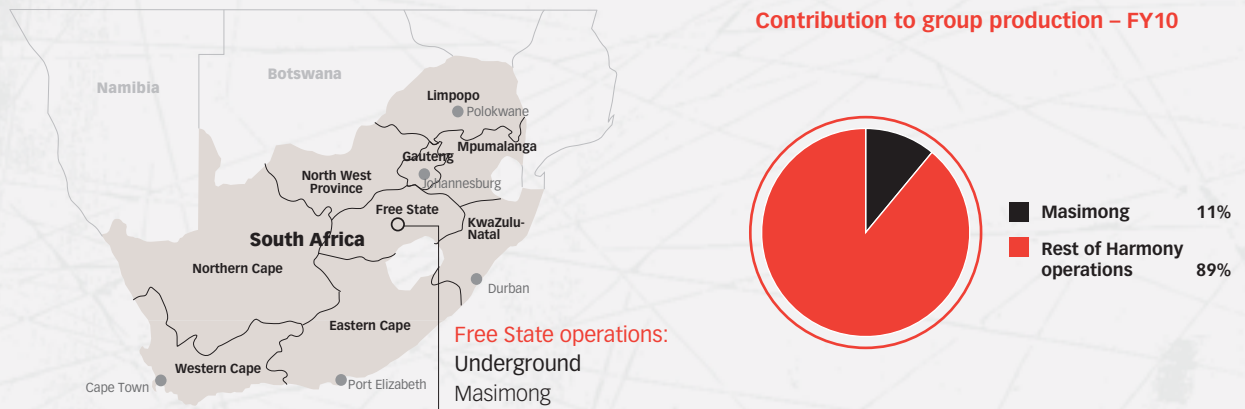


Masimong



Description

Masimong, which is in the central Free State, consists of an operating shaft – 5 shaft – and 4 shaft which, although closed, is used for ventilation, pumping and as a second outlet. Ore mined at Masimong is processed at the Harmony 1 Plant around 23 kilometres away. Conventional drilling, blasting and scraping operations are focussed on the Basal and B reefs. The shafts are intermediate in depth, extending to around 2 300 metres.

Masimong employed 3 205 in FY10, of which 3 067 were employees and 138 contractors.

Detailed information on Masimong's resources and reserves are available in the *Mineral resources and mineral reserves* section of this annual report on pages 132 to 142.

Safety

Overall safety performance at Masimong improved in FY10, but there was most regrettably one fatality (FY09: two fatalities). The LTIFR improved to 7.37 per 1 million hours worked (FY09: 8.67).

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.

Review of operations – South Africa

Masimong cont.

Masimong key statistics

Production		FY10	FY09	FY08
Volumes milled	000t (metric)	899	890	809
	000t (imperial)	991	981	892
Gold produced	kg	4 840	4 791	3 621
	oz	155 609	154 034	116 424
Average grade	g/t	5.38	5.38	4.48
	oz/t	0.157	0.157	0.131
Financial				
Revenue	R million	1 277	1 215	698
	US\$ million	168	135	96
Operating costs*	R/kg	146 674	137 598	175 593
	US\$/oz	602	476	756
Operating profit	R million	575	554	61
	US\$ million	76	62	8
Capital expenditure	R million	177	130	114
	US\$ million	23	14	16
Sustainability				
Number of employees				
	Employees	3 067		
	Contractors	138		
	Total	3 205		
HDSAs in management**	%	19		
Women in mining**	%	12		
Expenditure on training and development	R million	14		
Safety				
	No. of fatalities	1		
	LTIFR	7.37		
Environment				
	Energy used	229		
	Water used for primary activities	1 722		
	GHG emissions	274		
Expenditure on local economic development	R million	13		
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

Operations review

Volumes milled increased marginally year-on-year by 1% to 899 000 tonnes and grades were maintained. Consequently, gold produced was also 1% up at 155 609 ounces.

Maintaining grades on the B Reef proved challenging as mining moved out of the high-grade channels while those mined on the Basal Reef generally remained constant. Nevertheless grades were maintained overall for the year at 5.38g/t. Productivity levels improved to average 28.81t/TEC for the year.

The infrastructural upgrade, which began in FY09 and included improved resource management and the installation of new tracks, locomotives and compressors, was completed in FY10. Masimong will reap the benefits of this upgrade by way of improved productivity, efficiencies and output in coming years.

Ventilation is a challenge at Masimong as the booster fans currently installed themselves generate heat and consume electricity. Steps are being taken to counter this. Pressure doors have been installed as an interim measure and a new ventilation system is being installed.

A new refrigeration plant is to be installed by September 2011 at a cost of R61 million. Following the upgrade programme, full production is scheduled for 2012 at a forecast average rate of annual production of around 158 000 ounces at an average grade of 5.11g/t. To help achieve this, face advances are planned to increase from 2m²/TEC to 7m²/TEC and every effort has been made to ensure that panels are well equipped and crews motivated, and steps have been taken to overcome the erratic grade of the B reef.

Financial review

Revenue was 5% up in rands to R1 277 million while in dollars, it increased by 24% to US\$168 million. Cost increases were well controlled during the year with unit costs rising by 7% to R146 674/kg and, in dollars, by 26% to US\$602/oz, making Masimong the lowest cost producer among Harmony's operations. The higher gold price achieved in dollars was countered by the strong rand, resulting in operating profit increasing by 4% to R575 million and by 21% to \$76 million. Capital expenditure of R177 million (\$23 million) was spent largely on booster fans, emergency generators and the infrastructure upgrade.

Outlook*

Volumes milled are expected to rise to 1 million tonnes in FY11 at a grade of around 4.9g/t. Gold production is forecast to be approximately 4 900 kilograms (158 000 ounces) at a cash cost** in the region of R167 132/kg (US\$681/oz).

Capital expenditure** of R208 million (US\$27 million) is planned for FY11 – R119 million (US\$16 million) on on-going development and R89 million (US\$12 million) on major equipment maintenance and other shaft capital. Of this, the major items are R28 million (US\$4 million) to be spent on the refrigerator plant at Masimong 5 shaft and R19 million (US\$2 million) on the upgrading of rail bound equipment.

Current productivity levels of 138g/TEC are forecast to improve to an annual average of 172g/TEC during peak production.

* 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.