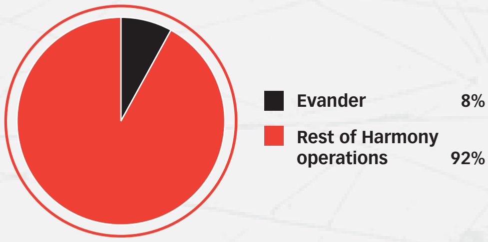
Evander

Contribution to group production – FY10



Description

The Evander operation (Evander 8), located in Mpumalanga, mines the Kimberley Reef in the Evander Basin. Ore mined is milled and processed at the Kinross plant, which has a hybrid CIP/CIL process. Evander 8 shaft has an expected life-of-mine of around 11years. A project to deepen this shaft, by means of an additional twin decline system down to 25 level and extensions to the infrastructure, is currently under way. Following a review by Harmony of uneconomical operations, the Evander 7 shaft ceased production given that its orebody had been depleted while the Evander 2 and 5 shafts were closed.

The Evander operation employed 3 331 people – 3 052 employees and 279 contractors – in FY10.

Detailed information on Evander's resources and reserves are available in the *Mineral resources and mineral reserves* section of this annual report on pages 150 to 152.

Safety

There were most regrettably two fatalities (FY09: two fatalities) at Evander in FY10. Despite this, the LTIFR improved to 7.41 per 1 million hours worked (FY09: 10.39).

More detailed information on safety performance and Harmony's sustainable development concerns in South Africa can be found in the online *Sustainable Development Report* on the corporate website, www.harmony.co.za. A summary of this can be found on pages 26 to 46 of this annual report.

Evander key statistics

Production		FY10	FY09	FY08
Volumes milled	000t (metric)	**788**	1 125	1 312
	000t (imperial)	**869**	1 241	1 447
Gold produced	kg	**3 475**	5 912	7 210
	oz	**111 724**	190 075	231 799
Average grade	g/t	**4.41**	5.25	5.50
	oz/t	**0.129**	0.153	0.160
Financial				
Revenue	R million	**910**	1 514	1 402
	US$ million	**120**	168	193
Operating cost*	R/kg	**248 190**	165 377	121 641
	US$/oz	**1 018**	572	526
Operating profit	R million	**51**	516	486
	US$ million	**7**	57	66
Capital expenditure	R million	**175**	210	242
	US$ million	**23**	24	33

Sustainability		
Number of employees		
Employees		**2 865**
Contractors		**466**
Total		**3 331**
HDSAs in management**	%	**31**
Women in mining**	%	**8**
Expenditure on training and development	R million	**22**
Safety		
No. of fatalities		**2**
LTIFR	per million hours worked	**7.41**
Environment		
Energy used	000MWh	**397**
Water used for primary activities	000m^3	**5 267**
GHG emissions	000t CO_2e	**491**
Expenditure on local economic development	R million	**5**
Status of mining right	New order mining right granted in December 2007	

* *Includes royalty payment in FY10*

** *Indicator reported in terms of the MPRDA and the South African Mining Charter*

Evander cont.

Operations review

Ore milled for the year totalled 788 000 tonnes, a decline of 30% on FY09. This together with a decline in grade resulted in a 41% decrease in gold produced to 111 724 ounces. This drop in operational performance was caused by a combination of factors, the most significant being the restructuring during the year of the Evander operations. A due diligence of these operations – Evander 2, 5, 7 and 8 – led to the conclusion that the only economically viable shaft was Evander 8. Mining operations at Evander 2, 5 and 7 shafts thus ceased during the year and Evander 8 was restructured. The shaft infrastructure at Evander 7 will be utilised by Evander 8 for the pumping of water and the hoisting of rock as well as being available for use as a second escape. High temperatures underground, caused by ventilation return capacity restrictions at Evander 8 remained problematic and hampered production.

Once the restructuring of Evander had been completed, a feasibility study was undertaken which proved the viability of Evander 8. Greater attention was thus given to this shaft and a re-engineering project was implemented which involves not just the deepening of the decline but its repositioning within the payshoot. This will give immediate access to the high-grade areas between 24 and 25 level, and will contribute to improved productivity with consequent financial benefits. The project's parameters include the optimisation of logistics, cooling and ventilation as well as an upgrade of the refrigeration plant. It is estimated that, on a monthly basis, this project will yield 245 kilograms (7 876 ounces) from 29 000tpm at an average grade of 8.56g/t. The monthly capacity of the conveyor belt is to be upgraded to 46 000tpm.

Following the closure of the Evander 2 and 5 shafts as well as the Winkelhaak plant, a one-year clean up programme was begun at and in the vicinity of the plant. The aim of this programme, which will continue into FY11, is to clean up any metal contained in the plant footprints, to process rock from the dumps on the vicinity, to rehabilitate the Winkelhaak plant, and to clean the surface rail network. In FY10, around 292 642 tonnes were treated via this programme at a recovered grade of 1.81g/t, yielding 528 kilograms (16 975 ounces) of gold.

Current productivity rates of 93g/TEC are planned to increase to an average of 145g/TEC over the remaining life of this operation.

Financial review

Revenue declined by 40% in rand terms to R910 million while production costs fell by 14% in rand terms to R859 million and were almost constant in dollars at $113 million. Unit costs however rose by 50% to R248 190/kg and by 78% to $1 018/oz, a result of reduced production. Operating profit plunged to R51 million ($7 million).

Capital expenditure of R175 million, which declined by 17%, was spent mostly on ongoing development (R84 million), major equipment maintenance (R18 million) and on shaft capital (R45 million) with the balance being spent on major project capital for Evander 8 (R28 million).

Outlook*

Mining will continue to take place on the edges of the higher grade payshoot during FY11 while development takes place to make the high-grade areas available.

In FY11, 514 000 tonnes are expected to be milled at an average recovered grade of 4.52g/t. Capital expenditure** of R196 million ($26 million) is planned for FY11 – R56 million ($7 million) on on-going development, R21 million ($3 million) on major equipment maintenance and R119 million ($16 million) on major project and other shaft capital.

* *Please refer to the forward-looking statements*

** *June 2010 money terms. The exchange rate of R7.63/US$ as at 30 June 2010 has been used for all forward-looking conversions.*