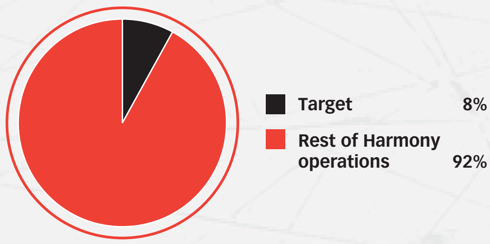
Target

Contribution to group production – FY10



Description

Located in the Free State, Target mine consists of a single surface shaft system with a sub-shaft and a decline. Ore is processed at the Target plant situated adjacent to the shaft. Both mechanised (86%) and conventional (14%) mining are undertaken on the geologically complex Elsburg and Dreyerskraal reefs. Mining operations extend to a depth of some 2 350 metres. With the acquisition of Pamodzi's Free State assets, one of these, the Target 3 shaft (formerly Loraine 3) was incorporated into Harmony's Target operation in the second half of the year.

Target employed 3 078 in FY10, of which 2 676 were employees and 402 contractors.

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

Safety

A concerted effort has been made in recent years to improve safety at Target. Although safety performance improved in terms of LTIFR in FY10, there were regrettably two fatalities during the year (FY09: two), the result of falls of ground. These are now a major focus of the safety programme at Target. The LTIFR improved to 3.39 per million hours worked (FY09: 9.66).

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.

Target cont.

Target key statistics

Production		FY10	FY09	FY08
Volumes milled	000t (metric)	**777**	644	622
	000t (imperial)	**857**	710	686
Gold produced[††]	kg	**3 539**	2 713	2 476
	oz	**113 782**	87 225	79 602
Average grade	g/t	**4.40**	4.21	3.98
	oz/t	**0.128**	0.123	0.116
Financial				
Revenue	R million	**878**	688	503
	US$ million	**116**	76	69
Operating costs*	R/kg	**190 720**	186 749	167 990
	US$/oz	**783**	645	716
Operating profit	R million	**214**	152	129
	US$ million	**28**	16	18
Capital expenditure	R million	**382**	342	256
	US$ million	**51**	38	35

Sustainability		
Number of employees		
Employees		**2 676**
Contractors		**402**
Total		**3 078**
HDSAs in management**	%	**34**
Women in mining**	%	**11**
Expenditure on training and development	R million	**13**
Safety		
No. of fatalities		**2**
LTIFR	per million hours worked	**3.73**
Environment		
Energy used	000MWh	**228**
Water used for primary activities	000m^3	**2 755**
GHG emissions[†]	000t CO_2e	**279**
Expenditure on local economic development	R million	**3**
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*

† *Includes Target plant*

†† *117 kilograms (3 762 ounces) capitalised*

Operations review

Work done in FY09 to open up and increase the availability of the massive stopes at Target resulted in increased output. Volumes milled rose by 21% to 777 000 tonnes and this together with a 5% increase in grade resulted in ounces produced being 31% up on the year at 113 782 ounces.

FY10 at Target was notable for the consistent quarterly performance achieved, in line with plans. The programme to remodel and re-estimate the Target orebody was completed early in the year and led to much improved planning and design, which resulted in greater availability of the massive stopes, and the resolution of ventilation and cooling problems which enabled the return to production of all 10 narrow-reef, conventional mining panels. This programme will also permit Target to better manage its ore reserves which is crucial to the mine's future success.

The pre-feasibility study for the Block 3 project was completed, giving management a more thorough understanding of the orebody, which facilitated grade predictions and the mine planning function.

Good values were sampled in two raises currently being developed for narrow stoping at Target 1. Development at Target 3 is being done on the Elsburg Reef while, owing to logistical constraints, development of the better grade Basal reef has been delayed.

At Target 3, there were several challenges to be resolved including face length flexibility, infrastructural shortcomings and the build-up of mud and water at the bottom of the shaft. Progress is being made with the cleaning of the sub-shaft infrastructure so as to access the higher-grade Basal Reef mining area. A fridge plant has been installed and should be operational by the first quarter of FY11. This will enable access to more panels in the sub-shaft, contributing in turn to higher grades.

Financial review

Higher production and a higher gold price achieved for the year contributed to revenue rising in terms of both rand and dollars by 28% and 53% to R878 million and US$116 million. Cost increases were well controlled. Cash operating costs were 2% up in rand terms at R190 720/kg and in terms of dollars, up 21% to US$783/oz.

Capital expenditure of R382 million (US$51 million) included R178 million (US$23 million) on on-going development, R44 million (US$6 million) on major equipment maintenance and R77 million (US$10 million) on other shaft capital and major projects. In addition, R70 million (US$9 million) was spent on preparing the Target 3 shaft for full production following the Pamodzi acquisition.

Over-expenditure related mostly to ongoing development which was necessary to achieve the additional development metres required to provide the desired level of mining flexibility. This was achieved and had a positive impact on both tonnes milled and the grade recovered.

Target cont.

Outlook*

Target 1: The revised and improved geological modelling will continue to bear fruit in FY11 and volumes produced are expected to increase to 814 000 tonnes, and the grade to increase to 4.51g/t. Grades should continue to rise to a peak of around 5g/t in FY16. Gold production in FY11 is planned to be around 3 979 kilograms (127 928 ounces) at a cash cost** of approximately R183 060/kg (US$ 746/oz).

Target 3: Volumes for FY11 are expected to be around 283 000 tonnes in FY11, and the grade, 5.16g/t. Gold production in FY11 is planned at around 1 462 kilograms (47 000 ounces) at a cash cost** of approximately R202 736/kg (US$826/oz).

Combined capital expenditure** for both the Target 1 and Target 3 shafts of R457 million (US$60 million) is planned for FY11 – R202 million (US$27 million) on on-going development, R47 million (US$6 million) on major equipment maintenance and R207 million (US$27 million) on other shaft capital and major capital (R101 million; US$13 million) on Block 3.

Current productivity levels of 156g/TEC (Target 1) are forecast to improve to an annual average of 216g/TEC at Target 1 and 153g/TEC at Target 3 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.*

Target, South Africa