs are incurred in rands and the gold we produce is sold in US dollars, Harmony's financial condition could be materially harmed by an appreciation in the value of the rand against the US dollar.

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

The rand depreciated slightly overall in FY06 after having appreciated significantly against the US dollar generally since the end of calendar year 2001. The latter appreciation followed a period of significant depreciation against the US dollar between 1997 and 2001. Harmony's operating environment has been severely influenced by the stronger rand, which has appreciated 30% against the US dollar since 2002, and has had a negative impact on the company's short-term profitability.

Part of Harmony's strategy depends on its ability to make additional acquisitions.

In order to increase Harmony's gold production and acquire additional reserves, Harmony continually explores opportunities to expand its production base by acquiring selected gold producers and mining operations. However, Harmony cannot guarantee that:

- it will be able to identify appropriate acquisition candidates or negotiate acquisitions on favourable terms;
- it will be able to obtain the financing necessary to complete future acquisitions; or
- the issuance of Harmony's ordinary shares or other securities in connection with any future acquisition will not result in a substantial dilution in ownership interests of holders of Harmony's securities.



As at 30 June 2006, Harmony's mining operations reported total proven and probable reserves of 56.2Moz. If Harmony is unable to acquire additional gold producers or generate additional proven and probable reserves at Harmony's existing operations or through its exploration activities, Harmony cannot be certain that it will be able to expand or replace its current production with new reserves in an amount sufficient to guarantee its mining operations beyond the current life of its reserves.

Estimates of Harmony's gold reserves are based on several assumptions, including those related to mining and recovery factors, future cash costs of production and the price of gold, and may yield less gold under actual production conditions than currently estimated.

The ore reserve estimates contained in this annual report are estimates of the mill delivered quantity and grade of gold in Harmony's deposits and stockpiles. They represent the amount of gold which Harmony believes can be mined, processed and sold at prices sufficient to recover its estimated future cash costs of production, remaining investments and anticipated additional capital expenditures. Estimates of Harmony ore reserves are based upon a number of factors, which have been stated in accordance with SEC Industry Guide 7 and SAMREC. These factors include estimates of future cash operating costs and future gold prices and, because Harmony's gold sales are primarily in US dollars and we incur most of our cash operating costs in rands, these factors also include estimates of the exchange rate between the rand and the US dollar and, in the case of our Australian operations, of the Australian dollar versus the US dollar. As a result, the reserve estimates contained in this annual report should not be interpreted as assurances of the economic life of Harmony's gold deposits or the profitability of its future operations.

Since ore reserves are only estimates that Harmony makes based on the above factors, Harmony may in future need to revise these estimates. In particular, if Harmony's cash costs of production increase (whether in terms of the rand, the Australian dollar, or in relative terms due to the appreciation of the rand or the Australian dollar against the US dollar), or the gold price decreases, the recovery of a portion of Harmony's ore reserves may become uneconomical. This will force Harmony to lower its estimated reserves.

To maintain gold production beyond the expected lives of Harmony's existing mines or to increase production materially above projected levels, Harmony will need to access additional reserves through exploration or discovery.

Harmony's operations have limited proven and probable reserves, and exploration and discovery are necessary to maintain current gold production levels at these operations. Exploration for gold and other precious metals is speculative in nature, is frequently unsuccessful and involves many risks, including those related to:

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

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

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



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

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

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

Harmony has addressed growth through the recent expansion of its exploration activities. The company currently maintains a range of focused exploration programmes, concentrating on areas not too distant from its operation mines, as well as a number of prospective known gold mineralised regions around the world. During FY06, the bulk of exploration expenditure was allocated to activities in Australia, PNG and South Africa. However, there is no assurance that any future development projects will extend the life of Harmony's existing mining operations or result in any new commercial mining operations.

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

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

- difficulties in assimilating the operations of the acquired business;
- difficulties in maintaining the financial and strategic focus of Harmony while integrating the acquired business;
- problems in implementing uniform standards, controls, procedures and policies;
- increasing pressures on existing management to oversee a rapidly expanding company; and
- to the extent Harmony acquires mining operations outside South Africa or Australia, difficulties may be encountered relating to operating in countries in which Harmony has not previously operated.

Any difficulties or time delays in successfully integrating new acquisitions may have a material adverse effect on Harmony's business, operating results, financial condition and share price.

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

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

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

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

- flooding of the open pit;
- collapse of the open-pit walls;
- accidents associated with the operation of large open-pit mining and rock transportation equipment; and
- accidents associated with the preparation and ignition of large-scale open-pit blasting operations.

Hazards associated with waste-rock mining include:

- accidents associated with operating a waste dump and rock transportation; and
- production disruptions due to weather.

Harmony risks experiencing any and all of these environmental or other industrial hazards. The occurrence of any of these hazards could delay production, increase cash operating costs and result in financial liability to the company.

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

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

The results of Harmony's South African and Australasian operations may be negatively impacted by inflation.

Harmony's operations have been materially affected by inflation in recent years. Even though the inflation rate has decreased over the last three years, working costs and especially wages have increased above inflation over the past three years resulting in significant cost pressures on the mining industry. Harmony's profits and financial condition could also be affected adversely in the absence of a concurrent devaluation of the rand and a decrease in the price of gold.

The socio-economic framework in the regions in which we operate may have an adverse effect on Harmony's operations and profits.

It is difficult to predict the future political, social and economic changes in South Africa, Australia, PNG, or any other country in which we operate, and the impact which government decisions may have on our business.

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

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

- is generally not permitted to export capital from South Africa or to hold foreign currency without the approval of the South African exchange control authorities;
- is generally required to repatriate to South Africa profits of foreign operations; and
- is limited in its ability to use profits of one foreign business to finance operations of another foreign business.



These restrictions could hinder Harmony's normal corporate functioning. While exchange controls have been relaxed in recent years, it is difficult to predict whether or how the South African government will further relax the exchange control regulations in the future.

Since Harmony's South African labour force has substantial trade union participation, Harmony faces the risk of disruption to its operations arising from labour disputes and new South African labour laws.

Despite a history of positive and constructive engagement with labour unions, there are periods during which the various stakeholders are unable to agree on dispute resolution processes. Disruptive activities on the part of labour, which normally differ in intensity, then become unavoidable. Due to the high level of union membership among Harmony's employees, approximately 86%, Harmony is at risk of having, and did experience in fiscal 2005 for example, production stoppages for indefinite periods due to strikes and other labour disputes. Significant labour disruptions have affected our operations and financial condition and we are not able to predict whether or not we will experience significant labour disputes in the future.

Our production may also be materially affected by labour laws. South African labour laws regulate work time, provide for mandatory compensation in the event of termination of employment for operational reasons, and impose large monetary penalties for non-compliance with administrative and reporting requirements in respect of affirmative action policies, and could result in significant costs. In addition, future South African labour legislation and regulations may further increase our cash costs of production or alter our relationship with our employees. Harmony may continue to experience significant changes in labour law in South Africa over the next several years.

HIV/Aids poses risks to Harmony regarding productivity and costs.

The incidence of HIV/Aids in South Africa and PNG, which is forecast to increase over the next decade, poses risks to Harmony in terms of potentially reduced productivity and increased medical and other costs. Harmony expects increases in the incidence of HIV/Aids infection and HIV/Aids-related diseases among the workforce over the next several years and this may have an adverse impact on Harmony's operations, projects and financial status. This expectation, however, is based on assumptions about, among other things, infection rates and treatment costs which are subject to material risks and uncertainties beyond Harmony's control. As a result, actual results may differ from the current estimates.

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

Occupational health care services are available to Harmony's employees from its existing health care facilities in South Africa. There is a risk that the cost of providing such services may increase in future depending on changes in the nature of underlying legislation and the profile of Harmony's employees. This increased cost, should it transpire, is currently indeterminate. Harmony has embarked on a number of interventions focused on improving the quality of life of Harmony's workforce, although there can be no guarantee that such initiatives will not be adversely affected by increased costs. See the section on Health on page 36 in the Sustainable Development report.

Laws governing mineral rights ownership have changed in South Africa.

Harmony is governed by the South African Mineral and Petroleum Resources Development Act 2002, or Minerals Act. The principal objectives set out in the Act are:

- to recognise the internationally accepted right of the state of South Africa to exercise full and permanent sovereignty over all the mineral and petroleum resources within South Africa;
- to give effect to the principle of the State's custodianship of the nation's mineral and petroleum resources;
- to promote equitable access to South Africa's mineral and petroleum resources to all the people of South African and redress the impact of past discrimination;
- to substantially and meaningfully expand opportunities for historically disadvantaged persons, including women, to enter the mineral and petroleum industry and to benefit from the exploitation of South Africa's mineral and petroleum resources;
- to promote economic growth and mineral and petroleum resources development in South Africa;
- to promote employment and advance the social and economic welfare of all South Africans;
- to provide security of tenure in respect of prospecting, exploration, mining and production operations;
- to give effect to Section 24 of the South African Constitution by ensuring that South Africa's mineral and petroleum resources are developed in an orderly and ecologically sustainable manner while promoting justifiable social and economic development;
- to follow the principle that mining companies keep and use their mineral rights, with no expropriation and with guaranteed compensation for mineral rights; and
- to ensure that holders of mining and production rights contribute towards the socio-economic development of areas in which they are operating.

Under the Act, tenure licences over established operations will be secure for 30 years (and renewable for 30 years thereafter), provided that mining companies obtain new licences over existing operations within five years of the date of enactment of the Act and fulfil requirements specified in the Broad-Based Socio-Economic Empowerment Charter for the South African Mining Industry, or the Mining Charter.

The principles contained in the Mining Charter relate to the transfer of 26% of South Africa's mining assets to historically disadvantaged South Africans, or HDSAs. Under the Mining Charter, the South African mining industry has committed to secure the financing to fund participation by HDSAs. The Mining Charter provides for the review of the participation process after five years to determine what further steps, if any, are needed to achieve the 26% target participation. The Mining Charter requires programmes for black economic empowerment and the promotion of value-added production, such as jewellery-making and other gold fabrication, in South Africa. The Mining Charter also sets out targets for broad-based black economic empowerment in the areas of human resources, skills development, employment equality, procurement and beneficiation. In addition, the Mining Charter addresses other socio-economic issues, such as migrant labour, housing and living conditions.

Harmony actively carries out mining and exploration activities in all material areas of its mineral rights. Three of Harmony's operations have been granted their mining licences. We have applied for new licences over all of our existing operations and await approval. We have taken steps to comply with the provisions of the Mining Charter and the MPRDA, such as promoting value-added production, exploring black empowerment initiatives and increasing worker participation. We expect more costs involved in compliance with the Mining Charter to lead to increased cash operating costs, which may have an adverse impact on the profits generated by Harmony's operations in South Africa. However, many positive intrinsic benefits have flowed to the company, in keeping to the spirit of the charter.

The Act also makes reference to royalties payable to the state in terms of an Act of Parliament, known as the Money Bill, which was made available for public comment. The introduction of the Money Bill will have an adverse impact on the profits generated by Harmony's operations in South Africa. In terms of the draft regulations, royalties will only be payable from 2009.

In Australia, most mineral rights belong to the government, and mining companies pay royalties to government based on production. There are, however, limited areas where government has granted freehold estates without reserving mineral rights. Harmony's subsidiary, New Hampton, has freehold ownership of its Jubilee mining areas, but the other mineral rights in Harmony's Australasian operations belong to the Australian and Papua New Guinea governments and are subject to royalty payments. In addition, current Australian law generally requires native title approval to be obtained before a mining licence can be granted and mining operations can begin. New Hampton and Hill 50 have approved mining leases for most of their reserves, including all reserves that are currently being mined. Should New Hampton or Hill 50, or any of our initiatives in Papua New Guinea or other exploration areas, desire to expand operations into additional areas under exploration, these operations would need to convert the relevant exploration licences prior to the start of mining, and that process could require native title approval. There can be no assurance that any approval would be received.



Harmony is subject to extensive environmental regulations.

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

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

In the future, Harmony may incur significant costs associated with complying with more stringent requirements imposed under new legislation and regulations. This may include the need to increase and accelerate expenditure on environmental rehabilitation and alter provisions for this expenditure, which could have a material adverse effect on Harmony's results and financial condition. Harmony may also face increased environmental costs resulting from other mines adjacent to Harmony's mines failing to meet their obligations with regard to the pumping or treatment of water.

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

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

Harmony cannot guarantee to pay cash dividends to its shareholders in the near future.

While it is the intention of Harmony to declare and pay cash dividends, it is its policy to only do so if profits and funds are available for that purpose. Whether or not funds are available depends on a variety of factors, including the amount of cash available, and on capital expenditures and other cash requirements existing at that time. Under South African law, cash dividends may only be paid out of retained or current profits. We did not declare a cash dividend in FY06 and we cannot guarantee that cash dividends will be paid in the future.

Non-South African shareholders of Harmony face additional investment risk from currency exchange rate fluctuations since any dividends declared will be paid in rands.

Dividends or distributions with respect to Harmony's ordinary shares have historically been paid in rands. The US dollar equivalent of any dividends or distributions with respect to Harmony's ordinary shares would be adversely affected by potential future decreases in the value of the rand against the US dollar. As at the end of FY06, the value of the rand relative to the US dollar had decreased by 7.50% compared with the closing rate for FY05.

Because Harmony has a significant number of outstanding options, Harmony's ordinary shares are subject to dilution.

On 30 June 2006, Harmony had an aggregate of 1 200 000 000 ordinary shares authorised to be issued and, at that date, an aggregate of 396 934 450 ordinary shares were issued and outstanding. Harmony also has employee share option schemes. The employee share option schemes came into effect in 1994, 2001 and 2003 respectively. At 30 June 2006, options to purchase a total of 12 741 307 ordinary shares were outstanding. The exercise prices of these options vary between R22.90 and R93.00. As a result, shareholders' equity interests in Harmony are subject to dilution to the extent of the future exercises of the options.

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

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

- the court that pronounced the judgment had jurisdiction to entertain the case according to the principles recognised by South African law with reference to the jurisdiction of foreign courts;
- the judgment is final and conclusive;
- the judgment has not lapsed;
- the recognition and enforcement of the judgment by South African courts would not be contrary to public policy, including observance of the rules of natural justice which require that the documents initiating the United States proceeding were properly served on the defendant and that the defendant was given the right to be heard and represented by counsel in a free and fair trial before an impartial tribunal;
- the judgment does not involve the enforcement of a penal or revenue law; and
- the enforcement of the judgment is not otherwise precluded by the provisions of the Protection of Business Act 99 of 1978, as amended, of the Republic of South Africa.

Compliance with new and changing corporate governance and public disclosure requirements adds uncertainty to our compliance policies and increases our cost of compliance.

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

In particular, our efforts to comply with Section 404 of the Sarbanes-Oxley Act of 2002 and related regulations regarding our required assessment of our internal controls over financial reporting and our external auditors' audit of that assessment, requires the commitment of significant financial and managerial resources. Our independent auditors may be unable to issue unqualified attestation reports on management's assessment of the operating effectiveness of our internal controls over financial reporting should there be any material misrepresentation as a result of control deficiencies.

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

Code of ethics

The Harmony Code of Ethics has been developed to respond to the challenge of ethical conduct in a business environment. The Code of Ethics goes beyond the company's legal and institutional responsibilities by formalising Harmony's values. The purpose of the code is to guide employees' behaviour, not to provide specific answers to every conceivable situation in the workplace.

We approached the development of the Code of Ethics in a fully inclusive manner, with broad consultation and information gathering at all levels of the company. Employees have been kept fully informed about the Code of Ethics and all employees are expected to comply with its contents. (The term 'employees' is used in the broadest sense and includes all staff with whom a service contract exists, including management, non-management, directors, contractors, consultants, suppliers and temporary staff.) Harmony's Code of Ethics can be viewed on the website: www.harmony.co.za

An Ethics Committee was formed in May 2006, which consists of the company secretary, the human resources executive and the executive operational finance. This committee is required to meet quarterly to monitor the gift registers and any reported unethical behaviour. The code of ethics is reviewed annually by the board.

Restrictions on share dealings

Harmony employees and directors are prohibited from dealing in Harmony shares during price sensitive periods. The company secretary regularly distributes written notices, via e-mail, to advise employees and directors of restricted periods. Each employee is obliged, in terms of regulatory and

governance requirements, to disclose any personal dealings in Harmony shares by them or those by their concert parties to the company secretary. A formal clearance procedure in respect of directors' dealing in Harmony shares also exists.

Internal control and internal audit

Harmony has established an Internal Audit Function, which has been outsourced to KPMG Management Assurance Services. Internal Audit is an independent appraisal function established by the board to evaluate the adequacy and effectiveness of controls, disciplines, systems and procedures, within Harmony, in order to reduce business risks to an acceptable level in a cost-effective manner. In achieving its independent organisational status, the Internal Audit reports to the Audit Committee. The relationship between the Audit Committee and the Internal Audit Function encompasses reporting and oversight relationships.

Audits are conducted in accordance with the Code of Ethics and Standards of the Professional Practice of Internal Auditing as laid down by the Institute of Internal Auditors, Inc. Although the role of Internal Audit is to review internal controls, systems, procedures, risks etc., management, and ultimately, the board retain full responsibility for ensuring that Harmony maintains an appropriate framework of controls to reduce business risks to an acceptable level. Except for minor matters, the board is satisfied that Harmony's internal controls are more than adequate in safeguarding its assets, preventing and detecting errors and fraud, ensuring the accuracy and completeness of accounting records, and preparing reliable financial statements.

Worker participation

Harmony has worker participation structures in place to deal with issues that affect employer/employee relations by encouraging open communication, consultation and the identification and resolution of conflicts through workplace forums. These structures deal with issues relating to productivity, career security, interaction with labour in accordance with regulations and legislation, and identification with the company. Harmony is committed to maintaining a positive relationship with unions and associations.

Information management

Accurate and reliable records are maintained to meet Harmony's legal and financial obligations and to manage the affairs of the company. All Harmony's shareholders and stakeholders have access to the Information Manual required in terms of the Promotion of Access to Information Act via the website.

Sustainable development report

An important development brought about through King II is the integration of financial and non-financial reporting, where the latter includes reporting on the economic, social and environmental impacts of the company, the so-called 'triple bottom line'. Harmony is pleased to report that it has qualified for the JSE's Socially Responsible Index for the third consecutive year.

As recommended by King II, Harmony has adopted the Global Reporting Initiative (GRI) guidelines as a basis for its sustainable development reporting. Harmony is supportive of the principles embodied within GRI reporting, and has adopted an incremental approach towards GRI reporting. An index

indicating those areas that are reported on this year, those areas where the systems are not currently in place for reporting, and the areas that are not applicable to the company, is provided. Harmony's Sustainable Development Report for FY06 has been produced as a separate document and is available on the company's website or as a printed document on request.

As a South African company, Harmony also reports on its compliance with the Mining Charter Scorecard. All of the issues dealt with in the scorecard are covered in the Sustainable Development Report.

The Sarbanes-Oxley Act of 2002

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

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

Section 404

Section 404 requires management to develop and monitor procedures and controls to make known and available its required assertion about the adequacy of internal controls over financial reporting, as well as the required attestation by an external auditor of management's assertion. In order to comply with Section 404 of the Act, Harmony's management has developed and is in the process of implementing an effective and efficient assessment process to manage reporting obligations in a way that will ensure public trust.

Such certification is required by the Act from the end of FY07 and the necessary processes are being implemented within Harmony to meet this deadline.

The Section 404 assessment process entails the following:

- Phase 1: Scoping
- Phase 2: Documentation
- Phase 3: Testing and Remediation
- Phase 4: Evaluation and Reporting

Phase	
Phase 1: Scoping	<ul style="list-style-type: none"> ■ The scoping of significant accounts, disclosures and processes, which have an impact on the financial statements, is complete.
Phase 2: Documentation	<ul style="list-style-type: none"> ■ The documentation phase is complete. ■ Each documented process was reviewed at Control Group meetings held with the process owners. Thereafter, the Technical Review members reviewed the documented processes to establish whether internal controls were properly designed.
Phase 3: Testing and Remediation	<ul style="list-style-type: none"> ■ The process for testing operating effectiveness is complete. ■ Testing results were reviewed at Technical Review meetings held throughout the testing period. ■ Testing and remediation were done simultaneously and all design and operating effectiveness deficiencies are being addressed, and appropriate corrective actions are being implemented. ■ All deficiencies identified were evaluated and classified into categories such as: <ol style="list-style-type: none"> 1. internal control deficiencies, 2. significant deficiencies, and 3. material weakness deficiencies.
Phase 4: Evaluation and Reporting	<ul style="list-style-type: none"> ■ Harmony's chief executive and chief financial officer will be required to confirm that the internal controls in Harmony are adequate and do not result in any material misstatements in the annual report in FY07.

The cycle of the Sarbanes-Oxley process is continuing with the updating of process documentation and testing of controls to ensure compliance by FY07. The roll-out of the project, which includes training and awareness creation, to the rest of the Harmony group has begun.

Although the prescriptions of the Sarbanes-Oxley are much publicised in the United States, Harmony has always subscribed to honest, transparent and timeous reporting.

Significant ways in which Harmony's corporate governance practices differ from practices followed by 115 companies listed on the NYSE under section 303A.11 of the New York Stock Exchange Listed Company Manual (the NYSE Listing Standards).

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

Statement of responsibility of the Board of Directors

The directors of Harmony are responsible for the preparation, integrity, and fair presentation of the financial statements of Harmony Gold Mining Company Limited (Harmony) and its subsidiaries. The financial statements presented on pages 154 to 232 have been prepared in accordance with International Financial Reporting Standards (IFRS). In addition, the accounts include amounts based on judgements and estimates made by management.

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

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

Harmony and its subsidiaries operate in a well-established control environment, which is well documented and regularly reviewed. This incorporates risk management and internal control procedures, which are designed to provide reasonable, but not absolute, assurance that assets are safeguarded and the risks facing the group are being controlled. The Sarbanes-Oxley compliance project assisted in identifying potential deficiencies in control. See page 133 for more information on Sarbanes-Oxley compliance. This risk management process was followed to the date of approval of the annual financial statements.

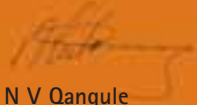
The going-concern basis has been adopted in preparing the financial statements. The directors have no reason to believe that the group or any company within the group will not be going concerns in the foreseeable future, based on forecasts and available cash resources. These financial statements support the viability of the company and the group.

The Code of Corporate Practices and Conduct has been adhered to.

The group's external auditors, PricewaterhouseCoopers Incorporated, audited the financial statements, and their report is presented on page 153.

The financial statements were approved by the Board of Directors on 13 September 2006, and signed on its behalf by:


Z B Swanepoel
Chief Executive
Virginia, South Africa
September 2006


N V Qangule
Financial Director

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2006

The company and its subsidiaries

Harmony and its subsidiaries and associates conduct underground and surface gold mining and related activities, including exploration, processing, smelting, refining and beneficiation. Harmony's principal mining operations are located in South Africa and Australia, with exploration and evaluation programmes in Papua New Guinea and Peru.

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

Financial statements and results

The directors have pleasure in submitting the financial statements of the company, together with those of the group, for the year ended 30 June 2006. These appear on pages 154 to 232 of this report. These financial statements have been prepared using appropriate accounting policies and conform to International Financial Reporting Standards, supported by reasonable and prudent judgements and estimates where required.

There was a significant improvement in performance due to the increase in cash operating profit which resulted from the higher gold price. Group revenue increased by 3% from R7.82 billion in the previous year to R8.04 billion in FY06. This was on the back of a significant increase in the rand gold price received, however kilograms produced decreased from 92 230kg in 2005 to 74 242kg in 2006.

Cash operating profits increased by 68% to R1.46 billion in FY06 (FY05: R869 million) resulting in a net loss of R525 million, compared with a loss of R3.21 billion in the previous year. Headline loss amounted to R1.06 billion (FY05: R1.24 billion loss), which is equivalent to a headline loss per share of R2.69 (FY05: R3.42 loss per share). The reduction in net loss can be attributed to an increase in revenue, a reversal on impairment of fixed assets of R216 million (FY05: impairment of R1 513 million), a profit on the sale of Gold Fields shares of R307 million (FY05: loss of R372 million) as well as a credit in employment termination and restructuring costs of R78 million (FY05: expenditure of R453 million).

Change in accounting policy

Capitalising mine development cost: 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 cash operating cost. Under the revised accounting policy expenditure for all development incurred after intersecting 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:

- it aligns its policy with those of its peers in the global mining industry;
- allows for a direct link between revenue and associated expenditure;
- allows for a better componentisation; and
- the additional costs capitalised under the revised policy meet the definition of an asset.

The impact of this adjustment on the net loss is fully disclosed in the notes to the financial statements (Please refer to note 1(c) of the financial statements, Change in accounting policy).

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 on the net loss is fully disclosed in the notes to the financial statements (Please refer to note 1(b) of the financial statements, Implementation of new accounting policy)



Going concern

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

Capital

Full details of the authorised, issued and unissued share capital of the company as at 30 June 2006 are set out in the statements of shareholders' equity on page 156 of this report. Year-on-year the issued share capital of the company increased by R1 796 628 to R198 467 225.00 which is equal to 3 593 256 newly issued ordinary shares of 50 cents each. The increased amount is mainly owing to the exercise of share options under the company's share option schemes. The control over the unissued shares of the company is vested in the directors in specific terms as regards allotments in terms of the various Harmony Share Option Schemes and shares for cash.

The authorities granted to directors in respect of control over the unissued shares expire on the date of the annual general meeting of members to be held on 10 November 2006. Members, therefore, will be requested to consider resolutions at the forthcoming annual general meeting, placing under the control of the directors 10% of the then remaining unissued ordinary shares not required for purposes of the share option schemes.

Members will furthermore be requested to furnish general approval for the acquisition by the company of its issued shares in terms of Section 85 of the Companies Act, 1973 and subject to the listing requirements of the JSE Limited.

The full text of the proposed resolutions is contained in the notice of the annual general meeting (enclosed).

Investments

A schedule of investments in subsidiaries, associates and listed and unlisted investments, appears on pages 230 to 232 of this report.

Contingencies

Action, in respect of silicosis claims, 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, 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 Occupational Diseases and Mine Works Act (unlike other similar legislation) does not contain a clause precluding employees from instituting claims against employers for damages arising from an occupational disease. The board does not believe that the present 10 test cases present a significant risk and the probabilities vastly favour a dismissal of the actions.

Movements in borrowings

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. 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. 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.

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 a three-month JIBAR plus 1.5%. The loan amount is payable on 13 March 2007 and interest is compounded monthly and payable quarterly from 13 June 2006.

On 5 April 2002, ARMgold entered into a term loan facility of R500 million with BOE 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 the then AngloGold Limited. The facility is collateralised by a pledge of the following:

- ARMgold's shares in Freegold;
- the proceeds to ARMgold from the exercise of call options of Harmony as set out in the Freegold Joint Venture Agreement;
- the proceeds to ARMgold of put options purchased by ARMgold to create downside protection on the gold price,
- all amounts owing to ARMgold by Freegold; and
- 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 was on 31 December 2002 and the final instalment was settled on 30 June 2006. Interest was compounded monthly at a fixed rate of 15.49%

During the 2005 financial year 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. In addition, Harmony disposed of the remaining portion of the investment in ARM to the ARM Broad-Based Economic Empowerment Trust (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 "Put Option" 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 under the terms of the agreement.

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 by 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.

An indemnity from ARM Limited to the value of 50% of Harmony's liability under the guarantee, has been received. This indemnity 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 the Harmony obligation. Net obligation to Harmony, after taking the afore-mentioned adjustments into account, will be R260 million plus accrued interest.

Borrowing powers

The level of the company's borrowing powers, as determined by its Articles of Association, shall not except with the consent of the company's general meeting, exceed the aggregate from time to time of the issued and paid-up share capital of the company, together with the aggregate of the amounts standing to the credit of all distributable and non-distributable reserves (including 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 (FY05: R3 755 million).

Acquisitions

On 9 March 2006, Harmony announced that it had acquired a total of 44.99 million shares in Western Areas Limited (Western Areas or the company) representing a 29.2% stake in the company. This was done by acquiring 37.37 million shares from Allan Gray and buying a total of 7.62 million shares on the open market.

On 21 June 2006 Harmony announced that it had acquired 37.8% of the issued share capital of Village Main Reef Gold Mining Company Limited (Village) for an amount of R458 775. The equity stake was purchased from ARM at a price of 20 cents per share. 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 now holds 2 295 663 shares representing 37.83% of the issued share capital of Village.

Disposals

On 16 November 2005, Harmony disposed of its remaining 26.5 million Gold Fields Limited shares for R2 442 million, equivalent to an average price of R93.228 per share. The process was concluded through market disposals, which started 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.

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, equal in value to A\$4.4 million, to be issued in September 2006; and
- 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.

For further details on other disposals refer to notes 10 and 11 of the financial statements.

Property

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

Dividends

No dividend was declared during FY06 (FY05: Nil).

Share incentives

Harmony share options are granted to management as an incentive, in addition to annual salaries. The exercise of each option granted is set at the closing market price of Harmony's ordinary shares on the JSE on the day before the date of grant. Each option remains open for acceptance for 10 years after the date of grant, subject to the terms of the relevant option scheme. Harmony has three share option schemes, namely the 1994 Share Option Scheme, the 2001 Share Option Scheme and the 2003 Share Option Scheme. They have similar rules.

The options issued under the share option schemes may only be exercised over five years in five equal parts.

The following formula is used to calculate the amount of options an employee is entitled to:

$$\left(\frac{\text{ANNUAL COST TO COMPANY X GROUP LEVEL (1 TO 7)}}{\text{STRIKE PRICE}} \right) - \text{UNVESTED OPTIONS} = \text{OPTION ALLOCATION/TOP-UP}$$

EXECUTIVE DIRECTORS' AND MANAGEMENT'S SHARE OPTIONS

	Balance as at 1 July 2005		Exercised and sold during the year		Allocated during the year ¹		Vested Options ²		Lapsed	Balance 30 June 2006	
	Number of options	Average price per share	Number of options	Average price per share	Number of options	Average price per share	Number of options	Average price per share		Number of options	Average price per share
Frank Abbott ⁴	73 400	49.60	73 400	49.60	-	-	-	-	-	-	-
Ferdi Dippenaar	237 141	51.58	55 400	57.88	-	-	-	-	181 741	-	-
Ted Grobicki	307 400	44.41	146 700	44.41	-	-	-	-	160 700	-	-
Nomfundo Qangule	186 124	52.58	26 000	66.15	-	-	26 000	66.15	-	160 124	52.58
Bernard Swanepoel ⁵	469 767	51.58	128 800	49.60	-	-	97 313	52.58	-	340 967	52.58
Management (All) ³	18 363 063	49.26	4 167 575	93.29	-	-	-	-	1 449 181	12 741 307	49.34

1. No options were allocated during the year.

2. The options that have vested can be exercised. Only vested options should be added to the total remuneration of each director. Unvested options are deducted as part of the share option calculation formula and therefore each new option allocation merely constitutes a top-up. See formula above. Vested options have only been shown for directors to give an indication of directors' total remuneration.

3. The price per share option range between R22.90 and R93.00. The last date on which an option may be exercised is 26 April 2015.

4. Frank Abbott is the only non-executive director who held share options.

5. See a breakdown of Bernard Swanepoel's total remuneration for FY2006 on page 149.

6. This table should be read together with the table on appointments, resignations and retirement of directors.

Existing share option schemes

The share option schemes may be amended from time to time (whether retrospectively or otherwise) by the board in any respect (except for certain specific clauses that may only be amended through approval in a general meeting), provided that no such amendment shall operate to alter the terms and conditions of any option granted to a participant prior thereto, without the written consent of that participant and provided that the prior written approval of the JSE has been obtained. Share options allocations are approved by the Remuneration Committee. No share options were re-priced during the financial year.

Harmony adopted a share purchase scheme in which 1994 and 2001 Share Option Scheme participants respectively were allowed to participate. The share purchase scheme provides for a share purchase trust controlled by Harmony. Recourse loans are provided by the trust to the employees to enable them to acquire shares or exercise their options under the 1994 and the 2001 Share Option Schemes. Since 27 March 2003 share option scheme participants are no longer allowed to place their shares in the share purchase trust. The share purchase trust is funded by a loan from Harmony, which it repays once it receives repayment of the recourse loans granted to employees. Members of the Remuneration Committee serve as trustees. The trustees are not eligible to receive loans from the trust. We do not allow our participants to use structures to lock in profits as the options are meant to align our employees with our shareholders. The 2003 Share Option Scheme was approved by shareholders on 14 November 2003. The total number of shares reserved for the 2003 Scheme was 23 204 960, which represented 9% of the issued share capital of the company as at 16 September 2003. Despite numerous discussions with unions representing our non-managerial employees, we have not yet reached agreement as to the issue of options to non-managerial employees in terms of the 2003 Scheme. As such, no options have been granted to non-managerial employees under the 2003 Scheme; 5% of this scheme has been allocated to management.



Broad-Based Employee Share Scheme

In line with our negotiations with the unions, a decision has been taken to form a separate broad-based employee share option scheme or trust (the Broad-based Scheme), with the beneficiaries thereof being non-managerial employees and communal employee beneficiary schemes, aimed at benefiting our non-managerial employees and their families.

The total number of shares to be reserved for the Broad-based Scheme will be 5% of our issued share capital, will be granted under the Broad-based Scheme, subject to certain employee performance-linked milestones which can be realistically achieved. Once achieved, the value is unlocked to the Broad-based Scheme for the ultimate benefit of the non-managerial employees. Management and employees will jointly participate in the structuring of the Broad-based Scheme. It is the intention of the company to structure the Broad-based Scheme to maximise the recognition of black participation therein, both from the perspective of the Mineral and Petroleum Resources Development Act and the Broad-Based Black Economic Empowerment Act.

Introduction of the Harmony 2006 Share Plan effective from 1 July 2006

The Remuneration Committee has been engaged with independent professional service providers to design an appropriate suite of share-based incentives which are in line with global best practice, and emerging South African practice, and which in combination serve to reward the required attributes of shareholder alignment and long-term, sustained performance.

Recent developments in the accounting and regulatory treatments of share-based incentives, coupled with evolving best practice internationally, has resulted in the conclusion that Harmony's existing share option scheme is sub-optimal and should be replaced with a more contemporary plan. The company's Remuneration Committee has resolved that the existing Share Option Scheme will

remain in place and run its course for options already granted, until such time as all options are exercised or lapse. However, no new options will be granted.

The Remuneration Committee and the board of the company recommend the adoption of the Harmony 2006 Share Plan (the Plan), which incorporates the following elements: equity settled share appreciation rights, performance shares, and performance allocated restricted shares. The recommended schemes are in line with best practice in the UK and increasingly in the US and in South Africa.

The Plan will be established by the company under which executive directors and senior employees of the company and its subsidiaries and associates will be awarded rights to receive shares in the company, based on the value of these awards when time and performance conditions have been met, the awards have vested, and, in the case of the Share Appreciation Rights (SARs) and the restricted shares, these have been exercised.

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

In order to minimise volatility in earnings dilution due to IFRS2 (AC139), it is envisaged that rewards will be settled in shares. The nature of the plan is not as dilutive as a normal share option scheme. As a result the maximum number of shares, required for settlement over a 10-year period, is envisaged to be 14% of the company's currently issued ordinary shares for all Harmony share schemes. The 14% of the share capital of the company that is reserved for the share schemes was approved at the annual general meeting held in November 2005.

The performance conditions governing the vesting of the scheme instruments are related to, inter alia, growth in earnings above inflation, comparative total shareholder return relative to competitor peer groups, and achievement of sustainability index measures. They are designed to be stretching but achievable and are linked where applicable to the company's medium-term business plan, over rolling three-year performance periods.

Annual allocations of SARs, awards of performance shares, and grants of restricted shares will be governed by the company's reward philosophy, in which (inter alia) the 'expected value' of long-term incentive reward is set for defined categories of executives and senior management. Expected value is defined as the present value of the future reward outcome of an allocation/award/grant, given the targeted future performance of the company and of its share price.

A summary of the main elements of the Plan and their performance conditions as they are to be implemented is set out in the annexure to the notice to shareholders. Performance conditions for subsequent awards may utilise different performance measures and targets, but will be no less challenging in the context of the prevailing business environment.

Directorate

The following directors have served on Harmony's board since our 2005 Annual Report was published:

BOARD OF DIRECTORS

Name	Date of appointment	Date of resignation
Patrice Motsepe*	23 September 2003	By rotation or resignation
Bernard Swanepoel	16 May 1995	By resignation or retirement
Frank Abbott*	1 October 1994	By rotation or resignation
Joaquim Chissano* #	20 April 2005	By rotation or resignation
Fikile De Buck* #	30 March 2006	By rotation or resignation
Ferdi Dippenaar	9 June 1997	Resigned on 6 December 2005
Nolitha Fakude* #	18 October 2002	Resigned on 30 June 2006
Ted Grobicki	12 October 1994	Retired on 30 March 2006
Dr Simo Lushaba* #	18 October 2002	By rotation or resignation
Rick Menell*	23 April 2004	Resigned on 6 December 2005
Modise Motloba* #	30 July 2004	By rotation or resignation
Nomfundo Qangule	26 July 2004	By resignation or retirement
Cedric Savage* #	23 September 2003	By rotation or resignation

* Non-executive directors

Independent

Abridged CVs of all our directors appear on page 100 of this report. All directors have made themselves available for election to the board at the upcoming general meeting of members. In terms of the company's Articles of Association, Dr Simo Lushaba and Modise Motloba qualify for retirement by rotation at the forthcoming annual general meeting. The retiring directors are eligible and have made themselves available for re-election to the board.

Directors' interests

Disclosures by directors indicate that, at the date of this report, their individual shareholdings and those of their immediate families and associates, did not exceed 1% of the company's issued share capital.

The existing directors' interests and dealings in shares acquired, other than through share incentive schemes, for the year under review and up to 30 June 2006, are set out in the table below:

Title	Balance 30 June 2005	Acquired	Disposed	Balance at 30 June 2006
Executive				
Bernard Swanepoel	10 000	–	10 000	–
Ted Grobicki*	30 000	–	30 000	–

Ted Grobicki's holding in Harmony was held on behalf of a trust of which he is a trustee, but not a beneficiary. He retired on 30 March 2006.

Directors' emoluments

Harmony's Remuneration Committee (see page 113 for details) ensures that Harmony's directors and senior executives are fairly rewarded for their individual contributions to the company's overall performance.

An external consultant, Deloitte, was approached in November 2005 to establish whether executive pay was market related. The Execeval scoring system was used to evaluate the executives and to compare equivalent gradings in the mining and national markets. It was established that executives' remuneration fell below the lowest quartile in most instances. Executive pay was based on guaranteed pay at the lower quartile combined with short- and long-term incentives of which some were performance linked.

Acknowledging the reasons for the relatively low guaranteed pay, such as the disappointing performance of the company and the adverse effect of the restructuring that took place, the Remuneration Committee acknowledged that the company is on a path of growth and that the need



had arisen to review the reward philosophy of the company. A reward philosophy was adopted in May 2006 which contains the following components:

- the reward strategy intent;
- reward strategy design principles;
- pay levels;
- pay mix;
- short-term incentives;
- long-term (share-based) incentives; and
- non-financial rewards.

The objective of Harmony's reward strategy is to enable the business to:

- recruit high performing skills from a limited pool of talent;
- retain competent employees who enhance business performance;
- reinforce, encourage and promote superior performance;
- direct employees' energies and activities towards achieving key business goals;
- achieve most effective returns (employee productivity) for total employee spend; and
- address diverse employee needs across differing cultures.

To achieve the above objective, the following decisions were made by the board regarding executive remuneration:

- guaranteed remuneration of executives to be pitched at close to median (50 percentile level) of comparable South African executive remuneration; and
- through performance-related annual bonuses, capped at a maximum of 50% and long-term incentive plans, executives will be able to earn up to the top quartile (75 percentile level), based on superior company and individual performance.

Where the Remuneration Committee considered the gap to be unreasonably large, the board agreed to an interim adjustment to the executive directors' guaranteed remuneration, with effect from 1 March 2006 and spread over a period of two years.

Directors' emoluments for the year ended 30 June 2006 are set out in the table on the next page in compliance with the requirements of the JSE Limited:

DIRECTORS' REMUNERATION

Name	Remuneration (R000) FY05 ⁷	Directors' fees (R000) FY06	Salaries and benefits ¹ (R000) FY06	Retirement contributions during the year (R000) FY06	Bonuses paid (R000) FY06	Total FY06 ⁸
Non-executive						
Patrice Motsepe	110	115	-	-	-	115
Frank Abbott ²	-	-	-	-	-	-
Nolitha Fakude	135	140	-	-	-	140
Mr J Chissano		60	-	-	-	60
Ms F De Buck	-	-	-	-	-	-
Dr Simo Lushaba	120	130	-	-	-	130
Rick Menell	80	120	-	-	-	120
Modise Motloba	85	100	-	-	-	100
Cedric Savage	140	140	-	-	-	140
Executive³						
Bernard Swanepoel ⁶	2 103	-	2 066	326	-	2 392
Ferdi Dippenaar ⁵	1 404	-	644	103	-	747
Ted Grobicki ⁴	2 574	-	2 818	257	-	3 075
Nomfundo Qangule ⁶	1 174	-	1 317	124	-	1 441
TOTAL	8 640⁷	830⁸	6 845	810	-	8 485

Note: Please read this table in conjunction with the table setting out the appointments, resignations and retirement on page 145.

1 Increase granted to executive directors in March 2006. See Directors' emoluments.

2 Frank Abbott has waived his non-executive director's fee.

3 Our executive directors have waived their directors' fees in terms of our Articles of Association.

4 Ted Grobicki's salary is paid in A\$. The conversion rate from A\$ to R is based on the average exchange rate for the year of R4.80/A\$.

5 Ferdi Dippenaar resigned on 6 December 2005 and his remuneration is only reflected up to 31 December 2005.

6 Includes increases awarded as from 1 March 2006 (see page 147 for explanation).

7 Total remuneration for FY05 includes R715 000 in remuneration paid to Dr Morley Nkosi, Mike Pleming, Lord Robin Renwick and Mangisi Gule who either resigned or retired during the course of the financial year.

8 The total remuneration paid in FY06 also includes R25 000 paid to Dr Morley Nkosi.



CE'S REMUNERATION – OPTIONS (RANDS)

	Granted	Strike price	Vested	Value of vested options at strike price	Gross value of options if exercised at R94* on 12 September 2006
Granted over five years on 10 August 2004	145 600	66.15	58 240	3 852 576	1 621 984
Granted over five years on 26 April 2005	195 367	39.00	39 073	1 523 847	2 149 015
Total value# of options as at 12 September 2006 assuming a share price of R94	340 967	52.58	97 313	5 376 423	3 770 999#

* Rounded-off 5-day VWAP of Harmony share as at 12 September 2006.

Income tax and broker's fee (2%) will be deducted from this amount.

CE'S REMUNERATION

Salary	R000
Salary as at 30 June 2005	1 827
Increase in March 2006 on total package	239
Salary as at 30 June 2006	2 066
Plus all other benefits	326
Plus value of share option transactions during FY2006	5 645
Total remuneration for the year ending 30 June 2006	8 037

Non-executive directors' remuneration

Non-executive directors are paid R20 000 per quarter and an additional R5 000 per quarter per board committee they serve on. An additional R4 000 per day is paid to a non-executive director who performs any additional duties over and above his or her duties as a non-executive director.

Fees paid to non-executive directors were reviewed by the Remuneration Committee during May 2006. An external consultant, Deloitte, was mandated to establish the remuneration of non-executive directors of similar and comparable companies.

The proposed fees are set out in the notice of meeting enclosed with this report.

Shareholders will be required to consider whether or not these increases are acceptable at the annual general meeting to be held on 10 November 2006.

Employees' remuneration

Following the completion of the in-house salary equalisation programme and consistent with our productivity results, in terms of total earnings, Harmony is the best 'payer' in the industry at all levels, except the executive level:

- category 3 workers (lowest level) earn on average R5 249 per month;
- category 3 to 8 workers earn on average R6 314 per month; and
- level 9 + (managers) earn on average R21 807 per month.

Shareholders

Information on shareholder spread, range of shareholdings and public shareholders, as well as major shareholders, is presented on pages 236 to 239 of this report.

Post year-end events

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.

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 Harmony and ARM are trustees. Nomfundo Qangule and Frank Abbott represent each company respectively. (Refer to note 22 (e) of the financial statements.)

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 that company in June 2006. (Refer to note 23 (c) of the financial statements.)

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 Alan Gray Ltd was one of the group's top shareholders, by holding 11.8% of Harmony's total shares. (Refer to note 23 (b) of the financial statements.)

Company secretary

The secretary of the company is Marian van der Walt. Her business and postal addresses appear on the inside back cover of this report. The secretary has, in terms of section 268G(d) of the Companies Act, 1973, certified that: "All such returns as are required of a public company in terms of the Act have been made and are true, correct and up to date."

Independent auditors

PricewaterhouseCoopers Inc. will continue in office in accordance with section 270(2) of the Companies Act of South Africa. Their address is:
2 Eglin Road
Sunninghill 2157

Special resolutions

Effective date	Resolution
11 November 2005 (Annual general meeting)	Authority to directors to re-purchase shares