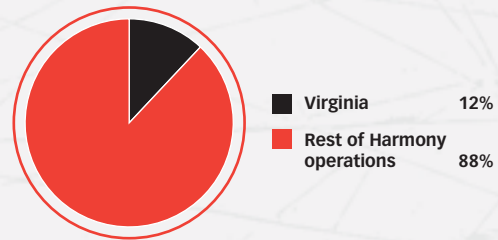


Review of operations – South Africa

Virginia



Contribution to group production – FY10



Description

The Virginia operations, situated in the Free State province, are among the oldest in the group and at year-end comprised Unisel and Merriespruit 1. Ore from Unisel is processed at Harmony 1 plant, while that from Merriespruit 1 is treated at Central Plant. These operations, which are of intermediate depth, ranging from 1 000 to 2 000 metres, employ scattered mining and pillar reclamation to access the Basal, Leader, Middle and A reefs.

Virginia employed 4 036 in FY10, of which 3 979 were employees and 57 contractors. This will decrease to approximately 2 500 people in FY11.

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

Safety

There were most regrettably five fatalities at the Virginia operations in FY10 as compared with one the previous year. Following a significant improvement in FY09, there was a slight deterioration in the LTIFR to 12.86 per million hours worked in FY10 (FY09: 12.38).

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.

Virginia key statistics

Production		FY10	FY09	FY08
Volumes milled	000t (metric)	1 656	2 261	2 130
	000t (imperial)	1 826	2 493	2 349
Gold produced	kg	5 288	8 030	7 708
	oz	170 013	258 170	247 820
Average grade	g/t	3.19	3.55	3.62
	oz/t	0.093	0.104	0.106
Financial				
Revenue	R million	1 415	2 033	1 488
	US\$ million	187	226	204
Operating costs*	R/kg	252 537	184 538	169 544
	US\$/oz	1 036	638	726
Operating profit	R million	75	545	180
	US\$ million	10	61	24
Capital expenditure	R million	180	199	152
	US\$ million	24	22	20
Sustainability				
Number of employees				
	Employees	3 979		
	Contractors	57		
	Total	4 036		
HDSAs in management**	%	36		
Women in mining**	%	13		
Expenditure on training and development	R million	27		
Safety				
	No. of fatalities	5		
	LTIFR	12.86	per million hours worked	
Environment				
	Energy used	406	000MWh	
	Water used for primary activities	10 380	000m ³	
	GHG emissions	491	000t CO ₂ e	
Expenditure on local economic development	R million	4		
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

Review of operations – South Africa

Virginia cont.

Operations review

Following a review of Harmony's asset portfolio and the economic viability of the Virginia operations, and given the depletion of their orebodies, mature infrastructure and low grades, production ceased at Brand 3, which has been placed on care and maintenance, and at Harmony 2 and Merriespruit 3. To enable certain sections of Merriespruit 1 to continue operating, a job preservation and profitability agreement was signed with organised labour. As a result of the restructuring of the Virginia operations, production for the year was down 27% to 1.7Mt milled. Together with a 10% decline in grade, this resulted in gold production of 170 013 ounces, a decrease of 34%.

The development at Merriespruit 1 focused on those areas with the best short-term grade potential and better grades are expected as a result. At Unisel, Basal Reef development produced good results while Leader Reef development was negatively affected by poor environmental conditions which will be addressed by the cooling project. Middle Reef development focused on the decline area in pillars and was negatively affected by reef pinch outs and reef variability. B Reef development was undertaken in a fault block which made access easy but results were poor and development was halted. Overall, the shaft produced reserves on the Basal and Leader reefs. Future development will focus more on the better grade E block.

Financial review

Revenue of R1 415 million was down by 30%, which combined with an increase in cash operating cost of 37% to R252 537/kg (US\$1 036/oz), resulted in operating profit declining by 86% to R75 million (US\$10 million). Capital expenditure of R180 million (US\$24 million) was spent largely on on-going development (72%) and on maintenance and other shaft capital (28%).

Outlook*

In FY11, volumes mined are expected to be around 1.1Mt at a grade of 3.75 g/t. Gold production is expected to be 4 212 kilograms (135 419 ounces), while cash costs** are forecast to be approximately R224 000/kg (US\$ 913/oz). This forecast is highly dependent on the success of mining and costs at Merriespruit 1.

A great deal of development is still required to access the Basal Reef at Unisel, and the high-grade shaft pillar will be exploited at the end of its life-of-mine.

Capital expenditure** of R78 million (US\$10 million) is planned for FY11 – R57 million (US\$7 million) on on-going development and R21 million (US\$3 million) on major equipment maintenance and other shaft capital.

Current productivity levels of 84g/TEC are forecast to improve to an annual average of 140g/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.