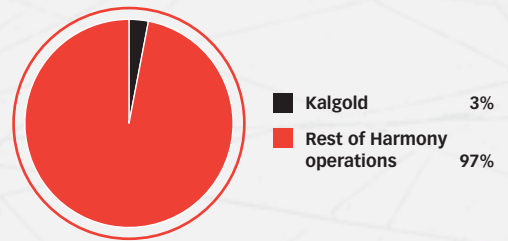


Kalgold



Contribution to group production – FY10



Description

Kalgold is an open-pit mining operation close to Mafikeng in North West Province. The mine accesses gold-bearing ore in a banded ironstone formation in a shear zone within the Kraaipan Greenstone Belt. Tonnage mined at Kalgold is treated at a carbon-in-leach plant on site.

Kalgold employed 480 people – 230 employees and 250 contractors – in FY10.

Detailed information on the Kalgold’s resources and reserves are available in the *Mineral resources and mineral reserves* section of this annual report on pages 153 to 154.

Safety

There were no fatalities at Kalgold in FY10 while the LTIFR for the year was 1.49 per million hours worked compared to 2.94 in FY09.

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

Kalgold cont.

Kalgold key statistics

Production		FY10	FY09	FY08
Volumes milled	000t (metric)	1 700	1 542	1 530
	000t (imperial)	1 873	1 700	1 687
Gold produced	kg	1 526	2 015	2 869
	oz	49 063	64 784	92 229
Average grade	g/t	0.90	1.31	1.87
	oz/t	0.026	0.038	0.055
Financial				
Revenue	R million	390	512	557
	US\$ million	51	57	77
Operating costs*	R/kg	182 215	146 314	94 312
	US\$/oz	748	506	401
Operating profit	R million	116	220	279
	US\$ million	15	25	39
Capital expenditure	R million	11	10	10
	US\$ million	1	1	1
Sustainability				
Number of employees				
	Employees	230		
	Contractors	250		
	Total	480		
HDSAs in management**	%	63		
Women in mining**	%	13		
Expenditure on training and development	R million	1		
Safety				
	No. of fatalities	0		
	LTIFR	1.49		
Environment				
	Energy used	77		
	Water used for primary activities	2 337		
	GHG emissions	65		
Expenditure on local economic development	R million	1		
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

Kalgold performed in line with expectations in FY10. Volumes processed rose by 10% to 1.7Mt as planned.

Gold production declined by 24% to 1 526kg (49 063oz), a result of the planned decline in grade to 0.90g/t as operations at the high-grade D Zone pit came to an end in March 2009. The sulphide material, which does not present the same problems as the oxidised material, is now being mined at the lower-grade Watertank pit. Mining at the A zone pit, where grades will be similar to those at the Watertank pit, is scheduled to start in 18 months' time.

Harmony continued with the brownfields exploration in areas surrounding the Kalgold operation.

Financial review

Despite the lower level of production and cash costs of R182 215/kg (US\$748/oz), Kalgold reported an operating profit of R116 million (US\$15 million). Capital expenditure for the year was R11 million (US\$1 million), spent mostly on the maintenance of major equipment. Productivity levels at Kalgold in FY10 were 331g/TEC, the highest in the group.

Outlook*

Mining will continue in the Watertank pit during the next year and volumes and grade are expected to be in line with those reported in FY10

Tonnes milled annually will remain stable at around 1.7Mt. An average recovered grade of 0.74g/t over the life of mine will not vary significantly. Annual gold production should therefore be around 1 226kg (39 400 ounces). Cash costs** are expected to be in the region of R216 500/kg in FY11 (US\$883/oz), partly due to increased contractor costs resulting from the deeper pit design.

Total capital expenditure** planned for FY11 is R67 million (US\$9 million). This will mainly be spent on the upgrade of old plant equipment so as to improve availability.

* 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.



Kalgold, South Africa